

Administrative Policy & Procedural Manual for Federally-Funded Housing Rehabilitation Programs

City of Iowa City

Prepared by

Neighborhood and Development Services

adopted by City Council on June 22, 1993

Administrative Review & Revision effective March 1, 1996

Administrative Review & Revision effective July 1, 1998

Administrative Review and Revision effective February 1, 2000

Administrative Review and Revision effective August 10, 2001

Administrative Review and Revision effective November 21, 2005

Administrative Review and Revision effective August 20, 2009

Administrative Review and Revision effective February 6, 2013

Administrative Review and Revision effective October 19, 2016

Table of Contents

	<u>Page</u>	
Preface	1	
Chapter 1 Eligibility Requirements	2	
Chapter 2 Assurance that Rehabilitation Project will be Completed	5	
Chapter 3 Eligible Costs.....	6	
Chapter 4 Financial Assistance Categories, Loan Terms, Limitations and Conditions	9	
Chapter 5 Processing and Submission of Rehabilitation Cases	12	
Chapter 6 Truth in Lending/Loan Settlements/Account Management	14	
Chapter 7 Rehabilitation Agreements	18	
Chapter 8 Recapture of Rehabilitation Assistance.....	21	
Chapter 9 Determining Work to be Done.....	22	
Chapter 10 Contracting for Rehabilitation Work	23	
Chapter 11 Inspection of Rehabilitation Work.....	27	
Chapter 12 Complaint Procedure.....	29	
Chapter 13 Definitions	30	
Appendix Exhibit 1 – Calculating Annual Gross Income	34	
	Exhibit 2 - Program Priorities.....	35
	Exhibit 3 - Table of Median Income.....	36
	Exhibit 4 – Policy for Housing Rehabilitation Subordination Agreements	37

Preface

This handbook serves as the technical guide to the City's owner-occupied housing rehabilitation programs administered by Neighborhood Services.

The Housing Rehabilitation Programs include:

- I. Comprehensive Home Rehabilitation (CDBG and HOME)
- II. Exterior Repair Program
- III. Residential Accessibility
- IV. Emergency Repair
- V. Manufactured Home Repair
- VI. Energy Efficiency Program

Funding for the various program components under the Housing Rehabilitation Program is authorized by the City Council and provided by U.S. Department of Housing and Urban Development. Both Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME) may provide funding for this program. The 1990 National Affordable Housing Act, as amended, authorizes the use of these HOME funds.

While the CDBG program allows cities considerable flexibility in developing rehabilitation programs to meet the housing needs of their citizens, the HOME program is considerably more restrictive. In this manual, regulations and procedures listed apply to **both** programs with additional requirements of the HOME program specifically noted.

Chapter 1 Eligibility Requirements

General. This chapter sets forth property and owner eligibility requirements for a rehabilitation loan or grant. The property must need rehabilitation to meet the Iowa City Housing Code Standards (section 14-5E of the City Code).

A. **Location**

All programs are available city-wide to Iowa City homeowners that meet federal eligibility requirements.

B. **Ownership**

1. **Owner-Occupied Dwellings, Condominiums and Cooperatives.** The owner-occupant of a single-family dwelling, condominium or cooperative unit must meet the definition of a homeowner and must have held legal title or a land sales contract at least 12 months prior to applying for rehabilitation assistance. First time home buyers are exempt from this requirement. An applicant may only receive assistance up to the maximum dollar amount, which is \$24,999 for a Comprehensive Rehab project. This maximum amount will not include project delivery costs (e.g., project write-ups, bidding, inspections, etc.).
 - a. Applicants for rehabilitation assistance are ineligible if there are unpaid federal, state, or local tax liens on the property.
2. **Contract Holder.** A land sales contract purchaser must, at a minimum, meet all of the following requirements to be eligible for rehabilitation assistance to cover rehabilitation costs.
 - a. The contract shall be a written, legally binding instrument involving property that will be for continued residential use after rehabilitation.
 - b. The seller may not convey any interest in the property to any other party unless the conveyance is subject to the land sales contract, except that the seller may retain the right to mortgage the property for an amount that does not exceed the unpaid portion of the contract purchase price.
 - c. Under the contract, the seller and any subsequent holder of the title to the property must be obligated, without qualification, to deliver a warranty deed to the property to the purchaser upon full payment of the contract price, or some lesser amount.
 - d. Under the terms of the contract, the purchaser shall have:
 -Full use, possession, and quiet enjoyment of the property.
 -Equitable title to the property.
 - e. The purchaser shall have possession and use of the property under the contract for twelve months prior to applying for rehabilitation assistance, and must be a homeowner as defined herein.
 - f. The title holder must sign an addendum to the land sales contract which will allow rehabilitation to proceed.

C. **Occupancy**

A homeowner shall verify that the property to be rehabilitated is the homeowner's principal place of residence and that the homeowner has been residing there for at least twelve continuous months prior to applying for assistance.

D. **Income Eligibility**

1. **Income Limits**

HUD annually determines the median income levels for Iowa City as shown in Exhibit 3 attached to this manual. The income of an applicant may not exceed 80% of the median family income for Iowa City. Please note that the terms of repayable loans may vary for different income levels (See Chapter 4). The Housing Rehabilitation application form lists sources included to determine gross annual income. (See also Exhibit 1).

2. **Assets**

If the applicant has net assets in excess of \$5,000, the excess amount is multiplied by the current passbook savings rate and counted as earned income. If a household has over \$100,000 in assets (not including equity in the property to be rehabilitated) as defined in this Manual, the household is not eligible for assistance.

E. **Ownership & Income Verification**

1. **Ownership Verification**

For all applications, the applicant must provide written documentation that has been recorded, such as a copy of a deed to the property or a title certificate. For mobile homes, such documentation may be in the form of a tax certificate. If uncertainty exists as to the adequacy of documentation, the case shall be referred to the City Attorney's Office which may require additional supporting documentation.

2. **Income Verification**

- a. For housing rehabilitation assistance totaling over \$4,000, the applicant must provide documentation in support of their income eligibility. The City shall review the information prior to application approval. For projects estimated to cost less than \$4,000, the applicant must sign an income verification statement. For income eligibility, the applicant's gross income is computed as per the HUD Section 8 program (See Exhibit I).

F. **Additional Requirements for ALL Assisted Units under the Comprehensive Rehabilitation Program**

For HOME-funded projects the value of the property after rehabilitation must not exceed 95% of the average purchase price of Iowa City property sales as determined by HUD 203B limits.

G. **Additional Requirements for Manufactured Home Repair Program**

1. An applicant may receive rehabilitation assistance up to a maximum of \$6,000. Assistance will be in the form of a grant.
2. This maximum assistance threshold cannot exceed \$6,000 over a 7 year period and applies to the address assisted and/or the owner assisted with the funds. Any additional assistance after the 7 year period will be approved by the housing rehabilitation specialist based on need on a case-by-case basis.
3. An applicant shall have title to the unit or a valid contract for sale prior to the date of application for Rehabilitation Assistance.

H. **Additional Requirements for the Energy Efficiency Program**

1. An applicant may receive rehabilitation assistance from a minimum of \$300.00 to a maximum of \$4,000. Assistance will be in the form of a no-interest or low-interest loan.
2. The program is available to qualified applicants from September 1st through March 1st each year.

Chapter 2. Assurance that Rehabilitation Will be Completed

- A. **General** Before the City can reserve funding for any rehabilitation project, the applicant must assure that all work included in the work write-up and subsequent change orders will be completed by signing a contract covering the work to be completed. In cases where the proposed rehabilitation costs exceed the amount of assistance, the City will not provide funds unless the applicant can provide the additional amounts needed to assure completion of the work.
- B. **Rehabilitation Assistance on Residential Property** If the applicant is obtaining supplemental financing, the City will not approve a loan application until the City receives evidence (a letter) that the applicant has obtained an adequate and satisfactory supplemental loan commitment from the lender. If the applicant obtains the loan from a recognized lending institution, evidence furnished to the Rehabilitation Specialist or Program Assistant shall consist of a bona fide commitment to lend money for the rehabilitation work. The loan shall be in an amount which, when added to the rehabilitation assistance and any other funds furnished by the applicant, will be sufficient to complete the required work. All of the applicant's supplemental funds shall be expended prior to the rehabilitation funds. A verification of these expenditures shall be provided to the Rehabilitation Specialist or Program Assistant.
- C. **Failure to Complete Rehabilitation Work** If the applicant receiving assistance fails to complete rehabilitation work in the time determined by the Rehabilitation Specialist or Program Assistant or fails to comply with the terms and conditions of the Rehabilitation Agreement, the City may elect to cancel the loan or, in the case of projects other than "self-help projects", may complete the rehabilitation. Except for extenuating circumstances, as solely determined by the Neighborhood Services Coordinator, work shall be completed within 270 days from the date the Rehabilitation Agreement was signed.

