



Housing Rehabilitation Policy & Procedure Manual

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I. Introduction

A. Overview

This Policy and Procedure manual provides guidance to the City of Jackson's Community Development Department (CD) to administer financing for the rehabilitation of owner-occupied housing. Funding is provided by the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG), and HOME Investment Partnerships Program (HOME) and is allocated to specific activities by the Jackson City Council. All housing rehabilitation assistance activities must meet guidelines and regulations established by the funding source as well as requirements contained within this manual. This manual replaces and supersedes all previous Rehabilitation Financing Handbooks and amendments and revisions thereto.

CD grant administrators must certify that program recipients meet the standards set forth by HUD and the City of Jackson eligibility requirements. The following Policy and Procedure Manual has been prepared to provide direction in the allocation, management, and monitoring of program funds. The Jackson City Council may waive any local policy in this manual not statutorily required by the funding source whenever it is determined undue hardship adversely affects the achievement of the program's purpose.

This manual is not to be confused with the policies and procedures set forth for recipients of CDBG or HOME grants awarded by the City of Jackson for area organizations. Please refer to the policy guidance set forth as part of your grant agreement.

B. Definitions

Applicant – a property owner who has applied for program assistance. Used interchangeably with “homeowner.”

Area Median Income (AMI) – the midpoint of the region's income distribution, calculated by a household's gross income. Income limits are published annually by HUD based on a metropolitan area and adjusted for family size. See <https://www.huduser.gov/portal/datasets/il.html>.

Asset Test – if an applicant's current assets total in excess of \$25,000, that applicant is determined to have substantial resources and does not qualify for assistance.

Borrower – a property owner who has received program assistance in the form of a loan.

Certified Lead Professionals and Contractors – according to Michigan law, any person performing lead-based paint activities in houses built before 1978, or in child-occupied facilities, must be certified by the Michigan Department of Health and Human Services.

Closing Costs - also called settlement costs, are defined as those costs, other than repair costs, required to process and complete a rehabilitation or mortgage loan. This includes, but may not be limited to, recording fees, title work, credit reports, appraisal, survey, etc.

Construction - The process of building, altering, repairing, improving, or demolishing any structure or building.

Contract – a legal instrument by which the City of Jackson purchases services needed to carry out the project or program under a Federal award.

Contractor – generally, an entity that receives a contract.

Clearance Examination – an examination and testing of the unit after lead remediation work has been completed to verify lead hazards have been properly remediated and the unit is safe for re-occupancy.

Code Violation - an existing condition which does not meet the requirements of the City of Jackson Code of Ordinances Building and Building Regulations (Chapter 5), Refuse (Chapter 12), Housing (Chapter 14), Nuisances (Chapter 17) and Zoning (Chapter 28).

Deferred Loan - a loan that is not required to be repaid until due or the Borrower sells or otherwise fails to uphold the conditions of the loan during the term of the loan.

Disability – any restriction or lack (resulting from an impairment) of ability to perform an activity in the manner or within the range considered normal for a human being.

Escrow Account – an account established by the City of Jackson with a financial institution for the receipt and disbursement of loan funds or owner funds on behalf of the borrower.

Extenuating Circumstances - a situation beyond the control of the affected person as determined by the Jackson City Council.

Family – all persons living in a household who are related by birth, marriage, or adoption.

Food Allowance – funds provided to families for meals during the temporary relocation period, based on the established schedule for the number and ages of persons in the family.

Forgivable Loan – a loan in which its entirety, or a portion of it, can be forgiven or deferred for a period of time by the lender when certain conditions are met.

Handicap – a disadvantage for a given individual that limits or prevents the fulfillment of a role that is normal.

Head of Household – a filing status for individual U.S. taxpayers who are either married or unmarried and pay more than half the costs of keeping up a home for the tax year.

Homeowner – a property owner who has applied for program assistance. Used interchangeably with “applicant.”

Household – all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements. Persons not counted as part of the household are foster children, foster adults, live-in aides, or children of live-in aides. A child subject to a shared custody agreement in which the child lives with the household at least 50% of the time can be counted in the household.

Household Income – annual income from each member of the household 18 years of age or older is considered. Income of persons not counted as part of the household (see “Household” definition) is not included when calculating annual income. Income limits are adjusted by household size.

Housing Rehabilitation Specialist –the City staff person responsible for all construction related activities, including, but not limited to, inspecting the property, creating work specifications and cost estimates, overseeing the contractor while work is in progress, and approving the final work product.

Immediate Family – mother, father, husband, wife, brother, sister, son, daughter.

Impairment – any loss or abnormality of psychological, physiological, or anatomical structure or function.

Incipient Code Violations - those conditions or defects with the property, not including major systems, as identified at the discretion of the Housing Rehabilitation Specialist, which, if not corrected, would reasonably be expected to deteriorate into actual code violations within approximately 18 months.

Income – the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period as defined in 24 CFR Part 5 as used for Section 8.

Intake Support Staff – the City staff person responsible for conducting financial interviews and gathering supporting documentation related to project eligibility.

Lead-Based Paint Hazard - any condition that causes exposure to lead from dust-lead hazards, soil-lead hazards, or lead-based paint that is deteriorated or present on chewable surfaces, friction surfaces, or impact surfaces, and that would result in adverse human health effects.

Lead-Based Paint Cost - housing rehabilitation costs that are incurred solely because of lead based paint regulations identified at 24 CFR Part 35, Title 10.

Lead Inspector – may perform inspection and post-abatement clearance activities.

Lead Risk Assessor – may perform inspection, post-abatement clearance, lead hazard screen, and risk assessment activities. Must be certified by the Michigan Department of Health and Human Services.

Low Income – income equal to or less than 50% of the AMI as established annually by HUD.

Major Systems - include, but not limited to, structural support, roofing, cladding and weatherproofing, plumbing, electrical, and HVAC.

Minority Business Enterprise (MBE) – businesses which are at least 51% owned, operated, and controlled on a daily basis by one or more (in combination) non-white American citizens.

Moderate Income – income above 50% AMI but equal to or less than 80% of the AMI as established annually by HUD.

Neighborly Software – software used by City of Jackson to administer housing and community development programs such as down payment assistance, affordable housing development, housing rehabilitation. The Neighborly Software program improves compliance and simplifies enrollment, administrative, and reporting processes.

Non-Lead Project Costs – lead hazard reduction costs directly associated with the interim control or abatement requirements identified through a risk assessment. If the lead hazard reduction, such as window replacement, was included in the original intent of providing rehabilitation assistance, this cost **cannot** be deducted and must be counted toward the total project cost.

Owner-Occupant – a person who occupies the property as their principal place of residence and has at least a one-half (1/2) legal interest (not amount of equity) in one of the following types of ownership in the property to be improved:

- Individual fee ownership; or
- Individual fee ownership subject to a mortgage or other lien securing debt.

A contract for deed, installment contract and land sales contract are specifically excluded as such contracts fail to provide equitable title to homebuyers.

Permanent General Improvement – any alteration, repair, or improvement upon or in connection with an existing residential structure, which substantially protects or improves its basic livability or energy efficiency.

Principal Place of Residence – the property owner's home, as verified by voting registration, driver's license, 100% Principle Residence Exemption approved by the Jackson City Assessor, or other established and verifiable documentation.

Program Manager – the City staff person responsible for day-to-day operations of the Housing Rehabilitation Program.

Project Completion - all necessary program requirements and construction work has been completed, inspected and approved, and property standards have been met; final payments for the project has been made for the project and drawdown of funds have been disbursed; and project completion information (beneficiary data) entered into HUD's online database (IDIS).

Project Cost – the total cost of repairs and improvements incurred by the Borrower that are included in a loan, whether or not financed in whole or in part with funds from this program or from other sources.

Reasonable Credit Risk - no evidence of current or pending foreclosure proceedings and meets specified debt-to-income ratios.

Remediation – an activity that reduces the health hazards of lead-based paint deteriorates.

Renovation, Repair, and Painting (RRP) Rule – Federal law requires all renovation, repair, and painting firms (including sole proprietorships) and individuals performing renovations, including contractors, property managers, and others who disturb painted surfaces to be certified. It applies to houses, apartments, and child-occupied facilities (such as schools and day care centers) built before 1978. It includes pre-renovation education requirements as well as training, firm certification, and work practice requirements.

Residential Structure - (also referred to as residence) is the real property to be improved and which is used solely for residential purposes on a year-round basis. It must be located within the City of Jackson. This definition does not include mobile homes or trailers.

Responsible Bidder – a person or entity who has the capability in all respects to fully perform the contract requirements and who fits the criteria as defined in this policy manual.

Responsive Bidder – a person or entity who has submitted a bid which conforms in all material respects to the requirements set forth in the invitation for bids.

Sealed Bids – procedures for purchases greater than \$50,000 that will require advertising for and obtaining bids which remain sealed until publicly opened by the Purchasing Agent.

Site Improvement – the placement of permanent or semi-permanent improvements such as sidewalks, driveways, concrete steps, landscaping, storage sheds, detached garages, sprinkler systems, retaining walls, water and sewer hookup, and the like. The removal of foundations, concrete pads, wells, septic systems, trees, land balancing and removal of unwanted to unusable old site improvements.

Stable Monthly Income - borrower's verified gross income that is likely to continue based on foreseeable economic circumstances.

Sufficiently Insured - insurance on the subject property in an amount equal to all the indebtedness on the property or the maximum amount available, whichever is less. The City of Jackson must be named as mortgage holder on the insurance policy.

Temporary Housing – living accommodations provided for a family during the conduct of lead remediation activities at their home and until the residence passes safety clearance, and the family can reoccupy the home.

Temporary Relocation – for single family housing, the temporary move of a family and specific belongings out of a residence during the conduct of lead remediation activities and until the property has received a safety clearance.

Usual and Customary Fees (Third Party Fees) - these are the usual and customary fees paid to a third party service provider to process and close a loan which include, but may not be limited to, the following:

- Appraisal Fee
- Closing Agent Fee

- Courier Fee
- Credit Bureau
- Flood Certificate
- Recording Fee
- Tax Service Fee
- Title Insurance Policy
- Underwriting/Administration Fee

Women Business Enterprise (WBE) – businesses at least 51% directly owned and controlled by one or more women who are U.S. citizens.

C. Goals and Objectives

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities. CDBG provides for the following, principally for persons of low and moderate income:

- Decent housing;
- A suitable living environment; and
- Expanded economic opportunities.

The HOME Program was created by the National Affordable Housing Act of 1990, and has been amended several times by subsequent legislation. The intent of the HOME Program is to:

- Provide decent, affordable housing to lower-income households;
- Expand the capacity of non-profit housing providers;
- Strengthen the ability of state and local governments to provide housing; and
- Leverage private sector participation.

The City of Jackson has identified housing rehabilitation as a high priority project in its 2020 – 2024 Five-Year Consolidated Plan.

D. Authorization to Proceed

1. Approval of this Rehabilitation Policy and Procedure Manual by the Jackson City Council authorizes CD rehabilitation staff to process applications, bid projects, loan grant funds, and award contracts to the lowest responsible bidder within the parameters set forth for each program type.
2. Deviations from any policy or procedure must be approved by the Jackson City Council at its next regularly scheduled meeting.
3. The Jackson City Council may waive any local policy set forth in this Rehabilitation Policy and Procedure Manual for extenuating circumstances, but does not have authority to waive any statutory or regulatory federal requirement.

II. Rehabilitation Programs

Two programs are available:

- Homeowner Rehabilitation
- Major Components

A. Homeowner Rehabilitation Program

Purpose

Rehabilitation of existing residential structures to bring the property up to local codes and standards to meet the needs of its residents.

