

Rehabilitation-Acquisition Program for First-Time Homebuyers



Office of Housing and Community Development
Community Preservation and Development Division
15941 Donald Curtis Drive, Suite 112, Woodbridge, Virginia 22191
703-792-7531

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REHABILITATION-ACQUISITION PROGRAM FOR FIRST-TIME HOMEBUYERS

PURPOSE

In an effort to provide a wider inventory of potential properties available to first-time homebuyers in Prince William County the Rehabilitation-Acquisition Program for First-Time Homebuyers was formulated. The program combines the Homeownership Assistance Program (HAP) and the Housing Rehabilitation Program. Households eligible to participate in the HAP program will be offered the option for additional funds towards downpayment and rehabilitation of the selected property. **This program cannot be used in conjunction with VHDA's Sponsoring Partnerships and Revitalizing Communities (SPARC) loan allocations to Prince William County effective 7/1/07.**

APPLICATION PROCESS

When a household is found eligible to participate in the HAP program (see HAP Procedures) by Housing Finance and Development staff, they will be offered the option of participation in the Rehabilitation-Acquisition Program for First-Time Homebuyers. This program will provide additional funding that can be used towards downpayment assistance (maximum \$25,000) and rehabilitation of a selected property. If the applicant is interested in participating they will sign a Letter of Intent to Participate in the Program. This letter outlines the program requirements including maximum downpayment assistance (\$25,000), minimum rehabilitation dollars (\$2,000), and maximum rehabilitation dollars, in addition to lien provisions. If the applicant decides to participate and signs the letter of intent, the Housing Finance and Development staff will provide the participant a Pre-Award Letter indicating the additional downpayment assistance.

Copy of the HAP application, Letter of Intent to Participate in Rehabilitation-Acquisition Program, verification of income/resources and all other applicable documents will be provided to Community Preservation and Development staff to complete the rehabilitation provisions of the program.

HOUSEHOLD INCOME ELIGIBILITY

Income eligibility will be determined by Housing Finance and Development staff using the latest HUD income guidelines. Income and assets will be calculated using the Section 8 Rental Assistance Guidelines.

INSPECTION OF PROPERTY

When property is selected for purchase an inspection must take place. The inspection will be scheduled by the Housing Finance and Development staff in coordination with the Community Preservation and Development staff after a home inspection has taken place by a licensed contractor. The Housing Finance and Development staff will be conducting their inspection to determine what items must be corrected prior to settlement based upon minimum Housing Quality Standards (HQS). The inspection by the Community Preservation and Development

staff will be based upon applicant's request (including home inspection) for eligible items together with the Standard Rehabilitation Checklist. Extravagant items such as swimming pools, spas, whirlpool tubs, will not be considered for funding. Items that are not affixed to the structure such as window air conditioners, washers and dryers are also not considered for funding.

If the property has health and safety violations the purchase can take place but the purchaser cannot obtain occupancy until the violations have been corrected.

MINIMUM REHABILITATION PROJECT COST

The minimum project cost for rehabilitation for projects shall be \$2,000. The minimum cost requirement applies to total rehabilitation costs for work and shall not include delivery costs incurred by the County. Eligible rehabilitation costs shall be the sum of the amount of the contracts for the rehabilitation work including any change orders and any related fees required by the project, which may include survey costs and one year's premium for insurance.

MAXIMUM PROJECT COST

The Rehabilitation-Acquisition Program may use federal funds from both the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME) in a single acquisition rehabilitation project. Both CDBG and HOME have limits regarding the amount of federal dollars that can be used in an individual project. Before a project can be approved, staff must determine compliance with the distinct rules applicable to the federal funding source(s) which will be used for funding.

The CDBG regulations state that the maximum federal dollars for housing rehabilitation can not exceed 75% of the replacement cost.

The HOME Program's intent is to provide modest housing and uses a limit that changes with market conditions, and is published for the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)). The HOME limits state that the initial purchase price can not exceed 95% of the median purchase price for the type of single family housing (1-4 family residence) for the jurisdiction as determined by HUD Single Family Mortgage Limits under Section 203(b) of the National Housing Act, and has an estimated value after acquisition and rehabilitation that does not exceed the 95% limit as described above. The 95% limits value as of 1/17/06 is \$362,790. Due to these limitations it is important to encourage buyers to indicate all possible rehabilitation items.

