

**Community Development Block Grant Program
Disaster Recovery
Housing Assistance Plan
for
THE CITY OF KEY WEST, FLORIDA**

**Prepared by
Community Development Office – City of Key West
March 7, 2007**

I. INTRODUCTION	3
II. DISASTER RECOVERY TARGETING	3
A. Priority 1 - Special Consideration	3
B. Priority 2 - FEMA Trailers	3
C. Priority 3 - Single Family and Multifamily Structures	3
D. Priority 4 - Rehabilitation Resulting in Additional Units	4
E. Priority 5 - New Construction	4
III. HOUSING REHABILITATION OBJECTIVES AND POLICIES	4
A. Objectives	4
B. Rehabilitation Policies	5
C. Identification of Units	5
D. Approval of Ranking and Removal of Units from Program	6
IV. CONFLICT OF INTEREST	7
V. HOUSING REHABILITATION FINANCING	7
A. Deferred Payment Loans (DPL)	7
B. Scope of Rehabilitation Assistance	8
VI. QUALIFICATIONS	9
A. General	9
B. Household Income	10
VII. STRUCTURAL REQUIREMENTS	10
A. General	10
B. Structural Integrity	11
C. Cost Feasibility	11
VIII. PROCEDURES	12
A. Application and Inspection	12
B. Bidding	12
C. Contracting and Rehabilitation	13
D. Inspections	14
E. Change Orders	14
F. Payment	14
G. Disputes and Contract Termination	16
H. Follow-Up	16
IX. CLEARANCE/PERMANENT RELOCATION/DEMOLITION RELOCATION	16
A. General	16
B. Clearance	16
C. Permanent Relocation/Demolition Relocation	17
D. Differences From Rehabilitation	17
X. CONTRACTOR LISTING	18
A. Recruiting	18
B. Contractor Eligibility	18
C. Disqualification	19
XI. RELOCATION/DISPLACEMENT	20
XII. APPEALS/COMPLAINTS	20
XIII. PROGRAM INCOME	21
XIV. PROPERTY ACQUISITION POLICY	21
A. Voluntary	21
B. Non-Voluntary Acquisition Plan	22
C. Timing/Planning	23

I. INTRODUCTION

This plan is a guide for operating the housing rehabilitation related aspects of the **City of Key West, Florida** Community Development Block Grant (CDBG) program. The responsibilities of the homeowner, construction contractor and the Housing Rehabilitation Specialist are specifically addressed in this plan. The major focus of this plan is on housing and rental rehabilitation, demolition/clearance and replacement of dwellings. Relocation of households is also covered to a limited extent. The Anti-displacement Policy should be consulted if displacement or permanent relocation becomes necessary.

The goal for the CDBG program is to rehabilitate substandard housing and rental units located in **The City of Key West, Florida, and other jurisdictions in the County desiring to participate**, and to bring them up to a minimum acceptable living standard. This standard is the HUD Section 8 Minimum Housing Quality Standard and the Florida Building Code. This goal will be achieved through the use of CDBG funds to contract for the required rehabilitation construction. The rehabilitation units to be assisted shall be owner-occupied or multi-family rental units leased to eligible occupants.

II. DISASTER RECOVERY TARGETING

Disaster Recovery Affordable Housing Assistance is being provided to assist income eligible applicants whose homes sustained damage from Hurricanes Katrina or Wilma in 2005. To be eligible, the residential or multifamily structures must have sustained damage from either Hurricanes Katrina or Wilma that remains un-repaired at this time. All FEMA and insurance company settlements must be utilized first to repair the structure before Disaster Recovery funding is used.

A. *Priority 1 – Special Consideration*

In accordance with the Florida Department of Community Affairs Disaster Recovery Initiative Action Plan, the **City of Key West, Florida** (the City) will give special consideration to the unmet housing needs of the elderly, people with disabilities, farm workers, the homeless and persons living in poverty by an outreach program designed to solicit program participation by providers and individuals. This outreach will take place before any other funds are advertised or awarded. Subsequent outreach will be in priority order. Funding will be limited to \$60,000 per single family residence, \$40,000 per multifamily unit, and \$20,000 per care facility bed and associated administrative buildings/facilities. Eligible applicants will include individual property owners, not-for-profits and government entities.

B. *Priority 2 – FEMA Trailers*

Assist all single family eligible structures owned by eligible households currently residing in a FEMA trailer.

C. *Priority 3 – Single Family and Multifamily Structures*

Assist all single family and multifamily eligible structures occupied by income eligible households who qualify for funding.

Funding for mobile homes contained in priorities 1, 2 and 3 shall be limited to \$1,000,000.

D. Priority 4 – Rehabilitation Resulting in Additional Units

A waiver will be required from DCA and HUD for this Priority if funds are available.

E. Priority 5 – New Construction

A waiver will be required from DCA and HUD for this Priority if funds are available.

III. HOUSING REHABILITATION OBJECTIVES AND POLICIES

A. Objectives

The objectives of the **City of Key West, Florida** Housing Rehabilitation Program are:

1. To encourage the revitalization of low-to-moderate income neighborhoods through a Housing Rehabilitation Deferred Payment Loan (DPL) Program.
2. To remove unhealthy or hazardous conditions in low-to-moderate income households.
3. To use Community Development Block Grant rehabilitation funds as a catalyst to encourage residents of low-to-moderate income neighborhoods to improve their community.
4. To preserve existing housing stock, or replacement of substandard housing.
5. To enable low-to-moderate income families to rehabilitate their homes by providing financial and technical assistance to those unable to obtain private financing.
6. To reduce utility costs and to improve the comfort of low-to-moderate income families through weatherization aspects of rehabilitation.
7. To improve the property tax base in low-to-moderate income neighborhoods.
8. To increase employment and training opportunities for local residents and minority persons through the provision of funds for the rehabilitation of homes.
9. To make homes accessible to elderly/handicapped occupants as may be required by code, accessibility requirements and as good judgment may dictate.

