

**CITY OF PATERSON
DEPARTMENT OF COMMUNITY DEVELOPMENT**



**CDBG HOMEOWNER REHABILITATION PROGRAM
(HRP)**

1.0 Introduction

The purpose of this document is to establish policies, guidelines and procedures which will govern the CDBG Homeowner Rehabilitation Program (HRP) of the City of Paterson. This program is funded by the Community Development Block Grant Program (CDBG). The City of Paterson Department of Community Development administers the grant and is responsible for using CDBG monies to rehabilitate owner-occupied dwellings. The Department, on behalf of the City, will contract with a private housing consultant to administer the HRP. The HRP is subject to all laws, regulations, ordinances, and codes of the Department of Housing and Urban Development (HUD), and the City of Paterson, including but not limited to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (if applicable).

2.0 Program Description

The program is designed to assist low to moderate income homeowners (as defined by HUD) in their rehabilitation of single, two-, and three-family dwelling units by providing deferred loans to eligible homeowners. For dwellings with more than one unit, the housing consultant will obtain a copy of the most recent Certificate of Occupancy to verify the number of legal units. Illegal units will not be eligible for assistance from the HRP.

Housing rehabilitation loans are granted to households to primarily eliminate municipal code violations. Other existing violations are also addressed. Assistance is given to homeowners on a first come, first serve basis. However, should emergencies arise, such as loss of heat during the heating season; for example, the homeowner(s) will be reviewed for immediate assistance with their emergency condition.

The program will provide assistance in the form of a no interest, forgivable loan of up to \$15,000 per dwelling unit, which will be secured by the placement of a mortgage lien against the property. The home must remain occupied by the owner for at least five (5) years and after five years, no repayment of the loan is required, and any lien will be released.

Income eligibility is determined by the Federal Section 8 Income Limits. The current Section 8 Income limits are shown below. HUD Section 8 Income Limits are adjusted annually.

FY22 HUD Income Limits for Passaic County

Household Size	1	2	3	4	5	6	7	8
Extremely Low	\$25,700	\$29,400	\$33,050	\$36,700	\$39,650	\$42,600	\$45,550	\$48,450
Very Low	\$42,850	\$49,000	\$55,100	\$61,200	\$66,100	\$71,000	\$75,900	\$80,800
Low	\$63,000	\$72,000	\$81,000	\$90,000	\$97,200	\$104,400	\$111,600	\$118,800

The following sources of income will be considered by the Program when determining a household's eligibility for the HRP.

- The full amount, before any deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

- The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family;
- Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the Family has Net Family Assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from all New Family Assets or percentage of the value of such Assets based on the current passbook savings rate, as determined by HUD.
- The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment due to the delayed start of a periodic payment.
- Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay;
- Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designed for shelter and utilities that is subject to adjustment by the Welfare Assistance agency in accordance with the actual cost of shelter and utilities, the amount of Welfare Assistance income to be included as income shall consist of:
 - The amount of the allowance or exclusion of the amount specifically designed for shelter or utilities; plus
 - The maximum amount that the Welfare Assistance agency could in fact allow the Family for shelter and utilities. If the Family's Welfare Assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse;
- Relocation Payments.

The following sources of income **will not** be considered part of a household's income when determining eligibility for the HRP.

- Income from employment of children (including foster children) under the age of 18 years;
- Payments received for the care of foster children;
- Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance, worker's compensation, SSI and social security), capital gains and settlement for personal or property losses;

- Amounts received by the Family, that are specifically for or in reimbursement of the cost of medical expenses for any family member;
- Income of a Live-in-Aide;
- Amounts of educational scholarships paid directly to the student or to the educational institution and amounts paid by the Government to a veteran for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income;
- The special pay to a Family member serving in the Armed Forces who is exposed to hostile fire; (i) Amounts received under training programs funded by HUD; (ii) Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS); or (iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses (special equipment, clothing, transportation, child care, etc.) And which are made solely to allow participation in a specific program;
- Temporary, nonrecurring or sporadic income (including gifts); or
- Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937. A notice will be published in the Federal Register and distributed to owners identifying the benefits that qualify for this exclusion. Updates will be published when necessary.
- Earned income tax credits.
- Reparation payments made by foreign governments in connection with the Holocaust (for all initial determinations and reexaminations carried out on or after April 23, 1993).