The maximum CDBG assistance for downpayment cannot exceed \$25,000.

\$50,000 is the maximum assistance for rehabilitation. Community Development Block Grant (CDBG) regulations state that the maximum federal dollars for housing rehabilitation can not exceed 75% of the replacement cost. Therefore, if the replacement cost of a home is \$100,000, the maximum CDBG funds can not exceed \$75,000. Replacement is determined by identifying the cost of constructing a new housing unit of comparable size (i.e. square footage). The 75% rule for rehabilitation applies to rehabilitation cost only. The cost for lead-based paint testing and correction are not apart of this calculation.

The Housing Finance and Development staff and the Community Preservation and Development staff will conduct these calculations after cost estimate has been performed for the rehabilitation work and the appraisal is completed.

Example: Household has a first trust for \$200,000 and a second trust for \$100,000 (\$75,000 HOME and \$25,000 CDBG). The in-house estimates for rehab are \$25,000 and the lead-based paint testing and correcting are estimated at \$3,000. The 1,800 sq.ft. property is appraised at \$300,000 and after rehab value is estimated to be \$315,000. The after rehab value is below the 95% of the HUD Single Family Mortgage Limits under Section 203(b) of the National Housing Act. In this example even though the liens total of \$328,000, the after rehab appraised value of \$315,000 does not exceed the 95% limit as described above.

Second calculation applies to the HUD 75% replacement cost rule. The house has 1,800 sq. ft. and the average construction cost per sq. ft. for the area is \$150. The replacement cost would be \$270,000 (1,800 X \$150). Then you take 75% of that replacement cost of \$270,000 which is \$202,500. Since the cost for rehab is \$25,000, (remember that lead testing and corrections are not apart of this calculation) the property would meet this second test.

Example: Household has a first trust for \$225,000 and a second trust for \$100,000 (\$75,000 HOME and \$25,000 CDBG). The in-house estimate for rehab is \$50,000 which is to gut the kitchen and two baths. The 1,800 sq.ft. property is appraised at \$325,000 and after rehab value is \$370,000. The after rehab value is above the 95% of the HUD Single Family Mortgage Limits under Section 203(b) of the National Housing Act. Therefore, the Work Write-up items may need to be adjusted to eliminate non-code and/or non-HQS items to result in a lower estimated after rehab value. Another after rehab value estimate must be completed. If there is additional cost for this report, the purchasers of the property will be responsible for any additional charge.

MANUFACTURED HOUSING (TRAILERS)

No assistance for manufactured housing per Homeownership Assistance Program.

APPRAISALS

All properties must have an appraisal of the property before rehab and an estimated after rehab value that does not exceed the 95 % limit as described above. The 95% limit as of 1/17/06 is \$362,790. In the event that the after rehab value exceeds this limit, the Work Write-up items will need to be adjusted to eliminate non-code and/or non-HQS items to lower the estimated after rehab value. Another after rehab value must be completed. If there is an additional cost for the report, the purchaser of the property will be responsible for the additional charge.

COST ESTIMATE & WORK WRITE-UP

From the inspection booklet, the Community Preservation and Development staff will develop a cost estimate and Work Write-Up. The Work Write-Up will list all items that are to be corrected. This document will be used for bidding and will become a part of the Contract between the household, contractor and the County. A template Work Write-Up is used as a guide in assisting to create a Work Write-Up. An in-house cost estimate will be conducted based upon the Work Write-Up. After the Work Write-Up is completed, it is sent to the household for their review and approval.

After the household has reviewed and approved the Work Write-Up a Lead Hazard Evaluation must be conducted. This involves paint testing and/or risk assessment. The risk assessment is a through examination of the property with a written report. The report explains the results of the exam and identifies acceptable abatement and interim control strategies. A certified Risk Assessor must perform the risk assessment. Using the risk assessment report, a second Work Write-up is developed to correct potential lead problems. The revised Work Write-Up, (including lead reduction activities and the rehab) can both go out to bid.