10. To minimize impact of program participation on recipients and to limit direct costs encountered because of program participation.

B. Rehabilitation Policies

It is the policy of the **City of Key West, Florida** Rehabilitation Program to:

1. Assure that the Program is administered in strict conformance with the community development and rehabilitation rules and all applicable local, state and federal requirements (including equal opportunity, conflict of interest, etc.)
2. Treat all participating property owners, residents, and contractors fairly, with sensitivity and respect for their needs.
3. Provide all program participants any reasonable assistance necessary to carry out the objectives of the program, bearing in mind:
 - 1) that property owners hold the primary responsibility for maintaining their property and personal finances,
 - 2) that contractors are primarily responsible for the quality of their work and their obligations to suppliers, creditors, subcontractors and employees; and
 - 3) that any assistance provided must be approved and eligible under the plan.
4. Assure that no member of the Congress of the United States, the Citizen Advisory Task Force or the **City of Key West, Florida** Commission shall share in proceeds or benefits of CDBG funded rehabilitation work.
5. Allow some flexibility in administering the program in order to meet the program's goals and objectives of rehabilitating each addressed dwelling to attain HUD Section 8 Minimum Housing Quality Standards and the Florida Building Code. The **City of Key West Community Development Office** may waive program rules only when the result will be consistent with established goals and objectives, and applicable federal, state or local regulations.
6. Housing rehabilitation and replacement will be considered equal priorities. However, final determination of activities will be based upon availability of funds. Priority will be given to homeowners living in FEMA Disaster Housing unless it is determined that the inclusion of other approved structures is necessary to meet program requirements.

C. Identification of Units

Housing Rehabilitation will take place only on units approved by **The City of Key West Community Development Office** and in accordance with grant requirements established by the State of Florida. Alternate units may be provided to replace any

primary units that may become ineligible. **The City of Key West Community Development Office** will solicit applications either from other housing assistance providers that have knowledge of need within **Monroe County**, by placing notices in public areas throughout **Monroe County** and/or by advertising in publicly circulated publications. **The City of Key West Community Development Office** will review applications received using the following selection criteria:

1. Number of persons in the family and the family income.
2. Type of construction (i.e., block, manufactured home, wood frame, etc.), state of deterioration of the residence and estimated cost to rehabilitate as compared to 1) average residence cost calculated in the application and 2) the value of the residence after rehabilitation.
3. Location of the residence with reference to defined areas, i.e., floodplain, zoning, incompatible use, etc.
4. Compatibility (consistency) of the proposed residence rehabilitation with the local comprehensive plan and/or land development regulations.
5. Is the recipient current on payments to the local government (i.e., garbage/trash bill, utility bills, taxes, etc.) and mortgage/lien holders?
6. Recipients' willingness to maintain reasonable standard of care and maintenance to protect and enhance the investment by meeting local nuisance, trash, and other environmental or health codes.
7. Does the recipient have clear title to the property?
8. Is the structure more than 50 years old? The applicant shall indicate on the application form whether to his/her knowledge the structure is older than 50 years old. If he/she answers yes, or if other evidence suggests the structure is more than 50 years old, **the City of Key West Community Development Office** must notify the State Bureau of Historic Preservation and receive written approval for the rehabilitation. Property appraiser, tax records, or other government agencies records will be researched to verify the age of the structure.
9. In addition to the above, the following priority ranking in Appendix A shall be strictly adhered to in the selection of qualifying applicants.

D. Approval of Ranking, and Removal of Units from the Program

The Housing Rehabilitation Specialist and the Project Administrator shall review and rank the applications based on the criteria attached as Appendix A for units owned by applicants. Rental applicants will be ranked based on the lowest cost per unit and highest number of LMI units.. The application process will have a noticed cut off date for the receipt of applications. Applications received after that date shall be considered

on a first come, first served basis after the primary list of applicants has been considered.

The Housing Rehabilitation Specialist or the Project Administrator may remove a housing unit from the program for a change in household income or approved selection criteria. If it is determined that it is necessary to remove an applicant from the program, a certified letter will be sent to the applicant stating the reasons for the removal. The applicant will have the right to appeal the decision as identified in the Citizen Participation Plan.

IV. CONFLICT OF INTEREST

Although addressed in other places in this Policy, adherence to rules and regulations on this matter is mandatory. All applicants that may have a business or familial relationship with a member of the **City of Key West, Florida** Commission, Citizen Advisory Task Force Committee, Housing Rehabilitation Specialist, Program Administrator, or participating construction contractors must fully disclose this relationship on the Application and definitely before a construction contract is executed. Before an applicant with a potential or real conflict is given final approval for participation, **the City of Key West, Florida** must notify the Department of Community Affairs (DCA) in writing. Prior to any rehabilitation, **the City of Key West, Florida** must receive written notification of DCA's approval of the application, in accordance with 24 C.F.R. Section 570.489. If this process is not followed the local government and/or the applicant may be liable for returning the funds to the program.

