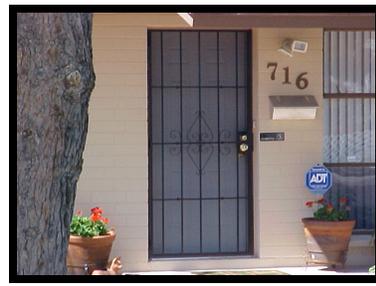




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CITY OF CHANDLER EXTERIOR IMPROVEMENT LOAN PROGRAM



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EXTERIOR IMPROVEMENT LOAN PROGRAM

I. PURPOSE

The City of Chandler's Exterior Improvement Loan Program ("EIL Program") is designed to provide low and moderate-income homeowners with the assistance to make necessary improvements to the exterior of the home.

The City of Chandler's Community Development Section, through the Neighborhood Resources Division, developed this Program Manual to guide the implementation of its Community Development Block Grant (CDBG) funded exterior improvement activities. The following sections define commonly used terms, discuss environmental standards, explain the application and eligibility processes, and outline construction and contractor standards, as well as financial management and record-keeping requirements. The procedures herein comply with the federal regulations at 24 CFR Part 570, which govern the implementation of CDBG funded programs, including this Program.

Exterior improvement assistance is provided through technical assistance and a deferred loan to finance an exterior improvement contract between the applicant and a private contractor. City staff is responsible to ensure that the City's interests as a funding agency are met. The City staff person who is most directly involved with the Exterior Improvement Loan Program is the Housing Rehabilitation Specialist. Responsibility for the exterior improvement contract is between the property owner ("Owner") and the contractor ("Contractor") who performs the work.

II. SUMMARY

The Exterior Improvement Loan Program offers forgivable loan assistance to eligible homeowners to complete necessary improvements to the exterior of the home for detached single-family homes, condos, and townhouses contingent upon HOA regulations and approval, where applicable. The EIL Program has a preference for single family, detached housing. Condominium units will be given a last priority for assistance. Work items may include, but are not limited to: replacement and/or repair of windows/exterior doors, roofs, exterior painting, fence/block wall, stucco, front yard landscaping, concrete driveway, pool fence, fascia repair/replacement, and front porch lighting.

The City provides up to \$20,000 in 0% interest forgivable loan assistance for exterior improvements on a home that provide a visible enhancement to the property and the neighborhood. The City secures its investment with a lien (Deed of Trust) equal to the value of the loan, which is forgiven 20% each year, over the period of 5 years, provided that the homeowner receiving assistance must reside in the home for a total period of five years after the completion of repairs to the home in order for the loan to be entirely forgiven. If the homeowner sells, transfers or alienates the property within the five year time period, the entire cost of the loan will be due to the City.

The Exterior Improvement Loan Program has an application process, which includes verification of home ownership, income verification and assessment of repairs needed on the home. Once an applicant is approved to participate in the Program, a review process is conducted, which includes a home inspection, scope of work, bid process and selection of contractor(s). Licensed contractor(s) selected by the homeowner and City staff will bid to complete repairs on the home within 45 days from the issuance of a Notice to Proceed.

Once home repairs are completed and approved by the homeowner and City staff, a Certificate of Final Inspection and contractor Certificate of Release will be signed. All warranty information will be provided to the homeowner.

III. PROGRAM ELIGIBILITY

a. Target Area

The City's Exterior Improvement Loan Program is implemented in targeted areas within Chandler based on the current needs and priorities of the City. The City of Chandler has the right to review and change target areas for the Program on an annual basis.

Homeowners applying for assistance may reside anywhere within Chandler city limits, however, homeowners applying for assistance that reside in the identified targeted areas in any given program year will receive priority to receive assistance.

b. Income

The income eligibility requirement for all CDBG funded programs is an annual household income at or below 80% Area Median Income (AMI). The 2011 income limits are reflected on page six and will be updated annually when HUD releases revised income limits. Household income varies based on household size. Income sources include, but are not limited to: wages, salaries, overtime pay, commissions, fees, tips, bonuses, business profits, investment income, TANF, child support, social security, and unemployment. Any and all income for EVERY person residing in the dwelling, age 18 and over is considered when determining household income and must be submitted and verified.

Income is calculated by utilizing HUD's guidelines as specified in the Technical Assistance Guide for Determining Income and Allowances for the HOME Program, 3rd Edition, January 2005.

If an hourly rate is verified through approved documentation, the hourly rate will be entered into the calculator tool which multiplies the rate at 2,080 hours if the individual is working full time, or will multiply by the specified given hours if working part-time. State assistance, unemployment, etc. is estimated at the maximum rate an individual can receive the assistance and the amount of time the

individual has received assistance up to the time of application. In these cases, income is estimated by weeks based on 52 weeks per year.

| FY 2011 Income Limits for Maricopa County (<i>Appendix Item A</i>) | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| FY 2011 Income Limit Category | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
| 30% Area Median Income | \$13,800 | \$15,750 | \$17,700 | \$19,650 | \$ 21,250 | \$ 22,800 | \$ 24,400 | \$ 25,950 |
| 50% Area Median Income | \$22,950 | \$26,200 | \$29,500 | \$ 32,750 | \$ 35,400 | \$ 38,000 | \$ 40,650 | \$ 43,250 |
| 80% Area Median Income | \$36,700 | \$41,950 | \$47,200 | \$52,400 | \$ 56,600 | \$ 60,800 | \$ 65,000 | \$ 69,200 |

c. Assets

The City must also determine the total value of assets owned by all adult members of each applicant household. Assets include but are not limited to: all financial accounts (i.e. bank, retirement, brokerage), trusts, and real estate (other than primary place of residence). The City must calculate anticipated income from the total value of all assets owned within the household. HUD establishes the rate of return (the “Passbook Rate”) that must be used to calculate asset income for households with asset values of \$5,000 and above. The current Passbook Rate is 2% and is subject to change per HUD revision. In addition, participants in the EIL program cannot own rental property(s) or have other assets, that when liquidated, have a total net value that exceeds \$25,000. If the participant does have assets that exceed this value they will be denied participation in the program. The value of the residential property to be improved and the first \$100,000 of retirement accounts are exempt from this requirement.

