

Chapter 13

ADMINISTRATION OF SECTION 8 MODERATE REHABILITATION PROGRAM

*Cross Reference: (Reserved)

13A. OWNER PARTICIPATION

1. Solicitation of Owner Proposals

HACK's procedures for soliciting owner participation are fully described under Objective II of the Equal Opportunity Housing Plan. Owner proposals will be requested through a Public Notice/Request for Proposals (RFP), and complete information on the Moderate Rehabilitation Program will be provided in an Owners Packet that will be available at the HACK Central Office. The RFP and Owner's Packet will specify that proposed housing must be located in Kern County and that permanent displacement of tenants will not be permitted. The required contents of the owner's proposals and the criteria that HACK will use in selecting eligible proposals will be described in the Packet.

Bakersfield City or Kern County Community Development staff will conduct a Pre-Proposal Conference at their respective offices. At the Conference, the mechanics of the Moderate Rehabilitation Program, the owner's rights and responsibilities, and HACK's procedures for receiving, ranking and selecting proposals will be explained. The deadline date for receipt of proposals will be thirty (30) days after the Pre-Proposal Conference.

No RFP format has been developed at this time; however, the RFP will require that the owner include in his/her proposal the following information:

- a. Owner's name, address and phone number.
- b. Number, type and bedroom size of housing to be rehabilitated, and the percentage of the total housing in the building to be rehabilitated.
- c. Address of housing to be rehabilitated and the date of original construction.
- d. Rent(s) charged by size during the past eighteen (18) months.
- e. Number and bedroom size of vacant housing proposed to be assisted, if any
- f. Number of occupied housing proposed to be assisted by bedroom size and family characteristics of present tenants.

- g. A statement that the proposed rehabilitation will not cause permanent displacement of present tenants.
- h. A statement of whether the owner anticipates that temporary relocation of tenant(s) will be necessary, the anticipated length of temporary relocation, and the owners agreement to assume the costs of temporary relocation.
- i. A certification that no tenant has been forced to move without cause during the past twelve (12) months.
- j. A summary of the owners prior participation in HUD, PHA, and/or Community Development (CD) programs (if any).
- k. A statement of the owner's plans for managing and maintaining the housing (i.e., who will perform management functions).
- l. A statement of previous management experience of the owner or management agent (required only for proposals for twenty (20) or more dwellings).
- m. The owners plans for financing the rehabilitation,
- n. A general description of the work items to be completed for each dwelling and a rough estimate to HUD after it is developed.

A copy of the RFP, the Owner's Packet and the Proposal Format will be submitted to HUD after it is developed.

In order to simplify the proposal process and to assist small owners and owners with no experience in dealing with government programs, HACK will provide a proposal form on which all required information can be entered. HACK has requested, and the Community Development Agencies (CDAs) have agreed, to provide assistance to small and/or lower income owners in the preparation of proposals.

2. Review and Screening of Owner Proposals

Within three (3) days of the deadline date for receipt of proposals, HACK Section 8 staff and the CD Rehabilitation Specialist will review all proposals for compliance with basic program requirements.

Proposals that are substantially incomplete or which do not meet program objectives will be rejected outright. Since HACK will not allow permanent displacement, any proposal that indicates that overcrowded or under-occupied housing will be assisted and/or that indicates that there will not be enough suitably sized housing after rehabilitation to accommodate present tenants will be rejected at this stage. The Section 8 Existing Housing Occupancy

Standards, contained in Chapter 3, will be used to determine overcrowded and under-occupied housing, except that living/sleeping rooms will not normally be counted as a bedroom.

Proposals that indicate present rents are at or above the Section 8 FMR or proposals that clearly indicate the proposed project is infeasible will also be rejected.

Owners whose proposals are rejected will be notified of the reason(s) for rejection. The notice will specify that the owner may request, within ten (10) days, a hearing from HACK, during which the reason(s) for the rejection will be explained fully and the owner will be provided an opportunity to dispute the rejection.

All proposals that meet the basic proposal selection criteria will be transmitted to the CDA for scheduling and completion of the initial inspection.

13B. THE REHABILITATION PROCESS

1. Initial Inspection

This function will be completed by the CDA under the terms of its agreement with HACK.

