SECTION C
HOUSING REHABILITATION

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SECTION C
HOUSING REHABILITATION

C.0 Introduction

The Texas Department of Agriculture (TDA) funds eligible housing activities through the Texas Community Development Block Grant Program (TxCDBG). The program is intended to solve certain local housing problems.

Types of Housing Rehabilitation:

Housing Unit Rehabilitation generally refers to the improvement of a property to a decent, safe and sanitary condition. Rehabilitation may include repairs/replacement of interior items such as plumbing, electrical, cabinets, framing, drywall, insulation, HVAC, flooring, subfloor, lighting fixtures, ceiling fans, bathroom shower, toilets, and kitchen appliances. In addition, it also refers to the exterior repairs/replacement of a housing unit structure such as siding, soffit, trim, doors, windows, and roofing.

On-Site Sewer Facilities (OSSF) refers to first-time on-site sewage facilities or replacement of on-site sewage facilities.

First-Time Yardlines refers to scattered yard line connections not associated with the installation of a main trunk line.

The process for selecting households to benefit from housing rehabilitation assistance, and then carrying out the project, must be clear and available to potential applicants. The Grant Recipient must develop Housing Rehabilitation Guidelines and have them approved by TDA during the application process and prior to receiving a TxCDBG grant under this program. The Grant Recipient must ensure that original objectives are met, that each eligible beneficiary has received quality rehabilitation work, and that the community has benefited from the program.

C.1 Housing Unit Rehabilitation

For purposes of this chapter, the term homeowner includes both individual owners for owner-occupied units and community-based development organizations (CBDO) that own units to be rehabilitated through TxCDBG funding.

Grant Recipients administering housing activities on private property must maintain a Homeowner Case file for each property to be rehabilitated through TxCDBG grant funding, see *Housing Rehabilitation Case File Review* **(Form C6).**

C.1.1 Property Eligibility

Single-family, owner-occupied units will be eligible for housing assistance. A family is defined as a homeowner and one or more other persons living in the same household who are members of his/her immediate family. Immediate family is considered to be spouses, parents, children, and grandchildren. An individual living alone and joint tenants who both occupy the unit are also eligible.

- Ownership is documented by a deed; a leasehold agreement with a ninety-nine (99) year leasehold term; or a statement of ownership and location for manufactured housing units.
- Common types include a warranty deed; a warranty deed with vendor's Lien; a special warranty deed; a gift deed; a quit claim deed; and a sheriff's deed.

- A contract for deed is not a deed and does not convey ownership or title to the property. Therefore, TxCDBG assistance for homes that were financed through a contract for deed financing mechanism will not be allowed.
    - For certain homes that were financed through a contract for deed, assistance converting a contract for deed to a traditional warranty deed is available. Contact the Texas Department of Housing and Community Affairs (TDHCA) HOME Program.

Single-family unit(s) owned by a community-based development organization (CBDO) and occupied by primarily low- or moderate-income persons will be eligible for assistance.

- A single-family structure is defined as one to four units; only the units occupied by LMI persons are eligible for assistance.
- The CBDO must sign a letter of commitment to maintain the housing units for residents that meet eligibility criteria of both CDBG and the CBDO for a minimum of five years.
- A CBDO must meet the definition found in the Housing and Community Development Act of 1974, as amended,[1] which include:
    - Neighborhood-based nonprofit organizations;
    - Local development corporations;
    - Nonprofit organizations serving the development needs of the communities in non-entitlement areas;
    - Entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 101(c) of this title; and
    - Nonprofit organizations assisting the development of shared housing opportunities (other than by construction of new facilities) for elderly families.

Manufactured homes will only be considered as eligible units if they are anchored in accordance with the manufacturer's installation instructions or the generic standards approved and promulgated by the TDHCA Manufactured Housing Division. Substantial reconstruction of such a home will consist of a replacement manufactured home.

C.1.2 Eligible Activities

Rehabilitation – Materials, labor, and other construction costs for the rehabilitation of housing units that are inhabited by low- or moderate-income persons. Housing rehabilitation activities must bring each rehabilitated unit up to HUD Section 8 existing Housing Quality Standards (HQS) and to the Texas Minimum Construction Standards (TMCS). Rehabilitation to assist persons with disabilities includes any improvements necessary to make the housing unit accessible to the residents. Rehabilitation activities shall be subject to the lead-based paint regulations which may require the Grant Recipient to incur additional costs associated with lead abatement. In addition to federal lead-based paint disclosure and safety policies addressed here, the Grant Recipient is responsible for ensuring compliance with any state or local requirements that may apply.

