

Macomb County Comprehensive Housing Rehabilitation Program Manual

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Macomb County Comprehensive Housing Rehabilitation Program Guidelines

Introduction

This manual outlines procedures for the operation of the comprehensive housing rehabilitation program [hereafter “Program” within the County of Macomb (hereafter “Macomb County” or simply “the County”)]. A map of the County’s jurisdiction of 24 municipalities is found in **Exhibit A**. The service area excludes St. Clair Shores and Warren, which administer their own housing rehabilitation programs.

Currently, the County uses Federal Community Development Block Grant (CDBG) and HOME Investment Partnership Act (HOME) funding for this purpose. Additional funding is generated, primarily from the repayment of loans. This program complies with the policies and procedures required by the U.S. Department of Housing and Urban Development (HUD).

1. Purpose and Objectives

The Program is central to the County’s attainment of housing goals as contained in its Consolidated Plan. The Program’s primary purpose is to upgrade existing owner-occupied housing (as defined below) to decent, safe, and sanitary levels for low and moderate-income residents. Macomb County’s Housing Rehabilitation Standards (HRS) defines a standard and code compliance level for rehabilitation necessary to correct health, safety and building code violations to achieve decent, safe and sanitary affordable housing.

The standards used for measuring this objective are the Macomb Housing Rehabilitation Standards (HRS) and/or the Michigan Building Code (MBC), Michigan Residential Building Code (MRBC), Michigan Uniform Energy Code (MUEC), Michigan Electrical Code (MEC), Michigan Rehabilitation Code for Existing Buildings (MRCEB), Michigan Mechanical Code (MMC), and Michigan Plumbing Code (MPC) and local ordinances as applicable, and are intended to provide the minimum acceptable standards for existing single family household dwellings rehabilitated with Macomb County HOME and CDBG funding. All housing rehabilitated with HOME funds must meet the HRS and comply with applicable local ordinances and zoning ordinances at the time of project completion.

2. Goals

The following goals have been established for the Program:

Provide decent, safe and sanitary housing which is the primary residence of homeowners in the County by correcting housing deficiencies as allowed under the Program guidelines. When completed, repairs must comply with HRS and all applicable codes and local ordinances.

Assist low- and moderate- income families by reducing the financial burden associated with housing rehabilitation, which would not otherwise be possible.

Encourage homeowners to rehabilitate their homes.

Preserve the County's housing stock and enhance property values, thereby preserving the homeowner's investment and stabilizing neighborhoods.

Address essential deficiencies which are harmful to human health and safety.

Effectively use Federal resources and, where possible, to leverage additional funds to extend the reach and effectiveness of the Program.

Accomplish the housing goals identified in the County's Consolidated Plan.

3. Definitions

The following definitions apply to the Program:

Alternate Repairs

An equivalent method of compliance to a necessary repair item. Energy efficiency items may be considered under the Alternate Repair heading.

Anticipated Annual Income

An annualized projection of the IRS Form 1040 definition of adjusted gross income. The method of projecting future income is described in the "Technical Guide for Determining Income and Allowances for the HOME Program".

Change Order

A Program-approved deviation from the Housing Rehabilitation Project Work Specifications, usually due to unplanned or unforeseen construction issues which surface during the rehabilitation period. Normally initiated by contractors, Change Orders require authorization by Program staff and the Homeowner. If approved, Change Orders become part of the Single Family Housing Rehabilitation Contract. Change Orders that increase the price of the original contract are paid from contingency funds.

Condominium

A condominium is one of a group of housing units where each homeowner owns an individual unit space. The unit may be detached or attached to an adjoining unit. All share ownership of areas of common use. There is no individual ownership of a plot of land, therefore the land in the condominium project is owned in common by all of the homeowners. The Program may provide assistance if the condominium is held with a deed and a mortgage can be placed on the property. The work write-up must be approved by the condominium association and documented with a signed association or Program form.

Contingency

An amount equal to 20% of the original contract amount approved for the rehabilitation work. The contingency is added to the contract price and becomes part of the mortgage amount.

Contractor's Manual

A separate document containing important contractor information, including Methods and Materials guidance and other data relevant to successful project implementation.

Deferred Payment Loan (DPL)

A rehabilitation loan in which the principal is repaid when the title to the property changes hands (i.e. the property is sold, leased, inherited), rented, or default occurs according to the terms of the mortgage documents. Currently, all rehabilitation financial assistance is provided through 0% interest deferred payment loans.

Homeowner

Person or persons possessing fee simple title, having purchased the housing unit by cash or mortgage. Housing purchases being made by Land Contract or held under a reverse mortgage are not eligible properties. At least one owner must occupy the home as his/her primary residence for the property to be eligible for rehabilitation loan assistance.

