

**OWNER-OCCUPIED REHABILITATION: ORP**

**POLICY & PROCEDURE MANUAL**

Funded through the Housing and Urban Development: HOME Investment  
Partnerships Program

**Alaska Housing Finance Corporation**

**3rd Revision: January 2008**



## INTRODUCTION

The HOME Investment Partnerships Program (HOME) was created under Title II of the National Affordable Housing Act of 1990. Under the HOME program, the Department of Housing and Urban Development (HUD) allocates funds to the State of Alaska which may be used in accordance with Federal HOME regulations, including rehabilitation of housing owned and occupied by income-eligible families.

Alaska Housing Finance Corporation (AHFC) has been designated by the State of Alaska as the “participating jurisdiction” or (administrator) of the State’s HOME funds received from HUD. The Municipality of Anchorage receives separate HOME funds for use within that jurisdiction; therefore, State of Alaska (AHFC) HOME funds are used only outside of the Municipality of Anchorage.

The National Affordable Housing Act requires that each state develop a Consolidated Housing & Community Development (HCD) Plan to identify housing needs. The State of Alaska’s HCD Plan recognizes the need for housing rehabilitation to improve existing housing stock. In order to address that need, AHFC has created and offers the Owner-Occupied Rehabilitation Program (ORP). The primary goal of the ORP Program is to assist qualifying families in their efforts to rehabilitate their home to a decent, safe and sanitary standard. However, ORP funds can also be used to increase energy efficiency and make accessibility modifications to a property. Specific programmatic property standards must be satisfied.

AHFC provides ORP funding to non-profit organizations (“subrecipients” as defined by Federal HOME regulations) using a Notice of Funding Availability (NOFA) process. The subrecipient administers the ORP programs in specified service areas, in accordance with Federal HOME regulations and AHFC guidelines.

Subject to funding availability and program guidelines, ORP funds are provided by the subrecipient to qualifying homeowners through zero-interest rate loans for the primary purpose of rehabilitating the homeowner’s residence.



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## **SECTION I: PROGRAM OVERVIEW**

The primary purpose of the ORP program is to provide decent, safe, and sanitary housing throughout the State of Alaska. To be eligible for ORP funding from the administering subrecipient, a person must be a homeowner whose “annual income” may not exceed sixty percent (60%) of the area median income, as determined by HUD, adjusted for family size. Additionally, because of the limited amount of ORP funds available in each service area, preferences are given to ORP applicants whose families exhibit certain characteristics. Priorities, determined by the subrecipient, can also be given to applicants. These preferences and priorities are further defined in this Policies and Procedure Manual.

To receive ORP funds for rehabilitation, a person must own and occupy a home, as their principle residence. Subsequent to the completion of ORP funded rehabilitation activities, continued ownership is required and is subject to recapture provisions outlined within this Policies and Procedure Manual.

Except in cases where lead-based paint is found in the residence, ORP assistance, up to \$35,000, is provided to qualifying homeowners in the form of a zero-interest rate, conditionally-forgivable loan. Twenty percent (20%) of the loan is forgiven each year the person owns and maintains the property as their primary residence. If the loan exceeds \$35,000 the remaining portion will be paid to AHFC at the time of sale of the property and will not be forgiven, except in the event of death.

Homeowners receiving ORP assistance must execute a Note and Deed of Trust (or Security Agreement for manufactured homes) securing the property as collateral for the loan. Homeowners must also sign an Assistance Agreement which details applicable ORP processing procedures and requirements, and other documents specified by AHFC or the subrecipient pertaining to the processing of the rehabilitation activity.

In the event that the owner sells the assisted property during the forgivable ownership period, the portion of assistance that was not forgiven at the time of sale or transfer of the property will be repaid to AHFC. The portion of the loan that needs to be repaid will be determined by a pro-rata portion that is rounded down to the nearest month and then added to any additional funds exceeding \$35,000. Refinancing superior loans where equity extraction is involved may also require repayment.

Rehabilitation work to be completed must primarily focus on work needed to bring the home into compliance with property standards specified further in this Policy and Procedure Manual. Although the total cost of the rehabilitation work to a dwelling is not limited by AHFC, the amount of ORP funding assistance provided to each homeowner may not exceed \$35,000 without approval from the HOME Program Manager and HOME Project Manager, unless there is lead-based paint found in the residence. If the residence contains lead-based paint the amount can not exceed \$45,000 with approval from the HOME Program Manager and HOME Project Manager. Additionally,

there is a limit of \$17,000 for manufactured homes, and \$14,500 for condominiums. The minimum amount of ORP assistance for a qualifying homeowner must equal at least \$1,250. In special circumstances, determined on a case by case basis by AHFC, these funding restrictions can be waived to cover unanticipated costs.

Other funding sources must be utilized to pay for all rehabilitation costs that exceed the amount of the project's approved ORP funding. In all cases, the total estimated rehabilitation cost may not exceed seventy-five percent (75%) of the after-rehabilitation value of the home, or, if within a Special Hazard Flood Area, rehabilitation may be limited to fifty percent (50%) of the *before*-rehabilitation market value.

The subrecipient must conduct an assessment of the proposed property to be rehabilitated and coordinate appropriate work to be completed. The property assessment must include a review of the Owner-Occupied Rehabilitation Program Property, Written, and Inspection Rehabilitation Standards, energy efficiency standards, and accessibility related improvements. A determination must be made, by the subrecipient, that all necessary work can be completed within the funds committed to the project (ORP and other funds), and ensure that the applicant is qualified, based on eligibility criteria established in this Policy and Procedure Manual. The subrecipient must coordinate the rehabilitation activity, facilitate the execution of all required documents, ensure that work is performed in accordance with all required property standards, and submit required project documentation to AHFC. Subrecipients may use contractors or their own work crews (force account labor) to perform the rehabilitation work. Rehabilitation work may not begin without AHFC's review and approval of the project, based on the submission of required project set-up data to AHFC.

Upon project approval, AHFC will generally advance to the subrecipient eighty percent (80%) of the total known and documented project cost (not including any contingency funds), as long as rehabilitation work will begin within *90 days* of the receipt of the advance. If an additional advance is needed because of extenuating circumstance then the subrecipient can request a waiver from the HOME Project Manager and HOME Program Manager. Upon completion of the rehabilitation work and submission of all required project completion documentation to AHFC, the subrecipient may submit a final request for payment.

## SECTION II: PROGRAM POLICIES

### A. INCOME ELIGIBILITY

To qualify for the Owner-Occupied Rehabilitation Program (ORP), the assisted family's annual gross income may not exceed sixty percent (60%) of the area median income, as established by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size, at the time funds are invested in the property. Under limited circumstances, as specified in (iv) below, a household's income may exceed the sixty percent (60%) limit, but in no case exceed the eighty percent (80%) limit.

Acceptable methods for determining income are described in the HUD publication "Technical Guide for Determining Income and Allowances for the HOME Program" Third Addition Edition, January 2005, included in Appendix C of this Policy and Procedure Manual or can be ordered from HUD or downloaded online by the Spring of 2006.

Income calculation and verification rules are summarized below:

- i. To determine whether an owner-occupant is income eligible, the subrecipient must use the adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual tax income purposes.

The subrecipient may utilize the calculator found on the HUD website at [www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm](http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm) to calculate income.

- ii. **All sources** of income used in the calculation, as describe above in Section A(i), must be verified. Therefore, it is not expectable to just use the IRS 1040 Tax Form as verification.
  - a. The preferred verification method is through third-party documentation. This method requires that a third-party be contacted to provide proof of the applicant's assets. Written requests mailed directly to the third-party are ideal, however, conversations with a third-party to verify income is acceptable, if accompanied by a memorandum in the file. Third-party verification forms can be found in Appendix C of this manual. However, the subrecipient may also develop their own forms and verifications procedures.
  - b. Second-party verification such as documents provided by the applicant (e.g. pay stubs, tax returns, bank account statements, etc.) may be appropriate for verifying certain types of income and can be used as an alternative to third party verifications. Although

easier to obtain than third-party verifications, a review of documents often does not provide the needed information. For instance, an employed applicant's pay stubs may not contain sufficient information about the average number of hours worked, overtime, tips and bonuses. In this case, a conversation with the third-party maybe necessary to accurately project annual income.

*Annual income must be calculated by projecting the prevailing rate of income of the owner-occupant at the time the owner-occupant is determined to be income eligible. Annual income must include income from all household members over the age of 18 and all unearned income from household members under the age of 18.*

- iii. The subrecipient must re-verify an owner-occupant's income eligibility, if more than 180 days has passed since the subrecipient initially determined the income eligibility of the owner-occupant family.
- iv. Upon rare occasion, the AHFC HOME Program Manager, upon recommendation by the HOME Project Manager, may approve waivers for clients whose income exceeds the 60 percent limit, but is below 80 percent of median income, as determined by the US Department of Housing and Urban Development and adjusted for household size. Waivers must be requested by the subrecipient and approved in writing by AHFC in advance of project initiation. Approvals will only be considered under the following circumstances and will be provided or denied at the sole discretion of AHFC:
  - a. Client must be a priority client;
  - b. Client must provide documentation of extenuating circumstances that show severe need for ORP assistance despite the higher income (i.e. high medical expenses); and
  - c. Client must provide documentation that there is not sufficient equity in the home to secure a conventional home improvement loan or that the client does not otherwise qualify for a home improvement loan (such as a Title I rehabilitation loan, etc.). Documentation may consist of the homeowners most recent tax assessment or, if available, appraisal, and a listing of all outstanding liens on the property, or other reasonable documentation.

## **B. PREFERENCES AND PRIORITIES**

- i. The subrecipient must establish a written targeting policy and notify all applicants of the following preferences:

- a. Families in which at least one of the occupants has a disability, as defined in 24 CFR Part 92.2 (See B(iv) for additional guidance).
  - b. Persons over the age of 60.
  - c. Families with children who are six (6) years of age or younger.
- ii. The subrecipient may choose to utilize two program priorities. These priorities are determined at the subrecipient's discretion. If a subrecipient uses these priorities, they must determine applicants need for these priorities on a case by case basis, establish a targeting policy, and notify all applicants. The following priorities are permitted under the ORP program:
  - a. Homeowners whose property exhibits conditions which are considered to be of an emergency in nature. For example, a property in which the roof has collapsed, the heating system has failed during the winter months, etc.
  - b. A property where other funding sources in conjunction with ORP funds will be used to rehabilitate, repair, weatherize, or to provide accessibility modifications to a home. Other funding sources include, but are not limited to tribal programs, CDBG, World Changers, AHFC Weatherization Program, and the Department of HHS Brokerage Program.
- iii. As aforementioned in B (i) and (ii), the subrecipient must establish a written Targeting Policy. Project set-ups, the waiting list, and subsequent rehabilitation activities, should reflect, as closely as possible this Policy. The Subrecipient must retain records regarding the prioritization and preferences of applicants, and their approval or denial of all applications received. Furthermore, the ORP application form must inform the homeowner of the priorities and preferences of the program.
- iv. In accordance with Fair Housing Law, when a person chooses to claim a disability preference the disability must only be verified, if it is not obvious to the subrecipient. The disability does not have to be verified by a medical professional, but can be confirmed by another reputable entity such as a social service agency, educational institution, or employer. The information regarding the disability also does not have to be disclosed to the subrecipient (See *Appendix H* for a Verification Form).

## **C. AFFIRMATIVE MARKETING AND OUTREACH REQUIREMENTS**

- i. Subrecipients are responsible for maintaining an Affirmative Marketing and Outreach Plan and performing outreach efforts consistent with such a plan in the community and/or areas where they operate. Minimally, the Affirmative Marketing and Outreach Plan must be consistent with the Outreach Plan submitted as part of the subrecipient's application for funding, and minimum outreach activities required by AHFC including affirmative marketing requirements.