If the City elects to cancel the loan, it shall provide written notice of cancellation to the applicant by certified mail. Upon cancellation, the full amount of rehabilitation assistance provided prior to the cancellation date becomes due and payable.

If the rehabilitation on projects other than "self-help projects" can be completed with the funds escrowed for the project, the City may, but is not obligated to, finish the work by whatever method it deems expedient. The cost of completing the rehabilitation shall become part of the loan on the rehabilitated property.

Chapter 3. Eligible Costs

- A. **Eligible Costs for the Comprehensive Rehabilitation Program** include the costs of satisfying the requirements of the Iowa City Housing Code and HUD Housing Quality Standards, correcting incipient violations, energy conservation, accessibility modifications, fire safety measures (Section 14-5E-17 of the City Code) and related fees as described below:
1. **Requirements of Housing Code Standards** Costs of meeting a specific requirement of housing standards regarding:
 - a. Rehabilitating, removing, or replacing elements of the dwelling structure, including basic systems, and other improvements to the property such as garages, fences, steps, walkways and driveways. The term "basic systems" includes such items as furnaces, water heaters, fixed electrical equipment, sanitary fixtures and other appliances required to meet Iowa City Housing Code Standards.
 - b. Providing sanitary facilities, including providing, expanding and finishing space necessary to accommodate those facilities.
 - c. Grading, filling or landscaping of the ground, if required by Iowa City Housing Code Standards.
 - d. In cases of limited funds, work will be prioritized to ensure basic systems and life safety items are addressed first.
 2. **Accessibility Modifications** Any bathroom and kitchen modifications, ramps, grab bars, doorway widening, etc. which enable an elderly/person with disabilities to remain independently in their home.
 3. **Energy Conservation and Fire Safety** The purchase and installation of furnaces, insulation, storm windows and doors, caulking, Energy Star appliances and related energy saving devices or measures. Eligible costs also include the installation of smoke or fire detectors and related fire safety items.
 4. **Incipient Violations** The correction of incipient violations so that a property may be brought up to and maintained to Iowa City Housing Code Standards.
- B. **Eligible Costs for the Exterior Repair Program** include all costs associated with the protection of exterior surfaces such as caulking materials, paint, stain, siding and labor. Costs may also include the repair, replacement or removal of wood elements such as siding, soffit, fascia and porch work, roof and gutter repair as needed to prevent damage to paint or siding, and replacement of broken glass and cracked sections of putty when necessary to meet the Iowa City Housing Code.
- C. **Eligible Costs for Residential Accessibility Program** are limited to improvements making the property accessible and permitting the elderly/person with disability to remain independently in the home. Eligible items include ramps, doorway widening, grab bars, high rise toilets. Air conditioning may be considered on a case-by-case basis if recommended by a physician.

Some of these accessibility improvements or modifications may not be feasible for mobile

homes. The Neighborhood Services Coordinator will make determinations of feasible modifications on a case-by-case basis.

- D. **Eligible Costs for the Emergency Repair Program** include the correction of major violations of the Iowa City Housing Code Standards which make a structure uninhabitable. Repairs which exceed local codes are not normally eligible for funding.
- E. **Eligible Costs for Manufactured Home Repair** Repairs are limited to life safety issues (including accessibility improvements). Non-accessibility repairs only include windows (if missing), doors (if inoperable), furnace, water heater, plumbing, electrical, flooring (if unsafe) and steps. If the home is located in the floodplain, the costs of elevation and a permanent foundation are eligible.
- F. **Eligible Costs for the Energy Efficiency Program** are limited to costs associated with the replacement or upgrade of heating and furnace systems, window and door replacement and costs for insulating the structure.
- G. **Other Eligible Costs**

Certain additional costs related to all rehabilitation projects are also eligible.

1. **Reasonable Loan Application Processing Costs.** Appraisal fees, title reports, fees for recording and filing, abstracting, termite inspection, bank servicing charges, architectural fees, current accruals for insurance and special assessments, credit reports, lead-based paint analysis (structural or for individuals), and radon testing.
2. **Building Permits and Related Fees.** A rehabilitation loan may provide funds to cover the cost of building permits and related fees required to carry out the proposed rehabilitation work. However, since the construction contract documents requires the contractor to pay these costs, the contract amount ordinarily includes the costs.
3. **Lead-based Paint Hazard Elimination.** The regulations implementing 24 CFR Part 35, Subpart B, consisting of 35.100 through 35.175, and Subpart J consisting of 35.900 through 35.980. Eligible costs also include any associated relocation costs incurred by the homeowner as per the Lead Hazard Reduction Relocation Policy.

Different levels of rehabilitation assistance will determine treatment.

Financial Assistance Per Unit	Treatment Required
Up to \$5,000	Paint testing, safe working practices
More than \$5,000, less than \$25,000	Standard treatment used: A. Stabilization of painted surfaces B. Correct conditions causing rubbing, bending, and crushing C. Treatment of bare soil
\$25,000 or more	Abatement of lead-based paint hazards

Effective 8/10/2001

For all programs, additional assistance (above the maximum permitted) may be

provided to correct a lead-based paint hazards. Up to 50% of lead paint-related costs specified in the work write-up will be forgiven up to a total of \$10,000. This assistance will be forgiven after a 5-year period has elapsed.

4. **Radon Mitigation.** Funds are available for radon mitigation if upon testing the structure is found to have a high rate of Radon emission within the following parameters:
 - Below 4 pCi/L - no action required
 - Between 4 and 20 pCi/L - action should be taken to reduce level within two years.
 - Between 21 and 200 pCi/L - action should be taken to reduce level within two months.
 - Greater than 200 pCi/L - action should be taken immediately.
 5. **Decks.** Funds are available to replace an existing deteriorated deck if it is a safety issue. However, deck replacement shall be same size or less with total cost not exceeding \$4,000.00.
- G. **Advance Of Funds.** As necessary, the City may advance funds to pay for appraisal fee, title reports, termite inspection, lead-based paint analysis and credit reports prior to formal commitment on the rehabilitation loan application. Before these funds are advanced, the homeowner is required to sign an agreement accepting full responsibility for any incurred expenses. If the loan is approved, the applicant shall reimburse City from the loan proceeds at the time of loan settlement. If the City denies the loan and the application is withdrawn, the advanced funds shall be regarded as eligible administrative costs of the Housing Rehabilitation Program.
- H. **Death Of Applicant.** No project funds shall be used to reimburse for repairs commenced after the death of an applicant who is not survived by a spouse or other person that is listed on the deed. Should the death of such an applicant occur after commencement of work for which project funds have been approved, reimbursement shall be made for all work necessary to complete that phase of the work in progress at the time of the applicant's death. Reimbursement shall be pro-rated based on the completed work.
- I. **Ineligible Costs.** Except as otherwise provided in this manual, rehabilitation assistance shall not be provided for:
1. New construction, substantial reconstruction, expansion of a structure (unless required by the Iowa City Housing Code), or finishing unfinished spaces.
 2. Materials, fixtures, equipment or landscaping of a type or quality which exceeds that customarily used for properties of the same general type as the property to be rehabilitated.
 3. Acquisition of land.
 4. Refinancing of existing debt.

Chapter 4. Financial Assistance Categories, Loan Terms, Limitations and Conditions

- A. **General.** This chapter sets forth the assistance categories, terms, and limitations for providing rehabilitation assistance to owner-occupants under the following programs:

Comprehensive Home Improvement Program
Exterior Repair
Emergency Repair Program
Manufactured Home Repair
Residential Accessibility
Energy Efficiency Program

- B. **Assistance Categories and Loan Terms.** The City will determine eligibility for home improvement loans by certain "Assistance Categories." The annual gross income of the applicant defines the categories for the CDBG and HOME programs.

The City will determine loan terms on a case-by-case basis as described in Sections C and D of this chapter. All federally-funded loans will be financed at a 0% interest rate.

HUD annually establishes the median income for the Iowa City Metropolitan Statistical Area (MSA) based on the number of persons per household. The current income chart is attached as Exhibit 3.

- C. **Loan Conditions.** The City determines loan financing based upon the applicant's ability to make payments on additional housing debt. For no-interest loans:

1. According to HUD, total housing expense shall not exceed 30% of the total monthly gross income. Housing debt includes mortgage payments and mortgage insurance, basic utilities (electric, gas, water, sewer), property taxes, lot rent (mobile homes only) and insurance. Ongoing medical expenses, other than monthly health insurance premiums, can also be combined with all other monthly housing debt. A homeowner with expenses exceeding 30% of their gross monthly income is eligible for a Conditional Occupancy Loan, provided the homeowner meets other conditions of eligibility.