V. HOUSING REHABILITATION FINANCING

The Housing Rehabilitation Program provides financing to homeowners in the form of 100% Deferred Payment Loans, the amount of which shall include the accepted bid amount plus a contingency reserve.

A. *Deferred Payment Loans (DPL)*

Deferred Payment Loans are conditional grants, and are provided to homeowners who are unable or unlikely to obtain conventional financing due to their income limits. The Deferred Payment Loan (DPL) involves a security instrument (lien) requiring repayment of the loan only if the homeowner sells or transfers ownership of the rehabilitated home, ceases to use it as his/her primary residence within ten years of the date of the DPL, or fails to maintain reasonable required standards of care and maintenance. During the ten-year period, the principal is "forgiven" or subtracted from the principal balance in equal monthly amounts starting in year six (6), so that at the end of the tenth year of owner occupancy (by at least one of the recipients if owned jointly), the loan is fully amortized. There is no interest charged during the ten years.

A DPL lien will also be required on rental property to insure a five-year affordability period for eligible tenants. A DPL lien will not be required for governmental agencies or property owners who have agreed to set-aside rental units utilizing a Land Use Restriction Agreement (LURA) for income eligible tenants.

In the event that the sole owner dies or both/all owners die within the ten-year loan period, repayment of the loan will not be required.

If repayment of a DPL becomes due, the prorated principle balance will be due in full within thirty (30) days of the sale/transfer of ownership or the owner's cessation of primary residence at the property.

The maximum DPL for an owner-occupied single family dwelling is \$60,000. The maximum DPL for owner-occupied units in a two to four unit or larger may receive a DPL of up to \$50,000 per unit. The owner/occupant of a multi-family dwelling must finance any required rehabilitation of the remaining unit(s) through private funding. The maximum DPL for a mobile/manufactured home is \$60,000.

If rehabilitation or replacement costs require more than the maximum DLP and the owner is unable to finance the additional cost, the dwelling unit may be disqualified unless alternative funding is available. The Community Development Office may approve transactions over the per unit limits if funds are available. Grant application scoring indicates an average rehabilitation amount that is to be attained. Very high costs frequently adversely impact other units planned for rehabilitation or replacement, therefore the ability to maintain the necessary average must enter into the decision process.

As a general policy, a contingency amount of about 5% should be placed on reserve for change orders. Exceptions may be made to this rule if the owner provides a firm commitment to pay for all required changes exceeding the authorized loan limit, or if the Administrator determines that the situation does not require a contingency fund.

B. Scope of Rehabilitation Assistance

CDBG financing of housing rehabilitation is available for the following purposes:

1. correcting local housing code (Florida Building Code) and Section 8 standard violations; rehabilitation of mobile/manufactured homes will only address units built after 1994. Pre-1994 units can only be addressed through replacement.
2. providing cost effective energy conservation features;
3. provide reasonable repairs and modifications to make the dwelling accessible to handicapped and elderly occupants as necessary and technically feasible; and
4. correcting health and/or safety violations that may be present, including replacement of dilapidated or malfunctioning stoves or refrigerators and interim controls or abatement of lead-based paint hazards;

Some general property improvements may be provided at the owner's expense. Other additional improvements, above those required to achieve minimum standards, are optional and at owner expense. The cost for any such improvements shall be borne totally by the owner who must deposit the funds with the local government before the improvements begin if the improvements are to be a part of the rehabilitation contract.

General property improvements that are paid for by the property owner must be included in the Contract for Rehabilitation that is developed and administered by the Housing Rehabilitation Program. However, ineligible new construction must be contracted separately. The property owner must also deposit the necessary funds to cover the additional improvements into the local government's program account. This must be done prior to construction. Otherwise, the addition items will not be included in the construction. Furthermore, any construction not covered in the construction contract will be inspected by the local Building Inspector, but will not be inspected by the Housing Rehabilitation Specialist.

VI. QUALIFICATIONS

A. *General*

In order for a homeowner to be eligible for rehabilitation assistance, the following criteria must be met:

1. Total Household income must not exceed the low-to-moderate limits set for the HUD Section 8 program at the time assistance is provided.
2. The owner must possess and provide clear title to the property, although it may be jointly owned and the property may be mortgaged. Ownership through life estate, heir property or other legal satisfactorily documented ownership is considered satisfactory for program participation. Providing proof of title is an owner responsibility and expense.
3. The owner must reside in the dwelling to be rehabilitated at the time of application unless it has been deemed uninhabitable. The property must be the primary residence and homesteaded.
4. Property tax, mortgage payments and utility bills must be current and ownership must not be jeopardized by any other threat of foreclosure, default or clouded title.
5. The property must be fully insured for flood insurance, if the home is in the 100-year flood plain. Flood insurance must remain in effect for the entire period of the Deferred Payment Loan Agreement. Any unit to be addressed with rehabilitation funds must meet local building and zoning codes.
6. All applicants that may have a business or familial relationship with a member of the **City of Key West, Florida** Commission, the Citizen Advisory Task Force Committee, Housing Rehabilitation Specialist, Program Administrator and participating construction contractors must fully disclose this relationship at the time of the application, at the point in time in which the conflict occurs and definitely before a construction contract is executed.
7. If a boundary survey is required, the owner is responsible for providing necessary proof or documentation at the owner's expense.