3.0 Policy

3.1 Homeowner Contribution

It is the policy of this program to urge that homeowners monetarily contribute to the total cost of rehabilitation wherever possible. Amounts to be contributed by the homeowner shall be determined and deposited in escrow accounts to be paid out to contractors.

3.2 Satisfactory/Work Completion

It is the policy of this program that work be completed in a timely and satisfactory manner and that payments are made as set forth herein.

3.3 Loans

Loans will be administered as specified in this document.

3.4 Program Administration

The HRP will be implemented and administered by the housing consultant under the direction of the City of Paterson's Department of Community Development following the policies, guidelines, and procedures set forth in this document.

3.5 Security

Client files are for use only by the Department of Community Development and housing consultant personnel and will be filed in filing cabinets secured by lock and key. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, or any of their representatives must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.

3.6 Project Selection Criteria

Rehabilitation projects will be processed in the order that an application is received and that they provide proof that they meet all of the eligibility requirements. Applicants may request immediate assistance if emergency rehabilitation is required. An emergency situation is one that threatens the health, safety, or well being of the household members.

If an applicant qualifies for emergency assistance, only emergency work may be performed. If additional rehabilitation is required, the applicant may be required to submit additional documentation and have the additional rehabilitation performed in accordance with original Project Selection Criteria.

3.7 Repeat Applicant (Re-entry)

For purposes of definition a Repeat Applicant is one who has previously received assistance through the HRP Program. Repeat Applicants may only apply for assistance in the event they have not previously received the maximum assistance amount or if they have repaid the previous assistance amount in its entirety. Additionally, a Repeat Applicant may be eligible for assistance should they meet the eligibility requirements and if there are no other first-time applicants actively awaiting assistance.

3.8 Affordable Rent

The generally accepted definition of affordable rental housing refers to housing that does not exceed 30% of a household's gross income. Households that pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

The consultant will obtain income verification information for all assisted units to confirm the household income for all units and if applicable, evaluate the rents in any rental units in accordance with the City's "Affordable Rents" policy.

4.0 Loan Type and Amounts

4.1 Loan Approval

Loans will only be granted to eligible applicants upon approval of credit and assurance that property taxes are current.

4.2 Deferred Loans

All applicants who are below the moderate- or low-income limit will be eligible for a deferred loan not to exceed \$15,000 for one unit, \$30,000 for two units and \$45,000 for three units. The deferred

loan is interest free and does not require a monthly debt service.

4.3 Loan Amount - Exception

1. Rehabilitation must attempt to address all known existing BOCA code violations and eliminate all other municipal property code violations to the extent they are an allowable expense of CDBG funds and within the program's funding limits.

2. Improvement items will be prioritized, with code violations given highest priority.

3. In exceptional cases, if the abatement of code violations exceeds the loan cap of \$15,000 for one unit, \$30,000 for two units and \$45,000 for three units the homeowner will not qualify for HRP unless the following:

- a) The homeowner signs an affidavit stating the homeowner will be exclusively responsible for abating the balance of code violations - simultaneously while the contracted work is ongoing. The homeowner will be required to sign-off as to their responsibility and such documents should be placed in the case file.
- b) If the homeowner will obtain other funding sources to abate the remaining violations, this fact must be verifiable and documented for the case file.
- c) No Certificate of Approval will be issued until all work is completed. The HRP will monitor the contracted work, while the Division of Community Improvements will monitor the balance of the work.
- d) Should the homeowner not comply with following through on the remaining violations, their C of A will be in jeopardy.