Funding Sources

Community Development Block Grant (CDBG)
HOME Investment Partnerships Program (HOME)

Eligible Properties

Property must be owner-occupied and located in the City of Jackson. An eligible property of no more than two (2) units may receive a Housing Rehabilitation loan, but only the unit which is the primary residence of the property owner is eligible for assistance. Properties may receive multiple forms of rehabilitation assistance as long as the total assistance does not exceed the maximum loan established by the program used. For instance, properties initially participating in the Homeowner Rehabilitation Program may apply for a Major Component loan as long as the current payoff for the original loan plus the new loan does not exceed \$75,000.

Income Eligibility

Applicant's annual household income may not exceed 80% of the current AMI as published annually by HUD, adjusted for family size. Annual household income includes the combined income of all adult persons 18 years of age or older residing in the property. Applicant's income must be stable and verifiable (evidence of two years' employment, if applicable).

Applicant must meet the asset test and debt-to-income ratios in Section III(B) below.

Maximum Loan Amount

\$75,000 for eligible non-lead improvements less the amount of any previous grant or loan received for the same property. Settlement costs are not incorporated into the total loan amount but are paid through the Rehabilitation Administration budget.

Eligible Improvements

1. *Code Violations* – the rehabilitation, at a minimum, must include the correction of all code violations as may be cited by under the Housing Code, Chapter 14, City of Jackson Code of Ordinances.
2. *Major Systems* – upon completion of the rehabilitation, all major systems must have an estimated useful life of a minimum of five (5) years.
3. *Incipient Code Violations* – the loan may include the costs of correcting conditions in the structure that, although not in violation at the time of inspection by City staff, may continue to deteriorate in the near future, generally estimated at 18 months, not including major systems. The maximum amount that may be included in the loan for correction of incipient code violations may not exceed 100% of the cost to correct actual code violations.

4. *Code Alternates* – the loan may include costs of alternate repairs that would exceed the minimum cost to repair code violations. For example, the cost of installation of vinyl siding may be included as an alternate to exterior painting of the structure.
5. *Accessibility* – the loan may include costs to provide handicapped accessibility, if needed, by a disabled household member.
6. *Energy Conservation Improvements* – the loan may include the cost of energy conservation and efficiency standards if financially feasible and does not require work on elements that would not ordinarily become exposed during rehabilitation.
7. *Radon Testing and Mitigation* – when applicable, the loan may include costs for radon testing and/or mitigation, following ANSI or other state/federally-approved standard.
8. *Historic Preservation Standards* – if designated as historically significant, all exterior rehabilitation must comply with standards set by the U.S. Secretary of the Interior and costs associated with meeting those standards may be included. All properties will be submitted to the State Historic Preservation Office (SHPO) for review. In addition, properties must undergo local historic review if they are located within the boundaries of the locally designated historic district.
9. *Uniform Physical Condition Standards* – rehabilitation must include the costs of repairs needed to meet HUD’s list of Uniform Physical Condition Standards.
10. *Lead-Based Paint Hazards* – the cost of remediating identified lead-based paint hazards must be included in a loan. All costs associated with eliminating lead-based paint hazards identified in a risk assessment that were not part of the original intent of the rehabilitation loan will be included in a separate loan to the borrower and forgiven at a rate of 20% per year. *See Section IV. Lead Safe Housing Rule for more information.*
11. *Combination with Other Funding Sources* – if the project exceeds the maximum allowed loan amount, applicant may need to apply for additional funds from other sources to make required or optional repairs.

The after-rehab value of the property may not exceed 95 percent of the area median purchase price as published annually by HUD. The area median purchase price limits can be found at <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

Loan Terms

The homeowner will be required to execute a mortgage and mortgage note to the City of Jackson for the full amount of the non-lead rehabilitation project costs. No interest is charged on the loan. The loan will include a repayable component and a deferred component.

The repayable amount is based on the applicant’s AMI and calculated utilizing the applicable percentage from the table below and the total non-lead project costs. This loan is repayable monthly for a maximum term of ten (10) years.

Repayable Loan Determination

Area Median Income	Loan Amount
0% to 30%	5% of the total non-lead project costs with a minimum payment of \$15 per month
over 30% to 50%	10% of the total non-lead project costs with a minimum payment of \$25 per month

Area Median Income	Loan Amount
over 50% to 80%	15% of the total non-lead project costs with a minimum payment of \$50 per month

The remaining balance of the total non-lead project costs (total non-lead project costs less the total expected payments to be received) will be forgiven at a rate of 1/10th annually provided the applicant remains current on their monthly payments and continues to meet all other provisions of the program.

Example of a Repayable and Deferred Loan Calculation:
 Area Median Income = 45% (10% of the total non-lead project costs repayable)
 Total Non-Lead Project Costs = \$47,000

Repayable Amount:
 $\$47,000 \times 10\% = \$4,700$ total repayable / 120 months = \$39.17 per month for 10 years

Deferred Amount:
 $\$47,000 - \$4,700$ total repayable = \$42,300 / 10 years = \$4,230 forgiven annually for 10 years

Any outstanding balance on either a repayable or deferred loan will become due and payable immediately if:

- The property is sold;
- Transferred or otherwise conveyed voluntarily or involuntarily either while the Borrower is living or by reason of death of the Borrower (except a conveyance to the Borrower’s spouse upon his/her death and as noted below); or
- The property ceases for any other reason to be the Borrower’s principal place of residence.

If the Borrower dies, the City of Jackson may approve assumption of the loan for its duration of under the following circumstances:

- An heir to the property lives in the house, is income eligible, and will use the home as their primary residence;
- An heir to the property desires to use the property as their primary residence, is income qualified, and all other heirs to the property are in agreement.
- An immediate family member to an heir of the property desires to use the property as their primary residence, is income qualified, and all other heirs to the property are in agreement.

B. Major Components Loan Program

Purpose

To repair certain elements of a housing unit that have outlived or are nearing the end of their effective useful life before the element creates an emergency situation, but the whole house is not rehabilitated. Additional consideration is allowed to increase the energy efficiency of a home in an effort to reduce the homeowner's utility costs. Preference will be given to major components that have failed.

Funding Sources

Community Development Block Grant (CDBG)

Eligible Properties

1. Basic Eligibility

The following basic requirements must be met for any project to be considered:

- a. Property must be located within the City of Jackson's jurisdictional boundaries.
- b. Property may not have more than three (3) housing units (apartments).
- c. Combined household income may not exceed 80% of the Area Median Income (AMI), adjusted for family size. Household income requirement pertains to tenant(s) in NOORP Owned properties.

2. Owner Occupied

- a. Property must be primary residence.
- b. Must have clear and marketable title, properly recorded at the Jackson County Register of Deeds. Every individual listed on the title will be required to sign the City's mortgage and mortgage note.
- c. Must be current on all City of Jackson property taxes, special assessments, and water utility billings.
- d. Must be sufficiently insured and current on payments.
- e. Must be current on mortgage payments, if any. All existing mortgage(s) on the property must be in the name(s) of one or more owners of the property. All individuals/entities signatory to an existing mortgage/note must sign the City's mortgage/note.
- f. Must not be in bankruptcy.

D. Property

- a. Must not be in foreclosure.
- b. Must not have unresolved violations from the City of Jackson, State of Michigan, or HUD.
- c. The Housing Rehabilitation Specialist and Contractors are not expected to work in conditions of clutter, infestation, filth, threat of physical violence, or other extraordinary hazard. Applicant households with such conditions are required to correct the condition(s) prior to commencement of rehabilitation work.
- d. A title review will be done on the property and, if necessary, a full title search will be completed. There must not be any federal, state, or local liens or judgments, including tax liens (real estate or federal) on the property.
- e. Must meet applicable provisions of Chapter 28 – Zoning, City of Jackson Code of Ordinances.
- f. Must be in a condition to reasonably expect the property will remain structurally sound and fit for ten (10) years following repairs with appropriate maintenance.

- g. Properties may receive multiple forms of rehabilitation assistance as long as the total assistance does not exceed the maximum loan established by the program used. For instance, properties initially participating in the Homeowner Rehabilitation Program may apply for an Emergency Hazard or a Major Component loan or other City of Jackson rehabilitation program as long as the current payoff for the original loan plus the new loan does not exceed \$25,000.

Income Eligibility

Applicant’s annual household income may not exceed 80% of the current AMI as published annually by HUD, adjusted for family size. Annual household income includes the combined income of all adult persons 18 years of age or older residing in the property. Applicant’s income must be stable and verifiable (evidence of two years’ employment, if applicable).

Applicant must meet the asset test and debt-to-income ratios in Section III(B) below.

Maximum Loan Amount

\$25,000 for eligible major component improvements. Settlement costs are not incorporated into the total loan amount but are paid through the Rehabilitation Administration budget.

Eligible Improvements

1. *Major Systems* – includes, but is not necessarily limited to, structural, roof/gutter system, electrical, HVAC, and plumbing.
2. *Energy Efficiency* – includes, but is not necessarily limited to, addition or upgrade to insulation in homes (if allowed by code), and HVAC.
3. *Accessibility* – costs to remove material and architectural barriers that restrict the ingress/egress of elderly and severely disabled persons to the home.
4. *Historic Preservation Standards* - if designated as historically significant, all exterior rehabilitation must comply with standards set by the U.S. Secretary of the Interior and costs associated with meeting those standards may be included. All properties will be submitted to the State Historic Preservation Office (SHPO) for review. In addition, properties must undergo local historic review if they are located within the boundaries of the locally designated historic district.
5. *Radon Testing and Mitigation* – when applicable, the loan may include costs for radon testing and/or mitigation, following ANSI or other state/federally-approved standard.

Loan Terms

The homeowner will be required to execute a mortgage and mortgage note to the City of Jackson for the full amount of the emergency hazard project costs. No interest will be charged on the loan. The loan will include a repayable component and a deferred component.

The repayable amount will be based on the applicant’s AMI and calculated utilizing the applicable percentage from the table below and the total emergency hazard project costs. This loan is repayable monthly for a maximum term of five (5) years.

Repayable Loan Determination

Area Median Income	Loan Amount
0% to 30%	5% of the total project costs with a minimum payment of \$15 per month

Area Median Income	Loan Amount
over 30% to 50%	10% of the total project costs with a minimum payment of \$25 per month
over 50% to 80%	15% of the total project costs with a minimum payment of \$50 per month

The remaining balance of the total project costs (total costs less the total expected payments to be received) will be forgiven at a rate of 1/5th annually provided the applicant remains current on their monthly payments and continues to meet all other provisions of the program.

Example of a Repayable and Deferred Loan Calculation:

Area Median Income = 70% (15% of the total project costs repayable)

Total Project Costs = \$8,500

Repayable Amount:

$\$18,250 \times 5\% = \913 total repayable / 60 months = \$15.22 per month for 60 months

Deferred Amount:

$\$18,250 - \913 total repayable = \$17,337 / 5 years = \$3,467.40 forgiven annually for 5 years

Any outstanding balance on either a repayable or deferred loan will become due and payable immediately if:

- The property is sold;
- Transferred or otherwise conveyed voluntarily or involuntarily either while the Borrower is living or by reason of death of the Borrower (except a conveyance to the Borrower's spouse upon his/her death and as noted below); or
- The property ceases for any other reason to be the Borrower's principal place of residence.

If the Borrower dies, the City of Jackson may approve assumption of the loan for its duration of under the following circumstances:

- An heir to the property lives in the house, is income eligible, and will use the home as their primary residence;
- An heir to the property desires to use the property as their primary residence, is income qualified, and all other heirs to the property are in agreement.
- An immediate family member to an heir of the property desires to use the property as their primary residence, is income qualified, and all other heirs to the property are in agreement.