The City determines loan conditions as follows: "Available monthly income" for the rehabilitation loan payment is determined by subtracting total housing debt from 30% of gross monthly income. The amount of rehabilitation costs to be repaid through a low-interest or no-interest loan is then determined according to the interest rate category, listed in "B" above, and the term of the loan, which may range from 3-25 years. However, if the available monthly income for the rehabilitation loan payment is \$25.00 or less, the applicant would be eligible for a Conditional Occupancy Loan. All loans are based on ability to pay.

Any rehabilitation costs exceeding the resulting amortized loan amount will be in the form of a Conditional Occupancy Loan. This Conditional Occupancy Loan (COL) has a one-time service charge of 2% which is due along with the principal amount at the time the homeowner transfers title, rents the property or terminates occupancy.

The minimum loan terms are as follows:

<u>Loan Amount</u>	<u>Loan Term</u>
\$3,000 or less	up to 3 years
\$3,001-\$6,000	3 - 5 years
\$6,001-\$10,000	10 - 15 years
\$10,001-\$24,999	15 - 20 years

- D. **Special Loan Condition for all Federally-Funded Rehabilitation Programs.** When an applicant is participating in a federally-funded rehabilitation program, the first 15% of assistance will be in the form of a loan that is forgiven on the 5th year anniversary date following loan closing. The remaining balance will continue to be a lien on the property until it is paid off.
- E. **Chronic Illness Clause for Accessibility Work Only:** A monthly loan payment may be waived if a medical professional provides written documentation of an applicant's chronic illness that will cause medical expenses to increase as the illness progresses.
- F. **Assistance Limitations.** The following levels of assistance are available for each program. If the original bid price exceeds the program limitations, the Director of Neighborhood and Development Services may waive the (non-federal) rehabilitation policy and requirements, when they are coupled with the City's affordable housing program, on a case-by-case basis.

<u>Program</u>	<u>Minimum Assistance</u>	<u>Maximum Assistance</u>
Comprehensive Rehab	\$3,000	\$24,999*
Exterior Repair	\$1,000	\$15,000
Emergency Repair	\$100	\$6,000
Residential Accessibility	\$1,000	\$16,000
Manufactured Home Repair	\$100	\$6,000
Energy Efficiency Program	\$300	\$4,000

* The \$24,999 limit applies to all homes built before 1978 unless they are certified as lead free. All homes built in 1978 or later are subject to a limit of \$38,000 in assistance.

In addition:

- Funds provided through the City's Rehabilitation programs may not exceed 50% of the assessed value of the property. For a single family owner-occupied property, the Neighborhood Services Coordinator may grant an exception to this limitation if the National Register of Historic Places or a state or local inventory of Historic Places lists the structure, or if an appropriate law or ordinance designates the structure as a state or local landmark or historical district.
- All housing rehabilitation loans must be secured within the value of the property. As such, no rehabilitation loan may exceed the difference between the dollar value of the first mortgage(s) and the after rehabilitation value of the property.

G. **Assignability.**

- Title Holder.** The borrower shall not assign a rehabilitation loan. The balance of a loan becomes due immediately if the property is rented, or upon sale or transfer of

any interest in the property. If the borrower ceases to occupy the property during the course of the lien/mortgage, the City will call the loan due. The borrower must notify (see Chapter 8.C.) the Housing Rehabilitation Specialist or Program Assistant of the sale, transfer, or rental of the property.

2. Land Contract Holder. When there is a land sales contract for a property, both the owner and the contract holder must approve and sign a mortgage against the property in the amount of the rehabilitation loan. Assignment or transfer of an interest in the land sales contract is considered a transfer of property and the loan shall be paid in full at the time of the assignment or transfer, unless the seller mortgages the property for an amount that does not exceed the unpaid portion of the contract purchase price.
 3. Surviving Spouse, Heirs or Devisees. If the property owner dies, the surviving spouse, heirs or devisees may refinance the loan under program guidelines in effect at the time they inherit the property if they are income eligible for the Iowa City Rehabilitation Program and if they intend to occupy the home as its owners.
- H. Loan Instruments. Rehabilitation loans shall be secured by instruments commonly used for loans of like kind and term, and will be subordinate to other primary lender mortgages already of record. Mortgages and other supporting documents shall be recorded in the Johnson County Recorder's Office.

Chapter 5. Processing and Submitting Rehabilitation Applications

- A. **General.** This chapter outlines the functions performed in connection with rehabilitation financial assistance and sets forth the policies and procedures followed in preparing, processing and approving an application.
- B. **Outline of Staff Functions.** The rehabilitation staff or their designees perform the following functions in connection with rehabilitation financial assistance.
1. a. Initial intake and pre-application.
 - b. Determination of applicant's priority. See Exhibit 2.
 2. Interview and advise applicant of program objectives and benefits, complete applications, and inspect property.
 3. Verify ownership and verify income, as necessary. Establish level of assistance and submit structure for preliminary historical/architectural significance review and clearance. For applicants receiving a payback loan, a credit check may be initiated. Housing counseling information (list of resources) will be provided to those applicants who have poor credit.
 4. Prepare bid document, if needed.
 5. Prepare a project non-feasibility analysis if the expected project cost exceeds 50% of the assessed or appraised value of the property.
 6. Review bid document with homeowner and receive approval to proceed. If the structure is identified as having historic and/or architectural significance, submit documentation to the State of Iowa or their designees for final clearance.
 7. Provide bid packet to the homeowner who solicits bid proposals. Review bid proposals with the owner. Owner shall secure a minimum of two responsible bids.
 8. Request a post-rehabilitation appraisal for all comprehensive rehabilitations and where appropriate.
 9. Order title and lien search and abstract update, if applicable.
 10. Deliver case file to Neighborhood Services Coordinator. The case includes the following papers:
 - a. After Rehabilitation appraisal
 - b. Copy of bid tabulation and bid
 - c. "Before" picture
 - d. Verifications
 11. Notify owner of approval and schedule loan closing.
 12. Close loan and record mortgage loan documents.
 13. Hold preconstruction conference with contractor who was awarded the bid, issue proceed to work orders, and execute contract(s).

14. Inspect work in progress and authorize release of partial payments.
15. Final inspection, punch list and certification. Contractor provides manufacturers' and suppliers' warranties and release of liens.
16. Issue inspection certificate, authorize final payment and close file. Provide amended lien as necessary.
17. Prepare releases following payment in full or forgiveness of the loan under the terms of the Promissory Note. Submit releases to Council for approval.

C. **Processing and Preliminary Approval of Assistance Application.** Processing consists of completing a preliminary application and submitting all supporting documents. Staff reviews the file to determine eligibility. All comprehensive rehabilitation, exterior repair, residential accessibility and emergency repair loans must receive approval from the Neighborhood Services Coordinator or his/her designee. If the original bid price exceeds program guidelines, the Director of Neighborhood and Development Services will review any such proposals for a policy waiver as necessary.

1. If the rehabilitation assistance supplements a private loan, the private loan must receive approval prior to approval of the rehabilitation assistance.
2. Projects meeting eligibility criteria can be approved unless extenuating circumstances prevail. If it is determined that an application cannot be approved, a written statement of the reasons for the determination shall be provided to the applicant and a copy placed in the case file.

D. **Cancellation.** An approved application may require cancellation because the applicant requests cancellation, the applicant denies access to the contractor to complete the work, the applicant is unwilling or unable to proceed with the rehabilitation work or for other reasons. Upon cancellation, the applicant will be liable for certain fees associated with the processing of a loan (e.g. appraisal, title and lien search, etc.).

1. To cancel an approved application, the rehabilitation staff or designee shall prepare a letter of cancellation which shall be provided to the:
 - a. Applicant
 - b. Case file
 - c. Lender, if necessary
 - d. Contractor

E. **Rejection of Application.** To insure the efficient use of funds and staff resources the homeowner is responsible for providing necessary information to the city in a timely fashion. In the event a project becomes delayed due to inaction by the homeowner, the City shall notify the homeowner in writing, and if an oral or written response is not received within 15 days, the City may reject a pending application or cancel a project that is underway.

F. **Conditions for Providing Assistance.** An applicant shall agree, in writing, to the terms and conditions with respect to rehabilitation assistance as stated in the Rehabilitation Agreement and Lead Hazard Reduction Relocation Policy.

Chapter 6. Truth in Lending/Loan Settlement/Account Management

A. **General.** This chapter sets forth Housing Rehabilitation staff responsibilities with respect to loan settlement for Rehabilitation Loans.

B. **Truth in Lending Requirements.**

1. This section describes the Truth in Lending Act and its procedural and disclosure requirements which govern the settlement of City of Iowa City rehabilitation loans.

