

**COMMUNITY DEVELOPMENT
SINGLE FAMILY HOUSING
REHABILITATION PROGRAM**

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COMMUNITY DEVELOPMENT SINGLE FAMILY HOUSING REHABILITATION PROGRAM

INTRODUCTION.

Through the Community Development Single Family Housing Rehabilitation Program, the City of Spokane will make home rehabilitation loans to low-income owner-occupants of single-family residential properties within the City. It is the intent of the Program to provide housing rehabilitation assistance to eligible homeowners in an efficient manner and at a low administrative cost. Funds for the Program are available to the City through the federal Community Development Block Grant Program (CDBG), under Title I of the Housing and Community Development Act of 1974, as amended, and through the federal Home Investment Partnerships Act (HOME). Loan repayments are also a source of funding for this Program.

GOALS.

1. The primary goal of the Single Family Housing Rehabilitation Program is to provide assistance to targeted single family homeowners to:
 - a) protect the health, safety and security of the homeowner and his/her family.
 - b) to preserve or restore the structural integrity of the building to assure its continued fitness for use as a single family dwelling.
 - c) to improve the energy efficiency of the dwelling in a cost effective manner.
2. A secondary goal is to "assist" in the preservation of neighborhoods, giving priority to neighborhoods with high concentrations of poverty and minority populations. Further, it is a goal to provide neighborhoods with opportunities for involvement in the delivery and targeting of housing rehabilitation so they effectively reach those populations.

ORGANIZATIONAL STRUCTURE.

1. City Council/Community Development Board (Policy). Final responsibility for the Housing Rehabilitation Program rests with the City Council. The Community Development Board is hereby designated to represent the Council in (1) establishing and interpreting policy, (2) overseeing overall operation of the Program, and (3) arranging, at its discretion, public hearings of matters relating to Program policy and operation. After reviewing recommendations from the Board, the City Council will approve the Program Outline.
2. Housing Advisory Working Group (Advisory). The Chairperson of the Community Development Board may appoint a Housing Advisory Working Group (HAWG) composed of one or more Board members, a neighborhood representative, a representative of a local lender, and a representative(s) of local low income housing practitioners to examine and decide policy issues on its behalf during the operation of the Program. The HAWG shall be responsible, subject to the review of the Community Development Board, to (a) interpret and define Program policy as it applies to questions referred to it by the Community Development Board or the Director of Community Development; and (b) initiate or review the development and implementation of strategies for meeting special community housing needs which are consistent with the goals of the Housing Rehabilitation Program.
3. Single Family Housing Rehabilitation Advisory Committee (Advisory). The Chairperson of the Community Development Board may appoint a Single Family Housing Rehabilitation Advisory Committee composed of one member from each neighborhood that allocates funds for single-family housing rehabilitation and three members from the Housing Advisory Working Group. Each neighborhood steering committee may recommend a representative to the CD Board Chairperson for appointment to the Advisory Committee. The Committee is expected to meet four times per year; once each calendar quarter. The Committee will (a) provide oversight of neighborhood allocations on program implementation and expenditures; and (b) make recommendations to the CD Board regarding revisions to the Program and policies.
4. Director of Community Development (Management). The Director of Community Development shall be responsible for the administration and execution of this Program pursuant to the policies and interpretations of the Community Development Board and Housing Advisory Working Group, and within the established budget, and goals of the Housing Rehabilitation Program. The Director shall coordinate City staff and any contracted management services to implement this Program, along with those provided by the Building Official, Contract Compliance Officer, Relocation Officer, City Attorney, and Historic Preservation Officer. The Director of Community Development may assign the execution of the following Program Management duties to City staff or a private contract manager working under his or her overall direction. The Program Management duties shall include, but not be limited to, the following: (a) prepare and implement an affirmative marketing program; (b) provide public information on the Program, and solicit and process applications; (c) maintain a list of qualified contractors; (d) oversee the rehabilitation process to insure that rehabilitation work is efficiently accomplished in a manner equitable to all

concerned; (e) determine that the work has been completed according to the terms of the contract and is acceptable to the homeowner; (f) process payment requests upon acceptance of the work by the homeowner and when appropriate, obtain a determination by the City's Building Official that the work complies with the requirements of applicable City codes; (g) process payments for work completed; (h) arrange educational workshops on home maintenance; (i) protect the interests of the applicant and the City Program by assuring compliance with HUD regulations governing Community Development and HOME funds; (j) maintain records and accounts; (k) develop administrative and bidding procedures for the Housing Rehabilitation Program; (l) involve the homeowner in the rehabilitation process when appropriate; (m) submit monthly reports that detail the Program activities and expenditures including the progress of individual housing rehabilitation through the single family housing rehabilitation process; (n) submit an annual report that details the Program's cumulative activities and expenditures, including houses completed through the Program and houses in progress.

