



**GEORGIA DEPARTMENT**  
*of* **COMMUNITY AFFAIRS**



**Community HOME Investment Program (CHIP)**  
**Administrative Manual**

**Revised 2025**

## Table of Contents

Introduction to Manual .....	5
Background .....	5
Conditions Clearing Process For All CHIP Activities .....	6
Review Agreement, HUD HOME Regulations, & Administrative Manual .....	6
Activating Your New CHIP Award.....	6
Clearing Your General Conditions .....	7
Develop Local Program Policies and Procedures .....	10
CHIP HOUSING REHABILITATION ACTIVITIES.....	13
CHIP Housing Rehabilitation Flow Chart.....	13
Introduction- Owner-Occupied Rehabilitation.....	15
Pre-Setup Phase .....	15
Final Qualification of Applicant .....	27
Owner Orientation.....	28
Submit the Pre-Setup Packet to DCA for approval .....	30
Setup Phase .....	30
Understanding the HUD HOME Requirements for Property Standards.....	30
Meeting the Georgia Construction Codes .....	32
Prepare Bid Document Packages and Send Invitation to Bid .....	33
Selecting and Notifying the Contractor .....	34
Preparing for the Homeowner Rehabilitation Loan Closing.....	35
Closing the CHIP Loan.....	36
Right of Rescission Notice .....	37
Pre-Construction Conference, Construction Contract, and Notice to Proceed.....	38
Prepare the Set-Up Forms for the Project .....	39
Construction Process .....	40
Reconstruction .....	40
Rehabilitation of Manufactured Homes.....	41
Monitoring the Contractors.....	42
Complaint Resolution .....	42
Construction File.....	42
Interim Inspections and Progress Payments .....	43
Owner’s Acceptance of Work Completed .....	43

Change Orders.....	44
Georgia Lien Law .....	45
Conflict Resolution .....	46
Drawing Down Project Funds from DCA.....	48
Project Completion and Closing the File.....	48
Monitoring and Change of Ownership.....	49
Introduction- New Construction .....	53
Pre-Setup.....	54
Step 1-Determine the Type of Development .....	54
Step 2- Create the Total Development Budget .....	54
Property Eligibility Requirements .....	57
Purchase Price Limits.....	57
Site Development.....	58
Davis Bacon .....	58
Eligible Property Type.....	58
Property Standards.....	58
Developer Requirements.....	61
Construction Management.....	61
Bidding Procedures .....	62
Reconstruction Procedures.....	62
Recipient and Contractors Terms and Conditions .....	62
Contractor Qualifications .....	63
Inspections .....	64
Change Orders .....	65
Construction Contingency.....	65
Construction Closeout .....	65
Appeals and Disputes .....	66
Homebuyer Qualifications .....	66
Income Eligibility Requirements .....	66
Project Closeout .....	68
Program Income .....	69
Compliance Monitoring and Recapture Provisions .....	70
Compliance Requirements for Owner-Occupied Housing Rehabilitation and New	

Construction .....	71
Conflicts of Interest .....	71
Sub-Recipient and State Recipient Compliance Monitoring .....	72
Affordability Period Monitoring .....	73
Record Retention .....	74
Sanctions Policy .....	74
CHIP Forms Checklists .....	75
CHIP Written Rehabilitation Standards.....	80
DCA CHIP Homebuyer Underwriting Policy.....	114
Documents Needed for DCA Underwriting .....	118
Procurement Requirements for Grant Administrator and Professional Services .....	119
Procurement Standards for Contracts Entered into by CHIP Recipients.....	122

# Introduction to Manual

---

This manual has been developed to assist Recipients administering the Community HOME Investment Program (CHIP).

This guide is divided into two sections:

- Housing rehabilitation activities
- New construction activities.

Each section begins with a flow chart outlining the steps necessary to complete the projects. All CHIP recipients must adhere to performance benchmarks to avoid having the grant agreement canceled in whole or in part.

## Background

The HOME Investment Partnerships (HOME) Program was authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, and was signed into law on November 28, 1990 (Pub. L. 101-625). The HOME Program provides funds to expand the supply of affordable housing for individuals and families earning less than 80% of the Area Median Income (AMI). Interim regulations for the HOME Program were first published on December 16, 1991, and are codified at 24 CFR Part 92. The HOME Final Rule was released on September 16, 1996. HUD published a Final Rule in the Federal Register on July 24, 2013, to amend the HOME Investment Partnership (HOME) Program regulations. Click on the link below for additional information about the HOME Final Rule:

[Overview of the 2013 HOME Final Rule](#)

The Georgia Housing and Finance Authority (GHFA) receives HOME funds from the U.S. Department of Housing and Urban Development (HUD) as the designated Participating Jurisdiction (State PJ) for the State of Georgia. The Georgia Department of Community Affairs (DCA) administers the program on behalf of GHFA. DCA allocates a portion of its HOME funds received each year from HUD to the Community HOME Investment Program (CHIP) for use by small cities, rural counties, non-profits, and local public housing authorities that serve communities that HUD does not designate as local Participating Jurisdictions (Local PJs). To receive CHIP funding, these entities must apply to DCA and, if awarded, will become State Recipients or Sub-recipients under CHIP.

Recipients under CHIP are responsible for carrying out all program activities and complying with all HOME regulations and other federal requirements. DCA is responsible for providing technical assistance, developing program allocation and selection policies, managing the funding and distribution process, monitoring Recipient compliance with program requirements, and reporting to HUD on the use of the funds.

This Manual covers program administration requirements.

## Disclaimer

This manual provides information required for State and Sub-Recipients to administer awarded CHIP funds locally. However, whenever a conflict exists between the manual, local policies, and the HUD HOME program regulations at 24 CFR Part 92, the HOME Rule must be complied with, except where DCA has more narrowly defined any HOME activities or programmatic requirements.

# Conditions Clearing Process For All CHIP Activities

---

Under the CHIP program, a Recipient awarded CHIP funds has already established the basic program design outlined in the CHIP application and approved by DCA through the issuance of an Agreement with General Conditions. The program's implementation must comply with the approved CHIP award and all general conditions, the HOME program regulations, and DCA CHIP policies.

After approval by DCA of the CHIP award, the steps to begin administering a CHIP program can be summarized as follows:

## Review Agreement, HUD HOME Regulations, & Administrative Manual

As a first step, the Recipient should review the Statement of Award, including the General Conditions and the basic HOME program rules, as outlined in the [HOME program regulations at 24 CFR Part 92](#).

The Recipient should also review the project and financial interface requirements with DCA, as outlined in the CHIP Administrative Manual, to prepare for setting up projects, drawing down funds, meeting DCA reporting requirements, and completing project completion reporting requirements.

## Activating Your New CHIP Award

### Written Agreement with DCA

Upon approval of an application for CHIP funds, the State must enter into a written agreement (Agreement) with each selected Recipient. HUD requires this Agreement for all CHIP Recipients and covers the Recipient's funding level and planned activities and the applicable HOME Regulations, state laws, and program requirements.

A copy of the Agreement will be emailed to the Recipient or the Recipient's procured grant administrator for their execution. One original must be signed and mailed to DCA within 30 days of receipt. DCA will execute the Agreement by signing and mailing the original, signed, and executed agreement to the Recipient for their records. The documents must be mailed to DCA as follows:

CHIP Program Manager  
Georgia Department of Community Affairs  
60 Executive Park South, N.E.  
Atlanta, Georgia 30329-2231

### Authorized Signature Cards

DCA has implemented a signature card authorizing the Recipient to designate an individual(s) to sign on behalf of the Recipient. This procedure will allow the Recipient to designate an appropriate person to sign documents. This Authorized Signature Card may be utilized for any CHIP Grant, regardless of the year the grant was awarded.

Additionally, an Authorized Signature Card authorizes individuals of the Recipient to request payment of funds under the Agreement. The Authorized Signature Card must be authorized by at least one signatory but no more than four. At least one of the signatories must be an employee of the Recipient. You can check the box designating whether one or two signatures will be required on an individual draw request. If the Certifying Representative designates him/herself for authorization of the draw request, then two

authorized signatures are required. An employee of the Administrator may not be designated in lieu of an employee of the Recipient.

The Recipient's or the Recipient's Certifying Representative must also sign the Authorized Signature Card to certify that the individuals named above are indeed authorized to request payment and/or execute documents and that the signatures on the card are their own. No erasures or corrections may appear on the Authorized Signature Card.

The Authorized Signature Card must be received and on file before processing the draw requests for all Recipients.

If signatories change during the grant period, a new Authorized Signature Card must be completed and resubmitted before submitting any future draw requests. All draw requests must match the signatory authorizations on file at DCA.

Completing this form is voluntary on behalf of the Authorized Official of the Recipient. If no individual(s) is designated in either Section 1 or Section 2, the Authorizing Official must sign all documents submitted by the Recipient.

## Clearing Your General Conditions

Appendix B in each Agreement outlines each of the General Conditions that must be cleared by DCA prior to initiating the program. During the Application review process, DCA cleared some of the General Conditions for the Recipients and provided notice of any clearances issued in Appendix B to the Agreement. As DCA clears any remaining General Conditions that were not approved in the original Agreement, DCA will note its Approval in Appendix B and reissue a revised copy to the Recipient. The Recipient may not initiate any work on its program until DCA has approved all the General Conditions.

As a recipient and administrator of CHIP funds, you must implement your program following the instructions outlined in the CHIP Administrative Manual and the CHIP Program Description. You must adhere to the DCA Policies and Procedures when administering the program locally. The Policy and Procedures should be used in conjunction with your already accepted design based on your approved application. Any Recipient that does not accept the approved DCA Policies and Procedures will not be allowed to implement the program.

## Conditional Commitment of Home Funds

A recipient may agree to the conditional commitment of HOME or CDBG funds for a specific project before the completion of the ERR process. The entity responsible must ensure that any such agreement does not provide the State Recipient, Sub-recipient or contractor with any legal claim to any amount of HOME funds for the specific project or site unless and until the site has received environmental clearance. The following language is acceptable in an otherwise appropriately drafted agreement:

*Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by [not for profit, for-profit or state recipient] of a release of funds from HUD or DCA under 24 CFR Part § 58. The parties further agree that the provision of any funds to the project is conditioned on the [not-for-profit, for-profit, or local unit of government] determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review.*

## **Tiered Environmental Review Process**

HUD's regulations at 24 CFR 58.22 prohibit grant recipients and their partners from committing or spending HUD or non-HUD funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives before completion of an environmental review once a project has become "federal." This prohibition on "choice-limiting actions" includes physical activity, such as acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions.

The restriction on undertaking or committing funds for choice-limiting actions does not apply to undertakings or commitments of non-federal funds before a project participant has applied for HUD (i.e. CHIP) funding. A party may initiate a project in good faith as a private project and is not precluded from later applying for federal assistance. However, when the party applies for federal assistance, it will generally need to cease further choice-limiting actions on the project until the environmental review process is complete.

### **Level of Review**

Once the project's scope is known, you can determine the appropriate level of environmental review. CHIP activities fall under one of two levels of Environmental Review, depending on the scope of the project:

Categorical exclusions subject to §58.5 paragraphs (3)(i), (4)(i), or (4)(ii):

- (3)(i) Rehabilitation of buildings and improvements of a building for residential use (with one to four units) when the density is not increased beyond four units, and the land use is not changed.
- (4)(i) An individual action on up to four dwelling units with a maximum of four units on any one site. The units can be four one-unit buildings or one four-unit building, or any combination in between; or
- (ii) An individual action on a project of five or more housing units developed on scattered sites when the sites are more than 2,000 feet apart and there are not more than four housing units on any one site.
- Paragraphs (a)(4)(i) and (ii) of this section do not apply to the rehabilitation of a building for residential use (with one to four units) (see paragraph (a)(3)(i) of this section).

### **Classification of Activities for Environmental Review**

**CATEGORICALLY EXCLUDED, SUBJECT TO 58.5 [24 CFR 58.35 (a)]**

*A category of actions that do not individually or cumulatively have a significant effect on the human environment. Categorically excluded activities include, but are not limited to:*

- *typically replace or improve existing facilities or structures, i.e., they retain the original usage of a structure or facility;*
- *do not increase the size or unit density of the structure or facility being improved by more than 20 percent;*
- *do not change land uses (commercial to residential); and*
- *in the case of rehabilitation, the cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation.*
- *Acquisition or disposition of a property where the property will be retained for the same use.*

Examples of categorically excluded activities are as follows:

1. Minor rehabilitation of an existing property (multifamily or single-family);
2. An individual action, such as new construction, major rehabilitation, moving, or demolition, on a one to four-family dwelling.  
[Development of five or more units located within 2,000 feet of each other undertaken as a single action (e.g., a subdivision), is not categorically excluded.]

**Environmental Assessment [24 CFR 58.36]**

Activities which cannot be determined to be exempt under §58.34 or categorically excluded from NEPA under §58.35, or which involve a categorical exclusion with “extraordinary circumstances” under §58.2(a)(3) requires that a full Environmental Assessment be conducted.

An EA, using an Environmental Review Worksheet, is normally required for five or more units only if the sites are 2,000 feet apart or less and/or there are more than four units on a site. This includes:

1. New construction of five or more residential units;
2. Major rehabilitation and reconstruction of five or more residential units;
3. Conversion of non-residential land use to residential land use; and
4. Acquisition of vacant land for development when five or more units are involved.

**Environmental Review Process**

**For City and County Government CHIP Recipients**

- The City and County Government CHIP Recipients serve as the Responsible Entity (RE)
- Prepare and sign the Tiered (Broad Level) Environmental Review (if addresses are not known) or Environmental Assessment if addresses are known
- Publish the public notice listing the Mayor or Chairperson as the RE
- Request the Release of Funds to DCA
- DCA will provide the Authority to Use Grant Funds Form
- Prepare and sign the site-specific Environmental Review Forms for each project address

**For Nonprofit and Public Housing Authorities CHIP Recipients**

- DCA serves as the Responsible Entity (RE)
- DCA prepares and signs the Tiered (Broad Level) Environmental Review (if addresses are not known) or Environmental Assessment if addresses are known
- The Nonprofit or Public Housing Authorities publishes the public notice listing the DCA as the RE
- DCA staff will request the Release of Funds to HUD

- HUD will provide the Authority to Use Grant Funds (AUGF) form to DCA and DCA staff will send the AUGF form to the Recipients for their records
- The Recipient will prepare and sign the site-specific Environmental Review Forms for each project address

### **Environmental Assessment**

Projects that exceed the threshold for categorically excluded categories must complete an environmental assessment. An **environmental assessment (EA)** is conducted to determine whether an action constitutes a "major federal action significantly affecting the quality of the human environment."

The public review timeframe must start one day after the notice is published. For example, if the notice is published on February 1<sup>st</sup>, then the comment period for a Tiered Review NOI published in the local newspaper must be listed as February 2<sup>nd</sup> through February 9<sup>th</sup>.

NOTE: Federal environmental requirements do not allow any individual other than the Chief Elected Official of the Recipient to certify compliance with the Tier One Environmental Review or the Site-Specific Environmental Screening Checklist required by Tier Two.

### **Public Notice**

The Environmental Review Record is not completed until the site-specific reviews are completed.

For Tiered Reviews, the Notice of Intent (NOI) to Request Release of Funds for Tiered Reviews must receive comments for seven days if published in the local newspaper or ten days if posted or mailed to interested parties.

For Environmental Assessments, the Notice of Intent/Finding of No Significant Impact (NOI/FONSI) must receive comments for fourteen days if published in the local newspaper or eighteen days if posted or mailed to interested parties.

Using Tiering allows the Recipient to publish the required public notice and request the release of funds from DCA before identifying the addresses. Without this approach, the Recipient would need to complete each step each time a new address was added to the grant. HUD requires a full environmental review record or ERR for each project

## **Develop Local Program Policies and Procedures**

After a CHIP award is approved, the Recipient must develop written policies and procedures to govern the program. A written program policy and procedure document is a management tool that will protect the community from allegations of fraud and mismanagement. The purpose of the local policies and procedures is to ensure that the requirements of the approved CHIP award are outlined in a set of written policies and procedures outlining the basic eligibility and program implementation requirements.

The policies and procedures serve as a management tool to assist the Recipient and the citizens in understanding the program requirements. They also serve as a tool to assist the Recipient during disputes related to participant or contractor eligibility, scope of work undertaken, denial of CHIP loans, citizen complaints, and other areas of dispute that may arise. The basic structure of the statement should be uniform and meet the current DCA's standard. The government's resolution, approving the Policies and Procedures as dictated by the terms and conditions of the award, must be kept on-site by the awarded

### **Affirmative Marketing Plan**

The **Affirmative Fair Housing Marketing Plan (AFHMP)** is a **marketing strategy** designed to attract homeowners and buyers of all majority and minority groups, regardless of sex, handicap and familial status to assisted rental units, housing rehabilitation assistance, and sale of dwellings that are being marketed.

***The AFHMP helps Recipients effectively market the availability of housing opportunities and assistance***

***to individuals of both minority and non-minority groups that are least likely to apply for occupancy.***

In compliance with 24 CFR 92.351 of the HOME Rule, the Recipient must make reasonable efforts to affirmatively further fair housing practices and must develop and adopt as part of their local CHIP policies and procedures an Affirmative Fair Housing Marketing Plan (AFHMP). DCA must approve the AFHMP. HUD guidance for the MBE/WBE Outreach Plan can be found at: <https://www.hudexchange.info/programs/affh/>

### **MBE/WBE Plan**

In compliance with 24 CFR 92.351 of the HOME Rule, the Recipient must make reasonable efforts to encourage the use of minority and women-owned business enterprises (MBE/WBE) and must adopt as part of their local CHIP policies and procedures an MBE/WBE Outreach Plan. The MBE/WBE Outreach Plan must be approved by DCA. HUD guidance for the MBE/WBE Outreach Plan can be found at: [https://www.hudexchange.info/resources/documents/MBE-WBE\\_Outreach.pdf](https://www.hudexchange.info/resources/documents/MBE-WBE_Outreach.pdf)

### **Language Access Plan**

In compliance with Title VI of the Civil Rights Act of 1964 and Executive Order 13166, the Recipient must take timely and reasonable steps to provide Limited English Proficient (LEP) persons with meaningful access to programs and activities funded by the federal government and awarded by DCA. Any of the following actions could constitute “reasonable steps” depending on the circumstances. This is not, however, an exhaustive list of possible actions:

- Acquiring translators to translate vital documents, advertisements, or notices
- Acquiring interpreters for face-to-face interviews with LEP persons;
- Place advertisements and notices in newspapers that serve LEP persons;
- Partnering with other organizations that serve LEP populations to provide translation, interpretation, or dissemination of information regarding the project;
- Hiring bilingual employees or volunteers for outreach and intake activities; or
- Contracting with a telephone line interpreter service.

#### **4-Factor Analysis:**

1. Number of Limited English Proficiency people (LEPs) in the target area
2. Frequency of interaction with potential LEPs
3. Nature & importance of program
4. Available translation services

#### **Use the CHIP LAP Template including:**

1. Info from your Four-Factor Analysis
2. Name of the staff person responsible for coordinating your LAP compliance
3. Staff training plan if needed
4. List of vital documents to be translated if necessary (public notices, applications, etc.)
5. Plan for complaints and appeals
6. Policy for updating it every 5 years (not needed for CHIP)

Plan for maintaining records for review at a later date if necessary DCA’s Language Access Plan Policy & Guidance: [https://www.dca.ga.gov/sites/default/files/dca\\_lap.pdf](https://www.dca.ga.gov/sites/default/files/dca_lap.pdf)

The Recipient must provide a Language Access Plan (LAP) and DCA must approve the LAP.

DCA staff are available for assistance with creating the LAP Additional information can be found at: [https://www.hud.gov/sites/dfiles/FHEO/documents/HUD\\_Language\\_Access\\_Plan.pdf](https://www.hud.gov/sites/dfiles/FHEO/documents/HUD_Language_Access_Plan.pdf)

### **Section 3**

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of 24 CFR 75. Section 3 regulations ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. Section 3 is triggered when the normal completion of construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

For housing and community development financial assistance, the Section 3 plan applies to housing rehabilitation, housing construction, and other public construction projects that exceed \$200,000 or more of housing and community development financial assistance from one or more HUD programs. Applicability is determined at the project level.

Section 3 does not apply on a “per-project” basis; whenever any portion of HUD funding is invested into projects involving housing construction, demolition, rehabilitation, or other public construction (i.e., roads, sewers, community centers, etc.), the requirements of Section 3 apply. Furthermore, contractors or subcontractors that receive contracts exceeding \$100,000 for Section 3 covered projects/activities are required to comply with the Section 3 regulations in the same manner as direct recipients.

### **Section 3 Residents and Business Concerns**

Section 3 Residents Are:

1. Residents of Public and Indian Housing; or
2. Individuals who reside in the metropolitan area or nonmetropolitan county in which the Section 3 covered assistance is expended and whose income does not exceed the local income criteria of low- or very low-income.

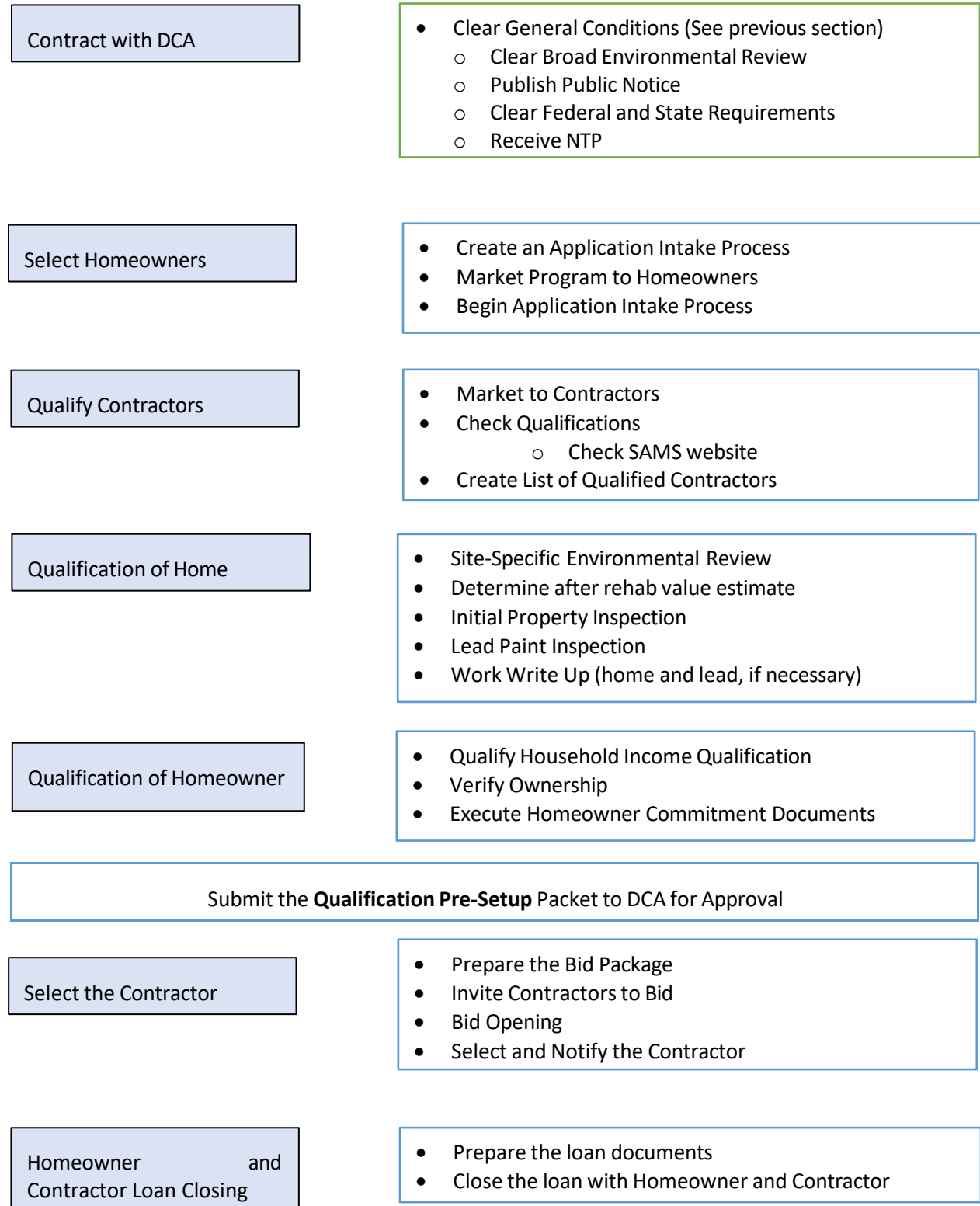
Section 3 Business Concerns Are One of the Following:

1. Businesses that are 51 percent or more owned by Section 3 residents;
2. Businesses whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the firm, were Section 3 residents; or
3. Businesses that provide evidence of a commitment to subcontract more than 25 percent of the dollar amount of all subcontracts to be awarded to businesses that meet the qualifications described above.

In accordance with the regulation, residents and businesses concerns seeking Section 3 preference shall certify, or submit evidence to the recipient, contractor, subcontractor or subrecipient (if requested) verifying that they meet the definitions provided above. Recipients can use their discretion for determining the type of verification that is required by prospective Section 3 residents and business concerns. Some examples include: proof of residency in a public housing authority; proof of federal subsidies for housing, food stamps, or unemployment benefits; and payroll data or other relevant business information.

# CHIP HOUSING REHABILITATION ACTIVITIES

## CHIP Housing Rehabilitation Flow Chart



- Hold preconstruction conference
- Execute Construction Contract
- Issue the Notice of Commencement

Submit the **Setup** Packet to DCA for Approval

Construction

- Progress Inspections
- Change Orders

Submit the **Revised** Setup Form to DCA for Approval, if necessary

Submit **Draw Requests with Invoices, Pictures and Inspection Reports** to DCA for Payment

Project Close Out

- Final Inspection
- Release of Liens
- Section 3/MBE/WBE Reports
- Pictures of Completion
- Owner's Satisfaction Statement

Submit **Final Draw and Construction/Homebuyer Completion Packet** to DCA for Payment

Monitoring and File Close Out

After all Homes are Completed and all Grant Funds are expended

- Annual affordability period
  - Lien cancellations completed after affordability has expired

# Introduction- Owner-Occupied Rehabilitation

---

The following section of this manual provides step-by-step guidance for administering the CHIP Housing Rehabilitation Program to recipients. This activity addresses health and safety concerns and structural issues, improves energy efficiency, and makes necessary modifications to the home to ensure accessibility. It is dedicated only to homeowners who own their homes and utilize them as their primary residence.

***Persons assisted with CHIP should not have received federal or state assistance for housing rehabilitation within the previous 10 years.***

DCA will provide most of the forms necessary to carry out this program. Form templates are available on the website and for CHIP staff.

## Pre-Setup Phase

The Housing Rehabilitation Pre-Setup process is designed to ensure that the Household and housing meet certain HOME requirements before the Recipient enters a contract for assistance with the homeowner or the homeowner enters into any construction contract. Once a homeowner's application is reviewed, the Recipient will complete the Pre-Setup phase. The Recipient must submit to DCA a Housing Rehabilitation Activity Pre-Setup Information Form (CA-3) with required accompanying documentation for any unit proposed for funding. The setup is divided into two phases to prevent the Recipient from incurring unnecessary expenditures before the household and environmental review approvals. It is recommended that items listed on the Pre-Setup Information Form (CA-3) be submitted in the order presented on the form for clarity and uniformity.

If the home is determined to be beyond repair during inspection and reconstruction is necessary, a Reconstruction Feasibility Test Form (CR-8) must be completed and submitted with the Pre-Setup documentation, and provide the following information:

1. Detailed costs for rehabilitating the existing structure vs. detailed costs for the reconstructed housing. Documentation should include an inspection and work write-up for rehabilitation, as well as cost estimates for reconstruction, which demonstrate that the cost of reconstruction is significantly less than the cost of rehabilitation.
2. Estimate of cost to purchase comparable newly constructed housing in the same or a comparable neighborhood.
3. A copy of the appraisal for the unit that is to be reconstructed.

## Select Key Participants

### Staffing

There are several ways in which Recipients undertake the administration of CHIP homeowner rehabilitation programs, including:

- Self-administered by the City or County Community Development or Housing Staff
- Administered by a for-profit consultant
- Administered by a non-profit sub-recipient

Key personnel required to administer and manage the day-to-day operations of a homeowner rehabilitation program typically include:

- Program Director or Administrator

- Housing inspector or Specialist
- Clerical/Technical Support

Additionally, in order to implement the homeowner rehabilitation program, the Recipient will need to identify and develop the following professional relationships:

- Appraiser
- Attorney
- Title Company
- Loan Review Committee (if used by the Recipient as set forth in their CHIP Program Policies and Procedures)

The responsibilities, functions, and tasks vary from Recipient to Recipient based on their overall administrative plan. Because of these variations, all references in the Manual to the individual steps and tasks in the homeowner rehabilitation process are made to the “Recipient.” While some functions may be the responsibility of the Program Director or Administrator, certain duties and tasks are undertaken by the Housing Inspector or Specialist, and other responsibilities and tasks are assigned to the clerical/technical support person based on local program design.

## **Market the Rehab Program to Prospective Applicants and to Contractors**

This section of the manual addresses both marketing to CHIP applicants and marketing to potential rehabilitation contractors.

### **Marketing to the CHIP Applicant**

In accordance with the approved CHIP award, the Recipient should implement the marketing plan as described in the application. Each Recipient should set forth a marketing strategy for outreach to potential low-income homeowners in their approved award. For some Recipients, the marketing strategy includes assisting qualified applicants from an existing waiting list, followed by a first-come, first-served application intake process. For other approved CHIP awards, where an existing waiting list is nonexistent, Recipients can design a first-come, first-served application intake process.

The Recipient is required to follow the marketing strategy outlined in the approved award to reach potential low-income homeowners and encourage them to participate in the CHIP homeowner rehabilitation program. Some marketing strategies include distributing brochures and flyers, public and non-public radio and television advertising, newspaper advertising, outreach to community organizations, and holding housing fairs.

The HUD HOME regulations and DCA policy regarding fair housing and equal opportunity must be followed to ensure that those least likely to apply have the opportunity to become aware of the program, apply, and participate. In accordance with these requirements, all printed materials and flyers/brochures must include the Equal Housing Opportunity logo. DCA also requires that the fair housing poster and the equal employment opportunity posters be posted at locations where both applicants and contractors are likely to go for information on the program. The Recipient is required to follow the affirmative marketing plan and local Language Access Plan as required by the approved conditions of the award. The local Language Access Plan will outline how the Recipient will accommodate citizens who are not proficient in English.

The following methods of outreach and marketing have been deemed successful in targeting low-income homeowners:

- flyers and brochures listing the key facts and information about the program;

- social media; posters;
- utility mailing inserts;
- public service announcements;
- new releases;
- feature articles;
- direct mail.

The HUD Fair Housing Poster must be displayed in the office locations where applicants are likely to go to apply for assistance.

HUD Fair Housing resources can be found on this site:

[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/aboutfheo/about\\_fheo](https://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/aboutfheo/about_fheo)

The Equal Employment Opportunity Poster must be displayed in locations where contractors are likely to go for information about the program.

Download the poster here: <https://www1.eeoc.gov/employers/poster.cfm>

## Set up a Fair and Equitable Application Intake Process

Following the fair and equitable process outlined in the approved CHIP award, the Recipient should develop an application intake log to record each preliminary application received. The most popular method of handling eligible applications is on a "first-come, first-served" basis. However, the priority system for the processing and funding of cases addressing all the units identified in the CHIP application as being feasible for rehabilitation should be defined in the Program Policy Statement. Also, a telephone log should be set up to record information from interested applicants in order to provide callers deemed eligible with a preliminary application.

Some Recipients develop a telephone pre-screening form to record more information up front to avoid the expense of mailing and processing applications from unqualified applications. If an applicant is ineligible due to over-income, does not hold a fee simple title or a 99-year leasehold interest, is a non-occupancy as a principal residence, is a renter-occupied, investor-owned, or other clear and discernible ineligibility criteria, a record should be made of the resolution of the call.

Most Recipients develop a transmittal letter to potential applicants that includes:

- Preliminary application
- Releases for verification of income, benefits, and assets
- Release form for credit report
- General program guidelines and policies, and procedures
- [Fair Housing Brochure \(in other languages besides English\)](#)
- Protect Your Family from Lead in Your Home  
[https://www.dca.ga.gov/sites/default/files/handbook\\_with\\_statutes.pdf](https://www.dca.ga.gov/sites/default/files/handbook_with_statutes.pdf)
- Certification of Income and Principal Residence form
- Conflict of Interest Certification form
- Declaration of citizenship status

The transmittal letter typically provides the potential applicant with a deadline to return the completed application form and all required notices and releases. The transmittal letter makes clear that if the preliminary application and all required enclosures are not received by the deadline date their application will fall to the bottom of the application log or not receive service.

Once the first applicant has been selected and it has been confirmed that the unit was targeted in the grant

application, the applicant should be asked to bring the following documents:

1. Form of Identification (i.e., Driver's License)
2. Warranty Deed for the property to be rehabilitated, including the year the home was constructed
3. Current Homeowner's Insurance Policy,
4. Most recent real estate tax receipts for property to be rehabilitated,
5. Recent pay stubs, benefit(s) award letters and/or documentation of income from all sources for all adult members of the household,
6. If self-employed, last two years' tax returns and current financial statement,
7. Copy of court award for child support or alimony
8. Proof of ownership and principal residency
9. Lawful Presence Certification – OCGA 50-36-1(e)(2). See "Exhibit L"

Some forms of proof of principal residency could include a copy of a driver's license with physical property address shown, a social security or pension award letter showing the address, a property tax bill showing the address, and copies of utility bills showing the address.

Some forms of proof that the applicant is current on their property taxes could include a property tax statement receipt from the City and/or County, a cancelled check for property taxes, or a mortgage statement from the lender indicating that property taxes were paid.

Proof of ownership can be shown through a copy of a Deed or Deed of Trust, or a copy of a 99-year leasehold interest in the property.

The Recipient should date and timestamp the receipt of each preliminary application.

## **Pre-Qualify the Applicant**

Once the Recipient receives a completed preliminary application, it can be reviewed for completeness and preliminary eligibility or ineligibility. A letter of transmittal should be developed to inform the applicant of their preliminary approval or denial. If denied, the process for appeals should be explained in the transmittal letter. Recipients can refer denied applicants to the [USDA Home Repair Loan Program](#) for assistance in qualifying areas.

The preliminary application form will provide the Recipient information on the number of persons in the household, the form of ownership or title held to the property, whether or not the property is used as the household's principal residence and the income, benefits and debts of the members of the household 18 years of age and older. In other words, enough information should be gathered to determine whether you do or do not have a potentially eligible applicant. HUD's guidance on determining eligibility can be found at:

<https://files.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf>

The Recipient should verify income, benefits, and assets for each member of the household who is 18 years of age or older. HUD has an Income Calculator available for use by HOME programs. It is available at the following website:

<http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm>

The Income Calculator enables Recipients to efficiently determine the income eligibility of applicants for rehabilitation loans, homeownership assistance, and other programs.

All sources of "gross household income" and earnings of all adult members anticipated to be received in the 12-month period following the effective date of income certification(s), which will be used to determine whether the applicant is eligible for assistance, must be verified and documented. After all the "gross household income" of the occupants has been verified, the Recipient should compute the annual

income to determine if it is within the current "Low and Moderate" Income Tables. If the annual income exceeds the income limit, the applicant is not eligible for financial assistance. Copies of these documents must be maintained in the applicant's file. Communities must use one or more of the following means of documenting the applicant's recent income.