Methods of reaching out to the public and homeowners should include those actions that are likely to inform and solicit applications from persons in the housing market (service area) who are not likely to apply for the housing assistance without special outreach. Some examples include use of senior centers, community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies. For subrecipients with large, rural service areas, outreach may be targeted to specific communities within the service area to try to group projects for greater cost efficiency.

Minimum AHFC outreach requirements include the following:

- a. Notification of Program Availability. In a notice published in a newspaper of general circulation in the area in which ORP activities are proposed, advise potential eligible homeowners of the opportunity to apply for the rehabilitation assistance, and solicit applications for rehabilitation activities.

The notice should, at a minimum include the following:

- Instructions as to where and with whom the applicant must apply.
- Basic eligibility criteria, i.e., income restriction, owner-occupancy etc.
- Establish a fixed period of time (for example, 45 days) in which potential eligible applicants should apply for assistance.
- AHFC HOME Program recognition as the source of program funding.
- The statement, "We provide home rehabilitation loans without regards to race, color, religion, sex, national origin, handicap or familial status."

- Equal Opportunity Logo
- b. Insufficient Applicants. In the event that there are insufficient eligible homeowners identified through the application process to commit and expend all funds available, the subrecipient may elect to re-advertise the public notice, or utilize remaining available funds on a first-come, first-served basis, subject to other non-targeting eligibility criteria.
  - c. Equal Opportunity. The Affirmative Marketing and Outreach Plan must include the use of the Equal Housing Opportunity logotype or slogan in press releases and solicitations for program participation, and display of fair housing posters in common space(s) of the subrecipient's offices. The Affirmative Marketing and Outreach Plan may further include Public Service Announcements, press releases and informational mailings, and other forms of advertisements.
  - d. Annual Assessments. The Subrecipient must annually assess the success of the Affirmative Marketing and Outreach Plan, and take corrective actions where it is determined that affirmative marketing requirements have not been met.
- ii. The subrecipient's Affirmative Marketing and Outreach Plan and annual assessment conclusions must be retained at the subrecipient's administrative offices, and made available to AHFC staff upon request.

#### **D. PROPERTY ELIGIBILITY**

Properties eligible for ORP assistance must comply with the following criteria:

- i. They must be the principal residence of an income-eligible homeowner-occupant. Residences that are rented out and not occupied by the owner throughout the rehabilitation activity do not qualify. *See Section 2( F) and Section 7 (D) for additional guidance regarding this requirement.*
- ii. The estimated value of the property, after rehabilitation does not exceed 75% percent of the median purchase price for the area as determined by the FHA Mortgage Limits included in Appendix B of this manual.
- iii. If there are business activities being run from the residence, the space utilized for business purposes may not exceed 25% of the gross square footage of the home. The percentage of the home used for business purposes must be determined by measuring the spatial composition of the residence and by a review of the

homeowner's tax returns. Additionally, rehabilitation work that only impacts the portion of the home used for business purposes may not be conducted. Requests for waivers to this property eligibility criterion maybe made to the HOME Program and HOME Project Managers.

The property can not have any remaining loan due under the Home Opportunity Program funded with HOME Investment Partnerships Program funds. In other words, it cannot be during the "affordability period" of the HOP loan. Properties assisted under the HOP program, but which no longer have an outstanding period of affordability, are no longer considered HOP properties and may be assisted through the ORP program. To assure all ORP properties fulfill this requirement, subrecipients may rely on the title search, or verify if a property has been assisted through HOP by providing the property owner(s) name and address to the HOME Grant Administrator. The HOME Grant Administrator will search the current HOP database for any matches.

- v. A homeowner and property may only receive ORP assistance once unless a waiver has been given by the HOME Program Manager.
- vi. The property can not result in a change of land use, to increase the density to over 4 units, or increase the building footprint in a floodplain or wetland. *See Section V(D) for additional guidance.*
- vii. The property can not have an outstanding Notice of Default or Notice of Sale filed against it with the State of Alaska, Department of Natural Resources, Recorder's Office. This must be certified by conducting an online search with the Recorders Office at <http://www.dnr.state.ak.us/ssd/recoff/search.cfm>. If this information can not be verified at the Recorder's Office website then a title search must be ordered from a title company. Additionally, after the title search or Recorders Office search is conducted if the homeowner has significant liens outside of a first or second mortgage, such as outstanding tax, home repair, medical, and auto liens this must be noted on the initial project set-up form.
- viii. The property can not be in conflict with environmental regulations established in the **National Environmental Policy Act (NEPA) of 1969**. To ensure compliance with this Act, the subrecipient must make the following determinations:
  - a. **Historic Properties:** A determination whether or not the property is an historic property or located in an historic district, in accordance with the National Historic Preservation Act of 1966 and Executive Order 11593, Protection and Enhancement of the Cultural Environment (Historic Properties).

For **each** property proposed to be rehabilitated with HUD-ORP

funds, the subrecipient must obtain a written determination from the following agency formerly known as SHPO: the State Historic Preservation Office.

State of Alaska: Dept of Natural Resources  
Division of Parks and Recreation  
Office of History and Archeology  
550 W. 7<sup>th</sup> Avenue, Suite 1310  
Anchorage, AK 99501-3565

The Office of History and Archeology (OHA) will make a determination regarding the property and notify the subrecipient within 30 days. If OHA finds that the proposed property rehab may negatively impact a property of historic value, then the subrecipient will also contact the Advisory Council on Historic Preservation regarding the historic nature of the property, and determine any mitigating factors to the proposed rehabilitation project. All suggested actions by OHA and, if applicable, the Advisory Council on Historic Preservation (ACHP) must be incorporated in the rehabilitation activity. A copy of OHA's and ACHP's responses must be retained in the applicable project file.

- b. **Floodplain Management:** A determination that the activity will not adversely affect the floodplain. This determination must be made in one of two of the following ways\*\*\*:
- Not Located in Special Flood Hazard Area. To determine if the property is located in a Special Flood Hazard Area (100-year flood plain, mapped as Zone "A" or "V" on a FEMA Flood Insurance Rate Map (FIRM), call the contact person listed on the Alaska NFIP Community Contact List that can be accessed via the internet at:<http://www.commerce.state.ak.us/dkra/nfip/nfip.htm>  
If the community you need is not listed, call Taunnie Boothby at DCED, Division of Community Advocacy (907) 269-4583. If a FIRM map does not exist for your area, and you have no other flood information, simply document that fact and the source of your information. No other compliance is necessary.
  - Activity is Limited to "Minor Improvements." Any activity limited to "minor improvements" as defined under 24 CFR Part 55.2(b)(8) does not trigger Floodplain Management compliance requirements. To qualify as a "minor improvement," rehabilitation costs must be no

greater than 50 percent of the estimated before-rehabilitation value of the property.

\*\*\*If a property is in a floodplain *and* rehabilitation activity cannot be limited to 50 percent of the before-rehabilitation value of the property, contact AHFC before committing any HOME funds to the project. An 8-step Floodplain Management Review process may be required. Regulations outlining the 8-step process are included in Appendix F.

- c. **Wild and Scenic Rivers:** A property can not be located within one mile of a Wild and Scenic River Area, in accordance with the Wild and Scenic Rivers Act of 1968. If the property is located within one mile of such a river, contact AHFC for information on how to obtain written approval before committing any funds to the project.
- d. **Costal Zone Management:** A determination that the property can not be in the Coastal Zone, or, if in the Coastal Zone, a determination that the nature of the project will not affect the Coastal Zone must be made. A project will generally not adversely impact the Coastal Zone if it qualifies as minor rehabilitation of an existing single family home. If the project does have the potential to adversely affect the Coastal Zone (such as, if it involves any fill), provide a brief description of the work to be done in the project. Especially note any work or potential impact on ground outside the footprint of the building to the appropriate office of the State's Division of Governmental Coordination. The Division of Governmental Coordination will determine if a full review is necessary.
- For projects in Southeast Alaska:*  
P.O. Box 110030, 240 Main Street, Suite 500  
Juneau, AK 99811-0030  
Tel (907) 465-3562 Fax (907) 465-3075
- For projects in Southcentral, Western, and Northern Alaska:*  
550 West 7th Ave., Suite 1660  
Anchorage, AK 99501  
Tel (907) 269-7470 Fax (907) 269-3981
- e. **Noise Abatement and Control.** A determination that either (1) or (2) is true:
- The project is limited to “non-substantial rehabilitation.” To qualify as non-substantial rehabilitation the cost of the project (including all sources of funds) may not exceed

75% of the after-rehab value.

- The project will not be subject to excessive noise. To qualify for this, each of the following must be true: The property is not 1) located within 15 miles of a military airport or 5 miles from a civilian airport, or 2) is not located within the 65 DNL or greater contour of an official airport map. If airport has been contacted and no such map exists, simply document this fact. A copy of the written confirmation from the airport or the map showing location of the property and location of the 65 DNL contour must be attached as documentation. Is not within line of site or 1,000 feet of an arterial roadway with 20,000 or more vehicles a day. Is not within line of site or 3,000 feet of a railroad.

f. **Airport Clear Zones and Accident Potential Zones.** A determination that either (1) or (2) is true:

- The project is limited to “non-substantial rehabilitation.” To qualify as non-substantial rehabilitation, the cost of the project (including all sources of funds) may not exceed 75% of the after-rehab value.
- The project is not located within a civilian Airport Clear Zone or military Accident Potential Zone. Evidence from the airport including a map showing the property site and the Airport Clear Zone/Accident Potential Zone, or a letter from the airport referencing the site and stating it is not within these areas must be attached as documentation.

g. **State and Local Statutes.** A determination that the property does not violate any applicable State or local statutes regarding environmental compliance, or that rehabilitation activity will remediate any environmental violations which exist.

viii. **Conform to Lead-Based Paint Poisoning Prevention Act.** All housing assisted with ORP funds must comply with the Lead-Based Paint Poisoning Prevention Act (42 USC 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC 4851-4856), and implementing regulations at 24 CFR part 35, subparts A, B, J, K, M and R. *See Section G for additional guidance regarding Lead-Based Paint.*

## **E. ADDITIONAL PROPERTY ELIGIBILITY REQUIRMENTS FOR MANUFACTURED HOUSING**

If the rehabilitated home is a manufactured housing unit it must, meet the following

conditions:

- i. The housing unit foundation does not have to be permanent. However, it must be sound and free from hazards and structural instability as defined by the Owner-Occupied Rehabilitation Program Property, Written, and Inspection Rehabilitation Standards. The following conditions are indicative of structural instability: evidence of major recent settling; large cracks or holes; severe leaning; large sections or crumbling brick, stone or concrete; undermining of footings, walls, posts or slab; and/or, major deterioration of wood support members due to water damage or insects. HOME funds maybe used to provide a permanent foundation or to repair a foundation that is not “sound and free from hazards.”
- ii. All manufactured housing must meet the Manufactured Home Construction and Safety Standards. These standards pre-empt State and local codes covering all the same aspects of performance for such housing. All homes constructed after June 15, 1976 will already meet this Standard. However, homes constructed before June 15, 1976 must be inspected for this Standard. The Manufactured Home Construction and Safety Standards can be found at [http://www.access.gpo.gov/nara/cfr/waisidx\\_01/24cfr3280\\_01.html](http://www.access.gpo.gov/nara/cfr/waisidx_01/24cfr3280_01.html).