5. Building Official (Technical). The Building Official shall provide technical assistance to the Program. The Building Official and his staff shall: (a) advise the Program staff when requested, as to the condition of the property and the appropriateness of the rehabilitation work being sought; (b) inspect the completed work and report to the Program staff whether the work is acceptable according to City Code; and (c) participate in evaluating the Program.

6. Contract Compliance Officer (Technical). The City's Contract Compliance Officer shall provide all appropriate contract compliance assistance to the Program regarding contracts between the City and any other party.

7. Real Estate Office (Technical). The City's Real Property and Relocation Officer shall be consulted regarding any project undertaken in this Program that will, or may, involve relocation under Federal law.

8. Affirmative Action Office (Technical). The City's Minority and Female Business Enterprise Program Officer shall provide all appropriate assistance to the Program regarding contracts between the City and other Parties.

9. City Attorney (Legal). The City Attorney shall provide all appropriate legal counsel and assistance to the Program.

10. Historic Preservation Officer (Technical). The City/County Historic Preservation Officer will advise and assist the Program as needed to insure appropriate methods of rehabilitation of properties listed or eligible for listing on National or State Registers of Historic Places, or located within a Historic District, or identified by the City Council as a local landmark, and assure that rehabilitation of historic structures complies with Section 106 of the National Historic Preservation Act.

SECTION I - SINGLE FAMILY HOUSING REHABILITATION PROCESS.

1. ***Application & Eligibility.*** (a) Application Processing. The homeowner voluntarily files an application with the Program who will record the date of filing. Applications will be processed on a first-come, first-served basis within the goals of the program until the funds available are exhausted. The Program may, from time to time, close the application period, retaining any unprocessed applications in priority status over applications filed after the Program resumes accepting applications. (b) Eligibility Verification. When an applicant's name nears the top of the waiting list the Program staff contacts him/her, and obtains all information necessary to establish his/her eligibility for Program assistance. (c) Confidentiality. Subject to disclosure requirements and procedures under applicable State and Federal laws, personal and financial information required to establish an applicant's eligibility for assistance shall be held confidential by the Program staff.

2. ***Evaluation and Cost Estimates.*** (a) Rehabilitation Evaluation. When eligibility is confirmed, the Program staff shall obtain authorization from the homeowner to proceed with the rehabilitation evaluation. The Program staff will arrange for the property to be evaluated, prepare a worklist and provide the homeowner with preliminary cost estimates for the repairs identified. This evaluation will list essential and allowable improvements. The applicant shall review the evaluation report and authorize the Program to proceed to commitment phase. If the Construction Services, Building Division Department is requested to advise the Program staff on the condition of the property then a preliminary inspection would be necessary. Such inspections would be made on a fee basis. Preliminary inspection as part of the property evaluation would subject the owner(s) of the property involved to correct any code deficiencies noted as part of the overall rehabilitation work. Regardless of whether a Construction Services, Building Division Department inspection is requested, addresses of all houses to be evaluated will be forwarded to the Code Enforcement Department for review of any pending code violations. (b) Historic Review. The Program staff will forward addresses of all properties to the City/ County Historic Preservation Office for a determination of whether the property is listed, or is eligible for listing, on the city, state, or national historic registers. Rehabilitation of historic properties will be carried out in compliance with the Memorandum of Agreement between the City of Spokane and the Advisory Council on Historic Preservation, and as mandated by Section 106 of the National Historic Preservation Act. The Program staff will work with the homeowner and the Historic Preservation Officer to assure that rehabilitation is accomplished with minimum negative impact on the historic or architectural character of a listed property or eligible for listing.

3. ***Commitment and Loan Closing.*** The Program staff will review with the homeowner all proposed work schedules and the loan amount. On the basis of cost estimates, the Program staff will commit loan funds to the homeowner for the proposed rehabilitation project(s) and order title insurance on all loans. When the loan security on the property is assured, Program staff will prepare a Rehabilitation Agreement, Promissory Note and Deed of Trust for the borrowers signature. The Deed of Trust will be recorded with the County Auditor. The loan will be closed by staff and the homeowner in accordance with applicable laws and regulations.