A regular list of included and excluded income and asset resources and required documentation is available in Chapter 5 of the Housing Voucher Program Guidebook (available at www.hud.gov/offices/pih/programs/hcv/forms/guidebook.cfm). Applicants must provide a signed Declaration of Income form to disclose all included and excluded income and asset sources claimed within total household income.

d. Third Party Income Verification

The City verifies income through third party verification or document review. The City will submit a Verification of Employment Form (*Appendix Item: B*) to the applicant’s employer to verify income. Staff may also utilize copies of current check stubs to determine income in the case where the data obtained from the employer is incongruent with aspects of current income such as hours worked or new deductions. Staff will also verify other forms of income such as U.S. Social Security Administration benefits or public assistance. Staff will also verify other

forms of income such as U.S. Social Security Administration benefits or public assistance. Staff will attempt to verify asset information and current bank balance information through the third party. In addition, staff will utilize follow up conference calls with the bank and the client, when necessary. An Authorization to Release Information form (*Appendix Item C*) must be signed by the applicant and all household members generating income authorizing the third party to release the required information.

e. Ownership and Residency

Program participants must have owned and occupied the proposed property for at least one year prior to application for assistance. The City requires that applicants submit a copy of the deed or title as proof of ownership. Homes that are used to conduct business are not eligible for the City's Exterior Improvement Loan Program including businesses operated from a separate structure on the property. An exemption is available for home-based businesses where no general public or business-related traffic comes to the home. Applicants who currently have a second mortgage or reverse mortgage on the property are eligible to receive assistance.

e. Property Taxes

All Exterior Improvement Loan program applicants must demonstrate that their City of Chandler and Maricopa County property taxes are not delinquent. Either a current tax bill with a cancelled check or a downloaded statement from the Maricopa County Assessor's Office demonstrate compliance with this requirement.

f. Conflicts of Interest

Applicants must disclose all familial or legal relationships they have with City employees, Council members or other City Boards and Commissions. A relationship does not necessarily bar participation in the City's Exterior Improvement Loan Program, though further investigation will be required and will be completed according to the City's adopted Conflict of Interest policy.

g. Code Violations

Applicants requesting assistance from the Program must not have any current or outstanding City Code violations at any time during participation in the Exterior Improvement Loan Program including the lien period. Any open code violations at time of application submission must be satisfied and closed by the City's Code Enforcement Division and/or Transportation and Development Department (zoning code violations) before the application will be considered for participation in the Program. However, if the applicant has code violations that may be satisfied due to receiving assistance, the code violations will be deferred until assistance is completed.

h. Existing City Lien

Applicants with an existing lien on the property from a City of Chandler housing assistance program are ineligible to receive assistance until the original City lien is paid in full.

i. Non-Discrimination Policy

The City of Chandler does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Leah Powell, 235 S. Arizona Ave., Chandler, AZ 85225, 480-782-2217, has been designated to coordinate compliance with the non-discrimination requirements contained in the Department of Justice regulations implementing Title II of the Americans with Disabilities Act (ADA), including section 35.107. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the ADA coordinator, Leah Powell.

j. Limited English Proficiency Policy

The City of Chandler is committed to providing equal opportunity in all programs and services to ensure full compliance with all civil rights laws, including Title VI of the 1964 Civil Rights Act, which requires non-discrimination on the basis of national origin. Equal opportunity includes physical and program access for persons with disabilities and program access for persons with Limited English Proficiency (LEP). The City of Chandler's Limited English Proficiency Policy is intended to ensure Chandler's compliance with the "Improving Access to Services for Persons with Limited English Proficiency." The City of Chandler will take all required steps including, translation services, providing documents and interpretation services for other languages other than English to meet the needs of eligible individuals requesting this service and seeking participation in the City of Chandler Community Development Section programs.

Any individual eligible for programs/services at the City of Chandler Community Development Section who cannot speak, read, write or understand the English language at a level that permits them to interact effectively with our staff has the following rights:

- A right to qualified interpretation services at no cost to them
- A right not to be required to rely on their minor children, other relatives, or friends as interpreters
- A right to file a grievance about the language access services provided them

I. Citizenship Requirements

Arizona state law now requires that an applicant for most types of federal, state or local public benefits is required to produce proof of legal presence in the United States and to sign a sworn affidavit stating that the proof presented is authentic. A loan made under the Exterior Improvement Loan Program is such a benefit.

Therefore, an applicant for such a loan must provide proof of legal presence, which can be one of the following:

- A birth certificate of delayed birth certificate issued in any state, territory or possession of the United States.
- A United States certificate of birth abroad.
- A United States passport.
- A foreign passport with a United States visa
- An I-94 form with a photograph.
- A United States citizenship and immigration services employment authorization document or refugee travel document.
- A United States certificate of naturalization.
- A United States certificate of citizenship
- A tribal certificate of Indian blood.
- A tribal or Bureau of Indian Affairs affidavit of birth.
- Other documents as listed on the "Affidavit of Lawful Presence in the United States form.

