2020 HOME GRANTEE WORKSHOP

HOMEOWNER REHABILITATION AND RECONSTRUCTION PROJECTS

Community Programs Division
Tennessee Housing Development Agency
Role of Local Government

Ultimate responsibility for the grant lies with the **GRANTEE**

An Administrator consultant is a grant management resource, not a substitute for the Grantee’s hands-on involvement with the project and full responsibility for oversight of the grant implementation.

Involving local officials, especially local code officials, may minimize problems if disputes occur.

Local officials will be copied on all material correspondence relative to the grant including status reports.
Role of Local Government

- Approves Policies and Procedures
- Hosts the public meeting
- Oversees the procurement process
- Issues Building Permits
- Authorizes Pay Requests
- If applicable, provides code inspections
- Oversees and monitors program implementation in accordance with program requirements
- Resolves/mediates disputes
- Ensures fairness and quality of work
Your Goal and Our Goal....
And more importantly....
Written Agreements

Three year contracts: These will still be hard copy in 2020

- **July 1, 2020 through June 30, 2023**

- Expenses or commitments incurred prior to July 1, 2020 will not be reimbursed

- **Only 60 days** after June 30, 2023 to submit final draws

City or County Mayor signs BOTH copies and returns BOTH to THDA with the Start-up Forms.

- **Written Agreements are due at THDA no later than EOB Friday, July 20, 2020**
Attachment A

Attachment A- Description of Grantee Activities

Provides detail of the activities funded by the HOME grant and other requirements

• Other requirements based on the application, i.e. participant contributions, submission of more recent audit

• Pay special attention to additional conditions
Attachments B, C, D, E & F

Attachment B – HOME Project Budget
  • Shows uses and sources of HOME and other funding

Attachment C – Timeline

Attachment D – Notice of Audit Report

Attachment E – Parent Child Report

Attachment F – Federal Award Notification
Start-up Forms

Return these forms to THDA:

• W-9 – Request for Taxpayer Identification Number and Certification
  • Must be the most current revision (must be the address that the remittance advice is to be sent to.)
• Authorized Signature Form (Address must match the address on the W-9)

Return to THDA with Written Agreement by July 20, 2020

Please return the original ACH (Automated Clearing House Credits) Form, completed and signed by bank official **DIRECTLY** to the State of Tennessee Finance and Administration per the form
The combination of rehabilitation hard costs and project soft costs cannot exceed the maximum HOME investment per unit.
Grants Management System

• All Grant management processes will be processed through THDA’s GMS system.
  • Grant and Project set-up and closeout
  • ERR’s
  • Work Write-ups including LBP hazard assessments
  • Change orders
  • Draw requests

• All documents and pictures will be uploaded directly into the GMS system with the draw request.
Submitting Project Setup

Prior to initiating solicitation of applications, THDA must have:

• Signed Working Agreement
• Missing requirements specified in Attachment A as identified
• ACH Form (Must be mailed to TN F&A)
• W-9 Form – Request for Taxpayer Identification Number and Certification (Rev. October 2018)
• Authorized Signatures completed in GMS
• Policies and Procedures uploaded to GMS
• Tier One Environmental Review Completed and reviewed in GMS
Submitting Project Setup

Prior to first draw, THDA must have uploaded to the GMS System:

Completed and approved Tier 2 Environmental Review for site specific address (must be approved prior to obligation of any HOME funds)

• Signed rehab contract
• Approved work write-up completed, Initialed by homeowner
• Completed Lead based paint Inspection report or risk assessment if applicable
• Completed and approved work write-up and supporting documentation
Pay Request – Interim Draw

Required documents:
- Request for Payment with authorized signatures
- Interim Draw request certifying percentage of project completion
- Approved progress review
- Copies of approved change orders, if applicable
- Invoices for soft costs, if applicable
Pay Request – Final Draw

Final draw for project funds must include in GMS System

• Request for Payment with two authorized signatures
• Certification of Completion and Final Inspection
• Certificate of code compliance issued by local community, SFMO, or by licensed third party inspector
• Approved Final Review
• Change Orders
• Statement of lead based paint clearance if applicable
• Statement of Homeowners insurance
• Invoices for soft costs
• Project Completion information
• Recorded copy of Deed of Trust securing HOME investment
Pay Requests – Administration

Submit separately from project draws.

Required documents:
• Request for Payment with two authorized signatures
• Invoice from Program Administrator

Administrative funds must be drawn down in proportion to the expenditure of project funds with exception of the initial 10% grant start-up draw.
Homeowner Rehabilitation
Reconstruction

The intent of a reconstruction activity is to provide assistance to homeowners who might not otherwise be helped due to the prohibited cost of rehabilitating their existing home.

• The Grantee must provide methodology and calculations used to determine if the property rehabilitation will exceed 75% of the after rehab value.
After Rehab Value

• For all homeowner rehabilitation activities, the value of the HOME assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

• The Grantee must provide methodology and calculations used to determine if the property rehabilitation will exceed 75% of the after rehab value.

