

# City of Houston Home Repair Program Guidelines for 2015 Disasters



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# Home Repair Program DR15 Guidelines

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## **I. Introduction**

In 2015, the City of Houston, Texas (the City) experienced two major flooding events. On May 29, 2015, the Memorial Day Flood received a Major Disaster Declaration through the Federal Emergency Management Agency (FEMA) identified as FEMA 4223 (DR-4223). On November 25, 2015, the October flooding event received a Major Disaster Declaration through FEMA identified as FEMA 4245 (DR-4245). These Guidelines will refer to these two floods collectively as the “2015 Disasters.”

## **II. Purpose**

The Housing and Community Development Department (HCDD) Home Repair Program Guidelines for the 2015 Disasters (HRP-DR15) were developed to serve as the basis for the program responding to the 2015 Disasters. HRP-DR15 activities will meet the following CDBG national objective: benefiting low- and moderate-income housing.

## **III. Program Objectives**

This program will provide relief for those people impacted by the 2015 Disasters, while addressing impediments to affirmatively furthering fair housing, as required under the Fair Housing Act.

The main objective of this program is to provide decent, safe, and sanitary housing to low- and moderate-income homeowners affected by the 2015 Disasters through activities designed to provide home repair assistance.

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

HCDD staff will solicit applications through targeted outreach utilizing lists of known homeowners/addresses directly affected by 2015 flood events. HCDD will utilize lists from entities such as:

- 1) Nonprofits/Case Management Organizations
- 2) FEMA
- 3) Office of Emergency Management
- 4) Other entities as deemed appropriate by HCDD

HCDD shall be responsible for determining the eligibility of each applicant. HCDD shall notify all applicants in writing of their eligibility status after the completed application has been reviewed.

When all available funding has been pledged to eligible households, those remaining on the list of interested homeowners will be informed of the status of the program. These homeowners are encouraged to apply for other programs in the future.

## **V. Eligibility Requirements**

Applicants shall provide complete, accurate, and truthful information regarding their household composition, household income, and housing situation in all correspondence with HCDD. Failure to disclose accurate and complete information may affect eligibility. This section details the eligibility requirements, which must be met in order for an applicant receive assistance under this program.

It is expected that there will be more eligible applicants than can be served with available funds. All applications will be reviewed based on a first-come, first-served basis. Priority for funding awards will

be given to households with persons with documented disabilities and age-dependent household members (age 62 and older or age 5 and below). Meeting the eligibility requirements does not guarantee assistance. Eligibility criteria includes the items listed below in detail:

**i. 2015 Disaster Damage**

The applicant's home must have been damaged by the 2015 Disasters. Applicants can prove their claim by providing one of the following:

- FEMA Claim Letter for Housing Repair
- Insurance Claim paid for structure
- SBA Loan for Structure for Flood recovery (Loan must be related to either DR-4223 or DR-4245.)

In the absence of the above, an inspection report performed by an HCDD qualified inspector is the preferred verification method. The inspection report from a damage assessment conducted by a qualified HCDD inspector that certifies that the damage occurred as a result of the 2015 Disasters.

**ii. Unmet Need**

This program is intended to serve applicants whose primary residence was damaged by the 2015 Disasters and who still have property damage. The program is not intended to serve applicants who currently own other viable housing options.

**iii. Income**

This program will determine household income based on the HUD definition of Annual Income in the Code of Federal Regulations, Title 24 – Housing and Urban Development – Section 5.609.

All applicants must meet income criteria to be eligible for assistance. To meet this eligibility requirement, applicant households must earn less than 80% of the Area Median Family Income (AMFI). HUD publishes these AMFI levels annually, and eligibility will be based on the most recent HUD income limits.

**iv. Principal Residency**

The applicant must have occupied the damaged home as their principal residence on May 29, 2015 or on October 30, 2015 and November 1, 2015. Vacation homes, second homes, and rental properties are not eligible for assistance under the HRP-DR15. Principal residency is primarily verified through a homestead exemption that was in effect at the time of the flood. The damaged home must be the only property for which the applicant has a homestead exemption.

