

City of Houston Single Family  
Homeowner Assistance Program  
Guidelines Round 2, Phase 2



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# Single Family Homeowner Assistance Program Guidelines

## I. Introduction

On September 13, 2008, Hurricane Ike made landfall along the upper Texas Gulf Coast. Hurricane Ike was the third most destructive hurricane at the time to ever make landfall in the United States, behind Hurricane Andrew in 1992 and Hurricane Katrina in 2005. The City of Houston took a direct hit, with the eye of Hurricane Ike passing over Galveston Bay. It is estimated that Hurricane Ike caused as much as \$4.6 billion in residential housing damage in the City of Houston. About 54.9% of total residential units in the City of Houston experienced damage ranging from affected to destroyed.

On November 26, 2008, the U.S. Department of Housing and Urban Development (HUD) announced a \$1.3 billion allocation in Community Development Block Grant Disaster Recovery (CDBG-DR) funding to the State of Texas for Hurricanes Ike and Dolly. The City of Houston (the City) received \$87,256,565 for Round 1 housing recovery activities. On June 10, 2009, HUD announced a second allocation of \$1.7 billion in CDBG-DR funds to the State of Texas for further hurricane recovery activities.

The Texas General Land Office (GLO) is administering the CDBG-DR Program funded by HUD under Public Law 110-320. On January 3, 2013, GLO contracted with the City's Housing and Community Development Department (HCDD) to administer \$152,215,565 in CDBG-DR funds to carry out eligible housing activities in the City. The housing assistance provided by this Homeowner Assistance Program is to aid homeowners with the rehabilitation and reconstruction of single family homes damaged by Hurricane Ike. HCDD is also offering a third assistance option as required by GLO, the Homeowner Opportunity Program (HOP). HOP allows single family homeowners with homes damaged by Hurricane Ike to relocate to areas of higher opportunity. HCDD has drafted separate guidelines that detail the operations of HOP.

## II. Purpose

The HCDD Single Family Housing Guidelines (the Guidelines) were developed to serve as the basis for the Hurricane Ike Round 2.2 City of Houston Disaster Recovery Program. Single Family Housing Activities will be largely self-administered by HCDD. These guidelines support the Single Family Homeowner Assistance Program. Other programs such as the Homeowner Opportunity Program and Multi-Family Rental Program are covered under different guidelines. Activities will meet the Round 2.2 program eligible HUD National Objective; Benefit low-to-moderate income persons (LMI).

### **III. Program Objectives**

The primary focus of this program is to provide relief for those people impacted by Hurricane Ike while addressing recognized impediments to affirmatively furthering fair housing as required under the Fair Housing Act. Assistance will be provided under a variety of housing activities including, but not limited to, the rehabilitation, new construction, and reconstruction of housing units.

- The primary objective of the program is to provide decent, safe, and sanitary housing in hurricane-impacted areas through activities designed to repair storm damage that occurred as a result of Hurricane Ike, as well as to mitigate damages from future hurricanes.
- A second objective is to ensure that very low-, low-, and moderate-income households are assisted with housing in no less than the proportion to the relative percentages of the overall populations which suffered housing damage.
- A third objective is to prioritize the provision of decent, safe, and sanitary housing for elderly and disabled populations. Here, the emphasis is on housing choice, design to reduce maintenance and insurance costs, and the provision of independent living and / or supportive housing options.

### **IV. Outreach and Application Intake**

Consistent with the Conciliation Agreement, the Targeted Areas, and the Outreach Plan, HCDD will review Round 1 applications to determine if any Round 1 applicants are in the targeted areas to be included in outreach. Details of the application assessment will be included in the Outreach Plan. Persons who have applied under Round 1 will not have a claim of priority to be included in the Round 2 program. All applications will be reviewed for eligibility determination under the new program guidelines.

#### **i. Round 1 Applicants**

In Round 1, the City processed applications on a first come, first serve basis. The City received more applications for its CDBG-DR1 than it was able to service. Applicants who were not served were put on a waiting list to be addressed by future HCDD programs and services.

Round 2.2 is not a first come, first serve program. Consistent with the Homeowner Opportunity Program Guidelines approved for the state by GLO on October 1, 2012, a review of the Round 1 applications will be undertaken consistent with the targeted areas. HCDD will review existing address data from un-served Round 1 applicants and will determine if any applicants are located in the primary HOP target areas identified in

the HCDD Needs Assessment. HCDD will make reasonable effort to contact applicants during the outreach period, which is expected to last 90 days, with one possible 90 day extension. Round 1 applicants located in the targeted areas with qualified LMI incomes may be contacted to begin the Round 2 process.

## **ii. Round 2 Applicants**

Intake for Round 2 applicants will be performed in targeted outreach. Working with GIS mapping, the City will identify target areas based on the three HOP criteria and the identified Community Revitalization Areas (CRA). Outreach teams will conduct targeted community outreach meetings and targeted mailings to homes known to be damaged by Hurricane Ike that exist within the CRA areas. On an as needed basis, these teams may also conduct targeted door-to-door outreach. The outreach teams will be responsible for:

- Collecting general contact information from potential applicants
- Providing a general overview of Program options
- Encouraging potential applicants to apply for assistance under the Program
- Providing potential applicants information on how to apply

This general contact information will be transmitted to the City for their Program Counselors to contact the potential applicants to schedule Personal Consultations to begin the eligibility determination process. Outreach is not intended to determine eligibility for the program. All information gathered in the field will be submitted to the City for review.

Application processing priority will be given to households with members who are elderly (62 and over) and / or disabled.

All information related to program eligibility, including, but not limited to income, assets, liabilities, property ownership, site location, Hurricane Ike damages, and duplication of benefits, will be verified in accordance with GLO Disaster Recovery program requirements. HCDD shall be responsible for determining the eligibility of each applicant. HCDD shall notify all applicants in writing of their eligibility / ineligibility status.

Applicants will be given a reasonable time frame (up to 30 days) to complete all application documents. Deadlines for returning requested and required documents will be clearly noted on application packages. Documents received after the deadline date will not be considered.

## **V. Eligibility Requirements**

Applicants shall provide complete and accurate information regarding their household composition, household income, and housing situation. Failure to disclose accurate and complete information which may affect eligibility requirements may be referred to the GLO for further action.

Activity-specific Program Guidelines for Homeowner Assistance Program (HAP) and Homeowner Opportunity Program (HOP) have been developed. The following detail the threshold requirements, which must be met for an applicant to be eligible for assistance.

Meeting these threshold requirements does not assure assistance. People receiving assistance will first be assessed in view of the priority income group funding, as shown in the needs assessment. It is expected that there will be more eligible applicants than can be served with available CDBG-DR. Eligibility includes the items listed below in detail.

### **i. Unmet Need**

This program is intended to serve applicants whose primary residence was damaged by Hurricane Ike and has not been repaired completely. The program is not intended to serve applicants who currently own other viable housing options that are currently unoccupied.