#### **F. OWNERSHIP ELIGIBILITY**

The following is defined as an owner-occupied property:

- i. Title to the property and home is in the form of fee simple ownership or a minimum 99-year leasehold interest, except for manufactured homes and homes on trust or tribal lands. In cases where manufactured homes are on leased property, such as in manufactured home parks, the person must hold the title to the home, but is not required to own the lot. Housing located on trust or restricted Native lands must only have a leasehold interest of 50 years. A life-estate does not satisfy the homeownership requirement.
- ii. The unit must be a one-unit dwelling or condominium dwelling, or other form of dwelling approved by AHFC in advance. If the property is a condominium or cooperative unit, ORP funds may not be used to make improvements to common spaces or systems. Two to four unit properties are not eligible.

#### **G. LEAD-BASED PAINT REGULATIONS**

As referenced in Section D all housing assisted with ORP funds must conform to the Lead-Based Paint Poisoning Prevention Act. The steps below summarize requirements set forth in the regulations. They do not substitute for them, nor do they include all the detail necessary to fully comply with all the requirements. The complete regulation, 24 CFR Part 35, “Lead Safe Housing Regulation: Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance, Final Rule” is available on the internet at:

<http://www.hud.gov/offices/lead/index.cfm>

- i. **Age of House.** Identify and document the age of the housing to be assisted. For all homes built before January 1, 1978, the following steps must be taken. See 24 CFR Part 35 for more detail. For all homes built on or after January 1, 1978, the following steps are not required.
- ii. **Lead Hazard Information Notice.** In accordance with 24 CFR 35.125, provide all occupants of occupied dwelling units to be assisted with the lead hazard information pamphlet developed by EPA, HUD and the Consumer Product Safety Commission pursuant to section 406 of the Toxic Substances Control Act (15 USC 2686). The pamphlet is entitled “Protect Your Family from Lead in your Home” (EPA747-K-99-001 June 2003). The packet may be ordered through 1-800-424-LEAD or accessed at <http://www.epa.gov/opptintr/lead/leadpdf.pdf>. The pamphlet is also provided in Spanish and other languages. Samples are provided in Appendix F. The AHFC HOME Program Manager may also have some copies available for distribution.
- iii. The subrecipient must obtain written certification by the homeowner that he or she has received this pamphlet, including the date the pamphlet was received and reviewed. An easy way to obtain this certification is to use the space on the back page of the pamphlet to type: “I acknowledge that I have received the brochure on Protecting Your Family from Lead in Your Home.” Have the homeowner sign and date below. Simply copy this back page for the file after it has been signed.  
**Lead-Based Paint Testing.** Conduct paint testing or presume the presence of lead-based paint in accordance with 24 CFR Part 35. 930(a). It is recommended that the lead based paint inspector or risk assessor provide a summary of the results suitable for posting or distribution to occupants in compliance with 35.125. A sample summary is provided in Appendix F.
- iv. **Lead-Based Paint Assessment.** If lead-based paint is found or presumed, perform a risk assessment in the dwelling units, common areas, and exterior painted surfaces, in accordance with 35.1320(b), before rehabilitation begins. (This must be done by a certified risk assessor). It is strongly recommended that the lead-based paint risk assessor provide a summary of the results suitable for posting or distribution to occupants in compliance with 35.125. A sample summary notice is provided in Appendix F.
- v. **Notice of Evaluation or Presumption.** Within 15 days of the evaluation or presumption, if lead-based paint or lead-based paint hazards are determined or presumed to be present, the subrecipient shall provide a Notice of Inspection, Presumption and/or Risk Assessment (as apply) to occupants, in accordance with 24 CFR 35.125(a). Sample notices are provided in Appendix F. This notice must be posted and maintained in centrally located common area(s) and, if necessary because the head of household is a person with a known disability, distributed to

the dwelling unit OR the Notice must be distributed to each occupied dwelling unit affected by the hazard reduction activity or serviced by common areas in which hazard reduction activities will take place.

- vi. **Level of Lead Hazard Reduction Activity.** Calculate the rehabilitation cost to identify the level of hazard reduction activity in accordance with 24 CFR Part 35.915. The remaining steps assume the project falls under 35.915(b)(ii). (Assistance of more than \$5,000 per unit up to and including \$25,000 per unit regardless of funding source, excluding lead-based paint hazard reduction activities, or, no more than \$25,000 of federal funds in the project, regardless of use.) If this is not the case, other steps identified in 24 CFR Part 35 are required.
- vii. **Interim Controls and Safe Occupant/Safe Work Practices.** Perform interim controls in accordance with 35.1330 of all lead-based paint hazards identified and any lead-based paint hazards created as a result of the rehabilitation work. Occupants of dwelling units where interim controls are being performed shall be protected during the course of the work in accordance with 35.1345. Persons performing interim controls must be trained in accordance with 29 CFR 1926.59 and either supervised by an individual certified as a lead-based paint supervisor or have successfully completed one of the courses listed in 24 CFR 35.1330(4).
- viii. **Notice of Hazard Reduction Activity.** No more than 15 calendar days after the hazard reduction activities have been completed, the subrecipient shall provide a Notice of Hazard Reduction Activity to occupants, in accordance with 24 CFR 35.125(b). A sample Notice is provided in Appendix F. This notice must be posted and maintained in centrally located common area(s), and, if necessary because the head of household is a person with a known disability, distributed to the dwelling unit. Or the Notice must be distributed to each occupied dwelling unit affected by the hazard reduction activity or serviced by common areas in which hazard reduction activities have taken place.
- ix. **Clearance.** Clearance testing shall be performed at the conclusion of interim control activities in accordance with 35.1340. Clearance must be performed by a certified risk assessor, a certified lead-based paint inspector, or certified lead-based paint clearance technician. Clearance examinations shall be performed by persons or entities independent of those performing hazard reduction or maintenance activities, unless the subrecipient uses qualified in-house employees to conduct clearance. An in-house employee shall not conduct both a hazard reduction or maintenance activity and its clearance examination. Clearance is not required if maintenance or hazard reduction activities in the worksite do not disturb painted surfaces of a total area more than set forth in 35.1350(d) (“de minimis levels”).
- x. **Failed Clearance.** All surfaces represented by a failed clearance sample shall be recleaned or treated by hazard reduction, and retested, until the applicable

clearance level in 24CFR35.1320(b)(2) is met.

- xi. **Notice Update.** Update the notice in (v) above, based on re-evaluation of the residential property and as any additional hazard reduction work is conducted. A sample Notice is provided in Appendix F. This notice must be posted and maintained in centrally located common area(s) and, if necessary because the head of household is a person with a known disability, distributed to the dwelling unit. Or the Notice must be distributed to each occupied dwelling unit affected by the hazard reduction activity or serviced by common areas in which hazard reduction activities have taken place.

## **H. PROPERTY STANDARDS COMPLETION REQUIREMENTS**

Property standards ensure that a set of housing quality standards are being used to determine if a unit is decent, safe, and sanitary. In addition, property standards provide a level of inspection for judging the actual physical condition of a property and assist in determining a rehabilitated property's scope of work.

Subrecipients must be able to ensure that the Owner-Occupied Rehabilitation Program Property, Written, and Inspection Rehabilitation Standards are met and that local codes or the IRC 2006, as applicable, have been met. These standards prescribe methods and materials for the rehabilitation work, also known as rehabilitation specifications or "specs." They are designed so that they provide a common basis for contractor bids, assist in determining cost reasonableness, and help ensure that high quality of work is being performed on the subject property. These standards are contained in Appendix G.

Upon completion of rehabilitation activity, the property must:

- i. Be decent, safe, and sanitary.
- ii. The property must comply with applicable State and local code(s) and ordinances.
  - a. In the absence of a local code, HOME-assisted rehabilitation on units other than manufactured homes (actual rehabilitation work completed, not necessarily the entire dwelling), must meet the current state code. In the absence of local code, the unit must meet the International Residential Code 2006.
  - b. Compliance may be evidenced by passing a building inspection by a local code official or in absence of local code, an inspector that is certified in accordance to the current state standards.
- iii. If a manufactured housing unit (mobile home), meet the following conditions:
  - a. Must have a foundation that is sound and free from hazards as defined by

the Owner-Occupied Rehabilitation Program Property, Written, and Inspection Rehabilitation Standards. The following conditions are indicative of structural instability: evidence of major recent settling; large cracks or holes; severe leaning; large sections or crumbling brick, stone or concrete; undermining of footings; walls, posts or slab; and/or major deterioration of wood support members due to water damage or insects. It does not have to be a permanent foundation. HOME funds may be used to provide a permanent foundation that is not “sound and free from hazards.”

- iv. Meet the following AHFC rehabilitation standards (entire unit):
- a. When housing components are replaced, where applicable, replacement components must be consistent with the furtherance of the Building Energy Efficiency Standard (AS 46.11.040), as implemented by 15 AAC 155.010.
  - b. Energy Standards requirements, including:
    - Blower door testing prior to, and upon completion of, the rehabilitation work performed in each home. Data collection must be maintained regarding the pre- and post-reading, air leakage areas and ventilation rates in the home.
    - Combustion efficiency and carbon monoxide testing of all combustion appliances, as applicable.
    - Heating system replacement is required under the following circumstances:
      - A. The existing heating system has a cracked heat exchanger.
      - B. There are unsafe conditions which can not be cost effectively corrected with the existing appliance.
      - C. The system is non-operational.
      - D. The existing system is an oil drip pot burner; and/or the existing heating system is inadequate to provide sufficient heat for the dwelling.

NOTE: The subrecipient may utilize, if applicable, the results of a blower door test, and/or combustion efficiency and carbon monoxide testing performed during the twelve months prior to AHFC project approval, for properties which received such testing as a result of previous Weatherization Program participation.

## **I. PROPERTY STANDARDS INSPECTIONS**

Subrecipients must possess sufficient knowledge and experience to enable the subrecipient to assess and certify that required property standards identified in the

Owner-Occupied Rehabilitation Program Property, Written, and Inspection

Rehabilitation Standards have been satisfied. For projects which involve rehabilitation activities that require local or state code compliance, the subrecipient shall ensure that all such inspections are obtained. Inspectors must be directly hired by the subrecipient or be a part of the subrecipient's staff.

AHFC staff, as part of its subrecipient monitoring requirement, will perform periodic property standards re-inspections, based on a random sample of the projects undertaken by the subrecipient. It is anticipated that a minimum of 5 percent, or a higher percentage if determined to be necessary and/or appropriate by AHFC, of the projects will be re-inspected by AHFC for Property Standards compliance review. The subrecipient must retain evidence of such required inspections in the applicable project file.

**Insulation/ Vapor Barrier Inspection**

Anytime HOME program funds are utilized to insulate and/or vapor barrier a wall, ceiling or floor section of 40 square feet or more, the work will be inspected for proper installation by the sub grantee's Construction Manager or another individual in the agency qualified to complete the inspection. The inspection will occur while the work is exposed and uncovered by sheetrock or other finish material that would prevent visual inspection. ICBO inspector (or equivalent) may be used in lieu of an individual from the agency. Contractor or Crew members (including foreman) that are working on the job are NOT authorized to complete the inspection.

If site visit is not feasible, then crew will document work with sufficient photos to detail quality of work, which will then be reviewed by a qualified person (as described above) and the photos will be placed in the project file.

**Required Paperwork**

Individual completing inspection document in file:

- Day inspection was completed
- If work passed or needs to be re-worked
- Any pictures as applicable

**J. FUNDING LIMITATIONS - ORP**

- i. With the exception of the waivers identified in below, the amount of ORP funding assistance provided to each homeowner may not exceed the following:
  - a. \$17,000 for manufactured homes.
  - b. \$14,500 for condominiums units.
  - c. \$35,000 for all other single dwelling units, which do not require lead-based paint abatement.