4. ***Bidding, Contracting and Work.*** (a) Invitations to Bid. Invitations to Bid will be drawn up for the different projects by Program staff and will be placed out for bid by the Program staff in accordance with the Home Rehabilitation Program's bid procedures. For projects which involve excavation with heavy equipment, such as sewer and septic tank installation or foundation replacement, a time and materials bid may be accepted in lieu of a fixed cost bid. When acceptable bids are received, contracts will be drawn up and signed by the homeowner and the contractor and when requested by the homeowner, signed by the Program. Program staff will assist the homeowner to understand his/her responsibilities and work with the contractor and to select the finish materials. (b) Notice to Proceed. Contract(s) will be awarded and Notice(s) to Proceed issued when all aspects of the contract are in order. The necessary permits will be secured by the contractor and the work commenced. (c) Inspections. Inspections required by the Building Codes will be performed by the City Construction Services, Building Division Department, and inspections for compliance with the Contractors Manual and for overall quality of work will be performed by the Program staff. If the work has not been performed consistently with applicable codes, the requirements of the Contractors Manual, and accepted standards of good practice, the Program staff may require that the contractor make changes in the work, which would require additional inspections to assure that corrections are made. The Program staff may impose an inspection fee on a contractor when more than two inspections are required on any work item. In the event of reinspection requests for the portion of work requiring permits issued by the Construction Services, Building Division Department, fees for reinspection may be levied against the permit holder. If fees are levied they must be paid prior to final approval of the permit file. (d) Payment. Payment for partial and final work completed will be made when it is approved by the Program staff and the homeowner signs a certificate of acceptance. The Construction Services, Building Division Department will when appropriate, provide an inspection report indicating compliance with the requirements of applicable City Building Codes. When the homeowner, the Building Official, and the contractor agree that the work billed is completed and acceptable, the Program staff may approve the acceptance of that work and authorize partial or final payment thereof. The Program staff shall verify all billings submitted for construction work and materials and shall certify that the work has been performed and/or the materials installed. Said certified billings shall be paid by the Program fund. The Community Development Department may, as needed, reimburse the Program fund on a twice monthly schedule for bills paid. (e) Disputes/Arbitration. All rehabilitation contracts executed through the Program are binding upon the parties to the contract. Any disputes arising over the contract work must be ultimately resolved by those parties. The Program staff may offer its advice in efforts to mediate disputes. Any disputes that cannot be resolved informally will be submitted to binding arbitration for settlement. The arbitrator shall in all cases have authority to order the Program staff to disburse payment as warranted by his or her decision.

5. ***Contract Completion and Payment.*** Upon completion of the rehabilitation work the homeowner is responsible for repaying his or her loan as agreed. If future problems with materials and workmanship arise, they will be resolved by the homeowner and the contractor with the assistance of the Program. The loan payments are still due on schedule.

SECTION II - CRITERIA FOR ELIGIBILITY.

1. **Eligibility.** Homeowner eligibility for rehabilitation assistance is based on gross household median income limits as revised annually by the U.S. Department of Housing and Urban Development. Eligibility is not limited by neighborhood boundaries. The gross household limits are as follows:

a) 0-50% of median income located anywhere in the City.

b) 0-65% of median income for minority homeowners or homeowners with physical disabilities or with a disabled household member, and homeowners residing in poverty areas as defined by U.S. Census tract data.

2. **Income Limits.** (a) Income. An applicant's eligibility for Program assistance shall be determined by gross annual household income, adjusted for household size as published annually by the U.S. Department of Housing and Urban Development for the Spokane Metropolitan Area. For self-employed individuals, gross annual income will be that income remaining after all business expenses deductible under the Internal Revenue Code, except depreciation has been deducted. Court awards and settlements in compensation, for personal injury, will be considered as assets but not as income. "G.I. Bill" benefits will be considered as income. Mandatory State Retirement contributions will not be deducted from gross income. Employer contributions to a tax-sheltered annuity or similar retirement plan shall not be counted as income until withdrawn, but employee contributions shall be counted. Expenses deductible under the Internal Revenue Code, excluding depreciation, will be deducted from rental property receipts before this annual income is included in gross income; however, total deductions for rental property expenses may not exceed gross rents received by the homeowner. (b) Base Year. An applicant's eligibility shall be based on gross household income for the previous calendar year. (c) Household Size. In determining household size, the staff shall be guided primarily by the criteria used by the Internal Revenue Service in determining eligible dependents for tax purposes, and may include other household members when such persons are actually dependent upon the applicant for support, and when such dependence is likely to continue for six months or more. All gross income of adult members of the household age 18 and over will be included in the household's gross income.

3. **Asset Limits.** (a) Maximum Assets. To be eligible for a loan a households non-income producing assets may not exceed \$25,000 in value. (b) Non-Income Producing Assets. Include equity in real estate other than the home, cash, market value of stocks and bonds, jewelry, boats and other luxury items and other assets that exceed \$1,000 in value. Those assets do not include necessary and usual personal and household items, a reasonable transportation vehicle, and equity in the applicants home and its site.

4. **Value Limit.** For loans made with HOME funds, the appraised value of the house may not exceed the current mortgage limit for FHA mortgage insurance in the Spokane market.

