

Chapter 7: Housing Rehabilitation

Introduction

Like all other aspects of the Connecticut State and Small Cities Program, there are a variety of ways that grantees may use CDBG funds for housing activities that serve low- and moderate-income households (LMI). However, most grantees in Connecticut will administer housing programs as discussed in this chapter.

Section 7.1 Housing Rehabilitation Programs

This part of the Housing Chapter reviews traditional housing rehabilitation activities and provides a step-by-step process for implementing housing rehabilitation programs in compliance with applicable rules and requirements.

Meeting a National Objective in Housing Rehab

All CDBG-funded activities must not only be eligible, but also meet a national objective. Housing rehabilitation activities must result in permanent, residential housing that is occupied by low-and moderate-income (LMI) households upon completion.

[24 CFR 570.483\(b\)\(3\)](#)

[Guide to National Objectives and Eligible Activities for State CDBG Program](#)

Occupancy of housing shall be based on the household income of all household members over 18 years of age using the following rules:

- Each single-family unit rehabilitated with CDBG funds must be occupied by a LMI household.
- If the structure contains two dwelling units, at least one unit must be occupied by a LMI household.
- For properties with more than two units, at least 51% of the units must be occupied by LMI households.

For more information on documenting households as LMI, grantees should refer to the section regarding applicant eligibility later in this Chapter.

Connections to water/sewer lines and septic systems.

The costs of connecting existing residential structures to water distribution lines or local sewer lines and payment of connection fees are eligible costs. The upgrading or replacement of an existing substandard septic system is also an eligible cost as part of a rehabilitation project, if providing a service lateral is cost prohibitive. Grantees should work with the local health department (LHD) to determine the criteria for a substandard septic system.

Ineligible Activities

The general rule is that any activity not specifically authorized under the CDBG regulations is ineligible to be assisted with CDBG funds. The regulations stipulate that the following activities may not be assisted with CDBG funds:

- New housing construction except under certain conditions.
- Certain types of nonprofit organizations that are undertaking certain kinds of activities may be allowed to utilize CDBG funds for new construction.
- Income payments, which are defined as grants to an individual or family that are used to provide basic levels of food, shelter (i.e., payment for rent, mortgage and/or utilities) or clothing;
- Luxury or non-standard items, such as swimming pools, Jacuzzis, high-end appliances, window air conditioners, washers and dryers, etc.; and
- Labor time for sweat equity may not be paid out to recipients of rehabilitation assistance.

[24 CFR 570.204\(c\)](#)

Section 7.2 Program Guidelines

DOH funded housing rehabilitation programs must be consistent with the Assistance Agreement requirements. Any significant variation requires approval from DOH. The grantee must develop program guidelines covering the procedural requirements of its rehabilitation program and administer the guidelines uniformly.

These guidelines should be specific to the project and well defined as to what the grantee requires of the property owner in return for providing the assistance. Guidelines should generally contain the following key elements:

- Types of financial assistance,
- Applicant eligibility,
- Property eligibility,
- Property standards,
- Contracting requirements,
- Relocation requirements,
- Grievance procedures, and
- Maintenance agreements

[Attachment 7-1:
Housing Rehab Admin vs Activity
Delivery](#)

Each of these topics is discussed in more detail below.

NOTE: The DOH Small Cities Program does not allow for the inclusion of emergency repairs in Housing Rehabilitation Programs.

The program guidelines should be developed by local agency staff. Guidelines should be written in plain language and made available to all potential applicants to the rehabilitation program.

The guidelines should always include a clause describing the process by which they can be changed. If the local governing body passes special policies that change the adopted guidelines, these changes must also be approved by the governing body as an addendum to the guidelines. Each page of the adopted guidelines and addendum must be initialed by eligible participants and kept in their file.

All applicants initially selected to participate in the project are potential applicants until re-verification of income can prove they are low and moderate-income based on the applicable HUD income limits. This re-verification should not be done until CDBG funds are made available. Once income re-verification identifies the eligible applicants, the program guidelines should be presented to the applicant household prior to commencing work on their properties.

Applicants who choose not to comply with the grantee's guidelines can choose not to participate in the Owner-Occupied Rehabilitation project.

Financial Assistance

The use of loans to rehabilitation recipients will enable the grantee to recover all or a portion of the original financial assistance for use in accomplishing additional housing rehabilitation. Loans also provide the recipient with security on the property that is not possible when funds are provided as a grant.

Loan programs are self-perpetuating when loan proceeds are used to provide other loans. Repayments from housing rehabilitation loans made with CDBG funds are considered program income and are to be expended according to DOH requirements. See [Chapter 3: Financial Management](#) for more information on Program Income.

DOH requires a minimum of a five-year primary residency requirement for all recipients of owner-occupied housing assistance. Therefore, the grantee should use a mechanism such as a covenant or lien recorded on the property to ensure that this requirement is enforceable. Investment properties assisted with CDBG require “[use restrictions](#)” on the rental units. A sample has been provided as Attachment 7-29. A separate use restriction for public housing modernization can be found in Section 7.6: Public Housing Modernization.

[Attachment 7-29: Sample Use Restriction](#)
(Not for use with Public Housing Modernization)

Applicant Eligibility

Program guidelines should specify who is eligible for the program, the types of assistance for which they are eligible, and the amount of assistance available. The types and amounts of assistance available should be based on household and tenure characteristics and ability to pay and should be consistent across a grantee's program. Applicants who have been assisted within the last ten years with Small Cities funds should not be approved unless it is for different work items (e.g., roof, septic, etc.) and the project meets the LTV ratio.

Determining Household Income

DOH requires that applicants conduct an initial threshold determination of household income prior to grant application to DOH. The income determination must be conducted using the current year CDBG Income Limits for the applicants' county. These limits are posted on DOH's website. However, once funds have been awarded, but before providing any assistance, the grantee must conduct a detailed income verification of all applicants. DOH requires all grantees to follow the 24 CFR Part 5 method of calculating annual household income.