4. After the initial contract has been executed and due to emergent and unforeseen conditions rehabilitation work may exceed the loan amount of \$15,000 for one unit, \$30,000 for two units and \$45,000 for three units.

4.4 Emergency Assistance

Any applicant that is considered to have a condition in their home that is posing an immediate health or safety threat to the household will be reviewed for immediate assistance to address their emergency condition.

4.5 Mortgage Placement

Mortgages for housing rehabilitation funded by the HRP should be either in first or second position, to ensure that funds can be recaptured. The determination of mortgage position will be made before the loan is issued. The Consultant will utilize the Passaic County Clerk's website (<http://www.Passaiccountynj.org>) to conduct a title search.

If at the time of application, a homeowner has two existing mortgages and requests a third via their participation in the HRP, an analysis of equity will be conducted. The value of the property will be estimated by multiplying the City's Tax Assessor's assessed value by the equalization ratio. The resulting figure will be compared with level of principal that has been paid by the homeowner. The sum of the loans/mortgages/liens will not exceed 90% of the estimated value of the property.

Loans which are to be secured by a third position mortgage must be reviewed with the Rehabilitation Coordinator and approved by the Department of Community Development. Loans secured by third position mortgages are not preferred. Some guidelines to be considered in

granting such loans are whether or not an emergency condition exists, the amount of the loan (a small \$6,000 -- \$8,000 loan is preferred to a higher loan amount) property value (which may require a current appraisal), credit, and individual circumstances.

4.6 Discharge of Loan Obligation

Loan Discharge

All loans become due and payable to the City of Paterson upon transfer of title, or when the homeowners are refinancing the mortgages on their homes. The proceeds from the loan repayments shall be placed into the City of Paterson program income account. When the loan is paid, the mortgage is canceled, and the lien is removed from the property.

An exception to the repayment policy will be made at the discretion of the City if a homeowner is refinancing and all of the following conditions are met: (1) the rehabilitation mortgage is kept in the same subordinate position or is placed in a higher position; (2) the refinancing improves the homeowner's credit; (3) repayment of the City mortgage would offset the benefits of refinancing and cause undue financial hardship on the mortgagor, and (4) the sum of all loans, mortgages, and liens does **not** exceed 90% of the current appraised value of the property (appraised within one year of the refinancing date). Recently, there has been a need to re-evaluate the current policy with regard to refinancing.

An increasing number of homeowners are attempting to refinance in order to take advantage of a lesser mortgage rate. The difficulty occurs when a homeowner does not intend or is not financially able to repay the City mortgage during refinancing and requests the City to subordinate.

The City will consider each request on a case-by-case basis in order to assist the homeowner in achieving a more favorable rate.

The refinancing institution must provide the following documents:

- Copy of loan application
- Copy of Settlement statement
- Any other applicable documentation that would provide adequate proof to ensure that the transaction is a straight refinance and there is no additional indebtedness/cash-out.

The Department of Community Development is authorized to administratively process requests for mortgage subordination in accordance with the policy's guidelines. This process would include staff preparing Postponement of Mortgages for the Mayor's or City Administrator's signatures.

4.7 Conflict of Interest

No employee, agent, consultant, officer, elected official and/or appointed official of the City of Paterson who exercise or have exercised any functions or responsibilities with respect to Community Development Block Grant (CDBG) funded activities assisted through this program, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or

for one year thereafter.

Exceptions

In accordance with 24 CFR 570.611 (d) and upon the written request of the recipient, HUD may grant an exception to the provisions of this section on a case-by-case basis when it has satisfactorily met the threshold requirements below:

HUD will consider an exception only after the recipient has provided the following documentation:

1. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. Typically, notification is provided through a Website Posting and Legal Notices in the Herald News, the Record and the El Especialito newspapers. AND
2. An opinion of the City of Paterson attorneys that the interest for which the exception is sought would not violate Federal, State or local law.