- d. \$45,000 for all other single dwelling units that require lead-based paint abatement.
- ii. ORP Funding Limitation Waivers
- a. Up-Front Waiver Option # 1. If accessibility modifications required by any member of the household cannot be completed under the limits in (i) above AHFC will consider waiver requests up to \$10,000 above the limit for such needed accessibility modifications. Before projects may be initiated, however, the subrecipient must secure a waiver from the HOME Program Manager or HOME Project Manager in writing. A waiver request must explain why the needed modifications cannot be completed under the standard funding limit, and why the modifications cannot be funded through another source. Other sources may include, but are not limited to, Senior Access Program, Senior Access, Access Alaska, the DHSS Brokerage Program, Medicaid Waiver, the household's personal assets, and other funding sources.
  - b. Up-Front Waiver Option # 2. The limits in (i) above may be exceeded on a case by case basis if the additional costs are due solely to costs associated with compliance with the lead-based paint regulations implemented January 1, 2002. Documentation of these costs is required. Subrecipients must receive written approval from the AHFC ORP Project Manager or HOME Program Manager before proceeding with a lead-based paint project that is likely to exceed project funding limitations.
  - c. Up Front Waiver Option # 3: The limits in (i) above may be exceeded on a case by case basis if the additional costs are due solely to costs associated with conditions that threaten the life, health and/or safety of the occupants, in addition to bringing the home up to required property standards. Increases up to \$10,000 above the amount specified in (i) above, may be approved by the HOME Project Manager or HOME Program Manager in writing upon receipt of a reasonable written explanation. Describe the existing situation, the proposed mitigation activity, and estimated costs accompanied by cost documentation. In exceptional cases, increases above these amounts may be considered, but must be approved by both the HOME Project Manager and the HOME Program Manager, upon receipt of a reasonable written explanation for the increase accompanied by cost documentation.
  - d. Unanticipated Project Cost Waiver. If approved by AHFC in writing, in advance and as specified below, the limits in (i), and any approved waiver amount, maybe increased to cover *unanticipated* costs associated with the original scope of work proposed, or additional work determined necessary

to meet ORP property standards during the course of the rehabilitation activity. Increases up to \$10,000 above the specified amount may be approved by the HOME Project Manager or HOME Program Manager in writing upon receipt of a reasonable written explanation and submission of the Change Order Form found in *Appendix I*. In exceptional cases, increases above these amounts may be considered, but must be approved by both the HOME Project Manager and the HOME Program Manager, upon receipt of a reasonable written explanation for the increase accompanied by the Change Order Form.

- iii. The minimum amount of ORP assistance provided to a qualifying homeowner must equal at least \$1,250.
- iv. Before committing ORP funds to a project, the Subrecipient must evaluate the rehabilitation needs and sources of funds for the project. Please see *Section K* for additional information regarding this requirement.
- v. However, total rehabilitation cost caps listed below apply to the total amount of all rehabilitation funding sources combined:
  - a. The estimated value of the property, after rehabilitation, can not exceed of the median purchase price for the area as defined by the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act.
  - b. The cost of rehabilitation can not exceed 75% of the assessed after-rehabilitation value of the home.
  - c. If the property is in a floodplain, the total cost of rehabilitation may not exceed 50 percent of the estimated value of the property before rehabilitation, unless environmental review requirements have been satisfied (contact AHFC before committing HOME funds if this is the case). 24 CFR Part 55.20 contains the eight-step decision making process required by the environmental review for properties exceeding this limitation.
  - d. The project can not exceed the maximum per-unit HOME subsidy limit based on Section 221(d)(3). *See Appendix B for the limit guidelines.*

## **K. SUBSIDY LAYERING**

- i. The Subrecipient must limit the investment of ORP funds, in combination with other sources of public and private funds, to only that amount necessary to meet the Property Standards identified within this Policies and Procedures Manual, including any accessibility modifications required by a member of the household.

- ii. If other sources of public and private funds are being used to rehabilitate or modify the residence, it must be documented in the project file through the use of the Project Set-Up Form.

**L. APPLICATION FORMS**

In order to best serve each specific community and population, the Subrecipient has the responsibility of creating their own application form. However, it must collect the following information: the name of the applicant, the homes physical address, the name of the head of household, the annual family income, a contact phone number, ethnicity and racial data as defined by HUD, household type, dwelling type, residential status, priority and preference information, and a reasonable request accommodation statement. The application will be reviewed for compliance when AHFC monitors the subrecipient. A sample application is provided in *Appendix H*.

## SECTION III: ADDITIONAL FEDERAL REGULATIONS

### A. EQUAL OPPORTUNITY AND FAIR HOUSING

All subrecipients must adhere to the following Federal Equal Opportunity and Fair Housing laws under the ORP program:

- i. **Equal Opportunity.** No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied benefits of, or be subjected to, discrimination under any program or activity funded in whole or in part with HOME.
- ii. **Fair Housing Act.** Requirements of the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 CFR part 100; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1958-1963 Comp., p.652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing) and implementing regulations at 24 CFR part 107; and title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR part 1.
- iii. **Age Discrimination.** Prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146, and prohibitions against discrimination against handicapped individuals under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR part 8.
- iv. **Equal Employment Opportunity.** Requirements of Executive Order 11246 (3 CFR 1964-65, Comp., p. 339) (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR chapter 60.
- v. **Section 3.** Requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u). The purpose of which is to ensure that employment and other economic opportunities generated by Federal assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very-low income persons, particularly those who are recipients of government assistance for housing (See *Section B* for more information).
- vi. **Minority and Women's Business Enterprise.** Requirements of Executive Orders 11625 and 12432 (Minority Business Enterprise) and 12138 (Women's Business Enterprise). Consistent with HUD responsibilities under these Orders, subrecipients encourage use of minority and women's business enterprises in connection with HOME-funded activities (See *Section B* for more information).

## **B. PROCUREMENT STANDARDS**

If subrecipients choose to purchase items or services that have a value of greater than \$1,000, from contractors or subcontracts, to complete an owner-occupied rehabilitation activity then they must develop their own written Uniform Procurement Standards. These Standards must be in accordance with State of Alaska Article 7, 15 AAC 154.715, Sec. 84 of HUD Title 24, and Federal OMB Circular No. A-100. Copies of these statutes are located in *Appendix I*.

It is recommended that the subrecipient's Procurement Standards include the following:

- i. Policies for documenting the types of services solicited.
- ii. Procedures for documenting that at least three bids were attempted to be obtain, to ensure adequate competition. If necessary, procedures for documenting that there were a limited numbers of suppliers and three bids could not be obtained.
- iii. Documentation of the most responsive bidder and the rational for why the bidder was chosen to receive the contract.
- iv. Procedures that indicate compliance with HUD Davis Bacon regulations (*24 CFR 92.354*). HUD requires that constructions contracts that include a total of 12 or more HOME-assisted units be covered by Davis-Bacon requirements even if the contraction covers more than one HOME "project" and prohibits arranging multiple construction contracts within a single project for the purpose of avoiding Davis-Bacon coverage.
- v. MBE/WBE Plan. All subrecipients should establish MBE/WBE guidelines in their procurement plan. Minority and Women's Business Enterprise Act requirements apply to all contracts over \$25,000 which the Subrecipient may enter into associated with a HOME project.

At a minimum, the subrecipient's Procurement Plan should include the following MBE/WBE information:

- Guidelines to create an in-house list of minority and women-owned business enterprises interested in providing services and/or supplies.
- Procedures to ensure that bids are received from qualified enterprises that are documented on the in-house list.
- Implementation of an outreach program designed to inform minority and women-owned business enterprises of present

and future contract opportunities.

- Establish minority and women-owned business utilization goals covering contracts for services/supplies that have an estimated value above \$25,000 and contain items that can be subcontracted.
- Assist subcontractors in identifying qualified minority and women-owned business enterprises to participate as subcontractors.

vi. Section 3. Subrecipients of HOME Funds exceeding \$200,000 are subject to Section 3 Act requirements in their own hiring practices. Additionally, each construction or professional service contract exceeding \$100,000 which the Subrecipient enters into for any purpose associated with the HOME Opportunity Program is also subject to Section 3 Act requirements. The subrecipient's Section 3 plan should demonstrate how it will contribute to AHFC's Section 3 goals, as listed below:

- Training and Employment: 10 percent of new hires
- Contracts: 10 percent of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction, and three percent (3%) of the total dollar amount of all other Section 3 covered contracts.

At a minimum, the plan should include:

- A Section 3 preference in your procurement numerical rating system.
- Notification procedures of potential Section 3 contractors.
- Assisting and actively cooperating with HUD (and AHFC) in obtaining the compliance of contractors and subcontractors with the requirements of the Section 3 Act, and refraining from entering into any contract with any contractor where the recipient has notice of or knowledge that the contractor has been found in violation of the regulations in 24 CFR Part 135.
- Documenting actions taken to comply with the requirements of the Section 3 Act, the results of actions taken and impediments, if any.

### **C. FEDERAL DEBARMENT AND SUSPENSION POLICIES**

A subrecipient, including its principals, may not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any Federal programs. The subrecipient is responsible to ensure that each contractor and subcontractor performing work on the assisted housing is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any Federal programs. The subrecipient should include debarment and suspension procedures in their written Procurement Standards. It is recommended that these Procurement Standards include a search on <http://epls.arnet.gov/> to ensure that the contractor /subcontractor(s) are not debarred. Documentation indicating that the search was made should be kept in the project file to be reviewed at AHFC's request.

### **D. DRUG FREE WORKPLACE**

The subrecipient must administer the ORP program in accordance with the Drug Free Workplace Act of 1988 (41 U.S.C. 701). This Act requires that the subrecipient:

- i. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the subrecipient's workplace and specifying the actions that will be taken against employees for violation of such prohibition.
- ii. Establish an ongoing drug-free awareness program to inform employees about -
  - a. The dangers of drug abuse in the workplace.
  - b. The applicant's policy of maintaining a drug-free workplace.
  - c. Any available drug counseling, rehabilitation, and employee assistance programs.
  - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- iii. Require that each employee to be engaged in the performance of the HOME-funded activity be given a copy of the statement required by paragraph (i), and that evidence of such notification be retained in the employee's personnel file.
- iv. Notify the employee in the statement required by paragraph (i) that, as a condition of employment under the HOME funded activity, the employee will
  - a. Abide by the terms of the statement, and
  - b. Notify the employer in writing of his or her conviction for a violation of the criminal drug statute occurring in the workplace no later than five calendar days after such conviction.
- v. Notify the agency in writing, within ten calendar days after receiving notice under subparagraph (iv)(b) from an employee, or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice,

including position title to every program officer or other designee whose program activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of the affected HOME funds.

- vi. Take one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted:
  - a. Take appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
  - b. Require such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.
- vii. Make a good faith effort to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).
- viii. Provide the street address, city, county, state, and zip code for the site(s) where performance of work in connection with HOME funds will take place. For some applicants who have functions carried out by employees in several departments or offices, more than one location may need to be specified. It is further recognized that some applicants who become HOME fund recipients may add or change sites as a result of changes to program activities during the course of the HOME-funded activities. Applicants, in such cases, are required to advise AHFC by submitting a revised "Place of Performance" form. The period covered by the certification extends until all funds under the specific HOME funding has been expended.

#### **E. CONFLICT OF INTEREST**

In the procurement of property and services, subrecipients must adhere to the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively. In all cases not covered by 24 CFR 85.36 and 24 CFR 84.42, the provisions of 24 CFR part 92.356 apply.