III. Eligibility and Intake

A. Basic Eligibility

The following basic requirements must be met for any project to be considered:

1. The property must be located within the City of Jackson's jurisdictional boundaries.
2. The property may not have more than two (2) units; only the unit occupied by the property owner is eligible for assistance unless otherwise noted.
3. Combined household income may not exceed 80% AMI, adjusted for household size.
4. The property must be the primary residence of the property owner.
5. The property must have clear and marketable title, properly recorded at the Jackson County Register of Deeds. A contract for deed, installment contract and land sales contract are specifically excluded as such contracts fail to provide equitable title to homebuyers.
6. Every individual listed on the title will be required to sign the mortgage and mortgage note.
7. Must be current on all property taxes, special assessments, water utility billings, AHB judgments, and other costs as may be charged by the City of Jackson
8. Must be sufficiently insured and current on payments.
9. Must be current on mortgage payments or loans involving the property, if any. All existing mortgage(s) or loan(s) on the property must be in the name(s) of one or more owners of the property.
10. Must not be in foreclosure or bankruptcy.
11. Must not have unresolved violations from the City of Jackson, State of Michigan, or HUD. Any housing code violations that would not be rectified at the completion of the rehabilitation work must be corrected before the project is undertaken.
12. Pursuant to the Welfare Reform Act of 1966 and Section 401 of Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), non-citizens who are not qualified aliens as defined in Section 431, is not eligible for any Federal public benefit.
13. If the applicant appears to qualify based on a preliminary review of the information provided, the project will be placed on the waiting list for the appropriate rehabilitation program until ready to proceed.

Timely Completion of Application

Once an application begins the intake process, it is incumbent upon the homeowner to provide requested documentation in a timely fashion.

1. Applicants taking more than 30 days to complete their application, which includes provision of all documentation requested, shall be deemed "non-responsive" and lose priority position.
2. Applicants taking more than 45 days to complete their application, which includes provision of all documentation requested, shall be denied and the applicant must re-apply.

Waiting List

CD rehabilitation staff will create and maintain a waiting list by rehabilitation program type. Applicants will generally be selected from the waiting list in chronological order based on the date and time their application was received (first-come, first-serve basis as funds allow). However, applicants to the emergency hazard program will receive priority consideration and will be assigned to the Housing Rehabilitation Specialist before any other project type. Priority will also be given to those on the waiting list [who have a major component that has failed](#) or who have not previously received assistance.

B. Intake

CD staff shall assist the applicant in the preparation of the rehabilitation application as necessary. Every space provided for entry of a response shall be completed. If no response is available or does not apply to the applicant, the entry should be “none” or “n/a.” Program staff will perform the following tasks as projects on the waiting list advance toward first position:

1. Conduct an interview with the applicant and obtain documentation for a full eligibility determination which includes, but may not be limited to, the following:
 - a. Mortgage for each holder of lien(s) secured by the property;
 - b. Employment, such as paystubs;
 - c. Earnings, such as most recent tax return;
 - d. Deposits, such as bank statements.
2. Obtain third-party verification from employer, banking establishments, and others as may be appropriate.
3. Obtain a credit report and review thoroughly to ensure all assets and liabilities were disclosed.
4. Perform asset test and determine debt-to-income ratio.
5. Request title search from American Title Company.
6. Household income level must be documented using HUD’s Income Eligibility Calculator found at <https://www.hudexchange.info/incomecalculator/>. Results must be kept on file electronically with a printed copy placed in the applicant’s file.
7. Create project in Neighborly Software and assign loan number.
8. Perform citizenship/alien status check using SAVE or an equivalent verification system approved by the Federal government.

Income Guidelines

Verification and certification of income and assets is required to determine program eligibility for all CDBG or HOME funded rehabilitation projects. Income includes all wages and salaries, interest and dividends, alimony, and child support for all adults living in the house. It excludes food stamps, medical reimbursement, and foster childcare assistance.

The calculation used to determine annual household income shall be consistent with HUD regulations at 24 CFR Part 5 (Part 5 income, formerly referred to as Section 8 income) and HUD’s definition of income including the sources of income that are to be included or excluded from the calculation. Income of all household residents 18 years of age and older, unless they are a full-time student, will be included in the total annual household income determination.

Asset Test

If an applicant’s current assets total in excess of \$25,000, that applicant is determined to have substantial resources and does not qualify for rehabilitation assistance.

- Assets include funds in checking and savings accounts, interest or dividends earned from Certificates of Deposit, stocks, bonds or mutual funds. Assets also include the value of real estate (other than primary residence).
- Assets do **not** include pre-tax payroll deductions, deferred compensation accounts, 401ks, health or dependent care allowances, two vehicles, the subject property and furnishings and fixtures.

- If assets are \$5,000 or above, income on all assets (actual or imputed per worksheet) must be included to determine income eligibility. However, earnings from retirement accounts do **not** need to be included unless the funds are being removed from the account.

Debt-to-Income Ratio

The maximum debt-to-income ratio (DTI) for Housing Rehabilitation Programs is 40% front-end and 45% back-end expressed as a ratio of 40/45 percent. The DTI is the percentage of a consumer's monthly gross income that goes toward paying debts. The DTI often covers more than just debts. The ratios can include certain taxes, fees and insurance premiums as well. There are two main types of DTIs:

1. *Front-End Ratio* – indicates the percentage of income that goes toward housing costs, which for homeowners is PITI (principal, interest, taxes and insurance). The maximum front-end ratio for the housing rehabilitation programs is 40 percent.
2. *Back-End Ratio* – indicates the percentage of income that goes toward paying all recurring debt payments, including, but not limited to: PITI; credit card payments; car loan payments; student loan payments; child support payments; alimony payments; and legal judgments. The maximum back-end ratio for the housing rehabilitation programs is 45 percent.

Example of a Debt-to-Income Ratio Calculation:

Yearly Gross Income = \$45,000 / Divided by 12 months = \$3,750 per month income.

- $\$3,750 \times 40\% = \$1,500$ allowed for housing expenses (front-end)
- $\$3,750 \times 45\% = \$1,687$ allowed for housing expenses plus recurring debt (back-end)

Tier II Environmental Checklist

Before a project can be bid, the Program Manager must complete a Tier II environmental checklist to assure the property is eligible for funding. The Tier II checklist requires review of Historic Preservation, Floodplain Management, and Contamination and Toxic Substances.

False Reporting

Any discovery of false reporting on an application for assistance determined within five (5) years after the completion of a project will result in the required repayment of all assistance provided.

IV. Lead Safe Housing Rule

A. Application of Lead Safe Housing Rule

HUD requires any rehabilitation activity that will disturb lead-based paint (LBP) adhere to 24 CFR Part 35, Subpart J, known as the Lead Safe Housing Rule (LSHR). The Environmental Protection Agency's (EPA) also imposes regulation on LBP at 40 CFR Part 745 through its Renovation, Repair, and Painting (RRP) rules under Subparts E and Q.

B. Exemptions

While the LSHR applies to all rehabilitation projects which will disturb LBP, it does provide exceptions under the following circumstances:

1. If the property was constructed after January 1, 1978.
2. Zero-bedroom and single room occupancy units.
3. Housing designated for the elderly or persons with disabilities unless if a child under six (6) years old resides or is expected to reside there.
4. Properties found to be lead free by a LBP inspection or where all LBP has been identified, removed, and clearance achieved.
5. Emergency action necessary to protect life, health, and safety or further damage to the structure (e.g., after a natural disaster or fire). However, the LSHR does apply for work needed to restore and/or rehabilitate such damaged property.

The following exemptions from lead safe work practices and clearance also apply within the stated limitations:

1. The planned work will not disturb painted surfaces.
2. When minor maintenance or activities disturb painted surfaces which are below the following *de minimis* levels:
 - a. Two (2) square feet per interior space (cumulative).
 - b. Ten (10%) percent of small component type.
 - c. Twenty (20) square feet for exterior work.

C. Level of Lead Hazard Reduction

The level of lead hazard reduction is determined by the amount of federal assistance in the total project costs as follows:

1. Total Project Costs of \$5,000 or Less

When total project costs are up to and including \$5,000, lead safe work practices must be used for all rehabilitation activities, and paint disturbed during the work must be repaired following the EPA's RRP. The following steps must be taken:

- a. Test surfaces to be disturbed.
- b. If LBP is present, provide notice of lead hazard evaluation to residents within 15 days.
- c. Finalize the work write up and bid the work to qualified contractors. For surfaces with LBP, workers should be trained in lead-safe work practices or be supervised by a certified abatement supervisor. For surfaces with no LBP, no special training or supervision is required.
- d. Complete the work using lead-safe work practices and repair painted surfaces that will be disturbed during work.

- e. Perform a clearance examination, which must be completed by a licensed lead paint inspector, risk assessor, or lead sampling technician. If the clearance examination does not pass, the contractor must re-clean in preparation for another clearance examination.
- f. Once the work passes a clearance examination, notice of the lead hazard reduction work performed must be provided to residents within 15 days.

2. Total Project Costs Over \$5,000 up to \$25,000

When total project costs are over \$5,000 up to and including \$25,000, interim controls must be performed on the hazards identified by a Risk Assessment and paint disturbed during the rehabilitation must be repaired. The following steps must be taken:

- a. Order a combined Lead Paint Inspection/Risk Assessment.
- b. If LBP is present, provide notice of lead hazard evaluation to residents within 15 days.
- c. Finalize the work write up and bid the work to qualified contractors. For surfaces with LBP, workers should be trained in lead-safe work practices or be supervised by a certified abatement supervisor. For surfaces with no LBP, no special training or supervision is required.
- d. Perform interim (temporary) controls on all hazards identified in the Risk Assessment and stabilize all paint disturbed during rehabilitation.
- e. Perform a clearance examination, which must be completed by a licensed lead paint inspector, risk assessor, or lead sampling technician. If the clearance examination does not pass, the contractor must re-clean in preparation for another clearance examination.
- f. Once the work passes a clearance examination, notice of the lead hazard reduction work performed must be provided to residents within 15 days.

3. Total Project Costs Over \$25,000

When total project costs exceed \$25,000, surfaces painted with LBP that are disturbed during rehabilitation and all hazards identified by a Risk Assessment must be abated. Interim controls may be performed on exterior surfaces if those surfaces are not undergoing rehabilitation.

- a. Order a combined Lead Paint Inspection/Risk Assessment.
- b. If LBP is present, provide notice of lead hazard evaluation to residents within 15 days.
- c. Finalize the work write up and bid the work to qualified contractors. For abatement work, certified and/or licensed abatement contractors are required. For other work, use appropriately qualified workers.
- d. Perform abatement (permanent removal/replacement) on all hazards identified in the Risk Assessment. Interim (temporary) controls are acceptable on the exterior.
- e. Perform a clearance examination, which must be completed by a licensed lead paint inspector or risk assessor. If the clearance examination does not pass, the contractor must re-clean in preparation for another clearance examination.
- f. Once the work passes a clearance examination, notice of the lead hazard reduction work performed must be provided to residents within 15 days.

Note: If an abatement activity is conducted, a certified abatement contractor is required, no matter the level of total project costs.

D. Calculating Total Project Costs

Proper calculation of the total project costs is essential to determine the level of assistance and lead hazard treatment requirements. Certain costs, such as soft costs, are deducted from the total amount of federal assistance dollars contributed to project. To properly calculate the total project costs, determine the following:

1. What is the total amount of federal assistance contributed to the project?
2. Deduct from that total all soft costs attributable to the project. Soft costs include, but are not limited to the following: administrative costs, title work, credit report, recording fees, risk assessment, relocation costs, and similar non-construction costs.
3. Costs for lead hazard reduction may also be removed *if* the lead hazard reduction cost is directly associated with the interim control or abatement requirements identified through the risk assessment. If the lead hazard reduction, such as window replacement, was included in the original intent of providing rehabilitation assistance, this cost **cannot** be deducted and must be counted toward the total project cost.