The Housing Quality Standards (HQS) for this program will be the Housing Code of the City of Bakersfield; some rehabilitation work will have to meet more stringent building and electrical code standards. All rehabilitation work will have to comply with rehabilitation standards developed by the CDA for its Rehabilitation Loan Program. These standards specify acceptable grades of materials and workmanship levels for rehabilitation work.

The CDA's Representative will schedule the inspection and will request the owner and tenant(s) to be present during the inspection. The owner and tenant(s) will be encouraged to make known their desired repairs; however, the Inspector will make the final decision regarding repairs to be made under the program.

The inspection will be conducted by a CDA Representative. Results of the inspection will be recorded on the inspection form used in the CDA rehabilitation loan program. The Inspector will determine the deficiencies that must be corrected in order for the proposed housing to meet code standards. The CDA Representative will determine whether any major building systems or components are in danger of failure. CDA staff is familiar with design standards for the handicapped and will be able to provide guidance to owners who wish to make housing and/or buildings accessible to handicapped tenants.

Immediately after the inspection, the CDA Representative will complete a Preliminary Cost Estimate Report, detailing each needed eligible repair and its cost, and estimating the cost of energy-conserving improvements required by the Code of Federal Regulations, Section 882.405(a).

The CDA Rehabilitation Staff Director will monitor the quality of inspections by making spot inspections and comparing his findings to the initial inspection report.

2. **Preliminary Feasibility Analysis**

This function will be completed by the CDN's Rehabilitation Specialist and will require the performance of the following procedures:

- a. Estimate the required amount and terms of a conventional rehabilitation loan using the Cost Estimate Report and loan data provided by local banks, or included in the owner's proposal.
- b. Determine a monthly amortization amount for the loan.
- c. Establish a base rent using the average rent data contained in the proposal.
- d. Calculate the gross rent for the housing by adding the Base Rent, the Loan Amortization Amount, and an allowance for any tenant-paid utilities.
- e. Compare the estimated gross rent(s) with the Fair Market Rent Limits and make a determination of feasibility.

For proposals that appear to be infeasible based on conventional loan terms, the Rehabilitation Specialist will recompute the monthly amortization amount of the rehabilitation loan based on the 5% interest rate and 15-year term, that would be provided by a CDA rehabilitation loan. Proposals that appear feasible, based on a CDA Loan, will not be rejected.

The CDA Rehabilitation Specialist will meet with every owner to discuss the Feasibility Analysis. At this meeting, the Rehabilitation Specialist will inform the owner of the proposed base rent for the housing. If the owner maintains that the base rent is too low to permit adequate maintenance and management of the rehabilitated housing, he/she will be required to submit expense data to the CDA Rehabilitation Specialist. These data will be analyzed based on CDA knowledge of average management and maintenance expenses in the Kern County area and on information provided by the HUD Field Office. Property tax expenses will be obtained from city tax records, taking into consideration any anticipated increases.

Using the HUD formula and CDA approved estimates of expenses, a new base rent will be calculated, and the monthly loan amortization amount and any allowance for utilities added to it. A determination of feasibility based on the resulting gross rent will then be made.

3. **Selection of Proposals**

If the owner accepts the rents established in the feasibility analysis, the CDA Rehabilitation Specialist and HACK staff will evaluate the owner's ability to complete required work in a competent and timely manner. This analysis will include a review of the owner's previous participation in other HUD, PHA or Housing Community Development Department (HCDD) programs.

All feasible proposals will be ranked by the CDA Rehabilitation Specialist according to the following evaluation system:

- a. The most important factor will be the amount of rehabilitation to be accomplished, with the highest points awarded for the most rehabilitation.
- b. The second most important factor will be the need for temporary relocation, with points awarded for proposals, which do not require temporary relocation.
- c. The final factor, applicable only to proposals for buildings with twelve or more units, will be the percentage of assisted dwellings in the building, with highest points awarded to proposals in which no more than 40% of the dwellings will be assisted.

In order to lease all housing within the twelve (12) month leasing schedule, HACK will review and approve in three phases those proposals that meet the basic selection criteria. This approach will allow rehabilitation work to begin as soon as possible. HACK's goal will be to approve proposals for one portion of the total number of dwellings authorized thirty (30) days after receipt of proposals; proposals for a second portion of the total number of units sixty (60) days after receipt of proposals; and proposals for the remaining units ninety (90) days after receipt of proposals.