#### **F. UNIFORM ADMINISTRATIVE REQUIREMENTS**

- i. Non-Profit Subrecipients must comply with the following uniform administrative requirements:
  - a. OMB Circular No. A-122;
  - b. 24 CFR part 84.2, 84.5, 84.13 - 84.16, 84.21, 84.22, 84.26 - 84.29, 84.30, 84.31, 84.34 - 84.37, 84.40 - 84.48, 84.51, 84.60 - 84.62, 84.72, and 84.73.

- ii. Governmental Subrecipients (public agencies) must comply with the following uniform administrative requirements:
  - a. OMB Circular No. A-87;
  - b. 24 CFR Part 85.6, 85.12, 85.20, 85.22, 85.26, 85.32 - 85.34, 85.36, 85.44, 85.51, and 85.52.

### **G. SUBRECIPIENT AUDITS**

Subrecipient audits must be conducted in accordance with 24 CFR Parts 44 and 45, as applicable. Not less than annually, AHFC will monitor the performance of each subrecipient, in accordance with the requirements of this Policy and Procedure Manual, and the terms and conditions of the Subrecipient Agreement executed between the subrecipient and AHFC for the purposes of funding activities under the ORP program.

## **SECTION IV: ASSISTANCE TERMS**

### **A. FORMS OF ASSISTANCE**

ORP assistance must be provided to qualifying homeowners in the form of a zero-interest rate, conditionally-forgivable loan up to \$35,000 or \$45,000 if lead-based paint abatement is needed. Assistance exceeding \$35,000 or \$45,000 for projects with lead-based paint is due on sale of the property to AFHC. Homeowners receiving ORP assistance must execute an ORP Note and Deed of Trust (or for manufactured homes, a Security Agreement) securing the property as collateral for the loan. Homeowners must also complete an Assistance Agreement and Subordination Policy Certification, found in *Appendix H*, which detail applicable ORP processing procedures and requirements, as well as other pertinent documents specified within this Manual or by the subrecipient.

### **B. NOTE & DEED OF TRUST/ SECURITY AGREEMENT**

Before ORP funds are invested in a property, a Note and Deed of Trust must be executed and recorded on the property, unless a manufactured home is being rehabilitated. If a manufactured home is being rehabilitated, the Security Agreement must be executed and recorded as a UCC on the property.

### **C. TERMS OF NOTE & DEED OF TRUST / SECURITY AGREEMENT FINANCING STATEMENT**

- i. Terms. ORP assistance up to the amount of \$35,000 or \$45,000 for homes with lead-based paint will have an annual forgiveness rate of twenty percent (20%) for a period not to exceed five years from the date the project closed. Any remaining ORP assistance (the amount in excess of \$35,000/\$45,000 for homes with lead-based paint) will be provided to the Borrower as a loan with zero percent (0%), repayable at time of sale or transfer of title, except in the event of death of the Borrower. In the event of death the ORP assistance will be forgiven in its entirety.
  - a. ORP assistance up to \$35,000 or \$45,000 for homes with lead-based paint will be forgiven based on the following conditions:
    - The assisted homeowner cooperates with the subrecipient to ensure that all ORP Policies and Procedures are satisfied during the rehabilitation activity phase.
    - Title to, and ownership of, the rehabilitated property continues to be in the name(s) of the owner-occupant(s). Exceptions to the ownership rule will be made only in the event of death of the original assisted homeowner. An

annual credit of 20% will only be given at a pro-rata portion, beginning upon the date the rehabilitated property is completed and meets all required property standards, as certified by the homeowner on the Owner's Notice of Completion. In the event that the owner sells the assisted property during the required ownership period, the portion of assistance that was not forgiven at the time of sale or transfer of the property will be repaid to AHFC. The repayable portion of the loan will be determined by calculating a pro-rata portion that is rounded down to the nearest month. In the case that a transfer of title is the result of divorce where one of the original homeowners retains title to the assisted property, funds will continue to be forgiven annually in the same fashion as above. Title transfer in this case will not trigger repayment.

- If there are no breaches in the Note, Assistance Agreement, or Deed of Trust/Security Agreement, following the mandatory forgiveness period, unless the amount is over \$35,000/\$45,000 AHFC will reconvey the title/Security Agreement and return the original Note to the homeowner. AHFC will send the documents certified mail to the homeowner and will cover the reconveyance fee with HOME funds.
  - Should the homeowner wish to reconvey the Deed or Security Agreement at an earlier date, he or she may contact AHFC at any time to request a pay-off amount. AHFC's HOME funds will be used to cover the reconveyance fee. Please note that the remaining amount due on an ORP loan will not be subordinated to a refinanced loan or an additional loan on the property unless the only purpose of the refinance or additional loan is to make necessary repairs to the home, to lower the payments of the owner, or other exceptional circumstances. See (iv) below.
- b. ORP assistance exceeding \$35,000 or \$45,000 for homes with lead-based paint are repayable based on the on the following conditions:
- All funds in excess of \$35,000 or \$45,000 for homes with lead-based paint will be provided as a zero interest loan repayable at time of sale or title transfer. Once the loan is repayed AHFC will reconvey the title/Security Agreement and return the original Note to the homeowner. AHFC will send the documents certified mail to the homeowner and

will cover the reconveyance fee with HOME funds.

- The amount repayable at time of sale or transfer of title maybe reduced if the homeowner can show that the appraised value of the home is not sufficient to pay off the ORP loan in addition to any other lien(s) in superior position, and standard and customary seller's closing costs.
- In the event of death any remaining ORP assistance will be forgiven in its entirety and the AHFC will reconvey the title/Security Agreement and return the original Note to the surviving beneficiary.

ii. Exceptions to Forgiveness Terms

- a. In the event of the death of the original homeowner after project completion, and where no other original homeowner remains, the entire loan is forgiven and the ORP Note and Deed of Trust maybe reconveyed.
- b. In the event of the death of the original homeowner, before project completion, where no other original homeowner remains please contact the HOME Program Manager and HOME Project Manager. The work maybe entirely halted, if the expenses incurred can be paid out of HOME State funds. However, if HOME federal funds have been used work that is necessary to bring the unit up to property standards must continue and all other rehabilitation work can be cancelled. The revised project should be completed as soon as possible, with the representative of the estate acting as the new homeowner for purposes of project completion requirements. The homeownership requirements shall be forgiven in accordance terms outlined above. If no HOME project funds have been expended, project should be terminated immediately. Or, at the option of the estate representative and subrecipient, the Assistance Agreement, Note and Deed or Security Agreement and all inherent obligations therein, may be transferred to the subsequent Owner, provided the subsequent Owner's household meets all the eligibility requirements of the ORP program.
- c. If a transfer of title is the result of divorce where one of the original homeowners retains title to the assisted property, funds will continue to be forgiven annually in the same fashion as in C(i). Title transfer in this case will not trigger repayment. If a transfer of title is the result of a divorce where the new Owner was not on the original title, but the new Owner was a member of the household at the time of project completion, and included in the household's income calculation, funds will also continue to be forgiven as if no transfer had occurred.

- iii. Repayment. Repayment is required under the following circumstances:
- a. *Transfer of Title.* If, during the required ownership period, the owner sells or otherwise transfers title to the assisted property under circumstances other than those identified as exceptions in (ii) above, will become due and payable upon the sale or transfer of title of the rehabilitated property. The amount due will be calculated by AHFC, based on the period of time that the assisted homeowner did not continue to own the rehabilitated property during the forgivable time period and the amount of funds exceeding \$35,000 or \$45,000 for homes with lead-based paint.
  - b. *Refinance.* Under limited circumstances during the period of affordability, AHFC will subordinate to a new mortgage in superior position to that of the ORP loan. These circumstances are described in the section that follows. Unless a refinance conforms to these circumstances, AHFC will not subordinate its position with regards to the ORP loan to a refinanced or new mortgage. In such cases, the new loan's lenders will require the ORP loan be paid off in order for AHFC to completely reconvey the loan. The amount due is calculated by AHFC, based on the number of months that have passed since the ORP activity has been completed and if there are funds in excess of the program limits.
  - c. Semi-annually AHFC will notify subrecipients of the pay-offs that were made prior to the original reconveyance date and of any foreclosures that have occurred within the previous six month period.

iv. General Subordination Policy

Subordination of a loan made by AHFC under the ORP program is granted at the discretion of AHFC, and only after consideration of a recommendation made by the AHFC Loan Servicing Department and HOME Program Manager. Factors considered for subordination include the homeowner's current primary residence, the appraised value of the property for which the mortgage will be subordinated, the outstanding balance of all mortgages, the proposed use of the proceeds of the new mortgage, impact on the ORP program, the needs of the applicant, and other pertinent facts.

A request for subordination of an ORP loan must be in writing and show the new mortgage to which ORP will subordinate is for one or more of the following purposes:

- a. Refinance an existing mortgage to obtain a reduced (fixed) interest

rate resulting in a lower monthly payment for the borrower. (No cash out.)

- b. Refinance an existing mortgage to obtain a comparable (fixed) interest rate and extended payment terms resulting in a lower monthly payment for the borrower. (No cash out.)
- c. Obtain a home equity loan for the sole purpose of improving the premises for which AHFC had made the original ORP loan.
- d. Refinance an existing mortgage to halt foreclosure proceedings by a lender or halt tax deed foreclosure proceedings.
- e. Obtain a loan to pay for medical emergencies not covered by insurance.
- f. For any of the above circumstances, actual customary and reasonable costs required to close the new loan may be included in the new principal mortgage.

v. Important Subordination Limitation

It is the duty of Alaska Housing Finance Corporation to manage its ORP loan portfolio in a responsible manner, not subject tax dollars to unnecessary risk, and maintain the integrity of the ORP program's intent to assist low income homeowners in housing.

As such, AHFC will not consider requests to subordinate for cash out for the consolidation of consumer debt, such as credit cards, vehicles, or other "cash to homeowner" transactions. In no case will AHFC agree to subordinate in a transaction where the Loan to Value ratio (including outstanding ORP dollars) exceeds 100% of the appraised property value.

At the time of the subordination request, the premises for which Alaska Housing Finance Corporation made the original ORP loan must also be and remain the household's primary residence.

vi. Subordination Request Instructions

All requests for subordination must include the following documents. Requests will not be processed or considered complete until all required documents are received.

- a. A complete "Request for Subordination" form, signed by the homeowner(s).
- b. If required by the provider of the refinanced mortgage, a complete copy of the appraisal performed on the subject property by a

qualified appraiser. Otherwise, the property's most recent tax assessment.

- c. Copy of the borrower's completed and signed loan application.
- d. Copy of each household member's most recent federal income tax returns.
- e. Copy of the good faith estimate of closing costs, signed by the borrower.
- f. If applying for subordination to perform property improvements, copies of estimates for all work to be completed with the loan proceeds.
- g. If applying for subordination to pay for medical emergencies, copies of medical bills and/or estimates to be paid with loan proceeds, and evidence that expenses are not covered by insurance, such as private insurance, Medicaid, Medicare etc.
- h. If applying for subordination to halt foreclosure proceedings, evidence from the lender or other lien-holder that foreclosure proceedings are threatened or underway.

Request for Subordination forms may be obtained from, and completed subordination applications may be submitted to, the following address:

Alaska Housing Finance Corporation  
PO Box 101020  
Anchorage, AK 99510-1020  
Attn: Loan Servicing Manager

Tel: (907) 330-8204 (In Anchorage)  
Tel: (800) 478-2432 (Outside Anchorage)  
Fax: (907) 338-6162

Upon approval, AHFC will draft and forward an executed subordination agreement to the borrower, or their agent. However, all filing costs associated with this document shall be the responsibility of the borrower.