1. Completing and printing calculations using the HUD Income Calculator described above.
2. Completed Verification of Employment Form. The best means of verifying income is a completed "Request for Verification of Employment Form" (available at DCA) or another acceptable verification of employment form designed by the community that includes all the information on the DCA form. However, the verification of employment form must be mailed by the community to the employer and by the employer back to the community; these forms should not be hand-carried by applicants.
3. Previous Year's Income Tax Return (1040). The Federal Income Tax Form (such as the IRS 1040 Form), signed by the applicant and filed with the IRS, is generally acceptable as a sole source of income documentation if the borrower is applying for assistance funds in the early part of the year. The IRS tax forms are the most accurate source of income verification for applicants with irregular incomes or with updated information for the current year. These forms are required for all self-employed borrowers. During the last six months of the calendar year, the Federal tax forms should be supplemented with recent income documentation, such as one or more pay stubs or a documented telephone call to the employer. This will help ensure that the applicant's income has not changed significantly since the Federal tax form was prepared.
4. Salary Pay Stubs. When income is solely from salary, salary pay stubs may be used as the sole or primary source of income verification. These salary stubs must be for a recent, continuous one-month period. When the salary paystub documentation supplements a different verification source, such as the previous year's W-2 form(s), one typical pay stub may suffice to verify the current salary.
5. Previous Year's W-2 Form(s). Like the Federal tax form, the previous year's W-2 form(s) for all employment income are generally an acceptable sole source of income verification, but only if the applicant is applying for assistance in the early part of the year.
6. Pension, Disability, Social Security or Social Services Benefits. Acceptable methods of verifying such income include any one or more of the following, which are listed in order of preference:
  - a. Requesting information from the Social Security Administration Office, which serves the community. In order to receive prompt service, it is best to send the request to the attention of a particular individual;
  - b. A current copy of the award letter;
7. A photocopy of a regular benefit check, if the prospective borrower can bring the check to the office for photocopying.
8. A bank statement that clearly indicates a direct deposit for fixed income benefits (such as Social Security, SSI, etc.).
9. Currently Dated Balance Sheet and Statement of Operations. Where the principal source of income is from the applicant's business, whether owned individually or by a corporation or partnership, or where the applicant itself is a corporation, partnership or other legal entity, the community must obtain audited financial statements for the entity prepared by an accountant, including a currently dated balance sheet and statement of operations, or a signed copy of the legal entity's most recent tax return filed with the IRS. For partnerships, the community must also obtain this same information from all general partners. For limited partnerships, the community must also obtain this same information from as many limited partners as necessary to determine whether the partnership is an acceptable risk. (This may or may not include all limited partners.)
10. Separation or Divorce Settlement Statement. A separation or divorce settlement statement for alimony or child support payments is necessary. This statement must be supplemented by some evidence of regular payment of the alimony or child support payments.

Verifying Other Income. The community must either use the previous year's Federal income tax return or the sources listed below to verify the following types of other income:

1. Income and Expenses from Investment Properties -- verifiable with signed leases for income, cancelled checks or copies of receipts marked paid for expenses, audited profit/loss statements or other statements from leasing agents or; a completed Pro-Forma (available at DCA).
2. Interest or Dividends from Stocks, Bonds, or other Financial Institutions -- verifiable with statements from the broker or financial institution. A "Verification of Deposit" form is available at DCA;
3. Payments of Principal or Interest on Notes or Mortgages -- verifiable with copies of the legal instrument and some evidence of regular payment. A "Verification of Mortgage" form is available at DCA;
4. Overtime, Bonuses or Commissions -- verifiable with statements from the employer;
5. Regular Contributions or Payments from Others, including funds contributed by other family members regardless of whether they live in the same dwelling as the prospective borrower -- verifiable with cancelled checks written by the payer, bank statements showing deposits in the prospective borrower's account, or a written statement concerning the contribution or payment.
6. Various "Odd Jobs" -- verifiable with an executed notarized legal "affidavit."

NOTE: Telephone verification may be used in lieu of forms and statements only when the services are not responding to your written requests. The information gathered over the telephone should include:

1. ALL the information required on the appropriate verification form
2. Name and position of person providing information
3. Date and time of telephone call

This information should then be documented in the applicant's file.

## Homeowner Proof of Ownership

The Recipient can also order a preliminary title opinion to determine that the applicant does, in fact, own the property in fee simple title or hold a 99-year leasehold interest in the property.

At the end of the preliminary application stage, the applicant must meet the following tests:

- General Eligibility—The application should be reviewed to determine that the applicant meets the general eligibility criteria, including low-income eligibility and ownership eligibility, including residing in an eligible single-family property as their principal residence.
- Type of Ownership Interest – A homeowner applicant must own the property and occupy the property as his or her principal residence. An applicant is considered to have met the requirement to own a dwelling if the person holds any of the following interests in real property:
  1. Fee title, a life estate, a 99-year lease, or a lease, including any options for extension; or
  2. An interest in a cooperative housing project which includes the right to occupy a dwelling; or
  3. A contract to purchase any of the interests or estates described above (i.e., Land sales contract); or
  4. Any other interest, including a partial interest, which, in the judgment of the local attorney, warrants consideration as ownership of the dwelling.

A note about title searches: DCA recommends that the Recipient become a member of the Georgia Superior Court Clerks' Cooperative Authority ([www.gsccca.org](http://www.gsccca.org)) to search for titles. The cost is about \$12.00 a month. The Recipient may also consider using an online title search site to receive titles more quickly and less expensively than through an attorney.

There may be some cost involved in obtaining a preliminary title opinion and that the CHIP program

cannot reimburse the cost if the project is not completed. If the project is completed as a CHIP project, the cost can be included as a project soft cost. For this reason, the Recipient may want to review the County records to ascertain the preliminary condition of the title. Some Recipients charge a nominal application fee that covers the cost of the credit report. However, any Recipient that charges an application fee must first obtain DCA approval.

Note: The term "dwelling" means the place of permanent or customary and usual residence of a person, according to local custom or law, including a single-family house; a single-family unit in a two-family, multifamily, or multi-purpose property; a unit of a condominium or cooperative housing project; a non-housekeeping unit; a mobile home; or any other residential unit.

In reviewing the title, the ownership interest must be subject only to mortgages, deeds of trust or other liens or instruments securing debt on the property. No restriction or encumbrance that impairs the good and marketable nature of the title to the ownership interest in the property is allowed.

The most important aspect of reviewing the title is to ensure that the recipient is assured the applicant owns the property and can legally modify it and encumber it with debt.

It is important to note that Recipients take on all aspects of being a lender and the fair and equal credit laws must be followed. Whenever the Recipient, administrative agent, or Sub-recipient operates a loan program on behalf of homeowners, all federal Fair Housing and Equal Credit Opportunity laws are in effect.

### **Eligible Types of Deeds**

Housing that is rehabilitated may include inherited property with multiple owners, life estates, living trusts and beneficiary deeds under the following conditions:

2. Inherited property. Inherited property with multiple owners: Housing for which title has been passed to several individuals by inheritance, but not all heirs reside in the housing, sharing ownership with other nonresident heirs. (The occupant of the housing has a divided ownership interest.) The Recipient may assist the owner-occupant if the occupant is low-income, occupies the housing as his or her principal residence, and pays all the costs associated with ownership and maintenance of the housing (e.g., mortgage, taxes, insurance, utilities).
3. Life estate. The person who has the life estate has the right to live in the housing for the remainder of his or her life and does not pay rent. The Recipient may assist the person holding the life estate if the person is low-income and occupies the housing as his or her principal residence.
4. Inter vivos trust, also known as a living trust. A living trust is created during the lifetime of a person. A living trust is created when the owner of property conveys his or her property to a trust for his or her own benefit or for that of a third party (the beneficiaries). The trust holds legal title and the beneficiary holds equitable title. The person may name him or herself as the beneficiary. The trustee is under fiduciary responsibility to hold and manage the trust assets for the beneficiary. The Recipient may assist if all beneficiaries of the trust qualify as a low-income family and occupy the property as their principal residence (except those contingent beneficiaries, who receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be low-income). Trust must be valid and enforceable and ensure that each beneficiary has the legal right to occupy the property for the remainder of his or her life.
5. Beneficiary deed. A beneficiary deed conveys an interest in real property, including any debt secured by a lien on real property, to a Recipient beneficiary designated by the owner and that expressly states that the deed is effective on the death of the owner. Upon the death of the owner, the Recipient beneficiary receives ownership in the property, subject to all conveyances, assignments, contracts, mortgages, deeds of trust, liens, security pledges, and other encumbrances made by the owner or to which the owner was subject during the owner's lifetime. The Recipient may assist if the owner qualifies as low-income and the owner occupies the property as his or her principal residence.

## Environmental Review- Site Specific

A site-specific review must be completed before any funds, regardless of source, are committed to a project. Recipients cannot engage in any choice-limiting activities prior to environmental clearance per 24 CFR §58.22. Choice-limiting activities include but are not limited to these examples:

- Acquisition of land;
- Closing on loans including loans for interim financing;
- Signing a contract;
- Commencing construction

All HUD Part 58 Environmental Reviews must follow the format suggested by HUD found on the HUD Exchange website under the right toolbar titled “Suggested Formats and Sample Notices,” see

<https://www.hudexchange.info/programs/environmental-review/>.

The Recipient chooses the appropriate forms based on the level of review. The worksheets for the related laws can be found [here](#) to help navigate you through completing the environmental review. The site - specific review should concentrate on the issues that were not resolved in the broad-level review (see 40 CFR 1508.28). In addition, NEPAassist is a useful tool that can help facilitate the environmental review process using environmental data from the Environmental Protection Agency (EPA) Geographic Information System databases and web services. The mapping tool is located at:

<https://nepassisttool.epa.gov/nepassist/nepamap.aspx>

---

### Other useful mapping tools include:

US Fish and Wildlife Service Wetlands Mapper- <https://www.fws.gov/wetlands/data/mapper.html>

FEMA Flood Map Service Center- <https://msc.fema.gov/portal/home>

Coastal Barrier- <https://www.fws.gov/cbra/maps/index.html>

Coastal Zone- <http://geospatial.gatech.edu/G-WRAP/>

Sole Source Aquifers- <https://www.epa.gov/dwssa/map-sole-source-aquifer-locations>

---

The site-specific review must determine and document the project’s adherence to all established statutes and remaining requirements as defined in the broad-level review. The environmental submission should follow the document order as listed below:

- Location Map, close up with overview of area to be reviewed
- Pictures of the property should include the front, side, and rear views.
- All pictures and maps should be in color
- DCA Part 58 Form (which incorporates the project description, level of review and all required checklists into one document);
- All Supporting Documentation in the order of the HUD checklist with attachment letters or numbers for identifiers for each support section;
- Supporting documents should include all data utilized for the review including maps submitted with correspondence to State or Federal Agencies (SHPO, Fish and Wildlife, etc.)

**If the Recipient is not familiar with the requirements for a site-specific review, you can request assistance from DCA staff to complete the review.**

## Radon Testing

In accordance with HUD CPD Notice 23-103, CHIP will require radon testing for owner-occupied housing rehabilitation as a part of the Tier 2 (site-specific) environmental review. This requirement went into effect on April 11, 2024. HUD’s environmental regulations at 24 CFR 58.5(i)(2)(i) and (ii)4 state that, it is HUD’s

policy that all properties that are being proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property.

Radon is a radioactive gas that forms when radium and certain other radioactive metals break down in rocks, soil, and water. It is found in nearly all soils and moves through the soil to the air and into structures through cracks and other areas of permeability. Building materials and groundwater may also be a source of indoor radon. Once inside, radon concentrations can build to high levels, regardless of the age, condition, or design of the building. The most common pathway for human exposure to radon is inhalation indoors. Radon is the number one cause of lung cancer in non-smokers and the second leading cause of lung cancer overall.

Preferred, Best Practice for Testing:

- ANSI/AARST radon testing and mitigation standards

Alternative strategies that can be used (if testing not otherwise required by law/reg):

- Do-It-Yourself (DIY) Testing: Use of individual DIY home radon test kits
- Continuous Radon Monitoring Devices: for use by trained local government staff in remote areas
- Review of science-based data on radon in the area where the project site is located: state/tribal geologic data, CDC radon test data

Note: Actual testing for radon is not required under the draft policy

While the ANSI/AARST method of testing is preferred, currently, Georgia does not require credentialed radon testing. CHIP will allow Recipients to use DIY radon test kits in owner-occupied housing. If a radon test shows a radon level for a building at or above 4 pCi/L, then the ERR must include a mitigation plan.

The mitigation plan must:

1. Identify the radon level;
2. Describe the radon reduction system that will be installed;
3. Establish an ongoing maintenance plan;
4. Establish a reasonable timeframe for implementation; and,
5. Require post-installation testing by a licensed radon professional, where feasible.

Recipients can use CHIP grant funds to cover radon testing and mitigation costs for the environmental reviews.

## Develop a Pool of Eligible Contractors

**NOTE: ALL GENERAL and RESIDENTIAL CONTRACTORS ARE NOW LICENSED BY THE STATE OF GEORGIA. The License Number MUST be documented and noted in the client (Homeowner) case file.**

The first step toward creating and maintaining a quality rehabilitation program is to establish a list of competent and reputable General Contractors. It is suggested that the community inquire with the following sources:

1. The City and/or County Building Inspector's Office
2. Local Building Supply Dealers
3. Lumber Yards
4. Local Insurance Agencies (Property Insurance Claims)
5. Neighboring Communities presently administering rehabilitation programs
6. Local Newspaper - place an ad addressed to experienced general contractors.
7. Local agencies administering other housing programs.

The Recipient should take all necessary affirmative steps to ensure that minority firms, women's business

enterprises, and labor surplus area firms in their area are solicited to participate in the program. Based on the contractor qualifications outlined in the Recipient's CHIP program policies and procedures, the Recipient must solicit potentially qualified contractors through its marketing efforts, as outlined in "Marketing the Program."

To qualify contractors from the pool of eligible contractors, Recipients should review the contractor applications against their specific contractor requirements. These qualifications typically include but are not limited to:

- Property damage and liability insurance
- Credit standing
- Length of time in business
- References (Jobs Completed, Jobs in Progress, Suppliers, Financial, Warranty)
- Licenses/Certifications
- Areas of Expertise/Experience
- Lead-based paint certification
- Check for state and federal debarment

In some of Georgia's smaller rural areas, Recipients may have difficulty obtaining a large enough pool of eligible contractors for CHIP rehabilitation work. Recruiting from a larger geographic area may be required.

It is important to note that while a Recipient can limit the pool of contractors from which an owner can choose and the Recipient can set limits regarding acceptable bids, selecting a contractor from the eligible pool and checking out the contractor to their own satisfaction falls upon the owner.

Some Recipients administering homeowner rehabilitation programs conduct an orientation with eligible contractors prior to putting out the projects to bid. The purpose of this orientation is to:

- provide information on the CHIP program and process that will be beneficial to the contractors
- familiarize the contractors with the program requirements
- familiarize the contractors with the CHIP program client eligibility
- provide information on the bidding process
- provide information on the inspection process
- provide information on the pay request process
- familiarize the contractors with the contract documents and forms that will be used
- familiarize the contractors with the HOME property standards that have been selected by the Recipient for use in the CHIP homeowner rehabilitation program
- provide the contractors with the Recipients' Written Rehabilitation Standards that describe the methods and materials that will be used to meet the selected property standards

### **Licensing and Certification Requirements for Construction and Trades in the State of Georgia**

Recipients administering homeowner rehabilitation programs should be well informed of the construction and trade industry licensing and certification requirements required by the State of Georgia.

All contractors or subcontractors engaged in the practice of electrical contracting or plumbing contracting or low-voltage contracting and conditioned air contracting (heating and cooling) or the installation, alteration and/or repair of plumbing, air conditioning, heating, electrical or low-voltage wiring systems are required to be licensed by the State of Georgia Construction Industry Licensing Board.

Contractors undertaking CHIP homeowner rehabilitation projects also must agree that anyone engaged in the practice of Lead Hazard Reduction or Abatement must be certified by the State of Georgia Department of Natural Resources, Environmental Protection Division.

## Initial Property Inspection

Once the Recipient has deemed an applicant preliminarily approved and notified the applicant of pre-approval by letter, an appointment should be made with the property owner to conduct a preliminary property inspection. During this time, the Recipient can send out verification forms to document the information provided in the preliminary application if this process has not already begun.

The purpose of the preliminary inspection is to determine whether the property is feasible for rehabilitation or reconstruction and to estimate the total cost of regular (non-lead) rehabilitation or reconstruction.

In inspecting the property, the Recipient should develop a Property Inspection Form or use a copy of the Work Write-up form to record the work required to meet the Recipient's selected property standards (codes) for the CHIP rehabilitation program.

During the preliminary inspection, it is advisable to have the owner sign a permission statement to permit photographs to be taken of the property. Exterior pictures of the property are required for the environmental review, and interior pictures may also be needed for historic preservation purposes. Before and after pictures are also helpful to both the Recipient and DCA in reviewing requests for reconstruction. The Recipient and DCA also need permission to use before and after pictures of the property for use in program outreach, publicity and training. A permission statement should be included in both the initial and full application forms.

## Initial Property Inspection of Manufactured Homes

CHIP does not require age restrictions on manufactured homes. All transportable sections of manufactured homes built in the U.S. after June 15, 1976, must contain a HUD label. The label is the manufacturer's certification that the home section is built in accordance with HUD's construction and safety standards. HUD standards cover body and frame requirements, thermal protection, structural, plumbing, electrical, fire safety and other aspects of the home. They are published in the Code of Federal Regulations at 24 CFR 3280. The manufactured home must comply with the following specifications:

- It is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two-Family Dwelling Code
- It is located on land held by the beneficiary in fee-simple title, recorded land sale contract, or 99-year leasehold and is the principal residence of the beneficiary

[24 CFR Part 92.251\(E\)](#) - *Property Standards (HOME): Manufactured Housing*

In HOME-funded rehabilitation of existing manufactured housing, all foundation and anchoring must meet all applicable State and local codes, ordinances, and requirements, or in the absence of local or state codes, the Model Manufactured Home Installation Standards at 24 CFR Part 3285. As applicable, Manufactured housing rehabilitated using HOME funds must meet the property standards requirements in paragraph (b) of this section.

## Reconstruction

CHIP funds may be used to reconstruct housing that is owned and occupied by low and very low-income households and that will be located on the same property as the original structure. Reconstruction means rebuilding a housing unit on the same lot that is eligible for CHIP assistance and is not economically or structurally feasible to rehabilitate. The reconstructed housing must be substantially similar to the original housing.

## Manufactured Housing Reconstruction

All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i)...must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

## Incorporating Historic Preservation in a Work Write-Up

Section 106 requires federal agencies (and their applicants) to consider the effects of their undertakings on historic properties (both structural and archaeological). The Section 106 review process must be completed prior to approval of the expenditure of federal funds for the project, or prior to the issuance of any federal license or permit. As part of this process, federal agencies, or their applicants, are required to consult with the State Historic Preservation Office (SHPO), which in Georgia is the Historic Preservation Division (HPD) of the Department of Natural Resources. Recipients must seek Historic Preservation review for all properties that will receive federal funding for rehabilitation. All Recipients are required to follow Section 106 and consult with a Preservation Professional or SHPO whenever planned rehabilitation activities include federal funding.

## Incorporating Lead-Based Paint Requirements in a Separate Work Write-Up

If the dwelling was constructed prior to January 1, 1978, a lead-based paint inspection is required for all CHIP rehabilitation projects under all CHIP awards made to communities unless the property is otherwise exempt (see Types of Housing Not Covered Below). If applicable, the inspection for lead-based paint should occur at this time, and a separate work write-up for lead-based paint should be prepared. If lead-based paint is detected, a risk assessment should be performed at the time of the inspection (if mandated by the level of federal assistance). Refer to the chart on the next page. The Recipient should use the risk assessment report as a guide in determining how to best reduce the hazards found in the dwelling. If the federal assistance for the unit falls between \$5,000 and \$25,000, interim controls are a design option for lead hazard control. **Above \$25,000, abatement is mandatory.** It is essential that the Recipient has a thorough understanding of the issues and procedures involved in this process to achieve maximum effectiveness in creating lead-safe housing. In all cases where lead-based paint is detected, clearance requirements must be met. Technical assistance is available through DCA on this subject.

### Types of Housing Not Covered by Lead-Based Paint Requirements

- Property that has been found to be free of lead-based paint by a certified lead-based paint inspector
- Property where all lead-based paint has been removed
- Unoccupied housing that will remain vacant until it is demolished
- Any rehabilitation of housing improvement that does not disturb a painted surface

The approach to lead hazard reduction evaluation is based on the amount of federal assistance as shown in this chart:

	<\$ 5,000	\$ 5,000-\$ 25,000	>\$ 25,000
Approach to Lead Hazard Evaluation and Reduction	Do no Harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes

<b>Lead Hazard Evaluation</b>	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
	Safe work practices Clearance of work site	Safe work practices Clearance of unit	Safe work practices Clearance of unit
<b>Ongoing Maintenance</b>	No	No	No
<b>Options</b>	Presume lead-based paint Use safe work practices on all surfaces	Presume lead-based paint and/or hazards Use standard treatments	Presume lead-based paint and/or hazards Abate all applicable surfaces

For more information on lead-based paint requirements, go to:

[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/healthy\\_homes/lbp/hudguidelines](https://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/lbp/hudguidelines)

The lead-based paint work write-up and cost estimate should be included with the regular work write-up and cost estimate as a separate part of the overall work write-up in preparation for bidding.

The Recipient should be careful to avoid including duplicate work items on both the regular rehabilitation work report and the lead-based paint work report, such as replacing deteriorated windows found to contain lead-based paint.

## Final Qualification of Applicant

Once a preliminary inspection has been completed and an estimate of the total cost of the rehabilitation has been determined, the Recipient can proceed with full application processing.

The steps in the full qualification process include taking a completed full application from the homeowner; verifying the income and assets using third-party verification; and verifying property ownership. **Income determinations must be completed before assistance is provided. Income need not be reexamined at the time assistance is provided unless more than six months have elapsed since the initial determination.**

These steps in the final qualification of the application can be summarized as:

- Take a full application from the applicant
- Consolidate and track all verifications ordered on income, benefits and assets
- Review preliminary title opinion to determine if the applicant owns the property in fee simple title or holds a 99-year leasehold interest on the property
- Review any liens or other encumbrances to the title that would prohibit the city or county from being able to secure their CHIP interest in the property
- Confirm proof of ownership by reviewing the deed or other ownership documents
- Obtain proof that the applicant has current paid property taxes
- Obtain proof that the applicant has up-to-date and current paid homeowner’s insurance
- Confirm any other requirements of your local CHIP program. Some recipients require additional qualification criteria.

Once the Recipient reviews all of the verifications, a thorough analysis of the information against the local program’s eligibility and underwriting standards should be conducted. This review will enable the Recipient to determine the maximum amount of CHIP funds and the required owner or “other” or “leveraged” funds that will need to contribute.

After determining that an applicant is eligible for CHIP assistance, the Recipient should send the applicant a letter notifying them of their approval for the CHIP loan, subject to their obtaining a commitment for the

owner's required other funds. The letter should notify the applicant of the time and place for the "owner orientation" meeting. The letter should also notify the owner of their responsibility to make an appointment with the Recipient to conduct the final inspection.

## Owner Orientation

After the final work write-up has been agreed upon and signed by the homeowner and the Recipient, and the final amount of other or leveraged funds has been determined, the Recipient must obtain proof of the owner's funding commitment for the "other" required leveraged funds, if any.

HOME regulations at 24 CFR 92.203(d)(2) require that if more than six (6) months have elapsed since the Recipient determined that the family was income eligible, then the Recipient must re-examine the family's income at the time the HOME assistance is provided.

After determining the total cost of the regular rehabilitation and being provided with a commitment for the owner's required additional funds, the Recipient should review the information with the homeowner again to ensure they understand all aspects of the program. This review will allow the owner to make a final decision about whether to proceed with the project.

If the owner does want to proceed with the rehabilitation of their home under the CHIP program requirements, an owner orientation will provide information on what the owner can expect and what is expected of them going forward.

### Owners need to understand:

- the overall construction process and timing; the CHIP loan documents; the CHIP owner-occupied rehabilitation grant agreement for the project delivery cost; the construction process and the legal documents related to construction; temporary relocation; and, what happens after the construction is completed
- The possibility of the lead-based paint reduction process that may take place on their property. The attached link to the pamphlet "Protect Your Family From Lead in Your Home" should be distributed to the household. See link:  
<https://www.epa.gov/sites/production/files/2020-04/documents/lead-in-your-home-portfolio-color-2020-508.pdf>
- The DCA policy regarding the Owner's Selection of Bidding Method
- The DCA policies in regard to manufactured homes
- the HOME and DCA requirements regarding any refinancing being considered in conjunction with the CHIP-assisted homeowner rehabilitation
- Their responsibility is to maintain homeowners' insurance in an amount sufficient to cover the after-rehabilitated value of the property for the full affordability period. The policy must include the Recipient as an additional insured holder of the policy.
- Owners are responsible for moving their belongings and finding somewhere else to stay during construction if necessary. CHIP funds will not pay relocation costs. If it is safe for the homeowner to stay in their home during construction, then the electric, gas, and water utilities must be turned on each evening while construction is underway.

## Conduct Final Property Inspection, Develop Work Write-Up and Cost Estimate

During the preliminary inspection, the Recipient conducted a general site inspection of the work required to bring the property up to the property standards selected by the Recipient in accordance with the HOME program requirements. Whenever HOME funds are used for rehabilitation, the work must be performed according to written rehabilitation standards, and the unit must be brought up to the applicable state or local code. The property standards are the standards against which the actual physical condition of a

property is judged in the inspection process.

Now it is time to develop a detailed work write-up in a format that will be used later for the bid package specifications. HUD policy requires the Recipient to use a Property Inspection Form designed to capture the work necessary to meet the Recipient's selected property standards. Therefore, the Recipient's property standards (codes) should be reviewed and used in developing the final work write-up. Using the property standards (codes) as a baseline, a housing inspector determines the scope of the rehabilitation necessary to address the physical deficiencies of the property.

Working from the Property Inspection Form, the Recipient will develop a detailed work write-up to determine the estimated cost of each item on the work write-up and the corresponding total estimated cost.

Some Recipients utilize housing inspectors who are experienced estimators, very current on material and labor prices, and capable of estimating costs from personal knowledge. Due to price volatility, Recipients should utilize cost estimating software and up-to-date construction mean cost manuals.

In the final analysis, the Recipient should ensure that the cost estimate was a professionally derived estimate of the reasonable bid.

The work write-up and cost estimate need to be reviewed with the homeowner. Owners need to understand the relationship between the identified deficiencies and those that the program can correct with CHIP funding.

The owner should be reminded of the local program's rules and policies regarding allowable work at the outset of developing the work write-up and cost estimate.

Once the Recipient and the owner have agreed on the final work write-up, the Recipient should make a copy that does not include cost estimates. Both the owner and the Recipient should sign the copy. This new version (without the line-item cost estimates) will be used as the work specifications when the project goes out to bid.

### **Incorporating Written Rehabilitation Standards into Work Write-Ups**

There are two methods for incorporating the written rehabilitation standards or specifications into work write-ups.

The first method incorporates the specifications directly into the work write-up. This method also serves as the Property Inspection Report. A sample of this type of work write-up would include the following:

- Property standards
- Inspection report
- Work write-up and cost estimate for each item
- Technical specifications

The second method has several beneficial features and is included in Appendix A as "Work Write-Up for Bidding Contractors." This type of work write-up:

- Identify each page number clearly
- Separates the cost of labor and materials
- Has a place for the owner and contractor to sign on each page

Under this method, the Recipient has entered the Written Rehabilitation Standards for individual work items on a form or online application; the Recipient maintains an index of each work item identified by the property standard (code) number; the property standard or code number is entered directly onto the work write-up; and, bidding contractors are provided a booklet listing the Written Rehabilitation Standards or specifications identified by number so the work write-up references the specification number. This method proves to be less lengthy than the first method listed above.

Once the owner has signed off on the work write-up, the project processing can proceed.

## Submit the Pre-Setup Packet to DCA for approval

DCA will monitor each activity during the project's implementation to ensure compliance with key programmatic requirements. The processes used to ensure programmatic compliance will be based on the activity being implemented, homeowner rehabilitation assistance.

Homeowner Rehabilitation Assistance activities are required to follow a three-step Activity Setup process: (1) Environmental Review and (2) Homeowner Qualification and Housing Qualification setup.

### Pre-Setup Documentation

- Income Verification Form (CC-8)
- Certification to Use Unit as Principal Residence (CC-7)
- Declaration of Citizenship Form (CC-3 and CC-4 if applicable)
- Conflict of Interest Certification (CC-6)
- Deed of ownership
- Current Market Value of the Property and Proof of Year Constructed
- Initial Scope of Work Write-Up for Non-Lead Costs with pictures
- Lead-Based Paint Visual Assessment (if older than 1978)
  - Site Specific Environmental Review

## Setup Phase

### Understanding the HUD HOME Requirements for Written Rehabilitation Standards

The HOME final rule, 24 CFR 92.251, requires each Recipient to adopt Written Rehabilitation Standards for rehabilitation work assisted with HOME funds.

Written Rehabilitation Standards establish the specifications for the actual rehabilitation work that will bring substandard housing into compliance with the property standard or code(s). The Written Rehabilitation Standards outline the methods and materials to be used for property rehabilitation. The Written Rehabilitation Standards are sometimes referred to as “specs” or specifications, and include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc.

The Written Rehabilitation Standards provide an everyday basis for contractor bids. The Recipient wants to ensure that all contractors are bidding work using identical methods and materials. This enables the Recipient to make an accurate determination of the cost of reasonableness of bids. By holding all contractors to a single rehabilitation standard, consistent, high-quality rehabilitation is assured. The Written Rehabilitation Standards or specifications represent an accepted standard of workmanship and materials. These are the specifications and details most important to contractors and will ultimately ensure that the rehabilitation is properly completed. The Written Rehabilitation Standards provide a means for the Recipient to determine whether the bids are reasonable and give all bidders an equitable list of work items to be bid.

### Understanding the HUD HOME Requirements for Property Standards

Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe, and sanitary. They are the standards against which the actual physical conditions of a property are

judged in the inspection process. Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe, and sanitary. They are the standards against which the actual physical conditions of a property are judged in the inspection process. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the property's physical deficiencies. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the property's physical deficiencies. In order to truly "localize" a housing rehabilitation program, DCA has refrained from imposing a uniform code of property standards. It is recognized that local officials are more aware of the community's housing conditions and needs than anyone else. Consequently, they can realistically establish property standards that will be practical to administer and tailored to their specific needs. Minimum Property Standards are not to be confused with Standard Building Codes adopted by the State of Georgia (addressed below).

While it is essential that the community rehabilitates the number of units stated in the application, the quality of construction is crucial for the program to have a favorable impact in the target area. Quality rehabilitation, initially achieved, will cause a "snowball" effect in the neighborhood and quantity will eventually become evident.

If the program cannot qualify a property to meet the standards because of excessive costs, the property should not be rehabilitated. Reconstruction should be considered as a possible alternative. In these instances, Communities are now required to use the **Rehabilitation Feasibility Test Form** for this reason. In no case should the housing inspector compromise the program's minimum property standards by omission of required work items or applying a double standard. Consequently, a thorough and accurate survey should be conducted in the target area with particular attention to the existing condition of housing prior to the community selecting the appropriate housing activity(s) in the program application.

**The importance of the housing inspector being thoroughly familiar with the program's minimum property standards and the state's adopted Standard Building Codes cannot be overstated.** One cannot prepare a work write-up without knowing what work is eligible in the program or determining if a property is feasible for rehabilitation according to program policies. The best way for the housing inspector to become familiar with the standards is to participate in the selection of the appropriate standards for the project area with the assistance of the local building inspector and the local historic preservation planner.

Specifically, in the absence of local code for rehabilitation, CHIP homeowner rehabilitation projects must meet the **articles on property or sanitary standards** in one of three model codes (Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR 200.926.

Since the first four codes listed above, i.e., the ICBO, BOCA, SBCCI, and the CABO have all now been merged into the International Residential Code, Recipients have a choice to either rehabilitate a single-family CHIP-assisted home up to:

- the International Residential Code (Appendix J, Existing Buildings); or
- the FHA Minimum Property Standards at 24 CFR 200.926 (See note below); or
- the State of Georgia locally adopted "permissive codes," which include the International Property Maintenance Code or the International Existing Building Code.

**Note:** Not only have the four model codes referenced above merged into the International Residential Codes, but the FHA Minimum Property Standards (MPS) in 24 CFR 200.926 are no longer maintained by HUD as separate Minimum Property Standards. Instead, HUD has accepted the model building codes, including

over 250 referenced standards and local building codes in lieu of separate and prescriptive HUD standards,

with additional durability requirements.

DCA recommends using the model codes and standards being used in Georgia to assist communities in selecting appropriate minimum property standards for their rehabilitation programs.

The following codes and standards are mandatory\* by Georgia law and are applicable to all construction.

- International Building Code (Standard Building Code)
- CABO One- and Two-Family Dwelling Code
- National Electric Code
- Standard Gas Code
- Standard Mechanical Code
- Georgia State Energy Code
- Standard Fire Prevention Code
- Standard Plumbing Code

HUD lead-based paint requirements (24 CFR Part 35) compliance is mandatory for all programs using CHIP, HOME, USDA, or other Federal funding.

These mandatory codes are applicable in units undergoing rehabilitation only to the extent that the proposed rehabilitation work replaces or modifies existing components covered by the code. For example, if electrical work is required in a unit, that work must meet all provisions of the electrical code. However, if the electrical system in the unit is safe and no electrical work is proposed, the program is not required to bring the unit's electrical system "up to code".

The following codes and standards are permissive and may be adopted by the local government:

- HUD Uniform Physical Condition Standards (UPCS)
- United States Secretary of the Interior's Standards for Housing Rehabilitation.
- Standard Housing Code
- Standard Existing Buildings Code
- Standard Unsafe Building Abatement Code

The property standards are intended for use in inspecting and evaluating conditions for residential properties being considered for rehabilitation. The property standard is used to determine whether rehabilitation is feasible for individual properties and serves as a minimum standard for improvement when rehabilitation occurs. The Recipient must comply with the property standard requirements in [24 CFR Part 92.251](#) with regard to homeowner rehabilitation. The Recipient must identify which of the allowable property standards CHIP-assisted homeowner rehabilitation projects will meet upon completion of the rehabilitation work. The property standards selected must be identified in the Recipient's Local CHIP Program Policies and Procedures. If the Recipient administering the CHIP award has adopted either one of the Georgia permissive codes (International Property Maintenance Code or International Existing Building Code), then the Recipient's CHIP Program Policies and Procedures can set forth the **locally adopted** permissive code. The NSPIRE property standards are not a HUD HOME allowed property standard or code for CHIP-assisted homeowner rehabilitation projects

## Meeting the Georgia Construction Codes

The State of Georgia has adopted fourteen "state minimum standard codes." Of the fourteen codes, there are eight (8) that are mandatory. Of the eight (8) mandatory codes, four (4) apply to all residential construction. These four codes are:

- National Electrical Code
- CABO One-and-Two Two-Family Dwelling Code (International Residential Code)
- Georgia State Energy Code for Buildings
- International Plumbing Code

In addition to the HUD HOME requirement that CHIP homeowner rehabilitation projects must meet the **articles on property or sanitary standards** in one of three model codes (Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR 200.926, all CHIP rehabilitation activity must meet the provisions of the four mandatory codes, as applicable.

## Prepare Bid Document Packages and Send Invitation to Bid

While DCA prefers open and competitive bidding, under the CHIP program, owners have the right to select one of two methods to secure the rehabilitation contractor for their property: open, free competitive bidding, or negotiation.

After the Recipient has qualified applicants, selected one of the HUD approved property standards (codes), inspected the property, determined the scope of work and the specifications for the work have been developed based on the Recipient's Written Rehabilitation Standards, and conducted the owner orientation, it is time to prepare the bid documents. The Recipient has already developed a list of eligible, qualified contractors.

The bid documents package consists of a cover letter of general instructions. The cover letter is often called an Invitation to Bid. It gives staff contact names for questions; instructions on how to obtain access to the property; identifies the date, time and place the bid is due; and includes the following enclosures:

- General conditions of bid
- Special conditions of bid
- DCA CHIP Addendum to Construction Contract
- Lead-Based Paint Addendum
- Bid and proposal form (Make sure that the bid form makes it clear that all bids are to include permit fees and sales taxes. Additionally, some Recipients combine the bid form with the actual final construction contract. This allows the contractor to see exactly the terms and conditions of the contract if he or she is awarded the contract. This method is a legally enforceable bid when signed by the contractor. It only becomes a binding contract obligating the contractor to perform the work and the owner to pay for the work when the owner signs the document.)
- Work write-up without the cost estimates
- Written rehabilitation standards/specifications
- Library of model specifications for lead hazard evaluation and reduction
- Lead work write-up without the cost estimates
- Arbitration agreement (if used by your local program as the mechanism to settle disputes).

If a Recipient utilizes this mechanism to settle disputes, a copy of the agreement should be part of the bid package. The instructions should tell the contractor to sign the agreement, as doing so indicates a willingness to follow this required procedure. The document does not become binding until it is signed by the owner at the time the construction contract is signed.

Once the bid package is developed, copies should be made for every eligible contractor on the Recipient's list of eligible contractors. A bid package should then be emailed to each eligible contractor.

