

2024 HOME URBAN RURAL GRANTEE WORKSHOP

HOMEOWNER REHABILITATION AND RECONSTRUCTION

PRESENTERS:

AARON TORAN, ALLISON MOORE, CRAIG STEVENS, MONICA RUTHERFORD, WAYNE BENNETT

Community Housing Division
Tennessee Housing Development Agency

ROLE OF THE GRANTEE:

Ultimate responsibility for the grant lies with the **GRANTEE, Local Government or Non-Profit Organization**

An Administrator consultant is a grant management resource, not a substitute for the Grantee's hands-on involvement with the project and full responsibility for oversight of the grant implementation

Involving local officials, especially local code officials, may minimize problems if disputes occur

Local officials will be copied on all material correspondence relative to the grant including status reports

ROLE OF THE GRANTEE:

- ✓ Approves policies and procedures
- ✓ Hosts the public meeting
- ✓ Oversees the procurement process
- ✓ Gain building permits
- ✓ Authorizes pay requests
- ✓ If applicable, make certain that code inspections are completed
- ✓ Oversees and monitors program implementation in accordance with program requirements
- ✓ Resolves/mediates disputes
- ✓ Ensures fairness and quality of work

YOUR GOAL and OUR GOAL....



AND MORE IMPORTANTLY....



WRITTEN AGREEMENTS:

- Three-Year Contracts (July 1, 2024 through June 30, 2027)
- **Written Agreements are due at THDA within 30 days after you receive them and must be uploaded into GMS**
- Chief Elected Office or Chief Officer signs copies and returns to THDA and uploaded into GMS
- Expenses or commitments incurred prior to July 1, 2024 will not be reimbursed
- **60 day grace period** after June 30, 2027 to submit final draws (August 30, 2027)



ATTACHMENT A

Provides detail and description of the grantee activities funded by the HOME grant and other requirements

- Other requirements based on the application, i.e., participant contributions, submission of more recent audit
- Pay special attention to additional conditions

ATTACHMENTS B, C, D, E & F:

Attachment B – HOME Project Budget

- Shows uses and sources of HOME and other funding

Attachment C – Timeline

Attachment D – Federal Award Notification

Attachment “X” – Notice of Audit Report (if applicable)

Attachment “X” – Parent Child Report (if applicable)

ELIGIBLE HOUSING TYPES:

- **Stick-built** residential site on a lot owned by homeowner
- **Manufactured** housing built in conformance with 24 CFR 3280.2
- **Modular** built in conformance with State of Tennessee Modular Building Program established under the authority of the Tennessee Code Annotated 68-126-301 as implemented by the Tennessee Department of Commerce and Insurance and in accordance with the Property Standards requirements outlined in Section H.5 of this program description. Additionally, the unit must be on a lot owned by the homeowner.

MANUFACTURED HOUSING:

- Manufactured Housing must be reconstructed
- Housing Unit must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280
- Must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i).
- Must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner

MANUFACTURED HOUSING:

Manufactured home means a structure, transportable in one or more sections, which in the traveling mode is 8 body feet or more in width or 40 body feet or more in length or which when erected on-site is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained in the structure. This term includes all structures that meet the above requirements except the size requirements and with respect to which the manufacturer voluntarily files a certification pursuant to § 3282.13 of this chapter and complies with the construction and safety standards set forth in this part 3280. The term does not include any self-propelled recreational vehicle. Calculations used to determine the number of square feet in a structure will include the total of square feet for each transportable section comprising the completed structure and will be based on the structure's exterior dimensions measured at the largest horizontal projections when erected on site. These dimensions will include all expandable rooms, cabinets, and other projections containing interior space, but do not include bay windows. Nothing in this definition should be interpreted to mean that a manufactured home necessarily meets the requirements of HUD's Minimum Property Standards (HUD Handbook 4900.1) or that it is automatically eligible for financing under 12 U.S.C. 1709(b).

HOME INVESTMENT PER UNIT:

Minimum HOME \$	\$1,000	
Maximum HOME \$	\$129,758	0-Bedroom
	\$148,748	1-Bedroom
	\$180,882	2-Bedroom
	\$234,004	3-Bedroom
	\$256,862	4-Bedroom+

The combination of rehabilitation hard costs and project soft costs cannot exceed the maximum HOME investment per unit.