8. Owners of rental property are eligible to participate in the program.

B. Household Income

The following rules are applicable in determining household income:

1. The gross income of all household members occupying the dwelling is included in calculating household income. However, wages earned by dependent minor children (under 18) are not included in total.
2. Occupants of a dwelling who are not related to or dependent upon the owner(s) are considered part of the owner's household.
3. Rent or other household support contributed by non-household occupants of a dwelling is included in household income.
4. The owner's assets, with the exception of the home in which he/she resides and personal property such as an automobile, will be considered in determining eligibility. The actual annual income from the asset will be calculated as part of the total household income. Inclusion of such assets, if any, will be in strict accordance with 24 CFR 813.106 and any current modification thereof.

VII. STRUCTURAL REQUIREMENTS

A. General

In addition to owner eligibility requirements for participation in the Housing Rehabilitation Program, the dwelling must be:

1. below Section 8 Minimum Housing Quality Standards; and
2. feasible for rehabilitation. In order for a house or mobile/manufactured home to be considered feasible for rehabilitation, proposed construction must:
 - a) correct all violations of the local housing code and Section 8 standards;
 - b) provide interim controls or abatement for lead-based paint hazards as required by HUD and EPA for structures constructed prior to 1978 that will be assisted by the program. All units built prior to 1978 will be tested for lead based paint. If lead based paint is found, interim control procedures will be used for all units rehabilitated at or below \$25,000. Units above \$25,000 will be rehabilitated using abatement procedures. The occupants will be notified of the hazards of lead-based paint, the symptoms and treatment of lead poisoning, how to avoid poisoning, lead level screening requirements and appropriate abatement procedures;

- c) meet applicable local zoning requirements, as well as local, state and federal housing code requirements for rehabilitation work;
- d) leave at least 20 % of the original structure based upon the formula provided in this chapter;
- e) not exceed the program costs noted in this chapter; and
- f) be made reasonably accessible to handicapped/elderly occupants, when the unit is occupied by such.

B. Structural Integrity

Rehabilitation requires that at least 20% of the original structure remain after construction, based upon the following formula. Three (3) major components of the house are considered, with each component weighted to total 100% of the structural value of the house. These components and ratios are: roof - 20%, exterior walls - 60%, and flooring system - 20%.

As an illustration, if 50% of the roof must be replaced, 50% of the walls must be replaced and 25 % of the flooring system (including framing) must be replaced. The factors are then ratioed based on the 20/60/20 formula, so that 50% replacement of the roof is equal to replacing 10% of the structure, 50% replacement of the exterior walls equals 30% replacement of the structure, and 25 % replacement of the flooring system equals 5 % replacement of the structure. Thus, replacement equals 10%, plus 30%, plus 5%, or a total of 45% of the structure. This leaves 55 % of the original structure, indicating that the structure is feasible for rehabilitation.

This calculation will be performed by the Housing Rehabilitation Specialist. Should significant deterioration occur between application and time the unit is scheduled for rehabilitation, the unit will be re-evaluated for continued eligibility and a decision made by the Housing Rehabilitation Specialist whether to replace it with an alternate unit or to request a change in type of rehabilitation (demolition, permanent relocation, etc.) in accordance with current DCA contract requirements.

C. Cost Feasibility

As an additional means of guarding against program penalties for substantial reconstruction of a dwelling, the following cost limits are applicable to all rehabilitation areas. These limits are above the allowable CDBG financing limits, and assume requirements for owner contributions or leveraging. The limits may be exceeded for rehabilitation costs when alternative funds are available for leveraging, but must be specifically approved by the **City of Key West, Florida** Commission as exceeding the described limits.

\$60,000 per single family detached house
\$50,000 per unit of a two-to-four unit or larger structure
\$60,000 per mobile/manufactured home

\$40,000 per multi-family rental unit
\$20,000 per care facility bed

In addition, the cost of rehabilitation and improvements may not exceed the after-rehabilitation value of the dwelling. In the absence of conflicting information, the mobile home CDBG cost limits shall be assumed to meet this requirement. For site-built dwellings, the total cost of rehabilitation (plus other improvements, if any) may not exceed \$75 per square foot of dwelling space, excluding septic tank, well, or water/sewer hook-ups, which is less than the cost of new construction and will be assumed to meet the cost/value limit.

VIII. PROCEDURES

A. Application and Inspection

Each property owner who applies for rehabilitation assistance is initially screened to determine whether he/she is eligible for a 100% Deferred Payment Loan. A preliminary inspection is then conducted to determine feasibility of rehabilitation.

If either the owner or the structure does not meet eligibility requirements for program participation, the Housing Rehabilitation Specialist will reject the application. A written rejection notification will be sent to the owner via certified mail and the City of Key West Community Development Office government designated representative within ten (10) days stating the reason for rejection.

If both the owner and the house appear to be eligible for program participation, the application/verification process continues. A work write-up with cost estimate is developed by the Housing Rehabilitation Specialist and approved by the property owner. The cost estimate for the job is considered confidential information until bid opening.

If special financing arrangements (such as the owner covering excessive costs or general property improvements) are required or anticipated, arrangements must be made prior to bidding to prevent soliciting bids on a case that cannot be financed. When the case receives preliminary approvals, bids are solicited for the job.

B. Bidding

Bidding of potential cases is conducted by the Housing Rehabilitation Specialist. Owners review the pre-approved list of eligible contractors before their cases are sent out for bids. Owners have the right to remove any contractor(s) from the list of prospective bidders for their case, as long as at least three (3) eligible contractors are allowed to bid. The owner must be willing to justify the removal of contractor(s) from the bidding list. Owners may also request additional contractors as bidders. If these owner-requested contractors submit the contractor application and are approved by the designated representative and are otherwise eligible, they may be added to the bidders list and bid on the case. The administrator makes maximum effort to ensure participation by minority contractors.

