

HERNANDO COUNTY AFFORDABLE HOUSING REHABILITATION PROGRAM POLICY

PURPOSE OF THIS POLICY: To document program policy guidelines and procedures used by the Housing and Supportive Services (HSS) staff in the fulfillment of Hernando County Affordable Housing Rehabilitation Program (the Rehabilitation Program).

1. GENERAL PROGRAM POLICIES:

1.1. Objectives/Goals of the Rehabilitation Program:

To enhance and strengthen neighborhoods and preserve existing residential housing stock through rehabilitation. The program provides assistance in the form of a forgivable loan to address significant improvements to residential property with priority for health and safety hazards. The zero-interest loan requires no monthly payments. If the homeowner continues to occupy the home according to the terms of the Local Housing Assistance Plan, then the loan amount is forgiven. The goals of the Rehabilitation Program are to:

- 1.1.1.** Bring residential properties up to minimum housing standards.
- 1.1.2.** Eliminate housing code violations.
- 1.1.3.** Eliminate conditions having a demonstrative blighting influence.
- 1.1.4.** Adapt the residence to meet accessibility needs of a handicapped family member.
- 1.1.5.** Eliminate emergency housing conditions that present a serious threat to the health and safety of its residents
- 1.1.6.** Typical repairs include, but are not limited to, roof replacements, window repair or replacement, flooring replacement, bathroom modifications, plumbing replacement, electrical repairs, HVAC replacement, accessibility improvements, exterior improvements.

1.2. Funding Sources:

Hernando County (the County) may use the funding sources listed below to conduct all activities associated with the Rehabilitation Program. The rules and regulations associated with each funding source will govern the use of the funds.

- 1.2.1.** Community Development Block Grant (CDBG) – 24 CFR Part 570
- 1.2.2.** State Housing Initiatives Partnership (SHIP) – Sections 420.9071 - 420.9079 F.S., Chapter 67-37 F.A.C.

1.3. Priority of Assistance:

Assistance will be provided on a first-qualified, first-served basis to homeowner households while funds remain available. Funding sources that require specific set-aside requirements to achieve goals may be categorized as a priority for assistance. Assistance provided to homeowner households will be based on the maximum amount allowable by program guidelines.

1.4. Waiting List:

HSS will establish and maintain a waiting list for rehabilitation assistance funded with any and all County funding sources. The homeowner household (the Client) will not lose their place on the waiting list unless they fail to comply with the Client Responsibility tasks in section 1.5 below.

1.5. Client Responsibility:

The Client is responsible for working in good faith and in a responsible, truthful, and timely manner with staff. The staff shall establish reasonable deadlines at each step of the process for the Client to submit information. If, after two written notifications by HSS, the Client refuses or fails to submit the requested information, or if the Client establishes a pattern of untimely submittal of required information, HSS shall close the Client's case file, and shall deny the Client services or remove the Client from the wait list, or both.

1.6. Ineligible Activities:

The Client will not receive rehabilitation assistance from the County for the purpose of completing non-essential repairs and improvements including, but not limited to: water purification systems, water softeners, solar heating systems, security systems, intercom systems, central vacuum systems, timing systems, spas, swimming pools, purely decorative items, recreational equipment, sprinkler systems or any other items that are beyond meeting minimum building code requirements or ineligible items per the funding source.

1.7. Work Already Completed:

Rehabilitative assistance funds are not to be used to reimburse the Client or a contractor for repairs already completed prior to entering into the Rehabilitation Program with the exception of disaster related costs permitted by SHIP HHRP funding.

1.8. Building Code Requirements:

After rehabilitation, the property must meet the code or standard requirement designated by the source of funding.

1.9. Project Delivery Costs:

Project delivery costs performed by non-county housing staff may include underwriting services, title searches, credit reporting, appraisals, Phase I or Phase II environmental reviews, loan closings, recording fees and doc stamps, surveys, wood-destroying organism termite inspection, lead paint inspection, asbestos inspection, initial inspection/review, work write-ups,

cost estimates, construction inspection and oversight, and case management and deliverables necessary to achieve the Rehabilitation Program's goals. The maximum amount of all project delivery costs is 3% of the construction costs necessary to complete the project.

1.10. Other Federal Requirements:

The County and Project Sponsor/Subrecipient will comply with all other federal requirements, including but not limited to Fair Housing and Equal Opportunity, Equal Opportunity Employment, Section 3 Economic Opportunity, Minority/Women Employment, Conflict of Interest, Debarred Contractors, Environmental Reviews, Flood Insurance, Lead-Based Paint, and Relocation.