The total project cost is established by the following calculation:

Subparagraph 1 – Subparagraph 2 – Subparagraph 3 (if applicable) = **Total Project Costs**

V. Inspection and Pre-Construction

A. General

The Housing Rehabilitation Specialist is responsible for determining the rehabilitation work necessary to bring a property into conformance with applicable codes and lead-based paint hazard control requirements, if necessary, based upon the rehabilitation program the project falls under. In carrying out these responsibilities, the Housing Rehabilitation Specialist shall:

1. Inspect the property to identify all code violations for full rehabilitation projects, or determine if replacement, and not a lower form of maintenance, is necessitated in emergency hazard or major component activities.
2. Determine if additional work may be needed other than that requested on the application which may have been unknown to the homeowner.
3. Take pictures that document the condition and/or component age before rehabilitation.
4. Meet with owner to distribute and discuss the EPA pamphlet "The Lead Safe Certified Guide to Renovate Right" if planned work will disturb painted surfaces.
5. Order a combination Lead Paint Inspection/Risk Assessment if planned work will disturb painted surfaces.
6. Complete a preliminary work write-up and cost estimate of the rehabilitation needed. The preliminary work write-up shall include, but not be limited to, a separate cost estimate for required lead hazard control activities or energy conservation improvements, general improvements, insipient items, or owner requested general improvements.
7. Determine that items in the work write-up conform to purposes for which the project loan may be used.
8. Advise applicant concerning conditions under which the loan is made.
9. Final consultation with the applicant on preliminary work write-up and cost estimate to reach an agreement that the work to be done is within applicant's ability to repay.
10. Prepare a final work write-up and cost estimate as the basis for a CD housing fund loan and for contracting the rehabilitation work.
11. Request construction bids through the City of Jackson Purchasing Department.
12. Assist in getting all necessary documents executed.
13. Upon completion, the rehabilitation work must, at a minimum:
 - a. Meet state or local codes, ordinances and requirements;
 - b. Be free of deficiencies selected by HUD from the list of Uniform Physical Condition Standards;
 - c. Meet minimum useful life standards for major systems of at least five (5) years.

Property Condition

1. The Housing Rehabilitation Specialist and contractors are not expected to work in conditions of clutter, infestation, filth, threat of physical violence, or other extraordinary hazard. Applicant households with such conditions are required to correct the condition(s) prior to commencement of work.
2. The property must be in a condition to reasonably expect it will remain structurally sound and fit for ten (10) years following rehabilitation with appropriate maintenance.

3. A structure will be deemed “non-feasible for rehabilitation” and denied participation in the program when any one of the following apply:
 - a. It is deteriorated to the degree that repair/rehabilitation costs would equal or exceed new construction costs;
 - b. It was built inferior and/or substandard;
 - c. It has major structural or drainage problems;
 - d. The cost of the required rehabilitation exceeds the property value;
 - e. Any repair(s) needed cannot be completed within the financial constraints of the program,

B. Inspection Checklist

The City has developed an inspection checklist for use in inspecting each residential property. In essence, such a checklist is a listing of every item that is subject to the applicable codes that may be found in a property. The use of such a checklist facilitates the inspection and also helps provide a proper basis for the preparation of the work write-up, cost estimate, and the contract specifications.

1. *Checklist by Room:* For a residential property the items on the checklist are classified by room. For example, items applicable to a kitchen or bathroom are listed on sheets under those room classifications. Similarly, a separate sheet with an appropriate listing of items would be used for each habitable room.
2. *Checklist Information:* Alongside each item on the checklist, space is provided for indicating the nature and extent of the deficiency. Additional space is provided on the checklist, or on supplemental sheets, for notes dealing with the types of materials, extent of repairs or replacement, and other information that may be helpful in later preparing the work write-up and cost estimate.

C. Cost Estimate

The cost estimate is a statement prepared by the Housing Rehabilitation Specialist based on the property inspection checklist that itemizes the rehabilitation work to be done on the property and includes an estimate of the cost of each item. The cost estimate shall be reasonable and shall reflect actual costs prevailing in the locality for comparable work.

1. Since it is generally not practical to predetermine the funding sources to be utilized by the owner in the rehabilitation of the property, the Housing Rehabilitation Specialist shall proceed on the assumption that a variety of sources will be used. For this reason, it is important that the work write-up be sufficiently detailed. Separate estimates shall be prepared for lead-based paint associated activities.
2. In a case where the rehabilitation is limited in scope, the inspection checklist can be made sufficiently comprehensive to be used for development of specifications.
3. Each item of work and its estimated cost shall be identified in the cost estimate as being either necessary to meet the applicable codes, as lead hazard reduction expenses, or for other purposes that may be financed through various loan programs. This information is entered on the bid comparison sheet.
4. The amount of loan funds available for general improvements is subject to special limitations as provided by the funding source. The cost estimate shall identify those items and costs that may be included only on the basis of being to “generally improve the condition of the property.”
5. If the total estimated cost of the work exceeds the amount of the available funding the applicant could receive, or exceeds the applicant’s financial ability to do all the work, the Housing Rehabilitation

Specialist may eliminate or modify items in the cost estimate. Items of work necessary to meet the applicable codes or lead-based paint hazard requirements will not be eliminated.

6. A preliminary cost estimate should not contain details that have an effect on cost, such as color, style, or pattern. Decisions on these details can be made after the contract is awarded by providing in the contract documents, as appropriate, the term “to be selected by owner.” Cost estimates will be calculated on moderately priced items. If the owner wishes to exceed the contract amount, they must provide the difference. Exterior paint color must be approved by the City.
7. The final and cost estimate prepared by the Housing Rehabilitation Specialist shall identify each of the items of work to be financed by the loan and provide a total for all.

VI. Contractors

A. Prequalification Procedures

1. Must be properly licensed by the State of Michigan for the trade(s) in which contractor is qualified.
2. Must be actively registered with the City of Jackson Department of Neighborhood & Economic Operations.
3. CD rehabilitation staff shall provide the Purchasing Coordinator a current list of actively registered contractors for the trade in which they are licensed. CD rehabilitation staff will review the list from time to time and provide the Purchasing Coordinator updated information as necessitated.
4. In addition to other forms of advertisement detailed in Section VI(A)(1) below, the Purchasing Coordinator will specifically solicit the contractors from the list provided by CD for the trade in which they are qualified.
5. The Purchasing Agent and/or CD rehabilitation staff shall have the right to adjust the list of prequalified bidders as he or she becomes aware of substantial changes in the information and circumstances of a bidder, or if other reasonable cause exists such as unsatisfactory contract performance or failure to pay bills and/or claims. Should an applicant for pre-qualification disagree with the determination of CD staff with regard to the same, the City Manager shall review the original information and/or such additional information within five (5) business days of the receipt of a written request, and confirm in writing either the original determination of the staff or revise same as appropriate.
6. A contractor need not be currently registered with the City of Jackson to submit a bid; however, proper registration is required before any contract is let.

B. Basic Requirements

To be eligible for participation in CD rehabilitation projects, a contractor must:

1. Be actively licensed by the State of Michigan and registered with the City of Jackson.
2. Possess “tools of the trade” which include basic contracting tools and vehicle for transporting materials, tools, and accessing the property.
3. Be familiar and at ease with the use of communication tools, i.e., computer and have access to electronic mail (email) and telephone.
4. Have a thorough knowledge of, and adequately apply construction industry methodologies and standards.
5. Have an acceptable past performance record.
6. The contractor is responsible for obtaining all permits and/or submitting design review documents as required.
7. The contractor shall monitor day-to-day progress of their work to ensure high quality workmanship and timely completion. The Housing Rehabilitation Specialist will require notification for certain critical inspections such as discovery of dry rot or termite damage, completion of progress work and completion of final work. Failure to contact the Housing Rehabilitation Specialist for such an inspection may result in progress payment delays or non-payment.
8. For all work that involves lead hazard reduction, the contractor is responsible for cleaning the site to a level below the current thresholds established by the Environmental Protection Agency (EPA) for

floors, interior sills, exterior window wells, and floors. The Housing Rehabilitation Specialist will advise contractor which Lead Risk Assessor is selected for the project; the contractor is responsible for ordering the clearance examination. Lead clearance must be achieved before relocated occupants are allowed to return to their home. The contractor is responsible for all additional cleaning operations if the work fails to attain the mandated clearance thresholds as well as any additional cost assessed by the clearance technician for repeated visits, dust and/or laboratory fees. Final payment is withheld until the unit passes clearance testing.

9. The contractor will provide an eighteen (18) month warranty for work and materials completed under the contract.

Equal Opportunity

The General Contractor shall take the necessary steps to ensure that employees and applicants for employment are treated without regard to their race, color, religion, sex, national origin, age or disability. Such action shall include but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The General Contractor also agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth provisions of this non-discrimination clause.

All solicitations or advertisements for employees placed by or on behalf of the General Contractor, must state all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, age, or disability.

The General Contractor shall comply with the provisions of Federal Executive Order 11246 of 1965 as amended by Federal Executive Order 11375 of 1967 and the Equal Employment Act of 1972. The contractor may be requested to furnish information and reports requested by the U.S. Department of housing and Urban Development (HUD) to ascertain compliance with such rules, regulations, or requests or with this non-discrimination clause.

Conflict of Interest

In order to avoid personal conflict of interest in awarding contracts or making purchases of property or service under this program:

1. No contract or procurement will be made with any organization in which any person in an administrative capacity may benefit unless specifically authorized by the City Council, in conformity with applicable federal, state and local laws.
2. No contract or procurement will be made to any organization in which an immediate family member of a person in an administrative capacity with the CD Department may benefit unless authorized in writing to do so by the City Council.
3. No employee shall solicit or accept gratuities, favors or anything of monetary value from contractors, providers or potential subcontractors.
4. No employee shall be related by blood to any Contractors or Contractor's family.

C. Licensing Requirements

To be eligible for participation in CD rehabilitation programs, a contractor must hold the proper certifications and licensing from the State of Michigan for the scope of work being conducted. Subcontractors employed by the contractor shall hold the appropriate certifications and licensing required to perform the work as required by HUD, State of Michigan, or City of Jackson. Contractors and subcontractors must be actively registered with the City of Jackson.