ENVIRONMENTAL REVIEW

- HOME funds cannot be committed to a project **prior to the completion of the environmental review**
 - Tier 2 reviews must be completed before the work write-up is submitted for approval
- The applicability of the environmental review is **based on the project as a whole** and not the type of costs paid with HOME funds
 - **No commitment of non-federal funds** in the project before completion of the environmental review

FLOODPLAINS

- THDA does not typically fund HOME projects in a 100 year flood plain.
 - A project may be considered for funding **IF**:
 - The flood plain is mitigated by a minimum of 1 foot for the lowest occupiable floor including all mechanical equipment and HVAC ductwork. **The beneficiary will be required to obtain and maintain Flood Insurance**
 - Obtain a map revision. If a map revision is obtained no flood insurance is required.



GRANTS MANAGEMENT SYSTEM:

- All Grant management will be processed through THDA's GMS system.
 - Grant and Project set-up, draw requests, project closeout and grant closeout
- All documents and pictures will be uploaded directly into the GMS system including work write-ups and draw request.

SUBMITTING PROJECT SETUP:

Prior to initiating solicitation of applications, THDA must have:

- Signed Working Agreement uploaded to GMS
- Missing requirements specified in Attachment A as identified
- Supplier Direct Deposit Authorization Form (Must be mailed to TN F&A)
- W-9 Form – Request for Taxpayer Identification Number and Certification (Rev. October 2018)
- Authorized Signatures completed in GMS
- Policies and Procedures uploaded to GMS
- Tier One Environmental Review Completed and reviewed in GMS

SUBMITTING PROJECT SETUP:

Prior to first draw, THDA must have uploaded to the GMS System:

Completed and approved Tier 2 Environmental Review for site specific address (must be approved prior to obligation of any HOME funds), this includes all procurement including bidding activity.

- Signed beneficiary agreement
- Signed rehab contract (HO-11)
- Approved work write-up completed, Initialed by homeowner
- Completed Lead based paint Inspection report or risk assessment if applicable
- Completed and approved work write-up and supporting documentation

PAY REQUEST – INTERIM DRAW:

Grantee signatories must sign off on the draw in GMS

Required documents:

- FM-5 Uploaded
- Approved progress review
- Copies of approved change orders, if applicable
- Invoices for soft costs, if applicable
- Codes interim (rough in) inspections plus THDA review and approval if 50% or greater.

Note: Email your housing program coordinator and let them know you have uploaded a draw request.

PAY REQUEST – FINAL DRAW:

Draw must be uploaded into GMS and Grantee signatories must sign off on the draw in GMS

Required documents:

- Certification of Completion and Final Inspection
- Certificate of code compliance issued by local community, SFMO, or by a THDA approved third party inspector
- Approved Final Construction Review
- Fully Executed Copies of Change Orders
- Statement of lead-based paint clearance if applicable
- Invoices for soft costs
- FM-8 Project Completion information
- Recorded copy of Deed of Trust securing HOME investment
- Grant Note

Note: Email your housing program coordinator and let them know you have uploaded a draw request.

PAY REQUESTS – ADMINISTRATION:

Submit separately from project draws.

Required documents:

- Request for Payment with two authorized signatures
- Invoice from Program Administrator

Administrative funds must be drawn down in proportion to the expenditure of project funds with exception of the initial 10% grant start-up draw. The initial admin draw must be covered by projects expenses before additional admin draws will be allowed.

RECONSTRUCTION:

The intent of a reconstruction activity is to aid homeowners who might not otherwise be helped due to the prohibited cost of rehabilitating their existing home.

- The Grantee **must** provide methodology and calculations used to determine if the property rehabilitation will exceed 75% of the after-rehab value.
- For **all** homeowner rehabilitation activities, the value of the HOME assisted property after rehabilitation **must not** exceed **95 percent** of the median purchase price for the area. (Certified on FM-3)

AFTER REHAB VALUE:

- For all homeowner rehabilitation activities, the value of the HOME assisted property after rehabilitation must not exceed **95** percent of the median purchase price for the area.
- **Acceptable Methods:**
 - *Official Appraisal with as built/after rehab value opinion by the appraiser*
 - *Average of latest sale price of 3 comparable properties in same neighborhood or area sold in the last 12 months using data from MLS; Zillow or other reliable source*
 - *Total Market Value from the Real estate Assessment Data Website*

http://www.assessment.cot.tn.gov/RE_Assessment/

HOMEOWNER REQUIREMENTS:

The property **must** be the homeowner's **principal residence** and they must have resided in the property **for at least 1 year** prior to receiving HOME-assistance.