In each phase, proposals for the desired number of dwellings, plus ten (10) (to compensate for expected attrition of dwellings), will be selected. HACK staff and the CDA Rehabilitation Specialist will select proposals in order from the ranked waiting list, keeping in mind the approved housing distribution.

HACK has established a goal of making 5% of its total housing allocation feasible for the handicapped. However, since HACK expects to receive a very limited number of proposals where the only rehabilitation necessary will be associated with making the building barrier free, monitoring the limit on proposals with less than \$1,000 of work will not be difficult. HACK will encourage owners, where possible and appropriate (e.g., where handicapped individuals are already in residence), to make housing and buildings accessible to the handicapped, in conjunction with other rehabilitation activities.

4. Notification to Owners

Owners whose proposals have been selected will be sent a Notice of Selection that will state that they have been selected for participation in the program and will indicate the tentative number of units to be assisted.

Owners whose proposals have not been selected for processing at the first phase will be informed that their proposals are being held for future processing and that in thirty (30) days, they will be notified again by HACK of a date when the proposal will be processed.

In each selection phase, Notices to owners whose proposals have been selected for processing will state that they have sixty (60) days in which to complete the following required activities before an Agreement to Enter into a HAP Contract can be signed:

- a. Preparation of detailed work write-ups and cost estimates.
- b. Selection of a contractor.
- c. Cooperation with the CDA Rehabilitation Specialist in the completion of a final feasibility analysis.
- d. Obtaining a financing commitment.
- e. Preparation of a lease form.

The Notice will also state that the CDA Rehabilitation Specialist will meet with owners to discuss how he will assist them to complete these functions.

Owners whose proposals were determined feasible only with a CDA rehabilitation loan will be requested to contact a CDA loan officer to complete an application for a rehabilitation loan. Notices to all other owners will state that CDA rehabilitation loans are available to owners who have been rejected by two financial institutions and that they may contact the CDA for further information.

Owners will be notified in writing if their proposals are not feasible, even with a CDA rehabilitation loan. The Notice will state that if the owner submits, within fifteen (15) days, information disproving the CDA's determination, the CDA will reconsider the owners proposal.

5. Determination of Family Eligibility

After the CDA Rehabilitation Specialist and HACK staff have selected proposals, staff will schedule interviews with the selected owners present tenants to determine their eligibility for participation in the program.

Scheduling letters will be sent, interviews conducted, verification completed, and eligibility determined per the procedures described in Chapter 2. A briefing will be provided to the family during this interview that will include all information required by Title 24 of the Code of Federal Regulations, sections 983.10 regarding temporary relocation, permanent displacement and family participation.

Tenants found ineligible will be notified in writing of the determination and of their right to a hearing, as set forth in Chapter 11. Since HACK will not enter into a contract for any housing occupied by an over-income family, proposals which are for one unit only will be rejected if the tenant is determined ineligible.

Owners will be notified in writing of HACK's determination and the Notice will state that if the owner resubmits, within fifteen (15) days, information disproving HACK's original determination, then HACK will reconsider its rejection.

6. Work Write-ups and Cost Estimates

Immediately after a determination of family eligibility has been made, the CDA staff will schedule meetings with selected owners to explain the steps that must be completed before an Agreement to Enter into a HAP Contract can be signed, and to provide the following information for use in the program.-

- a. A copy of the list of deficiencies and description of work required and estimated cost determined as a result of the initial inspection.
- b. A sample work write-up and cost estimate completed on the CDA forms and blank copies of the forms.
- c. A standard form rehabilitation contract.
- d. A list of approved contractors.
- e. Davis-Bacon Wage Rates for the area, if applicable.
- f. Information regarding available financing and program information that can be given to potential lenders.

Since actual preparation of work write-ups and cost estimates will be the responsibility of the owner, the initial meeting between the owner and the CDA Rehabilitation Specialist will be extremely important. The Rehabilitation Specialist will have the opportunity to explain each required form and to answer owner questions in privacy. The meeting will allow the Specialist to gauge the owners ability to meet full responsibilities and to plan assistance, which might be needed.

