



ERIE COUNTY

AFFORDABLE HOUSING FUND

(Act 137)

HOUSING REHABILITATION PROGRAM -GUIDELINES-

Administered by:

Erie Redevelopment Authority

626 State Street

Erie, PA 16501

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Administered for:

Erie County

Erie County Department of Planning

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Housing Rehabilitation Program Guidelines

I. PROGRAM OVERVIEW

A. **Applicability**

Erie County has made assistance available for projects and activities, which principally benefit low- and moderate-income persons, through the locally-adopted Affordable Housing Funds (as authorized by Act 137 of 1992). Where appropriate, these funds may be coupled with other federal, state, and/or local funding sources. The Erie Redevelopment Authority ("the Authority" or "ERA") may administer these programs in conjunction with the Erie County Department of Planning (ECDP).

B. **Introduction**

Funding is made available for single-family, owner-occupied, residential property rehabilitation. The Authority will award deferred-payment loans for housing rehabilitation, lead based paint remediation, and/or accessibility improvements to income-qualified homeowners. The purpose of this program is to improve the quality of the County's housing stock and to correct conditions which pose a serious threat to the health, safety and welfare of residents.

C. **Program Eligibility**

Assistance may be provided only when the household annual income, which includes all persons who occupy the residence, is determined to be at or below 80% of the Area Median Income as may be established from time to time by the US Department of Housing and Urban Development (HUD).

D. **Funding Usage**

Funds may be used in conjunction with other funding sources for housing rehabilitation, which may stipulate additional requirements in addition to these guidelines.

Funds may be used to make repairs, rehabilitation, accessibility alterations, and/or address code related issues.

ERA's inspectors and staff will determine the proper combination of work items for each project based on the level of deterioration, health/safety hazards, code issues and accessibility issues found to be present at the home.

When addressing code issues ERA will focus on:

- a. Ensuring the health and safety of the residents.
- b. Ensuring weather tightness of the home.
- c. Returning failed plumbing, electrical, mechanical and structural systems to good working order. (Replacement of major systems is warranted only when these systems cannot be repaired or when replacement is more cost effective than repair.)

Repair of serious structural decay or collapse is typically beyond the scope of work that can be accomplished by the Authority. When structural decay or collapse is encountered, the Authority's inspectors will assess the level of damage and make a determination on the viability of the project. If it is determined that the level of damage is

beyond the scope of the available funding sources, the project will be terminated and the client will be notified in writing.

Housing rehabilitation funding will not be used for removal of trash and debris other than that generated by the construction/rehabilitation activities.

Components of the property that are in good working order will not be replaced or modified for beautification purposes using housing rehabilitation funding.

E. Funding Availability

Qualified persons within designated municipalities will generally receive assistance on a first come, first served basis.

F. Maximum Limitations

In no case will funding used for rehabilitation work exceed \$24,999.

II. APPLICATION PROCESS

A. Applications

1. Applications may be obtained from the Authority's office at 626 State Street, Room 107, Erie, PA 16501, phone: 814/870-1540 or by contacting the Erie County Department of Planning, 150 East Front Street, Suite 300, Erie, Pa 16507, phone 814/451-7330.
2. The following information must be attached to each application submitted:
(1) A copy of the property deed, (2) Paid property tax receipts for the past year, (3) Proof of income and assets for all household members over the previous 12 months, (4) A basis (or general description) for projecting income for the next 12 months, (5) Latest federal income tax return, (6) Proof of property insurance, (7) Completed income verification forms, (8) Program authorization forms, (9) Verification of assets, and (10) Identification for all household members, including birth certificates, social security cards, and photo identification.
3. Incomplete applications will not be processed. The Authority's staff will review each application package and notify the applicant if additional information is needed.
4. Program guidelines and financial assistance will be reviewed and explained to applicants by the Authority's Intake Coordinator.
5. If a housing unit is eligible for participation in the rehabilitation program and is under land contract, the following rules will apply:
 - a. Both the seller of the unit and the buyer must sign an application form, the specifications, and the applicable contracts.
 - b. The land contract must be recorded with Erie County Recorder of Deeds' Office.
 - c. The unit must have served as the principal residence of the buyer over the past twelve consecutive months.