Declaration of homeowners insurance or Builders Risk Policy required and supporting documentation must be submitted during project set up

The household must qualify as low-income – 80% of AMI or less

- Income is determined at time of application
- Income must be re-verified if income verification at initial application was done more than 6 months prior to entering rehab contract

OWNERSHIP INTEREST:

Home Ownership interest must be documented with a warranty deed demonstrating Fee simple title to the property in the beneficiaries name;

OR

99-year leasehold in the beneficiaries name ; OR

Inherited property with multiple owners not all residing in the housing;

OR

Life estate

AND

No restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest

OWNERSHIP INTEREST:

Inherited Property with Multiple Owners

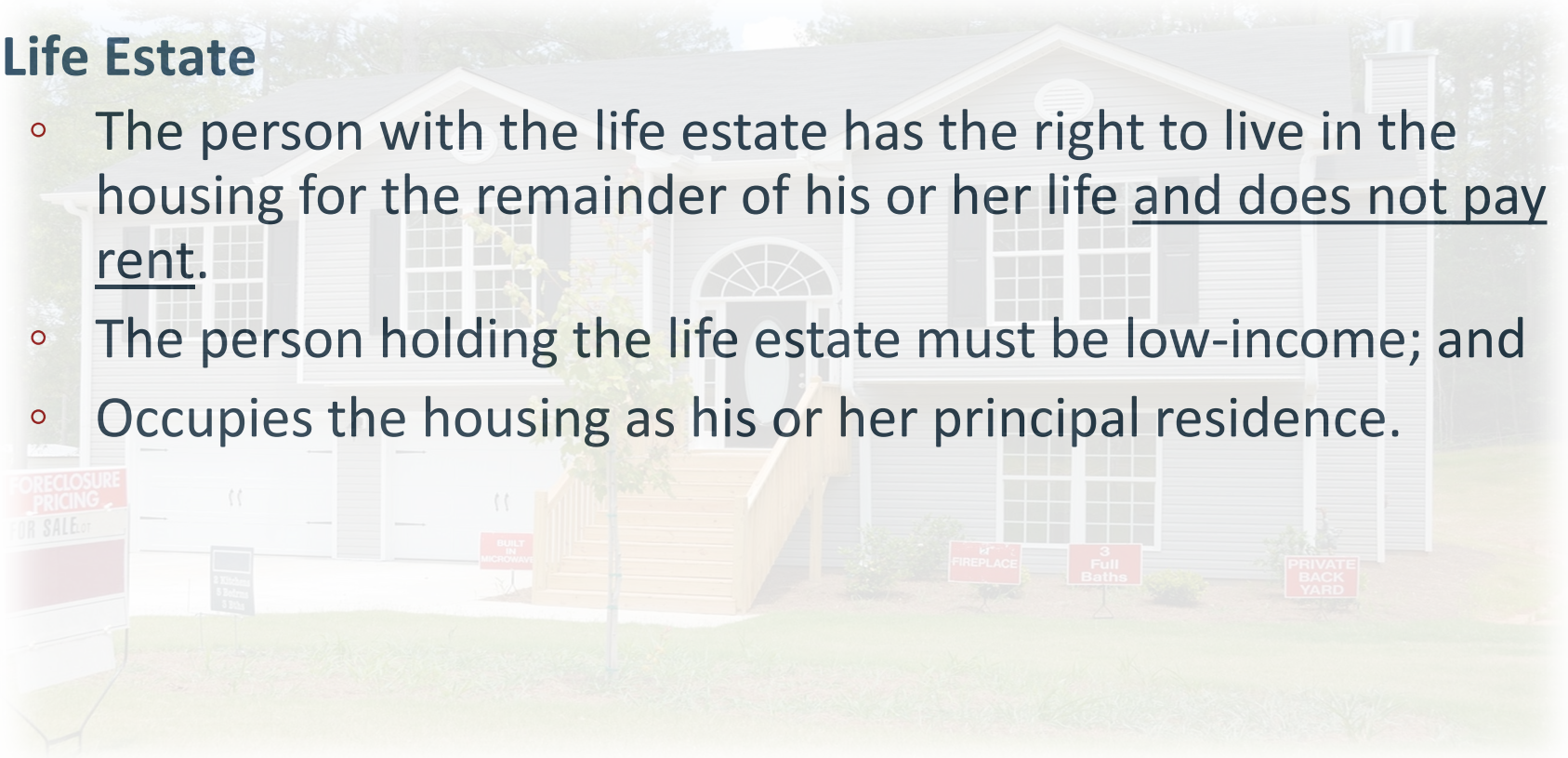
- The **owner-occupant** must be low income;
- Occupy the house as his or her principal residence; and
- Pays all the costs associated with ownership and maintenance of the housing.