REHABILITATION STANDARDS

The following standards shall be the basis for all rehabilitation activities undertaken as part of the Program. Upon completion of a project, the property must comply with the standards established for the program.

- Structural Members – All exterior and interior structural members shall be free from deterioration, and shall be capable of safely supporting the imposed dead and live loads.
- Dwelling Envelope – All elements of the dwelling envelope shall be in a safe and sound condition. Dwelling envelope is defined as the outside surfaces and dimensions of a dwelling.
- Required Plumbing Facilities – Every dwelling shall contain its own bathtub or shower, lavatory, water closet and kitchen sink, which shall be in a safe and functional condition. The lavatory shall be placed in the same room as the water closet or located in close proximity to the door leading directly into the room in which the water closet is located.
- Plumbing Fixtures – All plumbing fixtures shall be properly installed, in proper working order, shall be kept free of obstructions, leaks and defects, and be capable of performing the function for which plumbing fixtures are designed. All plumbing fixtures shall be in a safe and functional condition.
- Water Supply – The water supply shall be free from contamination and to provide a supply of water to plumbing fixtures, devices and appurtenances in sufficient volume and at pressures adequate to enable the fixtures to function properly, safely, and free from defects and leaks.
- Water Heating – Water heating facilities shall be properly installed and capable of providing an adequate amount of water to be drawn at every required sink, lavatory, bathtub, shower and laundry facility at a temperature of not less than 110 degrees F. A combination temperature and pressure relief valve and relief valve discharge pipe shall be properly installed on water heaters.
- Sanitary Drainage Systems – All plumbing fixtures shall be properly connected to either a public sewer system or to an approved private sewage disposal system. The sanitary drainage system shall be properly installed and in proper working order.
- Heating Facilities – Every dwelling shall be provided with heating facilities capable of maintaining a room temperature of 70 degrees F in all habitable rooms. The heating facilities shall be properly installed and in proper working order.
- Electrical Service – Every dwelling shall be served by a main electrical service that is not less than 100 amperes, although 200 are the standard.
- Electrical System Hazards – Where it is found that the electrical system in a dwelling constitutes a hazard to the occupants or the structure by reason of inadequate service, improper fusing, insufficient outlets, improper wiring or installation, deterioration or damage, or for similar reasons, the Community Preservation and Development staff shall require the defects be corrected to eliminate the hazard.
- Electrical Receptacles – Every habitable space in a dwelling unit shall contain at least two separate receptacles of which one can be an overhead light. Every kitchen and bathroom shall contain at least one grounded type receptacle.

- Lighting Fixtures – Every hall, interior stairway, water closet compartment, bathroom, laundry room and furnace room shall contain at least one electrical fixture.
- Handrails and Guards – Every exterior and interior flight of stairs having more than four (4) risers, and every open portion of a stair, landing or balcony which is more than 30 inches above the floor or grade below shall have guards. Handrails shall not be less than 30 inches nor more than 42 inches high, measured vertically above the nosing of the tread or above the finished floor of the landing or walkway surface. Guards shall not be less than 30 inches high above the floor of the landing or balcony. Open guards and handrails shall have balusters or be of solid material such that a sphere with a diameter of 6 inches cannot pass through the opening.
- Stairs – All interior and exterior stairs shall be in sound condition and good repair.
- Chimneys – All chimneys shall be structurally safe and sound, and in good repair.
- Smoke Detectors – All dwellings shall be equipped with at least 1 automatic smoke detecting device on each level installed according to the latest edition of the National Fire Protection Association (NFPA) Standard 74. The device may be battery-operated or hard-wired directly to the electrical system.
- Handicapped and/or Elderly Modifications – Reasonable modifications shall be made to make a dwelling accessible and usable by the physically handicapped or elderly. The "Accessibility Guidelines for Buildings and Facilities" of the American with Disabilities Act shall be used to determine the amount and extent of the modifications.
- Security – Every window on the 1st floor shall be lockable (e.g., window units with sash pins or sash locks and combination windows with latches). Every exterior door (i.e., those that provide access to or egress from the dwelling) must be lockable.
- Accumulation of Rubbish or Garbage – The interior and exterior of every unit shall be free from any accumulation of rubbish or garbage.
- Infestation – All dwellings shall be kept free from insect and rat infestation. Approved processes that will not be injurious to human health shall promptly exterminate all dwellings in which insects or rats are found. After extermination, proper precautions shall be taken to prevent re-infestation.
- Hazardous Conditions – Any condition in a dwelling found by the Community Preservation and Development staff to be a hazard to the life, health or safety of the occupants of the dwelling shall be corrected.