Such documentary proof of legal presence must be accompanied by a completed (signed and dated ~~notarized~~) "Affidavit of Lawful Presence in the United States" in the form included in the Exterior Improvement Loan guidelines (Appendices Item: CC).

IV. APPLICATION PROCESS

The City of Chandler will accept Exterior Improvement Loan Program applications throughout each program year depending on the amount of funding available and need of assistance in the community.

Residents requesting participation in the Exterior Improvement Loan Program must complete an Application (*Appendix Item: D*) and submit required documents. Community Development staff will review all applications and documentation received for completeness. Staff will complete a checklist identifying required documents have been received (*Appendix Item: E*). The application will be date stamped and signed by the City staff person accepting the application documents. If an application is incomplete, City staff will notify the applicant in writing of missing information. If the applicant is unable to provide the required documentation within ten (10) days of the application submission date, the application will be denied.

Completed applications will be reviewed for income and program eligibility by Community Development staff. Staff will research any prior City assistance received by the applicant. Applicants that have received Emergency Home Repair assistance within the previous 12 months shall have the value of the emergency repair subtracted from the maximum amount available.

a. Application Completeness

A completed application and required documentation must be received for the application to be considered:

- Complete application
- Copy of proof of ownership
- Copies of 3 months worth of check stubs for all Adult household members
- Social Security Award Letter (if applicable)
- Proof of all other income which includes but is not limited to:
 - TANF
 - Child Support
 - Asset Income
 - Social Security
 - Retirement/Pensions
 - Unemployment
- Copy of photo ID for applicant and co-applicant
- Authorization to Release Information
- Declaration of Lawful Presence in the United States.
- Signed Lead Based Paint Notification Form

b. Selection Process

Applications will be received on a first come, first serve basis throughout each program year. Eligible applicants residing in a City identified target area will receive priority. The target area can be changed annually, subject to the priorities established by the City. All remaining applicants residing within Chandler city limits will be processed, providing program funds are still available according to the date and time the application is received. The City's Exterior Improvement Loan Program does not maintain a waiting list.

c. Final Determination

Once City staff reviews all required documentation, staff will complete the applicant's income calculation.

- Upon determining eligibility or ineligibility, staff will send a letter of approval or denial for the program to the applicant.
- If the applicant is eligible for assistance, City staff will submit a request for a complete title report from a city approved title company, to verify the applicant's homeownership. Once verified, the Housing Rehabilitation Coordinator will contact the applicant stating they have been approved to receive assistance with the Exterior Improvement Loan Program and make an appointment to conduct an initial inspection.

If there are additional owners of the property, not listed on the application but listed on the title report, they will need to be notified of the Exterior

Improvement Loan program application and sign the Deed of Trust and Promissory Note during time of loan closing.

- If the applicant's income exceeds 80% of the HUD income limit, City staff will notify the applicant in writing that they are ineligible for assistance. However, if circumstances change at a later date, the applicant can reapply during the next open application period.

V. LOAN PROCESS

a. Loan Terms

The Exterior Improvement Loan Program allows a portion of the loan to be forgiven on an annual basis. For each year the owner resides in the home after repairs are completed, twenty percent (20%) of the loan will be forgiven over a total period of five (5) years.

Percentage of forgiveness is as follows:

Example of an Exterior Improvement Loan of \$20,000:

| Year of Loan | % Forgiven Yearly | Balance |
|---------------------|--------------------------|----------------|
| After 1 year | 20% forgiven | \$16,000 |
| After 2 years | 40% forgiven | \$12,000 |
| After 3 years | 60% forgiven | \$8,000 |
| After 4 years | 80% forgiven | \$4,000 |
| After 5 years | 100% forgiven | \$0 |

In the case of sale, transfer or if the homeowner vacates the property prior to the five-year term expiring, the unforgiven portion of Exterior Improvement Loan amount must be paid in its entirety to the City of Chandler, before a Deed of Release can be processed.

b. Deed of Trust and the Deed of Release and Reconveyance

All loan financing distributed through the City's Exterior Improvement Loan Program will be secured with a lien placed on each assisted property. The Deed of Trust will be filed with the County Recorder's Office, and will be released through a Deed of Release and Reconveyance. The Deed of Trust will carry the value equal to all costs of repairs and assistance undertaken through the program, including construction and loan costs. The City will issue a release once the property owner has repaid the full value of the original Deed of Trust, or the forgivable time specified has elapsed, whichever is applicable. This repayment may be completed as a cash payment directly from the homeowner, or through sale, conveyance or alienation of the property. The Deed of Trust will be in effect until such time as the Promissory Note secured by the Deed of Trust is satisfied in full.

As the purpose of the program is to increase home and neighborhood values for low and moderate income households, the City will allow conveyance of property without repayment under limited circumstances. Property owners with a Deed of Trust in effect on their property may convey ownership to a member of their immediate family if that family member will use the property as their primary place of residence, and possesses a total household income at or below the HUD prescribed income limits at the time. All other types of conveyances require repayment of the loan at closing.

c. Subordination

When the City affects its Deed of Trust on a property, it will subordinate its interest only to the first lien-holder (usually the applicant's primary mortgage holder). However, the City may consider an additional subordination agreement under the following circumstance ONLY: the homeowner wishes to refinance with a reduction in the rate and/or term of their mortgage.

The City will not consider a subordination agreement for home equity loans (cash outs), debt consolidation or other situations not included in the previous condition.