IMPORTANT: Mere submission of a request for an exception does not authorize a recipient to engage in any activity or enter into any contract that constitutes a conflict. An exception or waiver is not granted until the recipient receives such determination in writing from the local HUD office. HUD will not grant any exception after the fact, and any conflicted contract is ineligible if a waiver was not granted before the contract was executed.

In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements, HUD shall conclude that such an exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project, considering the cumulative effect of the following factors, as applicable:

- Significant cost benefit or essential expertise to project.
- Opportunity for open competitive bidding or negotiation.
- Person affected:
 - Member of low- or moderate-income class of persons intended to be beneficiaries of the assisted activity.
 - Exception will permit such person to receive same benefits as the class.
- Person affected has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the assisted activity.
- Interest or benefit was present before affected person was in the "conflicting" position.
- Undue hardship to recipient or person affected when weighed against public interest served by avoiding the prohibited conflict.
- Any other relevant considerations.

Internal Standards

The City is responsible for ensuring staff understand and abide by the conflict-of-interest requirements under CDBG.

5.0 Lead Based Paint Testing and Abatement Policy

In accordance with HUD regulations 24 CFR Part 35, all program assisted homes constructed prior to 1978 will be tested for lead based paint, and if applicable, be inspected by a risk assessor. This process also ensures that an evaluation will be conducted, and documented, to determine if the rehabilitation activities will disturb any painted surfaces in excess of de minimis limits as outlined in 24CFR 35.1350(de).

Housing rehabilitation exemptions from lead-based paint regulations are as follows:

- Residential structures built after January 1, 1978
- Emergency action activities
- Properties found not to have lead-based paint during earlier testing that meets the requirements of prior evaluations
- Properties where all lead-based paint has been identified and removed using approved methods
- Rehabilitation that does not disturb paint

At the appropriate time, the program will provide landlords and tenants with copies of the following:

- Lead Hazard Information Pamphlet
- Property Owner Disclosure (distributed to owners of a unit known to contain lead-based paint or lead based paint hazards for disclosure to tenants or prospective purchasers)
- Notice of Lead Hazard Evaluation or Presumption
- Notice of Lead Hazard Reduction Activity including Clearance
- Renovate Right Guide

Both Notices of Lead Hazard Evaluation and Lead Hazard Reduction will be provided to the occupants within 15 calendar days of the date when the program receives the evaluation. The type of evaluation and reduction activities required depends on the level of Federal assistance as defined by Federal regulations for HUD programs. The level is determined by taking the lower of the per unit rehabilitation hard costs or the per unit Federal assistance. Once calculated, the cost determines the level of assistance as exhibited in the table below.

HUD Regulations 24 CFR Part 35 Subpart J: Required Housing Rehabilitation Activities

Amount of Program Assistance	< \$5,000	>\$5,000 < \$25,000	>\$25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing of surfaces to be disturbed by rehabilitation	Paint Testing of surfaces to be disturbed by rehabilitation and a Risk Assessment of entire unit	Paint Testing of surfaces to be disturbed by rehabilitation and a Risk Assessment of entire unit

Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation. Safe work practices Clearance of work site	Interim Controls Safe work practices Clearance of unit	Abatement Safe work practices Clearance of unit
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A lead hazard evaluation will consist of one or more of the following:

- Visual Assessment performed by a Housing Quality Standards (HQS) Inspector
- Paint Testing performed by a Certified Inspector
- Risk Assessment (or Lead Hazard Screen) performed by a Certified Risk Assessor

The lead hazard reduction will always include safe work practices and clearance and will also include one or more of the following:

- Paint Stabilization
- Interim Controls (or Standard Treatment)
- Abatement

Any properties not inclusive of the aforementioned exemptions and applying for program assistance will be inspected by the appropriate professional to identify and evaluate lead hazards. If hazards are identified, the program will then determine the following:

- required level of lead hazard reduction
- what methods will be used to reduce or eliminate the hazards
- whether or not relocation for occupants is necessary