### **ii. Hurricane Ike Damage**

The property must have been damaged by Hurricane Ike and the applicant must not have been able to fully repair or rebuild since the storm. Due to the length of time and subsequent storms, it may be difficult to attribute Hurricane Ike damage to the current condition of the property. An inspection report is the preferred verification method.

- Inspection report – An inspection report (complete with photos of the damage and a written assessment of the damage) from a damage assessment conducted by a qualified inspector supplied by HCDD that certifies that the damage occurred as a result of the hurricane.
- FEMA Claim Letter for Housing Repair
- SBA Loan for Structure for Ike recovery
- Insurance Claim paid for structure

### **iii. Income**

All applicants must meet income criteria in order to be eligible for assistance and funding must be available for their funding income category. In order to meet this

eligibility requirement, applicants must be very-low, low-, or moderate-income with a total household annual gross income that does not exceed 80% Area Median Family Income (AMFI), adjusted for family size, as published annually by HUD.

#### **iv. Proof of Ownership**

The applicant must have had ownership interest in the property on September 13, 2008 and currently own the property. Ownership is verified through a warranty deed or fee simple title.

If a deed cannot be provided, applicants who wish to rebuild in place may provide a “HB2450 Affidavit” using forms promulgated by GLO. Completion of the affidavit certifies one of the following apply:

- There is nobody else who has the right to claim ownership; or
- Anyone who has a right to claim ownership has been contacted and agrees to participate in the program; or
- Anyone who has a right to claim ownership could not be located after reasonable attempts to contact.

The affidavit must be supported by additional documentation from the list below, in order of preference:

- Tax receipts at the time of the storm;
- Hazard insurance for the home in question;
- Utility statements at the time of the storm; or
- Other documentation acceptable by GLO.

#### **v. Principal Residency**

The applicant must have occupied the damaged home as their principal residence on September 13, 2008. Vacation homes and rental properties are not eligible for assistance under the Single Family program. Principal residency is verified through homestead exemption that was in effect at the time of the storm. The damaged home must be the only property for which the applicant has a homestead exemption.

If a homestead exemption was not available at the time of the disaster, an “Affidavit of Principal Residency” form may be used as an alternative method of verification of principal residency. The affidavit must be supported by one of the following documentation:

- Asset verification (income tax returns, credit check, etc.),



- Utility statement
- FEMA award or report
- Texas drivers license
- Voters registration
- Other documentation that may be reviewed and deemed acceptable by GLO.

#### **vi. Location and Type**

The following threshold requirements are applicable to the assisted unit and must be met in order for the applicant to receive assistance. Only stick-built single family owner-occupied units within the City of Houston city limits will be eligible for single family homeowner programs. No Manufactured Housing Units (MHUs or mobile homes) will be repaired with CDBG-DR program funds in the City of Houston.

#### **vii. Property Taxes**

The applicant must furnish evidence that property taxes are current, have an approved payment plan upon which they are current, or qualify for an exemption under current laws. Alternatively, the applicant must prove:

- The property owner(s) qualified for and received a tax deferral as allowed under §33.06 of the Texas Property Tax Code;
- The property owner(s) qualified for and received a tax exemption pursuant to §11.182 of the Texas Property Tax Code; or
- The applicant entered into a payment plan (and is current on such plan) with the applicable taxing authority.

#### **viii. Child Support**

All applicants and co-applicants must be current on payments for child support, if applicable. If the applicant and / or co-applicant is not current on child support payments, he/she must enter into a payment plan agreement. Any applicant that enters into a payment plan must supply a copy of the payment plan signed by all applicable parties, along with documentation that they are current on their payment plan.

#### **ix. Duplication of Benefits**

Under federal law, duplication of benefits (DOB) must be deducted from the assistance amount (the amount that will be offered for the purchase of the property or the repair of the structure). The following are sources of funding assistance provided for structural damage and loss that are considered DOB: FEMA Individual Assistance (IA); FEMA National Flood Insurance Program (NFIP); Private Insurance; Small Business Administration (SBA); and other sources. Assistance received in the form of services, instead of money, for property repairs from any source is **not** considered a duplication of benefits. Any additional DOB received by the applicant after the CDBG-DR assistance is awarded must be applied to reduce the award amount. Funds received from any source, including flood insurance, FEMA, and hazard insurance, that were used to cover repair(s) to the property do not reduce the amount of disaster assistance if the evidence of expenditures at least equals the amount of assistance. Documentation acceptable to HCDD must be provided demonstrating the cost and type of repair conducted. For example, if the cost of repairs was greater than the funds received, then the funds available for Hurricane Ike repairs will not be reduced. If the cost of repairs was less than the funds received, then the funds available for Hurricane Ike repairs will be reduced.

#### **x. Applicant's Responsibilities**

The applicant is held to certain responsibilities within the program. Applicants should be responsive in the gathering of documentation to support eligibility. All debris, abandoned vehicles, and buildings that pose a safety and / or health threat must be removed from the property prior to the start of construction. The assisted homeowners will be responsible for removing such items from the property within two weeks of an executed contract. If a home is to be reconstructed, the original home must be demolished and removed from the site. The homeowner is also responsible for being available for progress meetings / inspections.

#### **xi. Death of Eligible Owner Occupant**

If the owner of the damaged address passed away after Hurricane Ike, the deceased owner must have met the eligibility requirements at the time of their death (i.e., homeownership at time of storm, primary residence, taxes). Income determination will be based on the income of the heir at the time the program benefits are being conferred. If the legal owner of the damaged address passed away before the storm, the heir occupying the property must meet all eligibility requirements except for ownership at the time of the storm and will be processed for assistance in the same manner as all other applicants. The heir will sign an affidavit and present documentation in accordance with Texas HB2450, complete required documentation, and must agree to occupy the home after repairs are completed.

If the owner passes away after application, but before construction begins, the heir must meet all terms of the application process except ownership at the time of the storm to be considered.

If the applicant passes away during construction or during the compliance period, the heir is not responsible for meeting the terms of the contracts signed by the deceased/applicant owner and the loan will be treated as an Accelerated Forgiveness as described in this document.

#### **xii. Insurance**

Hazard insurance may be purchased on behalf of the assisted homeowner by CDBG-DR program funds for one year from the date of assistance. Assisted homeowners will be required to maintain hazard insurance during their affordability period and will be encouraged to maintain hazard insurance for the life of the structure. Failure to maintain hazard insurance **may** impact future disaster assistance.

Flood insurance may be purchased on behalf of the assisted homeowner by CDBG-DR program funds for one year from the date of assistance. If the unit is located in the 100-year flood plain, flood insurance is required. Assisted homeowners will be required to maintain flood insurance during their affordability period and will be encouraged to maintain flood insurance for the life of the structure. Failure to maintain flood insurance **will** impact future disaster assistance.

#### **xiii. Mortgages and Other Financial Obligations**

The program requires applicants to disclose any circumstances from which a lien can be placed on the home. Applicant and / or co-applicant must not be in an active Foreclosure. Applicant and / or co-applicant must be current on any Homeowner Association dues.