D. Insurance

The Contractor will be required to show evidence of automobile and commercial general liability insurance, worker’s compensation insurance and professional liability insurance (where applicable), which is acceptable to the City. The commercial general liability insurance policies shall name the City, its agents, representatives, officers and employees as additional insureds to protect their interests. Both bodily injury and property damage insurance must be on an occurrence basis; and said policies shall provide that the coverage afforded thereby shall be primary coverage to the full limits of liability stated in the declarations, and if said City, agents, representatives, officers or employees have other insurance against the loss covered by said policies, the other insurance shall be excess insurance only. The Contractor shall secure and maintain during the progress of the work such insurance from financially responsible insurance companies, licensed in the State of Michigan, and approved by the City, that it will protect the Contractor, its subcontractors, and the City from claims for bodily injury, death, or property damage which may arise from the performance of the contract. The Contractor shall at the time of execution of the contract file with the City certificate(s) of insurance, which shall cover all of the insurance as required herein. The certificates shall reference the project or contract to which they apply. Upon request by the City, the Contractor shall submit all insurance policies for review. The amounts and types of such insurance shall not be less than the following:

1. Minimum required limits of liability:

a. For jobs with an estimated contract cost of less than \$50,000

i. Comprehensive Commercial General Liability, limits of at least:

- (1) Bodily Injury, each occurrence\$300,000
- (2) Bodily Injury, each aggregate\$500,000
- (3) Property Damage, each occurrence\$100,000
- (4) Property Damage, aggregate.....\$100,000
(or in the alternative to 1, 2, 3, 4)
- (5) Bodily Injury and Property Damage Combined Single Limit
each occurrence\$500,000
and aggregate\$500,000

ii. Automobile Liability, limits of at least:

- (1) Bodily Injury, each person\$300,000
- (2) Bodily Injury, each occurrence\$500,000
- (3) Property Damage, each occurrence\$100,000
(or in the alternate to 1, 2, 3)
- (4) Bodily Injury and Property Damage Combined Single Limit
each occurrence\$500,000

b. For jobs with an estimated contract cost of \$50,000 or greater and smaller jobs deemed to be dangerous in nature which shall include, but not necessarily limited to, demolition, blasting, excavating and tunneling or other underground work.

i. Comprehensive Commercial General Liability of at least:

- (1) Bodily Injury, each occurrence\$1,000,000
- (2) Bodily Injury, aggregate\$1,000,000
- (3) Property Damage, each occurrence \$500,000
- (4) Property Damage, aggregate..... \$500,000
(or in the alternative to 1, 2, 3, 4)
- (5) Bodily Injury and Property Damage Combined Single Limit
each occurrence\$1,000,000

- and aggregate\$1,000,000
- ii. Automotive Liability and Property Damage Insurance with limits of at least:
 - (1) Bodily Injury, each person\$1,000,000
 - (2) Bodily Injury, each occurrence\$1,000,000
 - (3) Property Damage, each occurrence\$1,000,000
(or in the alternative to 1, 2, 3)
 - (4) Bodily Injury and Property Damage Combined Single Limit
each occurrence\$1,000,000

NOTE: To comply with the required limits of liability, each insurance may be placed in more than one policy, including an excess umbrella type policy.

2. Worker’s Compensation and Employer’s Liability Insurance as required by the State of Michigan for all Contractor’s employees and those of its subcontractors engaged in work under this contract. If Contractor is a sole proprietorship and as such is not eligible for Worker’s Compensation Coverage, Contractor must submit proof of same, satisfactory to the City. If Contractor is otherwise not obligated to carry Worker’s Compensation Coverage, Contractor must submit documentation from the Michigan Department of Labor (Form MDL337 or its equivalent); and
3. If the contract requires any work procedures involving explosives, blasting, demolition, excavating, trenching, tunneling, underground work, or other dangerous activity as determined by the City, the property damage liability coverage shall include standard explosion, collapse and underground coverage (XCU) for property damage and bodily injury liability coverage with limits of \$1,000,000 each occurrence and \$1,000,000 aggregate; additionally, Contractor shall provide third party pollution liability insurance coverage with minimum limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. The insurance shall name the City and its officers, employees, agents and representatives as an additional insured party.
4. Each policy shall provide for thirty (30) days written notice of cancellation, expiration, termination, or change of policy to the City. The contractor shall submit evidence of the coverage, to the City for review and approval. The City will, in writing, identify the policies and indicate its approval or disapproval. New policies shall be provided to the City in place of all policies disapproved. Insurances which expire before contractor’s work is accepted by the City shall be renewed and evidence of such renewal shall be submitted to the City for approval.
5. The contractor shall advise all insurance companies to familiarize themselves with all of the conditions and provisions of the contract, and insurance companies shall waive the right to special notification for any change or modification of the contract, extension of time, decreased or increased work, cancellation of any other act or acts by the City or its authorized employees or agents pertaining to the contract. Failure to so notify the aforesaid insurance companies of such changes shall in no way relieve the insurance companies of its obligation under the contract.
6. Nothing contained in these insurance requirements is to be construed as limiting the extent of the contractor’s responsibility for payment of damages resulting from its operations under this contract.
7. If the contract involves new construction, contractor shall purchase and maintain an Owner’s and Contractor’s Protective Liability insurance policy and property insurance upon the work at the site in the amount of the full replacement cost thereof. The insurance shall include the interests of the City, contractor, subcontractors, and if applicable, engineer and engineer’s consultant, each of whom is deemed to have an insurable interest and shall be listed as an insured or additional insured.

Further, the insurance shall:

- a. Be written on a Builder's Risk "all-risk" or open peril or special causes of loss policy form that shall at least include insurance for physical loss and damage to the Work, temporary buildings, false work, and Work in transit and shall insure against at least the following perils: fire, lightening, extended coverage, theft, vandalism and malicious mischief, earthquake, collapse, debris removal, demolition occasioned by enforcement of Laws and Regulations, water damage, and other perils or causes of loss as may be specifically required by supplementary conditions. The form of policy for this coverage shall be Completed Value.
- b. Include expenses incurred in the repair or replacement of any insured property (including but not limited to fees and charges of engineers and architects);
- c. Cover materials and equipment in transit for incorporation in the Work or stored at the site or at another location that was agreed to in writing by City prior to being incorporated in the Work; and
- d. Be maintained in effect until payment is made unless otherwise agreed to in writing by City and Contractor with 30 days written notice to each other additional insured to whom a certificate of insurance has been issued.

The policies of insurance required to be purchased and maintained by Contractor in accordance with this paragraph must be approved by the City prior to commencement of construction.

8. Each policy shall provide for thirty (30) days written notice of cancellation, expiration, termination, or change of policy to the City. The Contractor shall submit evidence of the coverage to the City for review and approval. The City will, in writing, identify the policies and indicate its approval or disapproval. New policies shall be provided to the City in places of all policies disapproved. Insurances which expire before Contractor's work is accepted by the City shall be renewed and evidence of such renewal shall be submitted to the City for approval.
9. The Contractor shall advise all insurance companies to familiarize themselves with all of the conditions and provisions of the contract, and insurance companies shall waive the right to special notification for any change or modification of the contract, extension of time, decreased or increased work, cancellation or of any other act or acts by the City or its authorized employees or agents pertaining to the contract. Failure to so notify the aforesaid insurance companies of such changes shall in no way relieve the insurance companies of its obligation under the contract.
10. Nothing contained in these insurance requirements is to be construed as limiting the extent of the Contractor's responsibility for payment of damages resulting from its operations under this contract.

E. Change Orders and Payment Procedure

Change Orders Prohibited

After award of a contract, change orders are prohibited unless, during the course of performing work necessary to successfully complete a project, unknown conditions are uncovered. Contractor must immediately contact the Housing Rehabilitation Specialist who will inspect the condition and document with photographs. Work beyond that needed to ensure the safety of occupants is prohibited while a change order is being considered for approval.

Contractor must provide in writing to the Housing Rehabilitation Specialist the added cost to repair the previously unknown conditions. CD rehabilitation staff must complete a change order request explaining the necessity of the change order and attach photographs of the conditions. Approval for the change order must be obtained from the property owner, Director of CD, and City Manager before the additional costs can be added to the contract and work can re-commence.

Progress Payments

Complex or phased projects where work cannot reasonably be completed within 30 days may allow for progress payments in the contract. When the work has progressed in accordance with the payment schedule in the contract, the contractor may request a progress payment which shall not exceed 90 percent of the value of the work completed or 80 percent of the total contract amount, whichever is less. The contractor will contact the Housing Rehabilitation Specialist to request a progress inspection. The Housing Rehabilitation Specialist and the property owner must approve the request for payment and CD financial staff will authorize the payment.

Contractor Payment

Prior to any payment authorization, the Housing Rehabilitation Specialist will collect lien waivers or paid receipts from the contractor and all subcontractors and/or suppliers furnishing materials for the items on the job of which payment is requested. The City does not provide “advance” money or authorize payment for items that are not completed or properly installed. Invoices are processed for payment every two weeks.

VII. Procurement and Contracts

A. Procurement

After CD staff has determined the applicant and project are eligible for assistance and the Housing Rehabilitation Specialist has compiled work specifications, the project file will be referred to the City of Jackson Purchasing Department to initiate the request for sealed bids. CD shall follow the City of Jackson approved purchasing guidelines for procurement of contracts for rehabilitation projects. The Purchasing Agent shall be responsible for the following:

1. The Purchasing Agent shall advertise for sealed bids to the greatest extent feasible. The method of advertising shall be reasonably designed to publicize the proposed contract or purchase for the utmost competition among bidders. By way of illustration, and not by limitation, “advertising” may include use of the City’s website, newspapers, bulletin boards, trade journals, radio, or television. In addition to advertising publicly, the Purchasing Agent shall also issue an invitation to bid to Contractors pre-qualified and approved by the Housing Rehabilitation Specialist.
2. A Pre-Bid Meeting scheduled by the Housing Rehabilitation Specialist with the property owner will be held at the property prior to the bid submission deadline. The purpose of such a pre-bid meeting will be to discuss the specifications and answer bidder’s questions. Contractors unable to attend the scheduled pre-bid meeting may **not** attempt to schedule a separate day and time directly with the property owner.
3. Any explanation desired by a prospective bidder regarding the meaning or interpretation of contract documents must be received by the Purchasing Agent prior to the deadline for submission of bids. Any explanation or interpretation concerning contract documents shall be in writing and furnished to all prospective bidders as an addendum. Receipt of such addenda shall be acknowledged on the bid documents. Oral explanations addressing non-substantive matters or procedural items relating to contract documents are allowed in order to assist a prospective bidder in submitting a bid.

No oral explanation or instruction by any city employee, representative, or official shall be binding upon the City unless the City employee, agent, representative, or official confirms such oral explanation or instruction in writing. If the City determines it necessary, it may reschedule the time for bid opening to allow adequate time for addenda to reach all bidders.

4. All completed proposals must be submitted to the City of Jackson Purchasing Department prior to the established deadline. NOTE: Bids will not be accepted by CD and any bid submitted to CD will not be opened and will be rejected. The Purchasing Coordinator shall date and time stamp all sealed bid proposals upon receipt.
5. Sealed bid proposals will be opened in public at the place and time designated in the bid documents. Attendance at any bid opening will not be denied or limited. All bid files will be available for public inspection. Late bids will not be considered. Any bid received after the deadline will be date and time stamped and returned to the bidder unopened.
6. The Purchasing Coordinator will tabulate the bids and check for compliance with the specifications and all conditions in the instructions to bidders. A bid that does not meet the specifications may be considered non-responsive and may be rejected.
7. The Purchasing Coordinator will post a summary of bids received on the City of Jackson’s website after the bid review has been completed.

8. Bid proposals will be reviewed by the Housing Rehabilitation Specialist for conformance to the scope of work. A recommendation for approval will be granted if:
 - a. All work items are included;
 - b. The proposal conforms to the work specifications;
 - c. The work properly addresses the deficiencies; and,
 - d. The cost is reasonable.

B. Rehabilitation Contracts

Introduction

Construction work financed through a rehabilitation loan shall be undertaken only through a written contract between the contractor and the recipient of the loan. The construction contract will consist of a single document signed by the contractor and borrower, following approval of the CD loan. It shall contain a bid and proposal by the contractor and the general conditions, lead-based paint risk assessment report, if any, as well as the specifications for the work to be performed.

General Conditions and Provisions

CD finance staff shall prepare all construction contracts for the rehabilitation of the property. The following minimum provisions must be included in the general conditions:

1. The bid and proposal shall be accepted by the property owner within 30 days from the bid opening, providing that the contract is subject to issuance of a Notice to Proceed, and no work shall be commenced by the contractor until he or she has received a written proceed order.
2. The contract shall state specific dates for the commencement and completion of the work.
3. The contractor will be paid the contract price, in one lump sum amount, after the work is satisfactorily completed and approved unless payment is to be made in progress payments as the work progresses. When progress payments are to be made, the contract must include a schedule that specifies the stages at which payment will be made and the percentage (or amount) of the contract price that will be paid for the satisfactory completion of each stage. Progress payment shall not exceed 90% of the value of the work satisfactorily completed for those contractors who have been designated as merit contractors and 80% for all other contractors. Progress payments (limited to two) and final payment due the contractor will be paid within 20 days after CD receives the contractor's invoice and satisfactory release of liens or claims for liens by subcontractors, laborers, and material suppliers for completed work or installed materials.