Reconstruction – Materials, labor, and other construction costs for the substantial reconstruction of housing units. Substantial reconstruction may be necessary if the housing unit is dilapidated beyond rehabilitation, or the cost of the rehabilitation is greater than the cost to reconstruct. The existing structure must be demolished and the new unit must be constructed on the same site in essentially the same manner, e.g., site-built housing replaced by new site-built housing.

[1] Section 105(a)(15)

Administration Costs – Administrative costs associated with the housing assistance program, in amounts designated by the TxCDBG Grant Agreement, see *Chapter 2 Financial Management* for Payment Request Procedures.

Inspections – Inspection costs conducted by a certified professional inspector, or a qualified inspection individual associated with the housing assistance program, including initial inspections and preparation of work write-ups, work specifications and cost estimates; inspections for lead-based paint, asbestos, or termites; inspections or site evaluations for septic systems; and interim and final inspections. Such inspection costs for each home are eligible for TxCDBG funding and are part of the total allowable project cost not to exceed $75,000 for each home, i.e., inspection costs and construction and acquisition costs may not exceed $75,000.

National Program Objective – Grant Recipients undertaking housing rehabilitation activities must document how they have met the National Program Objective specified in their application. The National Program Objective is not met until funds have been expended and documentation has been completed.

C.1.3 Ineligible Activities

Costs generally ineligible as part of a housing rehabilitation activity include the following:

- Engineering services, which are generally not appropriate or necessary for housing rehabilitation;
- Improvements to secondary residences for a household;
- Improvements to detached structures that are not primary living quarters;
- Improvements determined to be luxury items by TDA staff;
- Replacing manufactured housing units, or mobile home units, with stick-built units - there shall be no waivers issued concerning this policy; and
- Relocation assistance – participation in the housing assistance program by the assisted homeowner is voluntary and requested by the homeowner.

C.1.4 Forgivable Loans

In the TxCDBG program, housing rehabilitation activities must be carried out through five-year forgivable loans to assist housing for low- and moderate-income persons. These loans can be used to rehabilitate housing units. The Grant Recipient must provide homeowners information that clearly explains the forgivable loan process and requirements.

The forgivable loan involves a lien requiring repayment of the loan if the homeowner sells, transfers, or vacates ownership of the rehabilitated home for any single period that exceeds thirty days during the five-year forgivable loan period. The Grant Recipient shall record the lien associated with the five-year forgivable loan. Under no circumstances may construction work commence prior to a fully executed loan agreement.

The loan is forgiven at a pro-rated rate of 1.67% per month. Failure to comply with terms will result in the Grant Recipient's recapture of any outstanding debt obligation.

EXAMPLE: If the homeowner's total debt obligation is $50,000 and the homeowner sells the home 36 months after completion of the rehabilitation, then at that time, $30,000 of the loan will have been forgiven and $20,000 remain outstanding, which will be recaptured and returned to TDA when the home is sold.

C.1.5 Costs

TxCDBG investment shall not to exceed $75,000 of eligible costs for each house rehabilitated. If additional funding is necessary to complete the housing rehabilitation project, the Grant Recipient may leverage funds from non-profit organizations or other sources. This funding must be committed by resolution and supported by the funding award notification and/or other documentation and approved by TDA prior to executing a construction contract under this program.

Eligible housing rehabilitation costs include but are not limited to the following:

- Labor and materials for construction
- Inspections (must be conducted only by a certified professional inspector or a qualified inspection individual):
  - Initial inspections
  - Preparation of work write-ups, work specifications, and cost estimates
  - Inspections for lead-based paint, asbestos, termites;
  - Inspections or site evaluations for septic systems
  - Interim and final inspections by the construction inspector
- Lead-based paint abatement
- Financing of forgivable loan:
  - Financing fees
  - Credit reports
  - Title binders and insurance
  - Recordation fees, transaction taxes
  - Legal and accounting fees
  - Appraisals
- Architectural or other professional services required to prepare plans, drawings or specifications directly attributable to a particular project—these costs are not usually necessary for housing rehabilitation and the need for such professional services must be requested and approved by TDA.