## Bid Opening

To ensure fairness, all bids received should be sealed and due by a specific time. The bid opening should be conducted in a public manner, and the results should be recorded on a bid control sheet. Usually, only contractors who bid choose to attend. Every person in attendance should sign a Bid Opening Attendance Sheet.

The Recipient should open and check each bid package to be sure all information is properly entered and complete. This review should include that all sales taxes, fees and permits are included, and any required addendums are clearly included; specifications and related documents are correctly referenced; dates are correctly entered and that the bidder's signature is completed in ink. The review should ensure that any licensing requirements, tax numbers and supporting documents (such as the arbitration agreement, if used) are included.

The bids are reviewed for responsiveness, accuracy and reasonableness; recorded on the Bid Control Sheet; and, summarized on the Bid Summary. The Bid Summary should include a computation of the Recipient's cost estimate plus or minus ten (10) percent to compare each bid to the Recipient's cost estimate. This will allow the Recipient to determine what percentage the low bid is to the Recipient's cost estimate. The Recipient's CHIP program Policies and Procedures should define the required threshold for a bid to be considered "reasonable." Most programs use a ten percent spread as a threshold.

The Recipient should develop a set of minutes of the bid opening meeting.

### **Guidance on Determining Reasonableness of Bid**

The reasonableness threshold, usually a ten percent spread (plus or minus of the Recipient's cost estimate) is a generally accepted threshold to ascertain the "reasonableness" of the low bid. If the low bid is below the "reasonableness" margin, as indicated in the Recipient's CHIP Program Policies and Procedures, the Recipient should meet with the contractor immediately to determine how he/she arrived at the bid price. This meeting should determine if a miscalculation occurred on the part of the Recipient or the contractor. The Recipient should be assured that the acceptance of the bid will not cause the contractor to fail to complete the work due to a lack of funds. If the Recipient gains this assurance, the Recipient can recommend the owner's acceptance of the bid. If the low bid is above the "reasonableness" margin, a close analysis of the Recipient's cost estimate should be taken. In either case, both the owner's and the program's interests should always be protected. While the owner reserves the right to reject any and all bids, the owner will oftentimes rely on the Recipient for an opinion as to whether the bid is "reasonable." In the final analysis, the bid will be awarded to a responsible contractor whose proposal is most advantageous to the program, considering both price and other factors, regardless of the method of bidding selected (competitive bidding or negotiated bid).

### **Negotiated Bids**

While open, competitive bidding is the preferred method of selecting a contractor, it is permissible to use the negotiated method in instances where a community cannot attract multiple contractors to form a contractor pool or when a property owner has requested the use of a contractor of their choosing.

In all cases, the contractor must meet the program's contractor eligibility criteria as described in the Recipient's CHIP Program Policies and Procedures. The bid submitted by the contractor must meet the criteria established for the program in determining the "reasonableness" of bids. If the bid does not meet the criteria, the Recipient may negotiate the price to bring the bid within a qualifying range. If the negotiation is not successful, the project should be rebid, or the owner may pay the difference between the contractor's price and the cost estimate.

Similarly, should the owner choose to use a contractor not deemed "most advantageous to the program" by the Recipient because of a high bid, the owner may pay the difference to the contractor of their choosing, provided the contractor has met the Recipient's contractor qualification requirements.

## **Selecting and Notifying the Contractor**

After the bids have been opened and recorded on the Bid Control Sheet, reviewed for accuracy and reasonableness, and the Bid Summary prepared, the owner will select the contractor for the proposed work. The bid selected should reflect the lowest responsible bid complying with all program

requirements, provided such bid is reasonable and in the owner's best interest. The program requirements have been determined and outlined in the Recipient's CHIP Program Policies and Procedures.

The Recipient will review all bids for compliance with program requirements. The owner and the Recipient may reserve the right to reject any and all bids or any portion thereof and waive any and all irregularities per the Recipient's CHIP Program Policies and Procedures.

Following this review, the owner selects the contractor and authorizes the Recipient to send a Bid Award Notice to the selected contractor. The owner authorizes the selection by signing the Bid Award Notice, which informs the contractor that the owner has accepted their bid for the property described.

The Bid Award Notice to the successful bidder should notify the contractor of the date, time, and location of the pre-construction conference, advise the contractor that he or she may only begin the project after attending the pre-construction conference with the Recipient and the owner, and further notify the contractor that work cannot begin until a Notice to Proceed has been issued.

#### **The Bid Award Notice**

- requires that the contractor return an enclosed form listing all subcontractors that will be used on the project
- advises the contractor that before any payments can be made, a program lien waiver must be signed and submitted by the general contractor and all subcontractors and material suppliers
- advises the contractor that the construction contract is contingent upon the owner obtaining a firm commitment for the other (non-CHIP) funds
- advises the contractor that before a Notice to Proceed can be issued, an Arbitration Agreement must be signed, if required by the Recipient's CHIP Program Policies and Procedures
- advises the contractor that prior to issuing a Notice to Proceed, the contractor must furnish evidence of the required contractor liability insurance and all required permits and any documentation in support of any other Recipient's requirements

All bidders should be notified of the bid results by letter, indicating whether the bid was accepted or not. If a contractor's bid was not accepted, the letter should indicate which bidder received the award. This letter should include a contact person for all questions regarding the bidding and award procedures.

Based on local program policy as set forth in the Recipient's CHIP Program Policies and Procedures, contractors may have their bids rejected or may be declared ineligible to bid on future projects if past performance does not meet the standards of performance identified in the Recipient's CHIP Program Policies and Procedures. Failure to comply with bidding instructions may be a basis for bid rejection, as per the Recipient's CHIP Program Policies and Procedures. The Recipient's CHIP Program Policies and Procedures should include a contact person for all questions regarding the bid award process. As noted above, no work will begin until the contractor receives a "Notice to Proceed" order executed by the owner and provided by the Recipient to the contractor.

## **Preparing for the Homeowner Rehabilitation Loan Closing**

It is now time to prepare for closing the CHIP loan.

The Recipient should take sufficient time to review the project file using the Checklist for Homeowner Rehabilitation to determine its completeness.

During the completeness check, the Recipient wants to ensure that all required paperwork is included and completed accurately. The file needs to clearly document that:

- The eligibility of the applicant given the CHIP program and local program guidelines
- The property is an eligible single-family property
- The form of ownership is eligible

- The prescribed property standards and written rehabilitation standards are clearly defined and will be met and followed
- The verification of household income is current within six months of the estimated closing date. (If re-verifications are not current, then the Recipient must re-verify the household income with documentation supporting the income eligibility requirements)
- The file contains the Recipient’s “after-rehabilitation” value as determined by one of the three methods allowed under the HOME program. **The value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area, as published by HUD, or, in accordance with the Final Rule.** Such a method must be used unilaterally for the Recipient’s CHIP homeowner rehabilitation program, and such a method must be described in the Recipient’s CHIP Program Policies and Procedures. The three methods from which the Recipient can choose to adopt for their homeowner rehabilitation program include:
  - i. Estimates of value by the Recipient or Sub-recipient may be used. However, project files must contain the estimated value and document the basis for the value estimates.
  - ii. Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the Recipient, may be used.
  - iii. Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.
- the file needs to contain documentation to support the DCA required policy that State Recipient’s cannot approve CHIP funding where the combined debt (CHIP funding and other public/private funding) exceeds the loan to value limits as set forth by the underwriting, closing and funding criteria of the DCA Georgia Dream first mortgage revenue bond program, Fannie Mae, Freddie Mac, USDA, FHA or VA. Any exceptions must be submitted to DCA prior to project set-up for review and approval.

The Recipient needs to confirm the evidence of commitment(s) that the required other funds are available.

In preparing for the closing, the Recipient will prepare the CHIP loan documents using local counsel, the construction contract and all addenda, the Truth in Lending Statement, and the Right of Rescission Notice. The Recipient will also order the final title commitment.

In summary, the file review and preparation for closing and final approval of the CHIP loan should include reviewing the information collected from the borrower against the program eligibility and underwriting criteria. The title policy should be reviewed. A calculation of the CHIP funding and the other funding should be made to ensure there are adequate funds in place to cover construction, closing and any allowable contingency costs. Additionally, the file must include the HOME required subsidy layering review to ensure that no more subsidies are used than is necessary to provide affordable housing, particularly when multiple sources of federal funds are utilized for the project.

## Closing the CHIP Loan

The Recipient should review the application and verifications in its entirety, using updated information as required, and prepare and issue the Truth in Lending Statement.

### 1. Issue Truth in Lending Notice

The Recipient should prepare and issue the Truth in Lending Statement as part of the closing process.

**Disclosure Statement.** The federal Truth in Lending Act requires that a lender disclose certain information about the loan to a borrower uniformly and readably. The Federal Reserve Board publishes a model with guidelines for a format that must be followed. This must be presented to the borrower before the documents are signed. If disclosure is not done properly, there can be

serious consequences. Be sure to obtain up-to-date information on proper disclosure format and content, and file documentation requirements from a professional lender, a closing attorney, or other reliable source.

## **2. Confirming the Recipient as Additional Insured**

The Recipient should obtain a copy of the homeowner's insurance policy to verify that the Recipient has been added as an "additional insured" on the policy. The policy should be in amount to cover the after-rehabilitated value of the property.

## **3. Execute and Record the CHIP Loan Documents/Other Funds Loan Document Execution**

The owner and Recipient will execute three documents related to the CHIP loan: a loan agreement, a promissory note, and a security deed. Only the security deed is recorded after it is signed. The owner will also execute the grant agreement for project delivery fees.

Typically, the closing on the owner's other funding is held simultaneously with the CHIP loan closing.

The Recipient should record the CHIP Deed to Secure Debt in the Superior Court of the County in which the property is located as soon as possible after closing. The CHIP Deed to Secure Debt should be recorded after any security deed of another lender that is supposed to be prior in position of superiority to the CHIP security deed. If the CHIP loan closes simultaneously with the other loan on the property, the closing attorney for the other loan will probably be accommodating and record both the other loan documents and the CHIP Deed to Secure Debt at the same time.

## **4. Provide Three Day Right of Rescission Notice to Owner**

Owners have a right under the federal Truth in Lending Act, Regulation Z, to cancel a transaction, without cost, that will result in a lien on their home.

## **Right of Rescission Notice**

Homeowners have the right to rescind the transaction. Lenders must deliver two copies of the notice of the right to rescind and one copy of the disclosure statement to each homeowner entitled to rescind.

The notice must be on a separate document that identifies the rescission period on the transaction and must clearly and conspicuously disclose the retention or acquisition of a security interest in the homeowner's property or principal dwelling, the consumer's right to rescind the transaction, and how the homeowner may exercise the right to rescind with a form for that purpose, designating the address of the lender's place of business.

To exercise the right to rescind, the homeowner must notify the creditor of the rescission by mail, telegram, or other means of communication. Notice is considered given when mailed, filed for telegraphic transmission, or sent by other means, when delivered to the Lender's designated place of business. The homeowner may exercise the right to rescind until midnight of the third business day following consummation of the transaction, delivery of the notice of right to rescind, or delivery of all material disclosures, whichever occurs last. When more than one consumer in a transaction has the right to rescind, exercising the right by one consumer shall be effective for all consumers.

When a consumer rescinds a transaction, the security interest that gives rise to the right of rescission becomes void. The consumer will no longer be liable for any amount, including any finance charge. Within twenty (20) calendar days after receipt of a notice of rescission, the lender must return any money or property given to anyone in connection with the transaction and take any action necessary to reflect

the termination of the security interest. If the lender has delivered any money or property, the consumer may retain possession until the lender has complied with the above.

Recipients must become familiar with the requirements of this Act and implement these requirements with each CHIP loan closing.

Note that the Recipient is responsible for issuing its own Three-Day Right of Rescission Notice, which is in addition to and separate from the notice required to be issued by any third-party lender.

Again, most Recipients conduct the CHIP loan closing in conjunction with the closing of the leveraged loan.

## **Pre-Construction Conference, Construction Contract, and Notice to Proceed**

The pre-construction conference provides an opportunity to review program rules and procedures for the construction phase; to reinforce quality and performance standards; to review the inspection and payment responsibilities and process; to discuss any special circumstances about the project; to discuss the change order process; and, to discuss special needs the owner may have regarding the contractor's access to and presence on the property. Holding this meeting at the property provides an opportunity for all parties involved to review the work write-up item by item and ensure that everyone understands what work can and cannot be done with CHIP funds, as well as the total funds allocated per the construction contract.

The conference should:

- Review the construction contract and all addenda
- Review the HOME (CHIP) program code standards that have been selected by the Recipient for use in the CHIP homeowner rehabilitation program
- Review the Georgia Construction Codes
- Review the Recipient's Written Rehabilitation Standards
- Review the Notice to Proceed process
- Review the inspection process, including interim and final inspections
- Review the pay request process
- Review the owner's responsibility in monitoring of construction
- Review the contractor's responsibility to advise the Recipient regarding percentages of completion and to request the prescribed inspections
- Provide a supply of forms for the contractor to request payments
- Provide the required lien release forms
- Provide the required owner's satisfaction of work completed forms
- Review occupant protection and relocation issues with owners and contractors
- Review the lead hazard reduction work and occupancy protections
- Review the change order process
- Review the dispute resolution procedures
- Review the work schedule so all parties understand when the work will begin, how it will proceed, and when it is expected to be completed
- Review the close-out procedures and all of the required documentation/warranty

It is recommended that, prior to executing the construction contract, a final review be conducted of the property's availability and access, as well as its completion timeliness, and a review of any penalties that would be imposed if the project is not completed on time.

### **Executing the Construction Contract**

If both parties agree with the construction contract, it is now time to execute the contract. Again, the construction contract is executed between the owner and the contractor. The Recipient is not a party to the construction contract.

## Request for Clearance of Prime Contractor

The Recipient must check that the contractor is not on the [state](#) or [federal](#) debarment list.

### Notice to Proceed

After all loan and construction documents have been properly executed, the Deed to Secure Debt has been recorded, the contractor has been cleared through the HUD debarment process, and the Three-Day Right of Rescission period has expired, an authorization or Notice to Proceed can be issued.

Since the Notice to Proceed triggers the contract completion timeframe, it is essential to coordinate this fully with the owner and contractor to ensure that the work can commence on time and that the contractor is available to complete the work. The Recipient should make certain that the owner and contractor understand that no work can be incurred prior to the issuance of the Notice to Proceed.

The Notice to Proceed should be signed by the homeowner first, as the owner is authorizing the contractor to commence construction. The Notice is then signed by the contractor. A fully executed copy must be maintained in the project file.

### Owner Choices

As the owner has choices to make in selecting colors and finishes, some Recipients use a formal tracking method that identifies all colors of paint (both exterior and interior), floor finishes, wood stains and cabinet stains or paint colors.

Some Recipients have experienced disputes between the contractor and owner in regard to the colors or finishes in the rehabilitation work.

## Prepare the Set-Up Forms for the Project

The Recipient should now set up the project with DCA using the HUD HOME Project Set-Up form (Homeowner Rehab Set Up and Completion Form) by following the project set-up process outlined in the CHIP Manual.

In order to receive a drawdown of funds from the CHIP grant, DCA must first commit funds for the specific activity (i.e. household and unit address) in the HUD Integrated Disbursement and Information System (IDIS). It is required that the following information for homeowner rehabilitation activities be submitted to DCA to ensure that the proposed activity meets specific CHIP requirements:

### List of forms:

#### Homeownership Qualifications

- Income Verification Form (CC-8)
- Certification to Use Unit as Principal Residence (CC-7)
- Declaration of Citizenship Status (CC-3 and, if applicable, CC-4):
- Certification as to Conflict of Interest (CC-6)
- Copy of Existing Warranty Deed
- Current market value of the property
- Proof of Year of Construction of Housing Unit (tax record)

#### Housing Qualifications

- Lead- Based Paint Visual Assessment (if unit was built prior to 1978)
- Initial Scope of Work Write-Up for Non-Lead Costs
- Work Scope of Work Write-Up for Lead Costs (if unit was built prior to 1978)
- Reconstruction Feasibility Test Form (CR-8)
- Pictures of housing unit demonstrating need for work to be performed

DCA will review the set-up packet within five (5) business days of receipt at DCA. If there are no deficiencies, DCA will issue a Notice to Proceed.

### **Homeowner Rehabilitation Revised Set-up Submission**

All revised Set up requests must be prepared on the Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) by the Recipient and returned to DCA. Make sure you check the “Revision” box” on the upper left-hand corner and provide the name and phone number of the person completing the form.

DCA will review the Revised Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) and accompanying documentation, identify any deficiencies, and, if necessary, communicate those deficiencies via email within five (5) business days of receipt at DCA.

### **Requests to Exceed Maximum CHIP Assistance**

Any project requiring more than \$75,000 must be approved by DCA.

- a. For Amounts up to 20% of the original set up amount: A Recipient may exceed the original set up amount for an individual housing unit by up to 20% without seeking DCA approval. In these instances, the Recipient and, if applicable, their Administrator must submit a revised Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) with the following information:
  - Revised HOME Cost
  - Change order or other documentation explaining the change
  - Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
  - Contract between Homeowner and Contractor
  - Must include the Contractor Work Write-Up and Pictures
- b. For Amounts over 20% of the original set up amount: A Recipient may not exceed the original set up amount for an individual housing unit by over 20% without seeking DCA approval. In these instances, the Recipient must submit a Request to Exceed Maximum letter clearly describing the reason for the increased request along with a revised Homeowner Rehabilitation Activity Set up Form (CA-4) with the following information:
  - Revised HOME Cost
  - Accompanying Documentation
  - Narrative describing the reasoning behind the need for the increased assistance request
  - Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
  - Signed Change Order Amending the Contract between Homeowner and Contractor
  - Contractor’s Work Write-Up
  - Pictures documenting the need for the revised scope of work

DCA will review the request and, if approved, send the grant administrator an approval notice.

## **Construction Process**

After holding the pre-construction conference, allowing the three-day right of rescission period to expire, executing the construction contract, obtaining clearance for the contractor through the HUD debarment process, and issuing the Notice to Proceed, it is now time to begin construction.

## **Reconstruction**

Sometimes, after a housing rehabilitation Construction Contract has been awarded and work has commenced, the Contractor and/or the Recipient may discover additional work necessary to bring the property in compliance with the CHIP program Property Standards (Codes). If an existing structure is converted to affordable housing or if a structure is relocated to a new foundation constructed with CHIP funds, these projects are considered reconstruction. For CHIP contracts that allow manufactured

housing, reconstruction also includes replacing an existing, dilapidated unit of manufactured housing with a new or standard unit of manufactured housing.

After conducting the initial property inspection, the Recipient may determine that the house is not structurally or economically feasible to rehabilitate. With DCA approval, the project may be approved for set-up as a reconstruction if all of the following conditions are met:

- The unit is unsuitable for rehabilitation, both structurally and economically.
- The estimated cost of reconstruction (constructing a comparable replacement house on the same property) will be substantially less than the estimated cost to purchase a comparable house (including land) newly constructed in a comparable neighborhood within the community's jurisdiction.
- The estimated cost of reconstruction will be less than the fair market value of the property (dwelling and land) after reconstruction. This is determined by obtaining an appraisal of the projected value of the property's projected value, including the reconstructed house and land, prior to reconstruction. The Rehabilitation Feasibility Test Form must be submitted to DCA for prior approval of each unit.

If the Recipient determines that reconstruction is appropriate based on the above criteria, DCA approval is required on a project-by-project basis before project setup.

Requirements such as replacing hidden rotten joists and sills or structural termite damage may require a rehabilitation feasibility test to be performed. If the estimated costs for the change order (when added to the current contract amount) will exceed the economic feasibility for (approved) replacement housing in accordance with the Rehabilitation Feasibility Test Form and the condition of the house does not meet the "structural" feasibility test the Recipient may decide "reconstruction" would be the most cost-effective action to undertake. At this point, the contractor should be issued a stop order and contact DCA for approval. If approved, it is important to note that the current Construction Contract should stay in effect with the same contractor. Non-applicable items should be deleted from the existing Work Write-up, and a new Work Write-up for reconstruction should be incorporated into a change order. A cost estimate should be prepared and each item negotiated to determine reasonable costs.

## Rehabilitation of Manufactured Homes

In HOME-funded rehabilitation of existing manufactured housing, all foundation and anchoring must meet all applicable State and local codes, ordinances, and requirements. In the absence of local or state codes, the Model Manufactured Home Installation Standards at 24 CFR Part 3285 apply. As applicable, Manufactured housing rehabilitated using HOME funds must meet the property standards requirements in paragraph (b) of this section.

Construction of all manufactured housing, including manufactured housing that replaces an existing substandard unit under the definition of "reconstruction," must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR Part 3280. These standards supersede state and local codes, which may not be identical to the federal standards for the new construction of manufactured housing. Participating jurisdictions providing HOME funds to assist manufactured housing units must comply with applicable State and local codes. In the absence of such laws or codes, the installation must comply with the manufacturer's written instructions for the installation of manufactured housing units.

All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of "reconstruction" must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i)...must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a

period at least equal to the applicable period of affordability.

## Monitoring the Contractors

During the course of the project, difficulties may arise between a contractor and the staff. Some of the danger signals to watch for are:

- Failure of the contractor to respond to messages
- Lack of supervision at the job site
- Failure of the contractor to respond to "call backs" during the warranty period
- Financial problems (comments from creditors and suppliers)
- "Shortcutting" and using alternatives from specifications
- Conflict with the Owner

All of these problems require prompt attention from the Recipient. Contractors should be kept under close monitoring, but every contractor deserves to be treated fairly and with respect at all times.

## Complaint Resolution

During the course of the project, a circumstance may arise where all parties cannot come to terms. Most common are conflicts between the owner and the contractor. However, on occasion either the homeowner or the contractor may disagree with some aspects of the program.

Some Recipients establish a Board of Arbitration to conduct hearings with the contractor, Recipient and/or homeowner on any disputes that cannot be resolved. The Arbitration Board should be composed of neutral parties who make a binding decision. This board could consist of:

- Homeowners from the community or target area
- Building material suppliers
- Social workers
- Outside construction contractors
- Attorney
- Recipient official(s)
- Non-profit housing official

Prior to resolving a conflict through the Arbitration Board, the Recipient should arrange a meeting at the site with all concerned parties. Hopefully, a decision can be reached and agreed upon on the spot. However, if there are any doubts, no commitments should be made until the Recipient has time to further investigate the matter. Above all, the Recipient should ensure that all disputes arising from the work are resolved before the case is ready for final inspection. If the dispute cannot be resolved, the matter should be referred to by the Arbitration Board.

The terms of arbitration should be set forth in the construction contract, and all parties to the contract should fully disclose and understand them before execution.

When disputes arise, the Recipient should visit the property and meet with the Homeowner and the Contractor on-site, where all concerned parties can view the problem. Hopefully, a workable solution can be agreed upon on the spot. However, should there be any doubts, no commitment should be made until the Recipient has thoroughly investigated the matter. Above all, the Recipient should be sure that all disputes arising from the work are resolved before the case is ready for final inspection. If the dispute cannot be resolved, the matter should be referred to by the Arbitration Committee if that is the method of dispute resolution used by the Recipient as required in the CHIP Program Policies and Procedures.

## Construction File

The Recipient should set up a construction file to track and monitor the construction process and

disbursement of funds. These records should be readily available for the appropriate Recipient staff as they monitor progress, complete interim inspections, authorize progress payments, process change orders, and make final inspections and payments. These records should also be readily available for DCA review during site monitoring visits.

The file should include:

- Executed construction contract and all addenda
- Specifications
- Change Orders
- Arbitration Agreement, if applicable
- List of Contacts:
  - Name and address of the phone number of owners; contractor; sub-contractors;
  - State Recipient staff and building officials are regularly involved in the construction process
- Project Set Up Form
- Disbursement ledger
- Invoices
- Draw Requests
- Copies of checks issued for payment(s)
- Inspection forms
- Building Inspector reports
- Owner satisfaction statements at each disbursement to the contractor
- Lien Releases: general, subcontractor, material suppliers
- Initial property inspection form
- Interim property inspection forms
- Final property inspection forms
- Project log: A log should be maintained to record any significant conversations or actions in order to have a record in the event the Recipient needs to reconstruct events or reconcile disputes.

## Interim Inspections and Progress Payments

After the Notice of Commencement has been delivered and receipt by the Contractor is documented, it is the responsibility of the Recipient to inspect the work when it starts, and as it progresses. Inspections should be conducted frequently enough to ensure that the Owner and the community are assured that the workmanship and materials meet all specifications. It is also suggested that the community appoint a responsible official, possibly the Program Director, to monitor the work in progress on a "spot" basis. However, it should be clear to all involved that these visits are not inspections. Only the Recipient will conduct inspections as outlined in the construction contract. Depending upon the Recipient's CHIP Program Policies and Procedures, a Recipient may be required to have a payment schedule at certain completion percentages. **Regardless of the number of payments scheduled, the Recipient must inspect the job before issuing any payment, whether a partial or a final payment. Inspection reports must be included with the draw request, with pictures, whenever possible.** The Recipient is responsible for ensuring that the funds are used for eligible purposes and the work has been completed in accordance with the required standards. A Recipient should not pay for work that is not done properly and should not pay for materials that are not present on the site and have not been installed. If work is not adequately completed as billed, the Recipient should reject the invoice or reduce the amount to pay only the acceptable portion.

## Owner's Acceptance of Work Completed

DCA policy requires that the property owners sign a satisfaction statement certifying that they are satisfied with the rehabilitation work on their house and property. This signed statement must be

obtained prior to each Recipient's request to DCA for disbursement to a contractor, including all interim disbursements and final disbursements. By signing the satisfaction statement, the owner is requesting that the disbursement be made to the contractor. The statements are required to be witnessed and notarized.

It is recommended that inspections be conducted in the presence of the owner and contractor so that problems can be identified, discussed, and resolutions developed.

All progress payments should be contingent on the percentage of work completed and upon the Contractor maintaining satisfactory progress. The administrator should withhold a retainage (usually 10%) of the completed work for each progress payment.

The community's Building Inspection Department should inspect all electrical, mechanical, plumbing, framing, and roofing work. An inspection card should be posted at the job site and accessible to the housing inspector for follow-up. In addition to the signed satisfaction statement by the owner requesting partial or full payment to the contractor, the general contractor must obtain the lien releases from all subcontractors and material suppliers before releasing any payments.

The DCA General Conditions Invoice, Release of Liens, and Warranty/Affidavit are prepared by the contractor, signed by the contractor in the presence of a notary, and notarized. If the Recipient has also received the subcontractor and material supplier releases of lien, DCA Release and Waiver of Claim for Subcontractor or Material Supplier/Affidavit, and the DCA Owner's Satisfaction statement, then a draw request can be submitted to DCA.

### **Other Inspections**

If the job is complicated, problems arise with any of the parties involved, or unforeseen conditions arise, the Recipient may need to conduct additional inspections between formal inspections to resolve issues or prevent serious problems.

As previously stated, inspection of the work in progress is essential to ensure that all the work is performed and completed in accordance with the Specifications and Codes and properly monitored to prevent serious disputes before they happen. The question is: how many and how often? There is only one way to determine the frequency of inspecting work in progress, and that is by experience. Some Contractors require closer attention than others. The Contractors who have become accustomed to your frequent inspection routine will not feel harassed. In fact, they should welcome your presence.

Frequent inspections will: (1) prevent many disputes from arising; (2) assure the homeowner that the community is protecting his or her interest; (3) prevent the Contractor from extra expenses borne of needless work that could have been prevented had the Housing inspector been on the site to advise the Contractor before the work was performed; (4) remind the Contractor of the remaining amount of contract time.

### **Retention**

All progress payments should be contingent not only on the percentage of work completed but also upon the contractor making satisfactory progress. Reserving a portion of the payment provides an incentive for the contractor to complete the work in a timely manner and correct problems promptly. This practice also provides a protective cushion to the program if a contractor fails to complete the work and the Recipient has to engage another contractor to complete the work.

DCA recommends that the Recipient retain at least ten (10) percent of every progress billing, including the final billing, until the entire project has passed the final inspection.

## **Change Orders**

Each Recipient has included in their CHIP Program Policies and Procedures their policy on changes in the scope of work. While every effort was made to include all required work in the original work write-up,

unforeseen conditions may arise and will require a change order. Some unforeseen conditions might include a collapsed wall, wood that appeared to be sound but was found to be rotten, materials became unavailable due to events beyond any reasonable person's control, or unforeseen termite damage. While it is sometimes impossible to detect every hidden code or property standard violation at the initial and final inspection completed prior to construction, simply failing to include an otherwise noticeable work item on the original scope of work is not generally allowed to be addressed after construction commences. Additionally, contractor errors in estimating the project or doing the work are not typically allowed in a change order if the result is an increase in the cost of the job.

If additional unforeseen problems arise during the work's performance, the solution is to prepare an Amendment to the Contract describing the item(s) of work, the additional costs, and the additional number of days that would be needed to complete the work. All of these items need to be added by amending the contract. This document is more commonly referred to as a "change order." The procedure for obtaining a reasonable amount to do the additional work is basically the same principle in securing a negotiated bid.

The change order process includes:

- The Recipient prepares a list of the additional work on the Amendment to Contract/Change Order form describing it in detail as in the work write-up.
- The Contractor will price each item listed and submit the Amendment to Contract/Change Order Form to the Recipient for review.
- The Recipient will determine whether or not the cost and the additional time are reasonable and document justification by comparing the Contractor's proposal to local cost estimates.
- The Recipient discloses the Amendment to Contract/Change Order Form with the figures to the homeowner for final approval.
- With the Homeowner's concurrence, the Amendment to Contract/Change Order Form is prepared and executed. The Amendment must be signed by the Contractor, Recipient and Owner, and become part of the contract.

**NOTE:** Change orders should also be executed to extend the contract expiration date when necessary to allow for excusable delays. If the extension of time is overlooked, the Liquidated Damages clause could be triggered inappropriately.

Excusable delays and liquidated damages should be addressed in the general conditions of the construction contract

The process for change orders in the Recipient's CHIP Program Policies and Procedures should include a review process to ensure that contractors do not perceive them as routine.

Change orders may impact other records, such as the contract and CHIP loan documents, which may need to be revised to reflect any changes in the CHIP amount or loan terms, including adjustments to the required affordability period.

## Georgia Lien Law

One of the most important requirements at the onset of construction is for the Recipient to ensure that the requirements of the Georgia Lien law are followed.

Georgia lien law provides contractors and subcontractors with certain rights to place a lien on a property if they have not been paid. Recipients should follow a rigid lien release procedure that protects the owner's interest and the program's investment. This procedure requires the contractor to sign a lien release, which includes information on subcontractors and suppliers, when any partial or full payment is made. DCA also requires lien releases from subcontractors and material suppliers.

Georgia lien statute amendment, O.C.G.A. §44-14-361.5, provides that not later than 15 days after the Contractor physically commences work on the Owner's property, Notice of Commencement shall be filed either by the Owner or the Contractor in the Superior Court in the county where the property is located. It is suggested that the Recipient assume this responsibility. The notice must include (1) legal description of the property; (2) the name and location of the project, and the name and address of the following: a) the contractor, b) the true owner of the property, the person at whose instance their work is being furnished if not the true owner (e.g., a tenant), c) the surety (if any) and d) the construction lender (if any).

Once a Notice of Commencement is filed, any potential lien claimant that the community was not informed of (e.g., everyone but first tier subcontractors and suppliers) must provide a "Notice to Contractor" to the Owner and the contractor within 30 days from the day it first furnishes labor or materials, or from the day the Notice of Commencement was filed, whichever is later. The Notice to contractor must include the name, address, and telephone number of the person providing the labor or materials, the name and address and telephone number of the person providing the labor or materials, and a description of the labor or materials being provided. The Notice must also include the contract price or anticipated value of the labor or materials. Any potential lien claimant not in privity of contract with the contractor and not providing a Notice to Contractor within the time required will not be entitled to file a lien. The statute requires filing a Notice of Commencement. If a Notice of Commencement is not filed, the only consequence is that lower-tier subcontractors and suppliers are relieved from serving a Notice to Contractor, and the requirements of Section 44-14-361.5 do not apply.

The statute also allows a subcontractor or supplier to request a copy of the Notice of Commencement from the Owner or Contractor. If the Notice is not provided within 10 days of the request, the section's requirements do not apply to the subcontractor or supplier making the request.

The purpose of the Notice of Commencement is twofold. First, it enhances the ability of lien claimants to file lien and bond claims, since the information necessary for filing such claims is provided in the Notice of Commencement. Second, the Notice provides the Recipient with a mechanism for tracking lower-tier subcontractors and material suppliers. Armed with this knowledge, owners and contractors should be better able to make sure that everyone performing the rehabilitation is paid in a timely manner and to eliminate the filing of last-minute liens by previously unidentified subcontractors and suppliers.

## Conflict Resolution

During the course of the project, a circumstance may arise where all parties cannot come to terms. Most common are conflicts between the owner and the contractor. However, on occasion, either the homeowner or the contractor may disagree with some aspects of the program.

Some Recipients establish a Board or Committee of Arbitration to conduct hearings with the contractor, Recipient, and/or homeowner on any disputes that cannot be resolved. The Arbitration Board should be composed of neutral parties who make a binding decision. This board could consist of:

- Homeowners from the community or target area
- Building material suppliers
- Social workers
- Outside construction contractors
- Attorney
- Recipient official(s)
- Non-profit housing official(s)

Prior to resolving a conflict through the Arbitration Board, the Recipient should arrange a meeting at the site with all concerned parties. Hopefully, a decision can be reached and agreed upon on the spot. However, if there are any doubts, no commitments should be made until the Recipient has time to further investigate the matter. Above all, the Recipient should ensure that all disputes arising from the work are

resolved before the case is ready for final inspection. If the dispute cannot be resolved, the matter should be referred to the Arbitration Board. The terms of arbitration should be set forth in the construction contract, and these terms should be fully disclosed and understood by all parties to the contract before execution, if this is the method of dispute resolution as required by the Recipient's CHIP program Policies and Procedures.

## **Final Inspection and Final Payment**

Once the project is totally completed, the contractor can then request that the Recipient arrange for a final inspection.

All inspections as set forth in the Recipient's approved award application and CHIP Program Policies and Procedures must be conducted. Some Recipients set forth that the interim and final inspections, or at a minimum, the final inspection, would be conducted by an official of the recipient's building or code department in addition to the program's housing inspector or administrator. Some Recipients set forth special arrangements with outside building officials from neighboring communities to conduct inspections, both interim and final, or at least at final, in the absence of a building or codes official for the Recipient. Regardless of who was set forth in the approved award application, the designated inspector(s) must complete and sign off on the final inspection.

Final inspections should always be conducted at the contractor's request and never on the assumption that the work has been completed. Before the final inspection, the Recipient must be assured that all required inspections, including code inspections, have been completed and signed off by the appropriate authorities.

When the Recipient makes the final inspection, the work write-up and all of the change orders should be used as a checklist to ensure compliance. Any work items that do not meet the Recipient's Written Rehabilitation Standards should be listed and defined as to the nature of the discrepancy. This "punch" list should be given to the contractor with instructions to contact the Recipient when the items have been completed.

Upon the satisfactory completion of the punch list items, the Recipient should prepare the Certificate of Final Inspection. The Recipient can process the final construction draw provided the contractor has remitted the final invoice and all required releases of liens, copies of warranties, and insulation certification, if applicable. The DCA Contracts and Sub-Contracts Completed Form must be included with the final project draw in order for DCA to meet its HUD reporting requirements.

As with the progress inspections, the general contractor and all subcontractors and material suppliers must provide the release of liens. As with the interim or progress payments, the general contractor signs the General Contractor's Invoice, Release of Liens and Warranty, which serves as a final invoice, release of liens, and guarantee or warranty of the work for a period of one year.

The Recipient signs the Certificate of Final Completion certifying that the work has been completed in accordance with the contract; that the property conforms to the requirements of the Recipient's CHIP Program Policies and Procedures; to the Recipient's required property standards (codes); and the property conforms to the HUD Lead-Based Paint regulations at 24 CFR Part 35.

Typically, Recipients withhold a portion of the final payment until the Certificate of Final Inspection is signed, the Recipient is satisfied that all of the work is complete and up to program standards, and all disputes are resolved.

After the final inspection has been completed, the releases of liens have been obtained, and the Certificate of Final Inspection has been executed, it is now time for the owner to authorize the final disbursement of funds based on their satisfaction with the work completed.

The owner signs the satisfaction statement which is witnessed by a notary and notarized and the Recipient can request the final project draw from DCA.