Please allow 7-10 working days for subordination requests to be processed. Upon approval, AHFC will draft and forward an executed subordination agreement to the borrower, or their agent. However, all filing costs associated with this document shall be the responsibility of the borrower.

If the Homebuyer is unsatisfied with the Serving Departments

recommendation, they may request an appeal by writing a letter of justification to the HOME Program Manager and that includes copy of the Servicing Department's determination letter.

Alaska Housing Finance Corporation  
PO Box 101020  
Anchorage, AK 99510-1020  
Attn: HOME Program Manager

Tel: (907) 330-8275 (In Anchorage)  
(800) 478-2432 (Outside Anchorage)  
Fax: (907) 338-2585

#### **D. ASSISTANCE AGREEMENT**

Before ORP funds are invested in a property, an Assistance Agreement must be executed between the subrecipient and the homeowner receiving either of these funds.

An Assistance Agreement with all required clauses is included in *Appendix H*. Provisions of the Assistance Agreement must include, as applicable, the scope of work, expected completion date, client responsibilities, property value limitations, principal residence requirements, property standards, repayment requirements, project termination terms, and a disclosure of the source of ORP funds. Other clauses may be included, as needed.

#### **E. SUBORDINATION POLICY AND CERTIFICATION**

Before ORP funds are invested in a property, the homeowner must sign an AHFC ORP Subordination Policy and Certification which acknowledges the homeowner has read and understands AHFC's subordination policy. The subrecipient may also provide the homeowner with a Subordination Request Form for future use. A copy of the Certification and Request Form is included in *Appendix H*.

#### **F. OWNERS NOTICE OF COMPLETION**

An Owners Notice of Completion must also be executed and recorded on the property when the rehabilitation work is completed. The day the homeowner certifies the Owners Notice of Completion begins the loan forgiveness period.

## SECTION V: PROJECT COSTS

### A. ELIGIBLE COSTS

Eligible costs include:

- i. **Project Hard Costs:** the actual cost of housing improvements site improvements.

Such costs include those associated with the following:

- a. Meeting applicable Property Standards identified within this Policy and Procedure Manual.
  - b. Making essential improvements, including energy-related repairs or improvements, improvements necessary to permit use by handicapped persons, and the abatement of lead-based paint hazards, as required by 24 CFR 92.355, and to repair or replace major housing systems in danger of failure.
  - c. Making accessibility improvements for persons who are disabled.
  - d. Demolishing existing structures.
  - e. Making utility connections, including off-site connections from the property line to the adjacent street.
  - f. Making improvements to the project site in keeping with improvements of the surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project.
- ii. **Project Soft Costs:** other reasonable and necessary costs incurred by the subrecipient and associated with the home improvements funded with ORP.

Such costs include the following:

- a. Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups.
- b. Processing the financing for a project, such as fees for title evidence, recording and filing of legal documents, building permits, attorney fees, private appraisal fees, and fees for an independent cost estimate and builders profit and developers fees.

- c. Costs of a project audit that the participating jurisdiction may require with respect to the development of the project.
  - d. Staff and overhead costs directly related to carrying out the project, such as work specification preparation, loan processing, inspections, and other services related to assisting ORP recipients.
  - e. Project contingency funds, not to exceed 10 percent of the known project costs. Known project costs do not include contingency funds. Under exceptional circumstances, the ORP Project Manager may approve contingencies of more than 10 percent. Requests for larger contingencies should be made in writing with appropriate explanation of the circumstances requiring larger amounts. Upon project completion, the project commitment amount (including the Note, Deed of Trust/Security Agreement, and Assistance Agreement) must be reduced by the amount of any unused contingency funds.
- iii. Eligible **Administrative Costs** include reasonable costs for the following:
- a. Funds may be used to pay administrative costs incurred by the subrecipient in the performance of program activities, but may not exceed the amount of administrative funds allocated in the subrecipients grant agreement. Funds can be used for general management, oversight and coordination of the program. Costs include, but are not necessarily limited to, necessary expenditures for the following:

Salaries, wages, and related costs of the subrecipient's staff. In charging costs to this category, the subrecipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities involve program administration assignments, or the pro-rated share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The subrecipient may use only one of these methods.

Program administration includes the following types of assignments:

- Developing systems and schedules for ensuring compliance with program requirements.
- Developing agreements with entities receiving ORP funds.
- Monitoring HOME-assisted housing for progress and compliance with program requirements, including program audits.
- Preparing reports and other documents related to the program for submission to AHFC.
- Coordinating the resolution of audit and monitoring findings.
- Evaluating program results against stated objectives.

- Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in ii (a) through (e) above.
  - Travel costs incurred for official business in carrying out the program.
  - Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting services, and audit services.
  - Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.
- b. Staff and overhead directly related to carrying out the project(s), such as work specification preparation, client and loan processing, inspections, or other services related to assisting ORP recipients. Note: These costs may be charged as administrative costs or as project soft costs at the discretion of the subrecipient. This may also include the costs of initial assessment/inspection for proposed projects that are later determined to be ineligible for the program.
- c. Public information, including the provision of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of projects being assisted with ORP funds.
- d. Activities that affirmatively further fair housing.
- e. Indirect costs may be charged to the HOME program under a cost allocation plan prepared in accordance with OMB Circulars A-87 or A-122, as applicable.

**B. ORP REHABILITATION FUNDING PRIORITY:**

Subrecipients must prioritize the rehabilitation needs of each project in the order identified below:

- i. Property Standards

Rehabilitation activity must focus first on all work necessary to meet required property standards identified within this Policy and Procedure Manual.

ii. Accessibility Improvements

**If there are sufficient project funds remaining after all required property standards will be satisfied**, additional work may entail accessibility improvements, including exterior ramps, kitchen and bathroom adaptations, or any other improvement which would upgrade the living conditions for handicapped use, as listed under the Americans with Disabilities Act.

iii. Energy-Related Repairs or Improvements

Where practicable, and subsequent to a determination that all required property standards will be satisfied, individual measures which further the energy efficiency of the rehabilitated property may be performed. Individual measures completed under this category must be of a nature that would further the rehabilitated property's ability to meet the State of Alaska's Building Energy Efficiency Standard (BEES). These measures may, alternatively, be funded with federal and/or state weatherization funds, if available. The BEES manual can be downloaded at AHFC's website at <http://www.ahfc.state.ak.us/reference/bees.cfm>.

iv. Incipient Repairs

If, after completing all necessary or applicable improvements stated under (i) - (iii) above, project funds are still available, the subrecipient may make incipient repairs. Incipient repairs are repairs to components in the home that are functional at the present time, but have been identified as worn and will likely need to be replaced or repaired within the next five years.

### **C. EXAMPLES OF TYPICAL DEVELOPMENT ACTIVITIES**

i. Exterior

Repair or replace all, or part of, the roof structure.

Repair or replace all, or part of, porches and/or step system.

Cover or coat exterior surfaces with appropriate materials, with the goal of eliminating or reducing maintenance.

Repair, replace, and/or install rain gutter system.

Grade the site to direct the flow of rainfall or melting snow away from structure.

Repair or replace damaged/non-functional doors and windows.

Clean up yard waste.

Repair foundation and/or chimney.

Utility Connections.

Lead-based paint control or abatement.

ii. Interior

Repair/replace/construct walls, ceilings and floors.

Repair/replace/install interior doors, handrails, stairs, kitchen cabinets and bathroom fixtures.

Repair/replace mechanical systems: heating, ventilation, plumbing and electrical.

Repair/replace structural components such as posts, beams, bearing walls, etc.

Lead-based paint control or abatement.

iii. Special Design Features

Widen doorways to accommodate the use of wheel chairs.

Construct ramp to provide/improve access for persons with disabilities.

iv. Related Soft Costs

Assessment and inspection work performed by subrecipient staff: up to 40 hours per project. At the discretion of the subrecipient, this may also be charged as an administrative expense.

Property Appraisal or Broker's Opinion of Value.

Building permits.

Contracted professional services: plan preparation, specifications, work write-ups, lead-based paint assessments and clearances, etc.

Mileage and/or travel directly related to the project.

**D. PROHIBITED ACTIVITIES AND COSTS**

- i. Purchase or repair of appliances not permanently attached to the home.  
  
EXCEPTION: The repair or replacement of appliances, such as a refrigerator or stove, is acceptable when necessary. Such costs may not exceed \$1,000.00 (\$750 for any one appliance or \$1,000 total), unless approved in writing by AHFC. Washers and dryers are generally not required or allowed without justification.
- ii. Landscaping, except for restoration of the site following an eligible activity, or for health, safety or accessibility reasons.
- iii. Relocation costs. Program funds may not be used to pay for relocation costs of any household member unless approved in writing by AHFC. **Unless relocation is due to lead-based paint activities, in no event may the cost of relocation, if approved by AHFC, exceed \$500.**
- iv. Site improvements, unless necessary to correct a violation of the Owner-Occupied Rehabilitation Program Property, Written, and Inspection Rehabilitation Standards.
- v. Any other cost determined to be ineligible per federal HOME regulations for ORP-funded projects only, or ineligible in accordance with AHFC Grant Management Regulations for all projects.
- vi. Additions to the footprint of a home that is located in a floodplain. Other additions need to be approved by the HOME Project manager. If changes, are made to increase the size of the dwelling the additions must comply with local building code.

## **SECTION VI: RECORD KEEPING**

### **A. RECORD KEEPING REQUIREMENTS.**

Subrecipients shall be responsible to establish and maintain sufficient records to enable AHFC and/or HUD to determine whether the subrecipient has met the requirements of the Subrecipient Agreement and policies and procedures outlined in this manual. Additionally, project files must be set-up in a manner prescribed by AHFC.

At a minimum the subrecipient must keep the following records:

- i. Records demonstrating the income eligibility of each household assisted with ORP.
- ii. Records demonstrating that the dwelling was the principal residence of the owner at the time ORP funds were invested in the property.
- iii. A records that a search was conducted at the State of Alaska, Department of Natural Resources Recorder's Office website or that a title search was ordered.
- iv. A full description of each project assisted with ORP, including the location and form of assistance provided.
- v. Records demonstrating that each project meets the property standards established within the Policy and Procedure Manual.
- vi. If a manufactured home was rehabilitated, records that it was in accordance with the property standards and eligibility outlined in this Policy and Procedure Manual.
- vii. Records demonstrating that the value of the property, after rehabilitation can not exceed the Single Family Mortgage Limits under Section 203(b) of the National Housing Act.
- viii. Records demonstrating that the total cost of rehabilitation did not exceed 75% of the value of the property after rehabilitation, or if in a Special Flood Hazard area, the total cost of rehabilitation did not exceed 50% of the value of the property before rehabilitation. If costs otherwise exceeded these limits, documentation of appropriate waivers and that the proper alternative environmental review process was followed.
- ix. Records which identify all sources and amounts, and application of funds contributed to each project.
- x. "Matching" contributions records associated with an ORP project, documenting

sources of funds other than ORP and whether the source is a federal or other source.