2. SPECIFIC ELIGIBILITY REQUIREMENTS FOR THE REHABILITATION PROGRAM:

2.1. Eligibility for Each Household:

- 2.1.1.** The Client must meet all income and property eligibility requirements per 24 CFR Part 5. The Client's income eligibility is based on the current applicable definitions of area median income (AMI) adjusted for family size published by the U.S. Department of Housing and Urban Development (HUD) and Florida Housing Finance Corporation, as distributed annually. The Client must meet 80% and below of AMI for federal programs or 120% and below AMI for state housing programs, to be eligible for the Rehabilitation Program, and is bound by the funding agreement language for income requirements.
- 2.1.2.** The Client's gross annual anticipated income shall be calculated using the procedure described in the HUD Handbook 4350.3 REV-1, per 24 CFR Part 5.609. The Client's eligibility will be determined based on the HUD income guidelines, which is also utilized by State Housing Initiatives Program (SHIP) pursuant to Chapter 420, Florida Statutes.
- 2.1.3.** The Client's income and assets must be verified and certified using the Resident Income Certification Form (RIC) and all supporting documentation for final County approval. The signatures on the RIC must occur after verification of the Client's income and asset documentation has been obtained and before an award letter is issued. The RIC and award letter will expire in 120 days if no agreement between the Client and a contractor is reached to perform the work on the home. The Client and all household members 18 years and older must sign and date the RIC. The date that the Project Sponsor/Subrecipient's Representative signs the RIC must be on the same day or after the Client signs, but not before, and must be after receipt of all verification of employment and assets.
- 2.1.4.** All income and assets must be verified in accordance with the HUD Handbook 4350.3 REV-1 per 24 CFR Part 5.609, and changes made to income qualification rules determining household income and assets, updated RIC forms on or after January 1, 2024.
- 2.1.5.** After a review of the most recent eight weeks of bank statements, the Client and Client's household members will be required to provide receipts or other forms of documentation to substantiate unexplained deposits. If no receipts or other notarized

forms of documentation are provided to substantiate unexplained deposits, then the Client's initial eligibility may not remain in good standing until such time as the requested documentation is received. Unexplained continuous deposits will be treated as income when determining the Client's eligibility for the Rehabilitation Program. One-time deposits such as income tax refunds are not counted towards annual income.

- 2.1.6.** If an Employment Verification Form cannot be completed by the employer, the Client and Client's household members must provide eight weeks of the most recent consecutive paystubs as verification of income and; if self-employed, verification of income includes but is not limited to: the most recent two years of tax returns and a notarized statement of income.
- 2.1.7.** The Client's income eligibility shall be established at the time of application and must be certified prior to award of funds. All of the Client's household members 18 years of age or older must provide current income and asset documentation and sign the RIC form in order to establish Client's eligibility.
- 2.1.8.** The Client must provide documentation that they are in good standing with their existing mortgage, if one exists. If the Client's residence has a current lis pendens or the Client has a current bankruptcy case, the Client will not be eligible for the Rehabilitation Program.
- 2.1.9.** If more than one homeowner is listed on the deed to the home each owner must provide written and notarized permission for the owner-occupant to incur a deferred payment mortgage and note on the property.
- 2.1.10.** The Client's personal debt, and credit history, and credit score not be factors in determining eligibility.
- 2.1.11.** Homeowners whose names appear on the first mortgage loan and note cannot have any other outstanding judgments or liens on the subject property except for Code Enforcement liens related to the need to repair, regardless of whether the Client would be receiving a loan or grant from this program. If the Client is a candidate for the Demolition/Replacement Program, they may not have an existing first mortgage and the County must be able to obtain clear title to the property.
- 2.1.12.** All owners listed on the deed to the home must reside in the dwelling as a primary residence for at least two years prior to the time of application and the home must be located in Hernando County, for the Client to be eligible for the Rehabilitation Program.
- 2.1.13.** The Client must provide documentation that they are current on their property taxes as evidenced by receipt or document from the Tax Collector's office or website and county utility accounts.
- 2.1.14.** The affordability period is applicable to all funding sources used for assistance provided in the form of a loan. The Client shall maintain homeowners' insurance and flood insurance (if applicable) for the duration of the affordability period. The Client shall provide proof of insurance to the County annually.

2.2. Duplication of Benefits:

Generally, duplication of benefits is prohibited. However, Client may be eligible for the Rehabilitation Program despite the possibility of duplicating benefits, if the following criteria are met:

- 2.2.1.** Proof that the residence was impacted by the applicable federally declared event.
- 2.2.2.** All FEMA, Small Business Administration (SBA), and insurance claim documentation.
- 2.2.3.** Written certifications and proof of all benefits received.
- 2.2.4.** All receipts and/or invoices for work completed using FEMA, SBA, and/or insurance monies from a filed claim.
- 2.2.5.** Staff determination of unmet needs upon review.

2.3. Limitations of Assistance:

- 2.3.1.** The total amount of construction costs plus Program Delivery Costs (defined below) for the Client's rehabilitation project shall not exceed the current Rehabilitation Program maximum award amount in place at the time of award..
- 2.3.2.** If the estimated construction costs exceed 50% of the market or appraised value of the home and there is no mortgage on the home, property may be considered for the Demolition/Replacement Program, if applicable.

2.4. Additional Assistance for Rehabilitation:

- 2.4.1.** No additional assistance will be provided under SHIP or CDBG if applicant has received assistance within the prior five years until all other eligible applicants have been served with the exception of emergency housing conditions or as a result of a federally or state declared disaster. See section 2.2 above.
- 2.4.2.** One Time-Emergency Rehabilitation Assistance may be made available for income eligible homeowners who have eligible properties containing emergency housing conditions (conditions that present an imminent threat to the health and safety of its residents). Typical emergency housing conditions are septic repair/replacement, roof replacement, electrical upgrades and the removal of trees and associated debris. This assistance will come in the form of a grant for homeowners that are income-qualified at or below 50% AMI; therefore, no mortgage will be placed on the property. Homeowners with income above 50% AMI may be eligible for One-Time Emergency Rehabilitation Assistance, but must enter into a deferred payment loan secured by a mortgage and note. Only SHIP or CDBG funding may be used to provide One-Time Emergency Rehabilitation Assistance to income eligible households.

2.5. Rehabilitation Property Eligibility

2.5.1. Eligible property must be:

2.5.1.1. A single-family residence, town home or condominium.

2.5.1.2. Must require rehabilitation and be the principal/homestead residence of the applicant for at least two years prior to the date of the application.