In addition to the initial meeting, the Rehabilitation Specialist will be available to assist owners in the preparation of cost estimates and work write-ups and will, for all owners, review the completed documents for consistency with the findings of the initial inspection. Special assistance will be provided to owners with proposals covering nine (9) or more units, since Federal Labor Standards Provisions will apply to these proposals.

If an owner wishes to complete more extensive work than is required or can be supported by the Moderate Rehabilitation Program, she/he will be required to prepare separate work write-ups and cost estimates for the extra work and to enter into separate contracts for the Moderate Rehabilitation supported work and the owner-supported work. Owners who are proposing to complete rehabilitation work themselves will not be exempt from the requirement to prepare work write-ups and cost estimates nor from the Labor Standards Provisions governing proposals with nine (9) or more units.

7. Selection of Contractors

a. List of Approved Contractors

To help owners select a contractor, a list of approved contractors will be developed by the CDA under the terms of its contract with HACK. This list will be based on the CDA-approved Contractor List for its Rehabilitation Loan Program. The names of qualified contractors, including minority contractors, who respond to the PHA's advertisement for contractors, (included, in the Notice of Availability of the Program) and contractors recommended by the HUD Field Office will be added to the basic list. All contractors who respond to the Notice will be evaluated and qualified by the CDA, based on its contractor selection criteria for the Rehabilitation Loan Program. If there are insufficient minority contractors on the list, HACK will conduct additional outreach to minority contractors through the Small Business Administration (SBA) and local and State minority contractor associations.

Owners will not be required to use the list of qualified contractors; however, owners who propose to use contractors not on the list will have to obtain approval in advance from CDA. Owners who propose to accomplish all or part of the rehabilitation themselves must obtain advance approval from the CDA. Owners will not be allowed to undertake work themselves unless they are licensed contractors or can demonstrate their ability to perform the specific work items.

b. Briefing of Contractors

Contractors on the approved list will be invited to attend a Contractor Briefing at the HACK offices, at which the CDA Rehabilitation Specialist will explain the requirements of the Moderate Rehabilitation Program applicable to participating contractors. A description of the Moderate Rehabilitation Program, a copy of sample work write-up, sample contract, Labor Standards Requirements, and Davis-Bacon

Wage Rates will be provided at the briefing. This procedure will assure that all contractors understand program requirements.

c. Bid Award Procedures

Owners will be required to obtain at least three (3) bids for completion of the approved rehabilitation work items. Owners who are doing some or all of the work items themselves will not be exempt from this requirement. Bids may be requested orally, but written bids, accurately describing the work to be done, and the cost of each item, must be submitted by contractors. The CDA Rehabilitation Specialist will assist in the solicitation of contract bids, if the owner requests. In all cases, the written bids will be examined by the CDA Rehabilitation Specialist before the Agreement to Enter into a HAP contract is executed.

Owners will be expected to select the lowest responsible bidder; however, latitude to select the best proposal, even if not the lowest bid, will be allowed. When the lowest bid is not selected, CDA approval of the bid will be required.

d. Pre-Construction Conference

The CDA Rehabilitation Specialist will hold a pre-construction conference with each owner and contractor before work begins. At this conference, work items and cost estimates will be reviewed, a signed copy of the rehabilitation contract will be obtained for HACK files, and the process by which the work will be inspected will be explained. Deadlines for completion of work will be agreed upon. The procedure for requesting changes to the contract and/or work write-up will be carefully explained. Written materials describing any procedures not specified in the contract will be provided to the owner and the contractor.

A required part of this meeting will be a discussion among owner, contractor, and the Rehabilitation Specialist regarding the effect of the rehabilitation work on the tenant, and the measures that will be taken to avoid damage to tenant property and disruption of the tenant's normal routine. If temporary relocation is required, the owner will be requested to contact HACK's Section 8 staff, who will be responsible for notifying the tenant of the necessity for temporary relocation and of the tenant's rights in connection with the relocation.

8. Final Feasibility Analysis

Utilizing the proposed contract amount from the selected bid, the base rent calculated per program regulations, an allowance for utilities (if any), and assuming the terms and rate of available financing and a contingency of 10% of the contract amount, the CDA Rehabilitation Specialist will calculate the Moderate Rehabilitation Gross Rent and its term. HUD regulations for establishing the loan period contained in 24 CFR 882.409, will be

followed. The financing rate will be calculated at an anticipated rate, based on information obtained by HACK during its initial discussions with lenders, or based on information supplied by the owner if he has obtained a financing commitment.