• Acceptable Methods:
  • Official Appraisal with as built/after rehab value opinion by the appraiser
  • Average of latest sale price of 3 comparable properties in same neighborhood or area sold in the last 12 months using data from MLS; Zillow or other reliable source
  • Total Market Value from the Real estate Assessment Data Website
    http://www.assessment.cot.tn.gov/RE_Assessment/
Homeowner Requirements

The property must be the homeowner’s principal residence and they must have resided in the property for at least 1 year prior to receiving HOME-assistance.

Declaration of homeowners insurance or Builders Risk Policy required and supporting documentation must be submitted during project set up

The household must qualify as low-income – 80% of AMI or less

- Income is determined at time of application
- Income must be re-verified if income verification at initial application was done more than 6 months prior to entering into rehab contract
Ownership Interest

Home Ownership interest must be documented
Fee simple title to the property in the beneficiaries name; OR
99-year leasehold in the beneficiaries name; OR
Inherited property with multiple owners not all residing in the housing; OR
Life estate
AND
No restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest
Ownership Interest

Inherited Property with Multiple Owners

- The owner-occupant must be low income;
- Occupy the house as his or her principal residence; and
- Pays all the costs associated with ownership and maintenance of the housing.

Note: All owners would have to be a party to the deed of trust.
Ownership Interest

Life Estate

- The person with the life estate has the right to live in the housing for the remainder of his or her life and does not pay rent.
- The person holding the life estate must be low-income; and
- Occupies the housing as his or her principal residence.
Property Requirements

HOME grantee determines eligible property types as part of their policies and procedures:

- Single Family Dwelling
- A condominium unit or townhouse
- The maximum after-rehabilitation value of the property cannot exceed 95% of the area median sales price. *The after–rehabilitation value must be established prior to start of rehab work and the HO-22 submitted with the project set-up packet*
Owner-Occupied Rehabilitation

When rehabilitation work is complete, the entire structure must meet the building code in force for that location or the applicable State adopted edition of the International Code and THDA Design Standards for Rehabilitation.
Eligible Costs

Actual Construction Hard Costs

• To repair housing deficiencies that prohibit the unit from being code compliant
  • To meet THDA Rehabilitation Standards and State adopted International Energy Conservation Code
• To remove deficiencies of major systems with less than 5 years of useful life
• To make the unit accessible to an individual with a physical disability
Eligible Costs

Soft Costs (Project Delivery Costs)

• Costs to settle financing
• Preparation of plans, specs and work write-ups
  • Costs for work write-ups and property reviews are a maximum of $2,500 based on an RFQ procurement.
  • Costs for energy audits
• Costs for lead-based paint risk assessments and clearance testing
• Costs for termite inspection or letter
• Costs for temporary relocation/storage
• All Soft costs count towards HOME subsidy limit
Eligible Costs

General Property Improvements

• Costs not related to code compliance but required improvements necessary to meet THDA Design Standards

• May include work: (subject to THDA approval)
  • To improve visitability
  • To improve security lighting
  • To improve energy efficiency
  • Improvements to meet ADA requirements
Temporary Relocation Expenses

HOME funds may pay for moving expenses and temporary living arrangements.

- Uniform Relocation Assistance (URA) is not applicable to households temporarily, but voluntarily, displaced during homeowner rehabilitation.
- This benefit must be available to all applicants and included in the Policies and Procedures.
- Actual receipts for rent or storage charges must be submitted for reimbursement as a project soft cost.
Program Requirements
Income Eligibility

HOME funds must only benefit households at or below 80% of area median income using the HUD’s Section 8 Income calculation methodology as adjusted for household size based on HUD’s currently published HOME Income limits.

See most current HUD Income Limits applicable for your county.
Income Determination

THDA uses the Section 8 Rental Assistance definition of income in its HOME program

- HOME has a specific income limit posted. You can not use the Section 8 limits posted.

Gross annual income *anticipated* to be received by *all persons in the household* during the next 12 months.

Income includes assets

- See Chapter One of the HOME Manual for how to determine income
Income Determination

Income must be verified before assistance is provided

Must examine **2 months** of source documentation for all persons in the household.

Documentation of income verification and how the income was calculated must be maintained in the project file

Household income must be re-verified if HOME assistance is not provided within 6 months
Income Determination

Acceptable source documents may include:

- Wage statement for the past 2 months
- Interest statements
- Unemployment compensation statements
- 3rd party verification from employer, bank, etc.
- Self-certification is an acceptable form of income verification, *if no other source(s) are possible*
Construction Issues
Codes:

All construction shall comply with applicable federal, state, county, and local codes, planning and zoning requirements, local authorities’ rules and regulations. Federal regulations which may pertain to any specific project such as the Fair Housing Amendment Act of 1988, Section 504 of the Rehabilitation Act of 1973 and Americans with Disabilities Act of 2010, as amended, also apply.
Absence of Local Codes

In the absence of local codes, the Tennessee State adopted ICC codes and the Existing Building Code as published by the International Code Congress (ICC) and the Uniform Physical Condition Standards (a comprehensive list which can be found on the HUD.Gov website below) shall apply.