Household

All homeowners listed on the title, whether or not occupying the housing unit, and all other persons occupying the housing unit as their primary residence. The following household members are not included when determining household size for income-limit purposes: foster children, live-in aides (and children of live-in aides), unborn children, and children being pursued for legal custody or adoption who are not currently living with the household. A child who is subject to a shared custody agreement in which the child resides in the household at least 50 percent of the time can be counted.

Household Income

The Anticipated Annual Income of all household members over the age of 18 who are not full-time students. Income from an absent household member is counted in the calculation of Household Income.

Housing Rehabilitation Standards

The standard and code compliance level for rehabilitation necessary to correct health, safety and building code violations to achieve decent, safe and sanitary affordable housing. The Program has established Macomb Housing Rehabilitation Standards as the applicable housing rehabilitation standards.

Income Eligibility

The total annual income for all persons in the household over the age of 18 must be at or below the household income limits determined annually by HUD. Income is documented by the Program using the IRS Form 1040 definition of adjusted gross income.

Land Contract

Any purchase of real property where the buyer obtains fee-only title after completing a series of installment payments over a specified term. A land contract held property is not an equivalent form of ownership (24CFR 92.2), and is therefore ineligible for the assistance through the Program.

Major Systems

Major Systems are: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation and air conditioning.

Manufactured (Mobile) Homes

Manufactured housing (commonly known as mobile homes) is a type of prefabricated housing that is largely assembled in factories and then transported to sites of use. Since a lien cannot be placed on the property, manufactured housing is ineligible for assistance under the Program.

Mediation

Involves a process of dispute resolution, primarily by Program staff, pursuant to the rehabilitation contract between homeowners and contractors. Staff will arbitrate disputes arising during the course of rehabilitation work. In the event of a dispute that cannot first be resolved between the owner and the contractor, both agree to abide by the decision of the Program staff.

Necessary Repairs

Repairs identified during the rehabilitation inspection process as being necessary to achieving Macomb Housing Rehabilitation Standards, Michigan Building Code, Michigan Residential Code, Michigan Uniform Energy Code, Michigan Electrical Code, Michigan Rehabilitation Code for Existing Buildings, Michigan Mechanical Code, and Michigan Plumbing Code and local ordinances as applicable. These repairs assume highest priority and all must be completed as a condition of commitment, either through Program or other funding. Homes in which all necessary repairs cannot be completed within loan limits established by the Program are classified as being "over repair", and are ineligible for assistance.

Owner-Occupied Housing

A single family home owned and occupied as the primary residence of at least one homeowner member of the household. The Program does not repair rental units in a property such as a duplex or flat, even if the owner lives in the adjoining unit. Homes held under a reverse mortgage or a land contract agreement, and manufactured (mobile) homes, are ineligible for assistance. A condominium may be eligible if it is held by a deed with a legal description. The condominium may be attached or detached. The condominium association must approve the housing rehabilitation specifications prior to the job being sent out for bid. Co-ops which may be described as condominiums but are not deeded property to the owner are ineligible.

Primary Residence

The principal establishment where a person has a fixed, permanent home for at least six months during the year.

Rehabilitation Cost

The total costs for rehabilitation including Necessary and Alternate Repairs authorized by the Program pursuant to the Rehabilitation Contract, plus approved change orders.

Reverse Mortgage

A home loan that provides cash payments based on home equity. Although the borrower remains the legal homeowner, homes under a Reverse Mortgage Agreement are ineligible for assistance since a lien cannot be placed on the property due to lien restrictions. The owner has no obligation to make installment payments under the loan, but the interest continues to accrue. Unlike a normal mortgage, the first priority lender's lien does not decrease over time, but instead increases. The borrowers typically defer payment of the loan until the death of the homeowner, the house is sold, or the homeowner moves out of the home. Upon the death of the homeowner, the heirs either give up ownership to the home or must refinance the home to purchase the title from the reverse mortgage company.

Short Sale

A short sale is a sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by liens against the property, and the property owner cannot afford to repay the liens' full amounts. The lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. The County will consider acceptance of a Short Sale if certain conditions apply.

Single Family Dwelling Unit

A residential structure, including townhouses and condominiums, if the legal structure permits assignment of a clear and defined property title to a given unit (i.e. a lien can be assigned to a specific unit).

Subordination of Mortgage Position

Is the practice where a lender assumes a lower claim position. Subordination may occur in order to allow a homeowner to obtain a more favorable mortgage for a lower rate and/or term. County policy does not grant subordination if equity is to be removed from the property to achieve Cash, Finance Improvements or Debt Consolidation.