2.5.1.3. Be publicly recorded as a homestead property.

2.5.1.4. Must be owned by fee simple title or long-term leasehold (99-year minimum), or life estate. Neither the owner nor the property can have any restrictions, encumbrances, reverse mortgages, or judgments that would restrict the marketable nature of the ownership interest.

2.5.1.5. Beyond a first mortgage, the property must have no liens or second mortgages or other encumbrances except for Code Enforcement liens related to the need to repair. The County will not take third position with any rehabilitation loan. Housing and Supportive Services (HSS) will assist with the removal of Code liens if the rehabilitation work will satisfy the terms of the Code liens. Candidates for Demolition/Replacement Program may not have a first mortgage.

2.5.1.6. Eligible for pulling a building permit for the required repairs.

2.5.2. Manufactured homes are eligible under the following conditions:

2.5.2.1. Constructed after June 1994 and classified as a real property

2.5.2.2. Units must be installed in accordance with the installation standards for mobile or manufactured homes contained in the rules of the Department of Highway Safety and Motor Vehicles.

2.5.3. Assistance is limited to no more than 10% of each program year's SHIP funding.

2.5.4. Eligible manufactured homes will be determined by the warranty deed and HUD standards data plate located in a closet or inside a kitchen cabinet door.

2.5.5. Rehabilitation can only be used to address hazards to one's health and safety, on a case-by-case determination by the Housing and Supportive Services Director. Special needs modifications may be considered under certain situations.

2.5.6. Homeowner must own the lot or parcel where the manufactured home is installed or where special needs modifications will be made.

2.5.7. Property standards documentation includes all documentation indicating that properties rehabilitated or constructed with SHIP funds meet Hernando County Building Code standards, have work write-ups and cost estimates for each property, and have

an initial inspection that identifies the extent of rehabilitation necessary to meet local Hernando County housing codes. Each home assisted shall be inspected at completion to meet Hernando County code requirements.

2.6. Rehab Affordability Period:

- 2.6.1.** The length of time the homeowner must live in their dwelling to fulfill the affordability requirements for rehabilitation assistance will vary in length and shall correspond to the amount of assistance received. Applicants receiving CDBG funding will be held to the affordability period of the CDBG Housing Assistance Plan. Applicants receiving SHIP funding will be held to the affordability period noted of the SHIP Local Housing Assistance Plan.
- 2.6.2.** The affordability period is applicable to all funding sources used for assistance provided to eligible homeowners in the form of a loan. The Client shall obtain and maintain homeowners' insurance and, if applicable, flood insurance, for the duration of the affordability period. Proof of insurance shall be provided to the County annually.
- 2.6.3.** The term of the loan must equal in duration to the affordability period, and must commence and expire commensurate with the affordability period.

2.7. Loan Forgiveness Terms (Rehabilitation Loans Only):

- 2.7.1.** If the property is sold and insufficient equity exists from the sale of the property to satisfy the County's loan balance, the County will be limited to recapturing only that which is available from net proceeds regardless of the funding sources used in the provision of rehabilitation assistance.
- 2.7.2.** Documentation to support the sale of the property (court order/judgment, lender notification/request, final closing statement) will be required in order to use this provision in all situations.
- 2.7.3.** If a rehabilitation loan was modified to add delinquent property tax payments, delinquent mortgage payments, or any other payment made by the County on behalf of the homeowner to protect the County's investment made in that homeowner's property to avoid a tax foreclosure sale or other foreclosure, then the provision limiting the County to only recapturing that which is available from net proceeds is not applicable to that amount added.
- 2.7.4.** The distribution of net proceeds will first be applied to pay off the first position mortgage; then applied to pay off the County's mortgage for rehabilitation assistance provided; and finally, provide the homeowner with any equity he/she has appreciated/earned in the property. The County will not share in any excess proceeds.
- 2.7.5.** The provision in this policy limiting the County to only recapturing that which is available from net proceeds is retroactively applicable to all eligible rehabilitation loans made prior to the effective date of this policy that have no changes in ownership, and all eligible rehabilitation loans made after the effective date of this policy.

- 2.7.6.** If the property is sold and sufficient equity exists from the sale of the property to satisfy any first mortgage loan and the County's loan, the County will use the recapture option and loan forgiveness terms described above and will not share in any excess proceeds (that is, excess proceeds will be paid to the homeowner). The amount subject to recapture will be limited to what is available from net proceeds.
- 2.7.7.** The recaptured funds may be reallocated by HSS for any eligible activity without the requirement of matching funds, as allowed by the original source of funding.
- 2.7.8.** If the affordability period expires and none of the conditions for default outlined in section 3.2. below have occurred, the rehabilitation loan is forgiven.

2.8. After Rehabilitation Home Value:

The "After-Rehab" value of the housing assisted with SHIP funds (after rehab value is determined by adding the cost of improvements to the property appraiser's value) shall not exceed 90% of the average purchase price for the area, as published by Florida Housing Finance Corporation.