[HUD Area Median Income Limits for CDBG](#)

The 24 CFR Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

[24 CFR 5.609](#)

24 CFR Part 5 provides a comprehensive list of the types of income that are included and excluded from the calculation of annual gross income. Income from assets, such as income received from rental property, is also recognized as part of annual income under the Part 5 definition. The following steps should be taken to determine household income for the purpose of determining eligibility for CDBG housing assistance:

[IRS Tax Topics: Rental Income and Expenses](#)

- **Step 1:** Ask questions of the household regarding annual income and income from assets. Follow the rules pertaining to what types of income to include and exclude.
- **Step 2:** Gather appropriate documentation such as wage statements, interest statements, third-party verifications, etc. (Grantees should use Attachment 7-2: Sample Applicant Release to Obtain Verification of Income form.) Note: While verification from other agencies and employers is considered appropriate, self-certification of income by the household is not sufficient for housing activities.
- **Step 3:** Calculate total household income by adding up the information obtained. Use Attachment 7-3: Sample Part 5 (Section 8) Annual Household Income Calculation Form.
- **Step 4:** Compare the total household income to the HUD income limits for that household's size. Income limits are provided by DOH and can be found on HUD or DOH's website. Determine if eligible for assistance.
- **Step 5:** Place the income calculation, determination and back-up documentation in the appropriate files.

[Attachment 7-2:
Sample Applicant Release to Obtain
Verification of Income](#)

[Attachment 7-3:
Sample Part 5 Annual
Household Income Calculation Form](#)

[CPD Income Calculator](#)

Details and forms used for calculating household income for rehabilitation projects are provided in the "Technical Guide for Determining Income and Allowances" and an Income Calculator for CDBG is available for use on the HUD Exchange website.

Property Eligibility

Eligible units for rehabilitation must be substandard and occupied by LMI households (households whose income is below 80 percent of the area median income as provided by HUD annually). Homeowners may only be assisted once every 10 years with CDBG Small Cities funding. Grantees must identify and document the major deficiencies that qualify the unit as substandard. The grantee must receive and document proof of ownership from the applicant. A family or individual owns the property if that family or person:

- Has fee simple title to the property;
- Maintains a 99-year leasehold interest in the property;
- Has a recorded life estate agreement; or
- Owns or has a membership in a cooperative or mutual housing project that constitutes homeownership under state law.

DOH requires the grantee to conduct a title-search to determine the applicant is the rightful owner of the property. The title search will also allow grantees to learn if there are any outstanding liens on the property. All tax liens must be cleared before assistance can be provided to the applicant.

Since DOH has a minimum five-year residency requirement for all owner-occupied properties, it is recommended that grantees have recipients sign a certification that the property is and will remain their primary residence. This five-year residency requirement should also be clearly stated in the agreement between the recipient and the grantee and recorded in a lien or covenant.

Homeowners must also have current insurance and maintain insurance over the life of the loan for a property to be eligible for rehabilitation with CDBG funds. The grantee should be listed on the policy as an additional party or loss payee to obtain notification of insurance coverage or changes to the policy. Grantees must maintain documentation for review at monitoring.

Conflict of Interest

CDBG grantees and sub-recipients must comply with procurement requirements found at [2 CFR 200.318-326](#) and with other state and local applicable conflict-of-interest provisions. If a grantee believes there may be a potential conflict of interest with a property or applicant, the grantee should refer to [Chapter 1: Project Administration](#) regarding "Conflict of Interest " and complete [Attachment 1-8](#) "Request for Exception to Conflict of Interest" to disclose any potential conflict of interest associated with the project.

Property Standards

The rehabilitation program guidelines should specify the property standard that units must meet after rehabilitation is complete. Grantees must meet all local housing codes and occupancy standards for their rehabilitation program. At a minimum, the grantee must meet all guidelines outlined in this chapter, as well as any local and state building codes. All new construction and reconstruction projects must meet the State of Connecticut Building Code. The guidelines should clearly state both the eligible and ineligible

improvements. Key rules in this area include:

- Any improvement needed to bring the unit to code or which will result in energy conservation should be specified as an eligible improvement.
- Exterior painting or siding should also be eligible, depending on local weather conditions.
- General property improvements—carports, window air conditioning, den additions, etc., are generally ineligible.
- No repairs to or replacement of driveways are allowed including but not limited to, cement, asphalt, pavers, gravel, etc.
- Emergency repairs that do not allow time to meet all policies and procedures will not be entertained by DOH.

To comply with HUD's Lead Safe Housing Rule (LSHR), rehabilitation to all units built prior to 1978 must follow prescribed rehabilitation practices and pass final clearance before approval of payment to the contractor. Tenants may be required to vacate the unit and not allowed to re-occupy unit until an acceptable clearance test is achieved. See Section 7.3: Implementing Housing Rehabilitation of this chapter for more information on compliance with LSHR.

Contracting Requirements

DOH recommends a three-party initial contract agreement and final inspection agreement between the municipality/building inspector/town consultant, the homeowner, and the contractor. At a minimum, the homeowner and contractor must be a party to the construction contract. However, the grantee always remains responsible for monitoring contractor compliance with payments and all other program requirements. More information on contract development can be found in [Chapter 10: Contracts and Modifications](#).

Grantees are required to ensure that contractors receiving work funded by CDBG are registered in and the System for Award Management (SAM) and have not been excluded from participation in Federal programs before contracts are awarded. To do this, the grantee must check the SAM database. The search of the excluded party's website must be completed prior to awarding the construction contract and a printout documenting the search should be placed in the file documentation. More information on how to do this can be found in

[System for Award Management
\(SAM.gov\)](https://sam.gov)

[CT Department of Labor
Debarment List](#)

[Chapter 4: Procurement](#). In addition, grantees must check potential contractors against the CT Department of Labor Debarment List.