Work Write-Up/Cost Estimate

The statement prepared by the Program, which itemizes rehabilitation repairs (identified as Necessary and Alternate repairs) to be performed on the property. The work write-up is accompanied by the rehabilitation inspector's itemized cost estimate.

4. Forms of Assistance

The Program will fund repairs to owner-occupied single-family dwellings through no interest deferred-payment loans, as defined above. Full repayment is required whenever the title changes hands (e.g. through gift, sale, inheritance, foreclosure, or default on the outstanding mortgage), or when default occurs as per the terms of the mortgage and note documents. Loan repayments are Program Income, as defined by HUD regulation 570.500 (a) (CDBG) and 92.2 and 92.503 (HOME).

5. Types of Improvements Allowed

General Rehabilitation Program Requirements

In general, the Program will permit any improvement necessary to achieve Macomb Housing Rehabilitation Standards, and all applicable codes. This includes (in order of priority) Necessary Repairs and Alternate Repairs, as defined previously. Examples include, but are not limited to, the following items: plumbing, wells, septic systems, sanitary fixtures, tap-in fees and water service, structural repairs, electrical work, trip hazards, improvements necessary to enhance energy efficiency, and barrier-free access improvements for the disabled and elderly. All homes must be free of lead hazards in accordance with the Lead Safe Housing Rule (LSHR).

The primary intent of the Program is to maintain decent safe and sanitary homes for low-and moderate-income households and secondarily, to upgrade neighborhoods, and to assist as many eligible homeowners as possible with limited funds. Homeowners will sometimes request specific repairs, and it is important that the Program establish priority criteria for reviewing such requests. These follow:

1. The program will complete all Necessary Repairs (as defined and determined by the Program Inspector) for Macomb Housing Rehabilitation Standards and all applicable code compliance as a matter of first priority.
2. The Program may undertake Alternate Repairs as an alternative solution to address rehabilitation up to the rehabilitation loan limits established by the Program.
3. The Program may undertake improvements to make properties accessible to disabled household members, as defined in the Macomb Housing Rehabilitation Standards.

Ineligible Projects and Repairs

The following are examples of repairs and costs that are not eligible under the Program as it is currently structured:

- repairs to manufactured (mobile) homes or multi-family rental structures
- properties held under a land contract or a reverse mortgage
- installation of (or repairs to) luxury items
- window air conditioners
- installation of (or repairs to) seawalls,
- payment of delinquent taxes, or of existing home repair loans
- repairs to any home which cannot attain Macomb Housing Rehabilitation Standards and all applicable standards and codes within the loan limits established by the Program, unless alternative additional funding has been obtained (by the applicant) for the project.
- financing in excess of \$40,000 plus contingencies, as outlined previously
- projects costing less than \$1,000.
- program financing on properties exceeding after repair values above 95% of the average median purchase price, as established by HUD for Macomb County.
- total value of multiple housing rehabilitation loans shall not exceed the limits established by the Program.

Deferral / Walk Away Conditions

The following conditions, if present, determine that the housing rehabilitation project is denied or cancelled during construction:

1. The dwelling has a major structural, plumbing, electrical, sanitation or infestation problem which creates a clear and identifiable threat to the safety of an employee or contractor of this agency.
2. The conduct/behavior of any member or pet of the household presents a potential threat to the safety of an employee or contractor of this agency.
3. The residence has standing water, mold, friable asbestos, deteriorated lead-based paint surfaces or other hazardous materials that cannot be addressed by the Comprehensive Rehabilitation Program.
4. The residence has an unvented space heater(s) that may have a harmful effect on the air quality of the home.
5. The residence has housekeeping practices that limit the access of workers to the dwelling or create an unhealthy work environment.
6. The homeowner is uncooperative with the Program (ex. unwilling to accept valid bids; not allowing contractor access to the home; unreasonable time frames for completion of work, etc.).

6. Eligibility Requirements

Any homeowner of property residing in the Urban County is eligible to apply for 0% interest Housing Rehabilitation Loan assistance, subject to the following conditions:

- a. Applicant is the owner-occupant of the dwelling unit, and uses it as the primary residence for the past continuous one year period.
- b. Property is a single-family, permanently attached, non-manufactured structure. Manufactured (mobile) housing and properties held under a land contract or reverse mortgage may not be rehabilitated.
- c. Household's projected annual income, based on the number of household occupants over the age of 18, must fall within the low-to-moderate-income range, as defined by HUD regulation for the Detroit Metropolitan area. The Program determines household income using the IRS 1040 method of calculating income.
- d. Owner-applicant must be current on all mortgage payments and property taxes, unless a hardship approval to defer payment has been obtained from the local community.
- e. Property must be substandard under the Macomb Housing Rehabilitation Standards and all applicable standards and codes.
- f. Property can attain Macomb Housing Rehabilitation Standards and all applicable standards and codes within the financial limits established for the Program, unless augmented with additional non-Program funding.