5. **Eligible Dwelling.** (a) Type. The dwelling must be an owner occupied, single family dwelling unit as defined in the Spokane Zoning Code. (b) House For Sale. A house offered for sale may not be assisted. (c) Contract Purchaser. An "owner" includes a contract purchaser with a recorded sales agreement or notice thereof. When only a Notice of Contract has been recorded the Program staff will obtain a copy of the contract from the homeowner. All real estate contracts will be examined for provisions which could adversely affect the security of a Program loan, and the Program staff may deny loan assistance to an applicant if the loan cannot be adequately secured. Applicants purchasing their property on a real estate contract will be required to provide a Purchaser's Assignment of Real Estate Contract, for security purposes, in addition to a promissory note and Deed of Trust. (d) Life Estates and Multiple Owners. When there are multiple owners, at least one of the owners must live in the home for it to be considered "owner-occupied." All owners of record must sign the note and Deed of Trust securing the loan. An "owner" also includes a person residing in the home who has a life interest or estate in the property. Such person may receive loan assistance of the type for which he or she qualifies provided that all owners of the property of record sign the note and Deed of Trust, or other loan security instruments. Such loans become due and payable upon the termination of the life estate.

6. **Location.** To be eligible for assistance the dwelling must be situated in a residential, business, commercial, or M1 industrial zone, provided that in the M1 zone the home must be judged to be likely to remain in single family residential use for a reasonable length of time.

7. **Equity.** In general, costs of rehab work should not exceed the homeowner's equity in the house. Equity may be waived up to a maximum of 1 and 1/2 times the equity available including the value after completion of the rehab work but not deducting the rehabilitation loan amount.

8. **Soundness. Determination.** The dwelling must be basically sound as determined by a written evaluation prepared by the Program staff or the Construction Services, Building Division, i.e., the substandard building criteria of the Existing Building and Conservation Code Chapter 11.11.410 Substandard Building. To be determined sound, the dwelling must be judged capable of remaining in use as a single family dwelling for the foreseeable future after the expenditure of Program funds for its rehabilitation. Examples of areas to be considered include, but are not limited to: structural soundness, proper sanitation, adequate safety features, proper weatherproofing, adequate light and ventilation, plumbing, electrical and mechanical systems in a safe working order, elimination of fire hazards.

9. **Pride of Ownership. Determination.** An applicant may be declared ineligible for assistance who evidences exceptionally low pride of ownership in his/her property. Conditions reported by the Program, Construction Services, Building Division or Code Enforcement staff which may warrant deferral or denial of assistance under this paragraph include:

- 1) Abuse by Animals: evidence of unsanitary conditions or of damage to floors, carpets, furnishings, or yards caused by animal urine or feces;

- 2) **Illegal or Improper Use of the Property:** use of the property for purposes other than as a single family residence in violation of building, zoning local ordinances, e.g., maintaining or operating junking, salvage, auto storage or repair, woodcutting or storage (other than for personal use), or activities on the property when such use is illegal or constitutes a health or safety hazard or is a visual detriment to the neighborhood;
- 3) **Deliberate Abuse:** excessive damage to the home or fixtures not attributable to normal wear and tear;
- 4) **Housekeeping and Maintenance:** conditions of clutter or uncleanness in or around the house when such conditions:
 - i) constitute a potential health or safety hazard to staff, contractors, employees, or others;
 - ii) will severely hamper or increase the costs of rehabilitation work, or
 - iii) adversely impact the appearance of the neighborhood.

Determination of eligibility may be deferred for a specified period to allow time for the homeowner to correct the low pride of ownership condition(s).

10. ***House Payments.*** House payments must be current at the time the applicant is declared eligible for assistance, and the homeowner must evidence the ability to continue to keep payments current.

11. ***Property Taxes.*** Real Property taxes must be current at the time the applicant is declared eligible for assistance.

12. ***Fire Insurance.*** The house must be insured against loss by fire, and the City of Spokane acknowledged by the insurer as a loss payee, before funds can be committed. The homeowner must also agree to keep the home continuously insured for the life of the loan. Any subsequent lapse in coverage will be regarded as an event of default on the loan. The insurance requirement may be temporarily waived when the homeowner cannot obtain insurance due to the condition of the house, provided insurance is obtained as soon as necessary repairs are completed.

13. ***Homeowner's Responsibilities.*** It is the responsibility of the homeowner to complete all necessary application forms, provide financial, title and personal information, and cooperate fully with the Program staff in a timely manner. The homeowner must provide access for Program staff, contractors, and workmen to allow for the bidding process and to accomplish needed repairs and carry out other tasks as necessary for the successful completion of scheduled rehabilitation work. The homeowner shall be responsible for signing notes, deeds of trust and other loan documents; signing bid requests and work contracts; and, monitoring and accepting work reasonably completed

according to the contract. The homeowner shall cooperate with the Program staff to achieve the efficient execution of work without delays and repay loans as agreed. A homeowner who withdraws his or her application before a loan is closed, security documents signed, shall be responsible for payment of any fees or costs incurred.