No housing unit owner, or occupant, or employee or immediate relative of the same, either personally or corporately, shall serve as a contractor or sub-contractor to be paid with CDBG funds for the rehabilitation of said building, nor shall they be paid for their own labor with CDBG funds for the rehabilitation of said building.

A notice is sent to each eligible bidder to inform them of the job. Bidding notices will be posted at primary governmental buildings to the maximum practical extent. Newspaper advertising for individual jobs is not performed, as contractors must be pre-qualified.

Each contractor must attend a pre-bid conference held at the house to be rehabilitated, or inspect the house under the owner's supervision. Failure to do so will result in automatic rejection of his/her bid(s) for the house(s).

For mobile/manufactured housing replacement, bids will be taken from eligible dealers for specific units required for individual replacement. The CDBG program will only pay for minimum required sizes that meet family size requirements, and minimum size requirements for park zoning requirements. Any additional amenities shall be at the owner's expense.

Sealed bids will be opened at a public bid opening. The Housing Rehabilitation Specialist will generally recommend that the contract be awarded to the lowest responsible bidder within plus or minus fifteen percent (15 %) of the cost estimate. **The City of Key West Community Development Office** and owner reserve the right to reject any or all bids and to award in the best interest of the owner and **The City of Key West Community Development Office**. The owner must approve the bid award prior to signing contracts.

Each contractor must satisfactorily complete one job through the Housing Rehabilitation Program before receiving any additional contracts. No contractor will be allowed to have more than two (2) jobs under construction at one time without consent of the local government designated representative unless:

- 1) the anticipated date of commencement is after the scheduled, and estimated, date of completion of current jobs; or
- 2) the contractor has demonstrated, through past performance, his/her ability to satisfactorily complete multiple contracts in a timely manner thereby causing no impact on project and program completions.

This rule may be waived by the **City of Key West Community Development Office** if it is determined that there is an inadequate pool of qualified bidders, if the other bids are excessive, or if other extenuating circumstances arise.

C. Contracting and Rehabilitation

The Housing Rehabilitation Specialist presents each case to the **City of Key West Community Development Office** designated representative before the DPL and

contact are signed. The DPL amount, contract amount, contractor and owner eligibility are all approved by the designated representative.

The rehabilitation contract is executed between the homeowner and the contractor when the rehabilitation DPL is closed, with the three (3) day rescission period running simultaneously for both legal agreements. Rehabilitation Agreements (for DPL's) are executed by the designated representative authorized to act on behalf of the **City of Key West, Florida** Commission.

The DPL and the Notice of Commencement are recorded immediately. The program pays for recording of the Agreement. The filing of the Notice of Commencement shall be the responsibility of the Contractor.

The Notice to Proceed is issued to the contractor as soon as possible after the rescission period elapses. When temporary relocation of the occupants is required, the Notice to Proceed will be delayed until the house is vacated. The contract time of performance (generally 30 - 45 days) begins with issuance of the Notice to Proceed.

D. Inspections

Periodic inspections of the rehabilitation construction are performed by local building officials and the Housing Rehabilitation Specialist throughout the contract period. These inspections are conducted to assure compliance with the contract standards for workmanship and materials, to detect any unauthorized deviations and to identify necessary changes to the contract work in its early stages.

Inspection and approval of completed work must be conducted by the Housing Rehabilitation Specialist prior to the contractor's receiving partial or final payment. The owner's acceptance of the work is also required before payment is received.

E. Change Orders

Any additions to, deletions from, or changes in the rehabilitation contract work, time, or price must be approved in a written change order before the additional work is started. The change order is executed by the owner and contractor and is approved by the Housing Rehabilitation Specialist and the designated representative. Change orders may be issued to correct code deficiencies or to obtain any other desired change in the work. CDBG funds can only be for change orders that correct code violations as documented by the local building official, a bonafide code violation report, or to meet Section 8 housing quality standards found after construction begins. Other changes will be at the owner's expense.

F. Payment

Contracts of \$5,000 or less will not be paid until the contractor has completed the job. Contracts in excess of \$5,001 to \$25,000 allow a partial payment upon satisfactory completion of 30% and 60% of the work, with a retainage of 10% of the completed contract amount. Completion of 61% - 90% of the work allows a partial payment less a

retainage of 5% of the full contract amount. A draw schedule for all contracts over \$25,000 will be negotiated by the Housing Rehabilitation Specialist, designated representative and the Administrator. Payment for modular units will be payable upon delivery.

Approval of a partial payment requires:

1. a determination by the Housing Rehabilitation Specialist and the designated representative that the claimed percentage of completion of the work has been satisfactorily completed. Payment will be issued for the amount claimed less retainage depending on the physical progress as long as the contract funds remaining are sufficient to complete the work in the event of default by the contractor;
2. approval of the work by the owner; and
3. an affidavit from the contractor stating that either:
 - (a) there are no claims for unpaid goods and/or services connected with the job and all laborers, suppliers and subcontractors have received just compensation for their goods and services up to the date of the request (as evidenced by full or partial waiver of lien from subcontractors); or
 - (b) a list of all unpaid parties and the amounts owed to each has been submitted with the request.