Eligible administrative costs for the overall CDBG project include:

- Solicitation and review of applications for assistance.
- Submission of required reports for the TDA grant, as described in Section A of this Implementation Manual.
- Compliance with other federal and TDA requirements, including civil rights regulations, single audit compliance, and competitive procurement, as described in Section A of this Implementation Manual.

NOTE: The CBDO may provide some or all these administrative services if the point of contact for the CBDO is a TxCDBG Certified Administrator.

C.1.6 Required Improvements

The rehabilitation or reconstruction of any house using TxCDBG funds must:

- Include energy efficiency and conservation standards as considerations in the planned improvements;
- Install a hard-wired or battery-operated smoke detector in accordance with National Fire Protection Association standards;
- Address lead-based paint and asbestos hazards; and
- Ensure connection to water and sanitary sewer services.

C.1.7 Rehabilitation vs. Reconstruction

The decision to reconstruct a house is made on a case-by-case basis and requires prior written approval from TDA. Reconstruction of a housing unit requires a written feasibility analysis, including:

- Estimated costs for meeting the HQS and TMCS standards through rehabilitating the housing unit;
- Estimated costs for reconstructing an equivalent housing unit;
- Estimated value of the completed housing unit if reconstructed;
- Initial inspection report;
- *Housing Rehabilitation Work Write-up and Cost Estimate Worksheet* (**Form C3**), including sufficient detail to prepare bid and contract documents and documenting the major housing systems requiring repair or replacement;
- Notes and information pertinent to determining the construction required; and
- Photographs of the housing unit's interior and exterior.

To request approval for reconstruction of a housing unit, include all above documentation in the *Special Request* section of the TDA-GO *Grant Overview* page.

C.1.8 Age of Property/Lead-based Paint

In addition to the statutes and regulations governing the CDBG program overall, CDBG housing activities at the federal level are governed by Title IV of the Lead-Based Paint Poisoning Prevention Act and regulations under 24 CFR Part 35. Housing rehabilitation activities often involve property that, depending on its age, may contain lead-based paint. Age of the property can indicate the amount of lead-based paint likely to be present and the extent of the lead hazard control work that may be necessary. The majority of buildings built before 1978, and especially those built before 1960, contain some lead-based paint.

The older the dwelling, the higher the concentration of lead in the paint. For pre-1950 properties, it is reasonable to assume that lead-based paint is present on more than a few surfaces and that abatement of lead hazards will involve a significant amount of work.[2]

The homeowner and housing rehabilitation coordinator must certify on the *Status of Compliance with Lead-Based Paint Regulations* **(Form C2a)** whether the assisted home was known to be constructed post-1977. The Grant Recipient must also certify any other qualifying exemptions to lead-based paint requirements under 24 CFR §35.115 using *Certification of Lead-Based Paint Exemption* **(Form C2b)**.

No lead-based paint testing is required if the housing is certified to be built on or after January 1, 1978.

Calculating the Level of Rehabilitative Assistance
The lead hazard evaluation and reduction activities required for rehabilitation projects depend on the level of rehabilitation assistance received by the project. This level of assistance is determined by taking the lower of:

- Per unit rehabilitation hard costs—regardless of source of funds; or
- Per unit federal assistance—regardless of the use of the funds.

To make this determination, it helps to understand several terms:

- **Rehabilitation Hard Costs** – The rehabilitation costs are calculated using only hard costs. They do not include soft costs or the costs of lead hazard evaluation and reduction, as described below.

[2] 24 CFR Part 35, Subparts L through R, for lead-based paint requirements

- **Lead Hazard Evaluation and Reduction Costs** – Lead hazard evaluation and reduction costs include costs associated with site preparation, occupant protection, relocation, interim controls, abatement, clearance, and waste handling attributable to lead-based paint hazard reduction.
- **Federal Assistance** – Federal assistance includes all federal funds provided to the rehabilitation project, regardless of whether the funds are used for acquisition, construction, soft costs or other purposes. This also includes funds from program income.

EXAMPLE: A family is receiving a CDBG grant of $25,000 to rehabilitate their home. $5,000 of the costs will be to reduce the amount of lead-based paint found in the home. The level of rehabilitative assistance required will be based on $20,000, i.e., more than $5,000 and up to $25,000 per unit.