- g. Must maintain homeowner's insurance to protect the outstanding indebtedness on the property, including the amount of the rehabilitation loan.

7. Loan Terms and Conditions

Maximum Loan Amount

The maximum amount of the loan is \$40,000, plus a 20% contingency (as defined above).

Minimum Loan Amount

The minimum loan amount is \$1,000.

Loan Recordation

All loans will be secured by a mortgage and recorded with the Macomb County Register of Deeds.

Repayment Conditions

The loan is due and payable (in full) in the event that the mortgagor moves, sells, rents or leases the rehabilitated property; or upon death of the mortgagor, or some other instance of title transfer to an entity which is not the mortgagor, or default under the terms of the mortgage note.

The principal of the deferred loan may be prepaid at any time without penalty

Subordination of Mortgage Position

The County may allow a subordination of its superior position to enable a homeowner to obtain a more favorable mortgage for a lower rate and/or term. County policy does not grant subordination if equity is to be removed from the property to achieve Cash, Finance Improvements, or Debt Consolidation. A tolerance of cash refunds to the homeowner not to exceed \$500 resulting from minor adjustments at closing are approved on a case by case basis only.

To formally request a Subordination, complete copies of the following documents must be submitted for review by Program staff:

1. Letter requesting subordination agreement from the County of Macomb. Content to include name and address of the borrower, total loan amount, name and address of new lender, notification if equity is being removed from the property or not.
2. Borrower's Certification and Loan Authorization
3. Uniform Residential Loan Application (Form 1003). Document must be signed and dated.
4. Title Search with all schedules
5. Pay-off letter from any existing lien(s) being refinanced.
6. Schedule of charge accounts and other loans.
7. Good Faith Estimate related to proposed loan. Document must be signed and dated.

After the County receives and examines the above listed documents, every effort will be made to respond to the Subordination Agreement request within ten (10) business days.

Short Sale

To formally request a Short Sale complete copies of the following documents must be submitted for review by Program staff:

1. Letter indicating reason for the Short Sale
2. Title Search with all schedules
3. Current Appraisal
4. Purchase Agreement
5. Amount of Existing Liens
6. Pay off acceptable by Lenders in superior positions
7. Offer of payoff to the County on Rehabilitation Loan

After the County receives and examines the above listed documents, every effort will be made to respond to the Short Sale request within ten (10) business days.

8. Distribution of Funds

Rehabilitation assistance will be offered to applicants on a first-come, first-application completed basis. The applicant's property will serve as collateral for the loan.

9. Rehabilitation Loan Process

The following steps comprise the rehabilitation loan process followed by applicants for assistance.

- A. Interested applicants complete a Pre-Screen Application for Housing Rehabilitation Assistance form (**Exhibit C**), and list all household members, assets, liabilities, income and other pertinent information as required on the form.
- B. Applicant Pre-Screen Qualification – All applicants must initially submit the following information to be reviewed by Program staff:
 1. Documentation of Homeownership - May include a deed including a divorce decree and/or death certificate or contact information for anyone else listed on the deed (if applicable), a copy of the mortgage or paid-in-full letter from the lender. Other forms of eligible ownership in addition to traditional forms of ownership interest (defined under 24 CFR 92.2), include a Living Trust, Life Estate, Inherited Property or Beneficiary Deed.
 2. Homeowner's Insurance – Current Declaration Certificate showing the limits of liability and policy period.
 3. Mortgage Payments and Property Taxes - Paid and up-to-date (e.g. current property tax bill with proof of payment; current mortgage balance statement).

4. Copy of Driver's License or State Photo I.D. (front and reverse sides)

The application is assigned a case number and receives a confirmation letter acknowledging receipt of the application. If the application becomes dormant due to the applicant choosing not to submit information in a timely manner, the application will be withdrawn. The applicant may reapply after a one (1) year waiting period.

Documentation of Income

Program recipients must be low to moderate-income, as defined annually by HUD, based on the number of household occupants. The applicant must therefore submit signed and dated IRS 1040 and State of Michigan tax returns with all forms and schedules for the past two most recent years, plus current income information for all household members over the age of 18 (ex. most recent three (3) months of payroll stubs, Social Security/SSI benefits, pension, child support payments, adoption subsidy, etc. as applicable).

Program staff then determines income data completeness and currency, and then derives projected gross adjusted income based on methodology contained in "HUD's Technical Guide for Determining Income and Allowances for the HOME Program" using the IRS 1040 method. The Program may require additional information and conduct subsequent research if necessary should questions arise during the income verification process.