Program guidelines shall also require that the contractor include dispute resolution provisions in any and all agreements between: a) a homeowner and the Municipality, b) a homeowner and the contractor and 3) the Municipality and the CDBG Consultant. Additionally, the Municipality shall require that the homeowner, the contractor and the Municipality or its CDBG Consultant, as applicable, sign off on the "final inspection and acceptance" of all work completed on the homeowner's project utilizing CDBG funds. The Municipality is responsible for and shall ensure that proper work permits are secured before work begins, the town building inspector(s), as applicable, sign off on various tasks performed by the contractor as required by

the agreements between the Municipality and the homeowner and the homeowner and the contractor. The Municipality is responsible to make sure that all the warranty related information is provided to the homeowner at the completion of the project or upon execution of the Certificate of Completion by the parties involved.

Relocation Requirements

As described in [Chapter 6: Relocation](#), federal relocation requirements generally do not apply to homeowner rehabilitation programs since participation is voluntary and usually does not involve permanent displacement. However, if the owner's home is a two- to four-unit structure with rental units, the tenants are covered by the Uniform Relocation Act (URA) and possibly by Section 104(d) of the Housing and Community Development Act. 24 CFR Part 42 are the regulations that implement Section 104(d) of the Housing and Community Development Act. See [Chapter 6: Relocation](#) for more information.

[24 CFR Part 42](#)

In addition, the Lead Safe Housing Rule states that temporary relocation may be required if lead hazard reduction work is performed. The grantee is not obligated to provide financial assistance for an owner occupant; however, it must ensure the family is relocated to a suitable, decent, safe and similarly accessible dwelling unit that does not have lead-based paint hazards. See [Chapter 6: Relocation](#) and 24 CFR 35 for more information.

[24 CFR Part 35](#)

For all other situations, grantees are permitted (but not required) to relocate homeowner households temporarily while work is being completed. (For example, if rehabilitation work requires shutting off heat or plumbing for some period of time, temporary relocation may be appropriate.) In these cases, the grantees must meet several requirements:

- Grantees must have a written policy on eligibility and level of relocation benefits, known as an Optional Relocation Policy, so that benefits are distributed in a fair, nondiscriminatory manner.
- Residents who are relocated temporarily must be offered a dwelling that is suitable, safe, sanitary and lead safe. However, the unit does not have to be comparable. All other conditions of the move must be reasonable.

Grievance Procedures

Grievances are a part of every rehabilitation program. The best prevention is to conduct frequent onsite inspections of the work, and stop work when there are problems until the problems are corrected. Also grantees should make efforts to ensure recipients are well informed about the contract work, have initialed and signed-off on the work write-up, and have a copy of the program guidelines that include the grantee's grievance procedure.

In those cases where a mutually satisfactory resolution cannot be reached between the parties, at a minimum, the following procedure should be followed as initial steps towards resolution:

1. A written statement of the dispute/complaint by the homeowner or contractor, as applicable, shall be filed with the Municipality's Small Cities Program Administrator (the "Program Administrator") and the CDBG Consultant, if the Municipality is utilizing the services of a CDBG Consultant.

2. The Municipality shall mediate any workmanship-related complaints filed by homeowners. If the Municipality is using a CDBG Consultant to manage the Small Cities Program, the Municipality shall require such CDBG consultant to address any complaints in a timely manner.
3. The Program Administrator or designee and/or the CDBG Consultant, as applicable, shall meet with the homeowner and contractor and attempt to negotiate a solution to the dispute.
4. The Municipality will assist the homeowner in addressing the complaint and make a determination about the responsibility to fix any items in dispute.
5. If the contractor is determined by the Municipality as responsible to fix the disputed items, the Municipality shall issue a written statement to the contractor informing contractor of its determination and contractor's responsibility to address the items.
6. If a contractor is nonresponsive, the Municipality or the CDBG Consultant, as applicable, may contact the contractor's bonding company to fix the items or take any other action it deems appropriate.
7. If the CDBG Consultant is found to be responsible for the errors and omissions in bids and specifications prepared by the CDBG Consultant including, but not limited to, lack of inspection, the Municipality shall hold the CDBG consultant financially responsible to address the complaint and remedy the issue
8. Other solutions may include, but are not limited to, requiring the contractor to fix the items within a specified period of time, contacting the Connecticut Department of Consumer Protection, if applicable and appropriate, and/or contacting the contractor's bonding company to file a complaint against the contractor or take action to enforce the bond, etc.

More information on appeals and grievances can be found in [Chapter 1: Program Administration](#).

Section 7.3 Implementing Housing Rehabilitation

Determining Staffing

In staffing a rehabilitation program, it is helpful to understand the specific skills and duties that will be needed. Some of the key elements include:

Finance Staff. Staff is required for marketing the program, processing applications, completing income verifications, and ensuring that all CDBG requirements are met for the project. General knowledge of mortgage lending is also helpful.

Rehabilitation Staff. Staff is required for performing work write-ups and inspections. Qualifications may include a certification and considerable knowledge and/or experience in various aspects of housing construction, considerable inspection experience in government funded rehabilitation programs or in residential construction management or certified in the completion of recognized building codes and/or rehabilitation standards training programs. These skills are found in experienced contractors, building inspectors, architects, etc., familiar with rehabilitation.

Marketing

In order to ensure a sufficient pool of qualified applicants, program staff should develop marketing procedures and materials (e.g., ads, flyers, etc.).

Marketing procedures should assure that the program is marketed and available to the full range of potential applicants, including those least likely to apply. Additional information can be found in [Chapter 8: Fair Housing and Equal Access](#).