LEAD-BASED PAINT REQUIREMENTS

The new federal regulations described in 24 CFR Part 35 Subpart J-Rehabilitation require that lead hazard evaluation and reduction activities be carried out for all properties built before 1978 that are receiving rehabilitation assistance.

- ◆ **Lead Hazard Evaluation.** A risk assessment, paint testing or a combination of these to determine the presence of lead-based paint hazards or lead-based paint.
- ◆ **Lead Hazard Reduction.** Activities designed to reduce or eliminate exposure to lead-based paint hazards through methods including interim controls, standard treatments, or abatement.
- ◆ **Clearance.** An activity conducted following lead-based paint hazard reduction activities to determine that the hazard reduction activity is complete.

The requirements for rehabilitation correspond to the following three approaches to lead hazard evaluation and reduction. Larger rehabilitation jobs must meet more stringent requirements than smaller ones. The three approaches are:

1. **Do Not Harm.** Perform the rehabilitation in a way that does not create lead hazards.

2. **Identify and Control Lead Hazards.** Identify lead-based paint and hazards and use a range of methods to address the hazards.
3. **Identify and Abate Lead Hazards.** Identify lead-based paint hazards and remove them permanently.

The following table summarizes the requirements of the new regulations:

Estimated Cost of Rehab	<or = \$,5000	\$5,000 - \$25,000	> \$25,000
Approach to Lead Hazard Evaluation and Reduction	Do not harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	<ul style="list-style-type: none"> ◆ Paint Testing of surfaces to be disturbed by rehab 	<ul style="list-style-type: none"> ◆ Paint Testing of surfaces to be disturbed by rehab ◆ Risk Assessment 	<ul style="list-style-type: none"> ◆ Paint Testing of surfaces to be disturbed by rehab ◆ Risk Assessment
Lead Hazard Reduction	<ul style="list-style-type: none"> ◆ Repair surfaces disturbed during rehab ◆ Safe work practices ◆ Clearance of worksite 	<ul style="list-style-type: none"> ◆ Interim Controls ◆ Safe work practices ◆ Clearance of unit 	<ul style="list-style-type: none"> ◆ Abatement ◆ Safe work practices ◆ Clearance of unit
Options	<ul style="list-style-type: none"> ◆ Presume lead-based paint ◆ Use safe work practices on all surfaces 	<ul style="list-style-type: none"> ◆ Presume lead-based paint and/or hazards ◆ Use standard treatments 	<ul style="list-style-type: none"> ◆ Presume lead-based paint and/or hazards ◆ Abate all applicable surfaces

The following **Notification Requirements** apply to all units receiving Federal assistance for rehabilitation.

- ◆ **Lead Hazard Information Pamphlet and Disclosure.** Unit occupants must receive the HUD/EPA/CPSC pamphlet "Protect Your Family From Lead in Your Home" or an EPA-approved alternative. The pamphlet provides educational information describing lead-based paint or lead-based paint hazards, owners must notify tenants or prospective purchasers.
- ◆ **Notice of Hazard Evaluation and Reduction.** Unit occupants must be notified of any lead hazard evaluation results (or the presumption of lead-based paint/hazards) and of the hazard reduction activities and clearance.

Each unit must be evaluated to identify lead hazards. The required method of evaluation depends on the level of rehabilitation assistance (see above chart). Methods include paint testing of surfaces to be disturbed by rehabilitation and conducting a risk assessment. This process is called **Lead Hazard Evaluation**.