## Drawing Down Project Funds from DCA

Once a project has received a set-up confirmation with a HUD project number, a Recipient may begin to draw down funds for project construction costs, project delivery fees, and other project-based soft costs. Recipients can receive a project delivery fee of up to \$7500 based on the following scale amounts:

Total Rehab Costs (including lead costs)	Project Delivery Costs
\$20,000-50,000	\$5,000
\$50,000>	\$7,500

The Recipient must identify all eligible project delivery costs and may include items such as project design and implementation, environmental reviews, underwriting, document preparation, the cost of inspections, and oversight of the Developers. Recipients should note that invoices that simply reference “project delivery costs” are not detailed or itemized and will not meet HUD’s or DCA’s requirements for detail and itemization. Instead, an itemized invoice for services rendered and or costs incurred must be with the invoice.

***All draws must be supported by detailed, itemized invoices and progress inspections with pictures (if available) maintained in the Recipient’s project file.***

## Project Completion and Closing the File

### Warranty

The construction has been completed, and the Recipient obtained the notarized release of liens, the notarized owner satisfaction statement, and made the final disbursement for the construction. As part of the project completion process, the Recipient should send a letter to the owner reminding them of the warranty. Contractors are required to warrant their work for a period of one year. The contract and the General Contractor’s Invoice Release of Liens and Warranty clearly recite this requirement.

The letter to the owner should explicitly state the beginning and end dates of the warranty, as well as provide instructions on how to resolve a warranty issue. It should clarify that warranty issues must be resolved directly with the contractor. Both owners and contractors should be made aware of the Recipient’s limited capacity to intervene, although the Recipient may be required to assist the low-income homeowner in this regard.

The contractor should provide all appliance, termite, and system warranties directly to the owner, with copies obtained for the project file.

### Send the Project Completion Report and Documents to DCA

The Recipient is required to send the project completion report (Homeowner Rehab Set Up and Completion Form) to DCA as soon as possible after project completion but no later than sixty (60) days.

Documents to support completion:

- Homeowner Rehabilitation Completion Form (CA-5)
- MBE/WBE Report Forms (CR-2 and CR-3)
- Section 3 Report (CC-1)
- Match Contribution Form (CC-9) if applicable
- Collateral Assignment of Deed to Secure Debt and Other Loan Documents
- Final Lien Waivers
- Certification of Final Inspection (CR-9)
- “After Rehabilitation” Photos
- Final Owner’s Satisfaction Statement
- Contractor’s Certification of Completed Work with Final Schedule
- Homeowner’s Insurance

### **Re-review Project File**

The Recipient should re-review the Homeowner Rehabilitation Checklist and ensure that all required documents are included in the project file.

## **Monitoring and Change of Ownership**

In accordance with the requirements set forth in the General Conditions of the CHIP award, the Recipient has agreed to manage the day-to-day operations of the CHIP program and monitor all activities to assure compliance with the HOME regulations, all requirements of the CHIP Manual, and all other applicable federal, state, and local laws and regulations.

Under the CHIP program, two major requirements apply to the compliance period: the recapture provisions and the principal residency provisions. The recapture provisions should be self-enforcing due to DCA’s requirement that the Deed of Trust be recorded. However, monitoring for continued occupancy in the event the CHIP-assisted household moves away or rents the property is not so easily monitored.

CHIP-assisted households certify that they will occupy the property as their principal residence for the entire affordability period, typically 5 or 10 years. While DCA understands that Recipients cannot always conduct annual site visits to each household assisted under their CHIP program, DCA requires the Recipient to keep a log of each CHIP-assisted household with the beginning and ending dates of the period of affordability needed. **The Recipient is required to send on an annual basis a “DO NOT FORWARD” letter to each household on the anniversary date of the recorded loan documents to ensure that the original assisted CHIP household remains in the property as its principal residence. For any returned letters, the Recipient will implement procedures to follow up with the CHIP-assisted household and take measures to recapture the CHIP assistance due to the Recipient.**

### **Reimbursement to DCA if Default Under the Terms of the Loan Agreement**

Recaptured funds are HOME funds, which are recouped by the Recipient when the HOME (CHIP) assisted housing does not continue to be the principal residence of the assisted homeowner for the full affordability period required by 24 CFR 92.254 for homeowner projects and by DCA for rehabilitation projects. Recaptured funds are not considered “program income” but represent a return of the original HOME investment. Recaptured funds must be remitted to DCA (to the attention of the CHIP Manager) for placement in the DCA HOME Investment Trust Fund local account.

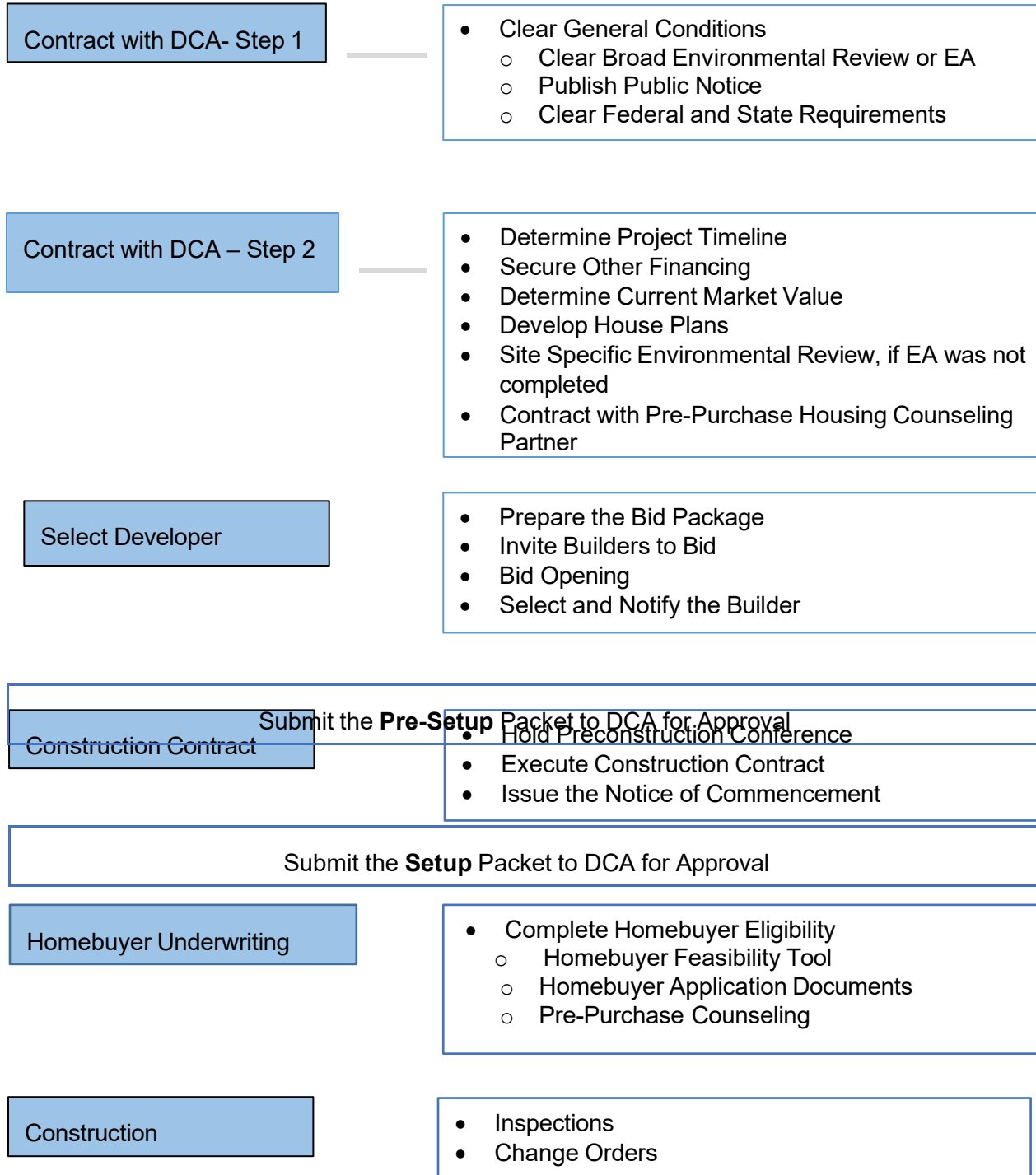
### **Subordination Agreements**

During the course of the CHIP loan, a Recipient may be asked to subordinate the CHIP loan to another loan requested by the homeowner against the property. Most subordination requests are made by the owner to improve their interest rate or payment schedule for an existing superior position loan, to obtain a new loan to consolidate existing debt, or to remove equity from the property for another purpose. For

technical assistance with these requests, contact the CHIP staff for further clarification or instructions on how to complete them.

# NEW CONSTRUCTION AND REHABILITATION OF VACANT HOMES ACTIVITIES

## New Construction Flow Chart



Submit **Draw Requests** with **Inspection Reports** to DCA for Payment

Submit **Revised** Setup Packet to DCA for Approval **if Necessary**

Project Close Out

- Final Inspection
- Release of Liens
- Federal Requirement- MBE/WBE, Section 3
- Homebuyer Closing Documents

Submit **Final Draw and Completion Packet** to DCA for Payment

Monitoring and File Close Out

After all Homes are Completed and all Grant Funds are expended

- Annual affordability period
  - Lien cancellations completed after affordability has expired

## Introduction- New Construction

---

The following section of this manual is intended to assist Recipients with the step-by-step administration of the CHIP New Construction and Rehabilitation of Vacant Homes for Sale to Eligible Homebuyers.

Recipients administering CHIP new construction activities are required to comply with the HOME regulations at 24 CFR Part 92. The Policies and Procedures/Written Construction Standards and Specifications do not negate the need for securing your attorney's opinion and approval when necessary. The HOME program regulations can be accessed at:

<https://www.ecfr.gov/current/title-24/subtitle-A/part-92?toc=1>

CHIP funds may be used to develop homeownership through new construction, rehabilitation, or reconstruction. Funds will be provided to acquire, rehabilitate, or construct new single-family units for sale to low- and moderate-income homebuyers. Single-family units are defined as structures with 1-4 units. CHIP Recipients can contract with a Developer for new construction, rehabilitation, and/or reconstruction of single-family units. The Developer shall be responsible for the day-to-day management of the development (either new construction or rehabilitation).

Developers contracted by the Recipient are allowed a 20% developer fee of the total development cost. The total development cost does not include the value of the land if funds are provided to acquire it. This amount may be reduced if there is an identity of interest between the developer and the contractor working on the development.

**In instances where the sales price, less the 20% developer fee, may be less than the 20% developer fee, the developer fee will be limited to 20% of the sales price. The remaining balance, after applying the sales proceeds, will be provided as a grant to the developer.**

Recipients are eligible to receive project delivery costs of up to 5% of the HOME-funded total development cost. All eligible project delivery costs must be identified by the Recipient.

If the application proposes the development (either new construction or rehabilitation) of housing units that will be sold to low- and moderate-income homebuyers, a formal agreement between the Recipient or Developer and a HUD-approved housing counseling agency is required to provide pre-purchase housing counseling services to all new homebuyers. Each homebuyer is required to attend housing counseling prior to purchasing a CHIP-funded home. Partnerships that incorporate post-purchase education services for each new homebuyer are encouraged.

Whenever CHIP funds are used for either of these types of developments, the work must be performed according to DCA's Written Rehabilitation Standards and Specifications which describe the methods and materials (which address health and safety, habitability and functionality, useful life of major systems, lead-based paint, accessibility, disaster mitigation, and other improvements), construction plans, work write-ups and cost estimates, property inspections procedures, frequency of inspections; and payment schedule. At a minimum, the unit must be constructed or rehabilitated to all state and local code requirements and must pass an inspection that addresses all of the inspectable items under HUD's Uniform Physical Condition Standards (UPCS). Recipients will be required to adopt and submit, as an addendum to DCA's Written Rehabilitation Standards, the local codes applicable to their locality.

A Recipient that has been awarded CHIP funds has already established the basic program design. The basic program design was outlined in the CHIP application and approved by the DCA through the issuance of a CHIP Recipient Grant Agreement, which includes the Program Plan and General and Special Conditions.

---

The program's implementation must comply with the approved CHIP award and General and Special Conditions, the HOME Program Regulations, and all DCA CHIP policy memoranda and clarifications.

DCA may modify or update the Policy and Procedures periodically, at its sole discretion, or as required by changes to federal regulations. Recipients are responsible for maintaining knowledge of these changes and implementing the most up-to-date requirements established for the program.

## Pre-Setup

### Step 1-Determine the Type of Development

---

#### **New Construction**

New construction units developed through the CHIP Program may be new construction. Adjacent vacant, scattered site lots may be combined into one parcel and one unit built on the parcel if each lot individually does not meet local zoning codes for the construction of new single-family housing.

Similarly, if the separate cost of rehabilitating two existing units exceeds 75% of the after-rehabilitation appraised value of each unit and, if local zoning codes prohibit the construction of a new unit on each existing lot, the lots may be combined, and one unit constructed as a “new construction” activity under the CHIP Program.

#### **Rehabilitation**

Rehabilitating a vacant, dilapidated single-family dwelling unit where the estimated cost of rehabilitation of the existing unit is less than 75% of the total estimated after-rehabilitation value is an eligible activity. Upon completion of construction, the unit must meet all applicable local codes and property standards as defined by the CHIP Program. If the unit was built prior to 1978, it must be rehabilitated in accordance with all Lead-Based Paint guidelines.

#### **Reconstruction**

Refer to the Owner-Occupied Housing Rehabilitation section of this manual for additional guidance on reconstruction.

### Step 2- Create the Total Development Budget

---

#### **Eligible Costs**

The following costs are eligible under the CHIP Program and may be included as part of the Total Development Budget for each site:

The CHIP Program is regulated by DCA and HUD in conformance with 24 CFR Part 92, the HOME Final Rule. The following are the major activities and costs permitted under the program.

#### **Eligible Activity Costs**

In general, the following activity costs are eligible under the CHIP Development Program:

1. **Acquisition:** Eligible acquisition costs are those costs related to the acquisition of a site(s) for the project. These costs include land, existing structures on the land, and expenses related to acquiring legal title and closing on the site.

2. **Construction Financing:** Funds may be used for the hard or soft costs of developing the housing units.
3. **Development Subsidy:** This subsidy is available to developers of homeownership units when the appraised value/sales price of the completed home is less than the total development costs. The maximum development subsidy amount is based on the market. If the total development costs exceed the appraised value, the housing unit may not be sold for more than the appraised value. This may also be called the “appraisal gap”.
4. **Home Buyer Subsidy:** A Home Buyer Subsidy is the amount of funds needed to fill the gap between the sales price of the home and the mortgage amount for which the purchasing household qualifies. The maximum amount of homebuyer subsidy per unit is \$40,000 and the minimum amount is \$1,000. The Home Buyer Subsidy should be made available to the purchaser of the unit as a 0% interest, deferred payment loan and must be secured with a HOME written agreement that is separate from the other loan documents.

### Eligible Development Hard Costs

Eligible development hard costs are those costs required to construct, reconstruct or rehabilitate properties to meet applicable state and local building codes (including the Model Energy Code), accessibility requirements, to ensure that the CHIP Program-assisted housing is decent, safe and sanitary, and to make other essential improvements, including, but not limited to:

- Energy-related repairs and improvements;
- Accessibility improvements for individuals with disabilities (whether to comply with ADA requirements or otherwise);
- Abatement of lead-based paint hazards;
- Repairs and/or replacement of major housing systems in danger of failure;
- General property improvements (per DCA policy), which are non-luxury in nature; and
- Demolition of existing structures on a site where reconstructed or newly constructed housing will be developed.

Additional eligible hard costs include:

- Site preparation, landscaping, road construction, utilities and storm sewer, residential construction, and construction contingency.
- Utility connections, including off-site connections from the property line to the adjacent street.
- Site work related to driveways, sidewalks, landscaping, etc.
- Related infrastructure costs – improvements to the development site that are in keeping with the improvements of surrounding standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.

### Eligible Development Soft Costs

Related soft costs (costs incurred by the owner, paid to a third-party provider other than the Recipient or Developer and associated with the financing or development of reconstruction, new construction, rehabilitation or acquisition) are eligible costs. The following are eligible, related soft costs:

#### Project Delivery Costs

Recipients are eligible to receive a project delivery fee of up to 5% of the HOME-funded total development

cost. The Recipient must identify all eligible project delivery costs, which may include items such as project design and implementation, environmental reviews, underwriting, document preparation, the cost of inspections, and oversight of the Developers.

#### Developer's Fees

Fees allowable for developers will be up to 20% of the DCA's HOME investment cost, excluding the value of the land, if acquisition funds are provided. This amount may be reduced if there is an identity of interest between the developer and the contractor working on the development. The developer fee should be prorated among all funding sources.

#### Additional Soft Costs

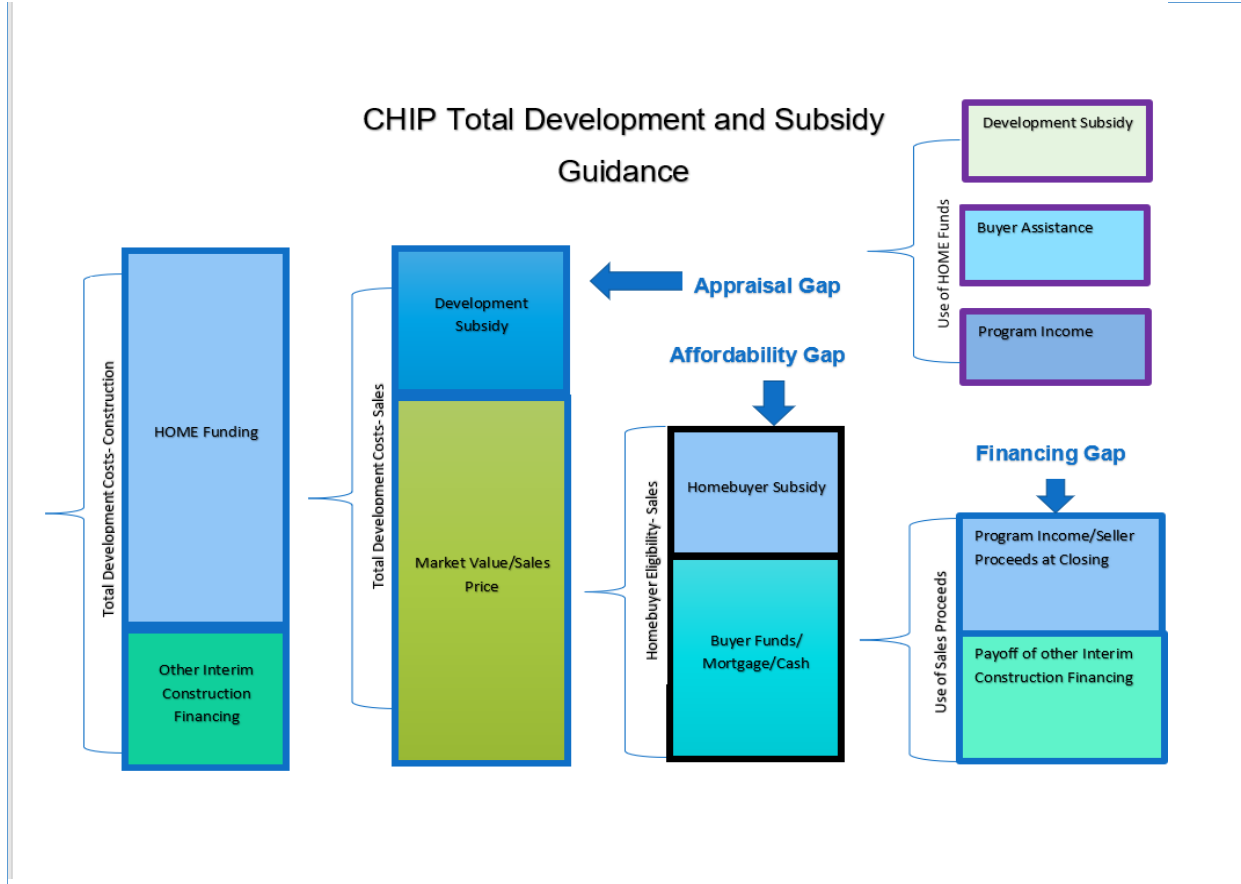
- a. Architectural, engineering or related professional services required to prepare plans, drawings, specifications or work write-ups (including the reasonable cost associated with compliance under the State Programmatic Agreement on Historic Preservation);
- b. Costs to process and settle the financing for a project such as private lender origination fees, credit report, fees for title evidence, fees for recordation and filing of legal documents, building permits, attorney fees, private appraisal fees and fees for an independent cost estimate, and builder's or developer's fees that are reasonable and customary;
- c. Impact fees, hook-up fees and property taxes;
- d. Insurance costs, including an initial flood insurance premium;
- e. Costs for security at the construction site;
- f. Costs to inspect the project for compliance with the Program and local/state building codes; and

Costs associated with marketing the completed units to prospective homebuyers or tenants. Other miscellaneous costs are also approved by DCA at its sole and absolute discretion. These costs may include interim construction financing. Contact DCA for consideration of Other Costs that may be allowable.

#### **Ineligible Activities and Costs**

The following costs are ineligible under the CHIP New Construction and Acquisition and Rehabilitation Program and may not be included as part of the Total Development Budget for each site:

1. Acquiring property that is not part of a CHIP-eligible housing unit.
2. Installing off-site improvements (development on any property not owned or under the control of the Developer.
3. Paying for any cost that is not eligible under §92.206 through §92.209 of 24 CFR Part 92, HOME Investments Partnerships Program.
4. Rehabilitating or constructing any property occupied by an existing owner.



## Property Eligibility Requirements

### Purchase Price Limits

HUD issues new HOME Property Value Limits annually. In 24 CFR § 92.254(a)(2)(iii) of the HOME Final Rule published on July 24, 2013, HUD established new property value limits for homeownership activities. These new limits apply to all homeownership housing to which HOME funds are committed on or after August 23, 2013, and will remain in effect until HUD issues new limits.

The most current HOME Property Value Limits can be found on HUD's website at:

<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

The maximum sales price of a newly constructed housing or acquisition with rehabilitation should not exceed 95 percent of the median purchase price for the area. If there is no ratified sales contract with an eligible homebuyer for the housing within 9 months of the date of completion of construction or rehabilitation, the housing must be rented to an eligible tenant in accordance with §92.252.

## Site Development

CHIP funds cannot be used solely for site development. CHIP will allow up to 50% of the CHIP funds to be administered toward the development of the site only. The remaining funds must be used towards the construction of the homes. If CHIP is used for site development in conjunction with larger development, Davis-Bacon wage rates will apply.

## Davis Bacon

The **Davis-Bacon Act** mandates paying local prevailing wages and fringe benefits on federally funded or assisted contracts over \$2,000. The CHIP Program, based on the HOME Rules, must incorporate Davis-Bacon labor standards into affordable housing that involves 12 or more HOME-assisted units.

The Davis-Bacon Act and HOME Rules are separate but related labor standards, with Davis-Bacon requiring prevailing wages on federally funded construction projects, while the HOME program's rules also mandate Davis-Bacon compliance for housing activities that are "assisted" with HOME funds. For projects covered by both, contractors must pay the prevailing wages specified by the Davis-Bacon Act and comply with both sets of rules.

## Eligible Property Type

Single-family units are considered 1-4 units. Eligible homes can be one single-family unit or 2-4 contiguous units. Development may occur on scattered site lots or on a single site, which will be divided into separate lots, with one unit occupying each lot.

For the purposes of this Program, DCA will consider a "Subdivision" any project that involves one contiguous piece of property being split into multiple lots for the development of single-family units and including the installation of utilities on the property for service to each lot.

DCA will consider as "scattered site" any project that includes scattered lots where each lot is surrounded on two sides by established residential units and each lot does not require the installation of utilities to the lot. To be considered "surrounded on two sides by established residential units," a Recipient may consider lots immediately adjacent to the lot in question or immediately across the street from the lot in question. Further, if several adjacent vacant lots exist, all lots may be considered as one parcel for the sole purpose of determining if the lots qualify as "scattered site."

## Property Standards

CHIP-funded properties must meet certain property standards. At a minimum, all units must meet HUD's Uniform Physical Condition Standards (UPCS). However, the HOME regulation also requires that all housing that is rehabilitated or financed with HOME funds must meet all applicable local codes (including state codes), rehabilitation standards, ordinances, and zoning ordinances at the time of project completion.

### Mandatory Residential Construction Codes

The State of Georgia has mandatory residential construction codes applicable to CHIP that must be adhered to, regardless of whether the Recipient enforces them. There are no exceptions to meeting these requirements for the construction of CHIP-assisted homes.

These mandatory codes are as follows (the latest edition as adopted and amended by DCA):

- Georgia State Minimum Standard Building Code (International Building Code)
- Georgia State Minimum Standard One- and Two-Family Dwelling Code (International Residential Code for One- and Two-Family Dwellings)
- Georgia State Minimum Standard Fire Code (International Fire Code)

- Georgia State Minimum Standard Plumbing Code (International Plumbing Code)
- Georgia State Minimum Standard Mechanical Code (International Mechanical Code)
- Georgia State Minimum Standard Gas Code (International Fuel Gas Code)
- Georgia State Minimum Standard Electrical Code (National Electrical Code)
- Georgia State Minimum Standard Energy Code (International Energy Conservation Code)

The permissive codes are as follows (the latest edition as adopted and amended by DCA):

- International Property Maintenance Code
- International Existing Building Code
- Residential Green Building Standard
- International Swimming Pool and Spa Code

As noted above, the building, one- and two-family dwelling, fire, plumbing, mechanical, gas, electrical, and energy codes are mandatory codes, meaning that under Georgia law, any structure built in Georgia must comply with these codes, whether or not the Recipient chooses to enforce them locally.

#### Administration and Enforcement of the State Minimum Standard Codes

In order to properly administer and enforce the state minimum standard codes, Recipients must adopt reasonable administrative provisions. The power to adopt these administrative procedures is set forth in O.C.G.A. Section 8-2-26(a)(1). These provisions should include procedural requirements for the enforcement of the codes, provisions for hearings, provisions for appeals from decisions of local inspectors, and any other procedures necessary for the proper local administration and enforcement of the state minimum standard codes.

These provisions include:

- Inspecting buildings and other structures to ensure compliance with the code;
- Employing inspectors and other personnel necessary for the proper enforcement of codes;
- Requiring permits and the establishment of charges for said permits; and
- Contracting with other Recipients for code enforcement.

DCA periodically reviews, amends and/or updates the state minimum standard codes. If a Recipient chooses to locally enforce any of these codes, it must enforce the latest editions and the amendments adopted by DCA.

DCA has developed a sample resolution/ordinance that may serve as a guide for Recipients in developing their administrative procedures. Contact DCA for a copy of this sample resolution/ordinance and for any technical assistance needed in the development of a local code enforcement program.

#### Appendices

It should be noted that the Uniform Codes Act states that the appendices of the codes are not enforceable unless referenced in the body of the code, adopted by DCA, or specifically adopted by a municipality or county. If any appendices have been adopted by DCA, they will be noted in the Georgia amendments to the base code. Georgia Amendments to all of the codes listed can be found at <https://www.dca.ga.gov/local-government-assistance/construction-codes-industrialized-buildings/construction-codes>

Contact the Office of Construction Codes and Industrialized Buildings of Georgia for more information concerning these amendments.

#### Architectural Standards

In accordance with requirements established by the federal government at 24 CFR 92.251 for the proper operation of the CHIP Program, DCA has established these Architectural Standards. All

projects receiving CHIP funds from DCA for the purpose of building new property and rehabilitating existing property must meet or exceed these Architectural Standards. Incorporation of these minimum standards into all work scopes that control the level of construction to be performed on all properties is required. These standards have incorporated all State and local building codes, State energy codes and the HUD housing quality standards, and, in many cases, DCA requirements exceed the referenced State and Federal Requirements.

The CHIP Program requires that all units funded under the program meet the applicable Federal and State Accessibility standards as well as all DCA accessibility requirements. This includes the requirements of Section 504 of the Rehabilitation Act of 1973 as well as those visitability improvements identified in O.C.G.A. 8-3-172 within all units receiving CHIP assistance to the extent compatible with the rehabilitation work. (i.e., if code-related improvements affect an entrance to the property, bathroom door, or other applicable item, the improvement will incorporate work necessary to meet visitability requirements).

Recipients must document why any visitability improvements required by this law were not incorporated into the assisted improvements for each home.

All units that will be reconstructed must be rebuilt to meet the requirements of O.C.G.A. 8-3-172.

These Architectural Standards do not have the effects of replacing local codes or minimum property standards. All properties must meet or exceed applicable local codes and property standards. With the exception of off-site development costs, measures required to address local codes and property standards are eligible construction costs for properties receiving CHIP funds.

These Architectural Standards are applicable to new construction, reconstruction and rehabilitation construction. New construction, reconstruction and rehabilitation construction are governed by all local and state building codes and requirements.

Building Permits are required for all units to be funded under the CHIP Program, if building permits are issued in the community. Proof of inspections and approvals by local officials will be required prior to the loan closing for the purchase of a unit by an eligible home buyer.

Final determination as to a recipient's compliance with the Architectural Standards rests solely with DCA.

#### General Standards for all Properties

1. Drawings and Specifications-The architectural drawings and specifications must be in compliance with the Livability Standards found in HUD's Minimum Property Standards 4910.1 (1984). These are the minimum standards. Where DCA or local standards are higher, the higher standards will prevail. All Federal, State, and Local codes must be met, including all applicable Building and Fire Codes, federal and State Accessibility laws and requirements, the Georgia Energy Code, and any other applicable requirements. In every case, the most restrictive requirement will prevail.
2. Contract Drawings -The contract drawings should be completely clear and consistent in order to minimize construction problems, schedule delays, discrepancies in documentation, and cost overruns, all of which affect the overall construction process.
3. Exterior Construction Materials-All construction materials must be appropriate for lifecycle cost and ease of maintenance. All materials must be installed according to the manufacturer's specifications using acceptable methods and materials that will result in the issuance of a manufacturer's guarantee. All materials must bear the label of an industry-accepted testing or certification agency. Preference should be given to materials that offer low maintenance and longevity throughout the property's lifespan. Any major component of a rehabilitation project with less than five (5) years expected useful life remaining shall be replaced. Specific exterior construction material requirements are listed below:
  - a. Roofing: DCA requires a minimum warranty of twenty (20) years for all pitched roofs that must be

verified by the manufacturer. Note: flat roofs are not permitted in any construction. Gutters and downspouts are mandatory for all construction on all buildings.

- b. Vinyl Siding: DCA requires commercial grade siding with a minimum thickness of .044 and with a 15-year warranty to be verified by the manufacturer.
- c. Manufactured Siding: Siding must be 7/16" nominal thickness or equivalent with a 20-year warranty. The warranty must be verified by the manufacturer.
- d. Wood Siding: Cedar or redwood in random lengths of 4'-0" or greater is acceptable. Any other wood siding product must be approved by DCA prior to order and installation. The warranty must be verified by the manufacturer.
- e. Dryvit: The installation of Dryvit, or similar products, must include protection of the finish in high-traffic areas and must be approved by DCA.
- f. Stucco: Hard stucco may be used in some instances but must be approved in advance of by DCA.
- g. Soffits & Facias: Consideration should be given to prefinished or low maintenance finishes to all fascia and soffits. Gutters and downspouts are mandatory for all construction and on all buildings.
- h. Exterior Doors and Windows: Exterior doors must be 1¾" metal insulated or solid core wood, 20-minute rated door. Windows must have insulated glass and meet Georgia Energy Standards.

### Visitability Requirements

All construction activities must meet all of the following visitability requirements of OCGA 8-3-172:

- a. One No Step Entry through 36-inch door;
- b. On first floor:
  1. Each interior door is at least a standard 32-inch door, unless the door provides access only to a closet of less than 15 square feet in area;
  2. Each hallway has a width of at least 36-inches and is level, with ramped or beveled changes at each door threshold;
  3. Each bathroom wall is reinforced for potential installation of grab bars;
  4. Each electrical panel or breaker box (located inside on first floor), light switch, or thermostat is not higher than 48 inches above the floor; and
  5. Each electrical plug or other receptacle is at least 15 inches above the floor.

## Developer Requirements

---

### Construction Management

- State Recipients and sub-recipients must develop construction management procedures that outline contract provisions for the contractor and subcontractors, payment requests, forms to be completed, inspection procedures, and project completion procedures.
- State Recipients and sub-recipients must establish and maintain a current listing of qualified contractors based on experience (unless the developer utilizes only in-house crews) who are interested in doing new construction and/or rehabilitation work. At a minimum, agencies should annually advertise a request for qualifications. Every effort must be made to ensure that the bidding is fair and open.
- A full write-up with line-item cost estimates must be submitted to CHIP staff to review the feasibility and cost reasonableness of the project prior to project approval.
- Contractors hired by the developer must submit a request for payment with lien waivers and affidavits to the developer with each pay request. The developer must inspect the property to determine that the work completed is valued at an amount equal to the progress payment requested. If the work completed is not in compliance, it is the responsibility of the developer to obtain appropriate corrective action from the contractor before requesting payment from CHIP. The contractor must be notified at the time of inspection of any necessary corrective action to enable

the developer to make a progress payment. This notification must be included in the case file.

- Housing that is newly constructed with HOME funds must be constructed in accordance with state and local laws.

## Bidding Procedures

All contractor bids will be obtained through an “open, free competitive bidding” that is in compliance with 24 CFR 85.36(b) (8), which states contract awards shall only be made to responsible contractors possessing the ability to perform under the terms and conditions of the proposed contract. No sole source procurement will be allowed for any CHIP-funded activities.

The Recipient must require that the Developer make efforts to notify the contractor community of the potential to bid. Solicitations from a minimum of three qualified contractors must be sought and no contract may be awarded for a project in which less than two bidders submitted proposals. A Bid Control Sheet will be used to document bids submitted and will include signatures documenting all who attended the bid opening. This sheet will be placed in the project file.

The Developer, under the auspices of the Recipient, will review all bids for responsiveness, accuracy, and reasonableness, record findings on Bid Control Sheet, and prepare a Bid Summary. The Bid Summary will compare each bid to the cost estimate. Bids will be considered reasonable if they are within 10% of the cost estimate. If the bids are not within 10% of the estimate, the Recipient will determine if the discrepancy is justified based on a careful review of the cost of individual work items.

The bid selected should reflect the lowest responsible bid complying with all program requirements, provided such bid is reasonable and in the best interest of the project.

## Reconstruction Procedures

The initial property inspection will be completed once a property has been identified for possible assistance in the program. The purpose of the inspection is to determine if the property is feasible for rehabilitation, determine code-required improvements, and estimate the total cost of the regular (non-lead) rehabilitation work. For additional guidance, refer to the Owner-occupied housing rehabilitation section of this manual concerning reconstruction.

A standard Housing Rehabilitation Inspection Form can be used to conduct inspections and ensure completeness and consistency in the process. This form records the work required to meet the minimum property standards.

A work write-up is a set of specifications that sets forth the work to be done and materials to be used, plus a cost estimate. A Rehabilitation Feasibility Test Form will be completed, and a separate work write-up will be done for the lead interim control requirements for the home after the lead risk assessor completes the testing. The scope of repairs will be clearly stated and specifications will be sufficiently detailed to form a basis for obtaining contractor bids. Generally, if it is determined that the hard cost of rehabilitation of a property is greater than \$25,000 and the expenditure of funds is not justified, a determination of economic unfeasibility will be made. Although this determination must be based on a strong element of subjective judgment, certain relative objective threshold criteria must also be applied. If it is determined the property is not economically feasible for rehabilitation, another property must be identified for the program. If any HRSHD acquisition funds were used to acquire the property, these must be supplanted with other non-HOME funds by the Recipient or Developer, as the site is not feasible for a HOME project to be completed.

## Recipient and Contractors Terms and Conditions

### Dates

The Recipient and Developer will agree on the commencement date and the contractor will be given an appropriate time period to complete the project. In the event of inclement weather or other conditions beyond the contractor's control, he/she will be given extra days equal to the actual time lost. If there are change orders or amendments to the original contract, the contractor will be given additional time to accomplish the changes. This additional time and cost will be agreed upon by the contractor, Developer, and the Recipient. If the contractor fails to complete the project within the allotted time, he will be penalized for the agreed upon amount as per the contract for each calendar day he exceeds the agreed upon completion date.

### **Draws**

There is no limit to the number of draws allowed for each project. All final payments will be contingent on the approval of the final inspection made by the Recipient and the Developer.