These procedures should address the following:

- Use of equal opportunity language in advertisements and literature;
- Grantee waiver of eminent domain in advertisements and literature;
- Literature that is understandable to applicants, including key information available in other languages;
- A schedule and plans to ensure that advertising or other outreach efforts reach potential applicants at places they frequent;
- Lists of the places and/or personal contacts where program information is distributed such as churches, laundry mats, service providers, parks, etc.; and
- Accessible facilities such as the ability to accommodate people with disabilities and the completion of an accessibility self-assessment.

Screening Applicants

Applicants must be screened to determine income, property ownership and any other applicable criteria, as may be specified in the guidelines. Homeowners may only be assisted with Small Cities funding once every 10 years.

[Attachment 7-5:
Sample CDBG Rehabilitation
Application for Assistance](#)

Re-verification of income using the Part 5 definition of income is required before providing direct benefit. A sample CDBG Rehabilitation Assistance Application is provided as Attachment 7-5. The grantee may develop its own application format; however, the application file must contain, **at a minimum**, the following information:

- ✓ Name of the owner and address of the property.
- ✓ Signature of the owner and the date.
- ✓ Number of persons (adults and children) in the occupant household and their ages.

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- ✓ Sufficient information concerning the occupant's household income.
- ✓ The grantee should also verify that property taxes are current and in the case of an existing mortgage, that principle and interest payments are current and the mortgage is not in a delinquent or fail status.
- ✓ Sufficient information to show that the occupant meets the grantee's program eligibility criteria, including household income.
- ✓ Verification of the above-referenced information.

The interview is also a good time to give the applicant a copy of the pamphlet "Protect Your Family from Lead in Your Home" (Attachment 7-6). The grantee must document using a Verification of Receiving the Lead-Based Paint Pamphlet form (Attachment 7-7) that the pamphlet was provided to the applicant before any work may begin. The pamphlet can also be downloaded from DOH's website. If the house is reconstructed, it is not required that the applicants be given the Lead Based Paint Pamphlet. The file should, however, be documented that the project is exempt from the Lead Safe Housing Rule since it is a reconstructed property.

[Attachment 7-6:
"Protect Your Family from Lead
in Your Home" Pamphlet](#)

[Attachment 7-7:
Verification of Receiving the Lead-
Based Paint Pamphlet form](#)

The information collected is confidential and should be treated as such. Applicant's permission to obtain and verify any personal information must always be granted.

TIP: Detailed income documentation must be performed. See [Section 7.2: Program Guidelines](#) in this chapter for more guidance.

Initial Inspections

Rehab Specialists must use the standardized checklist (Attachment 7-8: Initial Inspection Checklist) when inspecting housing units for health and safety. DOH also requires that Rehab Specialists use photos or videos to document the conditions of the property as well as pictures of the completed project. This documentation will be reviewed at monitoring. DOH also utilizes these photos to submit project summaries to HUD and other organizations for highlighting the impact of CDBG programs. A PowerPoint on [Photography Tips for Beginners](#) can be found on the DOH website.

[Attachment 7-8: Initial
Inspection Checklist](#)

Performing Work Write-Ups and Cost Estimates

A very thorough inspection of the property must be conducted to determine the type and cost of work necessary to bring the property into compliance with all local and state building codes, including the CDBG Residential Rehabilitation Standards and HUD guidelines (for rehabilitation) or the State of Connecticut Building Code (for reconstruction). After the initial inspection, the work to be done should be written down. This is termed an

[Attachment 7-28: CDBG
Residential Rehab Standards](#)

[Attachment 7-9: Sample
Work-Write Up and Cost
Estimate Form](#)

inspection report. At this stage, the items must be estimated in terms of cost, a process to produce a cost estimate. These reports are usually done on a room-by-room basis. Some grantees with experienced staff have blank forms the housing inspector completes. If the staff is inexperienced, they may need detailed check-off forms that list virtually every possible deficiency. The housing inspector checks for each one and specifies action needed to remedy the problem. It is better to err on the side of caution. A Sample Work-Write up and Cost Estimate Form are provided as Attachment 7-9.

In addition, historic properties (those more than 50 years old and/or listed or eligible for inclusion on a national, state or local historic register) are required to follow the Secretary of Interior's Standards for Rehabilitation (also referred to as the Section 106 requirements). During the environmental review process, grantees must consult the State Historic Preservation Office (SHPO) for guidance for historic properties, which may require a Memorandum of Agreement or documentation approved by the SHPO. Grantees must then ensure the requirements stipulated by the SHPO be incorporated into the work write-up and cost estimate. Release of CDBG funds cannot be obtained until the grantee receives SHPO concurrence. Refer to [Chapter 2: Environmental Review](#) for detailed guidance.

[Connecticut Museum of Culture and History](#)

[State Historic Preservation Office](#)

Pre-1978 Properties and Lead Hazard Reduction

All units in a project assisted with CDBG funds must comply with 24 CFR Part 35, which implements Title X of the Housing and Community Development Act of 1992, also referred to as the Lead Safe Housing Rule (LSHR). This regulation has been in effect since September 15, 2000, and Subpart J applies to rehabilitation projects. A briefing packet that explains more about HUD's Lead Safe Housing Rule is provided as Attachment 7-10.

[24 CFR Part 35](#)

[Attachment 7-10:
Lead Safe Housing Rule
Briefing Packet](#)

Some rehabilitation work performed in pre-1978 units may be exempt from following the lead safe housing rule such as:

- Properties found not to have lead-based paint during current testing and earlier testing that meets the requirements of prior evaluations.
- Properties where all lead-based paint has been identified and removed using approved methods; and S Rehabilitation that does not disturb paint.

Grantees should refer to the Lead Safe Housing Requirements Screening Worksheet Parts 1-4 (Attachment 7-11) and 24 CFR 35.115 and 35.165 for more information regarding exemptions.