### **VI. Construction Standards**

For new and reconstructed homes, construction specifications (for 2, 3, and 4 bedroom homes with total square footage ranges) will be developed by HCDD consistent with state guidelines. Each home must be constructed in accordance with §2306.514, Texas Government Code. An optional waiver for visitability standards on elevations that are cost burdensome to meet §2306.514 consistent with GLO policy may be given. Basic square footage (within ranges), room requirements, building materials, and general specifications will remain standardized for any home newly constructed or reconstructed with CDBG-DR Program funding. Elevation options will be developed by HCDD and the standardized specifications will then be put out for bid.

The total square footage (attached garages not included) range as follows:

- 2 bedroom / 2 bath (1,000 – 1,330 SF)
- 3 bedroom / 2 bath (1,331 – 1,425 SF)
- 4 bedroom / 2 bath (1,426 – 1,500 SF)

These requirements are for the first floor only, if multiple floors exist:

- At least one 36” entrance door (preferably the main entrance) is on an accessible route served by a ramp or a no-step entrance.
- Each interior door is at least a standard 32” door, unless the door provides access to a closet of less than 15 square feet.
- All door handles are to be lever door handles.
- Each hallway has a width of at least 36” and is level, with ramped or beveled changes at each door threshold.
- Each bathroom wall is reinforced for potential installation of grab bars.
- Each electrical panel, light switch, or thermostat is not higher than 48” above the floor.
- Each electrical plug or other receptacle is at least 15” above the floor.
- If the applicable building codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48” above the floor inside the building.
- Toilet seats are to be 1’4” – 1’7” above the floor.
- At least one half bath and preferably one full bathroom needs to have a minimum of 2’6” wide by 4’ open floor area with an out swinging door.

Amenities and specifications may be altered in cases where a duplication of benefits has occurred or construction standards conflict with municipal requirements. When a duplication of benefit has occurred and the applicant is unable to produce gap financing, the program will conduct individualized review of previous funding received by the applicant. When feasible, HCDD will develop a rehabilitation or reconstruction plan that meets program requirements while reducing the total eligible benefit by the amount of duplication. At all times minimum construction standards must be achieved – if the program is unable to achieve minimum construction standards all while accounting for the duplication of benefits, the program may be unable to provide assistance.

### i. Unit Sizes

The CDBG Disaster Recovery Program guidelines are used to determine the number of bedrooms for a reconstructed home. Standards are based on the following factors. Exceptions to this standard are based on multiple factors which HCDD recognizes and can be found in the section on Issuance Size Exceptions.

- No more than two persons are required to occupy a bedroom.
- Persons of different generations (i.e. grandparents, parents, children), persons of the opposite sex (other than spouses/couples), and unrelated adults are not required to share a bedroom. An adult is a person 18 years old or older.
- Couples living as spouses (whether or not legally married) must share the same bedroom for issuance size purposes.
- A live-in aide who is not a member of the family is not required to share a bedroom with another member of the household. Note: The need for a full time live-in aide must be documented.
- No CDBG-DR-built home will be only two bedrooms, unless HCDD determines it is in the best interest of the homeowner to build a two-bedroom unit. No CDBG-DR-built home will require that children of different sexes share a bedroom.

1 Bedroom
Houston will not build CDBG DR homes with only 1 Bedroom
2 Bedroom (as determined necessary by HCDD)
Adult/couple
Adult/couple plus 1 child
Adult/couple plus 2 children of same sex
3 Bedroom
Adult/couple plus 2 children of opposite sex
Adult/couple plus 3 children
Adult/couple plus 4 children (2 boys and 2 girls)
Adult/couple with medical needs plus 1 child
Adult/couple with medical needs plus 2 children of same sex
4 Bedroom
Adult/couple plus 4 or 5 children (3 of same sex)
Adult/couple with medical needs plus 2 children of opposite sex
Adult/couple with medical needs plus 3 children

Individuals with medical problems (e.g. chronic illness) sometimes require separate bedrooms for household members who would otherwise be required to share a bedroom. Documentation supporting the larger sized unit and related subsidy must be provided and verified as valid.

In most instances, a bedroom is not provided for a family member who will be absent most of the time, such as a member who is away in the military. If individual circumstances warrant special consideration, a waiver may be approved as outlined in the section on Issuance Size Exceptions.

When determining family issuance size, include all children expected to reside in the unit in the next year as members of the household. Examples include, but are not limited to, the following:

- Pregnant women: Children expected to be born to pregnant women are included as members of the household.
- Adoption: Children who are in the process of being adopted are included as members of the household.
- Foster Children: Foster children residing in the unit along with families who are certified for foster care and are awaiting placement of children are included as members of the household. If children are anticipated to occupy the unit within a reasonable period of time, they must be considered when determining the issuance size.
- Joint / Shared Custody Agreements: In most instances children in joint / shared custody arrangements should occupy the unit at least 50% of the time. However if individual circumstances merit special consideration, a waiver may be approved as outlines in the section on Issuance Size Exceptions. The custody arrangement may be verified by the divorce decree / legal documents or by self-certification.
- Custody of Children in Process: Children whose custody is in the process of being obtained by an adult household member may be included as members of the household. Evidence that there is a reasonable likelihood that the child will be awarded to the adult (i.e. within three months) must be provided in order for such child to be included.
- Children Temporarily Absent from Household: Children temporarily absent from the home due to placement in foster care may be included as members of the household. Evidence that there is a reasonable likelihood that the child will return to the household (i.e. within three months) must be provided in order for such child to be included.
- Children who are away at school, but live with the family during school recesses are included as members of the household.

- Duplication of Benefits: Unit size and / or the total number of bedrooms may be decreased for applicants who have a duplication of benefits.

### ii. Issuance Size Exceptions

Waivers may be granted based on the following:

- Chronic Illness – An individual with an ongoing health problem who requires at least part-time assistance on a regular basis.
- Pending Child Custody Cases – Includes, but is not limited to, children in foster care who may be returning home, foster children, pending adoptions, etc.
- Parental Custody Situations – Children physically occupy the unit less than 50% of the time as documented by a divorce decree and / or self certification.
- Waivers for other individual circumstances may be granted with pre-approval by GLO.

### iii. Housing Assistance Caps

Homeowner assistance is limited by the Housing Assistance caps in the State of Texas Housing Guidelines. HCDD will bid the standardized set of new home specifications to establish the bid price referenced in the table below.

	Homeowner Assistance	
	Reconstruction / New Construction	Rehabilitation
Base Unit	Bid*	Up to \$65,000**
Vacant Land	-0-	-0-
Individual Mitigation Measures	Up to \$20,000	Up to \$20,000
Non-Coastal Elevation	Up to \$35,000	-0-
Coastal Elevation	Up to \$60,000	-0-
Water Well	Up to \$30,000	Up to \$30,000
Septic System	Up to \$25,000	Up to \$25,000
Accessibility	Up to \$20,000	Up to \$20,000
Abatement	Up to \$20,000	Up to \$20,000
Services	Actual, up to \$15,000	Actual, up to \$15,000
Total	Varies	Varies

\*HCDD will design homes and the average bid from the construction contractors will be the base unit price. The composite pricing attempts to capture all of the construction related costs. Due to the nature of unforeseen construction activities, there may be additional requirements to complete construction not included on the composite pricing and/or additional services in the work write-up.