Based on Per Unit Amount of Rehabilitation Costs, Excluding Lead Hazard Reduction (LHR) Costs

Up to and Including $5,000 per Unit – When rehabilitation costs are $5,000 or less per unit, a jurisdiction must "do no harm." That is, the jurisdiction must conduct mild lead hazard evaluation and lead hazard reduction.

More than $5,000 and up to $25,000 per Unit – When rehabilitation costs are more than $5,000 up to $25,000 per unit, jurisdictions must "identify and control lead hazards." That is, the jurisdiction must conduct a moderate level of lead hazard evaluation and lead hazard reduction.

More than $25,000 per Unit – Rehabilitation costs over $25,000 per unit must meet the following requirements:

- **The Goal is to Identify and Eliminate Lead Hazards** – A risk assessment is required to identify hazards and any identified hazards must be abated by a certified abatement professional. Abatement means any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards.[3]
- **Lead Hazard Evaluation –** A risk assessment must be conducted prior to rehabilitation to find lead-based paint hazards in assisted units, in common areas that service those units, and on exterior surfaces. The risk assessment must include paint testing of any surfaces to be disturbed by the rehabilitation or the Grant Recipient may assume that lead-based paint hazards exist.
- **Lead Hazard Reduction –** To address hazards identified:
  - Abatement must be conducted to reduce all identified lead-based paint hazards except those described below. Abatement must be conducted by a certified abatement contractor.
  - If lead-based paint hazards are detected during the risk assessment on the exterior surfaces that are not to be disturbed by rehabilitation, interim controls may be completed instead of abatement to reduce these hazards.
  - Clearance is required when lead hazard reduction activities are complete.
- **Lead Hazard Options** – There are two options, as follows:
  1. The Grant Recipient is permitted to presume that lead-based paint hazards exist. In such cases, a risk assessment is not required. The Grant Recipient must abate all applicable painted surfaces that will be disturbed during rehabilitation and all presumed lead hazards.
  2. The Grant Recipient is permitted to conduct a lead hazard screen instead of a risk assessment. The lead hazard screen has more stringent requirements and is only recommended in units in good condition. If the lead hazard screen indicates that there is no lead contamination, no lead hazard reduction is required. If the lead hazard screen indicates the presence of lead hazards, the Grant Recipient must then conduct a risk assessment.
     NOTE: Passing a lead hazard screen, or a risk assessment, does not eliminate the requirement to perform abatement on lead-based paint hazards created as a result of the rehabilitation work.
- **Lead Hazard Notices** must be provided to owners and tenants:
  - *EPA's Protect Your Family from Lead in Your Home* brochure, see Appendix A for link);

[3] 24 CFR § 35.110

- The Notice of Evaluation (if a risk assessment is conducted) or Notice of Presumption (if a risk assessment is not conducted); and
- The Notice of Lead Hazard Reduction.

- **Lead Safe Housing Rule** – Compliance with the for such rehabilitation projects will affect the project planning, timeline, scope of work, contracting, and budget. In particular, it involves the engagement of a certified abatement contractor.

C 1.9 Work Writeups

Eligible costs for Housing Unit Rehabilitation are based on the property assessment, known as a Work Writeup.

- The Grant Recipient must use a certified professional home inspector or a qualified home inspection individual to assess the work necessary to bring each unit up to building standards, The *Home Inspector Qualification Certification* **(Form C8)** must be completed by the Grant Recipient and kept in the local files.
  - **Certified Professional Home Inspector** – A person who has received current and comprehensive training to enable them to conduct effective inspections. Completion of the training required to be a licensed Texas Real Estate Commission (TREC) inspector would be acceptable evidence of such training.
  - **Qualified Home Inspection Individual** – An individual with professional certifications, relevant education, or minimum five years' experience in a field directly related to home inspection, including but not limited to installing, servicing, repairing or maintaining the structural, mechanical, plumbing and electrical systems found in single family housing units, as evidenced by inspection logs, certifications, training courses, or other documentation.

The Grant Recipient's inspector must prepare a work write-up and *Housing Rehabilitation Work Write-up and Cost Estimate Worksheet* **(Form C3)** on each house recommended for rehabilitation.