- d. Payments must have been made for twelve or more consecutive months or ten percent (10%) of the contract amount, whichever is greater.
6. Mobile homes located on rented property are NOT eligible for the program.

B. Eligibility Determination

Each application will be reviewed to determine eligibility for assistance. A determination of eligibility will be based on the following:

1. **Income Eligibility** - A review of all household income documentation and supporting documentation from employers and financial institutions will be conducted in accordance with the requirements outlined below.
 - a. Total annual household income must be no greater than 80% of the median family income as determined for Erie County by HUD.
 - b. Family size determines the income limit and includes all family members, including shared-custody children who reside within the household at least 50% of the time. Foster children, foster adults, live-in aides and their children, and unborn children may not be included.
 - c. Income eligibility determinations will be conducted in accordance with federal regulations (24 CFR Part 5). The Part 5 definition of annual income is the gross amount of income of all adult household members that is *anticipated to be received during the coming 12-month period* and includes the following: gross income from wages, salaries, overtime pay, commissions, fees, tips, bonuses and other personal compensation; net income from business; interest, dividends and other net income; social security, pensions, retirement, disability, death benefits and other similar types of periodic payments; welfare or unemployment payments; alimony and child support; armed forces pay. (Earnings in excess of \$480 for each full-time student 18 years or older, excluding the head of household or spouse, may be excluded.)
 - d. Income eligibility determinations are effective for six (6) months. If more than six months elapse between review of income documentation and the beginning of rehabilitation work, the resident's income status will be re-reviewed.
2. **Property Eligibility** - Eligibility of the property will be determined by (a) confirming that real estate taxes and mortgages are current, (b) verifying that the property is insured, (c) performing a site-specific environmental review, including floodplain determination, and (d) an initial property review to confirm that the property is in reasonable condition and can be properly rehabilitated within the program's restrictions.

C. Work Scope Development

Once eligibility has been confirmed, the Authority's inspector will arrange an appointment with the applicant(s) to conduct an initial on-site inspection of the property. The property will be evaluated in accordance with any local building codes (or in the absence of local building codes, HUD's Housing Quality Standards). Information gathered during this inspection will be utilized to determine eligible construction/rehabilitation activities.

This inspection will be followed with the preparation of a preliminary work write-up and cost estimate. If estimated costs exceed the allocated funding, the Authority may consider reducing the overall scope of work to eliminate work items that are not a clear threat to health and safety. In some cases, the required rehabilitation work may exceed the scope and available funding of the program; the property owner will be notified and the home will be ineligible to receive assistance through the program.

If the project is deemed feasible, the work scope and cost estimate will be reviewed with the property owners and a schedule for bidding and contract award will be developed.

III. BIDDING PROCESS & CONTRACTOR REQUIREMENTS

A. Contractor Requirements

In order to be eligible to bid on rehabilitation and/or lead hazard control work, the contractor must follow the Authority's procurement policy regarding bonding and provide the following:

- a. Proof of general liability insurance
- b. Proof of workers' compensation insurance (as applicable)
- c. A description of recent projects completed and references

Contractors must remain in good standing with the Authority, Erie County, the Commonwealth of Pennsylvania, and the Department of Housing and Urban Development. Contractors must also agree to provide a guarantee of workmanship for a period of one year after completion of work.

Property owners are not permitted to serve as contractors or subcontractors for work to be performed on their own structures. Furthermore, any contracting company that is an agent of a participating owner is not eligible to bid on that owner's property.

B. Bidding Process

1. ERA will extend an invitation to bid on each project to eligible, pre-qualified contractors who continue to meet the Authority's minimum requirements and are not currently listed on any contractor debarment lists. The Homeowner may eliminate up to three contractors from ERA's list prior to bidding. As an alternative bidding process, the Authority may publicly advertise one or more projects in a local newspaper.