Based on this analysis, the CDA Rehabilitation Specialist will make a final determination of whether the owners proposal is feasible under the Moderate Rehabilitation Program Fair Market Rents and regulations. For proposals that appear infeasible the Rehabilitation Specialist will evaluate whether the proposal could meet feasibility criteria if work items were modified and/or the contractors price were adjusted. If the proposal can be modified, the owner will be given the opportunity to make the changes, which would bring the proposal within approved rent limits.

Infeasible proposals will be rejected at this point, and owners will be sent a notification of rejection per the procedures described in Part B, Section 4 Notification of Owners, of this Plan,

Owners with feasible proposals will be notified of this fact and will be advised that, subject to the securing of financing and the submission of an acceptable lease, HACK will execute an Agreement to Enter into a HAP contract with them. The letter will indicate that CDA staff is available to assist the owner in requesting and obtaining financing. A description of the Moderate Rehabilitation Program for lenders, the Addendum to the Lease and a suggested form of lease will be enclosed with the notification.

9. Financing

a. Sources of Financing

Owners will be informed about financing options at various points during the Moderate Rehabilitation process. At the Pre-Proposal Conference and in the Owners Packet, HACK will provide information regarding financing available from local lending institutions and low interest rehabilitation financing available to owners through the CDA. In response to initial inquiries from HACK, lenders have indicated a willingness to make rehabilitation loans at market rates to participating owners who meet their lending criteria. Since lenders are familiar with the Substantial Rehabilitation Program and are currently granting loans, creditworthy owners should not have problems getting financing.

b. Outreach to Lenders

Simultaneous to the Publication of the Public Notice of Program Availability, HACK will provide a promotional brochure to all local lending institutions and will meet personally with loan personnel at all local lending institutions. The brochure will explain how the program works, with emphasis on the long-term commitment of the Section 8 subsidy and the fact that the owners Agreement to Enter into a HAP

contract, and/or the HAP contract, can be used as security for a loan. The conditions that govern the use of the Agreement and/or the HAP contract as security will be described in detail.

The CDA's efforts in assisting owners to obtain private financing will be directed toward the provision of clear, precise information to the lending community and staff assistance to owners in the preparation of documents required by lending institutions. Rather than burdening owners with information about various HUD insurance or rehabilitation loan programs that make financing available through local lending institutions, HACK will brief lenders on program requirements in order to allow them to determine which Federal programs would be appropriate for use in the Moderate Rehabilitation Program.

10. Relocation

No permanent displacement will be permitted in HACK's Moderate Rehabilitation Program, and consequently, permanent relocation will not be an issue. Because of the limited amount of rehabilitation expected to be accomplished through the Moderate Rehabilitation Program and because of HACK's preference for proposals that do not require temporary relocation, very little temporary relocation of tenants should be necessary. HACK's procedures with regard to temporary relocation are more fully described in section 12,d. of this Chapter.

11. The Lease

The owner will be required to submit an acceptable lease before an Agreement is executed. As described in Part B, Section 8, of this Chapter, HACK Section 8 staff will provide a copy of the Addendum to the Lease and a suggested lease form that meets HUD requirements, including the Moderate Rehabilitation provisions regarding terminations specified in Section §82.514 of Title 24 of the Code of Federal Regulations.

It is expected that most owners will attach the Addendum to the Lease to their present lease. However, some owners may not have written leases with their tenants, and the suggested lease will be helpful to them. HACK Section 8 staff will be available to review owner- submitted leases and to modify them to meet local and State landlord/tenant laws and HUD regulations.