The occupants will be notified of the program's determination. The decision to relocate occupants during work construction will be made by the Certified Inspector/Risk Assessor based on the extent of lead-related work. In the event that relocation is necessary, the Program Consultant will confer with the head of the household to determine the most effective solution. The Program Consultant will encourage the homeowner to temporarily stay with friends or family before and during the hazard reduction activities. However, if this is not possible or acceptable to the household, the Program will provide accommodations in a nearby hotel/motel or other acceptable accommodations. The size of the temporary unit will be determined by the Program Consultant and will be appropriate to the family size and gender of children. The Program will reimburse the homeowner for actual costs incurred for the housing arrangement determined by the Program Consultant. The Program will also reimburse the household up to \$20.00 per person, per day for meal expenses. Original receipts for all relocation expenses must be submitted to the Program Consultant for reimbursement from the City's HRP and/or Program Income account.

Prior to the rehabilitation and lead based paint hazard work going out to bid, the program will determine the type of contractor needed to complete the work required. The program staff, landlord and contractor(s) awarded the job will review the key aspects of the lead hazard reduction during the pre-construction conference.

The awarded contractor(s) will perform safe work practices at all times which includes but is not limited to:

- occupant protection
- worksite preparation

- daily cleanup
- safe work practices
- worker protection

Occupants will be notified of any lead-hazard reduction measures that were taken. Subsequent to the program's final inspection, a certified professional will conduct a clearance examination including dust samples to confirm the unit is safe for occupancy and that lead hazard reduction was performed according to the program's work specifications.

6.0 Waste Hauler and Recycling Requirements

The consultant shall verify that each applicant has met or exceeded the Municipal requirements relating to the removal of waste and recycling materials generated by the HRP funded rehabilitation activities.

7.0 Procedures

The procedures involved in implementing the program policies and guidelines as described above are explained in the following step by step process which will be utilized by the HRP consultants in conjunction with applicable municipal staff.

7.1 Promotion

Efforts to make the public aware of the existence of Paterson's HRP will consist of the following: periodic display ads in local newspapers, such as the Courier News, and other local print media; flyers; and PSAs on cable television. Program fliers will be periodically distributed and targeted for neighborhoods of noticeable rehabilitation need. Upon request presentations can be made to various community organizations and/or neighborhood block associations.

Typical program promotion will be two-fold, the main thrust of which is to increase homeowner consciousness relative to program availability. Secondly, program promotion will be utilized to attract qualified contractors and particularly, contractors residing within the City of Paterson, and/or women and minority owned businesses.

7.2 Homeowner Inquires

All initial telephone calls and correspondence received from homeowners interested in the HRP will be recorded in a program log which will include relevant information such as, homeowner name, address, telephone number, date of inquiry and nature of inquiry.

7.3 Contractor Inquiries

Federal law requires contractors that disturb painted surfaces in homes, childcare facilities and schools built before 1978 to be certified and follow specific work practices to prevent lead contamination. All contractors wishing to participate in the housing rehabilitation program will be required to complete a contractor's registration form and provide copies of any certificates held for working with lead-based paint, which will be reviewed to ensure applicability. In addition, each contractor must provide three professional references and a valid certificate of insurance with a minimum coverage of \$300,000 for bodily injury and \$100,000 for property damage. In addition, all participating contractors shall carry or require that there be carried full and complete Worker's

Compensation Insurance for all employees and those of any subcontractors engaged in work on the Contract premises. All contractors will be checked against the State and Federal Debarred Contractors Lists and must secure a Business Registration Certificate through the NJ Department of Community Affairs.

All registered contractors will be entered in a contractor log, which will include all information necessary for the completion of semiannual contractor activity reports required by the US Department of Housing and Urban Development. The information collected by the program for these reports, includes but not limited to, status as a woman or minority-owned business, tax identification number, trade type, and contract amount.