If a property owner qualifies and is allowed a subordination agreement, it is the homeowner, title company, or mortgage company's responsibility to submit the following documents to the City of Chandler in order to process the subordination:

- Subordination Agreement – from the title/mortgage company
- Pre-Audit Settlement Statement
- HUD –1 Settlement Statement
- Uniform Residential Appraisal Report
- Good Faith Estimate & Truth in Lending Statement
- Uniform Residential Loan Application
- Current Promissory Note and Deed of Trust Securing Note

Please allow a minimum of 30 days to complete the subordination as City staff must submit subordination documents to Mayor and Council for approval at their regularly scheduled meeting times.

d. Home Maintenance Responsibility

Included in the loan agreement, Exterior Improvement Loan recipients are responsible to be in compliance at all times with the City's Neighborhood Preservation Standards, set forth in Chapter 30 of the Chandler City Code, or as subsequently amended. Also, all recipients are responsible for ongoing maintenance on their property. Prior to the loan being forgiven and Deed of Release recorded, the City of Chandler will inspect the home to ensure the homeowner has maintained the property and has complied with Chapter 30 of the Chandler City Code. Applicants approved for an Exterior Improvement Loan

must sign a Maintenance Agreement Form (*Appendix Item: F*) certifying that they will maintain their home and comply with all requirements set forth in Chapter 30 of the Chandler City Code.

VI. PRE-EXTERIOR IMPROVEMENT ACTIVITIES

Once the applicant has been notified as being approved to participate in the City's Exterior Improvement Loan Program, the Housing Rehabilitation Specialist will conduct an initial inspection of the property. The Housing Rehabilitation Specialist will discuss with the homeowner items that the homeowner wishes to be worked on and identify any additional items that may need repair and/or replacement. Initial pictures will be taken of items that are in need of repair/replacement. In addition, the Housing Rehabilitation Specialist will discuss program processes and guidelines with the homeowner(s). A copy of the City's Exterior Improvement Loan Program Guidelines will be provided to the homeowner and the homeowner must sign a receipt of acknowledging and reviewing the program guidelines.

a. Initial Inspection

During the initial inspection, the Housing Rehabilitation Specialist will review the items listed on the homeowner's application to be repaired or replaced. The Specialist will inspect the exterior of the home. The Specialist will utilize a checklist of qualifying items. (*Appendix Item: G*)

b. Eligible and Ineligible Work Items

The City's Exterior Improvement Loan Program is designed to make necessary improvements to the exterior of low and moderate-income Chandler households. The only types of improvements that are allowed are as follow:

1. Eligible Work Items

- Roofing
- Exterior paint
- Fence/Block wall
- Stucco
- Front-yard landscaping
- Windows (repair/replace)
- Exterior doors/Security doors (repair/replace)
- Concrete driveway
- Pool fence
- Fascia
- Front porch lighting

VII. ENVIRONMENTAL STANDARDS

Pursuant to federal regulations in 24 CFR 92 and 24 CFR 570, the City's use of CDBG funds requires a review of activities for any adverse effects on the environment. An environmental assessment is completed on each residence receiving rehabilitation assistance. An environmental review consists of: historic preservation, floodplain management, radioactive materials and nearby hazardous operations.

a. Historic Preservation

Section 106 of the National Historic Preservation Act requires that housing rehabilitation projects financed with federal funds undergo a historic preservation review. Once the applicant is approved to receive assistance and an initial home inspection has taken place, Community Development staff sends property information for properties of fifty years of age or older to the Arizona State Historic Preservation Office (SHPO) to determine whether or not the property is listed or eligible for listing on the local, State or National Registers of Historic places (*Appendix Item: H*). All projects must be reviewed and approved by SHPO prior to commitment or expenditure of federal funds. Materials sent to SHPO for approval include:

- Cover Letter
- Site photo(s)
- Scope of Work
- Area Map
- Maricopa County Assessor's parcel information

The materials must be sent by certified mail in order to document receipt of submitted materials to SHPO. By regulation, SHPO has 30 days from receipt of materials to object to a project. If SHPO fails to object within this time frame, the City may proceed with the project as proposed.

b. Floodplains

Per 24 CFR Part 55, the City must determine the floodplain status of all properties prior to commitment or expenditure of federal funds. The Community Development Section will review FEMA floodplain maps on a case-by-case basis to determine which, if any, properties are within a floodplain.

c. Radioactive Materials and Nearby Hazardous Operations

Per 24 CFR Part 51 Subpart C, the City must determine whether project sites are located in the immediate vicinity of hazardous or radioactive materials. To determine proximity to these hazards, the Housing Rehabilitation Specialist reviews the FEMA website as required by HUD regulations.

d. Lead-Based Paint

As federally-funded projects, the City requires a lead-based paint evaluation. The Housing Rehabilitation Specialist makes a determination during the initial site inspection whether or not a project qualifies for an exemption to the lead requirement. If lead hazards are present on the property to receive rehabilitation

assistance, the City is required to mitigate or abate all hazards. All homes built before 1978 must be evaluated for lead-based paint. The applicant must sign the Notice of Lead Based Paint Information (*Appendix Item: I*).

e. Required Documentation

The above requirements are reviewed on a case-by-case basis for compliance for environmental factors. All documentation and correspondence related to the review shall be included in the individual project files.

Once the review is complete, Community Development staff will complete a HUD Level of Environmental Review Form and a 2009 Appendix A form (*Appendix Item: J*). A Certifying Officer must sign these forms in order to complete the environmental review. The Certifying Officers for the Community Development Section are: CDBG Supervisor and Neighborhood Resources Director. Community Development staff submits environmental requests and supporting documentation to the Maricopa County Community Development Section.