### **Owner Satisfaction**

The Developer must sign an Owner's Satisfaction Statement certifying that they are satisfied with the rehabilitation work each time a request for payment is submitted by the contractor and prior to any payment being issued to the contractor. In addition to the signed satisfaction statement by the Developer for partial or full payment to the contractor, the releases of liens must be obtained from the general contractor and all sub-contractors prior to releasing any payments.

No payment made under the contract shall act as a waiver for the right of the owner to require the fulfillment of all terms of the contract.

## **Contractor Qualifications**

---

Only those contractors who have submitted a complete application to the Recipient or Developer and have received approval from the Recipient or Developer shall be eligible to perform work under this program. Prior to issuing a notice to proceed to any contractor, the Recipient will search the Excluded Parties List System (EPLS) to confirm that the contractor has not been debarred from performing work in the State of Georgia. This list can be found at [SAM.gov](http://SAM.gov)

Upon clearance, a bid award will be provided to the selected contractor.

### Eligible Contractor Requirements

All Contractors will have to provide:

- State Certified License
- Certificate of Insurance
- Model Accredited Renovator Certification
- Pass the State Clearance Process

In addition to the aforementioned, Lead Contractors have to Provide:

- Lead Certification
- Lead Abatement Certification

Criteria for selecting a contractor can include, but is not limited to:

- Quality of workmanship and response time on warranty work based on three references;
- Paying of material dealers and suppliers in a timely fashion based on references;
- Paying of sub-contractors in a timely fashion based on references;
- Adequate and valid insurance; etc.

### Ineligible Contractor Requirements

The Recipient or Developer shall remove any contractor from the approved contractors list for one or more of the following reasons:

1. Continuous performance of unsatisfactory (poor quality) work, as deemed by the Recipient or Developer.
2. Failure to maintain REQUIRED insurance.
3. Failure to pay subcontractors and/or material dealers.
4. Failure to respond to grievances from past customers.
5. Failure to respond to warranty work in a timely fashion.
6. Failure to maintain current license and/or registration.
7. Insolvency, bankruptcy, or other conduct or condition that has resulted in a monetary loss to a homeowner in connection with any contract funded through a state or federal program.
8. Failure to complete contract work or abandonment of a job.
9. Withdrawal of bid without justification.
10. Conviction of a crime in connection with any contract work, or connection with payment, or receipt of funds from ANY state or federally funded program.

All applicable state and federal regulations, equal opportunity provisions (including Section 3), conflicts of interest, etc. are incorporated into all construction contracts for housing rehabilitation to ensure that all housing goals and objectives are met.

## Inspections

---

### **Interim Property Inspection**

The Recipient will perform interim inspections during the course of the construction work. At a minimum, the Recipient will perform two (2) interim inspections to ensure that the funds are used for eligible purposes and the work is completed in accordance with the New Construction or Rehabilitation Standards. Inspections will be conducted in the presence of the Developer and contractor, whenever possible, so that any problems can be identified, discussed and resolutions developed.

The Recipient will inspect the job each time a payment request is submitted to ensure all work for which payment is being requested is complete. The number of allowable draws for each job will be identified in the construction contract. If only one final payment is allowed by the contract, the Recipient will perform two progress inspections during the course of the job.

If the job is complicated or problems arise with any of the parties involved, or if unforeseen conditions arise, the Recipient will make additional inspections as necessary to resolve issues or prevent serious problems.

### **Final Inspection**

Final inspections will be conducted by qualified staff of the Recipient at the contractor's request. Prior to the final inspection, the contractor must submit documentation that all required inspections per permit have been completed and signed off by the appropriate building official.

The work write-up and all of the change orders will be used as a checklist to ensure completion of all work items and compliance with Written Rehabilitation Specifications. A "punch" list will be given to the contractor to identify any remaining work items. Upon satisfactory completion of the "punch" list items, the Recipient will prepare the Certificate of Final Inspection.

After the final inspection has been completed and the releases of liens have been obtained, the Certificate of Final Inspection is executed, and applicable warranties and contracts are provided to the

homeowner. The owner can then authorize final disbursement funds by signing the Statement of Satisfaction. The Recipient may then request the final payment for the contractor.

## Change Orders

Should unforeseen conditions arise that could not be detected in the original scope of work, a change order must be completed per the process below. Unforeseen conditions might include a collapsed wall, rotted wood that was undetected, unavailability of materials due to matters beyond reasonable control, or unforeseen termite damage. While it is sometimes impossible to detect every hidden code or property standard violation at the inspection completed prior to construction, simply failing to include an otherwise noticeable work item on the original bid is not generally allowed to be addressed after construction begins. Additionally, contractor errors in estimating the project or doing the work are not typically allowed in a change order if the result is an increase in the cost of the job. If a need for a change order should arise and additional time is needed, the contractor will be given additional time to accomplish the changes. This additional time and cost will be agreed and approved by the signatures of the contractor, Developer, and the Recipient.

The staff of the Recipient shall inspect the property upon request and, if warranted, prepare an itemized list of work to be performed or modification on a Change Order form describing in detail, as in the work write-up. Justification for added or deleted items will need to be described in detail. The contractor will price each item as requested on the Change Order form and return it to the Recipient for review. The Recipient will then determine if the figures are justified by comparison to the Local Cost Index and if so, send the request in to DCA for approval. When approved by DCA, the Change Order form will be executed by the Developer, Contractor and Recipient, and will become a part of the contract.

## Construction Contingency

Developers should incorporate a 5 percent to 7.5 percent construction contingency for new construction projects. This is to be calculated as a percentage of the total construction costs budgeted for each specific local project. However, if a construction contingency is added to the cost estimate, it should not be considered an automatic project cost. Construction contingency is designed to help developers pay for unforeseen cost overages. Uses of construction contingency must be documented via change orders. If the amount budgeted for construction contingency on a unit is insufficient to meet the cost overage, the developer must then use their developer fee to meet these costs before requesting additional funds from DCA.

## Construction Closeout

### Warranty

After the construction has been completed and the Developer will obtain the notarized releases of liens and make the final disbursement for the construction. As part of the project completion process, the contractor will supply a one-year workmanship warranty once the home is sold to the homeowner.

The contractor will provide a letter to the homeowner explicitly explaining the beginning and ending period of the warranty and instructions on how to go about resolving the warranty issue. The letter should make it clear that warranty issues are to be resolved directly with the contractor. Both owners and contractors should be made aware of the Developer's limited capacity to intervene, although the Developer may be required to assist the low-income homeowner in this regard. All appliances, termite warranty, and systems warranties should be provided directly by the contractor to the owner with copies obtained for the project file.

## Appeals and Disputes

The Recipient will administrate the following appeal procedure to settle any disputes that may arise between the Developer and the contractor. If an Arbitration board/committee has been appointed by the county/city, a mandatory arbitration using the Construction Industry Rules of the American Arbitration Association must be held.

If an Arbitration board/committee does not exist, grievances between the property owners and the contractor must be filed in writing to the Local Official/Authorized Official within five (5) business days of the incident. The Local Official/Authorized Official will have ten (10) business days to inform both parties of his/her decision. The decision of the Local Official/Authorized Official shall be final and conclusive.

Per this policy, all persons applying for assistance and receiving CHIP assistance within the project activity location has the right to appeal any and all decisions for assistance and any types of assistance for which they may be eligible.

## Homebuyer Qualifications

---

### Income Eligibility Requirements

The program will serve homeowners and tenants with incomes at or below 80% of the area median, adjusted for household size. The current income limits published by HUD can be found by visiting the HUD website located here: <https://www.huduser.gov/portal/datasets/il.html>

Methods for the determination of annual income will be consistent with HUD requirements under 24CFR 92.203. All income and assets must be documented by a review of the household income and asset verification documentation. The documents must be current to within six (6) months of the loan closing or lease execution.

This allows Recipients to efficiently determine the income eligibility of applicants for homebuyer assistance.

All sources of "gross household income" and earnings of all adult members anticipated to be received in the 12-month period following the effective date of income certification(s) which will be used to determine whether the applicant is eligible for assistance, must be verified and documented. Copies of these documents must be maintained in the applicant's file. Communities must use one or more of the following means of documenting the applicant's recent income.

See Pre-Qualifying Applicants in the Owner-Occupied section of this Manual.

### U.S. Citizenship Qualification

Each household member who receives assistance must be lawfully within the United States. Each household member over the age of 18 must complete a "Declaration of Citizenship Status" form. The parent/guardian must complete a "Declaration of Citizenship Status" form for each minor child under the age of 18. Evidence of citizenship status for all household members must be in the file.

### Conflict of Interest Qualification

The proposed residents of all units must sign a document stating that they have no relationship with anyone who has a decision-making role or inside knowledge of the HOME process, financial or contractual interests in a HOME activity, or anyone who can obtain benefits of any kind from a HOME activity. This extends to anyone with whom a person has familial or business ties during the funding process and up to one year thereafter. If an individual knowingly has any of the aforementioned connections to a HOME

activity, and has not made these ties public, then she/he has violated Federal Conflict-of-Interest statutes.

### **Primary Residence**

The homebuyers must use these homes as their primary residence.

### **Homebuyer Counseling**

Homebuyers must receive pre-purchase housing counseling before purchasing a HOME-assisted unit as per 24 CFR §92.254(a)(3). Recipients may not charge a fee to the homebuyer for the receipt of housing counseling assistance but may include a fee of up to \$100 as part of the Project Delivery Costs associated with the activity. If a third-party provides such services to the homebuyer, the fees charged must not exceed \$100 and must be

paid by the homebuyer. The amount paid by the homebuyer may be counted toward the \$1,000 minimum household contribution required by all borrowers.

Recipients are responsible for ensuring that the CHIP-assisted homebuyer completes the homebuyer counseling. A Certificate of Completion of the required counseling or evidence of completion from a housing counseling provider must be maintained in each individual project file.

### **Minimum/Maximum Subsidy and Period of Affordability**

<b>Period of Affordability</b>	
<b>Homeownership assistance HOME amount per-unit</b>	<b>Minimum period of affordability in years</b>
<b>Under \$25,000</b>	<b>5</b>
<b>\$25,000 to \$50,000</b>	<b>10</b>
<b>Over \$50,000</b>	<b>15</b>

Each home buyer of completed units will be required to secure their own mortgage financing following the determination that they meet HOME income eligibility requirements. All CHIP funds provided to homeowners are subject to a promissory note and a deed to secure debt between the Owner-Occupant as mortgagor and the Recipient as mortgagee.

Home buyer subsidy loans will be made available to the homeowner as a 0% deferred payment second mortgage loan, payable only when the home is sold, refinanced, or no longer used as their principal residence during the affordability period. A minimum subsidy amount of \$1,000 is recommended by CHIP and required by HOME Program regulations. The maximum per-unit subsidy amount shall be \$40,000. Additional funds may be available based on the needs of the qualified homebuyer. A percentage of the loan will be forgiven annually in equal installments over the applicable minimum five (5) year period of affordability.

Upon the sale of a home, program income is used as the homebuyer subsidy to assist the homebuyer with the purchase of their home. The subsidy is taken from the seller's proceeds and is reflected in the homebuyer's closing disclosure. The uses and definition of program income are described in the following section.

### **Required Homeownership Documents**

All loans made to home buyers using CHIP funds will be secured by a lien attached to the property occupied by the borrower. The following documents must be provided by the lender at closing:

- Deed to Secure Debt
- Loan Agreement
- Promissory Note
- Homeowner Notice Right to Rescind
- Real Estate Note
- Affidavit to Execute Amended Promissory Note

### **Transfer of Home Buyer Loans**

In the event of the death or incapacity of a homeowner(s) during the stated period of affordability, property transfer to an eligible low—or moderate-income household that is an immediate family member of the original homeowner will be permitted.

An “immediate family member” is defined as a spouse, parent, brother, sister, or child of that person, or an individual to whom that person stands loco parentis.

Any immediate family member who wishes to assume responsibility for the loan must contact the Recipient for an assessment. The family members must meet all qualification criteria for CHIP funds, including:

#### **Borrower Eligibility Requirements**

- Income
- Age
- Occupancy
- Mortgage Status

#### **Property Eligibility Requirements**

- Property ownership and type
- Property tax
- Property insurance

The Recipient will conduct third-party verification and obtain all required documentation to determine if the household meets all the eligibility requirements.

The immediate family member who is to assume responsibility for the loan is responsible for transferring the title of the property into his/her name. The immediate family member is also responsible for preparing and processing all documents related to the loan assumption. All costs associated with transferring the property title and loan assumption will be the sole responsibility of the immediate family member, including any legal fees, filing fees, taxes, and other costs incurred during this process. The immediate family member will have 180 days after the death of the original homeowner to complete the title transfer and loan assumption. If an immediate family member has not completed the process of title transfer and loan assumption within the specified timeframe, the original loan is considered “*in default.*”

All assumed loans will continue with the original loan terms outlined in the Loan Agreement, Deed to Secure Debt, and Promissory Note.

## **Project Closeout**

The Recipient will submit a Project Completion Report to DCA along with the final request for project reimbursement. DCA will provide a notice of project completion.

Within thirty (30) days of payment of all CHIP-funded costs (with the exception of audit costs and any unsettled third-party claims), the Recipient will inform DCA that the CHIP Program is ready for close-out and the date of the next scheduled annual audit review.

DCA will perform the following:

1. DCA will conduct a review to ensure that any monitoring findings are resolved, and that any excess grant funds have been refunded. DCA will also verify that the accomplishments projected in the application have been satisfactorily met.
2. After review and final resolution of any findings, DCA will notify the Recipient or Recipient of the grant's conditional close-out pending receipt of an acceptable final audit.

## Program Income

Program income is generated from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds, and is considered Program Income.

Recipients who received a CHIP award before 2022 may retain the net proceeds, or Program Income, from the sale of the properties to fund additional HOME-eligible activities that assist income-eligible homebuyers and homeowners. These activities may include developing affordable homes for sale to income-eligible homebuyers or rehabilitating owner-occupied housing. If the Recipient receives a new CHIP award, the Program Income must be spent before drawing down any grant funds. The CHIP program reserves the right to recapture Program Income if the Recipient does not spend the funds within two years of completion of their CHIP award.

For all other Grants received after 2021, the Program Income received from the sale of a home funded with CHIP funds must be expended by the end of the grant award or returned to DCA. Program Income can be used from the sale of a property to help continue the construction of additional homes within the grant award cycle. This will enable the Recipient to assist more income-eligible homebuyers by providing additional affordable housing. The Recipient may also return Program Income to the CHIP Program at the sale of each CHIP-assisted home.

### How to Determine Program Income

HOME Program Income is defined in the Definitions section of the HOME Final Rule at 24 CFR 92.2. Program Income means gross income received by the participating jurisdiction, sub-recipient or State recipient which is directly generated from the use of HOME funds (including HOME Program Income) and matching contributions. When Program Income is generated by housing that is only partially assisted with HOME funds or matching funds, the income shall be prorated to reflect the percentage of HOME funds or match used. Following is a list of examples. Note that this is not an exclusive list.

1. Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
2. Gross income from the use or rental of real property, owned by the participating jurisdiction, State recipient, or a sub-recipient, that was acquired, rehabilitated, or constructed with HOME funds or matching contributions, less costs incidental to generation of the income (Note: rental income from property owned by entities other than the participating jurisdiction, a State recipient or a sub-recipient does not constitute Program Income);
3. Payments of principal and interest on loans made using HOME funds or matching contributions;
4. Proceeds from the sale of loans made with HOME funds or matching contributions;
5. Proceeds from the sale of obligations secured by loans made with HOME funds or matching contributions;
6. Interest earned on Program Income pending its disposition; and
7. Any other interest or return on the investment permitted under §92.205(b) of HOME funds or matching contributions. (Note: this does not include recaptured funds, repayments or CHDO proceeds).

### DCA CHIP Program Income Requirements

Recipients must determine the percentage of proceeds from the sale of a home is considered program income if housing is only partially funded by CHIP. The program income should be prorated to reflect the

percentage of CHIP funds used for the total development costs of the home.

Additionally, Recipients are required to complete a bi-annual Program Income Plan for the use of Program Income. This plan must be approved by DCA staff. Recipients will submit the Program Income Plan to report on the use of program income until the program income is expended.

Program income should be deposited into a separate account. This account may be interest-bearing and the interest is also considered program income.

#### Pre-2022 Recipient Requirements:

**If the Recipient has held the program income without an active CHIP award, DCA will request that the funds be returned.**

Recipients must follow the same HOME rules when spending Program Income as were required with the original CHIP grant, including income eligibility, affordability periods, environmental reviews, lead paint, and all other laws and statutes required by the HUD HOME Program. When a Recipient combines Program Income and CHIP grant funds into a project, the Program Income must be spent first.

The submission approvals (i.e. the CHIP pre-setup, setup, and completion approvals) are not required. Recipients will be responsible for maintaining records required by the HUD HOME Program and to make these records available to DCA and HUD for review if necessary. DCA may request that the Program Income be repaid if the Recipient is not in compliance with these regulations. DCA staff will provide technical assistance and review documents to ensure that Recipients are in compliance with the regulations.

## Compliance Monitoring and Recapture Provisions

In its capacity as a Recipient of DCA that has been chosen to administer a portion of the State's HOME program, the Recipient has primary responsibility for monitoring activities to ensure compliance with all HOME requirements throughout the period of affordability.

For homeownership activities, this requires the Recipient to document that the homebuyer has continued to maintain the HOME unit as their principal place of residence throughout the period of affordability as spelled out in their loan documents. In addition to monitoring ownership through property tax records, the Recipient must send out DO NOT FORWARD letters to all homebuyers annually through the U.S. mail and maintain these in the project files. If any are returned, the Recipient must investigate to see if the homeowner is continuing to satisfy this requirement and document its findings in the project file. The Recipient should also be listed as a mortgagee on homeowner's insurance documents so that it is notified if this insurance lapses. If the homeowner or another immediate family member no longer occupies the home, a portion of the total HOME subsidy must be recaptured or returned to GHFA.

#### **Reimbursement to DCA if Default Under the Terms of the Loan Agreement**

Recaptured funds are HOME funds, which are recouped by the DCA when the HOME (CHIP) assisted housing does not continue to be the principal residence of the assisted homebuyer for the full affordability period required by 24 CFR 92.254 (a) (4) for homebuyer projects and by DCA for rehabilitation projects. Recaptured funds are not considered "program income" but rather represent a return of the original HOME investment. Recaptured funds must be remitted to DCA, (to the attention of the CHIP Manager) for placement in the DCA HOME Investment Trust Fund local account.

# Compliance Requirements for Owner-Occupied Housing Rehabilitation and New Construction

## Conflicts of Interest

---

Whenever a Recipient directly contracts for goods and services, the entity must comply with the Conflict of Interest provision in 24 CFR §85.36, 24 CFR, and §84.4224 CFR §92.356. Whenever the Recipient is not a direct party to a contract, the following Conflict of Interest provisions apply:

Conflicts Prohibited. No persons described in Paragraph B below who exercise or have exercised any functions or responsibilities concerning activities assisted with CHIP funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a CHIP-assisted activity or have an interest in any contract, subcontract or agreement with respect thereto, or in the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

Persons Covered. The conflict-of-interest provisions of Paragraph A above apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or recipients that are receiving or administering CHIP funds.

Definition of Family or Business Ties. DCA defines the meaning of the term “family or business ties” as follows:

- Family: “A group of people related by ancestry or marriage; relatives.”
- Business: “The buying and selling of commodities and services; commerce, trade.”
- Ties: “Something that connects, binds or joins; bond; link.

Exceptions. Upon written request, DCA may grant an exception to the provisions of Paragraph A above on a case-by-case basis, **before federal funds are committed to an activity at Set up**, when it determines that the exception will serve to further the purposes of CHIP. To seek an exception, a written request for an exception must be submitted to DCA by the Recipient that:

1. Fully discloses the conflict or potential conflict of interest, prior to the unit of government undertaking any action which results or may result in a conflict of interest, real or apparent;
2. Describes how the conflict of interest was publicly disclosed; and,
3. Includes a written opinion of the Recipient attorney that the interest for which the exception is sought would not violate state or local law.

Factors to be considered as exceptions. In determining whether to grant a requested exception after the Recipient has satisfactorily met the requirement of Paragraph D, DCA will consider the cumulative effect of the following factors, where applicable:

1. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project, which would otherwise not be available;
2. Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such a person to receive generally the same interests or benefits as are being made available or provided to the group or class;

3. Whether the affected person has withdrawn from his or her function or responsibilities, or the decision-making process concerning the specific assisted activity in question;
4. Whether the interest or benefit was present before the affected person was in a position as described in Paragraph B;
5. Whether undue hardship will result either to the Recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and,
6. Any other relevant considerations presented to DCA;

Owners and Developers. No owner, developer, or sponsor of a project assisted with CHIP funds (or officer, employee, agent, or consultant of the owner, developer, or sponsor), whether private, for-profit, or non-profit, may occupy a CHIP-assisted affordable housing unit in a project. Any exceptions must be approved in advance by DCA and then only when the Recipient can demonstrate to DCA that the exception will serve to further the purposes of CHIP.

This provision does not preclude an income-eligible, volunteer/owner participating in the construction of a single-family dwelling unit as part of a self-help homeownership program (e.g., Habitat for Humanity) when the individual is not an official, employee, agent, or consultant of the developer.

**NOTE:** If you have any questions regarding who may or may not be covered under the conflict of interest provisions above, call DCA immediately to discuss such matters **before** entering into contracts or disbursing money. Additionally, refer to DCA's required "Certification as to Conflict of Interest" (CC-6). **It is important to remember that HUD must approve any exceptions to the conflict of interest regulations.**

## Sub-Recipient and State Recipient Compliance Monitoring

In previous years, CHIP only conducted a file review at the completion of an award, but this has shown itself to be problematic for new grantees. For new CHIP grantees, a file review will be conducted prior to reimbursing the final draw for the initial activity. All required paperwork for the activity must be submitted prior to the file review. This initial monitoring will help CHIP identify any compliance issues the Recipient may be experiencing before the grant is completed. The final draw for the project will not be reimbursed until the CHIP staff has completed the file review. Upon completion of a satisfactory file review, the final draw for the activity will be paid.

Recipients with open awards will be monitored biannually until the grant is completed. CHIP staff will conduct a desk review of randomly selected closed activities. The grantee will be contacted by letter or email and will have 30 days to comply with the request.

The Recipient will submit all requested documents via email within 30 days of receiving the letter informing them of the monitoring action. CHIP staff will review the supplied documents against the CHIP Monitoring Checklist. The grantee will be notified via email of the monitoring results, advised of any adverse findings, and given an opportunity to rectify such findings.

The monitoring review process is outlined below:

Step 1- Notification Letter. The purpose of this letter is to notify the Subrecipient and State Recipient that a compliance review will be conducted. The letter identifies the file(s) selected for review and the scope of the review. Within the letter is a request for documentation. The purpose of the request for documentation is to identify the file for review and to provide additional file documents to the start of the desk audit. The steps included in a CHIP file include the following:

- Pre-Setup
- Setup
- Completion

Site Monitoring Checklist. In addition to the letter, Recipients should be provided with a checklist of documents required to complete the desk audit review. The Subrecipients and State Recipients are allowed up to 30 days to provide the necessary documents. The Monitoring Exhibit can be included with the checklist to demonstrate to the Recipients what will be reviewed during the Monitoring desk review process.

Step 2- Monitoring Compliance Review. The review of the monitoring documents should take 30 days for a quality review. If there are discrepancies or missing documentation, the Recipient should be contacted and given a deadline to submit the required documentation.

Step 3- Closeout Letter. The next step is to issue a close-out letter to the Recipient to inform the Subrecipient that the monitoring compliance review is closed. The letter should be reviewed and signed by the CHIP Manager.

### **Program Income Monitoring Review**

In addition to the annual file review, DCA will also conduct an annual Program Income review based on the submission of the Program Income Plan. Prior to 2022, Recipients were allowed to retain program income without oversight. Because program income is still considered federal funds, the goal of CHIP is to create a record of program income received by Recipients to better keep account of the use of the funds.

## **Affordability Period Monitoring**

Recipients are required to conduct annual monitoring of the affordability period of all their homeowners to ensure the home is still the homeowner's principal residence. All new construction homebuyers are required to receive a lien for a minimum of 5 years, based on the amount of subsidy received at closing. The lien received determines the affordability period.

While deed restriction and monitoring of owner-occupied households is not federally mandated, CHIP requires it to help foster affordable housing by restricting the sale of a home for a period of time after rehab. As a part of the annual Affordability monitoring process, DCA will request the Recipient to provide a list of the following:

- Households that are still in the affordability period,
- Households that need to be released from the lien
- Process used to check the affordability.

With this new process, CHIP can begin releasing liens annually to avoid keeping a home under a lien longer than required, as specified in the recorded deed.

## Record Retention

This section provides a summary of the HOME program regulations at 24 CFR 92.508 regarding record retention.

The regulations require that records of homeownership rehabilitation projects must be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions, which must be retained for five years after the affordability period terminates.

Written agreement must be retained for five years after the agreement terminates.

Records covering displacements and acquisition must be retained for five years after the date by which all persons displaced from the property and all persons whose property is acquired for the project have received the final payment to which they are entitled in accordance with 24 CFR 92.353.

In the event any litigation, claim, negotiation, audit, monitoring, inspection, or other action was started before the expiration of the required record retention period, records must be retained until the action is completed and all issues that arise from it are resolved or until the end of the required period, whichever is later.

## Sanctions Policy

Whenever DCA determines that a Recipient has failed to comply with the CHIP requirements, DCA shall notify the Recipient of the noncompliance and request appropriate compliance action. The purpose of this policy is to provide guidance on precautions to prevent the misuse of CHIP funds during the award term and the affordability/compliance period.

If, within a reasonable period of time determined at DCA's sole and absolute discretion, the Recipient fails or refuses to comply, DCA may:

1. Refer the matter to its Legal staff with a recommendation that an appropriate action is instituted;
2. Terminate payments to the Recipient;
3. Require repayment of funds spent inappropriately.
4. Reduce payments to the Recipient by an amount equal to the amount that such payments were not expended in accordance with CHIP program requirements;
5. Prohibit or suspend the Recipient from participating in future DCA funding opportunities, including those not affiliated with CHIP;
6. Limit the availability of payments to programs or activities not affected by such failure to comply; or,
7. Take such other action as may be provided by law, regulation or program policies.

Opportunity for Consultation. Prior to a reduction, withdrawal, or adjustment of a grant or other appropriate action taken pursuant to the above section, the Recipient shall be notified of such proposed action and may be given an opportunity within a prescribed time period for consultation, depending on the violation.

# CHIP Forms Checklists

## For All Projects:

Tier 1 Environmental Review or Environmental Assessment
Authorized Signature Card (CA-1)
Project Drawdown Form (CA-2)
Must attach invoices, progress inspection reports, and approval of work completed
Progress Inspection Reports

## Housing Rehabilitation Activity Checklists:

### Pre-Setup

Site Specific Environmental Review
Lead-Based Paint Visual Assessment (if unit was built prior to 1978)
Pre-Set Up Checklist (CA-3)
Income Verification Form (CC-8)
Certification to Use Unit as Principal Residence (CC-7)
Declaration of Citizenship Status (CC-3 and, if applicable, CC-4)
Certification as to Conflict of Interest (CC-6)
Copy of Existing Warranty Deed
Current market value of the property
Proof of Year of Construction of Housing Unit: (tax record, appraisal, builder's deed, historic survey, Sanborn fire insurance map, other legal documentation)
Initial Scope of Work Write-Up for Non-Lead Costs
Work Scope of Work Write-Up for Lead Costs (if unit was built prior to 1978)
Pictures of the housing unit demonstrating need for work to be performed

### Setup

Homeowner Rehabilitation Assistance Activity Set-Up and Completion Form (CA-4)
Loan Agreement (CL-3)
Promissory Note (CL-4R)
Homeowner Rehabilitation Assistance Deed to Secure Debt (CL-1)
Notice of Commencement
Notice of Right of Rescission
Contract between Homeowner and Contractor
Addendum to Construction Contract (CRA-10)
Contractor's Work Write Up
Proof of Contractor Clearance (no debarments)
Proof of Lead Renovator Certification (if applicable)
Georgia Security and Immigration Compliance Act of 2006 (CC-2)

### Final Draw and Completion

Final Project Drawdown Request Form (CA-2) with invoices
--

Contractor & Sub-Contractor Information Form (CR-2)
Contractor & Sub-Contractor Activity (CR-3)
Section 3 Report (CC1)
Match Contribution Form (CC-9) if applicable
Collateral Assignment (CL-5)
Final Schedule of Work Completed
State Sub-Recipient and Homeowner Agreement
Final Lien Waivers
Certification of Final Inspection (CR-9)
Final Rehab Photos
Final Owner's Satisfaction Statement
Contractor's Certification of Completed Work
Homeowner's Insurance

## New Housing Construction and Rehabilitation of Vacant Homes for Sale to Eligible Homebuyers Checklists:

### Pre Setup

New Construction Activity Pre-Setup form
Proposed project timeline from present through unit occupancy
Total project budget, including a breakout of developer fees and project delivery costs
Copy of Existing Warranty Deed
Current market value of the property
Homebuyer Underwriting Feasibility Tool, Part C: Project Affordability Analysis Known House (CN-4)
Site Specific Environmental Review or Environmental Assessment
Copies of floor plans, elevations, and site plans

### Setup

New Construction Activity Set-Up and Completion Form (CN-2)
Agreement between State Recipient and Developer
Documentation of the Procurement Process, including Copies of the Following:
Notice to Potential Bidders about the Project
Bid Summary Sheet that Compares Each Bid to the Cost Estimate
Bid Control Sheet that Documents Summaries of each Bid Received and Includes Signatures of Those that Attended the Bid Opening
Contract Between the Develop and Contractor
Developer Addendum, if necessary
Contractor's Write-Up
Notice of Commencement
Addendum to Construction Contract (CR-A10)

Proof of Contractor Clearance
Proof of Lead Renovator Certification, if Applicable
Georgia Security and Immigration Compliance Act of 2006 (CC-2)
Davis-Bacon Wage Rates, if Applicable

**Final Draw and Completion:**

Project Drawdown Request Form (CA-2) with invoices
Activity Set-Up and Completion Form (CN-2)
Contractor and Subcontractor Information Form (CR-2)
Contract and Subcontract Activity Report (CR-3)
Section 3 Report (CC-1)
Davis Bacon certified payrolls
Documentation of HOME Match Contribution (CC-9)
Contractor Certification of Work (CR-5)
Certificate of Occupancy from Local Code Official
Final Schedule of Work Completed Compared to the Construction Contract
Final Lien Waivers
Pictures Documenting Completed Work Activity

**Homebuyer Closing Documents**

Homebuyer Settlement Statement
Homeowner Income Eligibility Form (CC-8)
Citizenship Form (CC-3 and CC-4)
Conflict of Interest (CC-6)
Use as Primary Residence (CC-7)
Homebuyer Underwriting Feasibility Tool, Part B: Final Buyer Underwriting (CN-4)
Deed to Secure Debt Executed Between the Recipient and Home Buyer (CL-A11)
Loan Agreement (CL-A12)
Promissory Note (CL-AD)
Collateral Assignment (CL-5)



## Property Standards for HOME-Assisted Housing

Upon completion, HOME rental and homebuyer housing must meet the following requirements, per 24 CFR 92.251 Documentation

<p><b>New Construction</b></p>	<ul style="list-style-type: none"> <li>• State/local codes &amp; standards; or, in their absence, International Residential Code or International Building Code of the International Code Council, for the property type</li> <li>• Accessibility, per Section 504 of the Rehabilitation Act of 1973 (24 CFR part 8); Titles II and III of the American Disabilities Act; and, for multifamily dwellings, design and construction requirements of the Fair Housing Act (24 CFR 100.205)</li> <li>• Disaster mitigation, as applicable</li> <li>• Broadband infrastructure for buildings with five or more units, if HOME funds are committed after 1/19/2017, except in limited situations when PJ makes exception</li> </ul>	<ul style="list-style-type: none"> <li>• Scope of work in construction contract and related documents – must be in sufficient detail to perform inspection and determine costs are reasonable</li> <li>• Plans and specifications             <ul style="list-style-type: none"> <li>○ Consistent with scope of work</li> <li>○ Evidence of accessibility, as applicable</li> <li>○ Evidence of broadband infrastructure, as applicable</li> </ul> </li> <li>• Progress inspection(s) reports – must verify compliance with standards and scope of work in construction contract</li> <li>• Final inspection report – must verify compliance with applicable property standards upon completion</li> <li>• Evidence of disaster mitigation, as applicable</li> </ul>
--------------------------------	---	--



<b>Rehabilitation</b>	<ul style="list-style-type: none"><li>• PJ's written rehabilitation standards - details methods, materials, &amp; requirements. Must include:<ul style="list-style-type: none"><li>○ State/local codes &amp; standards, or in their absence, the International Existing Building Code of the International Code Council for the property type</li><li>○ Health and safety -life threatening deficiencies that must be addressed immediately if housing is occupied</li><li>○ Evaluation of the remaining useful life of major systems<ul style="list-style-type: none"><li>▪ <i>For rental housing with more than 26 units</i> in project, capital needs assessment required</li><li>▪ <i>For rental housing</i>, if remaining useful life is less than the affordability period, system must be replaced as part of rehab or sufficient capital reserves must be set aside for replacement later</li><li>▪ <i>For homeownership housing</i>, upon completion, each major system must have remained useful life of 5 year minimum, or the major system(s) must be rehabilitated or replaced as part of the rehabilitation work</li></ul></li><li>○ Lead-based paint (pre-1978 housing), per 24 CFR part 35</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Initial (pre-rehab) inspection report – to identify deficiencies to be addressed in rehab (i.e., scope of work)</li><li>• Scope of work in construction contract and related documents – must be in sufficient detail to ensure compliance with rehab standard and correct deficiencies identified in initial inspection</li><li>• Plans and specifications<ul style="list-style-type: none"><li>○ Consistent with the scope of work</li><li>○ Evidence of accessibility, if applicable</li><li>○ Evidence of broadband infrastructure, for rental housing, as applicable</li></ul></li><li>• Progress inspection(s) reports – must verify compliance with standards and scope of work in construction documents</li><li>• If lead paint present – evidence of evaluation and treatment of paint per 24 CFR part 35 along with clearance and issuance of all required notices</li><li>• Final inspection report – must verify compliance with PJ's written rehab standards</li><li>• Evidence of disaster mitigation, as applicable</li></ul>
-----------------------	--	---



## CHIP Written Rehabilitation Standards

---

### CONTRACTORS' QUALIFICATIONS

Only those contractors who have submitted a complete application to the State Recipient or Subrecipient and have received approval from the State Recipient or Subrecipient shall be eligible to perform rehabilitation work under this program. Prior to issuing a notice to proceed with any contractor, the State Recipient or Subrecipient will confirm that the contractor is not on the current HUD debarment list by checking the Excluded Parties List at:

[Home | SAM.gov](#)

### Eligible Contractor Requirements

All Contractors will have to provide:

- State Certified License
- Certificate of Insurance
- Model Accredited Renovator Certification
- Pass the State Clearance Process

In addition to the aforementioned, Lead Contractors have to provide:

- Lead Certification
- Lead Abatement Certification

The homeowner will choose from the list of qualified contractors and invite them to bid on the property.

Criteria for selecting a contractor can include, but is not limited to:

- a) Quality of workmanship and response time on warranty work based on three references;
- b) Paying of material dealers and suppliers in a timely fashion based on references;
- c) Paying of sub-contractors in a timely fashion based on references;
- d) Adequate and valid insurance; etc.

The approved contractors will schedule an appointment with the homeowner to inspect the property and complete the bid package. All bids must be submitted in a sealed envelope with the address of the property to be rehabilitated clearly marked on it by the deadline noted in the bid package.

The Housing Specialist and the homeowner will agree on a time to open the bids to identify the lowest bidder. A Bid Control Sheet will be used to document bids submitted and will include signatures from all attendees. This sheet will be placed in the homeowner's file.

The Housing Specialist will review all bids for responsiveness, accuracy, and reasonableness; record findings on the Bid Control Sheet; and prepare a Bid Summary. The Bid Summary will compare each bid to the cost estimate. Bids will be considered reasonable if they are within fifteen (15%) of the cost estimate. If the bids are not within 15% of the estimate, the Housing Specialist will determine if the discrepancy is justified based on a careful review of the cost of individual work items.