7.4 Master Control Log

The Consultant will establish and maintain a separate Flow Chart/Control log by program year. This management control tool should track every phase of an application from eligibility determination through liens recordation, including the scheduling of timely compliance inspections of work items. The Flow Chart/Control should, preferably, be updated daily and must be updated weekly. A budgetary control will also be established and maintained to track availability of funds. Timely reconciliations should be performed with the City Treasurer's Office to ensure funds are not over obligated.

7.5 Applications

Applicants initially assessed as possibly being eligible will be given the Rehabilitation Assistance Application (Form PL 9). Homeowner is instructed to complete the application and bring the application along with the Deed, Proof of Homeowners Insurance, Income Tax Returns, and current paid utility bill to the consultant's local office on the interview date. At the interview, the application and applicable verification are reviewed by the consultant staff. As necessary, Forms PL-10 to PL-14 will be issued to verify information such as household contribution, employment, rental income, student status, etc. In addition, program procedures will be explained in sufficient detail to provide the applicant with a basic understanding of the program and what is expected in the ensuing months.

Following the interview, the consultant will order a credit check for all loan applicants, as applicable. The loan officer must ascertain whether or not the homeowner's first mortgage, if any, is current. If the homeowner's first mortgage is delinquent, the rehabilitation loan will be denied. Additionally, the Consultant will conduct a title search to determine if any outstanding liens against the property exist using the County Clerk's website (<http://www.Passaiccountynj.org>). Payment of Municipal taxes and flood zone applicability will be examined for all applicants.

Interviews which conclude without the receipt of required application documentation are followed by the mailing the homeowner and advising that the missing information be supplied to the Department. In most instances, processing will be delayed until the office receives a complete application.

Applicants determined to be ineligible will be given a notification of ineligibility explaining the reasons for their ineligibility.

7.6 Code Violation Inspections

Subsequent to the receipt of a complete application, consultant staff may request that the City's

Division of Community Improvements conduct a property maintenance code inspection and supply the program with a list of all violations discovered (including BOCA violations) at the subject site. Property code inspections are requested by completing and submitting it to the Division of Community Improvements.

7.7 Historic Review

Consultant staff will review available data to determine whether the applicant's property is of historic significance. If the property has been formally declared historic or is located in one of the City's historic districts, the housing program inspection and work write-up will be prepared in a manner which is historically sensitive.

The completed work write-up along with the requisite photographs will be sent to the State Office of New Jersey Heritage (NJ DEP) for Section 106 Historic Review and to the Paterson Historic Preservation Commission (HPC) prior to seeking contractors' proposals.

In addition, any homes over 50 years old outside designated Historic Districts will be reviewed by the State Historical Preservation Office. Following the 106 review and the issuance of a Certificate of Appropriateness by the HPC, the work write-up may be revised to reflect any historic rehabilitation recommendations.

7.8 Work Write-up/Cost Estimate

A full inspection of the applicant's property will be completed. This inspection will be requested by the Consultant upon determination of applicant eligibility. Work write-ups and cost estimates are prepared by the consultant's housing inspector/cost estimator. To prepare a work write-up, a thorough examination of the property is undertaken including the grounds, the structure interior and exterior and all dwelling units. When preparing the work write-up, the consultant's inspector, will incorporate all the code violations listed in the Division of Community Improvement's report. The consultant's inspector will develop a work write up that addresses all code violations, in addition to recipient violations and any eligible items requested by the homeowner.

If the work write is being developed for a multi-family home, the Consultant will evaluate household income and rent payments for the rental unit to ensure compliance with HUD regulations when the proposed improvements will benefit more the homeowner's dwelling unit.

Each project file will include a copy of the initial property inspection with before photos to document pre-rehabilitation conditions. An independent cost estimate for the proposed scope of work will be prepared prior to the solicitation of bids and responding contactors must include a detailed item by item cost breakdown so that it may be compared to the cost estimate created for the proposed work. The CD's housing inspector will perform a line-item review of each bid proposal to determine cost reasonableness of each individual item in the submitted bid and determine that costs are reasonable and necessary.