2.9. Specific Criteria for Rehabilitation Loans:

- 2.9.1.** All rehabilitation activities must meet the current requirements of the program.
- 2.9.2.** The County's Rehabilitation Program will abide by all applicable state and federal Fair Housing laws.
- 2.9.3.** These criteria may be modified periodically. When those changes occur, they will be for any new applications and/or contracts after the change. To be grandfathered in under any prior criteria, a homeowner must have an executed work contract to repair the home.
- 2.9.4.** The Property Appraiser's "Just Market Value" or actual appraisal of the home evaluations shall be the basis for establishing the home's value before rehabilitation work begins on any property that will be assisted. The maximum value will include all current loans and any proposed County rehabilitation or replacement loans. In rare instances, unforeseen conditions may cause initial estimates for rehabilitation in the work write-up and scope of work made prior to the commencement of work to increase during the completion of the work. If this condition were to occur, the homeowner's loan will be increased in amount sufficient to complete the needed repairs but not exceed the maximum subsidy limit per funding source and not to cause the after-rehabilitation value to exceed the percent of the median purchase price for the area maximum property value as published by HUD or Florida Housing Finance Corporation.

2.10. Loan Terms:

- 2.10.1.** Deferred payment loans will be available to homeowners for a term not to exceed 30 years. See section detailing affordability terms for rehabilitation loans which can be found in the LHAP for SHIP and CDBG.
- 2.10.2.** There shall be no prepayment penalty on any County loans. Homeowners may pay off all or any portion of the outstanding principal balance at any time.
- 2.10.3.** In the event of the homeowner's death prior to the expiration of the affordability period, terms of the Mortgage and Note may be assigned or transferred only to an income eligible heir(s) of the property. If the income eligible heir(s) do not reside in the property, the loan would be considered in default and must be repaid in accordance with the *Loan Forgiveness Section* in this policy. If the heirs sell, rent, refinance, or transfer title to the property, they will be required to pay-off any outstanding loan balance at the time of sale. All property must be the principal residence of the heir(s). At the option of the County, the loan may be renegotiated.

2.11. Rehabilitation Loan Subordination:

Each request for subordination and/or refinancing of the Hernando County Affordable Housing Rehabilitation loan will be handled on a case-by-case basis and must follow the Hernando County Subordination Policy, as amended. Subordination shall not be approved when the refinancing is requested for other than housing related matters. No cash out will be approved as part of the refinancing. Evidence must be provided by the homeowner in writing. Subordination to refinancing for more than the original amount plus closing costs will only be approved for financing additional housing rehabilitation at the discretion of the county. If funds generated through the subordination are used for other than the above reasons, the County reserves the right to call in the existing loan due and require payment in full.

2.12. Kitchen Appliances:

- 2.12.1.** As part of the rehabilitation scope of work, the County will replace basic appliances if the existing appliances are inoperable. (Stove, refrigerator, dishwasher, microwave oven) determined by HSS. All appliances must be Energy Star rated and not luxury in nature.
- 2.12.2.** Rehabilitation of a kitchen can include a builder-grade dishwasher and garbage disposal in cases when they are inoperable or do not currently exist. In cases where either the dishwasher or garbage disposal is operable, they shall be reinstalled as a part of kitchen rehabilitation. Where they do not currently exist, a homeowner has the choice of adding a dishwasher and/or garbage disposal at the homeowner's expense. Built-in microwave ovens may be designated as a replacement item for a range hood, at the client's expense, only in cases in which the range hood is inoperable. All appliances must be Energy Star rated.

3. GENERAL REQUIREMENTS FOR REHABILITATION PROGRAMS

3.1. Property Insurance Coverage and Flood Insurance Coverage:

- 3.1.1.** Homeowners are required to have and maintain property and, where applicable, flood insurance coverage as a qualification for the program. If a homeowner is determined not to have the required property insurance after the rehabilitation loan closing date at any point throughout the affordability period, then the loan will be declared to be in default and must be repaid.
- 3.1.2.** Insurance coverage shall be for the value of the house as determined by a certified appraisal if completed within the past twelve (12) months or the “Just Market Value” as determined by the Hernando County Property Appraiser and remain in effect through the affordability period.
- 3.1.3.** The County must be listed as a “Loss Payee” on the property insurance and flood insurance policies during the term of the loan.

3.2. Conditions for Default of Loan:

The following requirements must be met or the loan will be declared to be in default with the terms for the loan:

- 3.2.1.** The loan will be declared to be in default and must be repaid if homeowner rents out, refinances, sells, or transfers the title of the house prior to the expiration of the affordability period and/or if the home is no longer the primary/principal residence and time remains on the affordability period that was established when the loan was made. For rehabilitation loans the homeowner may refinance their first mortgage as detailed in the Hernando County Subordination Policy. Homeowners are required to have property and, where applicable, flood insurance coverage for the duration of the affordability period. Proof of insurance shall be provided to the County annually.
- 3.2.2.** Should the homeowners become deceased prior to the expiration of the affordability period, the loan will be declared to be in default and must be repaid if no income eligible heir takes possession of the home as their primary place of residency and time remains on the affordability period established when the loan was made.

3.3. Work Specifications, Scope of Work, Plans, Cost Estimates and Property Inspections:

The Project Sponsor/Subrecipient will prepare and/or review any specifications, plans, and estimates to ensure that properties being rehabilitated are brought into compliance with the code requirements of that funding source. All persons performing inspections on properties must be licensed or certified.

3.4. Lead Based Paint:

- 3.4.1.** HUD requires that upon inspection of properties built prior to 1978, if cracking, scaling, peeling, chipping, or chalking paint is observed the following steps will be required:
 - 3.4.1.1.** Visual Assessment - Inspections for deteriorated paint surfaces are required in properties constructed prior to 1978.

- ### 3.5. Payment Documentation & Processing:

- 3.5.1.** The Project Sponsor/Subrecipient will submit a printout of building permits pulled and documentation supporting the permit status for each draw request submitted to HSS for reimbursement.