**\*\*Homes below the \$65,000 are eligible for rehabilitation but are not eligible for the Homeowner Opportunity Program (HOP). Applicants who have estimated rehabilitation costs exceeding \$65,000 will be required to reconstruct or participate in other housing choices offered by HOP.**

A pre-construction conference between the assisted homeowner, contractor, and the City of Houston's designated representative will be conducted to ensure that all parties are in agreement about the work to be completed. The pre-construction conference will consist of two (2) parts. The first part of the pre-construction conference will consist of a walk-through of the house for program assistance. The second part deals with basic contract and procedural issues: begin and end dates of the contract; terms of the contract; payment schedules; payment requests and procedures; change order procedures; inspection procedures; and lead-based paint requirements; responsibilities of the contractor, City, and the assisted homeowner; complaint and conflict resolution procedures; and other programmatic procedures. All parties should understand how the work will proceed. Instructions will be given regarding site clean-up arranged by the homeowner prior to the work and arranged by the contractor during and after the work.

## **VII. Environmental Review**

An Environmental Review Record (ERR) will be performed at the Program's expense. The proposed project activities require an Environmental Assessment (EA) level of review per HUD regulations at 24 CFR Part 58.40 Subpart E unless otherwise described. Where appropriate, the ERR will be tiered in accordance with HUD regulations at 24 CFR Part 58.15. A tiered approach allows the environmental review and analysis to be streamlined by evaluating impacts of functionally and geographically aggregated activities. The tiered ERR will consist of a broad review (including a written strategy), and site-specific reviews. For an activity determined to be exempt according to 24 CFR 58.34 or Categorically Excluded Activities Not Subject to 24 CFR 58.35(b), the ERR will consist only of documentation of compliance with the Statutes and Regulations listed at 24 CFR 58.6.

The ERR is a separate and distinct review from any other review. Other previously performed (or applicant-provided) environmental reviews will not satisfy the Program's requirements. If an applicant fails the environmental review, they will not be eligible to participate in the Program.

Part of the Environmental Review process will be to design and modify (as practicable) the preferred alternative to minimize and mitigate potential adverse impacts within the floodplain. HCDD will use the emergency management policies in the City of Houston's Hurricane and Disaster Preparedness Guide in the event of a hurricane and / or



disaster. HCDD Program Counselors will encourage qualified applicants to register with 2-1-1 Texas Service for transportation assistance during an evacuation.

#### **i. Site Specific Review**

In several areas, it is anticipated that the broad review will result in compliance or consistency findings for the HUD defined environmental review topics, and no further environmental review of those topics at a site specific level will be necessary. Because impact findings cannot be made for all factors in the broad review, a site specific environmental review will be conducted for each activity to address all other site-specific compliance factors, which are:

- Historic Preservation
- Floodplain Management
- Coastal Zone Management Act
- Endangered Species Act
- Noise Abatement and Control
- Hazardous Materials, Contamination, Toxic Chemicals or Gases and Radioactive Substances
- Citing of HUD-Assisted Project near Hazardous Operations (Explosive and Flammable Operations)
- Airport Clear Zones and Accident Potential Zones
- Coastal Barrier Resources Act

The Site Specific Review will include four potential steps:

**Step 1 – Initial Review:** An environmental assessor will review the applicable property data including date of construction, tax card information, damage estimates, description of work required, site observations and photographs, relevant environmental data from coordinating agencies, and GIS Information. If the applicant's home meets the prescribed criteria and no environmental issues are identified, the environmental review will be concluded. However, if a potential environmental issue is identified further investigation will be performed.

**Step 2 – Issue Analysis:** If the Initial Review reveals a potential environmental issue, further analysis will be required. This analysis may require follow-up site visits or

additional research. An intake counselor will schedule required follow-up visits in order to perform the necessary analysis. Applicants will be notified if they are required to be present for these follow-up visits.

**Step 3 – Issue Mitigation:** Any issue that cannot be cleared through Issue Analysis will need to be mitigated either before or during Program construction. The Program may pay for mitigation of issues identified during the environmental review if it is deemed an eligible activity. Applicants will receive all federally required notifications as well.

**Step 4 – Mitigation Monitoring and Clearance:** Depending on the mitigation required for an individual home, several tasks are possible, approval of mitigation plan, monitoring of mitigation tasks, mitigation progress inspections, and mitigation clearance.

### **VIII. Use of the State Contractor Pool**

HCDD has entered into an agreement with GLO whereby HCDD will use GLO's pool of procured building contractors to perform the construction activities for the Homeowner Assistance Program. GLO will pay their building contractors directly from HCDD's single family program allocation in order to expedite program production. HCDD will interact with the GLO contractor pool by way of an assignment method. When an applicant's home is approved for construction activities, HCDD will request that the GLO assign particular builders from GLO's pool of procured building contractors to perform those construction activities based on multiple factors including but not limited to prior performance, productivity, and use of minority and women-owned businesses. HCDD will monitor the progress and productivity of each builder for each construction site by sending out its inspectors on a regular basis. HCDD will use a scorecard for each builder and update that scorecard based on the results of each finished build. Builders that demonstrate themselves to be more productive and have greater capacity will be assigned more work throughout the program. Builders who demonstrate themselves to be less effective may not be assigned additional work. HCDD will use three controlling documents for the Program agreement.

- Unsecured Forgivable Promissory Note – HCDD will use GLO Form “Unsecured Forgivable Promissory Note” as the agreement between the applicant and HCDD, the subrecipient.
- Builder Contract – The building contractors, as members of the GLO Contractor Pool, will be governed by the existing contractual agreement between themselves and GLO. HCDD will ensure that Houston-specific program requirements are addressed through Attachment E of this contract and the Work Authorization document used to assign particular building activities to those builders.
- Applicant Construction Contract – Each building contractor will be responsible for

using its own contractual agreement with the applicant to whom that builder is assigned. HCDD will review and approve each builder's contract to determine whether it is acceptable prior to assigning any builder any Program construction activities.

## **IX. General Property Improvements**

Improvements needed must meet local building codes or HUD-defined minimum standards, such as current IRC (International Residential Code) adopted by the City of Houston or Section 8 Housing Quality Standards (HQS). Cost effective energy measures are eligible improvements.

Improvements must be physically attached to the house and be permanent in nature. Sheds or garages detached from the house are ineligible. Detached sheds or garages that are not structurally sound will be demolished and not be replaced. Eligibility of attached structures, such as carports or utility rooms, is based upon available funds and agreement by GLO in cases where safety or the structural integrity of the house is involved.

Improvements will include, as necessary, lead-based paint abatement; asbestos abatement; handicapped accessibility for special needs; and energy efficiency or ventilation items such as ceiling fans, window screens, screen doors, and window blinds. Individual Mitigation Measures (IMM) that mitigate and / or reduce risk for future disasters, such as elevation above the base flood elevation level, addition of storm shutters, hurricane-proof windows, and / or roof straps, among others, may also be included. Required permits, if any, will be obtained by the contractor at his / her expense and will be included as part of the bid costs.