The work write-up will be reviewed with the homeowner prior to requesting contractor's proposals and revised accordingly. Following homeowner review and any subsequent revisions the work write-up will consist of an item-by-item detailed listing of all improvements required at the subject site. The document includes improvement locations, materials and descriptive explanations. In addition, the cost of completing the necessary improvements will be estimated and utilized as an internal control when reviewing contractors' proposals.

The consultant and the CD's Assistant Director will also perform a review of each project's scope of work to evaluate whether more than one unit in the property will benefit from any improvements.

7.9 Contractor Bidding/Proposals

Homeowners can be asked to provide consultant staff with the name or names of general contractors who should be notified to submit proposals for the improvements. If the homeowner does not know any general contractors, Program staff will work from a list of contractors who have successfully completed work in the program, who are properly insured and who possess all required registrations.

Every attempt will be made to give at least three contractors a copy of the work write-up and asked to submit a written proposal along with a Non-Collusion Affidavit, an Affirmative Action Affidavit and the Qualification of Bidders. Contractors must submit their proposals in a sealed envelope within 14 days to the housing consultant.

Acceptable proposals must not exceed 20% above or 15% below the program's cost estimate. If all proposals are beyond the acceptable range, consultant staff will reassess the cost estimate. If staff concludes the estimate to be valid, the contractors will be notified by program staff and will be given 5 days to revise and resubmit their bid sheets. If the cost estimate is found to be invalid, it will be revised, and the lowest responsible bidder will be awarded the job. If the homeowner prefers a contractor that was not the lowest responsible bidder, then the homeowner must provide the dollar difference between the low bid and the preferred bid. Measurements provided in the bid specifications package are approximate. Bidding contractors are responsible for field verifying all sizes, quantities and be responsible for same.

In the event a new contractor is under construction with their first HRP unit and has submitted a bid for additional jobs, the Program reserves the right to reject the new contractor's bids on additional units until the new contractor has proven its capacity and workmanship.

7.10 Loan Closing

Prior to the beginning of rehabilitation work, the homeowner must meet with Consultant's staff for the loan closing. The loan amount will be equivalent to the lowest acceptable contractor's proposal. The homeowner may request to receive copies of the loan documents along with a notice that they are about to enter into a real estate transaction in advance and may choose to have an attorney review the documents and/or be present. At the loan closing, the consultant staff will explain the purpose of each document prior to the homeowner signing.

The key closing documents are the Mortgage, Promissory Note and Disclosure Statement, and the Rehabilitation Assistance Agreement. Also included the Financial Privacy Act Notice, Right of Rescission, and *What to do When the Contractor Arrives*.

In addition to the documents pertaining to the securing of the rehabilitation loan, the homeowner must also sign the rehabilitation contract, which was previously signed by the contractor, the Contractor Selection Form, the Contractor Proceed Order and the Escrow Voucher. The proceed order will be issued to the contractor. After signing by the Department Director, the voucher will be delivered to the Division of Audit and Control with attachments as required by the Department. Copies of the signed documents will be provided to the homeowners for their records.

7.11 Construction

Once home improvement activities are underway, the consultant will notify the Division of Community Improvements of same. The intent of the notification is to increase support to the consultant relative to the procurement of home improvement permits and quality control.

Contractor activities are to be monitored on a regular basis, through "check-up" inspections conducted by the housing consultant. Discrepancies between items contained in the work write-up and the items being completed by the contractor will be addressed expeditiously.

In those instances, where all concerned parties agree that a change in the work write-up is warranted, the consultant staff prepares a Contract Change Order, (Form PL-39). The change order reflects additions and/or deletions in contracted items and the prices for such additions and/or deletions. Valid change orders require approval by consultant staff, the contractor and the homeowner.

