

Chapter 9 - Housing Rehabilitation Program (HRP)

Overview

The purpose of this chapter is to assist the grant recipient and the nonprofit partner organization with managing a housing rehabilitation projects funded by the Community Development Block Grant (CDBG) Program. HRP projects involve both the private and the public sectors, so clarification of the federal and state requirements applicable to each private and public sector participant is necessary. Many requirements that will apply to the local government, as a public entity, will not apply to the private sector.

Many of the federal regulations associated with the CDBG Program may seem more applicable to traditional public sector projects. However, it is the responsibility of CDBG-HRP recipients to comply with all applicable federal and state laws, executive orders, and regulations affecting their projects. The significant federal requirements that apply typically are addressed in specific conditions of the grant contract between OBDD-IFA and the local government (grant recipient). These requirements must also be contained in the sub-grant agreement between the city or county grant recipient and the nonprofit sub-grantee. The nonprofit sub-grantee must ensure that all necessary requirements are contained in each loan portfolio and executed loan or grant agreement.

City and county grant recipients should carefully review these requirements and consider their potential impact when implementing their HRP project. These laws can affect the costs and complexity of the project and the schedule for completion.

In order to meet the National Objective requirement, each individual homeowner file must contain documentation verifying that the client's income was calculated and checked against the current HUD income limits. This verification must be completed and documented before any work is completed on the home.

Applicable Requirements

The following state and federal requirements are discussed in more detail in the appropriate chapters of the Grant Management Handbook. Each of the following sections highlights ways in which the state and federal requirements discussed in this Handbook may be different for HRP projects.

Chapter 1 - How to Start the Project

All of the requirements contained in Chapter 1 pertain to all Housing Rehabilitation loan and grant projects.

Chapter 2 - First and Last Draw Requirements and Special Grant Contract Conditions

The following requirements contained in Chapter 2, do not pertain to HRP projects:

- 1) “Prior to Advertisement for Bid of Construction Activities”
- 2) “Prior to First Draw for Construction Activities”
- 3) “Prior to Final Draw for Construction Projects”, with the exception of the Section 3 60002 report, if applicable; and
- 4) The Off-Site Infrastructure Beneficiaries form required as part of the “Prior to Administrative Closure” requirements.

The grant recipient must ensure that the required reports, such as the Section 3 HUD form 60002, and the minority and woman owned business report are collected from the sub-grantee and each contractor, if applicable.

Chapter 3 - Environmental Review

All the federal environmental clearance requirements contained in Chapter 3 under the “Owner Occupied Housing Rehabilitation Program Environmental Review Process” apply.

Chapter 4 - Financial and Cash Management, Program Income and Audits

City/County grant recipients must comply with all of the applicable financial

management requirements contained in Chapter 4 of the Grant Management Handbook.

All expenditures of HRP funds by the local government and private nonprofit sub-grantee are subject to the requirements and threshold limits for audits contained in 2 CFR 200- Subpart F Generally, entities that **expend** \$750,000 or more in a fiscal year in Federal funds from **all** sources must have a single or program specific audit conducted for that year. Private persons receiving loans under the HRP funds do not have to be audited.

The continued use requirement of 24 CFR Part 570.489(j), when applied to projects not under the direct control of the grant recipient or eligible sub recipient, (private property owners for housing rehabilitation) is not applicable.

No indirect costs area allowed, with or without an indirect cost allocation plan.

Chapter 5 - Procurement Standards

All of the provisions contained in Chapter 5, Procurement, apply to a local government’s procurement of goods or services that will be paid for in whole or in part with HRP funds.

These procurement requirements, described in Chapter 5, do not apply to private property owner’s procurement of materials or construction contractors even if they are to be paid for with loaned or granted HRP funds through an approved sub-grantee (eligible nonprofit).

The nonprofit must meet their applicable OMB circular requirements for expenditures within 2 CFR part 200. State law requirements for purchases must also be met. The nonprofit must have established procurement policies that meet applicable state laws.

The sub-grant agreement between the city/county grant recipient and the certified sub-grantee must contain all the required federal clauses and CDBG program requirements contained in the grant contract between OBDD and the city/county.

NOTE: Refer to the Section 3 requirements contained in Chapters 2 and 5 for additional Section 3 compliance requirements that must be implemented by the grant recipient and sub-grantee.

Chapter 6 - Labor Standards

The federal labor standards requirements do not apply to single-family owner occupied housing rehabilitation projects.