2. **Background.**

a. **The Act.** On May 29, 1968, Congress enacted the Truth in Lending Act, Title I of the Consumer Credit Protection Act (Public Law 90-321); Title 15, U.S. Code 1601 et seq.). The act requires that borrowers in "consumer credit transactions" be vested with certain rights and protection in connection with the transaction and receive specified written information from their lenders. A lender must make certain disclosures prior to extending credit and before the borrower becomes obligated in connection with the transaction; i.e., before execution of a note or mortgage. The required disclosures include:

(1) The amount of credit a borrower will have for the project (the AMOUNT FINANCED); and

(2) The FINANCE CHARGE (consisting primarily of interest) expressed both as a dollar amount and as an ANNUAL PERCENT-AGE RATE.

b. **Three-day Rescission Provision.** In addition, the act enables a borrower to rescind the transaction within three business days following the loan transaction, if the loan is secured by a lien on the borrower's residence.

3. **Loan Summary Statement:** Use in Rehabilitation Loan Settlements.

All borrowers of rehabilitation loans shall receive a Loan Summary Statement.

a. **Applicability.** All borrowers of rehabilitation loans shall receive a complete Loan Summary Statement.

b. **Time of Furnishing Loan Summary Statement to Borrower.** The borrower must receive the Loan Summary Statement at loan settlement but prior to his/her execution of the promissory note obligating repayment of the loan.

c. **Receipted Copy of Loan Summary Statement Retained by Rehabilitation Specialist or Program Assistant.**

When the borrower receives the Loan Summary Statement, he/she shall sign and date an identically completed Truth in Lending Disclosure Statement in the presence of a City employee or other authorized representative who shall also sign as witness. The City will retain the signed and witnessed copy of the Truth in Lending Disclosure Statement in the loan application file.

4. Borrower's Right of Rescission: Secured Loans. All borrowers have the right under law to rescind the entire loan transaction within a period of three business days.
 5. Notice of Opportunity to Rescind Transaction. Borrowers entitled to rescind the loan transaction shall receive a properly completed Notice of Opportunity to Rescind Transaction.
 - a. Furnishing Notice to Borrower at Loan Settlement. The Rehabilitation Specialist or Program Assistant shall give the borrower two copies of the Notice at loan settlement prior to execution of the note. The Rehabilitation Specialist or Assistant shall explain the Notice's nature and purpose. The borrower must sign a third copy of the Notice to evidence his/her receipt of the two copies. The City will retain the signed copy in its loan application file.
 - b. Three-day Rescission Period. To compute the running of the three-day rescission period for entry on the notice, the date on which the borrower receives the notice shall be treated as Day Zero and the next business day thereafter as Day 1, etc. Three business days must elapse following loan settlement date to complete the rescission period. A business day is any calendar day except Saturday and Sunday and the following holidays on the dates established by Federal law: New Year's Day (January 1); Martin Luther King, Jr. Day (third Monday in January); Washington's Birthday (third Monday in February); Memorial Day (last Monday in May); Independence Day (July 4); Labor Day (first Monday in September); Veterans Day (November 11); Thanksgiving (fourth Thursday in November) and the Friday after Thanksgiving; and Christmas Day (December 25) and a 2nd day assigned by the City Manager. Borrowers have until midnight on the third day to rescind.
 - c. No Disbursements. The Rehabilitation Specialist or Program Assistant shall not disburse funds to the project from the rehabilitation account during the three-day rescission period.
 - d. Prompt Recordation. The Rehabilitation Specialist or Program Assistant shall promptly record the mortgage and all other instruments necessary to perfect the loan security after the three-day rescission period expires.
 6. Cancellation of Loan Transaction by Borrower. The City will consider the loan transaction cancelled if the borrower provides notice within the required three-day period. Notification by mail shall be considered given at the time mailed as indicated by the postmark; and notification by any other writing shall be considered given at the time delivered to the Iowa City City Hall. Notification by e-mail or fax is also acceptable. Oral communications cannot accomplish rescission.
- C. Preparing for Loan Settlement. The rehabilitation staff will take the following actions in preparation for loan settlement:
1. Establish a date for loan settlement.
 2. Prepare a promissory note and mortgage in accordance with the forms approved by the City Attorney's office. Also prepare the following documents:
 - a. Loan Summary Statement

- b. Right to Rescission
- c. Rehabilitation Agreement
- d. Contract with Proceed to Work, Non-Collusion, Anti-Kickback and Contractor Certification forms
- e. Lead-based Paint – notification and relocation policy
- f. Disclosure statement (if applicable)

3. Instruct the borrower to obtain:

- a. Original and memorandum copy of insurance policies for fire and extended coverage that provides coverage in accordance with the City's requirements. Where appropriate, the binder shall show that the City is mortgage/lien holder.
- b. If a business is operated out of the home (e.g., computer consultant, child care, etc.), the borrower shall provide copies of the past three years' tax reports.

D. **Advise the borrower with regard to:**

- 1. The name of the loan servicer to whom monthly payment checks shall be made payable, where to send the first and subsequent monthly payments, and the obligation to remit the first monthly payment even though the borrower may not yet have received a payment notice.
- 2. The need to make all monthly payments on the date due to avoid collection and/or legal action. See Chapter 8.D.

E. **Proceed to Work.** Obtain borrower's signature on proceed order and hold until the borrower's three-day rescission period expires.

F. **Recording Loan Instruments.** The rehabilitation staff or their designees shall record the recordable instruments after expiration of the three-day rescission period.

G. **Disposition of Funds Statement.** After the rehabilitation staff disburses all funds from the rehabilitation escrow account and closes the account, they shall prepare a Disposition of Funds Statement or "Case Account" which accounts for the disposition of the full loan amount and any other funds deposited for the borrower in the rehabilitation account.

H. **Transmittal Requirements.** After final payment for all rehabilitation costs, the rehabilitation staff or their designees shall transmit the following documents to the applicant:

- 1. Disposition of Funds/owner's acceptance of completed rehabilitation.
- 2. Certificate of Final Inspection.

I. **Adjustment and Closeout of Rehabilitation Escrow Account.** If unutilized funds remain in the rehabilitation account because the actual rehabilitation costs were less than anticipated or for other reasons, the unutilized funds shall be returned to the CDBG and/or HOME General Account if no eligible rehabilitation items remain to be addressed.

J. **Adjustment of Lien/Loan Documents.** At the conclusion of the project, the rehabilitation staff shall prepare a new promissory note if the actual cost of the project was less than or more than the total amount of the loan filed against the property. It is the responsibility of the Rehabilitation Office to file the new promissory note at the Johnson County Recorder's Office.

Chapter 7. Rehabilitation Agreements

- A. **General.** This chapter sets forth City requirements with respect to terms and conditions detailed in the Rehabilitation Agreement which an applicant must execute in order to obtain rehabilitation assistance in the form of a grant or loan.
- B. **Conditions for Rehabilitation Assistance.** The mortgage or other security instruments as applicable, and the promissory note incorporate the specific terms and conditions with respect to rehabilitation assistance for a residential property.
1. **Cancellation Provision.** The City has a right to cancel assistance if the borrower does not commence rehabilitation work (by giving the approval for the contractor to start) or if the contractor does not commence work within 60 days of executing the Promissory note. The City may extend the 60-day period by not more than 30 days due to unforeseen and extenuating circumstances.
 2. **Additional Extension.** The Rehabilitation Specialist or Program Assistant shall not grant any further extensions of time without prior written concurrence of the Neighborhood Services Coordinator. If the City cancels assistance due to borrower's failure to begin anticipated rehabilitation work within the allowed time period, the Rehabilitation Specialist or Program Assistant shall initiate cancellation.
- C. **Interest Rate.** Chapter 4 sets forth the interest rate to the borrower.
- D. **Term of Loan.** Chapter 4 identifies the maximum term for City rehabilitation loans.
- E. **Points of Agreement.** The applicant shall agree to abide by the following terms and conditions:
1. **Applicable Laws.** Comply with all applicable federal, state, and local laws as well as all regulations governing the funds provided under the Rehabilitation Agreement.
 2. **Civil Rights.** Comply with all Federal and City requirements with respect to the Civil Rights Act of 1964 and 1968, and the 1988 Fair Housing Amendments Act, as amended, to not discriminate upon the basis of race, color, creed, religion, national origin, age, sex, marital status, disability, gender identity, sexual orientation, familial status, presence or absence of dependents, or public assistance source of income in the sale, lease, rental, use or occupancy of the subject property.
 3. **Use of Proceeds.** Use the loan proceeds only to pay for costs of services and materials necessary to carry out the rehabilitation work for which the loan is approved. If unauthorized materials or services are purchased or contracted for by the homeowner, the City shall have the right to terminate the agreement and demand immediate payment for any funds expended.
 4. **Completion of Work.** Enter into written contracts to assure prompt and efficient performance and completion of rehabilitation work. Chapter 2 outlines the City's actions in case of failure to complete the rehabilitation. The homeowner must exercise reasonable cooperation or the City shall have the right to terminate the agreement and demand immediate repayment of any funds expended.
 5. **Ineligible Contractors.** The City and homeowners shall refuse to award a contract

for rehabilitation work to be paid for in whole or in part with the funds provided, to any contractor ineligible to receive an award of such contract under any applicable regulation issued by the Secretary of Labor.