2. A pre-bid viewing will be held at the home to allow interested contractors an opportunity to view the existing conditions and to properly estimate the labor and materials which will be required for the project.
2. Sealed bids will be submitted to and opened at ERA's offices. Bid tabulation sheets will be prepared and bids will be checked for accuracy. The homeowner must accept the lowest responsible bid. If fewer than three bids are received and the bids are not within 10% of ERA's original estimate, ERA may require the solicitation of new bids.

C. Preparing for Construction

1. A preconstruction meeting is held with the homeowner, contractor and ERA to clarify the roles and responsibilities of each party and to discuss payment schedules, inspections, warranties, etc. All necessary contracts, mortgages, mechanics' lien waivers, and other required documents are reviewed and signed by all parties.
2. A letter is sent to ECDP with a bid tabulation sheet with the contracts that are awarded and the amount of award so that an escrow account can be established.
3. The Mortgage (if applicable) and Mechanic's Lien Waiver are filed with the appropriate Erie County offices and a Notice to Proceed is issued.

D. Construction Process

1. Prior to the contract signing, the contractor will be advised of the number of calendar days allotted to complete the project. The ERA may levy liquidated damages of \$100 per day for any job in which the completion date exceeds the number of days established in the "Notice to Proceed".
2. If lead hazard control work is included in the scope of work, the contractor will be required to submit a pre-abatement plan to the Authority and comply with all PA Department of Labor and Industry notification requirements while also adhering to all other appropriate HUD, EPA, state, and local guidelines.
3. In the event that a change order to the contract work is required, it shall include a written request from the contractor, including photographs, material costs, and labor/profit breakdown. No change orders are issued for bidding errors or omissions and at no time will the total change order per contract increase or decrease by more than 25% of the total contract price as awarded. All change orders must have written approval from ERA.
4. Upon 100% completion of the contracted work on a unit, the contractor submits a bill for payment to ERA, along with a signed statement from the owner that the work was completed to their satisfaction. (In limited instances, the contractor may request and be approved for interim payments. In these situations, a 10% retainage will be withheld until final completion.) After receipt of these documents, the inspector performs a final inspection and, if satisfied, signs an "Authorization for Payment." If deficiencies are discovered, the contractor is notified in writing along with a specified number of days to complete the repairs and a return inspection is conducted.

In cases where there is a conflict between the homeowner and contractor and after the homeowner and the contractor have made a good faith effort to resolve the dispute, ERA will make a final determination as to whether the contractor has met specifications. (ERA will investigate the nature of the complaint, gather details and arbitrate as necessary.) If the homeowner does not agree at this stage, then the contract provides for pursuit of formal mediation.

5. When the contract is complete, a Contractor Certificate of Release form is signed which includes releases from subcontractors, liens and suppliers. Also, a signed statement is obtained from the contractors with relevant information pertaining to warranty periods, certification that the contractor has explained warranties, supplied original documents to support warranties, mailed notifications to the manufacturer that their product has been installed, and name, address and telephone number of contractor in case of a problem. The original document is retained by ERA and a copy is provided to the homeowner. Contractor also provides homeowner with a written one-year warranty on the workmanship and a two-year warranty on roof workmanship.

IV. TERMS

The assistance being provided to eligible participants is referred to as a "loan-to-grant" or "deferred-payment loan". Deferred-payment loans made under this program will be secured by a five-year (60 month) mortgage. No re-payment will be required so long as the borrower complies with the terms and conditions of the program.

1. The participant will agree to retain ownership and maintain the property as their primary residence. Should the owner relinquish title or occupancy to someone other than an immediate family member (spouse, children), all or a portion of the loan will become due and payable according to the following schedule:

Months 0-12	100% of amount of the loan
Months 13-24	80% of amount of the loan
Months 25-36	60% of amount of the loan
Months 37 - 48	40% of amount of the loan
Months 48-60	20% of amount of the loan
After Month 60	0% of amount of the loan

In order to ensure occupancy requirements are met, the Authority may conduct periodic interviews of the residents.