7.12 Progress Payments

The progress payment procedure will be initiated by consultant staff and the City's Housing Inspection confirmation at the request of the contractor. The Consultant's inspector/cost estimator will inspect the completed work to determine if work is satisfactory and if a payment should be made. The CD's housing inspector will then conduct an inspection to ensure the work was completed per the approved scope of work. If the contractor is eligible for a progress payment, program staff will prepare a partial payment for submission at the City's Accounts and Control Department. The Consultant's inspector/cost estimator will be responsible for obtaining the homeowner's signature on the Certificate of Inspection per the scope of work at the time of the work inspection. The number and dollar amount of the progress payment will follow the payment schedule and should be equivalent to no more than 85% of the estimated value of work completed.

Once a progress Certificate of Inspection is signed, it will be submitted to the Department of Community Development for review and processing. The processing of the partial payment will result in the preparation of a two-party check. The homeowner will be notified by the housing consultant that they must endorse the check. The endorsed check will then be mailed to the contractor. Under no circumstances will a contractor be given a check before it is signed by the homeowner. Upon receiving the signed check, the contractor must sign a Check Receipt Form.

Additional progress payments will follow the procedure described above until the contractor has completed 100% of the contracted work. When the work is 100% complete, the contractor will be entitled to progress payments totaling 85% of the contract amount.

Progress inspections may be conducted on a routine basis and any payment requests must be accompanied by photos, signed inspection forms and notes detailing the completed work in accordance with the line-item bid documents and cost estimate, which shall be filed in the applicant's case file.

7.13 Final Inspection

Within two weeks of receiving a request from the Contractor for final inspection, the consultant's housing inspector will conduct a final inspection to ensure that each item contained in the approved work write-up and/or change order has been completed as specified. If deficiencies exist, the

contractor will be given notice to go back to the job site for corrective measures. When all work items have been satisfactorily completed and all required Certificates of Approval have been received from the Division of Community Improvements, the final payment voucher is prepared and processed.

7.14 Case File Closing Process

Following the contractor's final payment, the home improvement mortgage documents are filed in a locked fireproof container and recorded with the Passaic County Registrar's office. Once recorded, the original documents are returned to the Department of Community Development, where they are filed in a locked and fireproof container.

Copies of all applicable file documents will be sent to the homeowner for their records. If the homeowners have any questions, program staff will be available to provide assistance. The final step before closing the case file requires that Form PL-41, Check Receipt Form, be sent to the Department of Community Development.

7.14 Dispute Resolution

In the event the applicant disputes a determination made by the Program concerning their case file, the applicant will be encouraged to submit their concerns in writing to the Program. The HRP program staff will confirm the initial findings and pass along the complaint and any documentation upon which the determination was based to the Department of Community Development. After reviewing the case, the Community Development staff will contact the applicant to discuss their complaint in detail. The staff of the Department of Community Development will provide the Director of the Department of Community Development with a summary of the circumstances and all related documentation. At the Director's discretion, the applicant may be given the opportunity to meet with the Director to discuss their concerns in greater detail. After reviewing all pertinent information, the Director of the Department of Community Development will render a final decision on all disputes. In any case where a homeowner is refusing to approve payment for work that has been approved by the HRP, the Director reserves the right to bypass normal procedures and issue payment directly to the Contractor.

The contractual obligation for rehabilitation is ultimately between the contractor and the homeowner, however, should a dispute arise between the Department of Community Development and the contractor, that cannot be settled through an informal intervention process shall be submitted to binding arbitration. Costs for the arbitration shall be subject to the terms of the arbitration agreement.

8.0 Conclusion

If the procedures described in this manual are followed, the City of Paterson's HRP should operate smoothly and effectively. Where it is found that a new procedure will eliminate a recurring problem, that procedure may be incorporated into the program operation. In addition, this manual should be periodically revised to reflect changes in local and federal policies and regulations relative to Community Development Block Grant funded housing improvement programs.