- The work writeup must including all work necessary to bring the unit up to building standards and should include enough detailed specifications for items to be competitively bid. The description of the work must include the dimensions of materials needed
- In conducting the writeup. the homeowner must be provided relevant information for the program, including:
  - A copy of the Grant Recipient's housing rehabilitation guidelines;
  - Information explaining the five-year forgivable loan program;
  - A signed copy of *TxCDBG Housing Rehabilitation Work Write-Up and Cost Estimate Worksheet* **(Form C3);** and
  - A copy of the EPA's *Protect Your Family from Lead in Your Home brochure*. All owners and occupants of units built prior to 1978 must receive the required EPA regulations on lead-based paint.

    NOTE: The EPA makes available its *Protect Your Family from Lead in Your Home* brochure in English, Spanish, Vietnamese, Arabic, Russian, and Somali (See Appendix A for link).
- The homeowner must sign the work write-up, indicating (s)he understands and accepts the rehabilitation work that may be performed. Every item noted on the work write-up need not be resolved by the rehabilitation program. The Grant Recipient may prioritize the work and complete only high-priority repairs so long as the house complies with Section 8 and Texas Minimal Construction Standards (TMCS) building standards once the rehabilitation is complete. The work write-up should indicate which repairs are necessary to meet building codes and which are optional.
- TDA recommends requesting initial review of at least one sample work-writeup prior to procuring construction services. To request this technical assistance, submit the document(s) using the *Notes* page in the TDA-GO system.

C.2 On-Site Sewer Facility (OSSF) Assistance

For projects that include the provision of first-time on-site sewage facilities or replacement of on-site sewage facilities, the installation of septic systems on private property is considered a housing rehabilitation activity and must meet the housing activity criteria under the TxCDBG Program. TxCDBG funds will only pay for the systems that are located on private property for low- to moderate-income (LMI) residents, including owner-occupied and renter-occupied units.

On the state level OSSF activities are governed by:

- **Title 30 Texas Administrative Code (TAC), Chapter 285, Subchapter A** – Contains the rules for OSSF application and permit requirements.
- **Title 30 Texas Administrative Code (TAC), Chapter 285, Subchapter D** – Contains the rules for planning, construction, and installation of an OSSF.
- **Texas Health and Safety Code Chapter 366, Subchapter D** – Refers to the state law that governs the OSSF permitting program.

C.2.1 Costs

Generally, engineering costs for design will not be considered an eligible cost unless the site location and size of the lot requires engineering by TCEQ regulations.

However, each OSSF location requires a soil evaluation to determine the most appropriate system to install.

- The Grant Recipient shall use the TCEQ licensed list and notify at least three qualified site evaluators:.
  BEST PRACTICE: Notify at least five evaluators in the area for quotes. Evaluators must be licensed by TCEQ. Search for TCEQ licensing and registration information (See Appendix A for link).
- The Grant Recipient may opt to procure and expend funds for the soil evaluation as an engineering cost (if approved), or as a construction cost, see *Chapter 2 Financial Management*.

The Grant Recipient must follow all state and federal laws and guidelines when procuring construction services for the installation of the septic systems, see *Chapter 5 Procurement Procedures*. Installers must be licensed by TCEQ. To search TCEQ licensing and registration information, see Appendix A for link.

Grant Recipient shall send the soil evaluations for each septic system to be installed to the list of qualified/licensed installers for quotes.

The OSSF installer must also be licensed by TCEQ. Installer must bid unit prices that specifically itemize:

- Plumbing improvements;
- Basic installation and connection; and
- Mitigation.

If bid prices vary by property location, the address must be identified for each line item.

C.3 First-Time (Scattered) Yardline Assistance

For projects that include the provision of scattered first-time water or sewer yardline (also known as house-to-line connection) installation, the installation of yardlines on private property is considered a housing rehabilitation activity and must meet the housing activity criteria under the TxCDBG Program.

TxCDBG funds will only pay for first-time yardline installation on private property of low- to moderate-income (LMI) persons.

If first-time yardlines are replacing an OSSF or other sewage disposal method, the installer/contractor and Grant Recipient must certify that all sewage systems have been decommissioned as inoperable and fully mitigated in accordance with Title 30, Subchapter D, Chapter 285 of the Texas Administrative Code and any applicable local codes. Evidence of this mitigation may include a line item in the construction contract, documented as completed through pay estimates and the COCC, or a separate certification statement prepared and submitted by the Grant Recipient.