[Attachment 7-11:
Lead Safe Housing
Requirements Screening
Worksheet](#)

If a home was constructed prior to 1978, the LSHR applies. Therefore, the initial inspection report must specify all the work to be done to bring the building to standard and include all work necessary to comply with applicable lead hazard reduction requirements.

[24 CFR 35.115
and
24 CFR 35.165](#)

Evaluation Method

After the initial work write-up is complete, the rehabilitation specialist must determine which lead evaluation activity must be followed. The evaluation activity required depends on the level of assistance:

- < \$5,000. Paint testing of surfaces to be disturbed must be completed. Paint testing must be conducted by a certified paint inspector or risk assessor.
- \$5,000-\$25,000. A comprehensive lead inspection must be performed of the entire unit. A comprehensive lead inspection must be conducted by a DPH certified lead risk assessor who is employed by a DPH licensed lead consultant.
- > \$25,000. A comprehensive lead inspection must be performed of the entire unit. A comprehensive lead inspection must be conducted by a DPH certified lead risk assessor who is employed by a DPH licensed lead consultant.

[Attachment 7-12:
Guidance on HUD/EPA
Abatement Letter](#)

Grantees should be aware that there are additional rules for the type of work that is performed depending on the intent of the work. See the combined HUD-EPA Notice and Guidance (Attachment 7-12) for more information.

Notification

If lead-based paint hazards or bare soil lead hazards are identified, the results must be reported to the Director of Health and the Commissioner of Health. Results of the paint test and risk assessment must be provided in a Notice of Lead Hazard Evaluation to the homeowner within 15 days of the grantee receiving them. The person performing the evaluation may be able to assist the grantee in completing the form.

It is important for the homeowner to know that, under the LSHR, they must disclose any knowledge of lead in the home to any future buyers of the property. A sample Notice of Lead Hazard Evaluation is provided as Attachment 7-13.

[Attachment 7-13:
Sample Lead Hazard
Evaluation Notice](#)

Grantees also have the option to presume there is lead in the unit rather than paint testing or risk assessments. If the grantee utilizes the presumption of lead option, the scope of work must address all painted surfaces. Grantees should note that this approach may raise the cost of the work as non-lead surfaces will be required to be treated as if they contained lead.

Also, if the presumption method is followed, a "Notice of Presumption" must be provided to the homeowner within 15 days of performing the initial inspection. A sample Notice of Presumption is provided as Attachment 7-14.

[Attachment 7-14:
Sample Lead Hazard
Presumption Notice](#)

Finalizing the Bid Specs

If the paint testing or risk assessment shows there are no lead hazards, then traditional rehabilitation practices may be followed.

If there are lead hazards found in the home then the following lead hazard reduction activities must be followed based on the amount of assistance and incorporated into the work write-up.

- < \$5,000. Repair surfaces to be disturbed using safe work practices and trained workers.
- \$5,000-\$25,000. Perform interim controls using safe work practices and trained workers. If presumption occurred, perform standard treatments using safe work practices and trained workers.
- > \$25,000. Perform abatement using safe work practices and certified abatement supervisor and certified workers.

For more information about repair, interim controls, standard treatments, abatement and the types of training or certification required for personnel performing the work, please see the Briefing Packet on the LSHR (Attachment 7-10).

The work write-up must be revised to incorporate the appropriate lead hazard reduction work and methods required to perform the work. If abatement is involved the LHD must be involved at this point. Once the work write-up has been finalized, the cost estimate tells whether or not the work can be done within the average loan limits and the owner's ability to repay.

The person preparing cost estimates should be familiar with the current rates for materials and labor and be able to estimate accurately the time required to complete each task. Good, reliable cost estimates are critical. Since costs change rapidly, it is important that cost estimates be used as soon as possible.

Loan to Value/Dollar Threshold Requirements

When administering a housing rehabilitation program, grantees are required to seek approval from the State to move forward with cases that have a Loan to Value (LTV) above 100% and/or exceed the dollar threshold limits (\$35,000 per single-family house or up to \$100,000 per property if 2 or more units).

Grantees must include enough information in their written request for the State to make a determination in the most efficient way possible. This request must be made before any commitments are made to the homeowner. The request must, at the very least, address the following items:

1. Source of funding: grant dollars (and grant year) or program income.
2. A reason as to why the Town would like to move forward with the case,
3. The proposed scope of work and itemized cost estimate of the work,
4. Identify the proposed scope of work as Life Threatening or Non-Life Threatening,
5. If the household(s) are receiving income and if bank statements have been checked to determine that the homeowner cannot pay for some of the improvements to bring the LTV down,
6. If relocation will be necessary; and if so, how it will be handled,
7. Any upgrades or maintenance work done to the property in question in the last 10 years,

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8. Any open home equity lines of credit, and
9. Any other information that the grantee deems will help the waiver request.

Grantees should notify all applicants written notification if the project is deemed not feasible with appropriate reasoning and documentation must be filed for future monitoring.

Executing Agreements with Beneficiaries

The grantee must enter into a formal written agreement with the applicant for the amount of the assistance made available.

- This agreement needs to be signed by the homeowner, prior to the start of work, and represents the official financial obligating instrument between the homeowner and the grantee.
- At a minimum, this agreement shall certify the legal owner of the property, the type of assistance, as well as outline all conditions associated with the assistance.
- Conditions of the agreement may include a monthly payment schedule if applicable, a minimum five-year primary residency requirement for owner occupied properties, hazard insurance, death of the applicant, conversion, transfer or sale of the property rehabilitated, and any other conditions that, if violated, may result in a reimbursement of funds by the applicant.

The grantee must also utilize a recorded mortgage, prior to the start of work, to secure the amount of the federal investment.