- 3.5.2.** To reduce the possibility of subcontractor liens being placed on homeowner properties for work not paid by the prime contractor, the prime contractor is required to submit a *listing of all subcontractors* at the beginning of the project and *notarized partial and final lien releases* from each subcontractor to the Project Sponsor/Subrecipient after the completion of the various phases of work and with each request for payment.
- 3.5.3.** All Project Sponsor/Subrecipient projects will be paid by *Purchase Order* in the HSS accounting system. Change orders are the responsibility of the Project Sponsor/Subrecipient. In no instance will a homeowner project's costs be greater than the maximum grant limit or loan amount defined in this policy.
- 3.5.4.** The Project Sponsor/Subrecipient will monitor the construction work and control the draw process.
- 3.5.5.** The Project Sponsor/Subrecipient will submit executed and *notarized partial lien releases* with each payment request.
- 3.5.6.** Hernando County will perform the final inspection for payment of funds for all work that requires permitting in the following categories: electrical, mechanical, structural, roofing and general alteration and repair. The Project Sponsor/Subrecipient is responsible for the final inspection of all other work performed by the Contractor.
- 3.5.7.** All Contractor and Subcontractor Change Orders must first be approved (and signed) by the Project Sponsor/Subrecipient and the home owner prior to any additional work being done on the property. All work must be eligible improvements per the funding agreement.
- 3.5.8.** Contractor shall provide *Lien Waivers* from all subcontractors and suppliers to the Project Sponsor/Subrecipient as a condition of Final Payment.

4. RESPONSIBILITIES OF CONTRACTORS & SUBCONTRACTORS:

4.1. Performance Standards; Bonds:

All Contractors and Subcontractors receiving funding from the County and participating in the rehabilitation or demolition/reconstruction program performing work on an applicant's home agree to the following:

- 4.1.1.** To comply with 2 CFR 200, the Contractor shall provide proof of payment and performance bonding prior to Notice of Proceed for jobs in which the costs of construction in the amount exceeding \$100,000.
- 4.1.2.** The Contractor will supervise and direct the construction of the project and shall perform the work in accordance with industry standards and in a professional and skillful manner.
- 4.1.3.** The Contractor will provide the Project Sponsor/Subrecipient with evidence that the Contractor has secured and paid for all licenses and permits necessary for the proper

execution of the project, and upon completion will provide evidence that all the work has been inspected and approved by the appropriate officials.

- 4.1.4. The Contractor agrees that ALL work shall be completed in a professional manner and shall be carefully inspected by him/her for completeness prior to requesting a final inspection. All work must pass a final inspection by the County's building inspector, or his or her designee, and the Building Inspection Division (when required) before final payment is made to the Contractor.
- 4.1.5. The Contractor will not employ any person(s) on the project who is unqualified or unskilled in the assigned tasks or duties or who does not have the proper licensing or certification required to perform the work. The Contractor will not allow any employee to work at the job site that cannot perform his/her assigned tasks and duties in a professional manner.
- 4.1.6. The Contractor will be responsible for the acts and omissions of all employees, and all subcontractors, their agents and employees, and all other persons performing any work on the project.
- 4.1.7. The Contractor at all times will keep the applicant's property free from accumulation of waste materials or rubbish caused by the Contractor's work.
- 4.1.8. The Contractor will be responsible for the protection of all supplies, materials, equipment, completed work, and incomplete work at the job site until the work is completed.
- 4.1.9. The Contractor shall provide a *waiver of lien* and obtain *waivers of lien* from all subcontractors and suppliers.
- 4.1.10. The Contractor shall maintain a ***Drug-Free Workplace*** in accordance with all applicable federal, state, local laws, rules and regulations.

4.2. Licensing and Certification:

All contractor(s) must be licensed/certified and insured to perform the work on the project. All subcontractor(s) working under the general contractor must be licensed/certified and insured. Proof of current licensing and insurance shall be contained in each client file. Minimum insurance for the general contractor and the subcontractors shall be the same as that required by the State of Florida.

4.3. Contractor Grievance, Suspension, and Debarment:

- 4.3.1. If any work performed is considered unsatisfactory or not in accordance with the contract specifications, County and Project Sponsor/Subrecipient's policies and procedures or applicable federal, state, or local laws/rules/regulations, and said work is not corrected within a reasonable time after notification, the Contractor and/or Subcontractor may be *suspended and/or barred* from further rehabilitation work.

4.3.2. Grievances between the Project Sponsor/Subrecipient and the Contractor: The Contractor may be *suspended or debarred* for six months or *terminated* from the program by the Housing and Supportive Services Director for one or more reasons deemed appropriate by the Director including but not limited to:

4.3.2.1. Continuous poor-quality work and/or failure to perform under the terms of the contract, as determined by the Director of the Affordable Housing Services Department.

4.3.2.2. Failure to maintain required insurance or licensing.

4.3.2.3. Failure to pay subcontractors or materials suppliers in a timely manner.

4.3.2.4. Failure to respond to an emergency complaint from a homeowner within 24 hours of contact about a complaint dealing with health or safety concerns (electrical, roof, plumbing, or HVAC).

4.3.2.5. Insolvency, bankruptcy, other conduct or condition which has resulted in monetary loss to a homeowner or the Rehabilitation Program.

4.3.2.6. Abandonment of a job or repeated failure to complete the contracted work within the time directed by the HSS.

4.3.2.7. Contractor's conviction of a crime in connection with contract work or in connection with payment or receipt of funds administered by the HSS.