VIII. EXTERIOR IMPROVEMENT ACTIVITIES

a. Home Inspection

The Housing Rehabilitation Specialist will schedule a home inspection with the homeowner to conduct a second and final review of repairs to be completed. The homeowner will review options to choose from for specific items such as: exterior paint, windows, front yard landscaping, etc.

b. Contractor Selection

The City of Chandler maintains a certified list of contractors that have been evaluated and approved by the Purchasing Division. All approved contractors will be invited to bid on each Exterior Improvement Loan Program project. All contractors on the approved list will be notified in writing of the date, time, and location of each project bid walk.

c. Scope of Work/Cost Estimate

The Housing Rehabilitation Specialist will utilize the initial inspection checklist, notes and pictures from both the initial and home inspection to complete a Scope of Work (*Appendix Item: K*). The Scope of Work includes, in detail, the items to be repaired/replaced during the exterior improvements. The Scope of Work will also include specific colors of items selected by the homeowner during the home inspection. The Housing Rehabilitation Specialist will utilize software to determine an estimated cost for the project. A Cost Estimate (*Appendix Item: L*) will be developed with estimated costs for each individual item to be repaired or replaced. The Scope of Work and Cost Estimate will be presented to the homeowner. If the homeowner agrees with the Scope of Work and Cost Estimate, the homeowner scheduling of the contractor bid-walks commences.

d. Contractor Bid-Walks

All approved contractors will be notified to submit bids for an Exterior Improvement Loan project. A Bid Walk will take place at the residence with the Housing Rehabilitation Specialist, homeowners, and contractors. The Housing Rehabilitation Specialist will review the Scope of Work with the contractors present and answer any questions. The purpose of contractor bid-walks is to ensure that contractors are treated fairly, and all parties involved have the opportunity to review the project, ask questions and develop solutions if necessary.

Bid submission and contractor selection processes are covered under **Section X: Contractor Requirements.**

e. Loan Closing/Contract Signing

Once the contractor is selected by lowest bidder, the Housing Rehabilitation Specialist will schedule an appointment with the contractor and homeowner to conduct contract signing and loan closing. A contract (*Appendix Item: M*) is signed between the homeowner and the selected contractor to complete work as specified in the approved Scope of Work.

During the loan closing, the homeowner will sign a Promissory Note (*Appendix Item: N*) and a Deed of Trust (*Appendix Item: O*). In addition, the homeowner will sign the Right of Rescission (*Appendix Item: P*). The Notice of Right to Cancel allows the homeowner three (3) days to cancel the contract and withdraw from the Exterior Improvement Loan Program before any work is performed.

Finally, if the homeowner agrees to proceed with the exterior improvements, the homeowner will sign an Order to Proceed (*Appendix Item: Q*). This document instructs the contractor to begin exterior improvement work within seven (7) days of the date of the Order.

f. Construction/Repairs

Once the contractor is selected, the exterior improvements begin. The Contractor has 45 days to complete the exterior improvements from the date of the signed Order to Proceed, unless otherwise agreed to by the homeowner and City of Chandler. During the exterior improvements, the Housing Rehabilitation Specialist will be in constant contact with the homeowner and contractor to monitor and inspect the rehabilitation work while in progress.

g. Interim Monitoring

During the course of exterior improvements, the Housing Rehabilitation Specialist will monitor the progress of projects by completing interim (monitoring) inspections. The number of inspections may vary, and is left to the discretion of the Housing Rehabilitation Specialist. However, at least one monitoring inspection will be completed prior to the final inspection. An inspection log will

be completed by the Housing Rehabilitation Specialist and placed in the project file during each inspection.

For projects with a small scope of work and quick completion time, one inspection may not be possible. However, the scale and timeline of a typical exterior improvement project usually allows for at least one or two site visits. The Housing Rehabilitation Specialist, the owner or the contractor may initiate monitoring visits at any time during the exterior improvement process, and a monitoring inspection must be completed prior to approval of an interim payment to a contractor.

For projects that require building permits, it is the contractor's responsibility to obtain the requisite permit and comply with the City of Chandler's Planning and Development Division with respect to its inspection requirements.

IX. EXTERIOR IMPROVEMENTS COMPLETED

a. Final Inspections

Prior to approval of a final contractor payment, the Housing Rehabilitation Specialist must complete a final inspection at the project site. The owner and contractor are required to attend this inspection in order to ensure that all parties involved understand the nature of the work completed and agree that work was completed properly. Pictures will be taken of all items completed in the Scope of Work.

For those projects that require a building permit, the contractor must arrange for a final inspection with the City's Planning and Development Division. The Community Development Division will not pass a final inspection until the Planning and Development Division has inspected and approved all work, and finalized the building permit. The Community Development Division will determine work to be satisfactorily completed if the work complies with the *Maricopa HOME Consortium's Maricopa HOME Consortium's Minimum Basic Housing Rehabilitation Standards (Appendix Item: R)* and the most current city adopted version of building codes. If work was satisfactorily completed, the Housing Rehabilitation Specialist, who is Housing Quality Standard Certified, will complete an HQS Inspection Form (*Appendix Item: S*) and issue a Certificate of Final Inspection (*Appendix Item: T*).