If a homestead exemption was not in place at the time of the 2015 Disasters, 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 documents:

- Utility statement
- 2015 W-2 Statement or 1099
- FEMA award or report
- Texas driver's license

- Other documentation acceptable by HCDD

**v. Proof of Ownership**

The applicant must have an ownership interest in the property as of the date of at least one of the 2015 Disasters and the applicant must presently own the property. Ownership is verified through a warranty deed or fee simple title evidenced by a title report that does not reflect additional owners or lienholders.

If a deed cannot be provided, applicants who wish to be served may provide a sworn “Affidavit of Ownership.” The affidavit will be completed to reflect one of the following:

- There is nobody else who has the right to claim ownership
- Anyone who has a right to claim ownership has been contacted and agrees to participate in the program (notarized documentation provided by HCDD)
- Anyone who has a right to claim ownership could not be located after reasonable attempts to contact (proof of attempts made must be provided to HCDD)

The affidavit must be supported by one of the items listed below (in place at the time of the flood), in order of preference:

- Tax receipts
- Hazard insurance for the home in question
- Utility statements
- Other documentation acceptable by HCDD

If the applicant acquired the property as a successor in interest to the holder of record title, and not through a deed, the applicant must provide an affidavit of heirship and present documentation in accordance with the Texas Government Code, 2306.188, as amended. The applicant must also provide evidence that the applicant is listed as the property owner in the records of the local appraisal district/tax office.

These requirements do not establish record ownership or otherwise alter legal ownership of real property. The City of Houston is not liable to any claimed owner of an interest in real property for administering financial assistance as provided herein.

**vi. Mortgages and Other Financial Obligations**

Applicant and any co-applicant must not be in an active foreclosure. Applicant and any co-applicant must be current on any outstanding liens and homeowner association dues.

**vii. Location and Type**

Only stick-built single family owner-occupied units within the Houston city limits will be eligible for HRP-DR15. No manufactured housing units or mobile homes will be repaired with HRP-DR15 funds.

**viii. Property Taxes**

The applicant must furnish evidence that their property taxes (i) are current, (ii) are subject to an approved payment plan under which they are current, or (iii) 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 or
- The property owner(s) qualified for and received a tax exemption pursuant to §11.182 of the Texas Property Tax Code

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

Federal law prohibits any person or entity from receiving Federal funds for any part of structural damage or loss for which they have received funding from another source to the same purpose or effect to recover from the floods. The combination of various forms of Federal assistance in this manner is referred to as a “Duplication of Benefits” (DOB). Any previous benefit will result in a reduction of financial assistance offered for repairs made on applicant’s behalf in the HRP-DR15. The difference in the total cost of repairs and the total amount of financial assistance previously received by the applicant as a result of DOB must be paid by the applicant to the City of Houston before construction begins. In instances where applicants are unable to pay the difference, a review will be conducted to determine if scope reduction is feasible to mitigate the cost of repair beyond financial assistance available due to the amount of DOB.

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 funds) for property repairs from any source is not considered DOB. Any additional benefits received by the applicant after the HRP-DR15 assistance is awarded must be applied to reduce the award amount. Funds received from any source, including, but not limited to, flood insurance, FEMA, and hazard insurance, that were previously used to cover repair(s) to the property do not reduce the amount of HRP-DR15 assistance if the evidence of the prior repair expenditures need is greater than or equal to the amount of assistance to be provided under HRP-DR15. Documentation acceptable to HCDD must be provided demonstrating the cost and type of prior repair conducted. For example, if the cost of prior repairs was greater than the funds previously received for those repairs, then the funds available for 2015 Disaster repairs will not be reduced. If the cost of prior repairs was less than the funds received for those repairs, then the funds available for repairs under HRP-DR15 will be reduced by this difference.

All program applicants will be required to sign a Subrogation Agreement upon application, permitting the City through HCDD to recover any future insurance payout that may be issued to the applicant after the time of original award, for the 2015 Disasters. Where additional benefit is received by the applicant and paid out, the City, through HCDD, shall enforce the terms of the Subrogation Agreement to collect repayment and offset the cost of repairs.