2. Throughout the five-year term, the property must remain free of major code issues that affect the health and safety of the residents and the value of the property. Authority inspectors may conduct inspections of the property and will determine what constitutes major code issues relating to the rehabilitation. If violations are found, the borrower will be given a thirty (30) day period to make the necessary repairs to the property. The inspector will then conduct a follow-up inspection. If follow-up inspections determine that violations have not been fully remedied, the borrower will be considered in default of the conditions of the deferred-payment loan and payment of the remaining balance will be required.

3. All mortgage payments and county/municipal obligations (taxes, utilities, etc.) must be kept current.
6. During the term of the loan, if the mortgagor(s) should die or be placed in a long-term health care facility, ownership of the property must remain with the family of the borrower. All other terms and conditions of the program will remain in effect, including income limits for occupants.

V. OTHER PROVISIONS

1. Once the formal notice to proceed has been issued and the Bid Tabulation sheet has been sent to the Erie County Planning Department, ERA will invoice the ECPD for delivery costs and any associated legal costs.
2. If a change order is issued, an amended mortgage lien must be filed to represent the correct amount of assistance provided to the home.
3. A review is made of all client and contractor files for complete documentation and compliance. Client and contractor spreadsheets and ECDP correspondence (authorization for payment) are cross-checked and a detailed letter is sent to ECDP, together with all supporting documentation, for reconciliation and verification along with an explanation of any changes which occurred between bid award and final completion. ERA will advise ECPD of any problems or difficulties which may arise during any phase of the rehabilitation project.
4. Residences located within floodplains are not eligible for assistance under this program. ERA will confirm with the local municipality whether or not the home is located in the floodplain. Floodplain certifications will be completed by ERA and inserted to all rehab files along with copies of all other pertinent information.
5. Policy on access to program records—Authorized representatives of the Erie Redevelopment Authority and Erie County shall at all times have access to and be permitted to observe and review all work, materials, equipment, payrolls, personnel records, employment conditions, material invoices and other relevant data and records pertaining to the rehabilitation project. However, all instructions and approvals with respect to the work will be given to the Contractor only by the ERA.
6. ERA's Procurement Policy and Code of Conduct are incorporated herein by reference.
7. Disputes

Any disputes which may arise between the homeowner and contractor as to the character, style, portion of the work to be completed, materials to be furnished, or other issues relating to the Rehabilitation Contract will be addressed by the Authority as they arise. This process may include a scheduled on-site visit by the inspector with the homeowner and contractor present.

If the dispute cannot be resolved on-site, a meeting will be held with the ERA Executive Director, appropriate ERA staff members, the homeowner and the

contractor. When all efforts have been exhausted and the dispute cannot be amicably resolved, the following arbitration procedure will be invoked:

- (a) Each party (homeowner and contractor) will select an arbitrator. A third arbitrator will be selected by the first two selected arbitrators within five (5) days.
- (b) In the event either of the parties neglect to select an arbitrator, then the application of either shall be submitted to the President Judge of Erie County, the said Judge to appoint a second Arbitrator, of which, the two designated arbitrators will select a third. This process will also be used when the two arbitrators selected cannot agree on a third arbitrator.
- (c) The arbitrators' decision or that of the majority shall be final, conclusive, and binding upon all the parties.
- (d) All parties shall share equally in the cost of arbitration.

The owner, in conjunction with the Authority, has the right to declare the contractor in default in the performance of his obligations for failure to furnish materials or execute work in accordance with the contract provisions, or failure to proceed with or complete the work within the time limit specified in said contract. In the event of any default by the contractor, the owner may procure the articles or services required to finish the project from another contractor chosen via a selection process carried out by the Authority. The Authority shall apply any monies that remain to be paid for completion of the project to the substitute contractor. The owner may hold the original contractor responsible for any excess costs or damages resulting to the owner by reasons of original contractor's default.