14. ***Non-Cooperation.*** In order to achieve the Program's goals it is essential that participating homeowners cooperate fully with the Program staff in order that construction and administrative costs, as well as processing time, can be kept to a minimum. If while in process, a homeowner is not cooperating or meeting his/her responsibilities, the Program staff may declare the homeowner ineligible for further assistance and close out the file. A homeowner who is found ineligible for the reason of non-cooperation may be considered for future assistance based on evidence that circumstances have changed to warrant reconsideration.

15. ***No Response.*** If a homeowner does not respond to the Program's efforts to contact him or her, the homeowner shall be mailed a certified letter of notification. If that is not successful, the homeowner will then be declared ineligible, with a letter sent to that effect and acknowledgement of his/her opportunity to reapply in the future.

16. ***Misrepresentation.*** Any homeowner who knowingly misrepresents information to the Program pertinent to his/her eligibility for assistance shall be declared ineligible. Applicants determined ineligible for reason of misrepresenting their situations may not be considered for future assistance.

SECTION III - ALLOWABLE REHABILITATION.

All repairs and improvements must comply with requirements as specified in the Contractor's Manual. Repairs normally eligible for Program financing are described as follows:

1. ***Health & Safety Rehabilitation*** . Repairs allowed are:
 - (a) Electrical repairs needed to correct defects in wiring or fixtures, remove hazards, upgrade systems to better handle modern electrical demands, and bring the home electrical systems and sub-systems into compliance with local Codes applicable to existing housing;
 - (b) Repair defective or hazardous plumbing to assure the availability and sanitary delivery of hot and cold running water and sanitary disposal of waste, including sewer hookups for houses using septic systems, and repair or replacement of unserviceable fixtures and hot water tanks;
 - (c) Repair, cleaning or proper installation of furnaces or other space heating equipment or systems needed to provide adequate and affordable heating of the dwelling (except that wood and coal stoves used as a primary heat source shall not be repaired or installed and an electrical, gas or oil heating system shall be installed as the primary heat source);

- (d) Installation of vinyl flooring in baths and kitchens and carpeting in living areas including the repair or installation of subflooring, when the surfaces have deteriorated and cannot be properly cleaned, or are unsafe;
- (e) Repair of floor structures, stairs, and porch decks, where hazardous, and repair or installation of handrails and guardrails where insecure or missing, work is limited to existing area of structures;
- (f) Installation of door locks and window sash locks;
- (g) Installation of emergency egress windows/doors and smoke detectors;
- (h) Installation of wheelchair ramps, grab-bars, and other safety or accessibility devices required by a disabled occupant;
- (i) Correction or abatement of lead-based paint hazards; or asbestos hazards by methods approved by HUD, Washington Department of Labor and Industry or EPA;
- (j) Demolition of detached accessory buildings (garage, sheds) when hazardous;
- (k) Repairs to or installation of kitchen base and wall cabinets, including countertops, when necessary to provide adequate space for sanitary food storage and preparation. New cabinets may be installed in the same configuration, and to the same extent as the existing cabinets, provided that the cost of new installation, excluding countertops, will not exceed the cost of rehabilitating the existing cabinets. If less than 8 lineal feet each of kitchen base and wall cabinets exist in the home at the time of the property survey, additional base and wall cabinets may be installed, as space permits, up to approximately 8 lineal feet.
- (l) Repair, removal or replacement of built in appliances, such as a cooking surface or oven, or combination;

2. ***Structural Rehabilitation.*** Repairs allowed are:

- (a) Replacement of the roof, including repair or replacement of sheathing, of the dwelling when deteriorated or near the end of its service life, and roof structural repairs when cost effective;
- (b) Exterior painting of the dwelling when necessary to restore protection of exterior surfaces against the weather, and repairs to brick exteriors or re-siding of the house when the existing siding can no longer provide an effective weather barrier;

(c) Exterior carpentry repairs as required to provide sound painting surfaces, provide weather protection, or restore architectural details;

(d) Repairs to the foundation or other portions of the support structure of the dwelling, including repainting, grouting or patching deteriorated or missing masonry or concrete, treatment for and correction of damage caused by termites or other organisms, and correction of inadequate earth-to-wood clearances;

(e) Repairs to walls and ceilings as may be needed to eliminate air and moisture infiltration and provide sound painting surfaces;

(f) Repairs to chimneys as may be needed to correct inefficient or unsafe conditions and/or structural deterioration.

(g) Repair or replacement of defective interior doors.

3. ***Weatherization.*** Improvements allowed are:

(a) Installation of insulation, and ventilation and vapor barriers where appropriate, to exterior walls, attics, rim joists, crawl spaces, water heaters and floors above unheated areas, new heating ducts within unheated areas;

(b) Installation of storm windows, replacement windows, broken glass, screens;

(c) Replacement of entry doors as necessary to ensure weathertight and secure entrances to the dwelling, installation of storm/screen doors;

(d) Installation of insulation or heat tapes as necessary to protect water and drain pipes against freezing;

(e) Caulking and weatherstripping as necessary to reduce air infiltration.