6. Inspection. Permit inspection of the property, the rehabilitation work, and all contracts, materials, equipment, payrolls, and conditions of employment pertaining to the work by the City or its designee.
7. Records. Keep such records as the City may require with respect to the rehabilitation work for a period of five (5) years after the completion of the work. However, projects receiving HOME funds shall be kept five years past the affordability period which will be documented in the file.
8. Bonus, Commission, or Fee. Homeowner shall not pay any bonus, commission, or fee for the purpose of obtaining the City's approval of the application, or any other approval or concurrence required by the City or its designee to complete the rehabilitation work financed in whole or in part with the rehabilitation assistance.
9. Interest of the City. Prohibit members of the City's governing body who exercise any functions or responsibilities in connection with the administration of the rehabilitation project, and other City officers or employees who exercise such functions or responsibilities from having any direct interest in the proceeds of the rehabilitation assistance, or in any contract entered into by the applicant for the performance of work financed, in whole or in part, with the proceeds of the rehabilitation assistance.
10. Preservation of the Security. Homeowner shall maintain the property according to the requirements of the Iowa City Housing Code and permit the City or its designee to inspect the property during the term of the loan.
11. Hazard Insurance. Homeowner shall maintain hazard insurance on the property with a loss payable clause to the City as applicable.
12. Transfer of the Property. Homeowner shall repay such portions of the loan/lien upon sale, rental or transfer the property, unless prior written consent of the City is sought and obtained prior to the sale rental or transfer. If homeowner fails to notify the City of a rental or transfer of property, the City shall have the right to call the outstanding balance of the loan due, as well as, any expenses incurred with collection of said loan funds.
13. Loan Security Requirements. Homeowner shall provide security for the loan in the form of a mortgage on the property, if applicable.
14. Flood Insurance. If property is located in a designated flood hazard area, the owner agrees to:
 - (1) Purchase the requisite flood insurance coverage.
 - (2) Renew and maintain the coverage so that the flood insurance policy does not lapse during the term of the loan.
 - (3) Provide proof of insurance coverage to the City.
15. Lead-based Paint. Federal conditions require correction of any lead-based paint

hazard. This may involve an additional loan or change order to correct the lead-based paint hazard.

16. Non-Discrimination in Contracting. All parties shall encourage the use of minority and women's business enterprises and locally owned businesses for the rehabilitation work financed with the rehabilitation funds.
17. Historic Preservation. Homeowner shall cooperate with the City in complying with applicable federal, state and local historic preservation laws, ordinances, and/or requirements.
18. Special Provisions. a) The City may retain 10% of its contribution to the rehabilitation project as an assurance that the applicant and contractor(s) will complete all the work in a timely manner. Following a satisfactory final inspection, the City will release the 10% retainage. b) The owner is encouraged to request bids from contractors not on the City's list. If bids from such contractors are received, the City has the right to reject such bids if the contractors are deemed unqualified or ineligible.

Chapter 8. Recapture of Rehabilitation Assistance

- A. **General.** This section sets forth policies for recapturing funds from any loan as provided herein in the event the recipient sells, transfers or ceases to occupy the dwelling during the specified period.
- B. **Applicability.** The City will recapture all loans pursuant to the terms and conditions of the rehabilitation assistance.
- C. **Terms and Conditions.** Recapture of funds shall be subject to the following:
1. Loan documents shall be recorded in the Johnson County Recorder's Office following expiration of the three-day rescission period.
 2. The City may subordinate its loans to any private lender's home improvement loan or mortgage. Subordination will only be done as per the attached policy in Exhibit 4.
 3. Chapter 4 sets forth conditions for the loans.
 4. Upon sale, transfer or termination of occupancy, all outstanding City-held loans shall be repaid to the City and a satisfaction of the loan shall be provided to the agency handling the transaction. For units assisted with loans, the proposed surviving spouse, heirs or devisees may assume the loan if he/she qualifies as income eligible for the program.
 5. The loan document shall provide that it is the recipient's duty to notify the City of any sale, transfer or rental, of the property and to satisfy any outstanding obligation for reimbursement, and that failure to do so shall result in the entire amount of the financial assistance becoming due. Failure of the recipient to notify the City shall also result in an increase of the interest rate on the loan. Said interest shall increase by the value of the prime interest rate on the date of the change in ownership/occupancy of the property. At the City's option, said interest shall be compounded daily from the date of change until the recipient pays the outstanding obligation for reimbursement in full.
- D. **Delinquent Loan Payments.** Where a recipient cannot make monthly payments because of some catastrophic event not under his/her control, the recipient shall notify the City as soon as possible and the City will consider temporary or permanent amendments to the loan. For those loans which are 60 days delinquent the following steps will be followed:
1. Rehab staff shall send a late payment notice. (30 days delinquent)
 2. Rehab staff shall report late payment notice to City Attorney for collection. (60 days delinquent)
 3. Rehab office shall report owner to credit bureau for delinquent payment. (90 or more days delinquent)

Chapter 9. Determining Work to be Done with Rehabilitation Financial Assistance

- A. **General.** This chapter sets forth the responsibilities of the Rehabilitation Specialist for determining the extent of rehabilitation work necessary to bring a property into conformance with Iowa City Housing Code Standards and for providing assistance in rehabilitating property. In carrying out these responsibilities, the Rehabilitation Specialist shall:
1. Inspect the property.
 2. Identify the required home repairs and consult with the homeowner regarding additional work as appropriate.
 3. Review the proposed work and bid proposals with the owner. Consult with and advise the owner regarding the work and the bidding process.
 4. Inspect work in progress prior to owner approving payments to contractors.
- B. **Initial Inspection.** During the initial inspection, the Rehabilitation Specialist identifies deficiencies needing correction in order to meet Iowa City Housing Code standards. The Rehabilitation Specialist reviews and discusses the inspection findings with the owner.

Chapter 10. Contracting for Rehabilitation Work

- A. **Introduction.** This chapter sets forth requirements and procedures with respect to construction contracts for rehabilitation work financed with a rehabilitation loan. The contractor and the loan recipient must enter into a written contract for all rehabilitation work. The Rehabilitation Specialist or Program Assistant shall assist each applicant, as needed, in obtaining an acceptable construction contract.
1. **Procurement of Bids.** The owner must obtain at least two responsible contractor's bids and proposals before the City will approve the rehabilitation loan. If two bids can not be obtained, the homeowner must provide a written statement explaining the lack of a second bid.
 2. **Form of Contract.** The City will provide the construction contract which the Contractor and homeowner must sign following approval of the rehabilitation loan. The contract shall include:
 - a. Exhibit A - Deficiency List (Bid Document).
 - b. Exhibit B - General Terms and Conditions.
 - c. Proceed to Work Order.
 - d. Non-Collusion Affidavit of Prime Bidders.
 - e. Anti-Kickback Statement.
 - f. Lead Paint form (either #1 – Work Done or #5 – Emergency)
- B. **General Conditions.** The Rehabilitation Specialist or Program Assistant shall prepare "General Terms and Conditions" (Exhibit B, as provided by the Department of Neighborhood and Development Services) for use in all construction contracts for the rehabilitation of the property. Such contracts shall include hold harmless provisions relating to the contractor(s) and owner(s).
- C. **Specifications and Drawings.** The Rehabilitation Staff or a designated professional shall prepare a deficiency list and illustrative sketches, if any, covering the specific rehabilitation work for each property for which the recipient obtains a rehabilitation loan. Drawings shall be prepared only when essential to show the scope of the work involved so that a fair bid for the work can be obtained, and to avoid misunderstandings with the bidder. The Rehabilitation Specialist or a designated professional shall base the deficiency list and drawings on the inspection of the property and interviews, as indicated, with the owner. The deficiency list shall clearly establish the nature of the work to be done and the material and equipment to be installed in accordance with the construction and rehabilitation specifications provided by the Rehabilitation Specialist.
- D. **Invitation to Contractors for Bid and Proposal.**
1. **Contractor Selection.** Upon request the Rehabilitation Office will provide the owner with the list of City-approved contractors maintained at the Department of Neighborhood and Development Services. Said list shall include the names of minority and women contractors in the area who have requested to be on the list. The owner may request bids from contractors not on the City's list. If bids from such contractors are received, the City has the right to reject such bids if the contractors are deemed unqualified or ineligible.
 2. **Invitation to Bid.** Once the owner selects contractors according to paragraph D.1. above, the owner shall contact the selected contractors and invite them to submit

bids for the proposed rehabilitation work that must be received by the Rehabilitation Office in sealed envelopes by the due date noted on the bid documents. The owner shall negotiate with the contractors to obtain an acceptable bid. A minimum of two written bids is required. If two bids cannot be obtained, the owner shall provide in writing, the reasons two bids were not obtained and a listing of contractors contacted to bid on the project.