Note: All owners would have to be a party to the grant note and deed of trust

OWNERSHIP INTEREST:

Life Estate

- The person with the life estate has the right to live in the housing for the remainder of his or her life and does not pay rent.
- The person holding the life estate must be low-income; and
- Occupies the housing as his or her principal residence.



PROPERTY REQUIREMENTS:

HOME grantee determines eligible property types as part of their policies and procedures:

- Single Family Dwelling
- Condominium unit or townhouse
- Manufactured Home
- The maximum after-rehabilitation value of the property cannot exceed 95% of the area median sales price. ***The after-rehabilitation value must be established prior to start of rehab work and the HO-22 submitted with the project set-up packet***

OWNER-OCCUPIED REHABILITATION:

When rehabilitation work is complete, the entire structure must meet the **building code in force** for that location;

or

the applicable State adopted edition of the International Code and THDA Design Standards for Rehabilitation.

NOTE: *This does not mean the entire house must meet the **current** building code. Structures and systems that were compliant at the time of installation and are still safe and serviceable will meet the existing building code.*



ELIGIBLE COSTS:

Actual Construction Hard Costs

- To repair housing deficiencies that prohibit the unit from being code compliant
- To meet THDA Rehabilitation Standards and State adopted International Energy Conservation Code
- To remove deficiencies of major systems with less than 5 years of useful life
- To make the unit accessible to an individual with a physical disability



ELIGIBLE COSTS:

Soft Costs (Project Delivery Costs)

- Preparation of plans, specs and Engineering
- Costs for work write-ups and property reviews are a maximum of \$2,500 based on an RFQ procurement.
- Costs for energy audits
- Costs for lead-based paint risk assessments and clearance testing
- Costs for termite inspection or letter
- Costs for temporary relocation/storage
- Cost of Builders Risk insurance policy
- **All Soft costs count toward HOME subsidy limit**

ELIGIBLE COSTS:

General Property Improvements

- Costs not related to code compliance but required improvements necessary to meet THDA Design Standards
- May include work: (subject to THDA approval)
 - To improve visitability
 - To improve security lighting
 - To improve energy efficiency
 - Improvements to meet ADA requirements
 - Aesthetic improvements as approved by THDA to improve the overall condition of the property.

TEMPORARY RELOCATION EXPENSES:

HOME funds may pay for moving expenses and temporary living arrangements.

- Uniform Relocation Assistance (URA) is not applicable to households temporarily, but voluntarily, displaced during homeowner rehabilitation.
- This benefit must be available to all applicants and included in the Policies and Procedures.
- Actual receipts for rent or storage charges must be submitted for reimbursement as a project soft cost.

INCOME ELIGIBILITY:

HOME funds must only benefit households at or below 80% of area median income using the HUD's Section 8 Income calculation methodology as adjusted for household size based on HUD's currently published HOME Income limits

* See most current HUD Income Limits applicable for your county

INCOME DETERMINATION:

Although THDA uses the Section 8 Rental Assistance definition of income in its HOME program, **HOME** has a specific income limit posted. **You can not use the Section 8 limits posted.**

Gross annual income *anticipated* to be received by ***all persons in the household*** during the next 12 months.