#### **x. Prior Insurance and Claims**

In the application, the applicant and co-applicant must state if they ever have received federal flood disaster assistance previously and were required to maintain flood insurance. Proof of the flood insurance must be provided. If the applicant or co-applicant cannot provide proof of compliance with previous disaster assistance requirements to maintain flood insurance, they will not be eligible for this program.

**xi. Death of Eligible Owner Occupant**

If an applicant passes away after their application has been approved, but before rehabilitation begins, the successor in interest to the applicant (holder of record title) who qualified as a household member under the original application must meet all terms of the application process except ownership at the time of the disaster to be considered. If the applicant passes away during rehabilitation or during the affordability period (as described in Monitoring Throughout Lien Period section of this document), a successor in interest to the holder of record title who was not a co-applicant 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 Section XV below.

**VI. Applicant’s Responsibilities**

The applicant is held to certain responsibilities within this voluntary program. Applicants must provide all supporting documentation with their application within 30 days from the time HCDD provides applicants with the application package. All debris, abandoned vehicles, and buildings that may pose a safety and/or health threat to the home repair contractor and/or sub-contractor(s) must be removed from the property prior to the start of the project. The assisted homeowners will be responsible for removing such items from the property within two weeks of an executed contract between themselves, the City, and the home repair contractor. Any relocation or storage expenses will be the applicant’s responsibility. The homeowner must also make themselves available for attending home repair progress meetings / inspections.

**VII. General Property Improvements**

Improvements to the property must meet local building codes. If the property to be assisted was built prior to 1978, it 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. The costs of abatement must be factored into the overall cost estimates for rehabilitation. Rehabilitation of non-substantially damaged residential buildings will be performed in accordance with the HUD CPD Green Building Retrofit Checklist, available at <https://www.hudexchange.info/resource/3684/guidance-on-the-cpd-green-building-checklist/>, to the extent applicable to the rehabilitation work undertaken. HUD 2015 Disaster Recovery elevation, floodproofing and green building standards will also be followed to the extent required if the residence received “substantial damage” or is being “substantially improved”, as such terms are defined in 44 CFR 59.1.

**i. Rehabilitation**

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 may be installed, if needed.

**xii. ii. Reconstruction**

Homes requiring repairs that exceed fifty percent (50%) of the current structure value of the



home are deemed not suitable for rehabilitation and may qualify for reconstruction assistance. Current structure values of homes are determined by the appropriate County Appraisal District information, a brokers' opinion of value, or a private appraisal. The home will be demolished and reconstructed on the same site. The replacement home will be constructed according to the market rates for new construction in the Houston area.

HCD will develop construction specifications for all homes in the program. An optional waiver for visitability standards on elevations that are cost burdensome to meet Texas Government Code §2306.514 may be given. Basic square footage (within ranges), room requirements, building materials, and general specifications will remain standardized for any home reconstructed with CDBG-DR Program funding. Elevation options will be developed by HCDD and the standardized specifications will then be put out for bid.

#### **VIII. Activities in Floodplains**

HCDD Staff will determine if the property is located within the floodplain. A floodplain is an area designated by FEMA as vulnerable to significant wind and/or storm surge damage and is located in a 100-year flood zone. The program will check to investigate whether the property has received flood disaster assistance. The investigation will include contact with the National Flood Insurance Program and FEMA to confirm there is no duplication of benefit. If the property is in the flood plain, throughout the affordability period, the applicant is required to maintain flood insurance. Failure to maintain flood insurance (if the property is in a floodplain) may result in the lack of federal assistance should a disaster event occur in the future. Grantees that receive CDBG funds for disaster recovery have a responsibility to inform property owners receiving disaster assistance that they are required to purchase flood insurance and that they have a responsibility to notify any transferee of the requirement to obtain and maintain flood insurance, and that the transferring owner may be liable if he or she fails to do so. These requirements are enumerated at:

<http://uscode.house.gov/view.xhtml?req=granuleid:U.S.C.-prelim-title42-section5154a&num=0&edition=prelim>.