Applicant Eligibility Determination

Staff will use the following criteria to determine applicant eligibility for rehabilitation loan assistance:

1. Household income and the number of occupants in the household.
2. Geographic location – Recipients must reside within the jurisdiction of the County of Macomb. The number of participant communities may expand or be reduced over time through special contractual arrangements with the County.
3. Homeownership – The applicant must own the property and occupy it as his/her primary residence, as defined above.
4. New loan recipient – With the exception of Limited Rehabilitation assistance, the applicant must be a new applicant for one-time assistance.
5. Property taxes – All tax payments shall be paid and up-to-date.
6. Insurance – The applicant shall have current and adequate homeowner's insurance coverage for the value of the property and including the amount of the County's lien.
7. The After-Rehabilitation Value of the home must be less than 95% of the average median sales price of homes for Macomb County, as determined by HUD. The After-Rehabilitation value of the home will be calculated by the Program as twice the State Equalized Value (SEV).

Determination of Applicant Ineligibility

The Program will inform the applicant by letter of the reasons the applicant is determined to be ineligible for Program assistance.

Environmental and Historic Reviews

The Program undertakes a historic review and clearance process, in conjunction with the State Historical Preservation Officer (SHPO), for homes constructed more than fifty (50) years ago and which might therefore have historical or architectural significance. The Program reviews for impact under the National Environmental Policy Act (NEPA) to determine any adverse impacts upon the human environment. Should either review reveal adverse or potentially adverse effects, the Program would consider alternatives, including no action.

Lead-Based Paint Compliance

The homeowner is provided information, as required by Part 35 of the Lead Safe Housing Rule, pertaining to Lead-Based Paint (LBP), and the hazards associated with it, at the time the contract is signed, through the HUD/EPA pamphlet entitled: "The Lead-Safe Certified Guide to Renovate Right". The homeowner signs an affidavit acknowledging receipt of the pamphlet.

The Program will inspect for deteriorated paint as part of its code compliance inspection, and order a lead inspection/risk assessment in dwellings constructed prior to 1978, to identify the presence of lead and any LBP hazards in the dwelling. Appropriate treatments are implemented when the Program determines that action is warranted under the Lead-Safe Housing Rule (LSHR). The Program will use contractors trained and certified through the Michigan Department of Community Health in lead abatement.

Exemption of Certain Projects from Requirements of Lead Safe Housing Rule

A rehabilitation project may be exempt from the lead-based paint hazard reduction requirements pursuant to 24 CFR 35.115 and 35.165. It is expected that exemptions will be rare.

Inspection Schedule

If eligible, the Program will schedule a housing inspection to assess housing conditions and identify the repairs necessary to bring the unit to Macomb Housing Rehabilitation Standards, MRCEB, MRBC and all other applicable standards and local codes. Other deficiencies or conditions may also be identified at this time.

Work Write-Up

The Program prepares an inspection report (or work write up) to detail conditions existing at the time of the inspection. This is used to prepare repair specifications detailing the nature, location, quantity, quality and type of materials required for various repairs. The Work Write-Up is applicable for ninety (90) days.

Repair Specifications

The work specifications are used to obtain a general cost estimate thereby assessing the feasibility of repair, to prepare a bid document. The detailed work specifications are incorporated into the Single-Family Housing Rehabilitation Contract.

Repair Feasibility Determination

Program staff estimates the cost of the work to be performed, based on knowledge of the trade and other professional indicators. This forms the basis

for review of contractor bids on the work, if the project proceeds. The applicant is also notified as to whether or not it is possible to repair the dwelling unit within the financial limits set by the Program. This qualification is based on the ability to complete all Necessary repairs within financial assistance limits. The applicant receives written notification if the unit does not qualify based on the above criteria. If deemed feasible by the Program, the applicant may be encouraged to apply to the Limited Housing Repair Program as an alternative means to achieve housing repairs.

Applicant Review of Repair Specifications

The applicant will review the following items with Program staff: the work write-up, the proposed work specifications and cost estimates. The applicant's options, including payment options and the right to decline participation in the Program, are presented at this time. Homeowner withdrawal from the Program is confirmed in writing by the Program to the homeowner at the end of the Work Write-Up applicability period of ninety (90) days.

Contractor Procurement:

At least three (3) bids are solicited for the project. Bids are competitively solicited on an alternating basis from the Program's list of approved contractors. Homeowners may also identify other contractors if they meet the Program's contractor qualification standards (as described below). Contractors may apply to be added to the bid list during an annual solicitation period through public advertisement or through contractor contact with Program staff. The Program will make reasonable efforts to identify, and solicit bids from, qualified minority and women-owned contracting firms and/or Section 3 Business Concerns on rehabilitation projects, in accordance with 24CFR Part 85.36 (e) and 24CFR Part 135.36 (2) of the federal regulations.