Following approval, grantees should meet with the applicant to review the proposed scope of work to be undertaken. Applicants should initial each page and sign the last page of work items, thereby attesting to the fact that the applicant was made aware of the improvements to be made to the property. The homeowner should also receive all proper notices and information about lead-based paint. It is also important to finalize any temporary relocation plans and set a schedule for the work.

NOTE: Under the Fair Credit Reporting Act, Grantees must inform any homeowner or investor receiving funds under the program, the conditions of receipt of the funds, the amount of the funds, percent of interest on funds, and the ability to exercise the Three Day Right of Rescission.

Contracting for Rehabilitation

Developing and implementing effective contracting procedures is one of the most critical tasks in a housing rehabilitation program. Four key elements involved in the contracting process are covered in the following discussion: recruiting contractors, bidding procedures, preparing the contract, and contract award and monitoring.

[Attachment 7-15:
Sample Rehabilitation
Agreement](#)

Recruiting Contractors

It is often difficult to recruit contractors if there are only relatively small jobs for repairing homes in poor condition. The grantee should identify possible contractors and attempt to interest them in program participation. The yellow pages of the telephone book, the Chamber of Commerce, the Supplier Diversity Division of the Connecticut Department of Administrative Services, conversations with construction materials suppliers, and word of mouth are all information resources to aid in developing a contractors list.

[Supplier Diversity, CT
Department of Administration](#)

Licensed lead-based paint and asbestos contractors may also be found on the State of Connecticut's Health Department website.

[CT Department of Health
License Lookup Portal](#)

To promote the participation of small contractors, the grantee may attempt to eliminate procedural barriers and provide technical assistance. Some grantees have:

- Provided technical assistance such as:
 - Financial management assistance;
 - Talking to local suppliers about credit extension to rehabilitation contractors;
 - Asking local financial institutions to extend lines of credit; and
 - Allowing progress payments after completion and inspection of a certain percentage of work.

In addition, grantees must ensure that they are using trained and certified workers to perform work in compliance with the lead safe housing rule.

Pre-Qualified Lists

Grantees may utilize pre-approved lists in the Housing Rehabilitation Program. The federal regulations require that Grantees ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the Grantee must not preclude potential bidders from qualifying during the solicitation period.

All Pre-Qualified Lists must adhere to the policies outlined below:

- 1) Grantees must advertise the procurement at least once at the beginning of the grant period for each approved grant. The ads must be posted on the DAS website (and published in the minority newspaper) for each town and in newspaper of daily general circulation.
- 2) Contractors shall be allowed to request an application from the municipality or the procured consultant's office.

- 3) Along with the application contractors are required to submit a copy of the HIC license, insurance certificate for liability, workers compensation, RRP certificate for lead, Section 3 certificate (if applicable), WBE/MBE certificate (if applicable), former town references and at least three (3) homeowner references.
- 4) All contractors and sub-contractors must be checked for exclusions against the Federal and State debarment lists. **All Information on the application should be verified and references are checked.**
- 5) All Pre-Qualified Lists must be updated on an annual basis. The list must include the date established and date of the most recent update.

[Attachment 7-16: Sample Pre-Qualified Contractor Application Form](#)

[Attachment 7-17: Sample Pre-Qualified Contractor List](#)

[Attachment 7-18: Sample Pre-Qualified List Update Request](#)

When developing a Pre-Qualified List, Grantees should consider the following:

- a) Homeowner satisfaction on previous jobs
- b) Communication with homeowners and consultants on previous jobs
- c) Timeliness and accountability on previous jobs
- d) Issues or concerns on previous jobs
- e) Contractor eligible for re-hire
- f) Conduct a basic internet search and look for any online reviews, BBB ratings, news articles, etc. to uncover any potential issues.

Bidding Procedures

Bidding procedures need to be developed by grantees. Grantees must demonstrate that bids were let in a fair, unbiased manner and that efforts were made to solicit bids from small, minority, women owned and Section 3 businesses. Below are some guidelines to include in bidding procedures.

- Bids may be advertised in the newspaper, through public notice or radio and by contacting an already approved list of contractors.
- Advertising at the start of the program and establishing a list of contractors interested in bidding for jobs throughout the duration of the program is acceptable.
- At least three contractors should be encouraged to bid on each job.
- Grantees are required to check the System for Award Management (SAM) to ensure contractors have not been excluded from participation in federal programs before awarding a bid and must check this list when bids are received.

[System for Award Management \(SAM\)](#)

NOTE: Grantees are prohibited from utilizing the Small Purchase Method for Housing Rehab contracts.

Each contractor must provide proof of liability insurance in an amount deemed reasonable by the grantee. The liability insurance shall be maintained during the life of the contract. Each contractor must provide evidence of workers compensation insurance at a level in conformance with state law for all employees at the job site and shall require subcontractors to provide evidence of the same. Contractors must submit documentation that shows they are qualified to perform lead work such as:

- Proof they attended a safe work practices training session (for jobs involving safe work practices).
- Copies of the Connecticut certification for abatement supervisor and workers (for jobs involving abatement).

Any solicitation for bids by the grantee should include:

- Location for bid document pick up and submission;
- Address of unit to be rehabilitated;
- Time the unit is open for inspection; and
- Time and place for bid opening.

DOH requires that minutes from the bid opening be taken. The minutes should include names of all present at the meeting, a list of all bids received, and the amounts bid for the work. Homeowners must be informed of the bid opening and given an opportunity to attend it as well.

Bids need to be reviewed for cost reasonableness. Grantees should be wary of bids above or below 15 percent of the cost estimate. Grantees should not award to the low bidder if the contractor has a backlog of incomplete rehabilitation jobs or a history of poor performance. Grantees are advised to impose a cap of two rehabilitation jobs per contractor at any given time, unless the contractor can clearly demonstrate capacity to handle more than that. This cap should be clearly outlined in the policies and procedures.