3. Bid Review. Upon receipt of all bid proposals from the bidding contractors, the Rehabilitation staff shall review bids for completeness and accuracy with special attention given to ensuring adherence to the deficiency list.
4. Acceptable Bid. An acceptable bid fulfills the requirements of D.3. above, includes a current copy of the contractors certificate of insurance, unless it is on file with the housing rehab office, and is within 15% or less of the Rehabilitation Specialist's estimate. The bidding contractor shall provide a cost for each repair item. If the costs are not acceptable, the Rehabilitation Specialist or Program Assistant shall work with the owner and contractor to negotiate a cost that is reasonable and acceptable to all parties.
5. Maintenance of the Contractor's List.
 - a. The Rehabilitation Specialist or Program Assistant shall maintain a list of contractors, including minority and female contractors, who have expressed an interest in bidding on repair and construction projects and provide the following as contained on Form CDR-7946 (Prospective Bidder's Registration Form):
 - (1) Adequate, active liability insurance.
 - (2) The name of his/her company bank.
 - (3) The names of his/her usual subcontractors.
 - (4) The names of his/her principal suppliers.
 - (5) The names and addresses of at least two residential repair or construction jobs completed within the last six months.
 - (6) Iowa City contractor's license as applicable.
 - (7) Federal tax ID number (this number will not be public record).
 - b. The Neighborhood Services office shall maintain the Contractor list, open to public review. The contractor list will be reviewed by the Housing Rehabilitation Specialist or Neighborhood Services Coordinator to make additions or removals to the list of contractors at the sole discretion of the City.
 - c. At the City's discretion, a contractor may be removed from the City's contractor's list for one or more of the following causes:
 - (1) Failure to complete a project within the prescribed contract period.
 - (2) Failure to complete warranty repairs within a reasonable time

period, not to exceed 45 days.

- (3) Failure to use licensed plumbing and electrical subcontractors.
- (4) Failure to complete work in accordance with program specifications and/or accepted standards or workmanship.
- (5) Failure to obtain proper permits for work in progress.
- (6) Failure to treat applicants with respect and courtesy.
- (7) Failure to accept an awarded project with an estimated cost of less than \$10,000 three (3) times in succession.
- (8) Failure to provide any information required for Form CDR-7946 (Prospective Bidder's Registration Form) that is needed to keep the contractor information current or updated.

E. **Award of Construction Contract.** The owner shall award the contract by properly executing the contract, with the assistance of the Rehabilitation Specialist or Program Assistant, unless the project is under \$10,000 and awarded by the Rehabilitation Office.

1. **Award within 60 days of Cutoff Date.** In order for the bid and proposal to be binding, the award shall be made within a period of 60 days from the cutoff date established by the Housing Rehabilitation Office for the receipt of the bid and proposal, unless a later date is agreed upon in writing by the Housing Rehabilitation Office and homeowner.
2. **Contract Award.** The Housing Rehabilitation Office shall award a construction contract by executing the original and two copies of the contract documents within 15 days of bid closing or contractor selection. The homeowner shall distribute the executed contract documents as follows:
 - a. Executed original retained by homeowner.
 - b. Executed copy to contractor.
 - c. Executed copy to the City of Iowa City in care of the Rehabilitation Specialist or Program Assistant.
3. **Issuance of Proceed to Work Order.** At the time of the award, the Rehabilitation Specialist or Program Assistant shall notify the applicant and the successful contractor that the performance of the work covered by the contract is subject to the Rehabilitation Specialist or Program Assistant issuing a proceed to work order within the number of days stated in the general conditions of the contract from the date of the award. Upon award of the contract, the Rehabilitation Specialist or Program Assistant shall notify unsuccessful bidders that they have not been awarded the contract.

F. **Labor Performed by Owner in Repairing Property.**

1. **Type of Work and Skill of Owner.** A property owner may complete some or all of the tasks required to repair the property if the property was built in 1978 or later and if the owner has the degree of skill required to perform the work involved. Self-

help is also allowed in pre-1978 properties if the home has been inspected and been certified as lead-free. Self-help is usually appropriate to accomplish general tasks such as general clean-up, demolition of small buildings on a property, removal, cartage, and disposal of the debris, and for work that involves minimal use of costly materials and equipment. Work of a skilled nature and work involving the extensive installation of costly materials and equipment are appropriate only if the Rehabilitation Specialist is satisfied that the property owner possesses the ability and experience required to do the work. The property owner must be capable of working unsupervised and must possess sufficient skill to properly perform the work with some technical advice and guidance from the Rehabilitation Specialist.

2. Provision for Self-Help in Loan. Whenever self-help is necessary or desired and the Rehabilitation Specialist considers that, with or without technical assistance and guidance, a property owner can perform the work in a reasonably acceptable and expeditious manner, the Rehabilitation Specialist may process an application for a loan on that basis. In such a case, the amount of the loan would include funds to pay for the materials and equipment to be installed by self-help, as well as any additional funds needed to pay for other work to be performed by a contractor. The loan shall not include funds to pay the owner or members of the owner's family for their labor. Further, the Rehabilitation Specialist must exercise judgement and prudence in order to avoid a situation in which an owner could place himself or herself in financial difficulty through improper use, installation or even destruction of the materials purchased with loan funds. For this reason, the staff will disburse payment to the supplier for materials and equipment involved in a self-help project from the loan account, only after the materials have been properly installed. The owner must obtain appropriate liability insurance.

G. **Right to Terminate Contract and Complete the Work.**

If the party to the contract refuses or fails to supply enough properly skilled workers or proper materials; fails to promptly pay the subcontractors for materials or labor; or disregards laws, ordinances, or the instructions of the Rehabilitation Specialist or Program Assistant; or otherwise violates any provision of the Contract, then the Owner, upon the certification of the Rehabilitation Specialist or Program Assistant that sufficient cause exists to justify such action, may, without prejudice to any other right or remedy and after giving the Contractor/Owner seven days' written notice, terminate the employment of the Contractor and/or terminate the Rehabilitation Agreement with the Owner. In such case, the Owner or City may finish the work by any reasonably expedient method. When work is completed, the Contractor will be paid the amount remaining in the contract after cost of completion is deducted.

Chapter 11. Inspection of Rehabilitation Work

- A. **General.** This chapter sets forth the requirements for the inspection of rehabilitation work financed in whole or in part with rehabilitation funds.
- B. **Responsibility for Making Inspections.** The Rehabilitation Specialist and/or designee shall inspect construction work in cases involving a rehabilitation loan including:
1. Compliance inspections, as necessary, to assure completion of the construction work in accordance with the construction contract.
 2. A final inspection to determine that the construction work has been completed in accordance with the construction contract. The Inspector and any staff from Housing and Inspection Services as may be required, may accompany the Rehabilitation Specialist on the final inspection and provide the Rehabilitation Specialist with a written report of their findings.
- C. **Inspections for Payment.** The Rehabilitation Specialist shall inspect the construction work in accordance with the following:
1. Upon partial and total completion of the repair work and receipt of the contractor's invoice and appropriate lien waivers, the Rehabilitation Specialist or Program Assistant shall arrange for inspection of the completed work.
 2. If the Rehabilitation Specialist finds that the contractor satisfactorily completed the work, the contractor can request a partial payment. Partial payment requests shall be accompanied by lien waivers for work that was completed. When processing partial payments, the City may retain 10% of the invoice until final payment.
 3. After receipt of a release of liens, including releases from all subcontractors and suppliers and a copy of each warranty, the contractor can request final payment. Final payment shall not be released until the owner has collected all warranties and forwarded a copy on to the Rehabilitation Specialist or Program Assistant, such release of the final payment shall not be unreasonably withheld by the owner.
- D. **Certification of Final Inspection.** After the Rehabilitation Specialist determines that the contractor satisfactorily completed the rehabilitation work and the final inspection report obtained, the staff shall prepare an original and one copy of Certificate of Final Inspection.
- Distribution.** Certificate of Final Inspection shall be distributed as follows:
1. Signed original to the property owner.
 2. Signed copy retained in the property file.
- E. **One-Year Guarantee on Work by Contractor.** All work performed by a contractor shall be covered by a one-year guarantee and other terms according to Iowa law. Property owners are not, however, always aware that, for a period of one year following date of final inspection, they may require the contractor to correct significant defects and inadequacies in the work performed under this contract.