Exceptions to the above criteria may be permitted when in the Program's interest to do so. Examples would include:

- a) Cases where immediate intervention may otherwise be required to correct conditions harmful to occupant health and safety.
- b) Special or unique skills are required which make a competitive bid process unrealistic.

Contractor Qualification Standards

The following qualifications must be met:

- a) Residential Builders license in the State of Michigan
- b) Liability Insurance coverage of at least \$1,000,000 per occurrence and \$2,000,000 aggregate, with property damage and bodily injury inclusions.
- c) Proof of insurance or coverage required under State law governing Worker's Compensation.
- d) Documentation demonstrating ability to perform housing rehabilitation work.
- e) Current Michigan Department of Community Health Lead Abatement Contractor Certification and Lead Supervisor Certification.
- f) Current EPA Firm Certification for Lead-Based Paint Renovation, Repair and Painting.
- g) Completed Debarment and Suspension Certification.

- h) Completed Macomb County Vendor Disclosure Form.
- i) Tax Identification Number – W9 Form
- j) Be of good reputation, financially sound, and have adequate financial resources to implement and successfully complete a housing rehabilitation project.

Approved Contractors List

Interested contractors are invited to apply to the Program during the annual Contractor Solicitation period typically held in the spring of each year. The Program will maintain a list of approved contractors from which it will solicit bids on a rotating basis. This list may be updated, with new contractors being added to, and inactive or non-performing contractors being removed from it. Individual additions or deletions may also occur, as need dictates, to ensure proper management of the Program.

Bid Opening/Tabulation

Bids will be opened on the date and time specified in the bid solicitation document, with bids tabulated on a bid summary prepared by the Program. The Program will recommend that the homeowner select the contractor submitting the lowest responsible and reasonable (or best) bid, to be awarded the contract. The successful bid is incorporated into the rehabilitation contract.

Best Bids are determined and documented through the following criteria:

- a) A comparison of line items to assess specific, as well as overall comparability between bids.
- b) A comparison of the County's cost estimates with those submitted by the competing contractors.
- c) The rationale for determination of the Best Bid is documented in the bid summary.
- d) The Program may reject any and all bids if in its best interests to do so.
- e) Each competing contractor is notified in writing of the results of the bid process.

Bid Review/Contractor Selection

A bid review meeting will be held between Program Staff and the homeowner for purposes of reviewing the bids submitted and for contractor selection by the homeowner. The homeowner may select other than the Best Bid but is required to pay the difference in cost between the preferred contractor and the Best Bid, as determined by Program staff. A certified check or money order in the amount of the difference payable to the County of Macomb must be submitted by the homeowner(s) to the Program at the Loan Closing. The Program will hold the check until the work passes final inspection, after which time the Program will include the difference in the final payment to the contractor.

Loan Closing: Execution of Rehabilitation Contract

The homeowner and rehabilitation contractor, facilitated by Program staff, execute a Rehabilitation Contract, at Program offices, unless arranged otherwise. Program staff answers any questions raised by either party. The Contract obligates the Contractor to complete work items, prescribes methods and materials, and prescribes a timeframe and other conditions to be met. The

homeowner also executes, and receives copies of, the following documents (except as noted):

- a) Notice of Right to Cancel
- b) Truth in Lending Statement
- c) Mortgage to Secure the Loan
- d) Mortgage Note
- e) Single Family Housing Rehabilitation Agreement
- f) Housing Rehabilitation Written Agreement with the County
- g) Declarations of Understanding (if applicable)
- h) Authorization to Release Information
- i) Change Order
- j) Extension Request
- k) Statement of Homeowner's Satisfaction
- l) Final Inspection Checklist
- m) Proceed to Work Order (homeowner signs one copy for the Program)

Cancellation by Homeowner

The homeowner may cancel the Rehabilitation Contract within three (3) Macomb County business days for any reason whatsoever. If the contract is cancelled, it becomes null and void. The Program will notify the Contractor in writing, documenting the cancellation of the contract in the project file to that effect. If after three (3) business days the contract is not cancelled, a Proceed to Work Order is issued to the Contractor. If cancelled, none is issued. However, the homeowner may not reapply to the Program if the homeowner chooses to cancel the contract during the rescind period.

Proceed to Work Order

Within thirty (30), but not before three (3), Macomb County business days after Contract execution, a Proceed to Work Order is issued advising the contractor to commence work. A Proceed to Work Order is not issued when additional, non-Program, funds are required unless a cashier's check or certified money order, in the amount required, is placed in escrow with the Program.