The final payment approval requires:

1. acceptance of all work by the property owner, the Housing Rehabilitation Specialist and designated representative;
2. submission of all manufacturers' and other warranties (i.e., appliances, roofing, extermination, contractor's warranty covering the entire job for one year, etc.);
3. waivers of liens from all subcontractors, all parties who were not paid when the contractor received partial payment, and from any other party supplying notice;
4. a certificate of occupancy or final approval from the Building Inspector to show compliance of the rehabilitation work with the locally adopted building (and other applicable) code requirements;
5. completion of all punch list items; and
6. an affidavit from the contractor stating that all bills have been paid and there are no claims for subcontracted jobs or materials, or any outstanding Notice to Owner.

If the owner refuses to authorize payment due to a dispute with the contractor, the Program Administrator may recommend disbursement without the owner's approval

if the claim is shown to be without merit or inconsistent with policies and the goal of the program. Such disbursement shall be issued only after the Program Administrator has reviewed the facts and circumstances involved in the dispute and has determined that the owner's refusal to issue payment is without just cause. Sufficient documentation to this effect shall be placed in the case file.

G. Disputes and Contract Termination

Disputes, the owner's right to stop work, and termination of the contract by the owner or contractor shall be as authorized in the Contract for Rehabilitation.

H. Follow-Up

After completion of the contract, it is the owner's responsibility to notify the contractor **in writing** of any defect in the work or material. The owner is also requested to notify the Housing Rehabilitation Specialist or the Program Administrator of any complaints to the contractor so assistance in follow-up can be provided. If the contractor does not respond to the owner's written complaint within a reasonable time frame and in a satisfactory manner, the Administrator will verify the complaint. If the Program Administrator judges the complaint to be valid, he/she will send written request for warranty service to the contractor and a copy to the designated representative. The contractor will then take action as monitored by the owner and the Housing Rehabilitation Specialist. Upon receiving notice from the owner that the complaint has been satisfied, the Housing Rehabilitation Specialist will inspect the work and make such note in the case file. Failure to resolve complaints shall be justification for removing a contractor from participation with the program.

IX. CLEARANCE/PERMANENT RELOCATION/DEMOLITION RELOCATION

A. General

Permanent Relocation and/or Demolition Relocation are synonymous terms used in the rehabilitation program when a home is unsound and not suitable for rehabilitation based on the structural integrity criteria. Homeowner eligibility requirements are the same as for rehabilitation. Further policies are included in the local Anti-displacement and Relocation Policy.

B. Clearance

Requirements are identified by the Housing Rehabilitation Specialist and are included in the replacement unit bid package. In this way, the same contractor is responsible for site cleanup and preparation as for provision of the replacement unit. Disposal of debris and associated activities are also included if this method is utilized. When demolition or clearance is conducted separately, bid packages are prepared with procedures following those identified for rehabilitation in this plan.

C. Permanent Relocation/Demolition Relocation

This activity involves replacement of an eligible owner occupied unit that is beyond economic repair. The **City of Key West Community Development Office** will decide with the Housing Rehabilitation Specialist on a case-by-case basis whether to utilize a slab "site built" replacement unit, a prefabricated unit, or a modular home. Decision items will include budget, zoning, replacement requirements, cost estimates, and a number of other items that may vary case-by-case.

Once the decision is made, the Housing Rehabilitation Specialist prepares bid specifications and plans (if necessary) based on owner input from review of available plans. Bidding contracting and inspections then proceed as in the rehabilitation process.

D. Differences from Rehabilitation

1. No partial payment is provided for modular replacement units except for the unit itself at delivery, as the time frame to complete the transaction is relatively brief. The contractor is paid in full upon satisfactory completion of work and providing of warranties. Partial payments are utilized for site built homes along the same lines as for rehabilitation work.

2. Program disbursements are made from the local CDBG operating account. As a result, attention must be paid to the ordering and receipt of funds, to ensure that disbursements are made in a timely manner and that the federal three-day rule is not violated.

3. Cost feasibility limits are based on number of bedrooms to be provided for site built homes. These limits that may not be exceeded without approval from the **City of Key West Community Development Office** are:

- (a) four or more bedrooms - \$90,000
- (b) three bedrooms - \$75,000
- (c) two bedrooms - \$60,000

In the case of replacement of existing mobile/manufactured homes, the limit will be based upon the acceptable bid price of a replacement home large enough to meet minimum family size requirements, or park covenant requirements. If the existing home is inadequately sized, the replacement home will be sized to include the appropriate bedrooms needed to meet Section 8 and/or local housing code requirements for occupancy. In no case will the total assistance be greater than those limits listed above.

Necessary site improvements, including water supply, sewage disposal, and clearance, will also be provided along with the actual dwelling replacement.

Budgetary and scoring constraints, as well as priorities for assisting other households, may dictate that some homeowners will be offered less than the maximum amounts shown hereto, even if their demolition and replacement housing costs are

above the offered amount. In these cases, homeowners must provide non-CDBG funds from other sources, or they may decline the offer and withdraw from the program. If the offer is declined, no CDBG funded demolition will occur.

X. CONTRACTOR LISTING

The Housing Rehabilitation Program will establish and maintain a current listing of eligible contractors for bidding on all phases of the program. Only those contractors who are so listed will be considered for work on this program. Establishment of this list will include maximum effort to utilize local and minority contractors.

A. Recruiting

Contractors residing or maintaining offices in the local area will be recruited through public notice to all such contractors, as part of the local government's compliance with Federal Section 3 requirements. This special effort will be based upon the list of contractors licensed in the jurisdiction including residential, building and general contractors. Letters sent to contractors, or advertisements placed soliciting them, will be placed in the appropriate program file.