12. Execution of Agreement and Rehabilitation Period

a. Execution of Agreement

After the owner has completed all the steps required before rehabilitation can begin, the CDA Rehabilitation Specialist will prepare the Agreement to Enter into a HAP contract and will schedule a meeting to review the Agreement with the owner. After consulting with the owner, HACK will enter the starting date for the rehabilitation work and the deadline for its completion on the Agreement. HACK and the owner's rights and responsibilities under the terms of the Agreement and Contract will be

carefully explained and the importance of timely and correct completion of the work will be emphasized. The owner will sign the Agreement at this meeting, and the Agreement will then be submitted to HACK for review and signing by the Executive Director.

b. Inspection of Work and Monitoring of Program Requirements

Prompt completion of work, compliance with Labor Standards and Davis-Bacon Wage Rates (where applicable), and adherence to good construction practices will be monitored through periodic inspections of each unit by the Rehabilitation Specialist. Inspections will be conducted at least biweekly during the rehabilitation period. Normal scheduling will call for inspections as major work items are completed; however, where major work will be hidden by walls, floors, etc., inspections will be scheduled prior to final cover-up. The CDA Inspector will coordinate his inspections with the owner and with the local Building Code Inspector(s), when appropriate.

Since most owners own one to three units, adherence to Federal Labor Standards and Davis-Bacon Wage Rates will not be required in most cases. Where it is required, the CDA Rehabilitation Specialist will review all payroll reports and will make spot interviews with the contractors' employees during inspections to check on consistency of their wages and working conditions with Federal Labor Standards.

During the rehabilitation period, the Rehabilitation Specialist will provide brief biweekly progress reports to HACK's Housing Administrator. These reports, which are more fully described in Part C, Section 3.a of this Chapter, will indicate the percentage of work actually completed and the established deadline for completion of rehabilitation, and will provide comments regarding any problems that are occurring or anticipated.

c. Changes to the Work or Contract Amount

Contractors will be required to request and obtain CDA approval in writing for any changes to the work specified in the Agreement that would alter the design or the quality of the required rehabilitation, or that would increase the contract amount. Generally, change orders will not be approved unless the cause of the proposed change is beyond the contractors control and/or is in the best interest of the rehabilitation project. Where appropriate the contract amount and the proposed contract rents may be reduced. The Rehabilitation Specialist will be responsible for monitoring the use of the contract contingency amount in order to assure that it is not exceeded due to change orders.

Every attempt will be made to avoid the necessity of requesting increases in rents in excess of approved FMR because of unanticipated work. Careful initial inspections

and work write-ups and frequent inspections will help to keep such situations to a minimum. When unanticipated work is required, and cannot be completed without a rent increase that would result in higher rents that HACK cannot approve, the Rehabilitation Specialist will make a recommendation to the Housing Administrator regarding the problem and will ask him to make the appropriate request to HUD.

d. Temporary Relocation

As indicated in Part B, Section 10 of this Chapter, HACK wishes to keep temporary relocation to a minimum and has taken steps to discourage owners from undertaking it. During tenant briefings, HACK will notify tenants of their rights in the event temporary relocation is necessary and will provide to each tenant a Notice of the Right to Remain in Occupancy that states the tenant's rights with regard to temporary relocation per 24 CFR 882.407(b) and (c).

If HACK selects any proposal that indicates a need for temporary relocation, the owner will be required to obtain from the tenant a written statement of willingness to temporarily move. The owner will be responsible for all temporary relocation costs. HACK will provide assistance to affected tenants in selecting suitable temporary quarters and will monitor the adequacy of owners' reimbursement of tenant expenses per 24 CFR 882.407(c)(ii). In no case will temporary relocation be permitted for longer than six (6) months.

Because payment of contractor draws will be based on acceptable completion of rehabilitation work, it is anticipated that owner - contractor disagreements will be resolved while the work is being completed. Therefore, few major disputes between owner and contractor should exist at the time of final inspection. In any case, the Building Code Inspector and CDA Rehabilitation Specialist will review the housing for code compliance only and will not get involved in owner contractor disagreements regarding the quality of the work.

e. Escrow Fund

In preliminary discussions with HACK, local lenders have indicated that it is not their practice to release final payment on home improvement loans until all work is completed. On loans made in conjunction with the Moderate Rehabilitation Program, lenders have agreed to withhold the amounts determined necessary by HACK to ensure completion of it's punch - list items. Furthermore, HACK's standard rehabilitation contract will require retention of 10% of each progress payment pending acceptable completion of all contract work, The withhold amounts will constitute the escrow fund required by 24 CFR 882.510(e)(2).

f. Acceptance of the Housing

Housing that passes final inspection with no deficiencies and housing with minor deficiencies will be accepted at the time of final inspection. If minor deficiencies exist, the Code Inspector will tentatively schedule a date to inspect any work remaining to be done. Housing with other than minor deficiencies will not be accepted until the deficiencies are corrected to the satisfaction of the Building Code Inspector. Resolution of deficiencies will be the responsibility of the owner.