Due to the nature of groundwater, soil and construction conditions, the success of any efforts to ameliorate any water problems cannot be guaranteed.

The owner must give the contractor written notice of any defects with reasonable promptness. If the contractor fails to answer or correct the defect(s) within a reasonable time, the City, at owner's request, will assist owner in the following manner:

1. Staff members of the Department of Neighborhood and Development Services will investigate the complaint.
2. Staff will notify the owner if it finds the complaint to be invalid.
3. If the staff finds the complaint to be valid, the homeowner and/or rehabilitation staff will direct the contractor to take necessary corrective action within a specified length of time.
4. If the contractor complies, the rehabilitation staff will re-inspect the work and, if satisfactory, the owner will be expected to sign a written statement withdrawing the complaint.
5. If the contractor fails to respond to the request within the specified length of time, the staff, upon owner's request, will help prepare a letter for owner's signature, notifying the contractor a second time that unless the defect is corrected by a specified time, staff will refer the matter to the City Attorney for appropriate action. Staff will then locate a new Contractor to correct the problem. The cost will then be forwarded to the Contractor responsible for defective work.
6. If the contractor fails to respond to the request within the time specified:
 - a. The homeowner will take any necessary action to correct the defects including, but not limited to, paying the reasonable costs of correcting work or materials determined by the homeowner and the Rehabilitation Specialist to be defective.
 - b. The City may prohibit the contractor from contracting any other repair work under any City program.

E. Rehabilitation Specialist - Owner - Contractor Relations.

The Rehabilitation Specialist or designee observes the work on behalf of the City, and provides general assistance regarding proper interpretation of the program requirements during construction.

The Rehabilitation Specialist and owner decide, when necessary, any and all questions which arise as to the quality and acceptability of materials furnished, work performed, interpretation of work items on the bid document and all questions as to the Contractor's performance of the Contract.

The Rehabilitation Specialist or designee is not responsible for the acts or omissions of the contractor or his/her employees. The City's or homeowner's acceptance of the Contractor's work does not release the contractor from the responsibility to provide quality performance on all contract specifications.

Chapter 12. Complaint Procedure

It is the policy of the Department of Neighborhood and Development Services to make every effort to resolve complaints prior to the filing of a formal complaint. Please call the Rehabilitation Office at 356-5233 or 356-5128 for assistance.

A. Complaints

The City Manager for the City of Iowa City or designee shall review and hear the complaint of any person aggrieved by the Division of Neighborhood Services, Department of Neighborhood and Development Services in the administration of any federal, state, or local assistance programs. This review shall include, but not be limited to complaints concerning:

1. the sufficiency of an application for assistance,
2. eligibility for assistance under the program,
3. the dollar amount of the assistance,
4. the scope of services provided under the program,
5. the adequacy of information and assistance furnished by the Neighborhood Services Division.

B. Filing the Complaint

A person may file a complaint in the Office of the City Clerk for the City of Iowa City. Complaint forms are available in the office of the Department of Neighborhood and Development Services, located in City Hall at 410 E. Washington St., Iowa City, IA 52240. The complaint must be received in a timely manner which is

1. within 90 calendar days from the date of the event causing the complaint, or
2. for housing rehabilitation programs, within 90 calendar days from the Certificate of Final Inspection and Statement of Acceptance .

C. Notice and Hearing

Within thirty (30) calendar days of receiving the written complaint, the Department of Neighborhood and Development Services will give the Complainant written notice of the time and place the City Manager will hear the complaint. The Complainant will be given at least ten (10) calendar days notice before the hearing. The City Manager will inform the Complainant of his decision at the time of the hearing or in writing within ten (10) calendar days following the hearing.

D. Appeal

Appeals of complaints on any federally assisted housing rehabilitation project may be made to: Manager, U.S. Department of Housing and Urban Development, Omaha Office, Executive Tower Centre, 10909 Mill Valley Road, Omaha, NE 68154-3955. The complainant also has any other remedies available under Iowa law.

Chapter 13. Definitions

1. **Definitions.** Following are definitions of various terms as used with respect to rehabilitation activities.
 - a. Abatement- A measure or a set of measures designed to eliminate lead-based paint hazards or lead-based paint permanently. (Permanent is defined by HUD regulation as at least 20 years effective life.) Abatement requires a certified, licensed abatement contractor.
 - b. Annual Gross Income for Assisted Units - Gross income as defined for the Section 8 Program. See Exhibit 1.
 - c. Appraisal – An evaluation of the value of real property by a certified appraiser. A recent appraisal will be considered if it less than 6 months old and no significant changes to the property have been made.
 - d. Architectural Barrier - A structural condition, existing in a housing unit, that places a physical hardship on the mobility of a person with disabilities in the performance of normal self-care activities.
 - e. Asset - Resource with an exchange value, including but not limited to equity in real property other than the applicant's primary residence. It also includes gold, precious metals, cash, checking and savings accounts, savings bonds, Certificates of Deposit, mutual funds, money market funds, stocks, IRA or Keogh accounts that are not in a bona fide retirement program.
 - f. CDBG-Assisted Projects - Units within a CDBG-funded rehabilitation project.
 - g. Children-Minor - Individual under age of 18 and not head of household or spouse.
 - h. Community Development Block Grant (CDBG) Program - A federal program administered by the U.S. Department of Housing & Urban Development which provides Community Development Block Grant (CDBG) funds for programs that benefit low-moderate income residents.
 - i. Conditional Occupancy Loan - A lien against real property which is repaid only upon transfer of title, rental of the property, or termination of occupancy, or housing as outlined in the applicable rehabilitation agreement.
 - j. Condominium - A condominium is defined as joint ownership of common areas and facilities by the separate owners of single dwelling units in the project (Section 234, National Housing Act (12 U.S.C. 17154)) and in compliance or conformance with the requirements of the Code of Iowa, as amended.
 - k. Cooperative - An association formed to own multi-family housing organized under Chapter 499A of the Code of Iowa (2005).
 - l. Declining Balance Loan - A self-depreciating loan against real property for a specified term. The loan will provide supplemental assistance or serve as a subsidy to lower the effective rate of interest on a home improvement loan.
 - m. Director - The Director of the Iowa City Department of Neighborhood and

Development Services.

- n. Dwelling Unit - Any room or group of adjoining habitable rooms located within a dwelling and forming a single habitable unit with facilities, including a bathroom, which are used or intended to be used for living, sleeping, cooking and eating.
- o. Elderly - For purposes of these programs, a property title holder at least sixty-two (62) years of age is considered elderly.
- p. Emergency Repair - Correction of a major violation of housing standards that creates an immediate threat to the health and safety of the occupant. Such violations include unsafe or hazardous electrical service or wiring; unsanitary plumbing; inoperative or dangerous furnace; unsafe structural or roof condition where the roof is actively leaking or the ceiling is water-damaged and in danger of collapse; and other such emergency conditions that, from time to time, the Rehabilitation Specialist, in consultation with a Building Inspector, identifies.
- q. Equitable Interest - Owner shows sufficient value in the property to provide security for an additional lien.
- r. Family – The Bureau of Census defines a family as a householder (head of household) and one or more other persons living in the same household who are related by birth marriage, or adoption. The National Affordable Housing Act of 1992 adds: “Family” includes but is not limited to (a) An elderly family or single person, (b) the remaining member of a tenant family, and (c) a displaced person.
- s. First-Time Home Buyer - An individual or family who has not owned a home during the three-year period preceding the HUD-assisted (or otherwise assisted) purchase of a home that must be used as the principal residence of the homebuyer, except that any individual who is a displaced homemaker or a single parent (as defined in 24 CFR 92) may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker or married, owned a home with his or her spouse or resided in a home owned by the spouse.
- t. Flood Insurance - Insurance coverage available to those areas participating in the National Flood Insurance Program. This coverage compensates for damages incurred due to flooding, thus reducing the overall impact and financial loss to affected property owners or tenants. The amount of flood insurance coverage must be at least equal to the project cost.
- u. Grant - A direct subsidy for home improvement to a homeowner requiring no lien or payback.
- v. Historic Preservation- A procedure undertaken when any home in the rehabilitation program is over 50 years old whereby a historical review is conducted. If the property is found to be in a historical district or a contributing structure, steps must be taken to preserve the historical integrity of the home according to the standards of the Iowa State Historical Preservation Office and/or Secretary of the Interior Standards (Section 106)..
- v. HOME - The HOME Investment Partnerships Program, which is authorized by Title II of the National Affordable Housing Act.
- w. HOME Assisted Projects - Units within a HOME project where HOME funds are

used for rehabilitation. Resale restrictions apply.