4. ***Incidental Repairs.*** Other repairs may be made when necessary to properly accomplish repairs allowed under Sub-sections 1 through 3 above, or to correct unavoidable damages caused to other parts of the home in making allowed repairs. In some instances, work on attached garages may be accomplished if reasonable to do so when work on the dwelling is the prime consideration, such as a reroof.

5. ***Essential Repairs.*** The Program staff will identify all repairs indicated by the survey which are essential to remove an immediate threat to the health or safety of the homeowner or

preserve the integrity of the structure. Connecting a home to the city sewer system when a sewer lateral is available within 200 feet of the property is an essential repair. For loans funded with HOME funds, repairs needed to bring the home into compliance with HUD Section 8 Housing Quality Standards, are also deemed Essential Repairs. The Program staff will explain to the homeowner the requirements of completing all repairs. If the homeowner declines to authorize completion of essential repairs, he/she will be considered to have voluntarily withdrawn their application.

6. ***Non-allowable Improvements.*** The following improvements may not be financed through the Program: (a) conversion of a single-family dwelling to a two or more-family dwelling; (b) conversion of a commercial or industrial property to a single family dwelling; (c) provision of or repairs to moveable appliances; (d) use of materials, fixtures, or equipment which exceeds in cost that customarily used in the locality for properties of similar type; (e) work on unattached garages and out buildings; (f) area increases of structures; (g) enclosing of open areas, such as porches and decks.

7. ***Miscellaneous Fees and Costs.*** Funds to pay certain loan-related fees and costs for which the homeowner is responsible may be included in Program loans, including:

- (a) Recording fees;
- (b) Credit report fees;
- (c) Sec. 106 Historic Preservation Review fees;
- (d) Appraisal fees,
- (e) Title insurance premiums,
- (f) Flood insurance premiums,
- (g) First year's premium for fire insurance.
- (h) Building permit and inspection fees.

SECTION IV - LOAN TERMS AND CONDITIONS.

1. All loans shall be secured as liens on the property and shall bear an interest rate of 3% compounded annually. A homeowners housing debt (including the rehab loan) plus utilities is not to exceed 28% of gross household income. The minimum rehab monthly loan payment will be \$50.00 and if the homeowner's income does not result in his/her ability to pay at least \$50.00 per month then payments will be deferred. Deferred loans will be reviewed at least every 5 years to determine whether the homeowner remains qualified for a deferred loan. Title insurance is

required for all loans.

2. ***Assistance Limit/Minimum.*** No homeowner may receive more than \$25,000 in Program assistance. The minimum loan for the Program shall be not less than \$1,000.00.

3. ***Assumptions, Forfeitures, Foreclosures, Subordinations.*** (a) ***Assumptions.*** Direct Loans and Deferred Loans may not be assumed except at the discretion of the Director of Community Development. The Director of Community Development may allow assumption of a loan, or may grant the purchaser a new loan on different terms, if the security of the Program's loan would be better protected by allowing the assumption providing the purchaser qualifies for the rehabilitation loan. (b) ***Forfeiture/Foreclosure.*** If a homeowner with an outstanding Program loan defaults on mortgage or sale contract payments and is in danger of foreclosure or forfeiture, the Director of Community Development may take action as warranted to protect the Programs interest in the property. (c) ***Subordination.*** The Director of Community Development may allow the subordination of a Program lien against a rehabilitated property upon the request of the homeowner, provided the subordination is required for the homeowner to refinance only existing superior loans to obtain a lower interest rate, lower payment or shorter term. The homeowner must be eligible for a deferred loan at the time of subordination and no cash proceeds will return to the homeowner.

SECTION V - Contractors and Bidding.

1. ***Contractor Qualifications.*** (a) ***Licensed Bonded Contractors.*** All rehabilitation work contracted through the Program shall be performed by licensed, bonded contractors, or by persons working under their direct supervision. Contractors shall also have a current City business license. The Program staff shall solicit and prepare a list of qualified contractors eligible to bid on rehab work through the Program. Contractors must perform craftsmanlike work meeting City Codes, be able to complete contracted work in a timely and businesslike manner, provide satisfactory business, credit and professional references, be licensed, bonded and insured in the State of Washington, and not be debarred from work on HUD funded projects.

2. ***Certification and Representations.*** All contractors shall agree to equal opportunity and affirmative action employment standards required by HUD regulations of contractors working on projects financed in whole or in part by Federal funds. For all contracts the contractor shall provide proof of comprehensive public liability insurance in amounts determined by the Program staff.