If the unit to be assisted was built prior to 1978 and the type of assistance offered will be rehabilitation, the assisted unit will be tested for the presence of lead-based paint hazards. If present, the removal of lead-based paint hazards will be considered in the costs of rehabilitation under the Abatement cap as described in the General Guidelines. Lead paint inspection provides two (2) benefits: (1) the costs of abatement are considerable and must be factored into the cost estimates for rehabilitation; and (2) the health risks to residents, particularly children seven years of age or younger, may be severe. Therefore, the presence of lead-based paint hazard in an assisted unit, even one that is to be reconstructed, must be reported so that the residents may seek appropriate medical attention.

Cook stoves, refrigerators, and other necessary appliances are eligible items, but will only be considered when they are not already present or the repair would not be cost effective. These items will be considered on a case-by-case basis. CDBG-DR program funds will not be used for luxury items, including, but not limited to, garage door openers, security systems, swimming pools, fences, and television satellite dishes.

#### **i. Supplemental Improvements**

All electrical components must be inspected, including service, meter, wiring, and fixtures, even if no electrical work is being specified. Unsafe components must be replaced. All exposed wiring, switches, and light bulbs in living areas must be encased. All homes must be equipped with a smoke detector installed in conformity with appropriate building codes, in accordance with Section 31 of the Federal Fire Prevention Act of 1974.

Rehabilitated homes inhabited by handicapped or elderly persons must be assessed for the physical needs of such persons. Improvements such as widened doorways, ramps, level entry doorways, and grab bars in bath areas must be installed, if needed.

### **X. Progress Inspections and Final Payment**

To ensure project timelines and construction standards are achieved, HCDD, in concert with municipal building officials will conduct progress inspections.

#### **i. Preliminary Inspection**

A preliminary inspection will be conducted by HCDD to determine the condition of the unit for each application and to verify hurricane damage if FEMA, Small business Administration (SBA), or insurance award letters are not available. The preliminary inspection will be conducted by an HCDD inspector(s) or other qualified inspectors selected by HCDD, and a list of the deficiencies will be prepared. The inspection will provide an estimate of repair costs to determine whether rehabilitation or reconstruction will be offered and must be in sufficient detail to create work write-ups.

#### **ii. Progress Inspections**

Progress inspections serve three (3) primary purposes:

- Evaluate the contractor's progress;
- Confirm that local building codes or standards have been satisfactorily met; and
- Confirm that all requirements of the contract have been met.

Building permits are required for all applicable construction work. HCDD requires that electrical work be completed by an electrician with an approved license recognized by the City of Houston. A licensed master plumber must oversee all plumbing work. A licensed journeyman plumber must be present on site when plumbing work is being performed. All trades must maintain a proper ratio of journeyman, apprentices and laborers at all times.

HCDD will schedule inspections at key stages in the project. Key stages are times when work such as rough in wiring and plumbing are completed and still exposed prior to the wall or flooring being replaced; or when work being performed by a specialty subcontractor, who will be present for only a short time, is nearing completion.

Inspections to approve progress payments will be scheduled by HCDD when requested by the contractor. These inspections will be made within a reasonable time period so as not to delay the processing of the contractor's payments. If at all possible, the same person will conduct inspections each time.

HCDD will sign the inspection forms as acknowledgement that the work was completed and meets approval. Copies of the inspection form will be provided to the assisted homeowner, who will sign an acknowledgement receipt. If the Homeowner cannot be available within two days of the notice for their home inspection, the HCDD representative may administratively sign the document allowing the construction to proceed after inspection. In the case of an administrative signing, a copy of the document will be sent to the Homeowner at their temporary address or delivered electronically. The homeowner shall not be able to claim any damages against HCDD if they fail to cooperate with the inspection process.

### **iii. Final Inspection**

When work is nearing completion, the contractor will notify HCDD of the specific date when the job will be ready for a final inspection. The purpose of the final inspection is to guarantee that all work called for in the contract has been completed according to specification. If progress inspections were satisfactorily conducted often enough to make mid-course corrections, the final inspections should capture only those items which were not addressed in the last inspection.

If the assisted homeowner and HCDD are not satisfied with any aspect of the specified work, the inspection forms should not be signed until the contractor has corrected the work identified. If the assisted homeowner refuses to sign the final inspection form or is otherwise non responsive for the final inspection, but HCDD, after an inspection of the home has determined that the work done by the contractor was completed to meet the standards, a senior inspector and / or HCDD SFHR manager will also inspect the work, in order to properly expedite timely payment as an administrative signing.

As in all construction projects, a punch list will be developed toward the end of the job. This punch list will provide all items not addressed per written specifications, which constitute the work necessary to complete the contract. For example, if the punch list contains more than five (5) major incomplete items, the contractor is not ready for a final inspection. The final punch list derives from the final inspections, as determined by HCDD. The final punch list represents work yet to be done, not additional work over and above the original or amended tri-party agreement. HCDD prepares and issues the final punch list. Once the contractor satisfactorily completes the items on the punch list, no additional work items will be expected of the contractor.

#### **iv. Certificate of Completion and Owner Acceptance**

After all items on the punch list have been satisfactorily completed, and all warranties issued, the project can be brought to final resolution. For purposes of accountability, the file must contain written confirmation that the assisted homeowner and HCDD have accepted the work. If the homeowner refuses to sign and accept the work, the file may be complete if HCDD management has determined that the work was completed. HCDD will ensure that the assisted homeowner has received all warranties and instruction booklets for any new equipment installed in the home.

#### **v. Retainage and Warranties**

When final inspection determines that the work is completed in accordance with the contract, HCDD will submit the contractor's request for payment and upon receipt of the funds, disburse the funds to the contractor. HCDD will retain 10% of all requests for funds, and release this retainage when the project is complete and thirty (30) days have passed with no reports of additional items to be completed / fixed. Following thirty (30) days after completion and acceptance, retainage will be paid to the contractor pending grant fund availability.

If any problems are identified within the final thirty (30) days for retainage, HCDD will notify the contractor to come back and correct the same within a reasonable amount of time, not to exceed two (2) weeks. Should the contractor fail to do so, HCDD will not disburse the retainage, the assisted homeowner may take any necessary legal recourse, and the contractor will be barred from performing any more rehabilitation / reconstruction work for HCDD. In addition, should the contractor be doing other work for this Single Family Hurricane Ike Round 2 Phase 2 program, no other payments will be made to him / her until such problems are corrected.

All work performed by the contractor will be guaranteed consistent with State standards, or standards adopted by the GLO and referenced in contractor agreements. HCDD requests that GLO require their contractors to guarantee 1 year of general warranty for the entire home, 2 years of electrical, delivery, and mechanical system warranty, and 10 years of structural warranty. Such warranty will be stipulated in the construction

contract between the contractor and the homeowner. The assisted homeowner may require the contractor to correct defects or problems arising from his / her work under this contract in accordance with policies established by GLO. Should the contractor fail to do so, the assisted homeowner may take any necessary legal recourse as prescribed in the rehabilitation contract. The contractor will be required to come back and correct the same within a reasonable amount of time, not to exceed two (2) weeks. Should the contractor fail to do so, the contractor will be barred from performing any more rehabilitation / reconstruction work for HCDD.