Contractor Provisions

1. Furnish evidence of required insurances pursuant as outlined in Section V(D) of this handbook.
2. Obtain and pay for all permits and licenses necessary for the performance and successful completion of the work.
3. Perform all work in conformance with applicable City Codes and requirements whether or not covered by the specifications and drawings for the work.
4. If temporary relocation is required, the vacated structure will be under the control of the contractor. The contractor shall remain responsible for all safety and security on a 24-hour basis until the remediation is complete and clearance testing is successfully obtained. While working in vacant structures is more efficient, occupant relocation carries a significant daily cost. The contractor is obligated to complete the lead hazard reduction within the specified time period. Failure to complete the work within the specified time period may result in a daily charge to the contractor.

5. Rehabilitation loans are to abide by Federal and City regulations pertaining to equal employment, if the sum to be charged for the work is more than \$10,000, by incorporating the required language of Executive Order 11246 (Equal Employment Opportunity) as set forth in the Terms and Conditions which are a part of the loan application.
6. Keep the premises clean and orderly during the course of the work and remove all debris at the completion of the work. Materials and equipment that have been removed and replaced as part of the work shall belong to the contractor.
7. Not assign the contract without written consent of the owner. The request for assignment must be addressed to: City of Jackson, Neighborhood & Economic Operations, 161 West Michigan Avenue, 3rd Floor, Jackson, Michigan 49201.
8. Guarantee the work performed for a period of eighteen (18) months from the date of final acceptance of all work required by the contract. Furthermore, furnish the owner, in care of the Housing Rehabilitation Specialist, with all manufacturers' and suppliers' written guaranties and warranties covering materials and equipment furnished under the contract.
9. Permit the U.S. Government or its designee to examine and inspect the rehabilitation work.

Owner Provisions

1. Permit the contractor to use, at no cost, existing utilities such as light, heat, power, and water necessary to carry out and complete the work.
2. Cooperate with the contractor to facilitate the performance of the work, including the removal and replacement of rugs, coverings, and furniture, as necessary, and to vacate areas of the structure, as necessary, to allow work to occur.

Additional Provisions

1. A provision indicating whether the premises will either be occupied or vacant during the course of the construction work.
2. A provision that final payment on the contract amount will be made only after final inspection and acceptance of all the work performed by the contractor, and the contractor has furnished the owner and Housing Rehabilitation Specialist satisfactory releases of liens or claims for liens by the contractor, subcontractors, laborers, and materials suppliers.
3. A provision that the contract consists of the bid and proposal, the general conditions and the specifications incorporated.
4. The parties agree that, should a dispute arise regarding the workmanship or sums due under this Contract, the parties will resolve the dispute in accordance with the following procedure:
 - a. The party shall submit a written complaint to the City of Jackson Neighborhood and Economic Operations Department within five (5) calendar days after the work or issue that is the subject matter of the written complaint first arose.
 - b. After receiving the complaint, the City's Chief Building Official or his/her designee shall investigate the complaint and provide the party with his/her written decision within five (5) business days.
 - c. If the party is not satisfied with the decision of City's Chief Building Official, the party shall make an appeal to the City Manager by submitting a written appeal to the City Manager within five (5) business days from the date the decision of City's Chief Building Official was sent to the party.

- d. The City Manager shall hear the party's appeal within five (5) business days after the written appeal is submitted, unless another time is set by the City Manager, and the City Manager shall decide the appeal under such expert or other advice as may be necessary.
- e. Within ten (10) business days after hearing the appeal, the City Manager shall send the party his/her written decision.

Labor Performed by Owner in Rehabilitating the Property

Questions arise from time to time during the processing of a rehabilitation loan concerning the owner's performance of some or all of the labor required to complete the rehabilitation of the property. These paragraphs are intended to supply answers to those questions, as well as describe the circumstances under which this form or self-help is desirable and to be encouraged.

1. A property owner may complete some or all of the tasks required to rehabilitate the property if the owner has the degree of skill required to perform the work involved. Self-help is usually appropriate for the accomplishment of tasks of an unskilled nature such as general cleanup, demolition of small buildings on a property, removal, transportation, and disposal of the debris, and for work that involves minimal use of owner-supplied costly materials and equipment. Work of a skilled nature and work involving the extensive installation of costly materials and equipment may require a permit and oversight by the Building Inspection Division.
2. At times, self-help may also enable a property owner to obtain a rehabilitation loan by reducing costs to an amount within the program limits for a loan and simultaneously make repayment feasible.
3. When a portion of the rehabilitation work is to be done through self-help and the remainder is to be done by the contractor, the Housing Rehabilitation Specialist should ensure that the work being done by each of them does not interfere with or jeopardize the other's work. In cases where a separation in the timing of the work is not feasible, the Housing Rehabilitation Specialist should urge the owner and contractor to make their own arrangements on the timing so that each may do their own work without causing any interference in the work to be done by the other. In all instances, the owner will be better protected if work to be done through self-help is completed before the contractors start their work. Such completion will help avoid claims by the contractor for extras or damages the contractor may claim are caused by the self-help effort and will assure that when all work is finished the property will comply with Housing Code Standards and, where applicable, FHA Standards.

VIII. Loan Conditions

A. Numbering of Applications

CD staff shall assign a number to each application for a rehabilitation loan in accordance with the requirements of this section. Staff shall enter the assigned number in the spaces provided on the applicable forms and documents related to the rehabilitation loan in the following format:

1. First two numbers will denote the fiscal year in which the application was received (i.e., in 2019-2020 use "19") followed by a hyphen;
2. Following the year, each file will contain a two letter code identifying the type of project the loan will be given as follows:
 - RC = Full Rehab with CDBG funds
 - RH = Full Rehab with HOME funds
 - MC = Major Components (CDBG only)
3. Following the year and loan type, three digits will denote the chronological order of the application in the year received. The first number in the sequence is 001 and graduated one number for each application received; restart the chronologic numbering at 001 with every year change.
4. The final placeholder in the file numbering system shall represent the Ward in which the property is located (1 through 6).

As an example, the file number "20-MC025-4" indicates it is the 25th application received in fiscal year 2020. The file is also a major component loan and is located in Ward 4.

All application numbers will be recorded in the Neighborly Software project tracking system under the client's project in the "Application Number" field.

Reuse of Application Numbers Not Permitted

An application number, once assigned by the staff, shall not be reused or reassigned. If a previous case to which the staff had assigned an application number is not approved and is resubmitted at a later date, the Staff shall assign the resubmitted case a new application number with the sequence number applicable at that time.

B. Processing and Approval of Loan Applications

Processing an application by CD staff consists of the completion of the functions listed below, assembly in one file with all supporting documents, and the review of the file to determine approval.

Preparation of Form

CD staff shall assist the applicant in the preparation of the CD rehabilitation application, as necessary. Every space provided for an entry on the application shall be completed. Amounts entered shall be rounded to the nearest dollar. If no amount is involved for an entry for a particular application, the entry shall be "none." Review and approval by the program staff of the application shall be based on the form completed in this manner. CD staff will enter the application into Neighborly Software and assign an application number.

Approval of Application for Loan

The CD rehabilitation staff shall meet regularly, with or without the CD Director, to review and approve applications for assistance. Applications will be evaluated based on various criteria including, but not limited to:

1. *Applicant Eligibility.* The Financial Analyst will report on applicant's eligibility, including income level.
2. *Property Eligibility.* The Housing Rehabilitation Specialist will provide a funding recommendation based on results of inspection and pre-construction requirements.
3. *Priority.* The CD rehabilitation staff will determine the order projects will be funded based on the severity and immediate impact to the health, safety, and welfare of the occupants.
4. Once a project has been approved for funding, CD staff will notify the applicant in writing.
5. If a CD loan is being supplemented by another loan, the rehabilitation loan is not considered approved until the loan from the outside lender has been approved. In this case, CD staff shall not advise the applicant concerning approval of the CD loan, nor proceed with any of the rehabilitation work, until the reservation of other loan funds are received.
6. If CD staff determines a CD application cannot be approved, a written statement of the reasons for the determination will be sent to the applicant and made part of the file. CD staff will update the application status in Neighborly Software.
7. The original completed, approved CD application will be retained with the supporting documentation in the application file.

C. Loan Conditions

The specific terms and conditions with respect to a rehabilitation loan are incorporated in the City of Jackson Neighborhood & Economic Operations Application for Housing Rehabilitation Assistance (CD Housing Application). The applicant shall agree, and by signing the CD Housing Application, does agree to:

1. *Civil Rights* - comply with all City requirements with respect to Title VI of the Civil Rights Act of 1964, as amended, to not discriminate upon the basis of race, color, religion, sex, handicap, familial status or national origin in sale, lease, rental, use or occupancy of the subject property.
2. *Equal Employment Opportunity* - abide by the provisions of Executive Order 11246 concerning equal employment opportunity if the sum to be charged for the remediation work is more than \$10,000 with respect to a residential property.
3. *Cancellation of Loan* - return of loan proceeds with no right, interest or claim in the proceeds if the loan is cancelled before the rehabilitation work is started.
4. *Use of Proceeds* - shall be used to pay for closing costs, services, and materials necessary to carry out the rehabilitation work for which the loan will be approved.
5. *Completion of Work* - assure that the rehabilitation work shall be carried out promptly and efficiently through written contract let with the prior concurrence of the City.
6. *Ineligible Contractors* - not award any contract for remediation work to be paid for in whole or in part with the proceeds of the loan to any contractor who, at the time, is ineligible under the provisions of any applicable regulations issued by the Chief Building Official, City of Jackson, or specific program regulations, to receive an award of such contract. Contractor requirements are outlined in detail in the Contractor section of these guidelines.

7. *Inspection* - inspection by the City or its designee of the property, the rehabilitation work, and all contracts, materials, equipment, payrolls, and conditions of employment pertaining to the work.
8. *Records* - keep such records as may be required by the City with respect to the project work completed.
9. *Interest of Certain Federal Officials* - not permit any member of or Delegate to the Congress of the United States, and no Resident Commissioner, to share in any proceeds of the loan, or in any benefit arising from the same.
10. *Bonus, Commission, or Fee* - not pay any bonus, commission, or fee for the purpose of obtaining the City's approval of the loan application, or any other approval or concurrence required by the City or its designee, to complete the project work, financed in whole or in part with the project loan. Not pay any bonus, commission or fee for the purpose of obtaining the Government's approval of the subsidized loan application, or any other approval or concurrence required by the U.S. Government or its designee, to complete the rehabilitation work, financed in whole or in part with the subsidized rehabilitation loan.
11. *Interest of the City* - allow no member of the governing body of the City who exercises any functions or responsibilities in connection with the administration of the federally assisted project or program, and no other officer or employee of the City who exercises such functions or responsibilities, to have any interest, direct or indirect, in the proceeds of the loan, or in any contract entered into by the applicant for the performance of work financed in whole or in part with the proceeds of a rehabilitation loan.
12. *Interest of Other Local City Officials* - allow no member of the governing body of the City in which the property to be remediated is situated, and no other City official of the locality who exercises any functions or responsibilities in connection with the administration of the federally assisted project or program, and no other officer or employee of the City who exercises such functions or responsibilities to have any interest, direct or indirect, in the proceeds of the loan, or in any contract entered into by the applicant for the performance of work financed in whole or in part with the proceeds of a rehabilitation loan.