An applicant's property will be evaluated as to its whether it is in the floodplain during the environmental review process.

#### **IX. Environmental Review**

An Environmental Review Record (ERR) will be performed at the HRP-DR15'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 HRP-DR15's requirements. If an applicant fails the environmental review, they will not be eligible to participate in HRP-DR15.

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 disasters. 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 three 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. A program 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 construction. The HRP-DR15 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.

**ii. Note Regarding Floodplains and Substantial Improvements**

Floodplain management regulations at 24 CFR § 55.12(b)(2) do not require the 8-Step process described by §55.20 for minor repairs or improvements on one-to-four unit buildings, provided

the total cost of repair or improvement is less than 50% of the pre-rehab value of the structure. Projects that fall within this threshold do not meet the definition of “substantial improvement,” described at §55.2(b)(10). See in particular (b)(10)(i)(A), as follows.

*Substantial improvement* means:

Any repair, reconstruction, modernization, or improvement of a structure, the cost of which equals or exceeds 50 percent of the market value of the structure either:

- (1) Before the improvement or repair is started; or
- (2) If the structure has been damaged, and is being restored, before the damage occurred.

## **X. Contractor Information**

### **i. Contractor Selection**

HCDD may select Contractors pursuant to the competitive sealed qualification proposal method. Procedures used must conform to applicable State of Texas bid law. This is in accordance with Texas Local Government Code Chapter 252. These contractors are selected based on the published selection criteria and on its ranking evaluation. The contractors are placed on a pre-qualified contractor’s list. Once the contractors have been placed on the pre-approved list, they are required to re-qualify annually. The pre-qualified list will remain open without further City Council Action to add new contractors to the list. This Process was approved by City of Houston, Texas, Ordinance No. 2012-1117. These contractors will be issued invitations to bid and purchase orders will be awarded on a rotating basis. This is in accordance with 2 CFR 300.319 (Competition).

- Informal bids must be solicited for purchases in excess of \$3,000 and up to the *de minimis* amount set by relevant law (currently \$50,000). Written quotations are required and must be current and properly documented. Quotations obtained for a specific requisition are considered stale after 90 days and must be refreshed before proceeding.
- A no-bid response does not satisfy the three-quotation minimum. If three quotations cannot be obtained, efforts shall be documented by HCDD procurement services.
- All procurement is bound by all local and federal laws and guidelines.

### **ii. Contractor Evaluation**

HCDD will monitor the progress and productivity of each contractor for each construction site by sending out inspectors on a regular basis. HCDD will use a scorecard for each contractor and update that scorecard based on the results of each finished build. Contractors that demonstrate themselves to be more productive and have greater capacity will be assigned more work throughout the program. Contractors who demonstrate themselves to be less effective may not be assigned additional work.

### **iii. Contracts**

The following contracts will be used from the HRP-DR15:

- Tri-Party Agreement: the agreement by and between a Homeowner, Contractor and the City relating to work to be done on an applicant’s property under the HRP-DR15.
- Master Contractor Agreement: the agreement between the City and Contractor selected to perform the repairs.
- Deed of Trust: A Deed of Trust, executed by the applicant in favor of the City, granting a lien on Property to secure payment under the Promissory Note.

- Promissory Note: the promissory note in the amount of the HRP-DR15 assistance provided, as executed by applicant and payable to the City.
- Memorandum of Agreement: an agreement to be filed in the public record evidencing the Deed of Trust. .

## **XI. Pre-Construction Activity**

This program will only help eligible homeowners repair their homes if they were damaged by one or both of the 2015 Disasters. During the initial inspection an HCDD inspector will prepare a written confirmation that the home was damaged by one or both of the 2015 Disasters and will document the condition of the home with photographs of the interior and exterior (front, back and side views of the home).