Project Monitoring

Project monitoring by Program staff begins with the start of construction. Program staff will complete progress and final inspections for each project. Progress inspections will be conducted during construction to verify that all work specifications are being satisfactorily completed. An approved final inspection at project completion will verify that all work has been completed according to work specifications. Site visits will also be completed when requested by the homeowner or contractor to evaluate either party's concerns, to validate the need for change orders, and to consult on best practices to address unusual construction issues.

Program staff monitor to ensure that all contracted work is addressed, that it is performed according to specification, and that it is performed in a workmanlike manner in accordance with the Macomb Housing Rehabilitation Standards. Dwellings constructed prior to 1978 that have been identified as containing lead hazards will undergo a Lead Clearance Examination upon completion of all abatement work.

Program staff also mediate disputes between the homeowner and the contractor. If the dispute is not resolved between the homeowner and the contractor, both agree to abide by the decision of the Program.

Change Orders

Will be approved only when hidden defects or unforeseen situations arise. Contractor requests for Change Orders must be made through, and validated by, Program staff. The Change Order must be signed by the contractor, homeowner, and Program staff before implementation. Documentation is placed in the file and become part of the Single Family Housing Rehabilitation Contract.

Contract Duration

Loan recipients are entitled to timely and satisfactory work completion. It is expected that work will normally be completed within ninety (90) calendar days of the issuance of the Proceed to Work Order. It is possible that delays may occur due to conditions such as harsh winter weather or material shortages. Contractor failure to complete work on time, for reasons within his/her control, will be considered cause for contract termination, and/or temporary suspension from the approved contractor's list. Contractors may be permanently removed for subsequent occurrences. Extensions may, however, be approved for good reason, but require execution by the contractor and the homeowner with approval by Program staff.

Contract Violations

All contract items must be completed satisfactorily while under construction, in accordance with the work specifications and with the Methods and Materials outlined in the Macomb Housing Rehabilitation Standards and/or the repair specifications. Failure to do so is considered a material contract violation. If not corrected by the contractor in a timely manner, material violations are cause for contractor termination and replacement by another contractor.

Program staff will work with the original contractor to correct the violation, or obtain a second contractor if the deficiency is not corrected. Homeowner concurrence in this process is required.

The second contractor will be paid first, upon satisfactory completion of the work contracted for, and the original contractor is reimbursed from residual funds up to the amount in the original contract, but only for work completed in accordance with the rehabilitation contract.

Contractor Discipline: Suspension and/or Removal

Contractors may be suspended or removed for substantial non-performance, or for unethical or illegal actions, at any time based on the considered and documented decision of the Program staff. Possible sanctions include the following:

- a) Suspension: for first-time failure (for reasons within the contractor's control) to materially and satisfactorily complete work in accordance with the rehabilitation contract, for poor workmanship, or for any unnecessary and uncompensated damage resulting from repair activity. Suspensions shall last

for three (3) months in which time the contractor will not be eligible to compete for rehabilitation projects. After that time, the contractor may regain eligibility but will go to the end of the rotation listing among contractors.

- b) Removal: for failure to maintain essential licenses and insurance, for subsequent failures (if within contractor control) to materially and satisfactorily complete the work or otherwise comply with the terms of the Contract), for poor workmanship, for any verbal or physical intimidation of the homeowner or Program or local municipal staff, or any willful or uncompensated damage to personal or other property caused by the contractor.
- c) Damage: Contractors are liable for any unnecessary damage resulting from their work. Certain repairs will cause damage that will not be corrected. These items will be recognized in the repair specifications and incorporated into the Rehabilitation Contract.
- d) Non-Responsive Contractors: who fail to respond to three (3) successive bid solicitations without providing a reason to the Program, are to be removed from the list of approved contractors. A Contractor so removed will receive written notification and given fourteen (14) calendar days to appeal. The Contractor will be temporarily inactivated during the appeal period, but is immediately reactivated if re-qualified as a result of the appeal. Appeals shall be in writing directed to the Program staff. Contractor failure to appeal in a timely manner automatically results in suspension or removal as warranted.

Statement of Homeowner's Satisfaction

The Program seeks to ensure homeowner satisfaction with the rehabilitation work performed, and homeowner's signature on the Statement of Homeowner's Satisfaction is required. This form is a prerequisite to all partial and final contractor payments, except in disputes where the homeowner refuses to sign and the Program determines that the Contractor has performed in accordance with the terms and conditions stipulated in the Contract. The Program will document the reasons for such decisions in the project file.