The next step is to search the Excluded Parties List System (EPLS) to ensure the contractor has not been debarred from performing work in the state of Georgia. Upon clearance, the homeowner will select the contractor for the proposed work. The bid selected should reflect the lowest responsible bid complying with all program requirements, provided such bid is reasonable and, in the homeowner's, best interest. A bid award will be provided for the selected contractor.



### **Contractor and Homeowner Negotiations**

The negotiation method may be chosen when multiple contractors cannot be attracted to form a contractor pool or when a homeowner requests to use a contractor of their choosing.

All contractors must meet the contractor eligibility requirements, and all bids must be determined reasonable based on the criteria identified above. If the bid does not meet the requirement, the Housing Specialist may negotiate a price to bring it within the qualifying range. If the negotiations are not successful, the job should be rebid, or the owner may pay the difference between the contractor's price and the price of the cost estimate.

Similarly, if the owner chooses to use a contractor that is not determined by the Recipient to be the most advantageous to the program due to a high bid, the owner may pay the difference to the contractor of their choice.

The homeowner and Housing Specialist reserve the right to reject any and all bids or any portion thereof and waive any irregularities as outlined in these Policies and Procedures.

### **Ineligible Contractor Requirements**

The local government, State Recipient or Non-Profit Subrecipient shall remove any contractor from the approved contractors list for one or more of the following reasons:

1. Continuous performance of unsatisfactory (poor quality) work, as deemed by the city or the Project Housing Specialist.
2. Failure to maintain REQUIRED insurance.
3. Failure to pay subcontractors and/or material dealers.
4. Failure to respond to grievances from homeowners.
5. Failure to respond to warranty work in a timely fashion.
6. Failure to maintain current license and/or registration.
7. Insolvency, bankruptcy, or other conduct or condition which has resulted in a monetary loss to a homeowner in connection with any contract funded through a state or federal program.
8. Failure to complete contract work or abandonment of a job.
9. Withdrawal of bid without justification.
10. Conviction of a crime in connection with any contract work, or connection with payment, or receipt of funds from ANY state or federally funded program.

All applicable state and federal regulations, equal opportunity provisions (including Section 3), conflicts of interest, etc. are incorporated into all construction contracts for housing rehabilitation to ensure that all housing goals and objectives are met.

### **Applicants and Contractors Terms and Conditions**

The contractor and homeowner will agree on the commencement date, and the contractor will be given 45 calendar days from that agreed-upon date to complete the project. In the event of inclement weather or other conditions beyond the contractor's control, he/she will be given extra days equal to the actual time lost. If there are change orders or amendments to the original contract, the contractor will be given additional time to accomplish the changes. The contractor, homeowner, and Housing Specialist will agree upon this additional time and cost. If the contractor fails to complete the project within the allotted time, he will be penalized for the agreed-upon amount as per the contract for each calendar day he exceeds the agreed-upon completion date.

A contractor will be paid the contract price in one lump sum, less than ten percent (10%) retainage after the work is satisfactorily completed on all contracts of \$5,000 or less. This payment will be contingent on approval of the final inspection made by the Housing Specialist and the satisfaction of the homeowner.



On all contracts over \$10,000 but not exceeding \$15,000, the contractor may request one (1) partial payment after a minimum of fifty percent (50%) of the total contract work per the partial payment schedule is satisfactorily completed. A ten percent (10%) retainage will be withheld until 30 days following satisfactory completion of the project.

On all contracts over \$15,000, two (2) partial payments may be requested by the contractor. The first partial payment will be given after completing fifty percent (50%) of the total contract work, per the partial payment schedule, is satisfactorily completed; and a second payment will be given after completing seventy percent (70%) of the total contract work, per the partial payment schedule, is satisfactorily completed. A 10% retainage will be held from each payment until 30 days following satisfactory completion of the project.

The property owner must sign an Owner's Satisfaction Statement, certifying that they are satisfied with the rehabilitation work, each time a request for payment is submitted by the contractor and prior to any payment being issued to the contractor. In addition to the signed satisfaction statement by the owner for partial or full payment to the contractor, the releases of liens must be obtained from the general contractor and all subcontractors prior to releasing any payments.

No payment made under the contract shall constitute a waiver of the owner's right to require fulfillment of all contract terms.

### **Change Orders**

Should unforeseen conditions arise that could not be detected within the original scope of work, a change order must be completed in accordance with the process outlined below. Unforeseen conditions might include a collapsed wall, undetected rotted wood, unavailability of materials due to matters beyond reasonable control, or unforeseen termite damage. While it is sometimes impossible to detect every hidden code or property standard violation at the inspection completed prior to construction, simply failing to include an otherwise noticeable work item on the original bid is not generally allowed to be addressed after construction begins. Additionally, contractor error in estimating the project or performing the work is not typically allowed in a change order if the result is an increase in the job's cost. If a need for a change order arises and additional time is required, the contractor will be given the necessary time to complete the changes. This additional time and cost will be agreed and approved by the signatures of the contractor, homeowner and the Housing Specialist.

The Housing Specialist shall prepare an itemized list of work to be performed or modifications on a Change Order form, describing in detail, as in the work write-up. Justification for added or deleted items must be described in detail. The contractor will price each item as requested on the Change Order form and return it to the Housing Specialist. The Housing Specialist will then determine if the figures are justified by comparison to the Local Cost Index and if so, discuss the changes with the homeowner for final approval. When approved by the homeowner, the Change Order form will be executed by the homeowner, contractor and Housing Specialist, and will become a part of the contract.

If the original budget, as stated in the grant application, is exceeded, an Exceed Maximum letter of request must be prepared by the Housing Specialist and submitted to DCA for approval.

### **Appeals and Disputes**

The State Recipient or Subrecipient will administrate the following appeal procedure to settle any disputes that may arise between the homeowner and the contractor. Per this policy, all persons applying for assistance and receiving CHIP assistance within the project activity location has the right to appeal any and all decisions for assistance and any types of assistance they may be eligible for.



If an Arbitration board/committee has been appointed by the county/city, a mandatory arbitration using the Construction Industry Rules of the American Arbitration Association must be held; if an Arbitration board/committee does not exist, grievances between the property owners and the contractor must be filed in writing to the Local Official/Authorized Official within five (5) business days of the incident. The Local Official/Authorized Official will have ten (10) business days to inform both parties of his/her decision. The decision of the Local Official/Authorized Official shall be final and conclusive.

### **Project Closeout**

The State Recipient or Subrecipient will submit a Project Completion Report to DCA along with the final request for project reimbursement. DCA will provide a notice of project completion. The date of this notice marks the beginning of the affordability period for the loan.

Within thirty (30) days of payment of all CHIP-funded costs (with the exception of audit costs and any unsettled third-party claims), the State Recipient or Subrecipient will inform DCA that the CHIP Program is ready for close-out and the date of the next scheduled annual audit review.

The following will be performed by DCA:

1. DCA will conduct a review to ensure that any monitoring findings are resolved and that any excess grant funds have been refunded. DCA will also verify that the accomplishments projected in the application have been satisfactorily met.
2. After review and final resolution of any findings, DCA will notify the State Recipient or Subrecipient of the grant's conditional close-out pending receipt of an acceptable final audit.

### **Record Retention**

All CHIP program records will be kept for a minimum of five (5) years after the program close-out or five (5) years after the termination of all applicable periods of affordability, written agreements, and loan terms, whichever is longer. All program records will be stored in an acceptable record storage facility during the required retention period.

Records pertaining to any litigation, claim negotiation, or audit, monitoring, inspection, or other action, which may have started before the expiration of the required record retention period, will be retained until completion of the action and resolution of all issues that arise from it, or until the end of the required period, whichever is later.

### **Section 3 Outreach Plan and Policy Compliance**

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with Federal, State, and local laws and regulations, be directed to low and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low income persons.

The State Recipient and Subrecipient will develop procedures that are consistent with all applicable regulations and the approved Section 3 Plan in order to meet the requirements of Section 3 and Federal Procurement laws.

### **Minimum Requirements**

The Scope of the Work shall include all labor, materials, equipment, permits, drawings and services necessary for the proper completion of the rehabilitation of the property as identified in the "Work Write-



Up” and all such work called for shall be done in accordance with the Basic General Specifications as outlined in the Policy and Procedures of the Community HOME Investment Program.

The homeowner(s) must certify that he/she has participated in the development of the Work Write Up (WWU) with the "Date inspected". Homeowner(s) will accept the work described & initial each page of the Work Write-Up.

The contractor must certify he/she has carefully reviewed & agrees to perform the work described in the Work Write Up (WWU) with the "Date Inspected". The contractor shall initial & date each page of the WWU.

At a minimum, State Recipients and Subrecipients must include in the contractor's agreement:

- A. Work Write-up.** Shall take precedence over the Basic General Specifications and, when in conflict, the material, equipment or workmanship called for in the Work Write-up will be required.
  - AS DESCRIBED IN THIS SECTION, ALL ITEMS MUST BE LISTED ON WORK WRITE-UP. IF REPAIR/REPLACEMENT OF LISTED ITEMS IS NOT NEEDED, REFERENCE EACH SECTION AS N/A – NO CODE VIOLATION. IF THE HOMEOWNER REQUESTS NOT TO INCLUDE CODE ITEMS AS DESCRIBED IN THIS SECTION, THE HOMEOWNER WILL BE INELIGIBLE TO RECEIVE CHIP ASSISTANCE.
- B. State Certification.** All contractors or subcontractors engaged in the practice of electrical contracting, plumbing contracting, low-voltage contracting, heating and cooling contracting or the installation, alteration and/or repair of plumbing, HVAC, electrical or low-voltage wiring systems are required to be licensed by the State of Georgia Construction Industry licensing board.
- C. Bids and Proposals.** Will be submitted at the bidder's risk prior to a certain time and date, and the homeowner or CHIP Recipient reserves the right to reject any or all bids or proposals.
- D. Subcontractors.** This shall be bound by the terms and conditions of this contract, insofar as it applies to their work. This shall not relieve the General Contractor of full responsibility to the owner for the proper completion of all work to be executed under this contract; and he shall not be released from this responsibility by any sub-contractual agreement he may make with others.
- E. Fitting and Coordination of the Work.** The contractor shall be responsible for the proper fitting of all work and for the coordination of the operations of all trades, subcontractors, or material men engaged upon this, and for the measurements which they may require for the fitting of their work to all surrounding work.
- F. Trade Names.** Must be used in the Basic General Specifications to establish the quality and type of materials required. Exact materials to be used on a specific property may be described in the Work Write-up for the particular property.
- G. Adjacent Property.** When adjacent property is affected or endangered by any work done under this contract, it shall be the responsibility of the contractor to take whatever steps are necessary for the protection of the adjacent property and to notify the owner thereof of such hazards.
- H. Repairs.** Shall be made to all surfaces damaged by the contractor resulting from his work under this contract at no additional cost to the owner. Where "repair of existing" work is called for by the contract, the feature is to be placed in "equal to new condition" either by patching or replacement. All damaged, loose or rotted parts shall be removed and replaced and the finished work shall match adjacent work in design and dimension.
- I. Payments.**
  1. In the event the contract amount is \$15,000.00 or more and satisfactory progress is being maintained, as determined by the State Recipient or Subrecipients, the homeowner agrees to approve the contractor's requisition for progress payment(s) as specified. This progress payment(s) will be based on the work and materials, fixtures and equipment



satisfactorily placed at the time of the requisition and shall not exceed eighty percent (80%) of the amount due for the work satisfactorily completed with deductions for the amounts of previous progress payments. The remainder due to the contractor shall be withheld pending satisfactory completion of all work covered in this contract.

2. After Recipient's/Administrator's inspection, the contractor shall submit to the owner, for approval, his requisition for payment. When the required Affidavits and Release of Claims (warranties and the release of liens) have been executed by the contractor, subcontractors, and material suppliers, a payment will be made that will include any amounts due under the contract as adjusted in accordance with approved contract amendments and subject to the payment of any amounts due the owner for liquidated damages as may be necessary to protect the owner against any claim arising from the contractor's operation under the contract.
3. No payment made under the contract shall act as a waiver of the right of the owner to require the fulfillment of all the terms of the contract.
4. The contractor will be paid the contract price in one lump sum, less a 10% retainage, after the work is satisfactorily completed on all contracts of \$5,000.00 or less.
5. When progress payments are applicable, the contract will include a payment schedule that specifies the stages at which payments will be made and the percentage (or amount) of the contract price that will be paid for the satisfactory completion of each stage:
  - i. Contracts over \$5,000 but not exceeding \$15,000: one (1) partial payment may be requested by the contractor after a minimum of fifty percent of the total contract work per the partial payment schedule is satisfactorily completed. A 10% retainage will be withheld until 30 days following satisfactory completion of the project.
  - ii. Contracts over \$15,000: two (2) partial payments may be requested by the contractor, 1) First Partial Payment – after a minimum of forty percent (40%) of the total contract work per the partial payment schedule is satisfactorily completed; and 2) eighty percent (80%) of the total contract work per the partial payment schedule is satisfactorily completed. A 10% retainage will be withheld from each payment until 30 days following satisfactory completion of the project.

IMPORTANT: All progress payments are contingent upon the contractor maintaining satisfactory progress in the prescribed work. This will be determined by the State Recipient or Subrecipient.

- J. General Guarantee and Warranty.** The general contractor warrants that all materials, fixtures and equipment furnished by him and his subcontractors shall be new, of good quality, of good title, and that the work will be done in a neat and workmanlike manner. Neither the final payment nor any provision in the contract nor partial or entire use of occupancy of the premises by the owner shall constitute an acceptance of work not done in accordance with the contract or relieve the contractor of liability in respect to any express warranties of responsibility for faulty materials or workmanship. The contractor shall promptly remedy any defects in the work and pay for any damage to other work resulting in a period of one year from the date of final acceptance of the work, unless a longer period is specified. The homeowner or Recipient/Administrator will give notice of observed defects with reasonable promptness.
- K. Changes in the Work**
1. Change Order defined. The owner with the Recipient's/Administrator's concurrence may make changes in the work required to be performed by the contractor by making additions thereto, or deleting work from; or by changing materials, fixtures or equipment



from those specified without invalidating the contract and without relieving or releasing the contractor from any of his obligations under the contract. All such work will be in writing and executed under the terms of the original contract unless it is expressly provided otherwise.

2. Except for the purpose of affording protection against any emergency endangering life or property, the contractor shall make no change in the work or rehabilitation, provide any extra or additional work or supply additional labor, services or materials beyond that actually required from the execution of the contract unless in pursuance of a written order from the owner authorizing the change. No claim for an adjustment of the contract price will be valid unless ordered.
  3. Each "Change Order" shall include in its final form a detailed description of change of work, the contractor's definite statement as to the work, the contractor's definite statement as to the resulting change in the contract price and/or time and the statement that all work involved in the change shall be performed in accordance with contract requirements except as modified by the amendment.
  4. Any request for a Change Order, either by the owner or contractor, regardless of whether it involves an increase or decreases in work to be done, cost and/or time, must be approved by the State Recipient or Subrecipient before the change takes effect. Unless otherwise specified, any change order resulting in an increase in the work to be done and a resulting increase in cost shall be the responsibility of the owner.
- L. Excusable Delay.** The contractor shall not be charged with liquidated damages for any delays in the completion of the work due to:
1. Any acts of the government including controls or restrictions upon or requisitioning of materials, equipment, tools or labor by reason of war, National Defense or any other national emergency.
  2. Any acts of the owner that will hinder the progress of the work as determined by the State Recipient or Subrecipient.
  3. Causes not reasonably foreseeable by the parties to the contract at the time of the execution of the contract which are beyond the control and without the fault or negligence of the contractor; including but not limited to acts of God or of the public enemy, acts of another contractor in the performance of some other contract with the owner, fire, floods, epidemics, quarantine restriction, strikes, freight embargoes and weather of unusual severity such as hurricanes, tornadoes, cyclones and other extreme weather conditions.
  4. Any delay of the subcontractor occasioned by any of the causes specified in subparagraphs a, b, and c above; provided, however, that the contractor promptly (within 10 days) notifies the owner and Recipient/Administrator in writing of the cause of the delay. If the facts show the delay to be properly excusable under the terms of this contract, as determined by the Recipient/Administrator, the owner shall extend the contract time by a period commensurate with the period of excusable delay to the completion of the work as a whole, in the form of an amendment to the contract.
- M. Permits and Codes.** The contractor shall give all notices required by and comply with all applicable laws, ordinances and codes of the local government including the obtaining of and payment for all required permits; provided, however, that the contractor shall not be held responsible for pre-existing violations of any law including but not restricted to zoning or building codes or regulations except compliance for any new or replaced work included in this contract will be required. Before beginning the work, the contractor shall examine the "Work Write-up" for compliance with the applicable ordinances and codes for the new or replaced work and shall immediately report any



discrepancy to the State Recipient or Subrecipient and the owner. Where the requirements of the “Work Write-Up” fail to comply with such applicable ordinances or codes for the new or replaced work, the owner will adjust the contract by amendment to conform to such ordinances or codes and make appropriate adjustment in the contract price unless waivers in writing covering the difference have been granted by proper authority.

**N. Insurance.**

1. The Contractor shall provide for Workman’s Compensation Insurance for all his employees and shall be responsible for compliance of his subcontractors engaged in work at the site in accordance with State or Territorial Workman’s Compensation Laws, if applicable.
2. The contractor shall provide for Manufacturer’s and Contractor’s Public Liability Insurance with minimum limits of \$500,000 on each accident (\$100,000 on each person) to protect the Contractor and his subcontractors against claims for injury to or death of one or more persons because of accidents which may occur or result from operations under this contract. Such insurance shall cover the use of all equipment, including, but not limited to, excavating machinery, trenching machines, cranes, hoists, rollers, concrete mixers, and motor vehicles in the construction of the rehabilitation embraced in this contract.
3. The Contractor shall provide for, during the life of the contract, property damage insurance in the amount not less than \$50,000 to protect him and his subcontractors from claims for property damage which might arise from operations under this contract.
4. Prior to the execution of the contract, the contractor shall submit evidence of the coverage required above by an insurance certificate or its equivalent.

**O. Inspection of Work.** HUD, DCA, and the State Recipient or Subrecipient shall have the right to examine and inspect rehabilitation work included in this contract. The work shall be subject to the inspector’s approval and acceptance. The contractor will be informed of rejected work in writing. Also, these representatives shall be permitted to examine and inspect all subcontracts, materials, equipment, payrolls and conditions of employment pertaining to the work including all relevant data and records.

**P. Surplus Material.** All surplus materials delivered to the job site and all material, fixtures and equipment replaced become the property and responsibility of the contractor and/or its subcontractors and shall be removed from the job site promptly after completion as well as all rubbish and debris resulting from the contractor’s operations. The premises shall be left in clean condition.

**Q. Interest of Certain Federal and Other Officials.**

1. No member of the Delegate to the Congress or the United States and no Resident Commissioner shall be admitted to any share or part of the contract or to any benefit to arise from the same.
2. No member of the governing body of the State Recipient or Subrecipient, who exercise any functions or responsibilities in connection with the administration of the Housing Rehabilitation Program to which this contract pertains and no other officer or employee of the State Recipient or Subrecipient who exercises any such functions or responsibilities shall have any interest, direct or indirect, in this contract which is incompatible or in conflict with the discharge or fulfillment of these functions and responsibilities in connection with the carrying out of the program to which this contract pertains.
3. No member of the governing body of the State Recipient or Subrecipient and no other public official who exercises any functions or responsibilities in connection with the



administration of the Housing Rehabilitation Program shall have any interest, direct or indirect, in this contract.

- R. DCA's Section 3 Policy.** DCA published its revised Section 3 Policy for State Recipients and Subrecipients (i.e., grantees) and contractors/subcontractors on November 1, 2013. Section 3 of the U. S. Housing and Urban Development (HUD) Act of 1968 and the Housing and Community Development Act of 1992, requires that economic opportunities generated by federal Housing and Community Development programs shall, to the greatest extent feasible, be given to low- and very low-income persons, and to businesses that provide economic opportunities for these persons.
- S. Equal Employment Opportunity.** If the contract amount is \$10,000 or more, the following conditions shall apply during the performance of this contract:
1. The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but is not limited to, employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post notices, provided by the municipality, in conspicuous places available to employees and applicants for employment, setting forth the provisions of this nondiscrimination clause.
  2. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.
  3. The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, notice to be provided advising the labor union or workers representative of the contractor's commitments under Section 202 Executive Order 11246 of September 24, 1965, and shall post copies of the notices in conspicuous places available to employees and applicants for employment.
  4. The contractor will furnish all information and reports by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor or the Secretary of Housing and Urban Development pursuant thereto, and will permit access to his books, records and accounts by the Secretary of Housing and Urban Development, or his designee, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
  5. In the event of the contractor's noncompliance with the nondiscrimination clause of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated or suspended, in whole or in part, and the contractor may be declared ineligible for further government contracts of federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies involved as provided in Executive Order 11246 or by rule or regulation by order of the Secretary of Labor or as otherwise provided by law.
  6. The contractor will include the provisions of paragraphs (a) through (f) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 202 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The



contractor will take such action with respect to any subcontract or purchase order as the property owner may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the property owner, the contractor may request the United States to enter into such litigation to protect the interest of the United States.

- T. Certification of Non-segregated Facilities.** The building contractor certifies that he does not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. The bidding contractor certifies that he will not maintain or provide segregated facilities for his employees at any of his establishments, and that he will not permit his employees to perform their services at any location under his control where segregated facilities are maintained. The bidding contractor agrees that a breach of this certification will be a violation of the Equal Opportunity clause in any contract resulting from acceptance of this bid. As used in this certification, the term **segregated facilities** means: any waiting rooms, work areas, restrooms, restaurants, any other eating areas, time clocks, etc. The bidding contractor agrees that, except where he has obtained identical certification from proposed subcontractors for specific time periods, he will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000, which are not exempt from the provisions of the Equal Opportunity clause, and he will retain such certification in his file.
- U. Clean Up.** The contractor is required to keep the premises clean and orderly during the course of the work and to remove all debris at the completion of the work. Clean up and removal of all debris and materials resulting from his work shall be the responsibility of the contractor who will, upon completion of his work, leave the premises in clean condition. Remove from site all construction materials, tools and debris. Sweep clean all exterior work areas. Vacuum all interior work areas, removing all visible dust, stains, labels and tags. Clean all windows referenced in specifications.
- V. Statewide Uniform Construction Codes Act.** The General Contractor and his subcontractors are legally obligated to comply with all applicable state and local codes.

## REHABILITATION STANDARDS AND SPECIFICATIONS

Written Rehabilitation Standards establish the standards for the actual rehabilitation work that will bring substandard housing into compliance with the property standard and code(s). The Written Rehabilitation Standards prescribe the method and materials to be used in the rehabilitation of the property. The Written Rehabilitation Standards are sometimes referred to as “specs” or “specifications” and include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc.

The Written Rehabilitation Standards provide a common basis for contractor bids. This commonality is particularly important because by ensuring that all contractors are bidding on work using identical methods and materials, the State Recipient or Subrecipient can make an accurate determination of the cost reasonableness of bids. By holding all contractors to a single rehabilitation standard, consistent and high quality rehabilitation is assured.

Applicants must adhere to the methods and materials set forth in these Written Rehabilitation Standards as set forth in the Policy and Procedures, CHIP Manuals, and the HOME Final Rule, and as adopted by the State Recipient or Subrecipient.



## **GENERAL REQUIREMENTS**

### **State Certification**

All contractors or subcontractors engaged in the practice of electrical contracting, plumbing contracting, low-voltage contracting, heating and cooling contracting, or the installation, alteration, and/or repair of plumbing, HVAC, electrical, or low-voltage wiring systems are required to be licensed by the State of Georgia Construction Industry licensing board.

### **CONSTRUCTION DEFINITIONS**

- **Install** means: to purchase, set up, test and warrant a new component.
- **Replace** means: to remove and dispose of original material, purchase new material, deliver, install, test and warrant.
- **Repair** means: to return a building component to like new condition through replacement, adjustment and recoating of parts.
- **Reinstall** means: to remove, clean, store and install a component.

### **VERIFY QUANTITIES/MEASUREMENTS**

All quantities stated in the attached specifications for this address using units of measure other than Each (EA), Room (RM) or Dwelling Unit (DU) (e.g. SF of Drywall) are for the contractor's convenience and must be verified by the contractor at a mandatory site inspection prior to bid submission. All quantities stated in the units of measure Each (EA), Room (RM) or Dwelling Unit (DU) are as stated. Discrepancies in quantities found by the contractor must be communicated to the Housing Rehabilitation Specialist prior to the submission of a bid. Claims for additional funds due to discrepancies in quantities shall not be honored if submitted after the bid submission.

### **ELECTRICAL PERMIT REQUIRED**

Prior to the start of work, the contractor shall create any documentation necessary to apply for, pay for and receive an electrical permit on behalf of the owner.

### **PLUMBING PERMIT REQUIRED**

Prior to the start of work, the contractor shall: create a riser diagram, septic layout and all other documentation needed to apply for, pay for and receive a plumbing permit on behalf of the owner.

### **HVAC PERMIT REQUIRED**

Prior to the start of the heating/cooling work, the contractor shall create a heating distribution layout and perform heat/cooling loss calculations and all other documentation needed to apply for, pay for and receive an HVAC permit on behalf of the owner.

### **CONTRACTOR PRE-BID SITE VISIT**

The contractor must inspect the property. Submission of a bid is presumptive evidence that the bidder has thoroughly examined the site and is conversant with the requirements of the local jurisdiction.

### **WORK TIMES**

Contractors and their sub-contractors shall schedule working hours between 8:00 am and 6:00 pm Monday through Friday. Requests to work on weekends and before or after these hours must be approved by the homeowner.

### **NEW MATERIALS REQUIRED**



All materials used in connection with this work write-up are to be new, of first quality and without defects - unless stated otherwise or pre-approved by Owner and Construction Specialist.

**FINAL CLEAN**

Remove from site all construction materials, tools and debris. Sweep clean all exterior work areas. Vacuum all interior work areas, removing all visible dust, stains, labels and tags. Clean all windows referenced in specifications.

**1 YEAR GENERAL WARRANTY**

Contractor shall remedy any defect due to faulty material or workmanship and pay for all damage to other work resulting there from, which appear within one year from final payment. Further, contractor shall furnish owner with all manufacturers' and suppliers' written warranties covering items furnished under this contract prior to release of the final payment.

**SITE WORK**

**FENCE, CHAIN-LINK 4' HIGH**

Dispose of any existing fence. Install a 4' high, galvanized, chain-link fence using 11-gauge wire, 1-5/8" line posts and 2" corner posts on 10' centers, with a 1-3/8" top rail. Gate posts shall be 2-1/2". Set posts at least 36" deep in a 9" diameter concrete sleeve. Installation of sections shall be in a straight line unless otherwise stated.

**GATE, CHAIN-LINK 4' HIGH**

Hang a 4' high, 42-inch wide, 11-gauge galvanized gate with a 1 3/8" frame, two off- set type hinges and latch.

**FENCE, STOCKADE 6' HIGH**

Dispose of any existing fence. Install a 6" high wood stockade fence. Use all preservative treated lumber, 4"x4" ground contact rated posts set at least 36" deep in 9" diameter concrete sleeves 8' on center. 2"x4" top and bottom rails, 1"x3" split rail fence boards. Installation of sections shall be in a straight line unless otherwise stated.

**SOD**

Finish grade and lay 1" deep sod on prepared ground. Rototill, rake out debris and fertilize with 10-10-10 roll and water to saturation.

**TREE, PLANT**

Contact "One Call" prior to locating the tree to identify the location of underground utilities. Do not plant the tree close to underground or overhead utilities. Locate the tree at least 20 feet away from any building. Mark out a planting area four times wider than the root ball diameter. Loosen this area to an 8-inch depth. In the center of the planting area, dig a hole at least twice as wide as the root ball and no deeper than the depth of the soil in the root ball. The bottom of the ball should rest on solid, undisturbed soil. When finished the soil at the base of the tree must be at the same level as the tree was in the container. Plant a 1-1/2 inch caliper Live oak (requires significant room to grow), Bald cypress (suitable for wet sites), crape myrtle, winged elm, magnolia, red oak (avoid in high clay content soils), or American holly including staking and a 3" mulch except at the trunk where the soil must be exposed a minimum of four inches.



**GROUND COVER, PACHYSANDRA**

Plant pachysandra ground cover in prepared bed, 12" on center in all directions.

**REMOVE TREE AND GRIND STUMP**

Cut and remove tree to legal dump. Grind stump to 12" below grade. Install topsoil and reseed all disturbed areas.

**LANDSCAPING ALLOWANCE**

The following allowance is provided to the contractor as a limit to the level of work required for the specified landscaping work.

**DEMOLITION & DISPOSAL**

**DEMO OUTBUILDING**

Disconnect and cap off all electrical and plumbing services. Demolish outbuilding to 12" below grade and dispose of debris in code legal dump. Rake yard clean including nails and glass. The contractor shall protect and secure from damage all other structures, sidewalks, paved areas, shrubbery, and lawn areas.

**DEMO PORCH**

Demolish entire porch including roof, columns/posts, deck, railing/walls, substructure, lattice and steps and dispose of in code legal dump. Rake yard clean. Patch trim and siding matching as closely as possible in like kind.

**HAUL DEBRIS TO LANDFILL**

Remove, temporarily store on site, and legally dispose of all debris resulting from construction activities. Interior shall be vacuumed clean, yard raked and free of glass, nails and lead suspect paint chips.

**CONCRETE & PAVING**

**STEPS, REPAIR CONCRETE**

The following allowance is provided to the contractor as a limit to the level of repairs required to the specified concrete step(s).

**STEPS AND LANDINGS, CONCRETE**

Excavate, level & compact to 85% a well drained subgrade. Reinforce with 6x6 welded wire fabric. Form and pour 4000-psi, 3% air entrained, concrete steps on 12"x12" continuous footing, leading to a 4'x5' landing. Steps shall be uniform and even, 3' wide, 7-3/4" rise and 10" run. Cure with a sprayable membrane. Broom finish across direction of traffic and remove forms.

**DEMO CONCRETE**

Break up concrete and remove off site to code legal dump.

**FOOTING, PIER**



Excavate a square, straight sided 4' deep hole below the frost line to solid bearing. Pour a 24" x24"x18" pier footing. Cast a rod to anchor pier.

**CONCRETE SLAB, PATCH**

Break up deteriorated slab section. Grade and compact soil to 95%. Apply a bonding agent per manufacturer's specs on exposed concrete. Pour a 4", 2200 psi concrete slab to match elevation of surrounding slab. Float and steel trowel finish.

**CONCRETE REPAIR, OVERLAY**

Remove portions of deteriorating concrete to solid surface or 1/2" minimum depth. Clean, acid wash and thoroughly rinse area. Apply a latex bonding agent per the manufacturer's specs. Resurface with a plastic, patching cement mixture. Finish to match surrounding surface.

**MASONRY**

**FOUNDATON, PARGET**

Remove all loose broken and deteriorated material. Parget foundation wall with 3/8" coat of waterproof cement. Match existing finish as closely as possible.

**FOUNDATION VENT, SMALL**

Install an operable galvanized steel foundation vent protected by heavy gauge steel screening with at least 45-square-inches of free open space.

**FOUNDATION VENT, LARGE**

Install an operable galvanized steel foundation vent protected by heavy gauge steel screening with at least 100-square-inches of free open space.

**FOUNDATION VENT SCREEN, REPLACE**

Replace foundation vent screen with heavy duty galvanized steel screening.

**BLOCK WALL REPAIR**

Remove damaged block and patch wall by tooling replacement block of same dimensions into wall.

**GLASS BLOCK**

Block opening with 6"x 6"x 4" thick glass block with tooled joints on both sides.

**MASONRY, CLEAN**

Remove stains, graffiti and dirt from masonry wall using high pressure water and chemical mix.

**MASONRY, REPOINT**

Cut out mortar at least 1/2". Remove all loose material with clear water. Saturate joints with water and repoint in 1/ 2" lifts using portland cement mortar. Reinstall flashing, tool concave joints and clean brick face.

**BRICK WALL REPAIR**

Remove damaged brick and tooth replacement brick into wall. Match brick and tooling as closely as possible.

**CHIMNEY, RE-POINT**



Repair chimney above roof area by cutting out mortar at least 1/2", removing all loose material, and re-pointing using portland cement mortar. Saturate joints with water before applying mortar. Match color as closely as possible. Replace all missing and defective materials with matching materials. Clean mortar and other debris from adjoining surfaces and gutter.

**CHIMNEY CAP**

Replace chimney cap with a 2'x2' precast, concrete cap cemented in place.

**MASONRY CHIMNEY, REBUILD**

Tear down chimney to below lowest point on roof. Rebuild chimney using new 4" thick solid bricks without cored holes. Color of brick to match existing as close as possible. Chimney to a height required by the Building Code. Install roof flashing, chimney cap and terra cotta flue liner.



## METAL WORK

### METAL GUARD RAIL, WROUGHT

Design, fabricate, prime, topcoat and install a one-piece steel railing of 2" flat top and bottom rails and 1/4" balustrades 6" on center.

## CARPENTRY

### FLOOR, TONGUE AND GROOVE

Chisel out damaged flooring, stagger end joints at least 6". Blind nail where possible using tongue and groove wood strip flooring to match original as closely as possible. Apply 3 coats of floor varnish to patched area.

### FLOOR, BAMBOO T&G

Prepare floor by renailling deck tightly to joists with screw shank nails, 8" OC. Install prefinished tongue and groove bamboo, with moisture content of 6-8% using a flooring nailer. Apply one coat of polyurethane floor coating. Install finger-jointed ranch baseboard and 3/4" oak shoe molding with finish nails or tee headed brads.

### BASEBOARD, RANCH

Install finger jointed 9/16" x 3-1/2" ranch base with finish nails or tee headed brads.

### BASEBOARD, 1"X4"

Install 1"x4", #2-grade pine base with finish nails or tee headed brads.

### SHOE MOLDING

Install pine shoe molding nailed 2' on center to create the tightest possible seal between the baseboard and floor using finish nails or tee headed brads.

### RAILING, WOOD REPAIR

Tighten loose balusters and replace broken and missing ones. Tighten top and bottom rails and posts. Match existing parts with replacements as closely as possible.

### TREAD REPLACEMENT, INTERIOR

Chisel out damaged tread. Install nailers on each stringer for replacement tread. Install 5/4" pine stepping stock tread with glue and screw shank nails.

### HANDRAIL BRACE

Install brass handrail brace screwed directly to stud and handrail.

### HANDRAIL, REPLACE INTERIOR

Install 2" round hardwood handrail with braces screwed to studs and handrail.

### HANDRAIL WITH BALUSTERS

Install oak handrail and newel post, and pine turned balusters 6" on center.

### STAIRCASE, INTERIOR CLOSED



Remove closed staircase and dispose of in code legal dump. Resize opening to accept a 36" wide prefabricated staircase. Double all headers with 2" stock. Install staircase with white pine stepping stock treads, balusters, and railing. Apply 2 coats of clear finish to all exposed wood and trim.

**STAIRCASE, REPLACE BASEMENT**

Dispose of entire basement staircase and handrail. Construct an open staircase using 2"x12" pine stringers and 5/4" pine stepping stock treads. Install wood handrail, one side, 32" above tread nosing. Stringers to rest on a 2"x12" preservative treated pine sill.

**SIDING, CLAPBOARD REPLACE**

Remove damaged siding to the joint over nearest stud. Apply matching pine siding to walls with galvanized nails. Break all seams over studs. Prime ready for topcoat.

**SIDING, CEDAR SHINGLE REPAIR**

Remove damaged and deteriorated shingles. Install 18" #1 cedar shingles with an 8" exposure using aluminum or galvanized nails.

**SIDING, VINYL**

Hang Alside Conquest vinyl clapboard siding including all cornice, corner, door and window trim after replacing all deteriorated exterior building components. Wrap home with Tyvek vapor/ infiltration barrier and apply owner's choice of siding color, exposure and texture with 50 year warranty.

**TRIM, WRAP WITH VINYL**

Replace missing or rotten trim with dimensional pine stock. Wrap all exposed trim with vinyl, including required starter pieces.

**SIDING, ALUMINUM REPAIR**

Secure aluminum siding and replace missing or damaged siding, matching existing as closely as possible. Use pop rivets, if needed.

**STUCCO, PATCH**

Remove damaged stucco and wire, attach new wire to patch area and apply scratch, brown and color coats. Feather patch into the surrounding surface. Match existing color as closely as possible.

**SIDING, REPAIR CEMENT SHINGLES**

Replace all damaged and missing cement shingles with fiberglass-cement shingles with matching edge detail. Use galvanized 6d nails and caulk all seams at openings and trim.