Home repair Contractors will be given a 60-day period to complete the rehabilitation of the home while reconstructions are expected to take 90 days. If the home was built prior to 1978, the homeowner, for safety reasons, no one may live in the home during any lead abatement process.

### **i. Initial Inspection**

An initial inspection will be performed by an HCDD inspector to determine the extent of the damage and to ensure that the cost to repair will not exceed the maximum allowed. A detailed scope of work will be developed with a cost estimate. A meeting will be held with the homeowner, contractor, and HCDD staff to review the scope. The contractor will have the opportunity to identify any additional repairs that may impact the final scope of work. If HCDD staff deems those additional repairs to be necessary, the budget may be revised accordingly. If the estimated cost of repairs exceeds \$65,000 the home will be deemed a Tier III reconstruction.

### **ii. Pre-Construction Conference**

A pre-construction conference among the assisted homeowner, contractor, and HCDD representative will be conducted to ensure that all parties are in agreement about the work to be completed. The purpose of these pre-construction conferences is for all parties to understand how the work will proceed. Instructions will be given regarding site clean-up or furniture movement prior to repairs. The homeowner must accomplish clean-up or furniture movement prior to the start of any repair work.

The homeowner, HCDD staff, and the contractor will sign off on the final scope of work before construction begins. Homeowners will also sign an additional form stating that this is the only work that will be performed by the City on their home.

## **XII. 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. Progress Inspections**

Progress inspections serve three (3) primary purposes, to:

- Evaluate the contractor's progress
- Confirm that local building codes or standards have been satisfactorily met
- Confirm that all requirements of the contract have been met, up to that point in time

Building permits are required for all applicable construction work and are the responsibility of the contractor. HCDD requires that electrical work be overseen by a Master electrician licensed 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 journeymen, apprentices, and laborers at all times.

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.

HCDD Inspectors will sign the inspection forms as acknowledgement that the work was completed, meets HCDD's requirements and specifications, and is approved by HCDD Inspectors. 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.

## **ii. 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. It is intended that progress inspections will be satisfactorily conducted often enough to make mid-course corrections, so that the final inspections will only need to capture only those items which were not observed during or corrected after the prior inspections.

If the assisted homeowner and HCDD are not satisfied with the finished 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 manager will also inspect the work, in order to properly expedite timely payment as an administrative signing.

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. If the punch list contains major incomplete items, the contractor is not ready for a final inspection. The final punch list is derived 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 final punch list, no additional work items will be expected of the contractor.

## **iii. Quality Assurance Inspections**

HCDD project managers will also perform a quality assurance review on a random selection of

projects, to ensure the HCDD inspectors inspected the home per the contract and the contractors fulfilled the obligations under the contract.

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

After all items on the final 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. This confirmation will be provided through the homeowner's acceptance form, signed by the HCDD Inspector and the homeowner. 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 satisfactorily. 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, provided that HCDD will retain 10% of all requests for funds, and release this retainage when the project is complete and thirty days have passed with no reports of additional items to be completed / fixed. Following thirty days after completion and acceptance, retainage will be paid to the contractor.

If any problems are identified within the final thirty days during which retainage is being held, HCDD will notify the contractor to correct the problems within a reasonable amount of time, not to exceed two 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 work for HCDD. In addition, should the contractor be doing other work for this HRP-DR15 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 local and federal standards and referenced in contractor agreements. HCDD requires their contractors to guarantee workmanship up to 1 year of general warranty on the contracted scope of work. 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 HCDD.

**XIII. Change Orders**

A change order is the alteration of the original contract amount, scope of work, and/or completion date due to work that is added to or deleted from the original scope of work or contract. Where additional work is necessary to complete 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
- The time necessary for such work to be completed

All Change Order Proposals must include the aforementioned and must be presented, reviewed, and a determination (approval/denial) made prior to the Contractor performing the work requesting the final inspection. HCDD Director or designee shall approve or deny the change order request. NO WORK FROM THE CHANGE ORDER PROPOSAL SHALL BE AUTHORIZED until agreed upon in writing by the applicant, contractor, and HCDD, and until HCDD provides the contractor with an approved purchase order.