## **XI. Change Orders**

Where additional work is necessary to make repairs or to correct unforeseen dangerous conditions, the Contractor shall submit to HCDD a Change Order Proposal consisting of:

- Type of work needed.
- Detailed justification including the reason(s) for the change order.
- The proposed cost of such work, and the time necessary for such work to be completed, at the discretion of the Director or designee.
- Unless it is determined there exists an immediate health and safety danger, NO WORK SHALL BE AUTHORIZED until agreed upon in writing by the applicant, contractor, and HCDD and HCDD provides the contractor with a purchase order.
- All Change Orders must be presented, reviewed, and a determination (approval/denial) made prior to the Contractor requesting the Final Inspection. HCDD reserves the right to deny requests for change orders received after the Final Inspection is performed.
- Upon timely receipt of Change Orders, compensation for additional work will be negotiated in the following manner:
  - The deletion of work proposed, but not started; or if that is not possible,
  - An increase to the dollar amount of the contract (if funds are available).
- Change orders must be approved by HCDD and will be submitted to the GLO for approval.
- No other work shall be done to the project other than the work agreed upon in writing by the Applicant, Contractor, and HCDD.



- Contractor will be responsible for determining utility needs, to provide adequate sanitary facility(s) and to safely operate equipment on site.
- All applicable municipal or county permits shall be obtained by the contractor at his/her expense and may be included as part of the bid.
- Any unforeseen or hidden condition should be reported to the Program immediately. Any item that conflicts with these standards should be reported immediately by the Contractor.
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## **XII. Payment Requests**

No payment will be made to building contractors or supplier for work not yet completed or for materials not yet received. The Contractor's Request for Payment will be signed by the building contractor, homeowner, inspector, and HCDD. HCDD may conduct an administrative signing if the Homeowner has been deemed non-responsive and Homeowner continues to be non-responsive. Draw requests submitted to HCDD for reimbursement of expenses incurred must include adequate support documentation.

### **i. Payment Inspections**

Prior to authorizing any payment, an on-site inspection will be completed to ensure that materials installed meet project specifications, and that quality workmanship is performed. For more details on this see Inspections Section in these Guidelines.

### **ii. Liquidated Damages**

Liquidated damages are predetermined and agreed upon as an estimate of actual damages resulting from failure to meet contracted obligations (for example: if construction is not completed by a certain date, the contractor must pay HCDD damages per day as defined in the construction contract). The damages must be reasonable and related to the actual costs incurred by the parties to the contract as a result of the breach. Should the contractor exceed 90 days project completion date established by the Notice To Proceed (NTP) in delaying construction without justifiable cause, the contractor is responsible for paying the relocation costs (including but not limited to rent, utilities, and storage) of the displaced homeowner.

## **XIII. Forms of Assistance**

Single Family Homeowner assistance shall be provided in the form of an Unsecured Deferred Forgivable Note (Note), as supplied by GLO. This Note will be executed with assisted homeowners and the City of Houston for all homeowner activities under the Hurricane Ike Round 2, Phase 2 program. The Note will require assisted homeowners



to maintain principal residency in the assisted property for three (3) years. Cash out refinancing, home equity loans, or any loans using the assisted residence as collateral are not allowed for three (3) years. Violation will activate the repayment terms of the Note. The City of Houston HCDD will monitor assisted households for compliance with the terms of the Note. Homeowners that default on the terms of the Note may be reported to Credit Bureaus and the Texas Office of the Attorney General.

If the assisted homeowner continues to occupy the home until the term of the Note expires, the homeowner pays nothing and there are no conditions on the disposition of the property. If the property is sold, transferred, or vacated by the assisted homeowner for any single period that exceeds thirty (30) days during the three-year forgivable loan period, the repayment terms of the Note will be enforced, except in the cases noted below. Migrant farm workers who are recipients of a home under this program, may, when proven to be performing work for not more than six (6) months, may leave a home vacant during the time of their employment (but may not rent out the home), provided the recipient intends to return to the home as their principal residency.

#### **i. Accelerated Forgiveness in Certain Cases**

In the event of (1) the death, (2) relocation to a managed care facility, or (3) relocation resulting from documented mental or physical incapacitation of the sole remaining assisted homeowner identified in the original application, Houston may waive any remaining loan balance with GLO approval.

### **XIV. Files and Reports**

HCDD will maintain accurate Single Family Homeowner Assistance Program files and records for general administration activity, for each applicant, and for each assisted homeowner for a period of three (3) years as required by GLO. Such files will be open to all funding agencies for inspection as to qualifications, bids, and awards.

### **XV. Monitoring of Repair Status through Project Completion**

At an appropriate point in time, City/HCDD will conduct a random sample of houses in progress or completed. The City/HCDD staff will inspect each of these selected houses on work performed to verify that the Contractor is in compliance with applicable Plans and Specifications, General Specifications Manual, and, if applicable, Lead-Based Paint Hazard Control procedures. Inspection monitoring includes:

- Verify that the Contractor acquired the appropriate City building permit(s) prior to work starting and obtained approval from the responsible City of Houston Department to close the final permits when work is complete.
- Inspect work performed to confirm the work is done according to the Plans and

Specifications, General Specifications Manual, and, if applicable, Lead-Based Paint and Hazard Control procedures.

- Review payment requests, including photographs, and perform on-site inspections of work completed prior to payment approval.
- Validate change order requests and cost analyses prior to approval.
- Change orders must be signed and dated by homeowner, building contractor, and City. Prior to implementation of changes, a purchase order must be received by the contractor. HCDD will verify that any change orders will not cause the project to exceed the caps established by the program.
- HCDD Inspection staff certifies that all work on the completed project complies with specifications in the Work Write-Up and meets standards.

## **XVI. Monitoring Throughout Eligibility Period**

**SUMMARY OF MONITORING OBJECTIVE** - To determine if an entity is carrying out its grant-funded program, and its individual activities, as described in the application for federal assistance and Agreement with the City of Houston and to provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by entities, and not repeated. The City of Houston has identified special emphasis areas for monitoring which include Client/Project Eligibility and Fraud and Abuse and monitoring activities will be conducted as outlined in the Hurricane Ike Round 2 Appendices Compliance and Monitoring Plan (Please refer to appendix

HCDD will monitor the Affordability Period for the Repair and Replacement Housing as outlined in the Unsecured Forgivable Promissory Note executed by the Homeowner(s) and HCDD. The Affordability Period ends three (3) years from the first day of the month following the date of the execution date of the agreement between HCDD and the Homeowner plus 120 days for construction. The Affordability Period is further outlined in the Unsecured Forgivable Promissory Note (Note) to be executed by Homeowner(s).