The Housing Rehabilitation Specialist will remind the owner and the contractor of their respective on-going contractual obligations. Both parties will be reminded that the contract stipulates that the contractor must guarantee the quality of material and workmanship for two years from the date of final acceptance of all work. The contractor must also provide the owner with any/all manufacturers' warranties or guarantees associated with the materials and equipment used during the exterior improvement project.

b. Correction of Work Items

In the event there are items on the Scope of Work that either the homeowner and/or the Housing Rehabilitation Specialist feel was not completed in its entirety or work does not comply with the *Maricopa HOME Consortium's Minimum Basic Housing Rehabilitation Standards* and City of Chandler Building Code, a Correction List (*Appendix Item: U*) will be developed. The homeowner and contractor will sign the Correction List and the contractor must complete/correct items on the list within fifteen (15) days. Once work has been completed, the homeowner and the City of Chandler agree and sign the Acceptance of Work.

c. Acceptance of Work

Once all work is satisfactorily completed and inspected by the Community Development Section, the Housing Rehabilitation Specialist will provide a Certificate of Final Release (*Appendix Item: V*). Prior to the issuance of a check to the contractor and file closure, the owner must sign off on all work completed. The Certificate of Final Release will be filed at the County Recorder's Office.

In the event that an owner refuses to sign the Acceptance of Work, the City may sign off on the work if the City feels the exterior improvements have been completed according to the contract and acceptable professional standards. If necessary, the Housing Rehabilitation Specialist will contact the Arizona Registrar of Contractors as a third party to provide an assessment to determine if work was completed properly.

d. Lien Waiver

Prior to approval of any final payment, the contractor must submit a signed lien waiver. The waiver stipulates that the contractor has or will provide all payments to laborers, including subcontractors, suppliers and other parties involved in the rehabilitation for services, materials and/or equipment employed for the purpose of exterior improvements. Further, the waiver releases any mechanics' liens, state or federal bond rights or additional claims for payment for the same work.

e. Homeowner Portfolio

At the completion of the exterior improvement project, the Housing Rehabilitation Specialist will supply the homeowner with a Portfolio that contains at minimum, the following items:

- Contractor contact information
- Subcontractor contact information (if applicable)
- Warranties/Guarantees of items used during the exterior improvement project
- Copy of initial application
- Copy of Signature Receipt for Exterior Improvement Loan Program Guidelines
- Copy of Signature Receipt for Lead Base Paint Information Packet
- Copy of Scope of Work
- Copy of Cost Estimate
- Copy of Contract between the homeowner and contractor

- Copy of Notice to Proceed
- Copy of Right of Rescission
- Copy of Change Orders (if applicable)
- Copy of Promissory Note
- Copy of Deed of Trust
- Copy of Acceptance of Work
- Copy of Correction List (if applicable)
- Copy of Certificate of Final Inspection
- Copy of Certificate of Final Release
- Grievance Policy
- Satisfaction Survey

X. CONTRACTOR REQUIREMENTS

a. Eligibility and Ineligibility of Contractors

The City’s Accounting Division, Procurement Division, in consultation with the Community Development Section, determines eligibility of contractors. In order for a contractor to become eligible to perform exterior improvement services under this program, the contractor must be registered with the City as a qualified vendor and must meet the City’s requirements as such. All contractors, both general contractors and the general contractor’s subcontractors, must apply to become a qualified vendor by contacting the City of Chandler Procurement Division. The requirements to become a qualified vendor include:

- All contractors must obtain and maintain a Residential General Contractor’s license through the Arizona Registrar of Contractors
- Proof of City of Chandler contractor license
- Proof of Federal Non-debarment
- Must be able to receive payments through direct deposit
- Must comply with the Legal Arizona Worker’s Act
- Must provide a current Insurance Certificate
- Proof of Bond

Contractors must maintain their license through the Arizona Registrar of Contractors and a City of Chandler contractor license at all times during their participation in the City’s Exterior Improvement Loan Program. If a contractor’s license becomes suspended or revoked at any point, the Community Development Section will suspend the contractor from participating in the program. If the contractor is currently under contract at a project site, the Housing Rehabilitation Specialist will notify the contractor that they need to stop work immediately until such time as the license is renewed or reinstated. Failure to obtain a renewal or reinstatement may be cause for termination of the Housing Rehabilitation Contract. The Housing Rehabilitation Specialist must notify the homeowner that the contractor’s license is no longer valid.

If a contractor is not currently working at a project site, they will be ineligible to bid on any projects until such time as their license is renewed or reinstated.

b. Insurance and Bonding Requirements

The contractor shall carry sufficient insurance coverage to protect contract assets from loss due to theft, fraud, or undue physical damage, and as a minimum shall purchase a blanket fidelity bond covering all costs associated with the contract in an amount equal to the total cost of the project.

The contractor shall comply with bonding and insurance requirements of 24 CFR §§ Part 84.31 and 84.48, including but not limited to the following insurance to the extent stated:

1. Commercial General Liability Insurance providing both bodily injury (including death) and property damage insurance in a limit not less than Two Million Dollars (\$2,000,000) aggregate and One Million Dollars (\$1,000,000) per occurrence. Such insurance is to be written on an occurrence basis. The City of Chandler shall be named as additional insured.
2. Automobile Liability and Property Damage Insurance, if applicable, in an amount not less than \$1,000,000 combined single limit for both bodily injury and property damage.
3. Workers' Compensation coverage for employers liability and disability benefits as required by the State of Arizona.
4. Excess Liability Insurance in an amount not less than \$10,000,000.
5. Certificates of Insurance for all of the aforementioned coverages shall be provided to the City of Chandler prior to the commencement of work under the project contract. The City of Chandler shall be named as additional insured on each such certificate.

c. Approved Contractors

All approved contractors will receive a copy of the *Maricopa HOME Consortium Minimum Basic Housing Rehabilitation Standards (Appendix Item: R)*, which the City of Chandler has adopted for the Exterior Improvement Loan Program.