The specific terms and conditions with respect to a subsidized loan to a residential property are incorporated in the mortgage or other security instruments as applicable, and the promissory note.

1. *Cancellation Provision* - the City retains the right to cancel a loan subsidy if, within 30 days from the note's execution, the rehabilitation work has not commenced. The City may extend the 30-day period by not more than 30 days due to unforeseen and extenuating circumstances.
2. *Additional Extension* - CD staff shall not grant any further extensions of time without prior written concurrence by the Director of Neighborhood & Economic Operations. If the loan is to be canceled because of failure to begin anticipated rehabilitation work within the allowed period of time, CD staff shall initiate cancellation in accordance with the cancellation procedures outlined in this manual.
3. *Disapproval of Loan Application* - disapproval of any loan application constitutes a formal rejection and CD staff shall advise the applicant accordingly and properly document the file. In the case of special or extenuating circumstances, CD staff may re-examine an application along with the documentation necessary to support the request for reconsideration.
4. *Applicant Cancels Loan Application* - in the event the applicant chooses to cancel the loan application prior to loan closing, CD staff shall document the request with a letter to the applicant.
5. *Default and Foreclosure* - if an owner defaults on a loan and a workout plan to modify the loan terms is not approved, the foreclosure process will be instituted by the City Attorney.

D. Funding of Individual Loans and Management of Escrow Accounts

Once a project is approved for funding, such commitments shall be contained in the financial records prepared by CD financial staff. Financial staff is responsible to prepare, execute, and record with the Jackson County Register of Deeds all loan closing documents. CD financial staff shall also receive and credit all loan payments, monitor payment history, and take such actions necessary to collect delinquent accounts.

CD Program Loan Supplemented by Other Funds

If a CD loan is being supplemented by funds provided by the applicant from a source other than through a recognized lending institution, those supplemental funds shall be deposited into the CD escrow account at the time the CD loan is approved. The deposit must be made before work may begin.

Loan Payments

The first loan payment is due on the first day of the month following the final inspection; the date the final inspection received full approval from the Housing Rehabilitation Specialist will be the determining factor. Subsequent loan payments are due on the first day of every month until the loan is paid in full. Failure to pay the full amount each month the CD finance staff may send the borrower a written notice that borrower is in default. The notice will provide borrower thirty (30) days to bring payments current.

If borrower does not pay the full amount of the delinquent payment to the City within thirty (30) days, the CD finance staff may send a second notice of default and the full remaining balance of the principle and all future advancements shall be paid within thirty (30) days.

Management of the CD Escrow Account

The City shall maintain a single, non-interest bearing bank account as the depository for all supplemental funds provided by the applicant. This account shall be separate and distinct from all other accounts maintained by the City and shall be for the sole purpose of depositing rehabilitation escrow account funds.

1. CD financial staff shall establish and maintain a separate account in the project records for each borrower who has received a CD loan. All receipts and disbursements made on behalf of the borrower shall be recorded in the account and a statement provided to the borrower after final disposition.
2. Disbursements from the CD escrow account shall be by check to the payee for the following purposes, as may be appropriate:
 - a. Pay settlement or closing costs of the loan.
 - b. Make progress and final payments for rehabilitation work. Progress payments may be equal to 90% of the work satisfactorily completed up to a total of 80% of the contract.
 - c. Reimburse the City for advanced loan expenses, such as a title search or credit report.
 - d. Close out the CD escrow account by appropriately disbursing any unused funds remaining in the CD escrow account.
3. Disbursements by the City:
 - a. The CD Department, upon receipt of valid and approved invoices, shall request a check from the City Accountant for the payment of completed and approved work and services. The CD Department shall secure the endorsement of the borrower and shall transmit the endorsed check to the payee except as otherwise provided for in paragraph 5.
 - b. A check to return to the borrower unutilized funds in the rehabilitation escrow account shall be made payable to the borrower and/or the borrower and the lender, as appropriate.

4. After securing the borrower's endorsement on the check(s), the CD Department shall transmit the check(s) to the payee. Checks which include any amounts previously withheld from progress payments shall be accompanied by an explanation of the computation.
5. If unutilized funds remain in the CD escrow account because the actual rehabilitation costs were less than anticipated or for other reasons, the unutilized funds shall be disbursed as follows:
 - a. A check to be applied to the CD loan amount shall be made payable jointly to the borrower and the Lender and transmitted with instructions the check shall be applied to the reduction of the principal balance.
 - b. If funds were provided by the owner, a check to return supplementary funds to the owner shall be made payable only to the owner and transmitted with a letter of explanation.
 - c. Unutilized loan funds not in escrow which have been committed will be de-obligated.

E. Loan Security

In order to create a valid lien on a rehabilitated property, the City must exercise extensive care in the execution of the Mortgage and Mortgage Note. Any inaccuracy or omission may have a negative effect on the validity of the lien.

1. Property description in the Mortgage and Mortgage Note shall accurately reflect the legal description provided by the title company on improved property and exclude any other property owned by the applicants. Legal descriptions must match that provided in the title work; legal descriptions defined by the City for taxing purposes may not be used.
2. Notarized signatures shall include, as applicable, all joint tenants, and both spouses.
3. Principal sum on Mortgage Note shall accurately reflect the amount of the loan.
4. Evidence of recordation of the Mortgage shall be maintained in the property file in the CD Department.
5. If the project requires change order(s) equaling \$3,000 or less, the cost of the change order(s) shall be a grant to the property owner and not affect the original Mortgage and Mortgage Note.
6. If the project requires change order(s) in excess of \$3,000 to successfully complete the rehabilitation, a new Mortgage and Mortgage Note must be prepared.
 - a. After successful completion of the project, the new Mortgage and Mortgage Note must reflect the original loan amount, less any payments received, plus the total amount of the change order(s).
 - b. The term of the loan will re-start and the owner's monthly payments updated to ensure the repayable portion of the loan is paid in full within the maximum period allowed by each program type.
 - c. Notarized signatures must be obtained for all persons who signed the original Mortgage and Mortgage Note.
 - d. A discharge of the original Mortgage must be prepared and recorded with the Jackson County Register of Deeds after signatures are obtained on the revised Mortgage and Mortgage Note.
 - e. The revised Mortgage must be recorded with the Jackson County Register of deeds after the discharge has been recorded. Recording can be consecutive as long as the discharge is recorded first and the revised Mortgage recorded second.

F. Discharge of Mortgage

Upon completion of the loan term or upon an approved sale or transfer of the property, CD staff will execute paperwork to discharge the recorded mortgage. The mortgage discharge will be submitted to the Jackson County Register of Deeds and the original mortgage will be mailed to the property owner.

G. Subordination of Loans

Periodically the City of Jackson is requested to subordinate a rehabilitation mortgage in order for a homeowner to lower the interest rate of their first mortgage. The City will only subordinate when the homeowner's new first mortgage is equal to or less than the current principal amount due on their current first mortgage. Reasonable and customary closing costs may be added to the new first mortgage.

The City's Subordination Policy objectives are to further assist low- to moderate-income homeowners who want to lower their mortgage payments, protect the City's outstanding rehabilitation loans, and ensure housing standards are being maintained.

Therefore, in order to satisfy these objectives, the City of Jackson will require homeowners who have signed a rehabilitation mortgage and are requesting the City subordinate its mortgage loan meet the following conditions: exterior condition of the property to be maintained to CEX standards, and there are no delinquent property taxes, special assessments or accounts receivable.

Furthermore, lenders or homeowners who are requesting that the City of Jackson subordinate a Housing Rehabilitation mortgage must adhere to the following procedures:

1. Contact the City of Jackson Neighborhood & Economic Operations Department at (517) 788-4060, to request a copy of the City of Jackson Subordination Policy and Subordination Agreement Form.
2. Send or return to the address below the following documents:
 - a. The Lender's title search or other document showing all current debt on the property, the amount of the loan being paid off and the new loan amount.
 - b. A \$125.00 non-refundable housing inspection and processing fee is required from the Lender. Payment must be in the form of cash, certified check or money order.
 - c. Current homeowner's insurance showing the City of Jackson as an additional insured.
 - d. Completed Subordination Agreement.
 - e. Good Faith Estimate.
 - f. Settlement Statement (HUD-1).
3. Upon receipt of a completed application, CD will contact the Housing Inspection Division to schedule a housing inspection. The Housing Inspection Division requires advance notice of 72 hours to arrange the housing inspection. The Housing Inspection Report is a condition upon which the City will subordinate its mortgage and attest that the property's exterior on which the City is subordinating the mortgage is maintained to CEX standards. A Housing Inspection can only be scheduled upon receipt of a completed application and payment of the \$125.00 processing/inspection fee.
4. A completed Inspection Report will be mailed to the applicant within five (5) business days after the CD Department has received a completed application. An Inspection Report that meets CEX standards as well as indebtedness to the City will be accompanied by a signed Subordination Agreement. Inspection Reports not meeting the City's terms and conditions for subordination will specify the reason for denial.
5. The City will reconsider the request for subordination of its mortgage only after the conditions for denial have been addressed to the City's satisfaction. Conditions of denial can be satisfied once the

property owner removes all CEX exterior violations or provisions are made for the removal of all CEX exterior violations through a fully executed construction contract with all repair costs escrowed through a title company or authorized agent that is to the City's satisfaction.

In addition, delinquent property taxes, utility bills, and/or special assessments may be addressed through proof of payment arrangements with the appropriate City departments or other governmental agencies. Evidence and condition of payment arrangements must be approved by CD.

6. The City will record the subordination agreement with the Jackson County Register of Deeds and provide the original to the property after recording. The City of Jackson will not subordinate to a reverse mortgage and reserves the right to deny a subordination request for any reason it believes will or may jeopardize the repayment of its rehabilitation mortgage.

Send all correspondence, documents, and payment to:

Community Development Department
Attn: Subordination Agreement
Jackson City Hall, 3rd Floor
161 W. Michigan Avenue
Jackson, MI 49201

IX. Contract Award, Loan Closing, Notice to Proceed

A. Award of Contract

1. Contracts are awarded to the lowest responsible bidder within the parameters of these guidelines. In determining the lowest responsible bidder, CD rehabilitation staff shall consider, in addition to price:
 - a. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
 - b. Whether the bidder can perform the contract or provide the service promptly or within the time specified, without delay or interference;
 - c. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
 - d. The quality of performance of previous contracts or services;
 - e. The previous and existing compliance by the bidder with laws and ordinances relating to any contract or service;
 - f. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service;
 - g. The quality, availability and adaptability of the supplies or contractual services to the particular use required;
 - h. The ability of the bidder to provide future maintenance and service for eighteen (18) months after completion of work;
 - i. The number and scope of conditions attached to the bid.
2. The property owner has the option to select a qualified contractor who participated in the bidding process even if it is not the lowest in price. However, the difference in cost between the lowest price and the contractor's bid selected by the homeowner is the responsibility of the homeowner and may not be made part of the rehabilitation loan.
3. The Contractor is ultimately responsible for the bid and its content that encompasses the entire project. This includes site familiarity, inspection, review of the scope of work, measurements and quantities, facilities, materials, equipment, labor, power, water, if required, as well as those listed by subcontractors within the bid document.
4. Before award of a contract, CD must ensure the responsible low bidder (or alternate contractor selected by the homeowner) is not debarred from performing federally funded contracts through www.sam.gov.
5. The contract shall be awarded after the applicant has properly executed the rehabilitation loan.

B. Pre-Construction Conference and Loan Closing

CD finance staff shall schedule a pre-construction conference at the project property to be attended by the homeowner, contractor who submitted the winning bid, CD finance staff, and the Housing Rehabilitation Specialist. The purpose of the meeting will be to extensively review the scope of work, construction contract, and loan documents.