The contractor listing will include all local contractors who apply and are determined eligible based upon program qualification standards.

If the pool of local contractors is inadequate to provide a sufficient pool of contractors willing and qualified to perform the rehabilitation work at prices that are considered reasonable and comparable to the prepared estimate, other contractors will be solicited. Maintenance of a pool of competitive, qualified, and capable contractors is essential to program completion.

B. Contractor Eligibility

In order to participate in the Housing Rehabilitation Program, a contractor must be certified as eligible by the Administrator of Housing Rehabilitation and by the Florida Department of Community Affairs.

Basic contractor qualifications include:

1. Current license(s) with the appropriate jurisdiction;
2. A satisfactory record regarding complaints filed against the contractor at the state, federal or local level;
3. Insurance: \$100,000/\$300,000 coverage for contractor's public liability (including accidental death and bodily injury), or \$300,000 comprehensive coverage and \$100,000 coverage of property damage (in addition to bodily injury), with a certificate of insurance from the insurer guaranteeing ten (10) day notice to the Housing Rehabilitation Program before

discontinuing coverage. Workman's Compensation, as applicable, is also required;

4. A satisfactory credit record, including:
 - (a) references from two (2) suppliers who have done business with the contractor involving credit purchases; and
 - (b) references from three (3) subcontractors who have subcontracted with the contractor; and
 - (c) the ability to finance rehabilitation contract work so all bills are paid before requesting final payment;
5. Satisfactory references from at least three (3) parties for whom the contractor has done construction;
6. Absence from any list of debarred contractors issued by the Federal or State DOL, HUD or DCA;

The Housing Rehabilitation Specialist will assure that current and past performance of the contractor are satisfactory based upon readily available information, and reserves the right to check any reliable source in establishing such determination.

The Housing Rehabilitation Specialist will explain the contractor's obligations under Federal Equal Opportunity regulations and other contractual obligations at the pre-bid conference. Program procedures, such as bidding and payment are also explained to the contractor.

C. *Disqualification*

Contractors may be prohibited or removed from program participation for:

1. poor workmanship, or use of inferior materials;
2. evidence of bidding irregularities such as low balling, bid rigging, collusion, kickbacks, and any other unethical practice;
3. failure to abide by the work write-up, failure to complete work write-up (and bid) accomplishments, and any attempts to avoid specific tasks in attempts to reduce costs;
4. failure to pay creditors, suppliers, laborers or subcontractors promptly and completely;
5. disregarding contractual obligations or program procedures;
6. loss of license(s), insurance or bonding;
7. lack of reasonable cooperation with owners, rehabilitation staff or the others involved in the work;

8. abandonment of a job;
9. failure to complete work in a timely manner;
10. inability or failure to direct the work in a competent and independent manner;
11. failure to honor warranties;
12. ineligibility to enter into federally or state assisted contracts as determined by the U.S. Secretary of Labor, HUD or DCA;
13. other just cause that would expose the Program or owner to unacceptable risk;
14. failure to respond to a minimum of three (3) consecutive requests for bids;
or
15. at the contractor's request.

XI. RELOCATION/DISPLACEMENT

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 does not apply to displacement under the **City of Key West, Florida** Community Development Program; since **the City of Key West, Florida** does not acquire the vacated (demolished or rehabilitated) property and residents participate voluntarily. Therefore, relocation services will be provided in the **City of Key West, Florida** Anti-Displacement and Relocation Policy.

Household/property owners previously approved for proposed housing assistance may voluntarily withdraw their application for assistance, which must be confirmed in writing. If the Administrator determines the applicant to be ineligible for assistance, the Administrator shall send written notification to the applicant, stating that the application has been rejected and the reason for the rejection.

XII. APPEALS/COMPLAINTS

The Housing Rehabilitation Specialist, the designated representative and the Program Administrator are authorized by **the City of Key West Community Development Office** to make all determinations of eligibility for assistance and level of assistance, scheduling of rehabilitation, demolition and relocation, and contract management. Citizens and/or contractors should issue complaints to the Housing Rehabilitation Specialist or the Program Administrator. For a complaint to be considered valid, it must be issued in writing within a period of 30 days of its occurrence. Responses also should be issued in writing.

If the complainant is not satisfied with the Program Administrator's response, the issue must be presented in writing to the **City of Key West, Florida** Citizen Advisory Task Force (CATF). If the complaint cannot be resolved by the CATF, the **City of Key**

West Community Development Office will review the grievance and make a decision based upon program regulation, local policies, and availability of funds. Further appeals, if necessary, must be addressed to the Florida Department of Community Affairs.

XIII. PROGRAM INCOME

No program income is planned to result from this program. Deferred Payment Loans will be monitored by the City of Key West Community Development Office during the CDBG period of agreement. After the expiration of the agreement between **the City of Key West, Florida** and the State, the monitoring will be performed by the designated representative.

If repayment of a DPL or program income is received during the CDBG agreement period, it will be used for additional rehabilitation as authorized by the Department of Community Affairs. Program income or DPL payment received subsequent to closeout will be retained by the City of Key West.

XIV. PROPERTY ACQUISITION POLICY

A. Voluntary

The City of Key West, Florida may purchase property with Community Development Block Grant funds for use in the Community Development Program. While most property acquisition must follow the procedures outlined in the Uniform Relocation and Real Property Acquisition Act, residential property to be used for relocation purposes shall be purchased on a voluntary basis.

The County shall determine the property features needed and the budget available for the purchase defined in the contract agreement. A request for proposals will then be published in a local newspaper. The request will state the specifications and budget, and indicate that the purchase is voluntary.