Lead Hazard Reduction depends upon the level of assistance. Specific actions required include:

- ⇒ **Repair of Paint Disturbed During Rehabilitation.** Includes repairing disturbed paint and applying a new coat of paint.
- ⇒ **Interim Controls and Standard Treatments.** Includes addressing friction and impact surfaces, creating smooth and cleanable surfaces, encapsulation, removing or covering lead-based paint components, and paint stabilization.
- ⇒ **Abatement.** Abatement involves permanently removing lead-based paint hazards, often through paint and component removal and enclosure.
- ⇒ **Safe Work Practices.** Safe work practices must be used for all work on all lead-based paint surfaces. Safe work practices are required on interior spaces larger than 2 ft. and on exterior surfaces larger than 20 ft. .
- ⇒ **Clearance.** Clearance must be performed by a certified professional to check if rehabilitated units are safe for future occupants.

Calculating the level of Rehab Assistance

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

- ✓ Per unit rehabilitation hard cost, or
- ✓ Per unit Federal assistance

To make this determination, it is helpful to understand several terms:

- ◆ **Rehabilitation Hard Cost.** The rehabilitation cost are calculated using only hard cost such as windows, doors, roof, etc. They do not include soft costs such as financing fees, credit reports, title binders and insurance, recordation fees, legal and accounting fees, appraisals, architectural and engineering fees, administration costs, relocation costs, environmental reviews, acquisition of property or the lead hazard evaluation and reduction cost.
- ◆ **Lead Hazard Evaluation and Reduction Cost.** Lead hazard evaluation and reduction cost include costs associated with the site preparation, occupant protection, relocation, interim controls, abatement, clearance, and waste handling attributable to lead-based paint hazard reduction.
- ◆ **Federal Assistance.** The Federal assistance includes all Federal funds provided to the project. This also includes funds from program income, but excludes funding such as low-income housing tax credits funds (LIHTC) or non-Federal HOME match funds.

Note that when making this calculation, the use of Federal funds is not relevant. Simply compare rehabilitation costs with the Federal assistance. The following examples illustrate this concept:

1. A single family home is being rehabilitated for a total of \$6,000 (hard cost). The owner is receiving a \$2,000 low-interest loan from the County's CDBG program. The level of assistance is \$2,000.
2. A family is purchasing a home. They are receiving \$10,000 in assistance for the downpayment, closing cost, and rehabilitation cost. The hard costs of rehabilitation are \$6,000. The level of assistance is \$6,000.

To calculate the level of assistance for multifamily properties, per unit cost must be determined. The following example illustrates:

A 10-unit property is being rehabilitated for hard cost of \$200,000. The property receives \$150,000 in CDBG funds. Additional funding comes from private sources. All units are federally assisted.

- The per unit Federal assistance for this project is $\$150,000/10 \text{ units} = \$15,000$.
- The per unit rehabilitation hard cost are $\$200,000/10 \text{ units} = \$20,000$.
- Therefore, the level of assistance is \$15,000 (the lesser of \$15,000 and \$20,000).

In projects that involve both Federal assistance and non-assisted units, the calculation is more complex because the cost of rehabilitating common areas and exterior surfaces must be allocated appropriately. To calculate the correct level of assistance, take the following steps:

The per unit rehabilitation hard cost are calculated $A/AU + B/TU$.

- A = Rehabilitation hard cost for all assisted units (not including common/exterior areas)
- B = Rehabilitation hard costs for common areas and exterior surfaces
- AU = Number of federally assisted units in project
- TU= Total number of units in project

Example: A 20-unit property is doing rehabilitation for \$160,000. The rehabilitation will include:

- \$40,000 for repairs to the exterior and common area of the building
- \$60,000 to rehabilitate 10 CDBG assisted units, and
- \$60,000 for the unassisted units.

The per unit rehabilitation cost are $\$60,000/10 \text{ units} + \$40,000/20 \text{ units} = \$6,000 + \$2,000 = \$8,000 \text{ per unit}$.