**SASH LOCK**

Screw a brass plated sash lock on double hung window to tightly draw sash together.

**SASH CORDS**

Install nylon reinforced cotton sash cords or chain to sash and counterweights.

**WINDOW REPAIR**

Repair window without replacing sash. Replace broken and cracked glass with double strength glass. Remove loose glazing compound and reglaze. Repair and adjust window to open and close smoothly,



with brass plated lifts and locks, and sash chains or nylon reinforced cords. Raise the top sash, secure it in place with exposed finish nails or screws and caulk.

**GLASS REPLACE, WOOD SASH**

Remove broken pane of glass, glazing and points. Install double strength glass, points and glazing compound ready for paint.

**GLASS BLOCK**

Install 4" thick glass block in opening, per manufacturer's specs, tool joints, install expansion spacers around perimeter and mortar to existing foundation or framing. Trim exterior and interior to match existing.

**TRIM, WINDOW SET, INTERIOR**

Trim window including header, stops, casings, stool and apron in 2-1/2" wide finger jointed pine.

**WOOD SASH, SINGLE GLAZED**

Field measure, order and install a single glazed replacement sash matching existing mullion configuration, including vinyl replacement channels. Prime both sides.

**WOOD SASH, DOUBLE GLAZED**

Field measure, order and install a double glazed replacement sash that matches the existing million configuration including vinyl replacement channels. Prime both sides.

**WINDOW, WOOD DBL HNG/SGL GLZ**

Dispose of and replace a wood, double hung, single glazed, one-over-one window and jamb, complete with screen, snap-in mullion, hardware, weatherstripping, interior stool, apron, casing, and outside casing. Prime before installation. Repair all walls disturbed by removal and installation. Paint enamel both sides. Clean glass. In bathroom, use obscure glass.

**WINDOW, WOOD DBL HNG/DBL GLZ**

Dispose of window unit and install a wood, double hung, double glazed, one-over-one window and jamb complete with screen, snap-in mullion, hardware, weatherstripping, interior stool, apron, casing, and outside casing. Prime before installation. Repair all walls disturbed by removal and installation. Paint acrylic on both sides. Clean glass. In bathroom, use obscure glass.

**WINDOW, WOOD DBL HNG/DBL GLZ, REPLACEMENT PAC**

Replace existing window unit with a wood, exterior aluminum clad, double hung, double glazed, one-over-one replacement window kit complete with 2 sashes, insulated and weather stripped vinyl jamb liners, screen, hardware, and weather-stripping. Use Marvin Tilt Pac Kit or Kolbe and Kolbe Classic Replacement Sash Kit. Repair all walls disturbed by removal and installation. Clean glass. In bathroom, use obscure glass.

**WINDOW, WOOD BASEMENT UNIT**

Dispose of basement window unit. Install a single-lite window, plumb and level, back primed, caulked. Repair masonry as necessary to complete installation. Provide screen and storm insert.

**WINDOW, VINYL DOUBLE HUNG/DOUBLE GLAZE**

Field measure, order and install a vinyl, double hung, double glazed, one-over-one window and jamb including screen, caulk, interior casing and exterior trim. Install half screen.



**STORM WINDOW, ALUMINUM**

Field measure, fabricate, caulk and install an enameled, white aluminum, double hung, triple track storm window with fiberglass screen. Storm window meeting rails must align with meeting rails on prime window and weep holes must drain.

**DOOR, REWORK EXTERIOR**

Plane, sand, adjust and/or repair exterior door and jamb to assure weather tight, smoothly operating door and lock set.

**DOOR CASING, REPLACE**

Dispose of all cracked, split or damaged door casing. Install casing to match existing as closely as possible. Include drip cap.

**DOOR, REPLACE ENTRANCE HARDWARE**

Replace exterior door mortise lock with a "Weslock Modernizer" or equal. Install double cylinder mortised deadbolt. Locks shall be keyed alike. Provide 2 sets of keys to the owner.

**DOOR, EXTERIOR FLUSH, SOLID CORE**

Install a 1-5/8" solid core, flush panel, exterior wood door with entrance lock set, and mortised dead bolt keyed alike. Include three 3"x4" butt hinges, vinyl bulb threshold, spring metal weather-stripping, and wide angle peep sight. Prime and topcoat.

**DOOR, EXTERIOR PANELED**

Install a 1-5/8" 4-panel, exterior wood door with entrance lock set and mortised dead bolt keyed alike. Include three 3"x4" butt hinges, interlocking threshold, spring metal weather-stripping, and wide angle peep sight. Prime and topcoat.

**DOOR, PRE-HUNG METAL ENTRANCE**

Dispose of door and frame. Install a pre-hung metal, insulated, 6-panel entrance door and jamb including interior and exterior casing, spring metal weather-stripping, interlocking threshold, one entrance and one mortised deadbolt keyed alike. Prime and topcoat.

**DOOR, CRAWL SPACE ACCESS**

Install a 3/4" CDX plywood access door in a 2"x4" preservative treated frame. Provide galvanized iron hinges and hasp.

**SCREEN DOOR-WOODEN**

Replace screen door with wood framed screen door, wood paneled lower half, screen on top half. Include closer and screen door type latch-set. Prime and paint.

**STORM DOOR, ALUMINUM**

Install an aluminum combination storm and screen door with white baked enamel aluminum finish and top chain.

**DOOR, REMOVE**

Dispose of interior door. Remove butts. Fill holes in jamb. Sand smooth.

**RE-WORK INTERIOR DOOR**



Re-hang door. Adjust door and lock set to operate properly. If door rubs carpeting, trim bottom of door to clear carpeting.

**PASSAGE LOCK**

Install a brass-plated, 2-1/2" back-set doorknob set.

**LOCKSET, BEDROOM**

Install a backset, brass plated privacy lock set.

**LOCKSET, BATHROOM**

Install a backset, privacy lock set with a brass plated exterior knob and a chrome plated interior knob.

**DOORSTOP, BASEBOARD MOUNT**

Install a baseboard mounted, solid metal doorstop.

**TRIM, DOOR SET FINGER JOINTED**

Trim both sides of interior door, including header, stops, and casings. Use 2-1/2" wide clamshell, finger-jointed pine.

**TRIM, DOOR SET 1"X4"**

Trim both sides of interior door, including header, stops and casings. Use 1"x4", 2 grade pine or better.

**DOOR, FLUSH INT, HOLLOW CORE**

Install flush, hollow-core, door on existing jamb. Include privacy lock set and 2 butt hinges.

**DOOR, PRE-HUNG PASSAGE**

Install a 1-3/8" pre-hung, flush, luaun door and split jamb including casing both sides, 2 butt hinges and a privacy lock set.

**DOOR, WOOD BIFOLD**

Hang a flush, hollow core, wood bifold door including overhead track, all hardware and casing on one side, plumb and centered within the opening.

**ATTIC ACCESS**

Cut and frame an attic access hatch of 3/8" plywood at least 74"x24". Trim with casing to match room, prime topcoat, weather-strip with closed cell foam and insulate with 1" closed-cell polystyrene.

**DECK JOIST, 2"X 6" PTP**

Install 2"x 6" preservative treated pine joist, level, crown up.

**DECK, TONGUE-AND-GROOVE**

Install 3/4" yellow pine tongue-and-groove decking to existing joists with concealed galvanized nails to match existing material.

**POST, 4"X 4"**

Support porch roof and remove damaged post. Replace damaged deck with matching 1" pine strip flooring. Install 4"x 4" preservative treated post on a 2"x 8"x 8" PTP plinth block.



**PORCH CEILING, 1/4" BC PLYWOOD**

Cover porch ceiling with 1/4" BCX plywood. Install cove molding at perimeter and 2" wide batten strips at seams.

**PORCH CEILING, T&G**

Dispose of damaged ceiling material. Install tongue-and-groove stripping, blind nailed to joists.

**PORCH GUARD RAIL REPAIR-WOOD**

Replace missing or defective balusters, support posts and railing with same size stock.

**WOOD STAIR HANDRAIL, REPLACE EXT**

Install preservative treated, code approved, grab-able handrail supported by 4"x 4" treated posts, 4' on center. Rail to be free from cracks, splinters, and rough edges. Set first post in a 12"x 8"x 12" concrete sleeve, bolt remaining posts to stringer with 7" lags.

**GUARD RAIL, WOOD**

Dispose of any existing railing. Construct a preservative treated pine railing using 2"x 4" top and bottom rails, and 2"x 2" balusters face nailed 6" on center. Create a 3'6" high railing between 4"x 4" end posts.

**PORCH LATTICE, REPLACE**

Dispose of any existing lattice around porch crawl space. Frame opening with 1"x 4" preservative treated pine with vertical members 24" on center. Install 1/4"x 2" pine lattice on frame.

**PORCH, REBUILD**

Remove deteriorated porch. Construct 12"x 12" masonry piers, 2"x 10" joists with 1/2" tongue and groove flooring to support child-proof wood railing and 4"x 4" posts for roof. Construct roof structure with 2"x 6" rafters, 1/2" plywood deck, fiberglass shingles, aluminum gutter and downspouts and 1/4" plywood ceiling. Structural lumber and deck shall be preservative treated.

**TREAD REPLACEMENT, EXTERIOR**

Dispose of damaged tread. Install 1-5/8" preservative treated pine stepping stock with screw shank nails.

**STEPS/LANDING, REPLACE EXTERIOR**

Dispose of existing steps and landing. Construct a replacement unit with two 2"x 12" preservative treated pine stringers, 5/4" PTP stepping stock treads, on a solid concrete footer. Frame stairs 3' wide connecting to a 5'x 6' landing of 2"x 6"s and 2"x 4" deck. Construct a wood handrail on one side 32" above tread nosing.

**TUB SURROUND, PREFAB**

Install a white fiberglass or acrylic, 3- or 5-piece, tub surround kit with a built-in soap dish. Caulk all joints with white, mildew resistant silicone caulk. Prepare substrate and attach panels using manufacturers' recommended adhesive and fasteners.

**CABINETS, REPAIR**

Repair base and hanging cabinets by re-hanging plumb and level and replacing missing hardware, doors and drawers. Securely refasten loose hardware. Clean all surfaces with heavy duty detergent.



#### **TOWEL BAR**

Install a 16" chrome-plated steel towel bar, screwed securely to studs.

#### **MEDICINE CABINET, SURF MOUNT**

Install a 16"x22" metal, surface mounted medicine cabinet with hinged plate glass mirror and two shelves.

#### **ACCESSORY SET, 6-PIECE CHROME**

Install a chrome-plated steel bathroom accessory set consisting of two 24" towel bars, soap dish, tumbler holder, soap and grab, and toilet paper holder. \$55 allowance per set.

#### **HOUSE NUMBER SET**

Install 3" high metal or PVC house numbers on a 1"x 4" pine backer-board painted with 2 coats of low-VOC exterior white latex paint.

#### **MAILBOX**

Dispose of mailbox and install a steel, black enamel finish, letter-size mailbox with magazine rack and lock-eye for padlock.

#### **CLOSET POLE**

Field measure and install 1-1/2" diameter wood closet pole and sockets.

#### **CLOSET SHELF**

Install 1"x 12" closet shelf of #2 grade pine or B/C plywood, from wall to wall, supported on three sides by hook strip. If more than 4' span, use center support bracket. If plywood, fill all cracks, holes and front edge cuts with putty, and sand smooth.

#### **TUB END WALL**

Frame a 2"x 4", 30" wide partition at tub end for full ceiling height. Provide blocking for showerhead fitting and a 2'x 2' access panel. Hang water resistant drywall, tape and finish with 3 coats of compound. Use metal corner bead around access panel opening. Make stops for access panel and use 4 round-headed screws to install panel of 1/2" BCX plywood with smooth, sanded edges.

#### **CLOSET, BEDROOM**

Construct a 28" deep by 4' wide closet in bedroom along wall. Hang, tape and 3 coat finish 1/2" gypsum to both sides of the 2"x 3" framing. Hang a 3'x 6'8" louvered pine bi-fold door including overhead track and hardware. Install a 1"x 12" plywood shelf, 1-3/8" hanger rod and 1"x 4" interior base. Match exterior base to room. Prep and prime ready to paint.

### **ROOFING & SHEET METAL**

#### **4410 RAFTER, SISTER 2"X 8"**

Sister a 2"x 8" to damaged rafter using a triangulated nailing pattern and cement coated nails, 8" on center.

#### **RAFTER, 2"X 8" REPLACE**

Dispose of existing roofing and defective rafter. Install a 2"x 8" pine rafter, crown up, from ridge board to fascia. Re-nail sheathing with coated sinkers to new rafter.



**FRAME ROOF, PITCHED**

Frame roof structure to match existing pitch with pre-engineered trusses or rafters sized to local code. Install 3/8" plywood deck with clips 2' on center, nailed 6" on center.

**FRAME ROOF, FLAT 2"X 8"**

Frame roof structure for flat roof using 2"x8" pine, 16" on center and 1/2" CDX sheathing.

**ROOF SHEATHING 1/2"**

Install 1/2" CDX plywood sheathing nailed 8" on center using plywood clips.

**ROOF, REPAIR AND RE-COAT**

Cut out and repair bubbles, reinstall flashing and hot mop roof with 1-1/2 pounds of asphalt per square foot to provide a leak free installation for 3 years.

**ROOF, 3-PLY BUILT-UP**

Remove gravel and debris. Install a 3-ply built-up fiberglass roof of one coated glass base sheet and two plies of Type IV fiberglass, hot mopped. Install gravel stop, flashing and vent collars with .019 aluminum. Flood coat & embed aggregate. Dispose of all debris from roof and yard. Provide a 10 year warranty.

**ROOF, 90 LB. ROLL**

Install 90 lb. mineralized fiberglass roll roofing using a 4" minimum overlap, nailed 6" on center with asphalt roofing cement per manufacturer's specs. Replace all flashing with .019 aluminum.

**STRIP ROOF TO SHEATHING**

Protect the building and plant material from damage by removal of existing roofing. Remove all roof materials down to the roof deck and remove or set all nails. Properly dispose of roofing materials.

**ROOF-OVER, FIBERGLASS SHINGLE**

Roof-over original roof using 220 lb. self-sealing, fiberglass/asphalt, strip shingles with a 25-year warranty. Replace defective flashing with .019 aluminum. Color choice by owner.

**TEAR OFF AND RE-ROOF SHINGLES**

Remove and dispose of all roofing & defective sheathing. Cut a 1" wide vent at ridge board. Replace up to 5 SF of sheathing per 100 SF of roof using pine board or CDX plywood of matching thickness. Staple 15 lb. felt. Install preformed white aluminum, drip edge, and vent pipe boots. Install 220 lb. fiberglass asphalt, 3 tab shingles with a 25 yr warranty. Replace all flashing. Install shingle-over ridge vent.

**REROOF, 1/2" DECK/FIBERGLASS SHINGLE**

Remove roof to deck. Install 1/2" CDX plywood over entire roof. Install 36 inch wide strips of Grace Ice and Water Shield at the eaves and in the valleys. Install 15 lb. felt as underlayment on the remainder of the decking. Install Owens Corning self-sealing, 25 year warranty fiberglass/ asphalt strip shingles. Replace all flashing, including valleys, with .019 aluminum. Install step flashing at all wall junctures. Color choice by owner.

**FLASH CHIMNEY**



Step flash top and down sides of chimney 1/2" into mortar joints using .027 aluminum or copper. Counter flash completed assembly with aluminum or modified bitumen. Guarantee assembly from leaks for 10 years.

**GUTTER, 5" SEAMLESS ALUMINUM**

Dispose of gutter. Install 5", K- type, seamless, .027 gauge aluminum gutter to service roof. White or brown color choice by owner.

**DOWNSPOUT, 5" SEAMLESS ALUMINUM**

Dispose of existing downspout. Install 5", square, seamless, .027 gauge, white, aluminum downspout. Strap at least 3' on center.

**SPLASH BLOCK**

Place concrete or plastic splash block at end of downspout directing the storm water away from the building.

**VENT, ALUMINUM RIDGE**

Install mill finish, aluminum ridge vent per manufacturer's specs.

**RIDGE VENT, SHINGLE OVER**

Cut vent slot into roof deck and install, per manufacturer's specifications, a shingle-over ridge vent with screening or a corrugated construction to prohibit entry by insects.

**4715 VENT, GABLE**

Install a screened, aluminum, rectangular or square gable vent with at least 4 square feet of free air space.

**4722 VENT, DRIP EDGE**

Install "Air Vent" Air Pro Flow™ Vented Drip Edge.  
<http://www.airvent.com/professional/products/intake-ventedDE.shtml>

**4723 VENT, SOFFIT, CONTINUOUS**

Install "Air Vent" aluminum soffit vent models SV201 or SV202.  
<http://www.airvent.com/pdf/installation/ContinuousSoffit-install.pdf>

**VENT, SOFFIT, RECTANGULAR**

Cut a hole in the soffit and install an aluminum 4"x 16"screened, rectangular soffit vent with a factory applied finish and fastened with screws of a matching color.

**ROOF VENTILATION, COMBINED SOFFIT AND RIDGE**

Install 1 SF of combined continuous soffit and ridge ventilation Soffit ventilation for every 300 SF of attic floor area. Use "Air Vent" aluminum soffit vent models SV201 or SV202 and "Shingle Over" style Ridge ventilation. 40% of the total required ventilation must be provided by the free air space rating of Ridge vents. 60% of the total required ventilation must be provided by the free air space rating of Soffit vents. All vents must be screened or be of a corrugated construction to prevent the intrusion of insects and if exposed must have a factory applied finish.

**VENT, CUSTOM**



### **ROOF FLASHING, REPAIR**

Inspect, clean and reinstall copper or aluminum flashing to create a leak free seam. Seal all exposed nails with roofing cement.

### **FASCIA 1"X 6"**

Install a 1"x 6", #2 pine fascia with bevel cut joints using galvanized finish nails. Caulk over joints, and prime.

### **SOFFIT**

Install 3/8" BCX plywood soffit.

## **CONSERVATION**

### **WEATHER-STRIP WINDOW**

Weather-strip both sash of double hung window with spring zinc or bronze weather-stripping to create a positive seal.

### **WEATHER-STRIP DOOR**

Weather-strip wood door with spring bronze and a vinyl door sweep.

### **INSULATE WALL, R-13 BATT**

Staple 3-1/2" thick, R-13, foil faced fiberglass roll insulation to studs per manufacturer's specifications.

### **INSULATE WALL, R-19 BATT**

Staple 6" thick, R-19, foil faced fiberglass wall insulation to studs per manufacturer's specifications.

### **INSULATE CEILING, R-30 BATT**

Loose lay 12" thick R-30 unfaced fiberglass batts between the ceiling joists carefully fitting the fiberglass around obstructions such as wires, pipes ductwork and building components to insure a consistent and continuous R30 rating.

### **VAPOR BARRIER, CRAWL SPACE**

Lay 6 mil poly vapor barrier on ground in crawl space and 6" up foundation walls. Overlap seams by 2' and secure with duct tape.

### **SEAL AND INSULATE, CRAWL SPACE**

Install a 6-mil poly vapor barrier on ground in crawl space and up foundation walls to the top of the masonry leaving an inspection gap of 3 inches between the lowest wood component and the plastic. Fasten the plastic to the masonry wall with mechanical fasteners and large washers and seal the plastic to the masonry with Low VOC caulking rated to adhere plastic. Overlap seams in the plastic by 2 feet and seal the seams with fiberglass mesh tape and mastic. The end product will provide a water and airtight seal between the interior of the crawl space and the walls and floor of the crawl space and all penetrations including, but not limited to those created by plumbing, electrical and HVAC equipment, will be sealed tight. After the plastic vapor barrier has been inspected and approved by the Housing Rehabilitation Specialist responsible for this property, install a minimum R13 of Dow THERMAX foam board on the outside walls of the crawl space sealing the seams between the boards with foil tape approved by Dow for use with THERMAX. The layer of THERMAX shall be complete without voids and any gaps shall be sealed with polyurethane foam sealant.



### **INSULATE DUCT, FIBERGLASS**

Wrap ducts/pipes with 1-1/2" foil scrim R-4 fiberglass insulation. Secure and seal all seams with duct tape.

### **DRYWALL & PLASTER**

#### **DRYWALL, RE-NAIL & RE-TAPE**

Re-nail or screw gypsum surface 6" on center. Scrape seams and nail pops. Using fiberglass mesh, cut out seam and re-tape where tape is missing, damaged or bubbled. Finish with 2 coats of compound, wet sand, ready for paint.

#### **DRYWALL, PATCH, LARGE**

Cut back defective gypsum to expose half of the studs on each side of the hole. Cut and tightly fit drywall patch. Glue and nail or screw patch. Apply tape and 3 coats of compound feathered out at least 8". Sand ready for paint.

#### **LAMINATE 3/8" DRYWALL**

Hang 3/8" gypsum over wall or ceiling surface with screws 8" on center and a bead of construction adhesive 20" on center. Butt drywall to door and window casing and apply J channel molding. Remove top molding from 3-piece base and reinstall after surface is paint-ready. Tape, 3-coat finish and sand ready for paint.

#### **DRYWALL, LAMINATE WATER RESIST**

Hang 1/2" water resistant drywall over existing surface with screws 8" on center and 3/8" adhesive beads 16" on center. Remove top molding from 3-piece base. Butt drywall to door and window casing. Tape, 3-coat finish, and sand ready for paint. Install 3/8" ogee or shoe molding.

#### **DRYWALL, 1/2"**

Hang, tape and 3-coat finish 1/2" drywall. Apply a 3/8" bead of adhesive to each framing member and screw or nail 8" on center. Run boards with long dimension horizontal. Wet sand ready for paint.

#### **DRYWALL, WATER RESISTANT**

Hang, tape and 3-coat finish 1/2" water resistant drywall in wet area. Apply a 3/8" bead of adhesive to framing member and screw or nail 8" on center. Sand ready for paint.

#### **PATCH PLASTER**

Cut back damaged plaster. Cut out cracks 1/4" wide in a vee-joint. Re-nail all loose lath. Install 1/8" flat rib metal lath where wood is not reusable. Apply basecoat, allowing at least 1/16" for finish coat. After 24 hour cure, apply finish coat.



## **CERAMIC TILE**

### **CERAMIC TILE, REGROUT, CAULK**

Dig out loose grout 1/4". Remove all caulking and clean surface with mildew remover. Apply latex-portland grout and white, mildew resistant silicone caulk to all seams, fixture lips and pipe penetrations.

### **CERAMIC TILE, REPAIR**

Remove damaged tiles. Cut and thin set ceramic tile of matching color and size. Re-grout entire surface and apply mildew resistant white silicone caulk to all seams, fixture lips and pipe penetrations.

### **CERAMIC FLOOR TILE**

Using adhesive, lay owner's choice of \$3/sf ceramic floor tile over 1/2" reinforced cement board, screwed to subfloor. After at least 24 hours drying time, apply latex-portland grout. Clean floor and apply mildew resistant white silicone caulk to all edge seams and pipe penetrations. Install a 3" marble threshold at door.

## **PAINTING**

### **PREP & PAINT WOOD FLOOR**

Scrape and rough sand with 36-grit paper and a sanding stick, entire floor deck. Vacuum and tack-rag surface. Apply two coats owner's choice of premixed pigmented polyurethane floor finish, per manufacturer's recommendations.

### **PREP & PAINT EXTERIOR MASONRY**

Protect ground with drop cloth. Scrape or pressure wash all loose, peeling, cracked and blistered paint from surface. Spot prime with latex primer. Paint one topcoat with latex.

## **FLOORS**

### **VINYL TILE FLOOR, REPAIR**

Remove damaged floor tiles, clean adhesive from deck. Install tiles per manufacturer's recommendations to match original – in style, pattern and color – as closely as possible.

### **UNDERLAY AND VINYL TILE**

Install 1/4" underlayment grade plywood using 7d screw shank or cement coated nails, or narrow crown staples, 6" on center allowing a 1/4" gap at wall. Lay 12"x12"x1/8" vinyl composition tile, color group B as made by Armstrong or Azrock, per manufacturer's recommendations. Square to room axis. Include metal edge strips at openings and shoe molding or 4" vinyl base around perimeter. Owner's choice of in-stock color.

### **VINYL SHEET GOODS**

Re-fasten all loose and warped underlayment and fill voids with patching compound. Install 070" vinyl sheet goods with a minimum of seams per manufacturer's recommendations. Caulk edges of vinyl with clear silicone. Install metal edge strips in openings and shoe molding or 4" vinyl base around perimeter. Owner's choice of in-stock color.

### **UNDERLAY & VINYL SHEET GOODS**



Install 1/4" underlayment grade plywood, using 7d screw shank or cement coated nails, or narrow crown staples, 6" on center allowing a 1/4" gap at wall. Install 070" thick, backed vinyl sheet goods w/ minimum seams, per manufacturer's recommendations. Caulk edges of vinyl w/clear silicone caulk to create positive seal. Install metal edge strips in openings & shoe molding or 4" vinyl base around perimeter.

**CARPET AND PAD, REMOVE**

Remove carpet, pad, metal edge strips and tack strips to a code legal dump.

**HEAT & AIR**

**BURNER MAINTENANCE**

Clean burner and combustion chamber, inspect and replace nozzle if required, oil motor and all pumps, adjust air/fuel oil mixture to manufacturer's recommendations. Replace oil filter.

**BOILER, REBUILD CHAMBER**

Rebuild firebox chamber in boiler to maximize flame retention.

**BOILER, GAS REPLACE, COMPLETE**

Dispose of heating equipment & radiators to code legal landfill. Size & install a gas-fired, cast iron, jacketed boiler, distribution piping & baseboard convectors to service entire house. Installation includes all power & control wiring, a set back thermostat, expansion tank, one circulation pump, water & gas supply & flue piping. The installation is required to maintain 70F. indoor temperature when outdoor temperature is -10 F. Min. AFUE rating 86.

**BOILER, GAS CUSTOM**

**HEAT DUCT AND REGISTER**

Install low-velocity insulated metal or flexible duct work from main trunk to floor or wall register.

**SETBACK THERMOSTAT**

Install a LuxPro PSP511Ca thermostat with the following settings: 6:00-8:00 a.m. 67 degrees F - 8:00 a.m. - 4:30 p.m. 62 degrees F - 4:30-10:30 p.m. 68 degrees F - 10:30 p.m. - 6:00 a.m. 62 degrees F.

**FLUE THIMBLE**

Remove flue and old chimney attachment. Install a ceramic clay insert into chimney. Point up all holes and reinstall flue.

**FLUE REPLACE**

Install a prefabricated, double-walled, UL listed, galvanized steel, 8" flue inside chimney.

**PLUMBING**

**WATER SERVICE, COPPER K LINE**

Excavate to 36", lay 1" type K, copper pipe and refill trench for water service. Lay line without joints from meter hub to main shut off valve inside structure. Contractor to apply and pay for all permits, repair concrete cuts and coordinate installation of new meter. Owner to pay all water tap fees. Backfill, seed and mulch disturbed yard areas.

**SUPPLY, PEX**



Install PEX (cross-linked polyethylene) tubing to supply domestic water to the specified plumbing fixtures. Maintain manufacturers' required clearance from heating appliance vents, recessed lights or other heat sources. Installation will protect PEX tubing from direct sunlight. Protect PEX tubing with sleeves where abrasion may occur and use nail plates where PEX tubing penetrates wall stud or joists and has the potential for being struck with a screw or nail. Allow manufacturer's required slack to compensate for expansion and contraction. Provide shutoff valves at each fixture. Pressure-test the system prior to charging with water.

**SUPPLY, COPPER**

Install type L rigid copper supply lines to specified fixtures with silver/tin solder. No solder containing lead is allowed. Install 3/4" pipe to branches and provide shut off valves at all fixtures. Provide dielectric unions at iron pipe joints. Pressure-test the system prior to charging with water.

**SHUT-OFF VALVE**

Install a PVC or chromed brass shut-off valve on existing fixture supply line.

**WASTE LINES, INSPECT, REPORT**

Test waste lines for leaks and proper venting. Identify defects and submit to the agency a priced list of recommended repairs to bring structure into compliance with the current plumbing code.

**WASTE LINE, SNAKE**

Power snake drain to clear lines for fixtures to main street sewer.

**DRAIN, WASTE, VENT, PVC**

Install schedule 40 PVC pipe and fittings, solvent welded after a dyed cleaning step. Install pipe with hangers 3' on center without critical damage to structural members.

**TRAP, REPLACE**

EA \$0.00

Replace trap and all corroded waste line from wall stub out to fixture with PVC or polypropylene.

**SEWER SERVICE, 4" PVC**

Install a 4" PVC sewer line from structure and connect to the public sanitary sewer system. Install clean-outs as required. Re-grade yard in work area, sow grass seed and spread straw to reestablish lawn. Contractor to apply and pay for all permits and road repairs. Owner to pay for sewer tap fees.

**GAS LINE, PRESSURE TEST**

Cap all gas lines prior to filling the distribution system with 120 lbs. of compressed air. Maintain pressure for 24 hours. Locate and seal any leaks in the system.

**GAS LINE**

Hang 3/4" main and 1/2" fixture gas supply lines of schedule 40 black steel pipe with malleable iron screwed fittings. Install brass stop valves at all equipment.

**GAS SHUT-OFF VALVE**

Install bronze, square head, gas cock valve for fixture.

**GAS DRYER HOOK UP**



Install schedule-40 black iron pipe and gas cock to dryer location. Install metal exhaust vent to exterior of structure with draft prevention wall cap.

**FAUCET REPAIR, KITCHEN**

Inspect valve seat, and grind until level or replace. Replace washers or rings and repack stem to refurbish faucet.

**FAUCET REPAIR, BATH**

Inspect valve seat, and grind until level or replace. Replace washers or rings and repack stem to refurbish faucet.

**BATHTUB, 5' STEEL COMPLETE**

Install a 5' white, enameled, formed steel, tub complete with lever operated pop up drain and overflow, PVC waste, single lever shower diverter and Delta 6122 water saving shower head.

**SHOWERSTALL, FIBERGLASS**

Install a 36"x36" one piece, fiberglass shower stall including PVC waste, molded base, metal two handle shower diverter, shower rod and Delta 6122 shower head.

**TOILET SEAT**

Install a white, wood or plastic, top mounted toilet seat and lid. Material allowance is \$20.

**COMMODE REFURBISH**

Install an anti-siphon fill valve. Replace flap valve and adjust water height to effect proper flushing action.

**DISCHARGE TUBE**

Install temperature and pressure relief discharge tube on water heater. Bottom of tube shall be within 6" of floor or to outside of structure.

**WATER HEATER, 30 GALLON GAS**

Install a 30-gallon, glass lined, high recovery, insulated to R-7, gas water heater with a 10-year warranty. Include pressure and temperature relief valve, discharge tube to within 6" of floor or to outside of structure, vent, thimble, and gas piping from shut-off valve to fixture. Dispose of old water heater in code legal dump.

**WATER HEATER, 40 GALLON GAS**

Install a 4- gallon, glass lined, high recovery, insulated to R-7, gas water heater with a 10-year warranty. Include pressure and temperature relief valve, discharge tube to within 6" of floor or to outside of structure, vent, thimble, and gas piping from shut-off valve to fixture. Dispose of old water heater in code legal dump.

**WATER HEATER, 30 GAL. ELECTRIC**

Dispose of water heater in legal dump. Install a 30-gallon, low profile, high recovery, glass lined, insulated to R-7, double element, electric water heater with a 10-year warranty. Include pressure and temperature relief valve, discharge tube to within 6" of floor or to outside of structure, shut-off valve and electric supply.

**WATER HEATER, 40 GAL. ELECTRIC**



Dispose of water heater in legal dump. Install a 40-gallon, low profile, high recovery, glass lined, insulated to R-7, double element, electric water heater with 10-year warranty. Include pressure and temperature relief valve, discharge tube to within 6" of floor or to outside of structure, shut-off valve and electric supply.

**LAUNDRY TUB, SNGL BOWL REPLACE**

Remove existing sink to code legal dump. Install single bowl, 24" fiberglass laundry tray to fit under faucet. Hook up waste line.

**DRIPLESS CENTER, WASHER HOOK-UP**

Install PVC standpipe, hot and cold hose bibbs, and 20-amp outlet on a separate circuit to service a washing machine.

**FAUCET, LAUNDRY TUB**

Install a two handle, brass faucet with hose threading on laundry tub.

**CLOTHES WASHING MACHINE HOOK-UP**

Install a two-inch PVC standpipe with trap, and a single lever "quick shutoff" washing machine valve with hot and cold threaded hose outlets to service a washing machine.

**HOSE BIBB, REPAIR**

Replace the packing in the valve stem and reassemble the hose bibb to be leak free.

**HOSE BIBB**

Install a bronze, freeze-free hose bibb on outside of structure with inside shut-off valve and backflow preventer. Seal exterior penetration with silicone caulk.

**DRAIN/WASTE/VENT, 1 BATH HSE**

Remove all drain, waste and wet vent lines to code legal dump. Install schedule-40 PVC or cast iron DWV lines to service one 3-piece bath, kitchen and laundry area from the foundation perimeter to roof vent terminus.

**ELECTRICAL**

**ELECTRIC PANEL, RELOCATE**

Relocate panel to inside of structure. Include all required materials to meet National Electric Code.

**ELECTRIC SERVICE, 100-AMP**

Replace existing electrical service with a residential, 100-amp, single phase, 3-wire electric service. Include a main disconnect, 12-circuit panel board, meter socket, weather head, service cable, and ground rod and cable. Seal exterior service penetrations to maintain a waterproof building envelope.

**ELECTRIC SERVICE, 200-AMP**

Replace existing electrical service with a residential, 200-amp service, main disconnect, 110/220-volt, 24-circuit panel board, meter socket, weather head, service cable, and ground rod and cable. Seal exterior service penetrations to maintain a waterproof building envelope.

**GFI CIRCUIT BREAKER**

Install a ground fault interrupt breaker in distribution panel to control all "wet area" outlets.



**ARC-FAULT CIRCUIT BREAKER**

Install an Arc-Fault circuit breaker in the distribution panel to protect all bedroom outlets.

**RECEPTACLE REPLACE**

Replace receptacle with ivory duplex receptacle and ivory metal cover plate.

**RECEPTACLE, WIRE 15-AMP**

Install an ivory, duplex, 15-amp receptacle and metal cover plate using copper romex. Fish wire and repair all tear out.

**20-AMP CIRCUIT, RECEPTACLE**

Install 20-amp, ivory, duplex receptacle with a matching plastic cover plate on a separate circuit with an individual over protection device. Fish wire and repair all tear out.

**GFCI DEVICE**

Replace receptacle with a surfaced mounted ground fault circuit interrupt receptacle.

**RECEPTACLE, GFCI BATH**

Install a flush mounted, ground fault circuit interrupted ivory duplex receptacle adjacent to lavatory using copper NM cable. Fish wire and repair all tear out.

**RECEPTACLE, GFCI COUNTERTOP 15-AMP**

Install a flush mounted, ground fault circuit interrupted, ivory, duplex receptacle and ivory cover plate using #14 copper NM cable, controlled by a 15-amp circuit breaker. Fish wire and repair all tear out.

**WASHER CIRCUIT 110\20-AMP**

Install a flush or surface mounted duplex outlet for a washing machine on a separate 20-amp circuit using #12 copper NM cable.

**DRYER CIRCUIT, 30-AMP**

Install 220 volt, 30 amp, surface mounted receptacle on an individual circuit.

**WEATHERPROOF RECEPTACLE**

Install a 15-amp, ground fault protected, surface mounted, weatherproof, PVC or non-ferrous box and receptacle using #14 copper NM conductors in EMT. Receptacle cover shall be permanently connected to box.

**SWITCH REPLACE**

Replace light switch with single pole, ivory toggle switch and ivory metal cover plate. Use plastic cover plates in bath area.

**SWITCH LIGHT**

Install a single pole, ivory switch and metal cover plate using Romex to control fixture. Fish wire and repair all tear out.

**SWITCH WALL RECEPTACLE**



Install a single pole, ivory switch with metal cover plate controlling the lower receptacle in a duplex receptacle. Install receptacle with #14 copper NM cable in same stud space as switch, adjacent to door.

### **3-WAY SWITCHES**

Install two, 3-way ivory switches at opposite sides of room at strike side of door to control an existing fixture, using #14 copper NM cable. Fish wire and patch all tear out.

### **FIXTURE AND 3-WAY SWITCHES**

Install a ceiling-mounted, UL approved, 2 bulb light fixture (\$20 material allowance) controlled by a pair of ivory 3-way switches mounted at the strike side of the doors, or at top and bottom of stairwell. Fish wire and repair all tear out.