1. Obtain the homeowner's and contractor's signature on three (3) copies of the rehabilitation work contract with fully signed originals distributed to:
 - a. Contractor;
 - b. Homeowner;
 - c. File.

2. Discuss permit requirements, if any. It is the contractor's responsibility to obtain any and all permits required for the project and to request inspections from the appropriate trades inspector at the appropriate times during the course of permitted work, including a final inspection.
3. **Remind both the homeowner and contractor that under no circumstance may an outside agreement exist between the homeowner and contractor or other agency during the construction period. Failure to comply with this provision will result in the termination of the contract and require immediate repayment of the funds expended by the City of Jackson.**
4. If any item in the work specifications requires a color or material selection, the contractor must work directly with the homeowner to obtain their preferences.
5. If temporary relocation is required as part of the project, explain the requirements of relocation and discuss if temporary housing and a food allowance will be needed or if homeowner would opt for a stipend if they are able to be temporarily housed by friends or family.
6. Review and obtain homeowner signatures on various documents necessary to perfect the loan closing which includes, but may not be limited to, the following:
 - Certification of Application;
 - Truth in Lending Disclosure Statement;
 - Good Faith Estimate;
 - Acknowledgement of Receipt of Subordination Policy.
7. Execute the Mortgage Note and Mortgage. Provide copy of unrecorded, signed Mortgage Note and Mortgage to homeowner.
8. Execute and issue the Notice of Award; provide copy to homeowner and contractor.
9. Explain the homeowner's 3-day right of rescission and execute the Notice of Right of Rescission in triplicate. Provide homeowner two (2) copies of the Notice of Right of Rescission and retain one (1) copy containing the original signature documenting receipt in the project file.
10. Sign the Notice to Proceed which will be held by CD until the expiration of the rescission period.
11. If the homeowner does not rescind the loan, record the Mortgage at the Jackson County Register of Deeds after expiration of the rescission period and issue the Notice to Proceed.

C. Notice to Proceed

The Notice to Proceed order for a rehabilitation construction contract shall be executed by the borrower at the loan closing and issued by CD to the contractor after the expiration of the rescission period and recording of the Mortgage. The start of construction must begin within 30 days or less from the date of the Notice to Proceed.

X. Relocation

Temporary relocation is required only when it is essential to the safety of the occupants as determined by the City.

A. Introduction to Temporary Relocation

All evaluation, lead-hazard control activities, risk assessments, and interim controls will be performed based on the HUD Guidelines for the Evaluation and Control of Lead-Based Paint in Housing and will comply with the rules and regulations set forth by the State of Michigan.

This policy has been prepared to provide information regarding the requirement for the protection of occupants of dwelling units undergoing lead-based paint hazard remediation as provided under the Title X of the Housing and Community Development Act of 1992, Section 1012 and 1013 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 where relocation assistance is necessary.

Temporary relocation will be provided only when it is essential for the safety of the occupants as determined by the City of Jackson. Relocation assistance will be based on the amount and type of lead-based paint remediation. In some instances, families will need to temporarily move out of the home while interior lead remediation and/or cleaning is being conducted and until clearance testing shows that it is safe for the family to move back in. Relocation will not be necessary for all projects.

The Temporary Relocation Policy is designed to make relocation as convenient and pleasant for the family as possible. CD will assist the family in all relocation activities. CD staff will determine whether relocation will be necessary and what benefits will be provided, on an individual basis, to meet the specific needs of each family.

B. Relocation Criteria, Benefits, and Services

Final decisions about eligibility for temporary relocation assistance will be determined on a case-by-case basis. In general, appropriate temporary relocation services will be provided if unit occupants are not able to successfully find their own accommodations. Relocation will be required if the remediation plan designates disturbance of lead-based paint in any of the following:

1. The only bathroom or all bathrooms the dwelling unit;
2. Sleeping areas for which there are not sufficient alternatives within the residence; or
3. The kitchen, if alternative arrangements for meals cannot be conveniently provided.

Temporary Relocation Benefits

Temporary relocation benefits will be based on the amount and type of lead-based paint remediation. Therefore, ONLY City staff make that determination. Temporary relocation benefits will be for eligible family members only. Temporary relocation benefits may include temporary housing and a daily food allowance for each family member.

Relocation Services

If occupants cannot safely live in a dwelling unit during lead hazard control work, they must be relocated to a suitable dwelling unit until the work is completed and the dwelling unit has passed a clearance examination.

1. Families will be referred to pre-selected dwellings by the City of Jackson.

2. Relocated families will be reimbursed for meals during the period of temporary relocation; a copy of all restaurant receipts is necessary for reimbursement. If the family purchases groceries instead of eating at restaurants, a copy of the grocery receipt is required for reimbursement. Ineligible purchases include, but may not be limited to, the following:
 - a. Alcohol;
 - b. Tobacco products;
 - c. Other non-food items.

Funds will be disbursed on a reimbursement basis at the end of the relocation but may not exceed the amounts listed below.

3. Residents must find safe, suitable lodging for all indoor pets with friends, relatives, or others during the temporary relocation. All indoor pets must be removed from the premises during lead remediation work and/or dust cleaning activities. Animals normally kept outdoors may be left on the premises if arrangements can be made for their care. The City of Jackson will not provide benefits for the relocation of indoor pets.

Food Allowance

A daily food allowance for each family member (as documented at the initial interview) will be determined. Funds will be made available to the head of household as a reimbursement after the completion of the relocation activities. NOTE: Funds will be processed upon receipt of meal receipts from the client for all family member meals. Processing of reimbursement checks can take 2-3 weeks to receive.

Food Allowances per Person

	Breakfast	Lunch	Dinner	Daily Total
Adults (Children 13 and over)	\$13.00	\$14.00	\$23.00	\$50.00
Children (12 and under)	\$6.50	\$7.00	\$11.50	\$25.00

IMPORTANT: Relocation payments are not considered as income for Federal or State Income Tax purposes. They do not influence eligibility for Social Security payments, welfare or other related government assistance.

Stipend

The City of Jackson will issue a \$500 stipend to homeowners who agree to participate in cost-saving measures by waiving their claim to temporary relocation expenses and agreeing to take full financial responsibility for temporary relocation expenses during the lead-based paint remediation of their home. The stipend will be issued upon completion and clearance of the lead remediation.

C. Eligible and Ineligible Costs

Eligible Costs

The following items are included as part of the relocation assistance funding offered by CD:

1. Cost of partner hotel room and taxes;
2. Reimbursement for meals using the food allowance table.

Ineligible Costs

The following items are not included as part of the relocation assistance funded offered by the CD:

1. Any calls made from the temporary dwelling unit (hotel);
2. Damages caused by the head of household, family or guests to the temporary dwelling unit;
3. Movies, internet service, room service, or other charges billed to the room;
4. Boarding of pets during lead hazard control work and/or lead dust cleaning;
5. Charges for any person not listed on the relocation contract;
6. Room charges for extended hotel stay not previously authorized by the City of Jackson and documented with a new signed relocation contract that indicates the new dates of relocation;
7. Transportation charges incurred by the family for travel to and from the relocation site;
8. Other charges or costs incurred that are not outlined in this relocation assistance policy.

Any charges incurred during the hotel stay that are not a covered benefit will be the responsibility of the client and will require payment at the time of checkout. Interference by the client in the progress of lead hazard control work and/or cleaning and clearance procedures that result in an extended relocation stay and additional hotel room charges will be the client's responsibility.

XI. Construction Inspection and Contractor Payment

A. Construction Inspections

Responsibility for Making Inspection

The Housing Rehabilitation Specialist shall make inspections of construction work in all cases involving a CD rehabilitation loan. To accomplish this, the Housing Rehabilitation Specialist shall make:

1. Interim compliance inspections, as necessary, to assure that the construction work is being completed in accordance with the construction contract, but in no case than once per week.
2. A final inspection to determine that the construction work has been completed in accordance with the construction contract. The Housing Rehabilitation Specialist and any specialists from CD, as may be required, shall accompany the Housing Rehabilitation Specialist on the final inspection and shall provide the Housing Rehabilitation Specialist with a written report of their findings.

Certification of Final Inspection

After the Housing Rehabilitation Specialist determines that the rehabilitation work has been fully and satisfactorily completed and the final inspection report obtained, the Certificate of Final Inspection (or equivalent) shall be prepared (original and two copies). The Certificate of Final Inspection shall be distributed as follows:

- Signed original to the owner.
- Signed copy retained in the project file.

Supplemental Inspections

In some cases defects and inadequacies in the construction work, not apparent at the time of final inspection, may become apparent after final payment for the work has been made and the Certificate of Final Inspection issued. Most of these problems should be minor, such as doors and windows that stick after painting. However, others are serious, such as roof leaks not ascertainable until after a rain, defects in a heating system installed during the non-heating season that were not revealed in the limited tests after installation, and plumbing leaks that were not detected in the final inspection.

The Housing Rehabilitation Specialist shall notify the contractor in writing of any defects to be corrected and shall stipulate the time period for correction. In emergency situations, including but not limited to, roof leaks, furnace failure, plumbing leaks, etc., the Housing Rehabilitation Specialist will necessitate immediate attention.

B. Contractor Payment

Inspection for Progress Payments and Final Payment

Inspection of construction work shall be made in accordance with the following:

1. *Progress Payments:* Complex or phased projects where work cannot reasonably be completed within 30 days may allow for progress payments in the contract. A compliance inspection of the rehabilitation work shall be made before the City makes a progress payment on a contractor's invoice. The Housing Rehabilitation Specialist shall prepare an inspection report (original and one copy) for cases involving a rehabilitation loan.
 - a. If the inspection report indicates the work completed is satisfactory, CD financial staff shall draw a progress payment on the escrow account check payable to the borrower and the intended payee.
 - b. If the work completed is not in accordance with the construction contract for a progress payment, the Housing Rehabilitation Specialist shall advise the contractor of any noncompliance in the

construction work, or of an incorrect invoice submitted by the contractor. The Housing Rehabilitation Specialist shall request appropriate corrective action from the contractor. No payment shall be made on a construction contract until the contractor has satisfactorily completed the necessary corrective action.

2. *Upon Completion of the Rehabilitation and/or Lead Clearance Report:* The contractor shall submit a final invoice for all the work completed in accordance with the contract. The Housing Rehabilitation Specialist shall then arrange for a final inspection the work. Attendance by the contractor during the final inspection is at the discretion of the Housing Rehabilitation Specialist. Prior to payment of the contractor's final invoice, the Housing Rehabilitation Specialist will obtain a Homeowner Satisfaction form from the homeowner.
3. *Final Payment:* When the final inspection determines the work is satisfactorily completed in accordance with the contract, the Housing Rehabilitation Specialist shall obtain from the contractor a full, unconditional release of liens and a copy of each manufacturer's warranty, if any. After receipt of the release of liens, including releases from all subcontractors and suppliers (if applicable) and a copy of each warranty, CD shall make final payment. CD shall then prepare the Certificate of Final Inspection (or equivalent).
4. *Homeowner Satisfaction.* In a situation where the homeowner refuses to approve the completed work, a written complaint must be filed with the City of Jackson Chief Building Official within five (5) calendar days. Failure to file a written complaint within the specified timeframe shall indicate acceptance of the work and the contractor will be paid in full.

C. Warranty

All work performed by the contractor is covered by an eighteen (18) month warranty. The contractor may be required to correct significant defects and inadequacies in the work performed under the contract. For this reason, the Housing Rehabilitation Specialist shall inform the owner in writing of warranty requirements upon completion of the rehabilitation.

Any defects that appear within the warranty period and arise out of improper workmanship shall be corrected and made good by the contractor at his/her expense.