4.3.2.8. Performing any work on the property beyond the scope of the specifications as approved by the Project Sponsor/Subrecipient. If the homeowner and the contractor desire to enter into a separate contract, that contract and work must occur after final inspection of the work contracted through the Rehabilitation Program.

4.3.2.9. Making derogatory statements to or about the homeowner regarding the homeowner's program eligibility or discriminatory statements about the homeowner's race, creed, religion, color, age, sex, marital status, familial status, national origin, disability, or actual or perceived sexual orientation or gender identity.

4.3.2.10. Other reasons deemed appropriate by the Project Sponsor/Subrecipient including non-compliance with any contractor requirement in this policy.

4.4. Grievances between the Homeowner and the Contractor, Grievance Procedure:

4.4.1. Grievance Procedure: Disputes between the homeowner and contractor during the contract period or warranty period may arise. In those instances where a mutually satisfactory agreement cannot be reached between the parties the following Grievance Procedure will be followed as a first step:

- 4.4.2.** The aggrieved party must file a written grievance with the Project Sponsor/Subrecipient's executive director.
- 4.4.3.** The Project Sponsor/Subrecipient's Executive Director or designee will meet with the homeowner and contractor and attempt to negotiate a solution.
- 4.4.4.** If, after the Grievance Procedure is followed, the parties have failed to agree upon a solution, the Project Sponsor/Subrecipient's Executive Director or designee shall review the dispute, the previous attempts by the parties to resolve the dispute, and recommend to the parties an alternative resolution, if any.
- 4.4.5.** The foregoing Grievance Procedure will be made a part of the work contract between the homeowner and the contractor.
- 4.4.6.** Binding Arbitration: If the parties have not resolved the dispute within fourteen (14) days of the Project Sponsor/Subrecipient's Executive Director or designee's recommendation, then the Project Sponsor/Subrecipient's Executive Director shall refer the parties, in writing, to binding arbitration pursuant to Chapter 682, Florida Statutes. The aggrieved party shall deliver written notice of the demand for binding arbitration to the other party of the work contract within fourteen (14) days of the date of the referral to binding arbitration. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Fees and expenses incurred shall be paid as provided in the arbitration award subject to subsection g below. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
- 4.4.7.** The County (including HSS) shall not be a party to any grievance, claim, or dispute, nor to the Grievance Procedure or Binding Arbitration, contemplated in this Section. The Project Sponsor/Subrecipient, contractors and subcontractors shall indemnify, defend and hold harmless Hernando County and each of its governing body, officers, directors and employees, from any such claims, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities and expense arising directly or indirectly out any dispute between the homeowner, contractor, or Subcontractor. The Project Sponsor/Subrecipient, contractors and the homeowner shall bear the sole cost and expense of any dispute resolution prescribed in this section or recommended by the Project Sponsor/Subrecipient's Executive Director. Program funds may be used for initial arbitration filing fees and direct cost of records requests associated therewith, if any, not to exceed \$500. Program funds shall not be used for any other fees (professional, filing, or otherwise), costs, expenses, damages, compensations, awards, settlements, including but not limited to remedies contemplated under § 682.11(3), Fla. Stat., except that program funds may be used to pay for disputed amounts owed under the work contract that can be identified in the approved work write up and scope of work that have been resolved if those amounts are eligible for reimbursement from the source of funds used to pay them.

- 4.4.8.** Florida law governs any arbitration contemplated in this policy. Venue for any mediation or arbitration shall be in Hernando County, Florida. In any arbitration, the Arbitrator shall strictly interpret and enforce all work contract provisions.
- 4.4.9.** Each Contractor shall require that all provisions in this section be included in all contracts and other documents between the Contractor and the homeowner and the Contractor and its subcontractors.

5. CASE PROCESSING PROCEDURES:

5.1. Application Intake/Case File:

- 5.1.1.** A completed *Application* must be completed and provided to HSS, either in person, electronically, or by mail. The Application is assigned a case number and screened for basic program requirements. The applicant is notified if information provided does **not** meet basic program requirements. Generally, a waiting list exists, and the client is added to the list once the pre-approved application is received. The homeowner is next contacted when the case is ready to move forward. The full eligibility documentation and required information must be submitted by the homeowner in a timely manner. The application contains general information about the homeowner, their property, and their income.
- 5.1.2.** A case file is established. All required documentation in the client files should be organized, easily accessible and firmly attached. All files must contain a "*Note-to-File*" sheet on the first page. This sheet should address any area(s) of the file that are unclear or when oral verification of the information was obtained. Also, in the file shall be a completed checklist indicating that all required forms and approvals have been obtained prior to loan closing and prior to final payment. The documentation required to be in the file to determine the eligibility of the applicant shall include the minimum required documentation: the rehabilitation application, identification for all household members, income and asset documentation for all household members, certified income certification form (RIC), case summary form, rehabilitation work contract, property eligibility verification, proof of homeowners insurance, proof of taxes paid, all required release of information forms and documentation, work write up to detail tasks and cost estimates, documentation of all encumbrances in the owner's name, documentation on the determination of a special needs applicant (if applicable).