No displacement of renters may occur as a result of the program. Owners will not receive any relocation assistance so owner-occupants must waive the Uniform Act Rights.

A voluntary acquisition occurs when real property is acquired from an owner who has submitted a proposal to the recipient for purchase of their property in response to a public invitation or solicitation of offers. The **City of Key West, Florida** Commission is committed to this mode of acquisition to the maximum practicable extent.

Voluntary acquisition shall be permitted only if the property being acquired is not site specific and at least two properties in the community meet the criteria established by the local government for usage, location and/or interest to be acquired. The **City of Key West, Florida** Commission prior to publication of a public notice or attendance of any local government representative at a property auction must approve all voluntary acquisitions in principle.

A public notice must be published inviting offers from property owners. This notice must:

1. accurately describe the type, size and approximate location of the property it wishes to acquire;
2. describe the purpose of the purchase;
3. specify all terms and conditions of sale, including maximum price;
4. indicate whether or not an owner-occupant must waive relocation benefits as a condition of sale;
5. announce a time and place for offers to be accepted; and
6. announce that local powers of condemnation shall not be invoked to acquire any property offered for which a mutually agreed to sale price cannot be reached.

Property may also be acquired at auction. The Uniform Relocation Act does not apply to voluntary acquisitions.

In each voluntary acquisition, a public solicitation shall occur. Offers shall be sealed and opened at the same time, in the same place, by a responsible official. Records of offers shall be kept. Appraisals are not required for purchases less than \$2,500 if a mutually agreed to sales price can be reached. Clear title must be present in every transaction. The **City of Key West, Florida** Commission must decide at the time of approving the acquisition whether or not appraisals and review appraisals will be necessary and what the maximum permissible sales price will be. The decision to acquire will rest with the **City of Key West, Florida** Commission that can reject or accept any and all offers. Written records shall be maintained documenting decisions and rationale for selected courses of action.

B. Non-Voluntary Acquisition Plan

Acquisition of property (including easements and right-of-way) using federal funds shall occur in accordance with the Uniform Relocation Act of 1970 (as amended) and with any State and Federal regulations that may apply.

Fundamental steps that occur in each purchase may vary case by case. However, in general terms, the following should take place: (1) source of funds and authority to acquire confirmed, (2) property/site identified and suitable, (3) legal description/survey/preliminary title search performed (services procured as necessary), (4) notice of intent to acquire sent owner, (5) appraisal and review appraisal services solicited and appraiser retained, (6) appraisal received and sent for review, (7) title companies solicited and retained after review received (title insurance amount and necessity determined in advance), (8) offer to purchase and notice of just compensation sent owner, (9) owner contacted by attorney or other representative and contract formalized, (10) settlement costs calculated and closing date set, (11) closing conducted with funds changing hands and, (12) records of proceedings retained.

The Uniform Relocation Act requires certain specific procedures such as some letters being sent certified. The CDBG Implementation manual provides a checklist that may be utilized in following each transaction to successful conclusion. In no case will CDBG funds be utilized which would create involuntary displacement. See the **City of Key West, Florida** separate policy on this subject.

C. Timing/Planning

Properties necessary for easements or acquisition shall be identified as early in the planning stage as is practicable. Every attempt shall be made to affect a design that is not wholly site dependent, that is, where two or more sites are suitable for the project. It is recognized this may not always be possible, however, a policy of minimizing single site alternatives is emphasized.

In general terms, the voluntary acquisition process shall be utilized to identify possible sites early in the project. Sites shall be evaluated for suitability prior to the final design phase to the maximum practicable extent. As soon as alternative sites are identified and evaluated, applicable acquisition procedures should commence.

Projects shall not normally be sent out for bids unless properties to be acquired or utilized for easements have been formally acquired or a commitment exists which is sufficiently firm and binding to be considered safe for the project to proceed with start up. The **City of Key West, Florida** Commission shall make the determination as to whether or not bidding, award and start up may proceed to closing on the property.

In those cases where need for easements and/or acquisition is not identified until after the project is underway, procedures shall be expedited to the maximum practicable extent and utilization of funds, the value of which would be unrecoverable if the transaction did not occur, minimized.

This Disaster Recovery Housing Assistance Plan is adopted this **(DATE)**.

ATTEST:

(Mayor)

(Clerk)

Appendix A

Homeownership

Point Values to be Used in Ranking Applicants

Handicapped and elderly persons on fixed income within established very low income guidelines (VLI) (13 Points)

Elderly persons on fixed income within established VLI guidelines (12 Points)

Handicapped or disabled persons within established VLI guidelines (11 Points)

Households with handicapped or disabled dependents within established VLI guidelines (10 Points)

Handicapped and elderly persons on fixed income within established low to moderate income (LMI) guidelines (9 Points)

Elderly persons on fixed income within established LMI guidelines (8 Points)

Handicapped or disabled persons within established LMI guidelines (7 Points)

Households with handicapped or disabled dependents within established LMI income guidelines (6 Points)

Households within established VLI guidelines (5 Points)

All others within established VLI guidelines (4 Points)

Households within established LMI guidelines (3 Points)

All others within established LMI guidelines (2 Points)

Any homeowner or physical residence that has received state or federal housing assistance within the last 10 years regardless of age, handicap, or income level (1 Point)

Each household will be assigned one value only, not cumulative value for multiple occupants.

In the event of a tie within categories, a lottery system will determine rank order.