#### **XIV. Payments**

The following is an overview of the process for payment of contractors.

##### **i. City of Houston Vendor**

All contractors must register as a City of Houston vendor and have an active vendor number to receive payment disbursements.

##### **ii. Payments**

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 the Progress Inspections and Final Payments Section of these Guidelines.

###### **a. Payment Disbursements**

Once the complete Request for Payment is received, HCDD will pay 90% of the charges for approved completed work within 30 days. Payments will not be made until HCDD inspectors and the assisted homeowners have acknowledged the work was completed as invoiced. The remaining 10% of the charges for approved completed work (retainage) will be paid 30 days after all work is satisfactorily completed.

###### **b. Liquidated Damages**

Liquidated damages are predetermined and agreed upon as an estimate of actual damages resulting from failure to meet contracted obligations. Should the contractor exceed the established completion date, the contractor is responsible for paying any additional relocation cost of the displaced homeowner.

###### **c. Payment Submittal**

No payment will be made to contractors or suppliers for work not yet completed or for materials not yet received. The Contractor's Request for Payment will be signed by the contractor, homeowner, and HCDD inspector.

The Contractor must submit invoices with Request for Payments to HCDD that includes sufficient documentation to demonstrate performance under the contract and to support payment or reimbursement for specific, budgeted costs. Invoices must be formatted correctly and include the following

- Contractor's name and address
- Contractor's City of Houston vendor number
- Purchase order number
- Homeowner name and address
- Homeowner application number

- Invoice number
- Invoice date
- Charges itemized accordingly per work write up
- Total amount of charges listed
- Total amount of retainage held
- Total amount to be paid on current payment request (i.e. total charges 100% – less total retainage 10% = total amount)

The payment request will be approved and forwarded to HCDD’s accounts payable when:

- Request for Payment and associated documentation complies with all applicable requirements
- There are no supporting invoices for items that have already been paid, for instance because they were submitted with a previous payment request
- There are sufficient funds within the specific contract budget lines (i.e. purchase order) to pay the entire bill or invoice
- HCDD staff has performed an onsite inspection and verifies that work has been performed and meets project specifications and is quality workmanship
- The assisted homeowner has signed an acknowledgment of receipt

If the payment request does not comply with all applicable contract and regulatory requirements, it will be returned to the contractor to resolve deficiencies.

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

The remaining loan balance may be forgiven in the event of:

- (1) the death of the sole remaining assisted homeowner identified in the original application,
- (2) relocation to a managed care facility for more than 90 days,
- (3) relocation resulting from documented mental or physical incapacitation of the sole remaining assisted homeowner identified in the original application.

However, the successor(s) in interest, court appointed guardian or individual with an active/valid power of attorney must submit documentation supporting the circumstances for review and consideration by HCDD staff. If the documentation is accepted, a discharge document or letter will be provided to release of the property from any further obligations.

#### **XVI. Close-out**

At the completion of construction repairs, financial funding, and closure of project in HUD system, a close-out audit will commence. Designated HCDD staff will audit each applicant’s file (paper and electronic) and appropriately authorize close-out in the project reporting system.

#### **XVII. Prior Assistance**

Any homeowner that has previously received home repair or replacement assistance from the Housing and Community Development Department on behalf of the City of Houston may be eligible on a case-by-case basis for additional assistance. Only those homeowners that received assistance under \$50,000 can be considered for additional assistance.

If the homeowner qualifies under a new program’s requirements, the terms of their previous assistance will not change.



## **XVIII. Monitoring Throughout Lien Period**

### **i. Monitoring**

HCDD reserves the right to periodically monitor any assisted property to determine if it was transferred or sold during the affordability period. The following sources of verification may be used:

- Title report search
- Lien and ownership search in the applicable County Clerk's Office online records
- Ownership verification in applicable tax office appraisal records

### **ii. Payoff Statements**

If a property is sold or transferred before the end of the affordability period, the remaining principal balance must be paid to the City. A request for a payoff amount will be processed to issue a Payoff Statement. The Payoff Statement will include, but is not limited to, the original principal balance of the Note, any deductions/reductions to the principal balance, and a date to pay off the principal balance remaining.