Chapter 7 - Fair Housing, Equal Opportunity and Section 504

All civil rights requirements apply to the city/county grant recipient even if the requirements are not directly related to housing rehabilitation. The sub-grant agreement between the city/county grant recipient and the nonprofit sub-grantee should contain sections requiring the sub-grantee to comply with federal nondiscrimination laws. The hiring and training plan also must contain a provision

that the nonprofit sub-grantee will comply with equal opportunity and nondiscrimination laws.

NOTE: The Section 504 self-evaluation checklist applies to the city/county grant recipient but not to the nonprofit sub-grantee or the assisted private property owner.

NOTE: Refer to the Limited English Proficiency (LEP) Plan requirements contained in Chapters 2 and 7 for additional compliance requirements that must be implemented by the grant recipient and sub-grantee.

Chapter 8 - Uniform Relocation Assistance and Real Property Acquisition

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, **applies to any acquisition of real property and relocation of persons or businesses if federal funds are involved in any part of the project cost.**

Section 104(d) of the Housing and Community Development Act requiring replacement of low and moderate income housing units that are demolished or converted to another use in connection with a CDBG funded activity applies.

Lead-Based Paint

The requirements contained in Chapter 8 regarding the lead based paint regulations apply to all Community Development Block Grant awards made by the state for housing rehabilitation. Each loan or grant file must

contain documentation verifying the homeowner's receipt of the lead-based paint hazards notice. The homeowner must receive the notice before any work commences.

Chapter 10- Required Records

OBDD will conduct a monitoring visit to the local government at least once during the implementation of the project, generally when approximately 50% of grant funds are drawn down. The monitoring agenda will include an interview of local officials and review of the administrative files relevant to the grant. The nonprofit project manager will need to facilitate OBDD-IFA site visits and a sampling of project files.

Note: Not all of the monitoring items found in Chapter 11 may apply to housing rehabilitation projects. However, each individual loan or grant file must contain documentation that the family size and income information was verified using the current HUD income data. OBDD-IFA staff can provide you with additional guidance.

Chapter 11 - Project Reports and Closeout

This chapter applies to all local governments.

Revolving Loan Funds

Units of general local government may establish revolving loan funds to carry out specific, identified activities. A revolving fund for this purpose is a separate fund (with a set of accounts that are independent of other program accounts) established to carry out

specific activities which, in turn generate payment to the fund for use in carrying out such activities. These payments to the revolving fund are program income and must be substantially disbursed from the revolving fund before additional grant funds are drawn from the United States Treasury for revolving fund activities. Such program income is not required to be disbursed for non-revolving fund activities as required by 24 CFR Part 570.489(f).

State Requirements

The use of revolving funds in the Community Development Block Grant program is limited to those funds established by recipients of grants for neighborhood revitalization, community economic development or energy conservation projects. Additionally, all funds must be loaned or granted through the certified sub-grantee. For projects where funds will be loaned to eligible homeowners, all loan documents must reflect the certified sub-grantee as the beneficiary.

Loan Servicing

The recipient should have a system for properly servicing all loan funds that includes:

- Loan agreements with clear repayment terms and default definitions, descriptions of how defaults can be cured, what actions will be taken if default is not cured, and what is pledged for security of each loan; and
- Collection procedures that provide for recognition of all current amounts due and when payments were received, notification when payments are overdue, procedures for further action to collect

overdue amounts, and criteria for writing off bad debts.

Defaults

If the initial loans made by the nonprofit sub-grantee default, the sub-grantee must make every effort allowable under the loan agreement to enforce the provisions of the agreement and collect the loan amount that is due and owing to the nonprofit. These efforts must be clearly documented. If repayment of the loan, due and owing to the certified sub-grantee cannot be collected, contact OBDD-IFA for assistance.

Program Income

All income generated by CDBG funds loaned for eligible funded activities (Housing Rehabilitation Revolving Loan Funds), in compliance with 105(a)(15) of the Housing and Community Development Act and carried out by an entity under the authority of Section 105(a)(15) of the Act is not subject to the program income and miscellaneous income tracking requirements contained in Chapter 4.

Quick Checklist for Housing Rehabilitation Program

There is no recipient checklist for this Chapter, as the information in this Chapter is provided as a guide to the applicability of the other Chapters contained within this Grant Management Handbook.

It is absolutely essential that the city/county grant recipient, the nonprofit sub recipient and the perspective assisted private property owner not incur ANY ACTIVITY costs or obligate funds, which are intended to be reimbursed with HRRLF funds prior to the date that all contract start-up conditions, are satisfied by the city/county grant recipient and approved in writing by OBDD