HCDD will mail an annual Verification of Occupancy letter beginning the first anniversary date, and every anniversary date thereafter until the end of the three (3) year Affordability Period. The homeowner is required to acknowledge receipt of the Verification of Occupancy letter by signing the acknowledgment section of the letter and returning the acknowledgment section to HCDD to confirm the homeowner continues to live at the property address repaired or replaced by the City as part of the SFHR program; and that the homeowner maintains hazard insurance and, if applicable, flood insurance. If the homeowner does not respond within 20 days, HCDD will send a copy of this letter via certified mail return receipt requested. If no response is sent back within 20 days, HCDD will dispatch an inspector to the home to verify occupancy. If no one answers the door, a notice will be posted on the door and the notice will be

photographed for HCDD records. The notice will ask the homeowner to sign and return the acknowledgement section of the Verification Occupancy letter to HCDD the Verification of Occupancy letter to confirm the Homeowner continues to live at the property address Repaired or Replaced by the City as part of the SFHR program; and that the Homeowner maintains hazard insurance and, if applicable, flood insurance. Households that do not comply with these requirements will be subject to repaying the City according to their signed and executed Note. Information about households that do not comply with these requirements will be sent to GLO, which will decide on further enforcement activities.

## **XVII. Conflict of Interest**

In accordance with the conflict of interest regulations at 24 CFR §570.489(h) and contained in the contract between HCDD and GLO, locally elected officials, City of Houston employees, and consultants who exercise functions with respect to CDBG-DR activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities are prohibited from receiving any benefit from the activity either for themselves or for those with whom they have family or business ties. This prohibition affects the named people and their family / business ties during their tenure and for one (1) year thereafter.

Any exceptions to the conflict of interest provision will be submitted to GLO and HCDD will not enter into any conflict of interest until a request for exception is granted.

## **XVIII. Complaints and Appeals Process**

In accordance with 24 CFR §91.11(h) Citizen Participation Plan and 24 CFR §570.486(a)(7), HCDD has developed this complaint and appeal process. The goal of the process is to provide an opportunity to resolve complaints—either formal or informal—in a timely manner, within fifteen (15) business days, where practicable. In addition, applicants have a right to participate in the process and where they believe that a mistake has been made regarding their file, HCDD has created an appeal process to allow the applicant a mechanism for requesting further review on a decision made on their file, up to and including arbitration.

All applications, guidelines and websites will include the right to file a complaint or appeal and the process for beginning an appeal. The forms shall be available on the HCDD website or at the HCDD office located at: 601 Sawyer Street, Suite 400 Houston, TX 77007.

The goal of HCDD is to resolve complaints in manner that is both sensitive to the complainants' concerns and achieves a fair result according to the statutes, rules and policies. Regardless of the complaint, the program staff shall treat the issue with respect, be able to respond to the complainant about its status, and handle the issue quickly, within 15 business days, if practicable.

Information on how to file a complaint will be included on printed materials as well as be available on the City of Houston website.

### **i. Informal Complaints**

Complaints that are brought forward in an informal manner—orally or included as part of a larger item—will be addressed where possible regardless the source. The mechanism to address a complaint is to make certain the person is aware of the formal

complaint process and/or address the complaint orally. An informal complaint or complaints that do not have a contact will not be tracked in the complaint log.

Staff responsibility when dealing with an informal Complaint:

- Obtain all pertinent information from the caller, including the issue raised and if possible the name of the complainant and a contact to provide further information if desired. If no name or contact number is left, then that should be noted and placed in an informal complaint file—either electronic or hard copy. In this communication it should indicate that the complainant was notified of how to file a formal complaint.
- The Eligibility Supervisor will review these complaints at least monthly to determine if there is a pattern developing and, if so, determine if the issue warrants a policy change or further training.

## **ii. Formal Complaints**

Formal complaints are any written statement of grievance, including emails, faxes, or letters that provide a contact with whom staff can communicate the results of an investigation. Any complaint that does not specify a person to send the results to, or follow up with for more information, will not be treated as a formal complaint. Any complaint must be from a person with standing in the program as an applicant, contractor, or other direct party. Any complaint forwarded to the HCDD or the City from GLO or HUD will be considered a written complaint.

### **a. Required Documentation**

Every formal complaint will be included into a tracking system and maintained as either an electronic or hard copy file. The tracking system will include:

- The name of the complainant and a contact address
- The date the complaint was received
- A description of the complaint
- The name of any person contacted to resolve the complaint or to gather information to resolve the complaint
- A summary of the results and the date of the response to complainant
- An explanation of the reason the file was closed, if the file was closed

Once the Complaint is in the tracking system the eligibility supervisor or their designee will determine if the Complainant has standing by determining if the Complainant is an applicant, contractor or direct party (including Conciliation Agreement parties), there is a contact address, the complaint is relevant and if it is a valid complaint they will perform the following steps:

- Assign a control number to the complaint

- Review and/or investigate the complaint
- Determine which program is the basis for the complaint
- Once the complaint has been resolved, or if it needs more work than can be done at the local program level, refer the complaint to the Contract Administrator to investigate and seek resolution.
- Provide a copy of the final result to the GLO if applicable
- Notify the Complainant of the results, or if longer than 15 days, provide a status of the review process.
- Close the complaint.

### **iii. Appeals**

Throughout the process, decisions will be made on an application and/or project to be delivered. The decisions are made based on statutes, codes of federal regulation, Texas administrative code, state and local guidelines as they are interpreted by the program. This policy guides the process for and applicant or contractor appealing decisions made by the program staff.

#### **a. Grounds to Appeal a decision**

This appeal process is available to an Appealing Party under the following grounds:

- An Applicant for funding for disaster recovery may only appeal the disposition of the Application on one or more of the following:
  - One of the six eligibility items which are:
    - 1) Income
    - 2) Ownership
    - 3) Storm Damage
    - 4) Residency
    - 5) Property taxes
    - 6) Child support
  - Procedural error where the Application was not processed by program staff in accordance with the rules.

- The amount of funding the Applicant is eligible for.
  - Duplication of Benefits estimates.
  - Affirmatively Furthering Fair Housing.
  - Construction issues.
- A Contractor may only appeal the issues related to one of more of the following:
    - Draw payment
    - Failure to meet construction benchmark deadlines
- The advocacy parties to the Conciliation Agreement may only appeal issues related to:
    - Affirmatively Furthering Fair Housing decisions
    - Targeting and outreach

**b. Appeal of Local Program Decision**

An Appealing Party must file a written Appeal with the Director designated Appeals Board to request a review by the selected independent appeals group, not later than the seventh day after written notice has been provided. The written appeal must include specific information relating to the challenge of the staff decision. The appeal and the Application file shall be made available to the selected independent appeals group upon receipt of an Appeal. The selected independent appeals group shall respond in writing to the Appeal not later than the fourteenth day after the date of receipt of the Appeal. The selected independent appeals group response may take one of the following actions:

- Concur with the Appeal and make the appropriate adjustments to the staff's decision; or
- Disagree with the Appeal and provide the basis for rejecting the Appeal to the Appealing Party.