C.4 Steps in Housing Rehabilitation Projects

Below are typical steps involved in a housing rehabilitation program using TxCDBG funds. The steps follow in a sequential manner although some may occur simultaneously.

Step 1. Housing Rehabilitation Guidelines

- Grant Recipient develops Housing Rehabilitation Guidelines which must be provided to TDA as part of the application for grant funding. Guidelines must be approved by TDA staff before being adopted by the locality. Submittal of the guidelines with the grant application does not constitute approval by TDA. Grant Recipient must have written approval of the guidelines by TDA staff. Note: Any revisions to these guidelines also require TDA approval.
- The guidelines must include the following:
  - **Who is Eligible** – Any minimum criteria that will be used to determine eligibility for the housing unit, such as income eligibility, location within a target area, tax compliance status, ownership status, or maximum home value.
  - **How Will the Units be Selected** – Any priorities or scoring criteria that will be used to select eligible units, such as priorities for elderly or disabled residents, scoring based on income category, or order received, etc.
- What types of improvements are eligible?
  - **Housing Unit Rehab Only** – What are the terms of the assistance? Must include information on forgivable loans and potential repayment of loans, cost over runs, and homeowner responsibilities.
  - **Housing Unit Rehab Only** – What is the maximum funding per unit?
- **OSSF Only** – If renter-occupied properties are eligible, how will the owner ensure that the occupants remain LMI eligible throughout the assistance period? Owners of renter-occupied properties must also execute an agreement with the Grant Recipient not to increase rent or change rental amounts to more than the annual HOME Rental Limits published by HUD. Sample Guidelines can be found on the TDA website:
  - *Sample Housing Rehabilitation Guidelines* **(Form C2)**
  - *Sample OSSF Guidelines* **(Form CII2)**
  - *Yardline Assistance Guidelines Template* **(Form CII2.A)**
- Yardline projects limited to those associated with construction of a water or sewer mainline do not require separate guidelines to be submitted and approved. In this case, only yardlines connecting to the main line identified in the TxCDBG Grant Agreement will be approved for reimbursement. This type of project is not addressed in this chapter.

Step 2. Administrative Start-up

- The Grant Recipient procures professional services as needed, including architectural/engineering and administration services.
- A rehabilitation inspector is designated, which may be an employee of the Grant Recipient or a procured service provider.

- The Grant Recipient completes a broad-level environmental review—the first step in a tiered review as described in *Chapter 3 Environmental Review*—and receives clearance from the TDA Environmental Specialist.

Step 3. Homeowner Application Process

- Outreach to potential applicants. The Grant Recipient must identify the most appropriate methods of disseminating information to residents in order to ensure the grant funding is used effectively and assists the intended populations. Examples include partnerships with local non-profits serving households that may qualify for housing rehabilitation assistance, delivery of door-to-door flyers, public service announcements in local media and community meetings.
- Grant Recipients must maintain an assisted homeowner case file for each household potentially receiving assistance.
- Housing Unit Rehab – *Housing Rehabilitation Case File Review* **(Form C6).**
- OSSF Assistance – *OSSF Case File Review Checklist* **(Form CII3).**
- Applications are submitted by potential beneficiaries.
- The Grant Recipient verifies ownership, income-eligibility, and other qualifying factors for each application, as described in the Housing Rehabilitation Guidelines.
- **Housing Unit Rehab Only** – Income-eligibility shall be verified and noted in the local records by one or more of the following methods:
  - Providing third party verification of income from employers and other income sources;
  - Requiring pay stubs for at least three previous months of earnings prior to application;
  - Requiring income tax returns and/or other verifiable statements of annual income if possible (e.g., Social Security benefit statements, employer letters); and/or
  - Each applicant is interviewed about her/his employment and past and expected annual earnings to determine whether all required income has been reported, e.g., How long have you worked for this employer? Is the work seasonal? Are you a part-time or full-time employee?
- **OSSF and Scattered Yardline Assistance** – Income eligibility may be documented by a self-certified Income Questionnaire.
- **OSSF Only** – Homeowners qualifying for assistance must certify that they will fully comply with requirements of the Texas Commission on Environmental Quality (TCEQ) at 30 TAC § 285.36 pertaining to proper decommissioning of abandoned tanks, boreholes, cesspools, and seepage pits.