For each contract, the contractor must:

Provide a Payment and Performance Bond in the full contract amount;

OR

File a Waiver of Lien Certificate indicating payment to all subcontractors and material/suppliers, along with receipts attached for any bills in excess of \$500.00;

OR

File a Waiver of Lien Certificate, obtain and provide the Program with sub-contractor and material supplier, Waiver of Lien Certificates, indicating payment has been made on bills in excess of \$500.00.

If a waiver of lien is used, the Program staff may withhold up to a 10% retainage of the contract amount for 30 days after completion of work. Contractors are responsible for payment of all city, state and federal fees and taxes and shall obtain all necessary construction permits.

3. ***Bidding and Contractor Selection.*** (a) Contractors. Selection of contractor shall be made by the Program staff based on lowest acceptable bid and evidence of capacity to complete the work in a timely manner. A homeowner may choose another acceptable bid for the rehabilitation work provided it does not exceed the lowest acceptable bid by 10% and the homeowner pays, from non program funds, one-half of the additional cost over the lowest bid. Bids will be solicited through the Program's competitive bid procedure. All bids must be submitted on the appropriate Program forms. (b) Acceptable Bids. No contract shall be approved unless at least two qualified bids have been obtained, or the Program staff is satisfied that reasonable effort to obtain other bids has been made and the one qualified bid is reasonable.

4. ***Contracts.*** The homeowner has the option of either 1) entering into a two party contract with the contractor or 2) entering into a three party contract with the contractor and the Program for the rehabilitation work. The terms of the contract shall be binding on all parties to the contract. Under a two party contract the Program cannot be considered to be a Party to the contract.

5. ***Contractor's Manual.*** All work performed under the Housing Rehabilitation Program shall meet or exceed the material and workmanship specifications and comply with the General Provisions as listed in the Community Development Housing Rehabilitation Program Contractor's Manual and in any amendments thereto.

6. ***Contractor Suspension/Disqualification.*** A contractor may be disqualified from further participation in the Program who fails to meet minimum standards of professionalism, as evidenced by poor quality work, illegal or unethical business practices, failure to perform the contract, or refusing to cooperate in a timely manner with either the Program, homeowners, or other contractors. Before disqualifying the contractor, the Program staff will notify him or her, in writing, of specific complaints or deficiencies. Depending on the nature and severity of the issues, the Program staff may choose to suspend the contractor from bidding on further Rehab projects until the issues in question are resolved. If the contractor has acted in good faith in the matter(s) complained of, the Program staff will work with him or her in an attempt to improve his/her performance. If the contractor has not acted in good faith, or if performance does not improve, the Program staff will notify the contractor in writing that the question of his/her continued participation in the Program is under review. After conducting a review of the issues and providing an opportunity for the contractor to present information for consideration, Program staff will decide whether to reinstate the contractor or disqualify him/her from future participation with the Program.

This decision may be appealed in writing to the Director of Community Development within 10 calendar days after notification of the disqualification decision. A contractor who has been disqualified will be removed from the contractor mailing list and may not bid on any future projects with the Spokane Housing Rehabilitation Program. The names of disqualified contractors will be forwarded to HUD, which may consider debarring them from future work on Federal projects. Grounds for disqualifying a contractor include, but are not necessarily limited to:

- (a) Work of substandard quality;
- (b) Illegal or unethical practices;
- (c) Compromising the Program and its staff by hiring a staff member, or by loaning or giving money or anything of substantial value to a staff member,
- (d) Failure to comply with applicable Federal Regulation
- (e) Material failure to perform;
- (f) Non-compliance with the Community Development Housing Rehabilitation Program Contractor's Manual;
- (g) Non-payment of accounts to suppliers, other contractors, sub-contractors or employees;
- (h) Material breach of trust or contract;
- (i) Subcontracting with a disqualified contractor.

SECTION VI - MARKETING.

The single-family housing rehabilitation program will have an affirmative marketing program for the housing rehabilitation services. The affirmative marketing program shall include provisions for the solicitation of applications from minority homeowners, homeowners with physical disabilities or a disabled household member and homeowners residing in poverty areas as defined by U.S. Census Tract data.

SECTION VII - NON DISCIMINATION.

The Housing Rehabilitation Program shall be administered and assistance rendered without discrimination due to race or color, ethnic origin, religion, creed, gender, age, disability, marital or familial status or sexual orientation.

SECTION VIII - REAPPLICATION.

Reapplication. Applications for assistance by homeowners living in houses previously assisted with CDBG, HAP or HOME funds may be considered for assistance provided existing rehabilitation program debt is less than \$25,000.00. For those applicants who have an existing rehabilitation loan, the existing loan and new loan will be combined, subject to the loan terms specified in Section IV. All combined rehabilitation loans may not total more than \$25,000.00.

SECTION IX - EXCEPTIONAL SITUATIONS.

Exceptional Situations. It is understood, that there may be special circumstances applying to some applicants which are not individually addressed in this Program Outline. In such cases Program staff will, after evaluating the application, consult with the Director of Community Development who may authorize assistance as appropriate to meet the goals of the Program. The reason(s) for the exception shall be documented in writing in the homeowner's file.