At the time of acceptance the owner will submit the local permits and approvals required as evidence of completion, the Actual Cost and Rehabilitation Loan Certifications, the Certificate of Occupancy and any other required permits on the form provided by HACK.

g. Preparation of the HAP Contract

The CDA Rehabilitation Specialist will review the owner certifications immediately following the inspection and will compare the Actual Cost and Rehabilitation Loan Certifications to the final feasibility analysis and approved change orders. Contract Rents will be recalculated if rents specified in the Agreement need to be adjusted, per 24 CFR 409(d), Changes in Initial Contract Rents during Rehabilitation. If the HAP contract is being signed before all minor deficiencies have been resolved, an agreement describing the remaining work items, their cost, and the date by which they will be completed will be executed and attached to the HAP contract.

During monthly inspections of the housing, the CDA Rehabilitation Specialist will closely monitor rehabilitation progress and will review owner payments to the relocated tenant. At least one (1) visit to the relocated tenant will be made during the course of the rehabilitation, in order to check on the tenant's satisfaction with the temporary quarters.

HACK will monitor the CDA bi-weekly reports to assure that rehabilitation work is progressing according to schedule. After any three- (3) month temporary period, the Section 8 Manager will notify the CDA Rehabilitation Specialist that the owner has a maximum of three (3) more months to complete the rehabilitation.

13. Completion of Rehabilitation

a. Scheduling the Final Inspection

Owners will be required to contact the CDA Rehabilitation Specialist at least one (1) week prior to the completion of rehabilitation work. The Rehabilitation Specialist will, during his monthly inspections, be keeping track of the percentage of work completed. When he is notified by an owner of impending completion of work, he will tentatively schedule a final inspection based on the estimated completion date

and will remind the owner of the documents which she/he will need to submit before the housing can be accepted.

HACK will provide owners a form containing all required owner certifications. The Certificate of Occupancy and other local approvals must be obtained by the owner from the appropriate City/County Official (s).

b. **Completing the Final Inspection**

The final inspection will be completed by the City/County Building Code Inspector and the CDA Rehabilitation Specialist. Owners will be responsible for obtaining building and electrical code inspections if the nature of the rehabilitation work requires them. At the final inspection, all work items required by the Agreement will be inspected and a determination regarding compliance with program rehabilitation standards will be made. The owner and the contractor will be requested to participate in the final inspection so that deficiencies can be discussed and agreed upon immediately after the inspection.

A written copy of a "punch list", detailing deficient work items, a schedule for their completion, and the amount that must be withheld pending completion of the work items will be provided to the owner and the contractor. For minor deficiencies or items that are incomplete because of weather conditions, the Rehabilitation Specialist will determine the amount, which must be withheld from the contractors final payments. For other than minor deficiencies, he will determine whether the work can be corrected and whether proposed contract rents should be reduced.

Within one (1) working day after acceptance of the housing, the information required to prepare a HAP contract will be sent to HACK's Section 8 Department, along with the complete file for the proposal. The HAP contract will be prepared immediately and signed by the Executive Director, Housing Administrator or Controller, and the owner will be requested to come to the HACK offices to execute the contract. When the owner comes to sign the contract, a Section 8 staff person will explain how and when HAP will be made, and will answer any questions the owner may have.

13C. MANAGEMENT PERIOD

1. Family Participation

a. **Referral of Tenants to Vacant Housing**

It is anticipated that most housing will be occupied at the time the HAP contract is executed, and vacancy loss payments will be required in very few cases. Owners will be required to notify HACK of expected vacancies sixty (60) days prior to the

scheduled completion of the rehabilitation or on the date the Agreement is executed, whichever is later. If vacancies are anticipated immediately after the owners notification, HACK's Section 8 staff will select at least five (5) applicant families to be referred to the owner, following its selection preferences that are stated in Objective illof HACK's Equal Opportunity Housing Plan as well as in Chapter 2.