The homeowner makes the final decision for selection of the contractor. The Homeowner must pay the difference if they choose a contractor who is not the lowest responsible bidder.

Preparing the Contract

The contract for rehabilitation must be between the homeowner and the contractor. The grantee remains responsible for monitoring contractor compliance with payments and all other program requirements.

Key federal provisions which apply to all rehabilitation contracts are:

- Lead Based Paint clause, and
- Conflict of Interest clause

Davis-Bacon and other labor standard provisions do not apply unless the rehabilitation involves a structure

with eight or more units. Within the contract, the grantee should require the contractor to:

- Obtain and pay for all necessary permits and licenses;
- Perform all work in conformance with all local and state building codes, including the CDBG Residential Rehabilitation Standards and HUD guidelines, and State of Connecticut Building Code, whether or not covered by the specifications and drawings;
- Keep the premises clean and orderly during repairs and remove all debris at the completion of work;
- Obtain written consent from the grantee and the homeowner for changes to specifications;
- Comply with all required rehabilitation practices for the lead safe housing rule;
- Obtain written consent prior to sub-contracting;
- Provisions for termination and for non-performance;
- Pay for all lead-based paint clearance tests of the unit and continue work until the unit passes clearance; and provide each of the required notices to owners and tenants;
- Warrant the work for one year from final acceptance.

DOH requires that grantees attach a copy of the work write-up to the contract. A Sample Contract Package for Rehabilitation is provided as [Attachment 7-15](#). More information can be found in [Chapter 10: Contracts and Modifications](#).

WARNING: There should not be any verbal agreements between homeowners and the contractor. It should be strictly identified in the contract.

Contract Award and Monitoring

Following award of the contract, the contract package must be executed by all parties. The homeowner must sign the contract and initial each page and sign the last page of the work write-up. A Notice to Proceed should be issued promptly to the contractor, specifying the time period within which the work should begin and when the work should be completed. A sample Notice to Proceed is provided as Attachment 7-19.

[Attachment 7-19:
Sample Housing Notice
to Proceed](#)

A pre-construction conference is required by DOH to clarify the responsibilities of all parties. A sample Pre-Construction Conference Checklist that can be used at such a conference is provided as Attachment 7-20.

[Attachment 7-20:
Sample Rehab
Pre-Construction
Conference Checklist](#)

Work must not begin until all the required permits are secured by the contractor, copies of which must be provided to the grantee for verification and original to be posted inside the house.

Inspections

Systematic thorough inspections by the rehabilitation specialist are critical to successful housing rehabilitation. Periodic interim inspections of the rehabilitation construction will be made by the grantee throughout the contract period, and formally documented in the files. Photographs of before and after are highly recommended. These inspections will be conducted to assure compliance with the contract standards for workmanship and materials, to detect any unauthorized deviations and to identify necessary changes to the contract work in its early stages. A PowerPoint on [Photography Tips for Beginners](#) can be found on the DOH website.

The Interim monitoring checklist must be prepared by the grantee and submitted to the DOH Construction Specialist. Inspection and approval of completed work must be conducted by the grantee prior to the contractor's request for partial or final payment. The grantee has the authorization to override an owner's decision and accept the work in accordance with grievance procedures if an owner makes unreasonable requests/demands and the contractor has satisfied all the requirements of the grantee. A final inspection of the work must be performed prior to final payment to the contractor in order for the project to be considered complete.

[Attachment 7-21:
Sample Certification of
Inspection](#)

Change Orders

Any additions to, deletions from, or changes in the rehabilitation contract work, time, or price must be approved in a written change order request before the additional work is started. The LHD must approve all change orders when abatement is involved.

The change order must be executed by the owner and the contractor and approved by the rehabilitation specialist and the grantee. Change orders may be used to add items of work that are essential to complete the original work and were not evident until after the work started.

[Attachment 7-22:
Sample Change Order
Request](#)

The contractor shall not be authorized to perform any work outside the scope of the original contract without a written and properly executed change order. Total change orders must not exceed 15% of the original contract price.

REMINDER: Change Orders exceeding 15% of contract price must be approved by DOH in advance.

Clearance

If the rehabilitation job had any lead hazard reduction work performed, a clearance of the unit must be passed before re-occupancy. A clearance examination involves a visual assessment and dust testing to determine if the unit or worksite is safe for occupancy. Clearance must be performed by a certified risk assessor, certified lead-based paint inspector or certified lead sampling technician. Clearance cannot be performed by the same contractor who performed the work. It must be a separate party.

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The clearance test cannot be performed until one hour after the final cleaning of the unit. Results of the clearance test must be incorporated into a "Notice of Lead Hazard Reduction Activities" by the grantee. This notice must be provided to the homeowner within 15 days of the clearance test. A sample Notice of Lead Hazard Reduction Activities is provided as Attachment 7-23.

[Attachment 7-23:
Sample Notice of Lead Hazard
Reduction Activities](#)

[Attachment 7-24
Checklist for Lead Safe Work
Practices and Hazard
Reduction](#)

[Attachment 7-25
Checklist for Lead Abatement
Projects](#)

Grantees must be aware that if the unit fails the clearance test the unit cannot be reoccupied. The contractor will need to re-clean and another clearance test must be performed. All costs for subsequent testing are NOT eligible CDBG costs but must be borne by the contractor.

Once the unit has passed the clearance test, the final invoice may be processed. If LHD is involved in the project, a final visual assessment must be conducted by LDH. Grantees should coordinate this visual inspection to be conducted at the time of dust wipe testing.

Final Documentation

DOH recommends that all Programs hold a "post-construction" meeting that establishes final inspection, final payments, completed and accepted work. Grantees must have the contractor sign an affidavit for Contract Termination and Release of Lien Form (Attachment 7-26) and provide warranty documents, and subcontractors release of lien waivers before final payout. After which, the Notice of Acceptance of Work (Attachment 7-27) may be issued to the contractor.