Property Inspection

The walk-through inspection is a good opportunity for the Community Development Specialist to begin to identify potential lead hazards. While a more comprehensive evaluation will be carried out later, the Community Development Specialist can become familiar with the location and nature of lead hazards so that they are better able to ensure that the contractors address them properly during the rehabilitation work. Examples of items to look for include:

- ◆ Interior and exterior surfaces with deteriorating paint;
- ◆ All chewable surfaces within reach of small children such as window sills, banisters and chair railings;
- ◆ Friction and impact surfaces such as doors, windows, and floors;
- ◆ Areas of bare soil at the exterior of the building, especially those under deteriorated paint surfaces; and
- ◆ Cause of lead hazards, such as water damage due to leaking pipes or a leaking roof.

Based upon the walk-through inspection, the Community Development Specialist can prepare a cost estimate for the rehabilitation work. The amount of this cost estimate is used with the amount of Federal funding to determine the type of lead hazard evaluation reduction required.

Lead Hazard Evaluation Activities

During evaluation of the property, a determination needs to be made as to whether lead-based paint or hazards exist in the unit and where. OHCD has the option to forego evaluation and presume the presence of lead-based paint and/or lead-based paint hazards.

- ◆ Work up to and including \$5,000 requires paint testing of surfaces that will be disturbed during rehabilitation.
- ◆ Work over \$5,000 requires a risk assessment of the entire unit and paint testing of surfaces to be disturbed during rehabilitation.

Paint Inspectors and Risk Assessors must be certified to conduct evaluations.

Post-Evaluation Activities-Notice of Hazard Evaluation and Reduction

As discussed previously, there are two notices that households must receive: 1) Lead Hazard Information Pamphlet and Disclosure and 2) the Notice of Hazard Evaluation and Reduction.

The Community Development Specialist must notify occupants about the results of the lead hazard evaluation within 15 days after the results have been determined. The notification must provide the following information:

1. The presence and location of lead-based paint
2. A description of how occupants can get further information including the full report of the testing methods and results
3. An explanation of the decision to forego evaluation and presume that lead-based paint and/or hazard exists. Occupants must be notified of the reason for making this presumption

For single family properties, the information is provided directly to the homeowners. For multifamily buildings, this information can be distributed to each household or posted in a central location where all residents can access it. The results and the methods of all evaluations must be summarized in a report that is made available to residents if they request it. In some cases, the Paint Inspector or Risk Assessor may be the most qualified person to write the report. Each unit must be evaluated to identify lead hazards. The required method of evaluation depends on the level of rehabilitation assistance (see previous chart). Methods include paint testing of surfaces to be disturbed by rehabilitation and conducting a risk assessment. This process is called Lead Hazard Evaluation.

Planning the Work

Once the location and nature of lead hazards has been determined, the Community Development Specialist can begin to determine how these hazards can be best addressed in conjunction with the regular rehabilitation work. The Community Development Specialist can supervise this planning but may need to include other parties in planning such as the contractor(s), the owner and the Risk Assessor. Key questions to consider when planning rehabilitation that involves lead-based paint include:

- ◆ What is the required level of lead hazard reduction (i.e. interim controls, abatement)?
- ◆ What methods will be used to reduce lead-based paint hazards (i.e. paint stabilization, component removal)?
- ◆ How will lead hazard reduction work be coordinated with the rehabilitation work?

- ◆ Do occupants need to be temporarily relocated to protect them or speed the rehabilitation work?

Required Level of Lead Hazard Reduction

For Work under or equal to \$5,000

- ◆ Safe work practices must be used for all rehabilitation activities, and paint disturbed during the work must be repaired.

For Work between \$5,000 and \$25,000

- ◆ Interim controls must be performed on the hazards identified by the risk assessment and paint disturbed during the rehabilitation must be repaired. Interim controls include paint stabilization, dust removal, preventive maintenance that keeps lead hazards from developing, treating some or all friction and impact surfaces, and covering contaminated bare soil. Unless soil has been tested and is found not to be a lead hazard, soil treatments are required. Bare soil can be covered with appropriate covering such as gravel, wood chips, sod or permanent covering. **OR**
- ◆ Standard treatments must be carried out for the entire unit. Standard treatments include:
 - Paint stabilization
 - Smooth and cleanable horizontal surfaces
 - Correction of dust-generating conditions
 - Treatment of bare soil
 - Safe work practices must be used while work is being performed and the unit must pass clearance