The contractor will choose all products and services, as long as the contractor providing services is on Chandler's approved vendor list. Products and services include: roof repair/replacement, stucco, fascia repair/replacement, landscaping, concrete work, pool fencing, masonry, lighting, exterior doors, windows, and paint selections.

All contractors on the City's approved vendor list will receive on-going monitoring to ensure compliance to ensure current insurance and review of any complaints filed with the Registrar of Contractors. Any issues of non-compliance will remove a contractor from the approved vendor list and will not be eligible to bid on exterior improvement projects.

d. Sub-contractors

General contractors may choose to utilize sub-contractors as long as they are licensed and bonded. Prior to work commencing, the general contractor must submit a Subcontractor Form (*Appendix Item: W*), listing all subcontractors utilized on the exterior improvement project. If the general contractor does not utilize subcontractors, they must indicate so on the Subcontractor Form.

The general contractor under contract with the owner may select any subcontractor that they wish to complete work that they are not willing/able to complete with their own staff. However, the General Contractor is responsible for the actions, cleanliness and quality of work completed by their subcontractors. Should a subcontractor fail to perform adequately, it is the General Contractor's responsibility to rectify any improper conduct or otherwise poor performance by all subcontractors associated with the project.

e. Equal Employment Opportunity (EEO) Requirements

24 CFR 570 requires that specific language related to EEO be included in all contracts executed through the City's Exterior Improvement Loan Program. Specifically, the EEO clause requires that contractors and subcontractors agree to not discriminate among their employees based on race, religion, sex, creed, color, disability or national origin. Actions covered by this clause include those related to: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoffs, termination, rates of pay or other compensation and training selection or apprenticeship. Furthermore, the contractor also agrees to include language covering EEO in all subcontracting agreements.

f. Section 3 Clause

The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that to the greatest extent possible, job training, employment and contract opportunities are available to low and very low-income persons in connection with the projects and activities in their neighborhood.

The parties to the contract agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of the contract, the parties to the contract must certify that they are under no contractual or other impediment that would prevent them from complying with part 135 of the regulations.

The contractor must agree to send to each labor organization or representative of their workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or worker's representative of the of the contractor's commitments under the Section 3 clause, and will post copies of the notice in a conspicuous location at the work site where both employees and applicants for training and employment positions can see the

notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

g. Women’s and Minority Business Enterprise

The contractor will use its best efforts to afford minority and women-owned business enterprises the maximum practicable opportunity to participate in the work performed for the City of Chandler Exterior Improvement Loan Program. As used in these guidelines, the term “minority and female business enterprise” means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, “minority group members” are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. The contractor may rely on written representations by contractors or sub-contractors regarding their status as minority and female business enterprises in lieu of an independent investigation.

h. Contractor Selection

Both the Procurement Division and the Community Development Section maintain an ongoing list of approved contractors. Community Development staff will invite all contractors on the approved list to bid on each Exterior Improvement Loan project. A contractor may choose not to participate in a bid walk without penalty or deletion from the approved contractor list.

i. Bid Submission

All contractors will be sent a copy of the project Scope of Work and will be invited to the scheduled bid-walk. Bid walks will occur on the property to be assisted with the Housing Rehabilitation Specialist and the property owners. Contractors will have the opportunity to review the Scope of Work, inspect the property and ask any questions. Bid packages are to be sealed and delivered within seven (7) days of the bid walk. Bid packages shall be delivered to:

City of Chandler Neighborhood Resources Division
Mail Stop 600
235 S. Arizona Ave.
Chandler, AZ 85225

Failure to meet bid package deadlines automatically disqualifies the contractor from participating in that exterior improvement project. Bid packages that meet deadlines will be date stamped by City staff and require the contractor’s signature. In addition, a receipt will be given to the contractor.

j. Bid Review

Bid opening will be scheduled at a specific date and time and open to the public and contractors. Sealed bids received from contractors will be opened by the Housing Rehabilitation Specialist and with two additional City staff present. The bids will be opened, amounts will be called out and written on a bid sheet.

1. *In-House Estimates*

Once bid(s) are received from the contractor(s), the Housing Rehabilitation Specialist will review the bid(s) for completeness. The Housing Rehabilitation Specialist will evaluate the reasonableness of bid values by conducting a comparison to the cost estimate created during the Scope of Work process. (See Section VIII c).

2. *Allowable Variance Between Bids and Estimates*

If the value of a contractor bid exceeds the In-House Estimate, then the Housing Rehabilitation Specialist must determine the cost variance between them and act accordingly:

- If the bid value is within 15% of the In-House Estimate, the bid will be accepted as is
- If the bid value is between 16% and 20% of the In-House Estimate, the bid will be further reviewed and further information obtained from the contractor to justify the excess cost
- If the bid value exceeds 20% of the In-House Estimate, the bid will be rejected
- If all bids received exceed 20% of the In-House Estimate, justification will be obtained for each bid submitted and/or the Housing Rehabilitation Specialist can reject all bids and call for re-bid.