Income includes assets

- See Chapter One of the HOME Manual for how to determine income

INCOME DETERMINATION:

Income must be verified before assistance is provided

Must examine a minimum of **2 months** of source documentation for all persons in the household.

Documentation of income verification and how the income was calculated must be maintained in the project file

Household income **must** be re-verified if HOME assistance is not provided within 6 months

INCOME DETERMINATION:

Acceptable source documents may include:

- Wage statement for the past 2 months
- Interest statements
- Unemployment compensation statements
- 3rd party verification from employer, bank, etc.
- Self-certification is an acceptable form of income verification, *if no other source(s) are possible*

CODES:

All construction shall comply with applicable federal, state, county, and local codes, planning and zoning requirements, local authorities' rules and regulations. Federal regulations which may pertain to any specific project such as the Fair Housing Amendment Act of 1988, Section 504 of the Rehabilitation Act of 1973 and Americans with Disabilities Act of 2010, as amended, also apply.



ABSENCE OF LOCAL CODES:

In the absence of local codes, the Tennessee State adopted ICC codes and the Existing Building Code as published by the International Code Congress (ICC) and the Uniform Physical Condition Standards (a comprehensive list which can be found on the HUD.gov website below) shall apply.

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_26481.pdf

[Tennessee State Fire Marshal's Office Currently Adopted Codes and History \(tn.gov\)](#)

QUALITY REVIEWS:

THDA will perform Quality Assurance Reviews by requiring an **Approved, Qualified Rehab Coordinator**, and a Certified Codes Inspector on each job.

THDA will also desk monitor each project and visit sites as we feel appropriate to assure that we continue to meet the federal standard.

DEFINITIONS:

Codes Inspector – A State of Tennessee Certified Building Inspector whose license is current and in good standing with the State Fire Marshal's Office.

Rehabilitation Coordinator – Qualifications included but aren't limited to an adequate knowledge and background of residential construction, building codes, experience in cost estimation and be familiar with the HOME rules and processes. They must also have attended or reviewed the THDA Rehab Coordinator training. This position must be procured by the grantee.

INSPECTIONS:

In areas where local codes do not exist:

The State Fire Marshal's Office (SFMO) has agreed to cover these areas for the Code Compliance component of our program. If the local community does not issue permits you **MUST** obtain a permit from the SFMO **PRIOR** to starting any construction work.

PERMITS:

All construction shall require a permit. **All** construction shall also comply with applicable federal, state, county, and local codes, planning and zoning requirements, local authorities' rules and regulations.

THDA requires that a permit be obtained by the licensed contractor for all levels of rehabilitation before performing any work.

PERMITS:

When the project has been bid, and a licensed general contractor has been awarded the work, but before actual work has begun, it is the responsibility of the **Rehab Coordinator** to obtain a copy of the Codes Permit or permits if multiple permits are required, for the file to show it was obtained by the contractor.

Work Write-Ups:

Rehab Coordinator will perform the Initial Review and create a Work Write Up, make additions to the WWU to reflect any LBP issues as shown on the LBP Risk Assessment. This report should be accompanied by an Energy Audit and photographs. Photographs must include the following:

- **All** exterior sides of the home, **attic and crawl space**, as well as any item that is on the WWU as deficient
- All Major Systems

These items will be sent to THDA for written approval

Work Write-Ups:

THDA will review the Initial submission. If we have comments, questions or corrections we will send it back to correct, or we will approve the report as submitted.

Work Write-Ups **older than 6 months** must be re-evaluated and resubmitted.

When the Initial Review or Work Write Up is **APPROVED**, you will receive notice to proceed to bid the project.

After the winning bidder has been selected, the Administrator must submit the scope of work to THDA for approval by receiving a **Notice to Proceed** before a contract is signed.

Work Write-Ups:

When the project reaches the Mid-Point of construction, 50% or greater, the Rehab Coordinator shall visit the site and create a “**Progress Review**”.

This will include the original WWU showing each item and the status of each item as well as photos of these items. This report will be sent to THDA as well for approval.

NOTE: You MUST also assure the Codes Inspector has conducted interim inspections as required and obtain a copy.