5.2. Income Qualification/Property Qualification:

- 5.2.1.** Income Qualification: Depending on the funding source, homeowners must meet 80% and below of AMI for federal programs or 120% and below AMI for state housing programs for the Rehabilitation programs. At different times throughout the year the County may have funds available for one or more particular income groups. If state SHIP funds are used for rehabilitation work, program compliance requirements stipulate that a minimum of 65 percent of the funds must be spent on eligible construction activities; at least 30 percent of the funds must be reserved for very-low income households (up to 50 percent of the area median income); an additional 30 percent may be reserved for low income households (up to 80 percent of AMI); and the remaining funds may be

reserved for moderate-income households (up to 120 percent of AMI). HSS reserves the right to direct expenditures so as to prioritize one income group over another in order to achieve compliance requirements and/or to ensure timeliness of expenditures.

- 5.2.2.** Household Annual Anticipated Income shall be calculated using the format described in the HUD Handbook 4350.3 as revised, per 24 CFR Part 5. Participants' income will be determined based on the HUD and State income guidelines. See Section above for SHIP requirements.
- 5.2.3.** Property Qualification: Ownership of the home and the real property must be consistent with the terms of this Policy. HSS shall review encumbrances on the real property such as mortgages, liens, code violations, and judgments as provided in this Policy.

5.3. Inspections:

HSS evaluations necessary to meet regulations under the CDBG and SHIP programs are also completed, such as environmental reviews, inspections for lead-based paint, and compliance with property standards per the applicable regulations. Photos of the condition of the property should be taken before any work is done should be documented in the file.

5.4. Cost Estimate / Specifications Work Write-Up and Temporary Relocation:

- 5.4.1.** Cost estimates and specifications must be completed by someone on the Project Sponsor/Subrecipient's staff or hired by the Project Sponsor/Subrecipient who is qualified, licensed, trained and experienced in preparing them. Specifications are evaluated by HSS to determine if the costs exceed the limits of the funding program and if the work is necessary. HSS will approve all work write ups prior to entering into any contract or starting work.
- 5.4.2.** It is also determined at this point if the homeowner will have to leave the property during the rehabilitation. Neither relocation assistance (rental) for eligible households nor costs associated with storage, moving, security deposits, etc. costs are reimbursed by the HSS Home Rehabilitation Assistance Program. The Project Sponsor/Subrecipient may, at its option, provide relocation assistance to homeowners using its own funds. The client signs the specifications and agrees to a bidder walk-through meeting.
- 5.4.3.** Temporary relocation assistance may be provided for the rehabilitation program, if necessary, once a tri-party work contract and deferred payment mortgage have been entered into with the homeowner. Temporary relocation assistance will be provided in the form of a grant. This relocation assistance shall include the cost of storage of personal and household property and shall not exceed actual and reasonable costs. In order to receive funds in advance, copies of executed agreements for housing and storage must be forwarded to HSS. Packing and moving costs for household furnishings and personal property shall be the responsibility and at the expense of the property owner. If the project is delayed due to the fault of the project contractor, the contractor shall pay the excess relocation assistance cost as liquidated damages. The maximum award for this assistance will be determined by HSS based on need and costs, and the

LHAP or other approved plans at the time of assistance. These payments will only be paid out during the demolition and construction phase.

5.5. Selection of Contractors:

- 5.5.1.** Rehabilitation housing projects, the Project Sponsor/Subrecipient will ensure that at least three (3) contractor estimates from licensed contractors are available to select from for all subcontracted work. The Project Sponsor/Subrecipient must verify each contractor's eligibility and ensure they are not debarred from federal or state contracts and are fully licensed and insured. The selected contractor's proposal for the work shall be reasonable and be within 10 percent (10%) of the cost estimate.
- 5.5.2.** The Project Sponsor/Subrecipient contacts contractors directly via email and posts the bidding opportunity in the in-house bid book, and on line for review. A date and time are specified for on-site review of the bid opportunity. **CONTRACTORS ARE PROHIBITED FROM MAKING ANY CONTACT WITH THE HOMEOWNER. PRIOR CONTACT SHALL BE THE BASIS FOR PROHIBITING THE CONTRACTOR THE OPPORTUNITY TO BID ON THAT JOB.**
- 5.5.3.** The Project Sponsor/Subrecipient conducts an *on-site job walk-through* meeting with interested bidders, answering questions, and providing any additional information. The client is encouraged to attend this event to meet contractors and promote better understanding of rehabilitation work.
- 5.5.4.** Until the specified date and time for *bid opening*, the Project Sponsor/Subrecipient receives *sealed bids* and maintains them.
- 5.5.5.** Bid opening is conducted by the Project Sponsor/Subrecipient representative with at least one other staff witness and the bids are recorded on a *Bid Opening Worksheet*. Low bid from a responsive and qualified bidder shall be the basis for determining the selected contractor.
- 5.5.6.** Information from this process shall be the basis for establishing one *Purchase Order* for all of a homeowner's project with HSS and the provision of a subsequent *Notice to Proceed to the contractor*.

5.6. Contractor/Subcontractor Qualification:

The Project Sponsor/Subrecipient shall review the contractor/subcontractors' licenses and insurance as well as check the state and federal debarment/suspension lists and with the County's Consumer Protection Agency for complaints prior to approving any Contractor or Subcontractor for work on any rehab project. Furthermore, the Project Sponsor/Subrecipient will ensure that environmental reviews have been completed, and, if necessary, lead based paint hazards testing have been completed, before awarding a job to a contractor. After all vetting and testing has been completed and documented in the rehab case file, the lowest responsive bidder shall be awarded the job. Environmental review is not required when SHIP funds are used.