### **LIGHT FIXTURE, PULL CHAIN**

Install a porcelain pull-chain lamp fixture with a lamp on an approved electrical box.

### **LIGHT FIXTURE, REPLACE**

Replace a ceiling-mounted, 2-bulb, UL approved, incandescent light fixture with shade and lamps. \$20 allowance for fixture.

### **LIGHT FIXTURE GLOBE**

Install a glass light fixture globe on ceiling fixture.

### **LIGHT FIXTURE AND SWITCH**

Install a ceiling-mounted, UL approved, 2-bulb light fixture (\$20 material allowance) controlled by an ivory switch with a metal cover located at the strike side of the door. Fish wire and repair all tear out.

### **SMOKE DETECTOR, HARD WIRED**

Install a UL approved, ceiling-mounted smoke and heat detector permanently wired into a receptacle box.

### **PHONE OUTLET**

Install a plaster ring and phone jack wired to the phone service. Stapled, surface-mounted wire is not acceptable unless prior written approval is given by the Housing Rehabilitation Specialist.

### **REWIRE TO CODE, PER ROOM**

Rewire unit to current National Electric Code including but not limited to surface mount GFI in bathroom & kitchen; 15-amp grounded receptacles on all usable walls; switched lights in all halls, kitchens, bathrooms and furnace areas; hard wired smoke detectors; cover plates; counter receptacles; and circuits. Fish all wire and repair all tear-out. Does not include service entrance.

### **ENTRANCE LIGHT**

Install an exterior, waterproof, wall mounted, single bulb fixture outside exterior door. Include wire box, interior switch and lamp. Fish wire and repair all tear out. Fixture allowance \$22.

### **ENTRANCE LIGHT FIXTURE, REPLACE**

Remove damaged light fixture and replace it with an exterior, waterproof, single bulb fixture. \$20 fixture allowance.



**FLOOD LIGHT, DOUBLE BULB**

Install a building mounted, double lamp, incandescent flood light. Owner's choice of an interior or photoelectric switch. Any exposed exterior wiring shall be run in conduit.

**\*\*Plans and specifications may not be altered without approval of the CHIP Manager\*\***



## DCA CHIP Homebuyer Underwriting Policy

---

At 92.254(f), the HOME Rule requires that Participating Jurisdictions (DCA) establish and implement homebuyer program policies that address underwriting standards for buyers of HOME-assisted units, responsible lending standards, and subordination requirements. In August 2018, HUD issued CPD Notice 18-09: Requirements for HOME Homebuyer Program Policies and Procedures detailing these requirements.

This Policy primarily addresses underwriting expectations that influence the amount of assistance required for a given buyer; it is not intended to address all local policies and procedures or all HUD requirements that may apply to homebuyer transactions. For example, recipients still need to ensure that their local policies designate which definition of income will be used, how recapture policies may be applied, and that the homes purchased meet HOME requirements, among other things, related to their physical condition and value. Additionally, recipients should incorporate their local procedures, including the identification of roles and responsibilities of various program participants, documentation standards, approval processes, and other relevant details.

As part of the local HOME Program, DCA provides assistance to low-income homebuyers and this assistance can be used toward an eligible buyer's down-payment or closing costs or can be used as direct financing that reduces the size of a buyer's primary loan (i.e., first mortgage) to a level that is affordable.

By providing assistance to homebuyers, CHIP Recipients must balance potentially competing perspectives. First, CHIP Recipients should ensure that participating buyers will be successful homeowners. The program should target households that are ready for homeownership and provide enough assistance to make the home affordable. At the same time, buyers should only be provided with the assistance they "need" so the homebuyer is not over-subsidized with assistance. Finally, CHIP Recipients should ensure that assisted buyers are informed consumers and avoid the use of risky lending products.

To balance these priorities, DCA has developed these underwriting guidelines, which are based on the following key principles.

- Assisted buyers should have established credit to qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market. Buyers should be chosen based on their creditworthiness to sustain homeownership without requiring a larger subsidy which reduces the impact of the CHIP program.
- Assisted buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investments and monthly payment without being overburdened by their monthly payment or left without cash reserves after closing.

### **Applicability and Exceptions**

This policy applies to the sale of any homes built or acquired and rehabilitated by a participant in the DCA CHIP program. While there may be individual cases where these requirements may be waived, CHIP Recipients should request specific exceptions in writing prior to making any commitments to prospective buyers who cannot qualify within these criteria. CHIP Recipients are reminded that they will be responsible for representations and/or commitments made to prospective buyers without prior approval by DCA.

### **Maximum Homebuyer Assistance**



The maximum CHIP assistance available for a buyer is \$40,000. Not all buyers will qualify for the maximum assistance. The assistance available to any homebuyer is based on the CHIP Recipient's assessment of the buyer's need considering the additional criteria outlined below. Buyers are not required to utilize 100% of eligible assistance however, buyers are required to utilize at least \$1000 of the CHIP subsidy.

### **Income Determination**

The housing must be acquired by a homebuyer whose family qualifies as a low-income family, and the housing must be the principal residence of the family throughout the period described in paragraph (a)(4) of this section. All eligible household members' income must be calculated to determine the household income. Refer to Owner Occupied Rehabilitation of this Manual for a more comprehensive sources of determining Income sources when Pre-Qualifying Applicants

CHIP limits eligibility to buyers with incomes are between 40% and 80% of the Area Median Income (AMI) as adjusted for household size. HOME regulations limit assistance to households with incomes at or below 80% AMI. While CHIP is concerned about the housing needs of lower income households, it also recognizes that homeownership requires buyers to have sufficient discretionary income to maintain their homes over time, absorb increases in taxes and insurance, and otherwise address unexpected expenses. As a result, the CHIP Program focuses its homebuyer assistance on buyers with incomes in excess of 40% AMI.

In all cases, income eligibility will be determined using the Part 5 (Section 8) definition of income.

For guidance on this definition go to:

<https://www.hudexchange.info/resource/2701/sample-format-for-calculating-part-5-annual-income/>

In addition, Recipients are encouraged to use the HUD Income calculator to determine the household's income. The income Calculator can be found at <https://www.hudexchange.info/incomecalculator/> The total household income will be used for eligibility purposes and must be documented with at least two-months of source documentation (e.g., paystubs, benefit records, bank statements). Income attributable to all household members, whether related to one another by blood or marriage, will be included for eligibility purposes.

However, for underwriting purposes to determine the appropriate level of assistance, the following adjustments will be made:

- The income of adults who will not have an ownership interest in the property will be excluded. For example, in a circumstance where an elderly parent is part of the household but is neither being listed on title to the property nor included on the loan documents, that individual's income will not be included in calculations of the income available to make the mortgage payment.

However, this exclusion for "non-purchasing" adults is not intended to artificially exclude the income of a household member with marginal credit. In the case of married couples, the income of both spouses will always be included for underwriting purposes.

- Significant sources of income such as social security benefits, child support payments, or the like that will not continue for three (3) years will be excluded. For example, while child support received for a 16 ½ year old is included in the Part 5 definition of income because it will continue over the upcoming 12 months, the source of income will cease in about a year and a half when the child turns 18 and should not be counted on in sizing the buyer's mortgage.
- Any imputed income from assets will be excluded for underwriting purposes.

### **Buyer Expectations**

To ensure that buyers are likely to sustain homeownership, assisted buyers must:



- Purchase the home for a reasonable price that does not exceed the fair market value as determined by an independent appraisal. CHIP Recipients should coordinate with the buyer's senior lender to obtain a copy of the lender's appraisal. Additionally, the home must have a sales price less than or equal to the applicable HOME Homeownership Value limit for the type (new or existing) and location of the home. These limits are updated annually by HUD and can be obtained from DCA.
- While documenting the market value via appraisal is a best practice, DCA does allow Recipients other means of determining value including an evaluation using comparable properties completed by a qualified Recipient representative or an estimate of value by the local tax assessor based on comparable properties in the same neighborhood.
- Contribute at least \$1,000 toward down payment and closing costs. Additionally, buyers are encouraged to have sufficient cash resources (including savings, checking, money market, or other similar non-retirement accounts) such that after closing they have savings of at least three (3) times their total monthly payment, including principal, interest, taxes, insurance, and any association fees.
- **Buyers with liquid assets in excess of \$25,000 will be required to invest assets above \$25,000 toward the purchase of the home before receiving CHIP assistance.** For purposes of this requirement, liquid assets are those readily convertible to cash (including but not limited to savings or checking accounts, certificates of deposit, stocks and bonds, etc.). Liquid assets, however, exclude life insurance policies and any savings held in a tax-preferred retirement account (e.g., pension, 401(k), IRA, etc.), college savings plan (e.g., 529 account), or health savings account recognized by the Internal Revenue Service.
- Complete Pre-Purchase Homeownership Counseling as required below.
- Obtain a mortgage or senior loan that meets the requirements outlined below.

### Pre-Purchase Counseling Requirement

In December 2016, HUD published the Final Rule for Housing Counseling Certification which applies to homeownership counseling required by the HOME program. That rule, the final effective date of which is August 1, 2021, requires that CHIP assisted buyers receive counseling from HUD certified counselors employed by HUD- approved Housing Counseling Agencies. The rule also standardizes the content requirements for counseling. Until then, CHIP Recipients continue to have the flexibility to determine in their local policies and procedures. DCA is working on policies and developing partnership to ensure that there are an adequate number of HUD-certified housing counseling agencies in Georgia by the 2020 compliance deadline.

To ensure that buyers are informed consumers, the following are required:

- Attendance within the past 12-months at a DCA-approved pre-purchase homeownership counseling course by all adult household members who will hold title and be party to the senior loan; and
- That such counseling consists of all applicable topics under the HUD Housing Counseling Rule delivered by a HUD-certified counselor working for a HUD-approved Housing Counseling Agency.

CHIP Recipients should provide the following language in their homebuyer policies:

**[CHIP Recipient Name] has arranged for [Homebuyer Counseling Provider] to provide pre-purchase counseling to participating buyers. There is a fee of [\$XX] to attend. Potential buyers should contact [Homebuyer Counseling Provider] at [PHONE] or via [EMAIL ADDRESS] to register for an upcoming class.**



### Primary Loan Expectations

To ensure that buyers receive high quality loans that are sustainable over time, DCA requires that any buyer receiving CHIP assistance towards closing costs, down payment, or a portion of the purchase price receive a senior loan (i.e. first mortgage) meeting the following criteria:

- The loan must be a “Qualified Mortgage (QM)” under the requirements of the Consumer Protection Financial Bureau (CFPB) outlined at 12 CFR 1026.43(e). Qualified Mortgages, among other features, limit total points and lender fees to reasonable levels. Qualified Mortgages also strictly limit pre-payment penalties and contain many other features intended to protect consumers.

There are exemptions from the QM standards for certain nonprofits (typically including Habitat for Humanity) and CDFIs depending on which products are present in the local market. In rural areas, USDA Section 502 Direct Loans are made directly from the federal government to the consumer and are not technically subject to the QM requirements but are otherwise perfectly appropriate loans for low-income buyers.

- Interest rates must be competitive and must NOT be a “Higher Priced” loan as defined by CFPB. Higher priced loans are those that exceed the Average Prime Offer Rate by more than 1.5% as of the date of the loan’s rate lock. Loans can be checked against the Average Prime Offer Rate by visiting the following website: <https://www.ffiec.gov/ratespread/newcalc.aspx>
- Lending products should be fully amortizing 30-year fixed rate loans. .

A mortgage with a term in excess of 30 years does not qualify as a “Qualified Mortgage” under the CFPB standards, so Recipients that wish to allow extended amortization periods may need to more carefully reconcile that with the first criteria in this section of this Policy.

- Loan products used must generally allow loan-to-value (LTV) ratios of at least 95%. While assisted buyers are not required to be approved for loan amounts equal to 95% of the purchase price, buyers who use more restrictive lending products (such as those limiting the LTV to 80%) will not receive CHIP assistance toward their purchase if they could otherwise afford the monthly payment on a larger loan. In short, buyers should obtain the largest loan they can reasonably afford, and DCA will not subsidize purchases more deeply to avoid mortgage insurance on higher LTV lending products.

### Subordination of CHIP-Funded Liens

After providing assistance to eligible homebuyers, DCA has ongoing interests in the success of those buyers from the standpoint of both the CHIP program and as a local government concerned about the impact of foreclosures on its residents and neighborhoods. To help prevent future foreclosures and to protect the State’s financial investment in assisted-units, subordination of CHIP funded liens to future refinancing by assisted buyers will only be considered under the following circumstances. (This policy will also apply to CHIP funded liens resulting from the homeowner rehabilitation programs.)

The new loan must be for one of the following purposes:

- To improve the rate and or term of the existing loan.

For purposes of this requirement, the new loan may allow the assisted homeowner to finance their closing costs without being considered cash out. Additionally, nominal cash back at closing of less than \$500 resulting from last-minute adjustments to payoff figures, closing costs, tax/insurance escrows and the like will not be considered “cash out.”

- To take “cash out” through a refinancing transaction to complete needed repairs to the home. Any cash out refinancing for rehabilitation to the property must result in a total loan-to-value ratio (including the CHIP loan) of 90% or less. The cash proceeds of the refinancing must be



escrowed with the lender and disbursed directly to a contractor.

The proposed new loan must meet all requirements in the Primary Loan Expectations section above.

- The proposed new loan must be affordable to the assisted owner within the lending ratios contained in the Buyer Expectations section above. The assisted owner's income must be re-verified prior to the refinancing, and the current income must be used to determine debt-to-income ratios. In no case may the monthly payment on the new loan exceed the original monthly payment by more than 10%.

Note, while the assisted owner's income must be re-verified to evaluate the loan's affordability, if the owner's income has risen above 80% AMI, there is no violation of HOME. After the project is complete, there is no ongoing expectation that buyers will always remain low-income.

## Documents Needed for DCA Underwriting

For the DCA to complete the underwriting process, it will be required for the Recipient to forward the following documents to the DCA Underwriter:

- Applicant Intake Form with supporting documentation
- Homeowner Income Eligibility Form (CC-8)
- Citizenship Form (CC-3 & CC-4)
- Conflict of Interest Form (CC-6)
- Use of Primary Residence Form (CC-7)
- Homebuyer Counseling Certificate(s)
- Buyer Pre-Approval Letter, obtained from buyer's lender
- Statement of Homebuyer Debt
- Executed Purchase & Sale Agreement
- Settlement Statement

To obtain copies of these forms, contact the DCA. Before submitting, all forms must be completed fully. Any missing information may result in a delay in the underwriting process and may delay the property closing.

After closing, copies of all closing documents, including the Deed to Secure Debt and Promissory Note **must** be sent to the DCA Underwriter.



## Procurement Requirements for Grant Administrator and Professional Services

---

### **Applicability and State Government Procurement Requirements**

The CHIP Program is funded with Federal HOME Investment Partnership Program (HOME) funds, therefore all Federal procurement requirements in 24 CFR Part 92 for the HOME program apply. In addition, state procurement requirements became effective July 2018 based on the passage of House Bill 489, adding

O.C.G.A. 36-80-26 and amending O.C.G.A. 36-91-20(b)(1). These changes require most bid or proposal opportunities extended by local governments be advertised in the Georgia Procurement Registry. Each advertisement shall include such details and specifications as will enable the public to know the extent and character of the bid opportunity. The Georgia Procurement Registry can be found at the following web site: <http://doas.ga.gov/state-purchasing/georgia-procurementregistry-for-local-governments>.

### ***Procurement of Application Development and Other Professional Services***

All professional procurements should be made prior to the preparation of the CHIP application and submission. For example, before submitting the CHIP application, both grant application services and grant administration services should be solicited using the same Request for Proposal (RFP). This avoids the appearance of a conflict of interest that can be created when a grant writer in a later procurement process submits and receives an award for grant administration services. This approach is also applicable for engineering and architectural services. In other words, preliminary reports and design and construction services should all be procured using the appropriate RFP or Request for Qualification (RFQ) process. Local governments often rely on grant writers and engineers/architects to assist them in navigating complex federal and state requirements; however, having a grant writer engineer or architect assist in the procurement process (e.g., developing an RFP or RFQ) can also create the appearance of a conflict of interest.

### ***Competitive Negotiation for Professional Services***

CHIP payments for professional services are subject to the “competitive negotiation” requirements consistent with 2 CFR 200.319 for Competition. These provisions apply, typically, to contracts with private consultants, engineers and architects, and are not necessary when contracting with Regional Commissions (RCs). Note, however, that RCs that wish to subcontract directly with private consultants must use the procedures in this section and follow the procurement requirements before entering into subcontracts with private consultants. Alternately, the local government may contract with both RC and private consultants provided the requirements herein are followed for the procurement of the private consultant.

To comply, the applicant government (not the individual or firm proposing to provide services) must:

- Develop a Request for Proposal (RFP) that includes a clear, accurate description of the services requested and the “evaluation factors” selected by the applicant with their level of importance. A Request for Qualifications (RFQ) is also acceptable for engineering or architectural services. Contact DCA for assistance, if needed. When contracting for architectural and engineering services, geographical location may be a selection criterion provided the application leaves an appropriate number of qualified firms to compete for the contract.
- Publicize the RFP or RFQ. This is most often accomplished by publishing it in the applicant's "legal organ" and/or on the local government's website. RFPs or RFQs must also be posted on the Georgia Procurement Registry, when applicable. Allow 30 days for responses. The publication



must state this is a Section 3 contract opportunity.



- Send a letter with copy of the RFP or RFQ to several "known providers". When soliciting firms to develop applications/administer projects, RFPs should be sent to at least 7 known providers. When soliciting engineering/architectural services, the RFP or RFQ should be sent to at least 10 known providers. The Recipient should:
- Negotiate with (preferably with at least 2) respondents to the RFP or RFQ.
- Prepare documentation that evaluates proposals and establishes reasons (based on criteria in RFP or RFQ) for contract recommendations.
- Consult city or county attorney with above recommendations and proposed contract.
- Based upon established reasons and attorney's recommendation, obtain full council/commission approval and execute contract.

Letter(s) thanking unsuccessful respondents for making a proposal should then be sent. Based on evaluation criteria contained in the RFP/RFQ, this letter should state reasons why the respondent was not hired. Also, consult with the Procurement Instructions for Grant Writing/Administration [included in full below] because HOME funds cannot be used to pay for any application development costs, applicants are cautioned only to obligate HOME funds for grant administration services and not for grant writing services.

The applicant initial contract for application development should use local or other non-HOME sources. Communities are encouraged to include a contingent contract for administrative services that will become effective if the HOME application is funded. Note: Even if local sources of funds are planned for grant administration services and no HOME funds are budgeted for this activity, this procurement process described herein and in the most recent version of the HOME Recipients' Manual must be followed for both grant writing and grant administration services based on the requirements of federal regulations. All professional procurement requires Section 3 compliance.

If an acceptable procurement process was followed for an application that is being resubmitted because it was denied in the previous program year, it is not necessary for the local government to re-advertise for professional services if they choose to retain the same firm for the same application for the same project. (note, however, that should the procurement process not have included the applicable Section 3 compliance requirements, then a new advertisement and RFP solicitation is required).

Any older procurements will not be valid, and a new advertisement and solicitation of RFP's is required.

### **Sole Source Procurement**

Procurement by noncompetitive proposals, referred to as sole source procurement, is procurement through solicitation of a proposal from only one source. Sole source procurements must adhere to the standards set forth in 2 C.F.R. § 200.320(f) in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. All sole source requests must be submitted prior to the CHIP application deadline.

For procurement processes that result in requests for sole source approval from DCA, the procurement process must be fully documented to DCA's satisfaction before DCA grant approval, including but not limited to the following:

- a description of the procurement process;
- documentation of advertisement of the Request for Proposals;
- a list of the active, qualified consultants or engineers/architects that were emailed/mailed the Request for Proposals; and



- certified return receipt documentation that the Request for Proposals was mailed to the required number of active, qualified consultants or engineers/architects, or adequate email documentation that the Request for Proposals was delivered as required.

## Procurement Standards for Contracts Entered into by CHIP Recipients

The Recipient is the responsible authority regarding all contracts entered into directly between the Recipient and the Grant Administrator, and without recourse, to DCA regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into, in connection with a CHIP-funded activity. Matters concerning violation of law are to be referred to such local, State or Federal authority as may have proper jurisdiction. However, Recipient are encouraged to contact DCA for assistance in any procurement matter.

The following procurement standards shall apply to all transactions entered into directly between the Recipient and the Administrator:

**A. Recipient Procurement Regulations:** Recipients may use their own procurement regulations which reflect applicable Federal, State and local law, rules and regulations provided that all procurement made with CHIP funds meets the following standards:

1. The Recipient must maintain written codes or standards of conduct to govern the performance of its officers, employees or agents in contracting with and expending CHIP funds. A Recipient's or Recipient's officers, employees or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. No employee, official or agent of the Recipient may participate in the selection, or in the award or administration of a contract supported by CHIP funds if a conflict of interest, real or apparent, is involved.
2. Recipients may set minimum rules where the financial interest is not substantial, or the gift is an unsolicited item of nominal intrinsic value.
3. To the extent permissible by Federal, State or local law, rules or regulations, the Recipient's standards must provide for penalties, sanctions, or other disciplinary actions to be applied for violations of such standards by either the Recipient officers, employees, or agents, or by contractors or their agents.
4. It is national policy to award a fair share of contracts to small, minority, and women business enterprises. Accordingly, affirmative steps must be taken to ensure that small and minority businesses are utilized where possible as sources of supplies, equipment, construction and services. Each Recipient must develop a Minority and Women Business Enterprise Outreach Plan which conforms to the MBE/WBE Outreach Plan Guide form.
5. All procurement transactions entered into by the Recipient regardless of whether negotiated or advertised and without regard to dollar value shall be conducted in a manner to provide maximum open and free competition. The recipient must maintain written Standards of Conduct that extend to organizational conflicts of interest or non-competitive practices among contractors which may restrict or eliminate competition or otherwise restrain trade (2 CFR 200.318(c)(2).)

Examples of what is considered to be restrictive of competition include, but are not limited to:

- a. Placing unreasonable requirements on firms for them to qualify to do business;
- b. Non-competitive practices between firms;
- c. Organizational conflicts of interest; and
- d. Unnecessary experience and bonding requirements.



## B. Procurement Selection Procedure

Each Recipient must have written selection procedures which provide, at a minimum, the following procedural requirements:

A clear and accurate description of the technical requirements for the material, product, or service to be procured. Such a description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, set forth minimum essential characteristics and standards to which it must conform to be satisfactory. Detailed product specifications should be avoided if possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equal” description may be used to define the performance or other important requirements related to procurement. The specific features of the named brand which must be met by bidders must be clearly stated;

- a. All requirements which bidders must fulfill and all other factors to be used in evaluating bids or proposals;
- b. Awards shall be made only to responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration must be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources;
- c. Proposed procurement actions must be reviewed by Recipient officials to avoid purchasing unnecessary or duplicative items. Where appropriate, an analysis must be made of lease and purchase alternatives to determine which would be the most economical and practical procurement. Consideration should be given to consolidating or breaking out purchases to obtain a more economical proposal.
- d. A Recipient must perform some type of cost or price analysis in connection with every procurement action including contract modifications and must only permit allowable costs to be included. *THE COST PLUS A PERCENTAGE OF COST METHOD OF CONTRACTING SHALL NOT BE USED. IN ADDITION, CONTRACTS WITH OTHER PUBLIC AGENCIES WILL ONLY ALLOW ACTUAL COST TO BE PAID. NO PROFIT IS ALLOWABLE WHEN CONTRACTING WITH OTHER PUBLIC AGENCIES.*
- e. Recipients must maintain well-organized records to detail the significant history of all procurements. These records must include, but are not necessarily limited to, information pertinent to rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the cost or price.

C. **Method of Procurement:** There are 5 methods of procurement (2 CFR 200.320) which can be used by Recipients if authorized by DCA’s adopted standards.

1. **Micro-purchases** are used for acquisitions or purchases that do not exceed the micro-purchase threshold of \$3,000. Micro-purchases may be awarded without soliciting competitive quotes if the non-Federal entity determines the price is reasonable. The micro-purchase threshold is adjusted for inflation on a periodic basis.
2. **Small purchase procedures** which can be used for procurement under \$25,000 and which require that price or rate quotations be obtained from an adequate number of qualified sources. These quotations should be clearly documented in the Recipient’s or Recipient’s files. Refer to the “Small Purchase Procedures Manual” for assistance. **NOTE that this method is not appropriate for procurement of professional services.**
3. **Competitive sealed bids (formal advertising)** where sealed bids are publicly solicited and a firm-fixed-price contract (lump-sum or unit price) is awarded to the person responsible



bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lower in price.

For formal advertising to be feasible, appropriate conditions must be present, including, as a minimum, the following:

- a. A complete, adequate and realistic specification or purchase description;
  - b. Two or more responsible suppliers are willing and able to compete effectively for the Recipient's business;
  - c. The procurement lends itself to a firm-fixed price contract, and selection of the successful bidder can appropriately be made principally based on price;
  - d. A sufficient time prior to the date set for the opening of bids, bids must be solicited from an adequate number of known suppliers. In addition, the invitation must be publicly advertised;
  - e. The invitation for bids, including specifications and pertinent attachments, must clearly define the items or services needed for bidders to properly respond to the invitation;
  - f. All bids must be opened publicly at the time and place stated in the invitation for bids;
  - g. A firm-fixed-price contract award must be made by written notice to that responsible bidder whose bid, conforming to the invitation for bids, is lowest. Where specified in the bidding documents, factors such as discounts, transportation cost and life cycle cost must be considered in determining which bid is lowest; and,
  - h. Any or all bids may be rejected when there are sound documented business reasons that to do so would be in the best interest of the program.
4. **Competitive negotiation** is a method of procurement where proposals are requested from several sources and the Request for Proposal (RFP) is publicized. Negotiations should be conducted with more than one of the sources submitting offers, and either is fixed-price or cost-reimbursable type of contract is awarded, as appropriate. A Recipient should perform a systematic analysis of each contract item or task to assure adequate service and to offer reasonable opportunities for cost reductions. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising. If competitive negotiation is used for procurement under a grant, the following requirements apply:
- a. Proposals must be solicited from an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement. The Recipient should send a letter with a copy of the RFP to several "known providers". When soliciting firms to develop application/administer projects, RFPs should be sent to at least 7 known providers. When soliciting engineering/architectural services, RFPs should be sent to at least 10 known providers. As a service to applicants, recipients and others, DCA maintains a list of professionals who have expressed an interest in proposing on CHIP projects. This is not an "approved" list. DCA does not approve or disapprove professionals. This is the applicant or recipient's responsibility. The Request for Proposals must be publicized and reasonable requests by other sources to compete must be honored to the maximum extent practicable. A "Solicitation" request by the Recipient for contracts other than application development/project administration and architectural/engineering



- services must be specifically addressed to a list of several potential bidders identified by the Recipient. To “publicize” the RFP, the Recipient must offer the RFP through publication in a newspaper with adequate circulation or publication by other means such that reasonable exposure to potential bidders can be expected.
- b. The Request for Proposals must identify all significant evaluation factors, including price or cost where required and their relative importance.
  - c. The Recipient must have mechanisms for technical evaluation of the proposals received; for determining responsible bidders; and for engaging in written or oral communication with the providers in the selection process.
  - d. Awards may be made to the responsible bidders whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful bidders should be notified promptly.
  - e. State Recipients and Sub-recipients may utilize competitive negotiation procedures for procurement of architectural/engineering professional services, whereby competitors’ qualifications are evaluated, and the most qualified competitor is selected subject to negotiation of fair and reasonable compensation.
  - f. If “competitive negotiation” is not successful, then the Recipient must receive “sole source” approval from DCA prior to contracting.
5. **Non-competitive** or “sole source” procurement requires prior DCA approval for professional services regardless of the contract amount and for all other contracts if over \$25,000 and may be used when:
- a. The item or service is available from only one source;
  - b. Urgent public need will not allow for the delay caused by advertising;
  - c. Although several bids were solicited, only one response was received; and,
  - d. Such contracts shall be made with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and other technical resources, or accessibility to other necessary resources.

**Contract Requirements:** The Recipient must include, in addition to the provisions needed to define a sound and complete agreement, the following provisions in all contracts and sub grants:

1. Contracts other than small purchases must contain such contractual provisions or conditions which will allow for administrative, contractual or legal remedies in instances where contractors violate or breach contract terms and provide for appropriate sanctions and penalties.
2. All contracts in excess of \$10,000 must contain provisions for terminations “for convenience” by the Recipient, including when and how terminations may occur and the basis for settlement. In addition, all contracts must describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
3. All contracts awarded by the Recipient and their contractors or sub-grantees having a value of more than \$10,000 must contain a provision requiring compliance with Executive Order 11246, entitled “Equal Employment Opportunity”, as amended by Executive Order 11375, and as supplemented in the Department of Labor regulations (41 CFR, Part 60).



4. All contracts and subcontracts over \$2,000 for construction or repair must include a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (23 CFR, Part 3. This act provides that each contractor or sub-grantee shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work to give up any part of the compensation to which he is otherwise entitled. The Recipient must report all suspected or reported violations to DCA.
5. All negotiated contracts (except those of \$10,000 or less) must include a provision that DCA, HUD, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the contractor which are directly pertinent to a specific grant program for the purposes of making audit, examination, excerpts, and transcriptions for 3 years after final payment to the Recipient or all pending matters are closed, whichever is longer.
6. Contracts must recognize mandatory standards and policies relating to energy efficiency which are contained in the State Energy Conservation Plan issued in compliance with the Energy Policy and Conservation Act (P.L. 94-163).
7. Contracts cannot be entered into with Contractors that listed on the governmentwide Excluded Parties List System in the System for Award Management, in accordance with OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1986 Comp. p 189) and 12689 (# CFR Part 1989 Comp. p. 235).
8. Contracts must certify that the Contractors that apply or bid for awards over \$100,000 have not and will not use Federally appropriated funds to pay any person or organization for influencing or attempting to influence any member of Congress, officer or employee of Congress or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any notification that would allow the Contractor an unfair advantage to decide to not to apply or take needed actions before receiving an award.

#### **DCA Guidance: Procurement for Application Development and Administrative Services**

HOME payments for Grant Administration services are subject to the “competitive negotiation” requirements of 2 CFR 200.319. These provisions apply, typically, to contracts with private consultants, and are not necessary when contracting with Regional Commissions (RCs). Note, however, that RCs that wish to subcontract directly with private consultants must use the procedures in this section and follow the requirements of procurement, before entering into subcontracts with private consultants. Alternately, the local government may contract with both RC and private consultant provided the requirements herein are followed for the procurement of the private consultant.

To comply, the applicant government (not the individual or firm proposing to provide services) must:

##### **Step 1. Establish or appoint a local Selection Review Committee**

The city or county must establish a Selection Review Committee to determine the evaluation criteria and to rate proposals for services. This committee may consist of the entire local governing body (council/board of commissioners), a subset of this council/ board, as appointed by the Mayor/Chairman, or a combination of elected officials and city/county staff. Cities/counties should have a minimum of three members on the committee.

Committee members may not have any potential conflicts of interest with any of the individuals, firms, or agencies under review (e.g., family relationships, close friendships, business dealings) and no person who might potentially receive benefits from HOME-assisted activities may participate in the selection, award, or administration of a contract supported by HOME funding if he or she has a real or apparent conflict of



interest. For further guidance regarding potential conflicts of interest, see the most recent version of the HOME Recipients' Manual.

## **Step 2. Determine the Selection Criteria to Evaluate Respondents**

Determine what evaluation criteria will be used to rate the proposals submitted to the city/county. Prepare a Ratings Criterion Score sheet to evaluate and score each proposal received.

## **Step 3. Develop the Request for Proposals (RFP) Package**

Develop a Request for Proposal (RFP) package that includes "evaluation factors" selected by the Review Committee and their level of importance. The RFP package should include the submission deadline and instructions for submission, a local point of contact for any questions regarding the RFP, and a format for a Statement of Qualifications.

## **Step 4. Advertise the RFP**

If the contract will be for more than \$10,000 it must be advertised on the Georgia Procurement Registry:

[doas.ga.gov/state-purchasing/georgia-procurement-registry-for-local-governments](https://doas.ga.gov/state-purchasing/georgia-procurement-registry-for-local-governments)

Communities are urged to also advertise the RFP on their web site and/or by publishing it in the applicant's "legal organ." Allow 30 days for responses. The publication must state this is a Section 3 contract opportunity.

Send an email or letter with a copy of the RFP to a minimum of 7 "known providers". If sending letters by mail, DCA requires that letters be sent certified return receipt to provide the required documentation. Sole source approval is required from DCA when only one response is received. Emails must be sent with a Request Delivery Receipt and Request Read Receipt to provide equivalent documentation when using this method. See the sample in Appendix B.

When soliciting firms to develop applications/administer projects, RFPs should be sent to at least 7 "known providers." As a service to applicants, recipients and others, DCA maintains a list of consultants who have expressed an interest in making proposals on HOME projects. This is not an "approved" list. DCA does not approve or disapprove consultants. This is the applicant's or recipient's responsibility. The list can be found on the DCA web site.

## **Step 5. Review and rate proposals**

After the submittal deadline, the committee should review and rate each of the proposals received. Committee members should use the evaluation criteria established in step 2 above. Each committee member should score the proposals; all scores can then be averaged to determine the highest scoring proposal. The firm with the highest average points should be selected.

If a Section 3 business submits a bid and requests a preference, the city/county must give priority to the greatest extent possible to the business. In this instance, the city/county should contact Kathleen Vaughn at (404) 679-0594 or [kathleen.vaughn@dca.ga.gov](mailto:kathleen.vaughn@dca.ga.gov) for further guidance to ensure compliance with the federal Section 3 requirements.

## **Step 6. Approve the selected contractor and award contract**

The City Council/Board of Commissioners has final authority to award the contract to the selected contractor. The review committee should present a recommendation to the city/county attorney and to the governing board for final approval. A contract for services should be prepared between the city/county and the selected consultant.



Letter(s) or emails thanking unsuccessful respondents for making a proposal should then be sent. Based on the evaluation criteria outlined in the RFP, this letter should briefly state the reasons why the respondent was not selected for the position.

### **Step 7: Recordkeeping**

The city/county must maintain and make available all documentation utilized during the RFP process, including but not limited to:

- Copy of the full RFP
- Proof of publication of the RFP on the Georgia Procurement Registry (GPR) (by screenshot of GPR posting; if posting links to another website for full RFP, documentation must also include screenshots of RFP on the other site)
- List of firms/individuals that were sent RFPs
- Copies of proposals received
- Scoring sheet that shows the rankings for each of the submitted proposals
- Meeting minutes indicating the council/board approved the selection of the selected firm for service
- Executed contract for services with applicable federal language
- Documentation of any correspondence with a Section 3 business

Because HOME funds cannot be used to pay for any application development costs, applicants are cautioned only to obligate HOME funds for grant administration services and not for grant writing services. Contracts should initially only oblige the applicant to pay for the costs of application development using local or other non-HOME sources. Communities are encouraged to include a contingent contract for administrative services that will become effective if the HOME application is funded. ***Note: Even if local sources of funds are planned for grant administration services and no HOME funds are budgeted for this activity, this procurement process described herein and in the most recent version of the HOME Recipients' Manual must be followed for both grant writing and grant administration services based on the requirements of federal regulations.***

All professional procurement requires compliance with Section 3.

If an acceptable procurement process was followed for an application that is being resubmitted because it was denied in the previous program year, it is not necessary for the local government to re-advertise for professional services if they choose to retain the same firm for the same application. (Note, however, that should the procurement process not have included the applicable Section 3 compliance requirements, then a new advertisement and RFP solicitation is required.) Any older procurements will not be valid, and a new advertisement and solicitation of RFP's is required.

For procurement processes that result in requests for sole source approval from DCA, the procurement process must be fully documented to DCA's satisfaction before DCA will grant approval, including but not limited to the following: 1) a description of the procurement process; 2) documentation of advertisement of the Request for Proposals; 3) a list of the active, qualified consultants or engineers/architects that were emailed/mailed the Request for Proposals; and 4) certified return receipt documentation that the Request for Proposals was mailed to the required number of active, qualified consultants or engineers/architects, or adequate email documentation that the Request for Proposals was delivered as required. Contact CHIP for further guidance regarding procurement for professional services; policy and samples of the following documents: sample notice for RFP, sample email request for proposals, sample request for proposals, sample certification for businesses seeking Section 3 preference, sample statement of qualifications, and sample grant administration ratings criterion.