Step 4. Housing Unit Assistance List

- The Grant Recipient develops a Housing Unit Assistance List of proposed assisted homeowners, based on its TDA approved housing rehabilitation guidelines, individual needs, if applicable, and dwelling condition, which lists the order in which houses may be rehabilitated. This list must be maintained at the locality.
- Placement on the Housing Unit Assistance List does not guarantee that work will be performed on a specific house. If the work necessary to bring the house up to code exceeds the limits of the local housing rehabilitation guidelines or the maximum TxCDBG investment of $75,000 per unit, the Housing Unit Assistance List scoring must be re-evaluated and the house may be removed from consideration.
- If the planned rehabilitation work is not performed on one or more houses, the Grant Recipient must update the Housing Unit Assistance List.

Step 5. Site-Specific Environmental Review

- A site-specific environmental review must be completed for each individual property that is considered for assistance, see *Chapter 3 Environmental Review*.
- Housing Unit Rehab – As part of the project environmental assessment the Grant Recipient must determine if the property proposed for rehabilitation has historical significance. If so,

special rehabilitation requirements may apply. The Grant Recipient should consult with the Texas Historical Commission to ensure compliance with historic preservation requirements.

Step 6. Property Assessments

- The Grant Recipient shall complete the Materials and Services Report (MSR) in the TDA-GO system for each service contract related to the property assessment process, see *Chapter 5 Procurement Procedures*.
- **Housing Unit Rehab Only**:
  - The assessment *Housing Rehabilitation Work Write-up and Cost Estimate Worksheet* **(Form C3).**
  - The Grant Recipient performs an on-site code inspection on the home, both exterior and interior, for each application on the Housing Unit Assistance List to determine if the house can be rehabilitated within the funding limits of the program.
  - Upload the *Home Inspector Qualification Certification* **(Form C8)** to the MSR.
- **OSSF Assistance Only:**
  - The assessment is known as the Soil Evaluation.
  - Upload the TCEQ license information to the MSR.
- Scattered Yardline Assistance – No assessment is needed other than the engineer's plans and specifications.
- If the assessment indicates that the necessary costs to complete the project exceeds the funding limits identified the housing rehabilitation guidelines, return to Step 4 or document the availability of additional leveraging funds.

Step 7. Construction Bid

- Detailed step-by-step instructions for completing and submitting an MSR in TDA-GO may be found on the TDA website.
- Davis-Bacon and Related Acts labor standards generally do not apply to projects involving rehabilitation of single-family homes unless the work involves up to eight housing units in two or more structures from a single owner. The MSR should document the exemption from Davis-Bacon and Related Acts labor standards, as applicable.
- **Housing Unit Rehab Only** – A separate construction contract is required for each homeowner.
  - The bidders conduct on-site inspections of each house recommended for rehabilitation.
  - The Grant Recipient receives bids and awards the contract to the low bidder on each home. The homeowner and construction contractor execute the rehabilitation contract.
  - The homeowner and Grant Recipient execute the five-year forgivable loan promissory note. Under no circumstances may construction work commence prior to a fully executed loan agreement.
  - Upload a copy of the *Housing Rehabilitation Work Write-up and Cost Estimate Worksheet* **(Form C3)**, including the homeowner's signature acknowledging all required information, to the MSR in the TDA-GO system.
- **OSSF Assistance Only** - The Grant Recipient may procure construction services for OSSF installation in batches through sealed bidding procurement by including all households approved for assistance as of the date of the bid publication. If the total anticipated construction costs for the group of approved installations is less than or equal to $75,000, the Grant Recipient may use the small purchase method. However, the Grant Recipient must avoid component, separate, or sequential purchases as defined by the Texas Local Government Code and described in *Chapter 5 Procurement Procedures.* After a round of small purchase installations has been procured and a construction contract awarded, the Grant Recipient may only procure a subsequent round of small purchase installations if the following conditions have been met.
  - The Grant Recipient has determined that procurement through sealed bidding for all applicants for assistance at once is not practicable due to the administrative constraints and time necessary to qualify eligible homeowners/residents.

- The homeowner/resident applications for assistance were approved after the date on which the previous small purchase contract was awarded.
- The Grant Recipient approved the next group of installations after the date on which the previous small purchase contract was awarded.
- The Grant Recipient has notified TDA of these conditions and received approval to use small purchase procurement procedures for a new construction contract.

- Installer must bid unit prices that specifically itemize the following:
  1. Plumbing improvements;
  2. Basic installation and connection; and
  3. Mitigation.