Work Write-Ups:

A Progress Review will also be conducted by THDA which may result in comments, corrections or additions that require additional documentation.

When the Interim review has been **APPROVED by THDA**, only then may you request an interim payment from your Housing Specialist.

Work Write-Ups:

When the project reaches the completion point of the construction, the Rehab Coordinator shall visit the site and create a “Final Review”. This will include the original WWU showing each item and the status of each item as well as photos of these items. This report will be sent to THDA as well for approval.

NOTE: Final review must include documentation of passing final inspection from the Codes inspector.

Compliance Period:

Rehabilitation Assistance (less than 75% of the after-rehab value) has a compliance period of five (5) years with a 20% annual forgiveness feature

Reconstruction Assistance (75% or more of after rehab value) has a compliance period of fifteen (15) years with a 6.67% annual forgiveness feature

- The compliance period is secured by a Grant Note and a recorded Deed of Trust

If the homeowner dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME grant

- However, if the heirs sell the property, or if the property is sold with monetary gain by any actions of a court to settle outstanding claims or settle the estate, the unforgiven portion of the grant must be repaid to THDA

Compliance Period:

Refinancing of the home **during the compliance** period may trigger 100% repayment of the grant. A beneficiary **may not** over encumber a project or use the proceeds of a federal grant to obtain a windfall however there are some instances where THDA encourages the Grantee to allow refinancing.

1. Where the refinance will reduce the rate or term of the note or both. Acceptable refinancing will **NOT** have a cash out component or cause the payment to increase.
2. Some cases where there has been a medical emergency requiring the family to access all of their resources.

Refinancing will generally require subordination of the Deed of Trust. Subordination is entirely at the discretion of the grantee however the HOME deed may not be in a place lower than 2nd in priority.

Project Deed of Trust:

THDA is not a party to the deed of trust with your beneficiary!

It is the responsibility **of the grantee** to track and **remove** the HOME deed of trust when the compliance period has been satisfied. **No approval is required from THDA to remove the deed on completion of the compliance period.**

It is the responsibility of the grantee to maintain the original signed copy of the grant note, beneficiary agreement and all other pertinent documents for a minimum of five years beyond the end of the compliance period.

Record Keeping for Homeowner Rehabilitation Projects:

- Environmental Review
- Bid advertisement and copies of all Bids and tabulation Sheet
- Solicitation of minority and female contractors
- Contractor/subcontractor activity report
- Section 3 Questionnaire
- MBE/WBE Report
- All Contracts and agreements pertaining to the grant or projects

Record Keeping for Homeowner Rehabilitation Projects:

- Grantee personnel policies
- Homeowner rehabilitation policies and procedures adopted by the Grantee's governing Board
- Documentation of public meeting
- Priority list of eligible applicants
- Requirements noted in Attachment A of the Working Agreement

Record Keeping for Homeowner Rehabilitation Projects:

- Completed homeowner application
- Income verification (within 6 months of HOME funds being committed)
- Proof of ownership
- Copies of all bids
- Notice to Proceed
- Non-kickback Certification
- Right of Rescission

Record Keeping for Homeowner Rehabilitation Projects:

- Final Invoice, Release of Liens and Warranty
- Grant Note
- Recorded Deed of Trust
- Copies of cancelled checks for payment to the contractor

Record Retention:

Records must be maintained for 5 years **after** the HOME affordability period has expired

- **Example**: If a project was reconstructed with HOME funds, project records must be maintained for 20 years following the completion of the project
- Remember, “**completion**” is based on the date of the project completion in IDIS

Questions and Answers



Program Contacts:

Aaron Toran, Housing Program Manager HOME/NHTF

- atoran@thda.org or (615) 815-2037

Allison Moore, Lead Housing Coordinator

- aemoore@thda.org (615) 815-2040

Craig Stevens, Senior Housing Coordinator

- cstevens@thda.org or (615) 815-2035

Monica Rutherford, Senior Housing Coordinator

- mrutherford@thda.org or (615) 815-2105

Community Housing Contacts:

Wayne Bennett, Jr. Technical Advisor for Construction

- wbennett@thda.org or (615) 815-2033

Bill Lord, Director Community Housing Division

- blord@thda.org or (615) 815-2018