- xi. Records documenting administrative costs incurred by the subrecipient in the performance of ORP activities.
- xii. Records identifying the source and application of program income, repayments and recaptured funds.
- xiii. Records demonstrating adequate budget control, in accordance with 24 CFR 85.20, including evidence of periodic account reconciliation.
- xiv. Records demonstrating compliance with the Subrecipient Agreement, including but not limited to the subrecipient's cost allocation plan.
- xv. Records demonstrating compliance with applicable uniform administrative requirements identified within the Policy and Procedure Manual.
- xvi. Records documenting required inspections, monitoring reviews and audits, and the resolution of any findings or concerns.
- xvii. Equal Opportunity, Fair Housing and Affirmative Marketing Records:
  - a. Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with HOME ORP funds.
  - b. For all subrecipients: documentation of actions undertaken and outcomes achieved under the subrecipient's Affirmative Marketing and Outreach Plan.
  - c. Documentation of actions undertaken to meet the requirements of 24 CFR part 135, which implements Section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701u).
  - d. Documentation and data on the steps taken to implement outreach programs to minority and female-owned businesses, including data indicating the racial/ethnic or gender character of each business entity receiving a contract or subcontract of **\$25,000** or more, paid, or to be paid, with ORP funds; the amount of the contract or subcontract, and documentation of the subrecipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as the source of supplies, equipment, construction, and/or services.

- xviii. If applicable, records supporting requests for waivers of the conflict of interest prohibitions identified in 24 CFR part 92.356.
- xix. Records of certifications concerning debarment and suspension required by 24 CFR part 24 and 91 (copy of website search).
- xx. Records demonstrating compliance with the labor requirements of 24 CFR part 92.354, including contract provisions and payroll records (required only for contracts involving 12 or more HOME-assisted units).
- xxi. Records demonstrating compliance with the environmental review requirements of 24 CFR part 92.352 and 24 CFR part 58.
- xxii. Records demonstrating the age of house construction.
- xxiii. For ORP projects on buildings built before 1978: any required lead-based paint notices provided to occupants of assisted housing, and evidence of compliance with lead-based paint regulations at 24 CFR part 35.
- xxiv. Evidence that all required Assistance Agreements, Notes, Deeds, Security Agreement, Notice of Completion, and Subordination Policy certifications have been properly executed.
- xxv. Procurement policy standards if contractors or subcontractors are utilized by the subrecipient.

## **B. PERIOD OF RECORD RETENTION**

Records must be retained by the subrecipient until the loan has been reconveyed, except as follows:

- i. Written agreements must be retained for five years after the agreement terminates;
- ii. If any litigation, claim, negotiation, audit, or other action has been started before the expiration of the regular period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

## **C. ACCESS TO RECORDS**

The subrecipient must provide AHFC, HUD, the Comptroller General of the United States, or any of their representatives, with reasonable access to all and any pertinent books, documents, papers or other records pertaining to the subrecipient's administration of ORP funds provided by AHFC, in order to make audits, examinations, excerpts, and transcripts.

## **SECTION VII. APPLICANT AND PROJECT PROCESSING**

### **A. STEP 1: PRIOR TO FIRST DISBURSEMENT**

The subrecipient's grant agreement lists documentation that must be provided before any disbursements may be made under the ORP program. Among these includes the Cost Allocation Plan, which must be submitted by the subrecipient and approved in advance by the Grant Administrator.

### **B. STEP 2: APPLICATION PROCEDURES**

Subject to completing Affirmative Marketing and Outreach Requirements identified in Section II of this Policy and Procedure Manual, the subrecipient must prioritize applicants utilizing the Homeowner Targeting: Priorities and Preferences criteria identified in Section II of this Policy and Procedure Manual. The applicant must also develop an application form that meets the criteria outlined in Section II of this manual and that meets the needs of their own program.

### **C. STEP 3: APPLICANT ELIGIBILITY DETERMINATION**

Upon completing Step 1 and the receipt of applications, the subrecipient must affirm the following applicant eligibility criteria:

- i. The applicant and the property have not been assisted previously with HOME funds (obtain a title search report or please contact the HOME Grants Administrator at (907) 330-8271).
- ii. The proposed property is the principal residence of the applicant:
  - a. Obtaining a written certification from the applicant/eligible senior that the property proposed for rehabilitation is occupied by the applicant as his/her primary home.
  - b. For homeowners, reconciling this certification against residency address and ownership data indicated by the applicant in the ORP application.
- iii. The applicant is income-eligible based on the calculation and verification methods identified in Section II, Income Eligibility, of this Policy and Procedure Manual.

### **D. STEP 4: PROPERTY ELIGIBILITY DETERMINATION**

Upon completing Step 2, the subrecipient must affirm the following property eligibility criteria:

- i. The property is a single-family residential home, condominium dwelling, or other equivalent form of ownership approved by AHFC. Two to four unit properties are not eligible.

If the property is a condominium or cooperative unit, a determination that ORP funds are not intended to be used to make improvements to common spaces or systems.

- ii. The property does not have a Notice of Sale or Default filed against it based on a title search report.
- iii. The property proposed for rehabilitation meets the definition of “Homeownership” as outlined in this manual. The following documentation must be collected:

- a. For a property under fee simple ownership or lease-hold owner the applicant should provide initial evidence of a warranty or quitclaim deed, or if applicable, copy of a long-term lease, or other appropriate form of title evidence. This documentation must be verified by obtaining a title search report from a title insurance company verifying that the applicant is in title to the property.
- b. An applicant residing in a manufactured home must provide a title or other supplemental documentation to be approved by the HOME Program Manager. This documentation must be verified through the Recorder’s Office, a title company, or through the Division of Motor Vehicles. Note: Alaska Statutes exempt mobile homes (manufactured) from registration. Titling a mobile home is optional. The Division of Motor Vehicles has determined that a mobile home fixed to a permanent foundation becomes “real property” and ceases to be vehicle, as it no longer meets the definition of a “mobile home” and may not be titled. If ownership can not be verified through the DMV, the subrecipient may contact the HOME Program manager for a waiver.

- iv. After rehabilitation, the property value will not exceed the Single Family Mortgage Limits under Section 203(b) of the National Housing Act for the type of single-family housing for the area, as determined by HUD.

Note: This determination may need to be made in conjunction with an assessment of the rehabilitation needs and value contribution of the proposed rehabilitation activities.

- a. The property’s after-rehab value must be determined by one of the following methods:

- Adding the property's present assessed value, as established by a local governmental unit, to the cost estimate for the rehabilitation work to be completed. The assessed value can usually be found on the local government's website. Other known factors available to the subrecipient must also be taken into consideration.
- An appraisal performed by a licensed State of Alaska appraiser.
- A licensed Real Estate Broker's written opinion of value.

**In the event that the after rehab value has been only established using the local governments assessed value and it comes within \$40,000 of the of the FHA Family Mortgage Limits under Section 203(b) of the National Housing Act the subrecipient must obtain further evidence of value using either an appraisal performed by a licensed State of Alaska appraiser or a licensed Real Estate Broker's written opinion of value.**

v. Properties with Large Acreage:

The value of all acreage on which the home is situated (contained within the same legal description) must be included. Requests for waivers must be presented, in writing, to AHFC program staff for approval.

**E. STEP 5: PRELIMINARY ELIGIBILITY DETERMINATION AND NOTIFICATION**

After completing Steps 1 - 3 above, the subrecipient should make a preliminary determination of the applicant's eligibility for ORP assistance. The subrecipient must notify the applicant of the status (preliminary eligibility or ineligibility), and if ineligible, state the reasons for this determination.

Homeowners should all be provided with applicable agreement(s) for review. Certain agreements will need to be submitted in Step 7 and must be signed before project set-up.

A file must be maintained which contains records regarding all denied applications. It should include copies of the application, letter of denial disclosing the reason, and any other relevant documentation which was utilized in the denial determination.

Appeals Procedures

The subrecipient must establish procedures for accepting and reviewing appeals from the applicant regarding ineligibility determinations, including, but not limited to, review of the

application by the subrecipient's Executive Director. The appeals procedure must further allow, if requested by the applicant, the ability of the applicant to appeal to AHFC ORP program staff, if the subrecipient's initial appeal review is upheld.

#### **F. STEP 6: FIELD ASSESSMENT**

Upon completion of Steps 1 -5, and preliminary determination of an applicant's and their property's eligibility, the subrecipient shall:

- i. The subrecipient must conduct an assessment of the property and complete the environmental review. Subrecipients are responsible for developing their own housing property assessment tools. However, the assessment should answer the following questions:
  - a. Is the property located in an area subject to local rehabilitation codes or ordinances? If so, what rehabilitation work needs to be completed to satisfy these codes or ordinances?
  - b. Is the property located in an area subject to local rehabilitation codes or ordinances, what rehabilitation work needs to be completed to ensure that all work done satisfies current State or local codes?
  - c. If the rehabilitated home is a manufactured housing unit, will it meet the property eligibility conditions?
  - d. Will it meet the after AHFC rehabilitation inspection standards?
  - e. What are the results of the blower door test conducted at the time of the assessment?
  - f. What are the results of the combustion efficiency and carbon monoxide testing of all combustion appliances?
  - g. What heating system equipment, if any, should be replaced?
  - h. Is the property structurally sound and not in danger of becoming deteriorated or unsafe within five years after rehabilitation?
  - i. What incipient repairs are recommended?
  - j. What is the estimated cost of the rehabilitation/accessibility modifications work?
  - k. What needs to be accomplished to ensure compliance with the **Environmental Regulations and Lead-Based Paint Poisoning Prevention Act** requirements found in Section II of this Manual.

- ii. Based on the assessment a scope of work should be developed that details the rehabilitation and accessibility modifications needed, including all work necessary to meet required property standards.

The subrecipient shall take a sufficient number of photographs of the property to adequately represent the condition of the property and its rehabilitation needs.

- iii. Using the field assessment, establish a preliminary cost estimate for the rehabilitation work needed to meet all required property standards established in Section II of this Policy and Procedure Manual.
- iv. Using the preliminary cost estimate developed in (iii) above, re-determine the eligibility of the proposed project, according to the following funding and property criteria:
  - a. Maximum ORP assistance which may be contributed, as identified in Section II, Funding Limitations, of this Policy and Procedure Manual.
  - b. Property value limitations.

#### **G. STEP 7: BID PROCESS**

- i. After completing Steps 1 - 6 above, the subrecipient must complete procurement (bid) processes for the scope of work to be completed. Procurement processes must comply with Section III (B) of this Policy and Procedures Manual.
- ii. Rehabilitation work may not be performed prior to AHFC project approval of the project set-up.

#### **H. STEP 8: SETTING UP THE PROJECT**

- i. Prior to setting up the project, Subrecipients shall facilitate the applicant's execution of the Assistance Agreement and the AHFC Subordination Policy and Certification. See Step 9 for more detail on these documents.
- ii. The subrecipient shall submit the relevant documents to AHFC for each proposed ORP project as outlined in Section VIII.
- iii. Upon review of the above information, the AHFC ORP Project Manager will approve or deny the application, or if applicable, request additional information determined to be necessary to evaluate the proposed project. In cases where

certain waivers are requested, the HOME Program Manager may also review application for approval or denial. This decision shall be in writing, and shall include:

- a. If denied, the reason for denial.

Applications which are denied by AHFC may be resubmitted by the subrecipient, provided that the resubmission contains new or additional information or explanations necessary to satisfy the deficiencies noted by AHFC in the initial submission.

- b. If approved, the HUD IDIS activity number.

Upon receipt of AHFC's project approval, the subrecipient shall notify the applicant (homeowner), and the contractor, if applicable, of the application approval and schedule and conduct a pre-construction conference. The subrecipient shall also update its database with the new HUD IDIS activity number.

#### **I. STEP 9: PRE-CONSTRUCTION CONFERENCE**

- i. The subrecipient shall conduct a pre-construction conference, attended by the subrecipient, the contractor, if applicable, and the homeowner.

Conference topics shall include:

- a. Confirmation of the scope of work (rehabilitation activities) to be performed.
- b. Establishment of a schedule for the commencement and completion of work.
- c. A discussion of the roles and responsibilities of the parties involved.
- d. A thorough review of the agreements required to be executed by each party.