The Housing Representative will contact owners of vacant Moderate Rehabilitation housing at least once a week to determine whether their housing has been leased. These procedures will allow HACK to determine if the owner is entitled to vacancy loss payments.

b. Accessibility for the Handicapped

It is anticipated that most rehabilitation to make housing accessible to the handicapped will be performed on housing currently occupied by handicapped people. If selected proposals include housing that is already occupied by the handicapped, owners will be required to make it accessible for the handicapped tenant. When housing under this category become vacant, handicapped applicants on HACK's waiting list with similar disabilities will be given a preference for referral to owners of this kind of housing.

c. Very Low Income Occupancy

No more than 5% of the housing shall be available for leasing to Lower Income Families other than Very Low Income Families. After July 1, 1984 no Lower Income Family other than a Very Low Income Family shall be approved for admission to the program unless prior approval has been granted by HUD.

d. Assistance to Families Who Move

Families who voluntarily decide to move from Moderate Rehabilitation housing will be placed on HACK's Section 8 waiting list and will be treated as any other applicant. HACK hopes that this approach will discourage frequent tenant moves.

If a family is forced to move through no fault of its own, because the housing is no longer suitable based on an increase or decrease in family size (or because the family is evicted in violation of the HAP contract or the contract is terminated by HACK for other reasons), the family will be offered housing assistance in HACK's Moderate Rehabilitation, Existing Housing, and Public Housing Programs as follows,

- (1) Referral of a family to the owner of any appropriate vacant housing that has been rehabilitated under the program, if such a vacancy exists.

- (2) Referral of the family to the owner of the next vacant unit which will be rehabilitated under the Program.
- (3) Offering the family a certificate in the Existing Housing Program and helping it find suitable replacement housing.
- (4) Offering the family the next available housing owned or managed by HACK.
- (5) Helping the family locate other assisted or unassisted available housing in the locality within the family's ability to pay.

2. Ongoing Procedures

Adjustments in Utility Allowances and Rents, Annual Inspections, and Annual Reexaminations:

Review of annual rent increases requested by owners, adjustment of utility allowances, annual inspections and annual re-examinations will be coordinated so that only one (1) annual adjustment to the HAP contract and Gross Family Contribution will be required to be effective on the anniversary date of the lease. Requests for rent increases will be reviewed as discussed in Chapter 9. HACK will determine whether the proposed rents for Moderate Rehabilitation housing are materially different from comparable unassisted housing, taking into account the differences that existed with regard to initial contract rents. HACK will utilize periodically updated surveys of other rental housing in the area in order to make this determination.

3. Monitoring

a. Adherence to Leasing and Rehabilitation Schedules

During the rehabilitation period, HACK's Housing Administrator will receive bi-weekly reports from the CDA that will provide information on the number of initial inspections conducted, the number of final feasibility analysis completed, the percentage of completion of rehabilitation work, and other relevant information. These reports on major program milestones, as well as HACK's direct involvement in preparation of notifications to selected owners and execution of agreements and HAP contracts, will allow the Housing Administrator to measure program progress against HUD-approved rehabilitation and leasing schedules.

b. HAP Contract Violations

Through spot inspections and tenant feedback, HACK will be kept well informed of contract violations. HACK will make inspections at least annually in order to check on the management and maintenance of the housing. Tenants will be instructed during the briefing to contact the Section 8 staff if problems develop that cannot be resolved between tenant and landlord.

If HACK determines that an owner is in violation of the contract, she/he will be notified, in writing of the violations. The notice will specify the time in which the owner shall correct the violations, and it will state that the violations constitute default under the contract. The notice will specify a termination date of the contract, should the owner fail to correct the violations. In addition to terminating the contract, HACK may exercise any of its other rights under the contract, such as abatement of payments, termination of payments, recovery of overpayments, or its other rights under local, State, or Federal law. In the event HACK terminates the contract, the family may be assisted elsewhere through conversion of the Moderate Rehabilitation assistance to a Section 8 existing housing certificate.

c. Owner Management

In owner proposals for more than twenty (20) units, a description of previous management experiences will be required. The initial determination regarding owner management capability will be based on HACK's initial inspection of the housing included in the proposal, and on an inspection of any housing included in the owners previous management experience statement. After such housing is under a HAP contract, HACK will monitor management capability through spot checks, annual inspections, and respond to tenant complaints.