- x. Homeowner or Owner - A person who both owns the property for which assistance is sought and occupies that property as the principal place of residence. Ownership is determined by legal or equitable title or by a land sales contract.
- y. Household - One or more persons occupying a housing unit (U.S. Census definition). See also "Family".
- z. Housing Code Standards – Section 14-5E of the City of Iowa City Code.
- aa. HUD - U.S. Department of Housing and Urban Development.
- bb. HUD - 203B Limits - 95% of the median sales price in the metropolitan statistical area (Johnson & Washington Counties) as required in 24 CFR Part 203. The 203B limit is periodically adjusted by HUD.
- cc. Incipient Violation - The state or physical condition of an element of the structure required to meet a HUD Housing Quality Standard or the Iowa City Housing Code, that at the time of inspection is in such a state of deterioration that if left uncorrected, it will further deteriorate into an actual violation within the next two years.
- dd. Income - The total annual gross income of a family or tenants from all sources for the 12 month period following the date of income verification.
- ee. Income Guidelines - The median and associated income levels as determined by the U.S. Department of Housing and Urban Development for the City of Iowa City. See Exhibit 3.
- ff. Interim Controls- A set of measures designed to temporarily reduce human exposure or likely exposure to lead-based paint hazards. Requires contractor(s) with Lead-Based Paint Safe Work Practices certification.
- gg. Land Sales Contract - Any transaction in which the purchaser obtains a warranty deed from the seller upon completion of installment payments over a term of years. The form of a land sales contract may vary according to the circumstances of each sale.
- hh. Lead Safe Work Practices- Work practices that are used to protect workers and residents from the affects of lead-based paint hazards. Contractors must have a training certificate to perform activities associated with lead-based paint correction.
- ii. Major Code Violation - A housing standards violation involving the following categories of deficiency: electrical, heating, plumbing, roofing and structural. Structural violations are considered as deficiencies only when they involve the major structural systems of the property, including roof, floor girders and joists, and the foundation.
- jj. Manufactured Home - A structure, transportable in one or more sections, which in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and

includes the plumbing, heating, air conditioning, and electrical systems contained therein (MHCSS 24 CFR 3280).

- kk. Neighborhood Services Coordinator - The Coordinator for Neighborhood Services, which is a division of the Iowa City Department of Neighborhood and Development Services, that oversees the use and expenditure of funds in the Community Development Block Grant (CDBG) and HOME Program for the City of Iowa City.
- ll. Person with Disabilities - For purposes of these programs, a person shall be considered disabled/handicapped if that person has a physical or mental impairment expected to be of long, continued or indefinite duration or suffers from a disability as defined in Section 223 of the Social Security Act (42 U.S.C. 423) or in Section 102 of the Development Disabilities Services and Facilities Construction Amendments of 1970 [42 U.S.C. 269(1)]. A disabled or handicapped family member qualifies the family as a disabled/handicapped family.
- mm. Principal Place of Residence- Residing in the property at the time of application for assistance (except where extraordinary circumstances have made the property temporarily uninhabitable) and for at least one hundred eighty five (185) days of each calendar year.
- nn. Program Assistant- An employee or designee of the City's Department of Neighborhood and Development Services charged with the duties of administering the specific aspects of the rehabilitation program.
- oo. Rehabilitation Agreement - An agreement the applicant must execute which specifies the terms and conditions for obtaining a rehabilitation loan or grant.
- pp. Rehabilitation Cost - The total cost of repairs, improvements and other costs for rehabilitation incurred by the applicant that are eligible for rehabilitation assistance, regardless of whether the costs are financed in part with funds from other sources.
- qq. Rehabilitation Specialist - An employee or designee of the City's Department of Neighborhood and Development Services charged with the duties of administering the specific aspects of the rehabilitation program.
- rr. Single Family Home - Structure containing one dwelling unit.
- ss. Termination of Occupancy – If an owner(s) does not reside or occupy the property according to the terms of the Rehabilitation Agreement. Also see “Principal Place of Residence”.

**HUD SECTION 8 REGULATIONS FOR CALCULATING ANNUAL GROSS INCOME
FOR APPLICANTS REQUESTING ASSISTANCE**

Annual Income. The anticipated income for all adult members of the family, even members temporarily absent, from all sources for a twelve-month period following the date of income determination. This includes but is not limited to, the following:

- A. The full amount, before any payroll deduction, of wages and salaries, including compensation for overtime and other compensation for personal services such as commissions, fees, tips, and bonuses.
- B. Net income from operation of a business or profession. The expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine net income from a business.
- C. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness and an allowance for depreciation of capital assets shall not be deducted to determine the net income from real or personal property. Where the family has Net Family Assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from all Net Family Assets or the value of such assets multiplied by the current passbook savings rate.
- D. The full amount received from annuities, periodic payments from insurance policies, retirement income, pensions, periodic benefits for disability or death, and other similar types of periodic receipts to include lump sum payment for a delayed start of a periodic payment.
- E. Payments in lieu of earnings, such as unemployment and disability compensation, social security benefits, workers compensation, and dismissal wages (vacation and sick leave).
- F. Welfare assistance payments including those amounts withheld as payment for food coupons or stamps. The value of food stamps is not included in income.
- G. Periodic and determinable allowances, such as, alimony and regular contributions or gifts.
- H. The value of in-kind gifts and services from public and private sources to the extent that these gifts or services are given on a regular and ongoing basis.
- I. All regular pay, special payments and allowances received by a member of the Armed Forces, whether or not living in the dwelling, who is head of the family, spouse, or other person whose dependents reside in the unit.
- J. Payments to the head of the household for support of a minor or payments nominally to a minor for his support but controlled for his benefit by the head of the household, or a resident family member other than the head, responsible for his support.

PRIORITY LIST FOR HOUSING REHABILITATION PROGRAMS

Only complete applications for rehabilitation assistance will be accepted by staff and entered to the waiting list. Staff will process applications for all owner-occupied rehabilitation programs according to the following priorities:

Priority

1. Need as defined by income level
2. Elderly and or Disabled status.
3. Family status.
4. Self sufficiency efforts.
5. Date of application

The waiting list will be compiled according to a point system related to the priorities list above as follows:

Income: Points are assigned in inverse proportion to income.
(e.g. Household at 38% of median will receive 62 points.
Household at 55% of median will receive 45 points.)

Family Characteristics	Points
Income	Up to 100 (based on household median income)
Elderly	30
Disabled	30
Large Family	25
Single Parent	25
Household Member (full-time employment)	10
Each month on waiting list	5

Households will receive points in all categories for which they are eligible. Within each program, applications having the highest number of points as determined by the waiting list will be processed first for assistance.

When a household reaches the top of the waiting list for rehabilitation, staff will notify the household as to the next step. At this time staff may request an updated application if the original application is more than six months old.

To ensure access to these resources by all qualified homeowners, an applicant will not be considered for additional rehabilitation assistance, excluding emergency assistance, if they have entered into a Rehabilitation Agreement within the last three calendar years. Notwithstanding the previous sentence, additional assistance may be considered if there are no other applications pending for a specific program. Staff reserves the right to deny assistance to homeowners who did not complete a previously funded housing rehabilitation project (regardless of funding source) in a timely manner. Timely manner means within six months of the date the Rehabilitation Agreement was signed or nine months of the date the Rehabilitation Agreement was signed if due to weather delays.

EXHIBIT 3

TABLE OF MEDIAN INCOME GUIDELINES FOR IOWA CITY

<u>Family Size</u>	<u>30%</u>	<u>50%</u>	<u>80%</u>
1	\$18,150	\$30,250	\$46,000
2	20,750	34,600	52,600
3	23,350	38,900	59,150
4	25,900	43,200	65,700
5	28,000	46,700	71,000
6	30,050	50,150	76,250

Effective date 6/6/2016; Subject To Change Annually
U.S. Department of Housing & Urban Development

POLICY FOR HOUSING REHABILITATION SUBORDINATION AGREEMENTS

General

The City of Iowa City Housing Rehabilitation Program provides financial assistance in the form of many types of loans (Forgivable Loan, Conditional Occupancy Loan, and No Interest Loan) to Iowa City homeowners. These housing rehabilitation loans are frequently in a second position behind the primary lender. Due to the public nature of these funds and changing financial conditions, this subordination policy has been adopted.

Applicability

This policy would apply to projects that have received or will receive Housing Rehabilitation assistance.

Terms and Conditions

The City may subordinate its housing rehabilitation loans to a private lender. The City charges a fee of \$100.00 for entering into a subordination agreement to cover staff cost and legal fees. In addition to this fee, the property would need to have adequate equity to protect the City's interest.

Eligible Conditions

1. Refinance to lower the interest rate and/or change the term of the primary loan.
2. To undertake a home improvement.
3. Emergencies, such as to pay medical bills. The Neighborhood Services Coordinator will determine eligibility for emergency requests.

Ineligible Conditions

1. To pay off or consolidate credit card or other debt.
2. To take cash out of the property for personal use.