Progress Reviews
THDA will perform Quality Assurance Reviews by requiring an Approved, Qualified Rehab Coordinator, and a Certified Codes Inspector on each job. THDA will also desk monitor each project and visit sites as we feel appropriate to assure that we continue to meet the federal standard.
Definitions:

**Codes Inspector** – A State of Tennessee Certified Building Inspector whose license is current and in good standing with the State Fire Marshal’s Office.

**Rehabilitation Coordinator** – Qualifications included but aren’t limited to an adequate knowledge and background of residential construction, building codes, experience in cost estimation and be familiar with the HOME rules and processes. They must also have attended or reviewed the THDA Rehab Coordinator training. This position must be procured by the grantee.
Inspections

In areas where local codes do not exist:

- The State Fire Marshal’s Office (SFMO) has agreed to cover these areas for the Code Compliance component of our program. If the local community does not issue permits you **MUST** obtain a permit from the SFMO **PRIOR** to starting any construction work.
PERMITS:

All construction shall require a permit. All construction shall also comply with applicable federal, state, county, and local codes, planning and zoning requirements, local authorities’ rules and regulations.

THDA requires that a permit be obtained by the licensed contractor performing the work.
1. Rehab Coordinator will perform the Initial Review and create a Work Write Up. This will include any LBP issues as shown on the LBP Risk Assessment. This report should be accompanied by an Energy Audit and photographs. Photographs must include the following:

- All exterior sides of the home, attic and crawl space, as well as any item that is on the WWU as deficient
- These items will be sent to THDA for written approval
2. THDA will review the Initial submission. If we have comments, questions or corrections we will send it back to correcting, or we will approve the report as submitted.

3. When the Initial Review or Work Write Up is APPROVED, you will receive notice to proceed to bid the project.

4. After the winning bidder has been selected, the Administrator must submit the scope of work to THDA for approval by receiving a Notice to Proceed before a contract is signed.
When the project has been bid, and a licensed general contractor has been awarded the work, but before actual work has begun, it is the responsibility of the Rehab Coordinator to obtain a copy of the Codes Permit or permits if multiple permits are required, for the file to show it was obtained by the contractor.
5. When the project reaches the 60% point of the construction, the Rehab Coordinator shall visit the site and create a “Progress Review”. This will include the original WWU showing each item and the status of each item as well as photos of these items. This report will be sent to THDA as well for approval.

**NOTE:** You shall also contact the Codes Inspector to conduct interim inspections as required.
6. The Progress Review will also be reviewed by THDA for comments, corrections or additions. When it is APPROVED, only then may you request an interim payment from your Housing Specialist.
7. When the project reaches the completion point of the construction, the Rehab Coordinator shall visit the site and create a “Final Review”. This will include the original WWU showing each item and the status of each item as well as photos of these items. This report will be sent to THDA as well for approval.

**NOTE:** Final review must include documentation of passing final inspection from the Codes inspector.
Compliance
Compliance Period

Rehabilitation assistance has a compliance period of five (5) years with a 20% annual forgiveness feature

- The compliance period is secured by a Grant Note and a recorded Deed of Trust

Reconstruction Assistance has a compliance period of fifteen (15) years with a 6.67% annual forgiveness feature

- The compliance period is secured by a Grant Note and a recorded Deed of Trust

If the homeowner dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME grant

- However, if the heirs sell the property, or if the property is sold with monetary gain by any actions of a court to settle outstanding claims or settle the estate, the unforgiven portion of the grant must be repaid to THDA
Record Keeping for Homeowner Rehabilitation Projects

- Environmental Review
- Bid advertisement
- Solicitation of minority and female contractors
- Contractor/subcontractor activity report
- Section 3 Questionnaire
- MBE/WBE Report
- Grantee personnel polices
Record Keeping for Homeowner Rehabilitation Projects

- Homeowner rehabilitation policies and procedures adopted by the Grantee’s governing Board
- Documentation of public meeting
- Priority list of eligible applicants
- Requirements noted in Attachment A of the Working Agreement
Record Keeping for Homeowner Rehabilitation Projects

- Completed homeowner application
- Income verification
- Proof of ownership
- Copies of all bids
Record Keeping for Homeowner Rehabilitation Projects

- Notice to Proceed
- Non-kickback Certification
- Right of Rescission
- Final Invoice, Release of Liens and Warranty
- Grant Note
- Recorded Deed of Trust
- Copies of cancelled checks for payment to the contractor
Record Retention

Records must be maintained for 5 years after the HOME affordability period has expired

- **Example**: If project was reconstructed with HOME funds, project records must be maintained for 20 years following the completion of the project

- Remember, “completion” is based on the date of the project completion in IDIS
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