If bid prices vary by property location, the address must be identified for each line item.

Step 8. Construction

- Housing Unit Rehab only.
- A pre-construction conference is held with the Grant Recipient, homeowner, and contractor so that all parties understand the goals, thresholds, limitations, and regulations associated with the TxCDBG program.
- The homeowner is responsible for review of the day-to-day work of the construction contractor. Excellent communication is necessary to ensure that the homeowner understands the work that is, and is not, included in the rehabilitation.
- The Grant Recipient also makes periodic inspections of the work in progress.
- If the Grant Recipient prepares adequate work write-ups during the application phase of the program, few changes to the construction contract are anticipated. If the need for a change order arises due to conditions not previously observed, the Grant Recipient should complete the change process for the relevant Financial Interest Report as described in *Chapter 5,* attaching the *Housing Rehabilitation Change Order Request Approval* **(Form C4).**
- If the original work writeup indicated no work was necessary for a certain housing system, change orders to add work for that system will generally not be approved unless the inspector documents why these conditions could not be observed at the time the work writeup was completed.
- A final inspection is conducted by the rehabilitation inspector with the homeowner and contractor in attendance. A final punch list is made, if necessary.
- **OSSF and Scattered Yardline Assistance** – Construction should be carried out according to standard procedures, as described in *Chapter 5 Procurement Procedures.*
- Payment for construction and other services may be requested through the TDA-GO Payment Request according to the policies described in *Chapter 2 Financial Management.*
- **Housing Unit Rehab Only** – In addition to the required invoices, the following documents signed by the homeowner must be attached to the payment request:
  - *Housing Rehabilitation Case File Checklist* **(Form C6**) demonstrating documentation collected to date.
  - Housing Rehabilitation – *Homeowner's Payment Request* **(Form C5**).
  - Photos documenting the work completed, along with the final construction payment request for each housing unit.

Step 9. Completion

- The Grant Recipient will finalize the Materials and Services Report in the TDA-GO system, including the Certificate of Construction Completion.
- The final wage compliance portion of the MSR is not required unless TDA has previously determined that Davis-Bacon and Related Acts labor standards apply.
- Housing Unit Rehab only:

- If no architect was used for the rehabilitation, leave blank the space indicated for the project engineer on the COCC.
- The homeowners approval of the final construction Payment Request will serve as his/her acceptance of completion.

- OSSF Assistance only:
  - If no architect was used for the rehabilitation, leave blank the space indicated for the project engineer on the COCC.
  - In addition, upload *Certificate of Construction Completion for OSSF Projects* (**Form CII709**).
- The program continues until all houses which qualified for assistance are completed in the project.

Step 10. Loan Forgiveness (Housing Unit Rehab Only)

- The lien filed by the Grant Recipient and imposed the house is released once the loan is forgiven or repaid—typically in five years, see *Sample Release of Lien* **(Form C9).** The release of lien must be recorded with the applicable county, a copy of the recorded document must be submitted to TDA.

Resources

Resource Number	Description	URL
C2	Sample Housing Rehabilitation Guidelines	TDA Forms page
C2a	Status of Compliance with Lead-Based Paint Regulations	TDA Forms page
C2b	Certification of Lead-Based Paint Exemption	TDA Forms page
C3	Housing Rehabilitation Work Write-up and Cost Estimate Worksheet	TDA Forms page
C4	Housing Rehabilitation Change Order Request Approval	TDA Forms page
C5	Housing Rehabilitation Payment Request	TDA Forms page
C6	Housing Rehabilitation Case File Review	TDA Forms page
C7	Summary of Major Lead-Based Paint Regulations	TDA Forms page
C8	Home Inspector Qualification Certification	TDA Forms page
C9	Sample Release of Lien	TDA Forms page
CII2	Sample OSSF Guidelines	TDA Forms page
CII2.A	Yardline Assistance Guidelines Template	TDA Forms page
CII3	OSSF Checklist	TDA Forms page
CII504	OSSF Small Purchase Procurement Record	TDA Forms page
CII505	Construction Contract Change Order	TDA Forms page
CII709	Certificate of Construction Completion for OSSF Projects	TDA Forms page
CII709I	Certificate of Construction Completion for OSSF Projects (Individual Homeowner)	TDA Forms page

*Note: these items will be updated as needed.