### **c. Appeal of Local Decisions to the GLO**

If the Appealing Party is not satisfied with the Final Decision of the program to the Appeal, they may appeal in writing directly to the Texas General Land Office within fourteen days after they receive the final response. Program staff shall prepare an Appeal file for GLO's review based on the information included in the Appeal. GLO will review the Appeal de novo and may consider any information properly considered by the program staff in making its prior decision(s). GLO may recommend the program staff and the Appealing Party go to non-binding arbitration or mediation as part of its recommendation.

This process is a supplement and not a replacement to any appeals allowed by the U.S. Department of Housing and Urban Development.

Grievances regarding housing discrimination should be reported to the Houston HUD Office at 1301 Fannin Street, Suite 2200, Houston, TX 77002 or call 1-800-669-9777 (voice) or 1-800-927-9275 (TTY). They may also be reported to the Texas Workforce Commission Civil Rights Division at 888-452-4778 or 800-735-2989 (TDD).

## **XIX. Collection and Charge Off Process**

*Policy - HCDD policy for the Collection and Charge Off of Grant Overpayments in the Program is to address identified cases of overpayment of grant funds according to this SOP in a reasonably timely manner.*

Collection and Charge Off of Grant Overpayments will only be processed if the circumstances qualify under this policy.

- a. To be subject to collection proceedings, the amount of the overpayment must be either a case of fraud or the overpaid amount must be due to one or more of the following factors:
  - i. Third party errors;
  - ii. A subrogation payment;
  - iii. Change or clarification in technical assistance or guidance from the federal funding agency; or
  - iv. Other causes that may be determined on a case by case basis.
- b. Suspected cases of fraud will be referred to the General Land Office (GLO), and may be referred to the Department of Housing and Urban Development (HUD) and Office of the Inspector General (OIG) for investigation and possible prosecution.

### **1. Work Instructions**

Collection of Overpayments – Once an overpayment has been discovered and a determination has been made that the cause of the overpayment requires collection per Section 1 of this policy,



the Subrecipient or the HCDD, in the case of a state-administered contract, will initiate the following process:

- a. Send written notification to the Applicant via Certified Mail Return Receipt Requested (“CMRRR”), informing the Applicant that their case is under review and, if necessary, that the Applicant may be required to repay some or all of the grant funds received.
  - b. Present to CDR Management an analysis of the overpayment along with a recommendation for collection, including the amount of the overpayment, any documentation collected, including an OIG report where applicable and written detail of the cause of the overpayment.
  - c. If it is determined that the overpayment does not require payment to the HCDD, a letter will be sent to the Applicant via U.S. Postal Service, First Class, stating that no repayment is necessary and no further action will be taken against the Applicant with regard to the overpayment.
  - d. If it is determined that the overpayment requires payment to the HCDD, a letter will be sent to the Applicant via CMRRR, requesting repayment of the overpaid amount, in full or via a repayment plan to be negotiated between HCDD and the Applicant. The notification will allow thirty (30) days from the date of postmark for the Applicant to respond. HCDD will approve repayment plans at its sole discretion on a case by case basis for a time span not to exceed the contract term date.
  - e. If collection efforts are unsuccessful or if the Applicant has not responded within the designated period of time and all attempts to locate the Applicant have been exhausted, the HCDD, at its discretion, will attempt to recover the overpayment according to the procedure in section 2(a) of this policy.
2. Charge Off of Overpayments – Once all efforts to collect have been exhausted, HCDD will consider processing the overpayment as a program charge off. To be considered as a program charge off, the following conditions must be met:
- a. The collection efforts are unsuccessful or the Applicant has not responded to collection notices within the designated period of time and all attempts to locate the Applicant have been exhausted, HCDD, at its discretion, will attempt to recover the overpayment as follows:
    - i. With the approval of CDR Management, HCDD may employ any collection efforts allowed under state or federal law, up to and including referral of the case to the Office of the Attorney General (OAG) for the purposes of filing a lawsuit against an Applicant to obtain a judgment against the Applicant for the purposes of filing a judgment lien on the Applicant’s property in the amount of the judgment in accordance with state law.

- ii. If the lawsuit is unsuccessful or if pursuit of a lawsuit is not approved by CDR Management, or not deemed reasonable, HCDD will determine whether to continue with collection efforts, charge the overpayment back to the contractor who processed the overpayment, if any, or charge off the overpayment to program expense according to criteria listed in Section 2(b-d) of this policy.
  - b. The loss was not the result of intentional disregard for laws or regulations by the HCDD;
  - c. Efforts to recoup funds following collection procedure in section 1 of this policy have been made without complete success;
  - d. The success of additional efforts to recoup or recover funds have been determined not to be cost effective because of one or more of the reasons listed below:
    - i. The cost of the recovery exceeds 50% of the amount of the funds to be recovered at the time of recoupment;
    - ii. The applicant has made a concerted effort to repay funds based on their documented financial capacity;
    - iii. At the time of recoupment, the HCDD affirms by means of income verification according to 24 CFR Part 5 that repayment will cause financial hardship to the Applicant, determining the Applicant to have little or no means to repay HCDD and that there are no assets that can be garnished;
    - iv. Collection, recovery, and legal expenses would exceed the value of the funds to be recovered as reasonably determined by the circumstances on a case by case basis;
    - v. The recipient of the funds cannot be located despite reasonable and documented efforts; or
    - vi. The root cause of the loss has been identified determining the Applicant not to be at fault and steps have been taken to resolve the matter outside of this process and to prevent future occurrences.
  - e. Documentation substantiating a HCDD charge off of a grant overpayment must include:
    - i. A charge off justification memorandum addressing the conditions in 5.2(c) of this policy;
    - ii. An accounting of income and assets belonging to the recipient of the overpayment;
    - iii. Copies of all documentation related to collection efforts;
    - iv. Any supporting documentation showing that ongoing collection efforts are unlikely to be cost effective;
    - v. In the case of fraud, evidence of the referral of the case to the OIG;
    - vi. Any other documentation deemed appropriate by HCDD CDR Management.
3. The internal process for the charge off of a grant overpayment is as follows:
- a. The justification memorandum and other supporting documentation outlined in section 2(e) of this policy are submitted to Executive Management for approval.
    - i. If approved, the charge off will be processed.
    - ii. If not approved, further instructions will be provided.

#### **xiv. Activities in floodplains**

The program requires a check to investigate if an applicant and/or co-applicant is within the floodplain. These areas are designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in 100-year flood zones.

- These areas will be identified during the environmental review process for each participating jurisdiction.
- The program will check to investigate whether the applicant has received flood disaster assistance. Check will include the National Flood Insurance Program, and FEMA to confirm there is no duplication of benefit.
- Throughout the affordability, the homeowner is required to maintain flood insurance. Failure to maintain flood insurance (because the property is in a floodplain) will result in the lack of future federal assistance should a future disaster event occur.
- Proposed new construction located in the 100-year flood plain as identified on the most current Federal Emergency Management Agency (FEMA) Flood Maps must comply with the TDHCA flood policy found in 10 TAC Part 1 Section 50.6