Contractor Payment:

The Contractor will be paid the Contract price in one lump sum after the work is satisfactorily completed. Payment due the Contractor will be paid once the Program has received copies of the:

1. Municipal Sign-off or written municipal violations (if a municipal violation is pending, payment will be withheld until the municipal sign off is secured and submitted to the Program)
2. Passing Final Inspection Report
3. Passing LBP clearance report for lead based paint projects
4. Michigan Dept. of Community Health (MDCH) Notification of Lead Abatement Activity if applicable
5. MDCH Occupant Protection Plan if applicable
6. Contractor's invoice
7. Full Payment Request form
8. Sworn Statement (completed with the names of subcontractors, general contractors, suppliers, laborers and total contract amount),

9. Waivers of Liens (unconditional or partial) or Claims by the Contractor, sub-contractors, laborers, and materials suppliers,
10. Change Orders with all signatures
11. Warranties (with all required information filled out)
12. Signed Statement of Homeowner's Satisfaction.

When warranted, the Program may allow one (1) progress payment of up to 80% of the value of completed work documented in the Contractor's invoice. Progress payments are made solely at the discretion of the Program and are approved by the homeowner.

Project Closeout

After final payout, the Program will issue a letter providing a full financial accounting for the project to the homeowner, and establish the final outstanding loan amount. The homeowner may wish to amend the amount of the lien to reflect funds not used in the project, e.g. unused contingency funds, and the Program will record an Affidavit amending the original Mortgage to reflect the owner's wishes.

There is no obligation on the part of the homeowner to make installment or other partial payments against the loan. No interest accrues against the unpaid balance of the loan, except as follows: Upon default as defined in the Mortgage Note, interest on the deferred obligation shall be at an interest rate of 6% per annum, commencing thirty (30) days after the date on which any of the stated conditions occur.

The principal sum of the loan shall be referred to as a No Interest Deferred Loan and shall become due and payable under the terms of the mortgage note.

Reapplication to the Program

A homeowner may reapply to the Program after receiving assistance. A wait period of (3) years must elapse from project completion (i.e. date of the approved final inspection). The total indebtedness of all rehabilitation work may not exceed the Program cap of \$40,000.

Warranties

All work is guaranteed by the Contractor for one year from the date of the passing final inspection of all work performed under the Single-Family Housing Rehabilitation Contract. The contractor is required to provide the homeowner with copies of the manufacturers and supplier's guarantees and warranties, (including optional extensions thereof) for equipment and materials furnished in performance of the Contract as a condition of final payment.

Conflicts of Interest

It is the policy of the Program to avoid the occurrence of conflicts of interest, whether real or perceived. Governance is found at 24 CFR 570.611 (CDBG) and 92.356 (HOME), in State law and in County Ordinance. The following requirements therefore apply:

- a) Applicants for rehabilitation assistance who work for Macomb County or are related to such employees, officers, or elected officials of Macomb County, shall declare that relationship in their application.
- b) Contractors (including suppliers) shall disclose any relationship to County employees, officers, or elected officials in their application for admission as approved County rehabilitation contractors.
- c) The Program will follow the procedures outlined in the Federal regulations whenever a possible conflict of interest, as described in items a. and b. above, occur. This requires the following:
 - Disclosure of the situation to Program staff who, in turn, will notify the Executive Director of Macomb Community Action.
 - Preparation of a written disclosure statement which fully describes the perceived conflict of interest.
 - Submission of the disclosure statement for review by Corporation Counsel, who will review for compliance with State and local law. That determination, once received, is incorporated into the appropriate contractor or homeowner/applicant file.
 - Submission of a Request for Exception to HUD, including documentation of public disclosure (Public Notice and Public Hearing comments), Corporation Counsel's determination of applicability under State and local law, and a full description of the situation at hand and why an exception to the rule should be made.
 - All documentation pertaining shall be incorporated into the contractor's or homeowner/applicant's file.

Nothing with respect to the Contractor's or Homeowner's application may proceed until and unless the matter is fully reviewed by the County of Macomb and HUD, and found either not to be a conflict of interest, or HUD grants an exception to the regulations. Should a negative determination occur, the application is denied and the file is closed, with documentation incorporated into the project file.

Coordination with Other Programs

To the extent possible and practicable, the Program will coordinate with other agencies providing similar forms of assistance. In so doing, funds may be leveraged, thereby increasing the amount of repairs possible to a property, and extending program reach beyond what might otherwise be possible. Potential partners include:

- Michigan State Housing Development Authority (MSHDA)
- Macomb County Weatherization Program (administered by MCCSA)
- Private for-profit and non-profit housing programs
- Michigan Department of Health and Human Services (MDHHS)