5.7. Contract Signing/Loan Closing, When Applicable:

- 5.7.1. All loan closings are coordinated by the Project Sponsor/Subrecipient. Loan documents and required notification are prepared by the Project Sponsor/Subrecipient and recorded. The homeowner shall have a 3-day right of rescission for the loan documents. HSS shall be notified in advance of all loan closings. No work may begin until after the three days has passed.
- 5.7.2. When the project is a grant, the Project Sponsor/Subrecipient's staff coordinates a meeting to complete the contract.
- 5.7.3. Accommodations shall be coordinated for loan closing by the Project Sponsor/Subrecipient at the client's home or an agreed upon location when travel by the client is a significant issue.

5.8. Notice to Proceed/Mortgage Recorded:

The *Notice to Proceed* is issued to the contractor and mortgage and note documents are recorded by the within 3 (three) business days with the Clerk's Office. The original mortgage and note documents are mailed to HSS within 48 hours of recording. Copies of all documents are provided to the homeowner.

5.9. Permits Pulled/Rehab Work Mobilizes:

- 5.9.1. The Project Sponsor/Subrecipient monitors the project to ensure permits are pulled when required and tracks the progress of construction. The work contract must contain a specified amount of time to complete the project.
- 5.9.2. All Contractors and Subcontractors participating in the County's Rehabilitation Program must ensure that all necessary and required *permits* are obtained prior to the commencement of the rehabilitation of the home. **Without limitation, permits shall be required for the following rehabilitation categories: electrical, plumbing, mechanical, structural, roofing, and general alteration and repair permits.** All work must be inspected, and permits finalized by the County's Building Services Division and County's Construction Inspection Team prior to the completion of the rehabilitation. The failure of the Contractor to obtain required permits shall be grounds for the County to refuse reimbursement of the rehabilitation project. Furthermore, such failure to obtain required permits for any rehabilitation project may be grounds for disqualification of the contractors and/or subcontractor for any subsequent rehabilitation contracts, as determined by the Project Sponsor/Subrecipient.
- 5.9.3. Any and all claims, valid liens, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities, and expenses (including all costs for investigation and defense thereof including, but not limited to, court costs, reasonable expert witness fees and attorney fees) which may be incurred by, charged to or result from, either directly or indirectly, the failure to obtain permits shall be the sole responsibility of the Project Sponsor/Subrecipient, Contractor and the Subcontractor.

- 5.9.4.** The Project Sponsor/Subrecipient, Contractor and Subcontractor shall indemnify, defend, and hold harmless Hernando County and each of its governing body, officers, directors, and employees, from any such claims, suits, demands, judgments, losses, costs, fines, penalties, damages, liabilities, and expenses arising directly or indirectly out of the failure of contractors to obtain any and all necessary permits to rehabilitate the applicant's home.

5.10. Payment Processing:

- 5.10.1.** Contractor's payments are generally required at the 50% and 100% draws with a 10% retainage. On a case-by-case basis payments can be provided at other percentages as negotiated in the work contract and funding agreement.
- 5.10.2.** Payment processing includes paperwork such as subcontractor listing, change orders, draw schedules, draw computation sheets, and invoices.
- 5.10.3.** Payment to the Contractor will not be provided until the owner has received all applicable warranties and lien releases associated with the work performed.
- 5.10.4.** Project Sponsor/Subrecipient is responsible for the payments to all contractors, and will be reimbursed by HSS per established financial policies and contract terms.

5.11. Change Orders:

- 5.11.1.** If a *Change Order* is requested and approved by all parties, modifications to the County's loan will be made and the new loan documents recorded according to the same terms as outlined above.
- 5.11.2.** Any *change order* shall include in its final form a detailed description of the change in the work, the contractor's definitive statement as to the resulting change in the contract price and/or time and the statement that all work involved in the change shall be performed in accordance with contract requirements except as modified by the amendment.
- 5.11.3.** Any request for a *change order*, regardless of whether it involves an increase in work to be done, cost and/or time, must be approved by the Project Sponsor/Subrecipient and home owner before the additional work takes place.

5.12. Final Inspection:

- 5.12.1.** All work must be inspected, and permits finalized by the Project Sponsor/Subrecipient and the County's Building Department prior to the completion of the rehabilitation. Punch lists are provided from the Project Sponsor/Subrecipient to the Contractor. All Inspection reports must be maintained in the client file and provided to HSS upon request.
- 5.12.2.** After completion of the items on the punch list, the Project Sponsor/Subrecipient returns and performs a final inspection of the work completed. HSS staff shall attend

this walk through. Once approved, then the homeowner signs an *Owner Release Certification* based on the completed work that was specified in the contract and subsequent change orders and provides it to the Contractor and the Project Sponsor/Subrecipient.

5.12.3. Photos must be provided for all payment requests for work performed. Photos must be taken during the final inspection and submitted to the HSS Director to prove work has been completed for final payment.

5.12.4. Lien releases from the Contractor and Subcontractors are also provided for *final payment*.

5.12.5. Construction closeout documents are to be provided to homeowner and copy on file for HSS and Sub-Recipient record. All required closeout documents are triggered by this final inspection date.

5.12.6. Parts and labor Contractor warranty for minimum of 1 year from time of Completion.

5.12.7. Manufacture equipment warranties and guarantees

5.12.8. Warranties on material

5.12.9. Extra Material (To Be Determine at time of Certificate of Occupancy)

5.13. Project Closeout:

5.13.1. All paperwork is reviewed for completion and put into the client file.

5.13.2. Case summary forms (CSF) are completed for project reporting information.

5.13.3. A *File Reconciliation Worksheet* shall be completed by a Project Sponsor/Subrecipient staff member assigned to the case to assure the file is complete before close-out.