#### **J. STEP 10: EXECUTION OF AGREEMENTS AND NOTICES**

Subsequent to, or as part of the pre-construction conference, the subrecipient shall facilitate the execution of, and retain as part of the project file, the following documents:

- i. Assistance Agreement.

Note: These Agreements must be the most recent versions, and must be

executed prior to AHFC Project Approval.

ii. Subordination Policy and Certification.

Applicants of ORP funds must be provided a copy of this policy and sign that they have received and understand its contents. This will occur at the same time as the applicant signs the Assistance Agreement.

iii. Homeowner ORP Note

The original Note must be forwarded to AHFC as part of the final project closeout material.

iv. Homeowner ORP Deed of Trust or for manufactured housing units in a park (where homeowner does not own the land), a Security Agreement (UCC).

The Deed of Trust must be forwarded to a local title company for recording, or the Security Agreement must be forwarded to the central recording office in Anchorage for recording as a UCC. A “conformed copy” must be requested and maintained by the subrecipient in the project file. A copy of the “conformed copy” must be provided to AHFC as part of the final project closeout material. Recording instructions must include the requirement to send the original Deed of Trust to AHFC after recording.

Under UCC regulations effective July 1, 2001, it is critical that the legal name listed on the Security Agreement be accurate. Please verify this name against the name listed on the DMV title, including any middle initials or names if listed. UCCs must be recorded in the central recording office in Anchorage, rather than local recording offices. Forms and instructions are available at <http://www.dnr.state.ak.us/ucc/>

Note: If a revision to the Note needs to be made, because all of the contingency funds are not needed, or in the event that a formal project amendment has been made to the Deed of Trust a “Modification Agreement” must be recorded. This modification form must be recorded in accordance with the Deed of Trust recording instructions above.

### **K. STEP 11: NOTICE TO PROCEED**

Upon receipt of all notices, loan documents, and agreements identified above in Step 9, and confirmation that the Deed of Trust has been recorded, the subrecipient may proceed with rehabilitation activities and/or issue a Notice to Proceed to the contractor.

### **L. STEP 12: PROJECT MONITORING**

The subrecipient shall routinely monitor the progress of each project, and is responsible for

ensuring that the contractor and/or the subrecipient's work crew adheres to all applicable rules, regulations and procedures outlined in the ORP Policy and Procedure Manual.

### **M. STEP 13: USE OF CONTINGENCY FUNDS**

In the event that unforeseen circumstances arise during the rehabilitation of the property which necessitates the investment of additional ORP funds, the subrecipient may authorize additional work and expenditures by the contractor or subrecipient's work crew, so long as those expenditures do not exceed the amount of the approved contingency funds.

### **N. STEP 14: PROJECT REVISIONS**

If necessary, Assistance Agreement includes a place to make dollar amount revisions. Any change orders associated with a project must be documented in the project file in writing, including the dollar amount of change and the reason for the change. If change orders result in the need to amend the ORP project commitment amounts, this documentation should be provided to the ORP Project Manager, as discussed below.

A project revision (commitment funding increase) may be submitted to AHFC for approval in the event that the project's scope of work needs to be amended, based on unforeseen and exceptional circumstances which cannot be completed within the contingency budget. A Project Change Order Form, found in Appendix H must be submitted to AHFC's ORP Project Manager. If approved by AHFC, the subrecipient must have the homeowner execute a Modification to the Note, using appropriate form.

Appropriate documentation for the project revision must be maintained by the subrecipient in the project file.

### **O. STEP 15: PROJECT COMPLETION**

- i. Building Inspections. When notified by the contractor or subrecipient's work crew that the work has been completed, the subrecipient shall:
  - a. Contract an inspector or use their own qualified staff to inspect the dwelling unit to confirm that all required property standards have been satisfied and that the original scope, or amended scope, if applicable, has been satisfactorily completed.
  - b. Order any applicable required building department inspections: Municipal, Borough, or State.
- ii. Notice of Completion, and Claimant Liens. Subsequent to a determination that the scope of work and all required property standards have been satisfied, the subrecipient shall:
  - a. Sign the Grantee Lien Waiver ensuring to AHFC that to the subrecipient's knowledge there are no outstanding liens on the property. It is the subrecipient's responsibility to ensure and verify

that there are no outstanding liens on the property through procedures they develop.

- b. Once the subrecipient has verified that there are no outstanding liens on the property they can execute a Homeowner's Notice of Completion.
- iii. Other Project Completion Tasks
  - a. Complete Project Close-out form.
  - b. In the event that funds advanced by AHFC to the subrecipient for the purposes of the project have not been fully utilized, the subrecipient must return the unused funds to AHFC upon submission of the Project Completion Form.
  - c. Take a sufficient number of photographs of the property to adequately represent the completed condition.
  - d. In the event that all committed funds, including contingency funds, are not utilized, the subrecipient must modify the Note, utilizing the Modification to Note form. This form must be submitted to AHFC.
- iv. Items outlined in Section VIII must be submitted to AHFC upon project completion.
- v. Weather-Related Delays to Project Completion

The subrecipient shall take reasonable steps to ensure that all project work can be completed on a timely basis. In limited circumstances it is acknowledged that certain rehabilitation or accessibility modification work may not be able to be immediately completed due to seasonal weather conditions. If all other work has been completed satisfactorily, the subrecipient may request approval from AHFC to initiate project completion processes (including lien claimant protection actions) for the work completed to date, prior to completing the weather-inhibiting work items.

In these cases, the subrecipient and contractor, if applicable, shall agree in writing to contractual terms obligating the contractor to finish the uncompleted work as soon as weather permits. Funds for the uncompleted work will be withheld by AHFC and the subrecipient until such time as that portion of the rehabilitation work is completed. **The subrecipient must again certify to AHFC that there are no outstanding liens on property for the additional work once it is**

**completed.**

## SECTION VIII: PROGRAM/PROJECT FILES AND MONITORING

### A. ADMINISTRATIVE RECORDS INSTRUCTIONS

The subrecipient shall maintain sufficient records to enable AHFC and/or HUD to determine whether the subrecipient has met the requirements of the Subrecipient Agreement and the Policy and Procedure Manual. The subrecipient shall retain records in accordance with the tables below. A separate file shall be maintained for each table. The subrecipient shall also submit the documentation outlined in Section D to AHFC.

### B. PROGRAM FILES

Subrecipient Agreement File	
1.	Subrecipient Grant Agreement
2.	Grant Amendments
3.	Insurance Documents
4.	Correspondence
5.	Quarterly and Final Reports
6.	Affirmative Marketing Plans and supporting documentation
7.	Audits Performed by AHFC
8.	Waivers for Conflict of Interest Prohibitions
	Copy of all MBE/WBE Section 3 Reports
9.	Procurement Standards
10.	Appeals Procedures
11.	Targeting Policy

Subrecipient Financial File	
1.	Cost Allocation (approved)
2.	Administrative Costs Summary and Supporting Data
3.	Copies of Administrative Payment Request Forms
4.	Summary of Program Costs and Supporting Data
5.	Records of Program Income, Repayments and Recaptured Funds
6.	Records Demonstrating Adequate Budget Control, in Accordance with 24 CFR 85.20,
7.	Including Evidence of Periodic Account Reconciliation
8.	Records Demonstrating Compliance with Applicable Uniform Administrative Requirements

## **C. PROJECT FILES**

<b>Project Files</b>					
*Required for all files					
	<b>Section I.</b>		<b>Section II.</b>		<b>Section III.</b>
*	Checklist	*	Checklist	*	Checklist
*	ORP Application	*	Scope of Work	*	Historic Property Determination
*	Income Verification Documentation	*	Purchasing Documentation Checklist	*	Copy of Environmental Statutory Review Worksheet
*	Income Calculation Records		Print out of Debarred Contractor Webpage		Other Supporting Environmental Review Documentation
*	Print out of Recorder's Office Search	*	Cost Estimate		Acknowledgement of Received "Protect Your Family from Lead-Based Paint"
*	Title Search		Bids and Proposals Documentation		Copy of Notice of Lead-based Paint
*	Copy of Ownership Documents		Responses to Bids and Proposals		Copy of Notice of Lead-based Paint Present
*	Copy Project Completion Form		Rehabilitation Construction Contract		Copy of Notice of Lead-based Paint Reduction
*	Property Assessment Documentation		Davis Bacon Documentation		Other Lead-based Paint Assessment, Control, Clearance Documents
*	Copy of Set-up Form		Applicable Contractor Licenses	*	Pre-rehabilitation Pictures
	Copy of Waiver Letter		Grantee's Lien Waiver	*	Post-rehabilitation Pictures
*	Copy of Assistance Agreement		Construction Payment Summary	*	Property Location Map
*	Copy of Note		Building Permits		
*	Copy of Deed of Trust/Security Agreement	*	State and Local Code Inspection Document		
*	Copy of Modification Agreement		Documentation of Home-Based Business Footage		
	Verification of a Disability		Insulation/ Vapor Barrier Inspection Documents (if applicable)		
	Request for Accommodation				
*	Copy of the Subordination Policy				
*	Copy of Notice of Completion				
*	Payment Request Records				
	Waivers/Correspondence Provided by AHFC				
	Change Order Form				

## **D. DOCUMENTATION SUBMITTED TO AHFC**

<b>Forms Submitted to AHFC for Project Set-up</b>			
	<b>Document Name</b>	<b>File Name</b>	<b>Manual Location</b>
1.	Waiver Letter (if necessary)	-	-
2.	Project Set-up Form	Set-up Form.doc	Appendix H
3.	Project Payment Request Form (Initial)	Provided by Grant Administrator	Appendix H- Sample
4.	Copy of the Recorder's Office Search or Title Search	-	Appendix H-Sample
5.	Scope of Work	-	-
6.	Environmental Review and Supporting Documents	EER Statutory Worksheet.doc	Appendix E
7.	Title Search	-	-

<b>Change Order Form</b> , if necessary, between set-up and completion	Change Order Form.doc	Appendix H
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<b>Forms Submitted to AHFC for Project Completion</b>			
	<b>Document Name</b>	<b>File Name</b>	<b>Manual Location</b>
1.	Original Homeowners Note	Note.doc	Appendix H
2.	Conformed Copy of the Deed or Trust or Security Agreement	Security Agreement.doc or Deed of Trust.doc	Appendix H
3.	Original Homeowners Assistance Agreement	Assistance Agreement.doc	Appendix H
4.	Signed AHFC Subordination Policy and Certification	Subordination Pol Cert.doc	Appendix H
5.	Project Payment Request Form (Final)	-	Appendix H-Sample
6.	Modification Agreement (if necessary)	Modification Agreement.doc	Appendix H
7.	Any appraisals or written opinions of value	-	-
8.	Notice and Certification of Completion (recorded)	Owners Notice of Completion.doc	Appendix H
9.	Project Completion Form	Completion Form.doc	Appendix H
10.	Lien Waiver	Lien Waiver.doc	Appendix I

## **E. PROGRAM MONITORING**

Per federal regulation, AHFC is required to monitor the performance of each subrecipient annually.

In accordance with this requirement, AHFC will:

- i. Perform periodic inspections of approved projects. Project inspection will focus on the scope of work performed, and test whether required property standards have been satisfied. Approximately 5% of all approved projects may be inspected. However, AHFC reserves the right to inspect a greater percentage of the units in the event that inspections reveal consistent errors in meeting required property standards.
- ii. Conduct an annual on-site program compliance review to evaluate and provide guidance to the subrecipient regarding the subrecipient's performance of activities required under the Subrecipient Agreement, the subrecipient's Cost Allocation Plan, and this Policy and Procedure Manual.