SECTION X - CONFLICT OF INTEREST.

Conflict of Interest. (a) Ineligible Applicants. No person directly involved in the implementation of, or who serves in a decision or policy-making capacity with the Housing Rehabilitation Program shall derive profit, advantage, or benefit there from except his or her lawful compensation while in such capacity. A person belonging to any of the following groups shall be deemed to have a conflicting relationship to the Program, and no application for rehabilitation assistance, nor any offer of construction services, from such person shall be considered until such time as the conflicting relationship is terminated:

- 1) City Council Members;
 - 2) Community Development Board Members;
 - 3) Housing Advisory Working Group Members;
 - 4) Program employees, and members of their immediate families;
 - 5) Policy Committees or Board member of any contracted management entity;
 - 6) City employees who are directly involved in an implementation, decision, or policy-making capacity with the Housing Rehab Program and their immediate families. For the purposes of this policy, ineligible City employees include: the Director of Community Development; Community Development planners; the Community Development accountant; the Building Official; Building Inspectors; Manager, Finance; City Treasurer; City Manager and assistants; City Engineer; engineers in the City Engineer's office or with the Construction Services Department; and the Assistant City Attorneys representing the Community Development Department.
- (b) Incidental Involvement. Applicants who are incidentally involved with the Program, but

who are not directly involved in an implementation, decision, or policy-making capacity, such as secretaries for the Community Development Department, contractors working through the Program in the employ of homeowners receiving assistance, or members or officers of neighborhood Steering Committees, may be assisted if a signed and dated statement acknowledging their relationship to the Program and stating that a conflict of interest does not exist, is submitted and retained in the homeowner's file. If any City employee not belonging to the groups above excluded applies for Housing Rehabilitation Program assistance and in the judgment of the Program staff there is a question as to whether that person is directly involved in an implementation, decision or policy-making capacity with the Home Rehabilitation Program, then that question shall be submitted to the Director of Community Development for a decision as to whether there is a conflict of interest with that particular employee. (c) Immediate Family. For the purposes of this policy, the term "immediate family" is defined as those persons residing in the same household as the person with the conflict of interest.

SECTION XI - RULES AND RECORDS.

The Program staff, and Construction Services, Building Division shall establish and maintain such administrative procedures, rules and forms as needed to reasonably and efficiently administer their responsibilities in conformity with Program goals. The Program staff shall maintain performance and financial records which support all requested draws of Community Development and HOME funds, evidence expenditure of all funds and account for all loans of public monies and income to the Program. All records, maps, and reports prepared and maintained pursuant to this Program shall be the property of the City of Spokane, Washington and delivered to the office of the Community Development Department, City Hall, upon request of the Director of Community Development and shall be accessible to the Director of Community Development or designated representative for review and audit

SECTION XII - APPEALS.

Administrative decisions of the Program staff or the Building Official may be appealed to the Director of Community Development, except that appeals involving decisions or interpretations of the Building Code shall be referred to the appropriate appeals board established in said Code. Appeals of administrative rulings of the Director of Community Development, and questions on overall Program policy or operation may be brought before the Community Development Board. Decisions of the Board may be appealed to the City Council. Appeals of the Building Official relative to land use issues are appealable to the hearing examiner.

SECTION XIII - REVIEWS AND AMENDMENTS.

1. *Progress Report*. A progress report on the Program and a financial statement shall be prepared and submitted by the Program staff to the Director of Community Development quarterly,

and at such other times as may be requested by the Director. The Director of Community Development shall evaluate the progress and administration of the Program annually.

2. **Summary Reports.** The Program staff shall make a monthly summary report to the Director of Community Development, detailing activities and expenditures.

3. **Annual Evaluation.** An annual evaluation of the Program and its progress shall be submitted by the Program staff to the Community Development Board by October 1 of each calendar year.

4. **Director's Review.** The Director will receive and evaluate all reports, evaluate ways in which Program administration may be improved in the future, and make reports on the Program to the Community Development Board.

5. **Amendments.** The Building Official and the Program staff may recommend amendments of this Single Family Rehabilitation Program to the Director of Community Development. The Community Development Director may recommend amendments of this Program to the HAWG. The HAWG may recommend amendments of this Program to the Community Development Board. The Community Development Board may amend this Program. The City Council will annually review and adopt amendments to this Program as recommended by the Community Development Board.

6. **Effective Dates.** This Program Outline and any subsequent amendments shall remain in effect from its date of adoption by the City Council until any subsequent date of revision by the Community Development Board and Council. Homeowners determined eligible for a loan will continue to be bound by the terms and conditions of the Program in effect on the date their eligibility is determined.

ADOPTED: Spokane City Council March 25, 1996

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