[Attachment 7-26:
Sample Contract Termination
and Release of Lien Form](#)

[Attachment 7-27:
Sample Notice of Acceptance
of Work](#)

The work must have a one-year warranty along with other warranties as may be applicable.

Section 7.4 Walk-Away Policy

The purpose of the walk-away policy is to prevent investment in a home which is so deteriorated that compliance with the HUD Housing Quality Standards (HQS) and/or DOH Rehabilitation Standards cannot be achieved within limited financial resources.

[Attachment 7-28: DOH
Residential Rehab Standards](#)

All the grantees must consider and utilize these criteria when drafting this policy:

- Overall condition of the house
- Ownership disputes
- Insufficient equity (over 100% loan to value ratio)
- Insufficient program funds
- Use of a disproportionate amount of the available funding
- Cost reasonableness/excessive cost
- Inability to meet HQS and/or Rehabilitation Standards upon completion

- Reduction of living units
- Permanent relocation
- Homeowner's ability to secure funds from other funding sources (homeowner's contribution, if sufficient equity in the house)
- Differentiate between needs vs. wants; urgent vs. future improvements
- Type of maintenance done in the past 10 years

The Department of Housing (DOH) recommends that grantees, in the administration of a housing rehabilitation program, develop a “walk away” policy for projects when the cost to bring it into compliance with DOH's latest CDBG Residential Rehabilitation Standards exceeds \$35,000 per house or up to \$100,000 per property (if 2 or more units). Under no circumstances will a project be undertaken when the cost of rehabilitation is greater than 75% of the total cost of replacement after rehabilitation. DOH also recommends that a written notification be provided to the homeowner if the project is deemed not feasible with appropriate reasoning and such documentation be filed for future monitoring. DOH's consent is required if deviating from above policies and dollar thresholds. The grantee is required to provide justification when making such a request.

[Attachment 7-28: DOH Residential Rehab Standards](#)

Section 7.5 Housing Rehab Revolving Loan Program

State of Connecticut's Rehabilitation Program is a “Revolving Loan Fund Program”. Small Cities program funds spent on rehabilitation of any property are expected to be repaid to the grantee or the State, as the case may be, by the property owner. Grantees can set up their loan program as they feel appropriate; however, they must adhere to the following criteria for uniformity in managing the program. No other lending terms and conditions are allowed.

Single Family Loan Program – Loans up to \$35,000 per unit:

1. 100% deferred loan with 0% interest and full repayment (which becomes Program Income) upon transfer or sale of the property ownership, refinance (it is recommended that the grantee identify specific conditions and requirements in the agreement with the homeowner in case of refinance), etc., or;
2. Minimum loan re-payments due every month with 0% loan and a term of 10, 15, 20 years, or as appropriate. (for homeowners who wants to follow conventional financing model).
3. Small Cities recipients must have Statutory Mortgage Deed, a Loan Note placed and a Modification Mortgage Deed to include change orders, lead clearance (if applicable) on individual properties with requirements for full repayment upon transfer or sale of the property ownership.
4. “Use restrictions” are for restricting the use of certain properties such as residential rental properties to maintain long term requirements. The grantee must place appropriate “use restrictions” for these activities for a minimum of 15 years.

Multi-family Loan Program (2 or more units) – Investor Owned Properties require a 50% match. Loans of \$35,000 per unit, up to \$100,000 per property:

Investors may be eligible for direct loans with interest rates of up to 3% and a fixed term of 15 years. A [deed restriction](#) for rents and income eligible tenants is required. Use restriction should run with the property and must be for 15 years or the length of the loan whichever is longer. Towns may require owner/investor to pay a penalty for not complying with the term requirements. All loans must be secured with a mortgage deed, promissory note, and use restriction. Grantees are responsible to make sure that the above conditions are met, otherwise the loans are due payable to the State immediately. DOH's consent is required if deviating from the above policies and dollar thresholds. Grantee is required to provide justification when making such a request.

Section 7.6 Public Housing Modernization

Using CDBG funds for the rehabilitation of public housing units is also an eligible activity. Rents must be affordable for a minimum of five years, based on the level of CDBG investment per unit. The maximum amount of rent charged may not exceed HUD's Fair Market Rent during the required affordability period.

DOH requires using the following affordability and use restrictions:

[Attachment 7-30: Sample Use Restriction for PHM](#)

Up to \$5,000 per unit	5 years
\$5,001-\$25,000 per unit	10 years
Over \$25,001 per unit	15 years

Meeting a National Objective

In addition to the requirements discussed in the previous section, public housing projects must also meet a National Objective of the CDBG program.

- For properties with more than two units, at least 51 percent of the units must be occupied by LMI households.

Rental units must be occupied by LMI persons at affordable rents (as defined by DOH) for a minimum period of five years based on the level of investment. The maximum amount of rent charged may not exceed the HUD Fair Market Rent (FMR) during the affordability period. Each completed residential rehabilitation project file must have a signed copy of the landlord-tenant agreement for each rental unit. In addition, the grantee is responsible for monitoring and enforcing the affordability periods for each project.

[HUD Fair Market Rents](#)

Relocation

The Uniform Relocation Act applies to all projects in which tenants are living in a multi-unit structure. Proper notices, services and payments must be provided to tenants as applicable. See [Chapter 6: Relocation](#), for more information.

Grantees are required to create a transition plan and schedule that must include:

- Clear consideration of tenant accommodations
- Detailed plan and schedule for the moving of tenants
- Hotel/Motel back-up plan
- Cleaning of rehabbed units
- Cleaning and preparing of temporary units

Grantees may wish to consult with a relocation specialist to assist with the transition plan and schedule.