### **iii. Release of Liens**

Lien Releases will be issued once a homeowner has successfully completed the affordability period.

### **iv. Insurance Verification**

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 federally-funded 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 should maintain flood insurance for the life of the structure. Failure to maintain flood insurance will impact future federally funded assistance.

HCDD reserves the right to request insurance verification from a homeowner to verify coverage is being maintained. Upon request, a homeowner must provide evidence of insurance coverage, i.e. hazard insurance and/or flood insurance.

## **XIX. 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.

Exceptions to this rule are available, but are subject to the written review and approval by HUD after public disclosure of the conflict has been made and the City has ruled that this conflict does not violate any local or state law.

Applicants with immediate familial ties to HCDD employees that knowingly participate and receive benefit from the HRP are subject to disciplinary action.

## **XXI. Complaints and Appeals Process Summary**

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.

## **XXII. Compliance with Law and Non-Discrimination**

### **i. The Fair Housing Act**

Under the Federal Fair Housing Act, it is illegal, on the basis of race, color, national origin, religion, sex, handicap, or familial status (having children under the age of 18), to: deny a loan for the purpose of purchasing, constructing, improving, repairing, or maintaining a dwelling, or to deny any loan secured by a dwelling; or discriminate in fixing the amount, interest rate, duration, application procedures, or other terms or conditions of such a loan, or in appraising property. Anyone who feels he or she has been discriminated against in housing should call the:

**U.S. Department of Housing & Urban Development –  
Fair Housing & Equal Opportunity**

*Discrimination inquiries and/or complaints*

800-669-9777 (Voice) – 1-800-927-9275 (TTY)

HUD Local 713-718-3199 (Ask for a FHEO)

[www.hud.gov/offices/fheo](http://www.hud.gov/offices/fheo)

OR

**Texas Workforce Commission—**

Civil Rights Division 1-888-452-4778(Voice)

### **ii. Section 3**

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain

HUD financial assistance shall, to the “greatest extent feasible,” and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

### **Part 135**

The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of Section 3 are met.

### **Applicability**

Housing and Community Development Assistance:

Section 3 applies to training, employment, contracting, and other economic opportunities arising in connection with the expenditure of housing assistance (including Section 8 assistance) and including other housing assistance administered by the Assistant Secretary of Housing and Community Development assistance that is used for the following projects;

- (i) Housing rehabilitation (including reduction and abatement of lead based paint hazards, but excluding routine maintenance, repair and replacement);
- (ii) Housing construction; and
- (iii) Other public construction.

Thresholds for Section 3 covered Housing and Community Development assistance:

a. Recipient thresholds

The requirements of this part apply to recipients of other housing and community development program assistance for a Section 3 covered project(s) for which the amount of assistance exceeds \$200,000.

b. Contractor and subcontractor thresholds

The requirements of this part apply to contractors and subcontractors performing work on Section 3 covered project(s) for which the amount of assistance exceeds \$200,000; and the contract and subcontract exceeds \$100,000.

c. Applicability of Section 3 to entire project or activity funded with Section 3 assistance

The requirements of this part apply to the entire project or activity that is funded with Section 3 covered assistance, regardless of whether the section 3 activity is fully or partially funded with section 3 assistance.

### **XXIII. Record Retention**

HCDD will maintain accurate HRP-DR15 files and records for general administration activity, for each applicant, and for each assisted homeowner for a period of five years after the completion of the project or the end of the affordability period, as required by HCDD. Such files will be open to all funding agencies

for inspection as to qualifications, bids, and awards.

**XXIV. Guidelines Conclusion Statement**

These are the Guidelines, including CDBG Disasters Recovery regulatory/statutory citations set forth in Public Law 93-288, as amended, 42 U.S.C. 5121-5207. The Director of HCDD is authorized, at his/her discretion, to amend these Guidelines without review and/or approval from City Council.