3. *Bid Acceptance*

Once the bid has been reviewed for completeness and the cost reasonableness determined, the Housing Rehabilitation Specialist awards the contract to the lowest qualified bidder in conjunction with the homeowner. Contractors who have submitted a complete bid package will be notified within three (3) days of the bid submission date of winning or non-winning bids.

k. Permits and Licenses

Contractors will be required to secure and maintain all permits and licenses during the course of the exterior improvement process as applicable. Contractors will be required to secure a Building Permit from the appropriate City Division, as required by the Homeowner Building Permit Manual available on the City of Chandler website, www.chandleraz.gov and City Code, as well as any permits from utilities or other regulatory agencies. Prior to final payment, contractors must demonstrate that all permits obtained in the course of exterior improvements have been finalized.

l. Elimination of Work Items

Should the bid amount exceed available funds, the Housing Rehabilitation Specialist will work with the homeowner to pare down the scope of work. The Housing Rehabilitation Specialist and the homeowner will discuss the owner's priorities for which work will be completed.

m. Change Orders

During the course of exterior improvements, unforeseen conditions may arise that merit a change order. The contractor or the owner can request change orders (*Appendix Item: X*). All change orders must be related to the original Scope of Work or fix a life and safety hazard that was previously overlooked or has changed. Change orders are not allowed to increase the price of the overall project amount. All change orders submitted for approval, must be substituted for "like for like" items. Change orders must be submitted in writing describing the circumstances warranting a change order and must reflect a justifiable need that was unforeseen during the development of the initial scope of work. Change orders will be reviewed and approved by Chandler Community Development staff before any work related to the change order can occur. The Community Development Section reserves the right to determine the eligibility of change order requests on a case-by-case basis.

n. Timeline of Work to be Completed

The contractor will have up to forty-five (45) days to complete the exterior improvement project from the date of the signed Order to Proceed. If the contractor is over 45 days, without prior notice and approval from the City of Chandler, the contractor will be fined \$50.00 per day for every day past the 45 day completion time. The sum of the fine will be reduced from the 10% final payment to the contractor.

o. Quality of Workmanship and Standards for Exterior Improvements

At all times, the contractor must ensure that the conduct of workers is held at professional standards and that the quality of workmanship complies with professional standards. The City will gauge quality of work through comparison with the *Maricopa HOME Consortium's Minimum Basic Housing Rehabilitation Standards (Appendix Item: R)* and local building codes to determine if work has been completed in a satisfactory method.

The contractor must also certify that quality of workmanship and materials for a period of two years from the date of the Notice of Completion and rectify any issues brought to his or her attention within this timeframe. Any conflicts that arise as a result of the contractor's failure to comply with this provision will be handled through the Arizona Registrar of Contractors. Finally, the contractor must also provide the homeowner with all manufacturers' warranties for materials used during rehabilitation.

p. Contractor Payments

Contractors must request payment using the Contractor Payment Request Form (*Appendix Item: Y*). The Contractor Payment Request form must be completed stating the item number and actual cost associated with completed work. The item number must directly correlate with the item number as stated in the original Scope of Work. All requests for payment must be documented and an original invoice provided to the City of Chandler. The Housing Rehabilitation Specialist will conduct an on-site monitoring to verify the completeness and quality of work corresponding to the request before payment is approved. The final payment request will be issued 30 days after the final walk-through and Notice of Completion is signed by the homeowner, contractor and City of Chandler.

q. Issuance of Checks

Once a payment request has been approved by all levels within the Community Development Section and forwarded to the City's Accounting Division, payment will be made through direct deposit to the contractor's specified account. Contractors must supply a valid routing number and checking account number to receive payments through direct deposit.

The Community Development Section and Accounting Division provide internal financial oversight to the City's Exterior Improvement Loan Program. Internal controls used by the Accountant are based on regulations at 24 CFR 570 and 24 CFR 92, which govern the federal CDBG and HOME programs, as well as criteria set forth by the Governmental Accounting Standards Board (GASB) and in Generally Accepted Accounting Principles (GAAP).

XI. PROJECT CLOSEOUT

a. File Closure

Once all exterior improvement activities have been approved and completed, the Housing Rehabilitation Specialist will finalize the project file before closure. This includes completing all reports required by HUD for CDBG funds and City quarterly reports. Exterior Improvement Loan Program files must be retained for a period of six (6) years from the date of the signed Release of Lien.

b. Grievance Procedure

A grievance is defined as any misunderstanding, difference or dispute between any homeowner, contractor or City staff regarding any aspect of the Exterior Improvement Loan Program. It is agreed that prompt and equitable resolution of complaints shall be addressed through the procedure set forth below in full confidentiality.

Any homeowner, contractor or City staff having a grievance pertaining to the Exterior Improvement Loan Program shall first discuss and attempt to settle the grievance with the parties involved in the grievance.

If a satisfactory settlement is not reached, the grievance shall be discussed and an attempt to settle will be conducted with the City of Chandler's CDBG Supervisor. The Community Development Administrator will give full and fair consideration to the grievance as promptly as circumstances allow, and shall render a fair and just decision by the end of the working day following the day the grievance was brought to their attention.

If a satisfactory settlement is still not reached, the grievance will be placed in writing by the griever, indicating what is requested and signed. The Community Development Administrator will state in writing, their answer to the grievance and their position to the grievance. The grievance will then be given to the Neighborhood Resources Director.

The Neighborhood Resources Director shall have seven (7) days from the time of receipt of the grievance to review and discuss the grievance with the identified parties.

If the grievance cannot be settled at this level, the grievance will be forwarded to the appropriate Division within the City, i.e. Legal Department, City Manager's Office, etc.

c. Satisfaction Survey

The City of Chandler's Community Development Section values feedback from any persons involved with or participating in the Exterior Improvement Loan Program. A Satisfaction Survey (*Appendix Item: Z*) is included in the Homeowners' Portfolio and given to approved contractors for completion. All feedback received is evaluated and when appropriate, changes are incorporated into the Exterior Improvement Loan Program to improve and increase efficiency of the program. The City is always looking for ways to improve the satisfaction of residents who receive program services offered by the City.