NOTE: Workers performing Interim Controls and Standard Treatments must meet specialized training requirements

For work over \$25,000

- ◆ Surfaces painted with lead-based paint that are disturbed during rehabilitation and hazards identified by the risk assessment all must be abated. Abatement includes removing lead-based paint from surfaces, enclosure methods, removing and replacing components painted with lead-based paint, and removing and replacing contaminated soil. Of all the lead hazard reduction methods discussed, only abatement methods are considered permanent.
- ◆ Interim controls may be performed on exterior surfaces if those surfaces are not undergoing rehabilitation. **OR**
- ◆ If presuming the presence of lead-based paint and hazards, the surfaces being disturbed during rehabilitation and all applicable surfaces -- deteriorated, friction, impact and chewable surfaces and bare soil surfaces must be abated.

NOTE: Workers performing abatement must meet specialized training and certification requirements.

Occupant Relocation

It may be necessary to relocate occupants while the work is being performed. Relocation may be costly, but may be a necessary step to protect the health of occupants. In large part, the decision to relocate is determined by the extent of the rehabilitation and lead hazard reduction work. Relocation may be necessary when rehabilitation requires more than one day, if it affects major portions of the unit or will take place in bathrooms and kitchens (see listing below).

Relocation options may include having occupants staying with relatives, providing a hotel room or temporary rental housing. In general, temporarily relocated residents must be reimbursed for reasonable out-of-pocket expenses.

When to Temporarily Relocate Occupants

- ✓ Utilities such as water, electricity and gas are turned off for a period exceeding 8 hours
- ✓ Rehabilitation takes place in the kitchen or available bathroom(s)
- ✓ Extensive rehabilitation in several rooms requiring work over several days
- ✓ A child under the age of 6 occupies the home
- ✓ Occupants cannot be prevented from entering the worksite after hours
- ✓ Debris and dust cannot be contained in the worksite and may spread to occupied areas

Supervising Lead Hazard Reduction During Construction

Staff should be vigilant in overseeing lead hazard reduction work as they are in overseeing rehabilitation. Just as there are visible signs of good and bad rehabilitation work, there are good and bad signs of lead hazard reduction work. The safe work practices are required as part of all lead hazard reduction work (interim controls and abatement). Safe work practices includes:

- ✓ Occupant Protection
- ✓ Worksite Preparation
- ✓ Daily Cleanup
- ✓ Safe Work Practices
- ✓ Worker Protection

Occupant Protection. The purpose of occupant protection is to take steps to eliminate the risk to occupants by restricting access to the worksite, containing debris and dust during work, using safe work practices and cleaning the worksite frequently. Occupant protection may mean temporarily relocating occupants.

Worksite Preparation. The following measures may be appropriate to reduce the spread of debris and dust to other parts of the dwelling:

- ✓ Sealing doorways with two flaps of poly sheeting;
- ✓ Sealing off vents (if possible);
- ✓ Covering floors and ground with poly sheeting;
- ✓ Covering furniture and shrubs with poly sheeting;
- ✓ Wrapping debris in poly sheeting before disposal;
- ✓ Removing lead-contaminated protective clothing before exiting the worksite; and
- ✓ Posting a warning sign at the entry of each room being treated for lead-based paint hazards when occupants are present. Warning signs on exterior surfaces should be visible 20 feet from the worksite.

Worker Protection. The Occupational Safety and Health Administration (OSHA) has regulations that cover works who come into contact with lead. Workers should take proper precautions to protect themselves from lead-based paint hazards, including inhaling dust and avoid taking it home with them on their clothes where it can poison children. Protective measures for workers include:

- ✓ Using safe work practices;
- ✓ Wearing NIOSH-approved respirators; and
- ✓ Wearing disposal gloves, work suits, booties and head coverings.

Daily Cleanup. Daily cleanup is crucial to containing debris to the worksite and for reducing occupant and worker exposure to lead hazards. Debris should be disposed of properly each day and excessive amounts of paint chips and dust should be removed. If dust and chips are not removed daily, there is greater chance that they will be tracked to other parts of the dwelling.

Safe Work Practices. Safe work methods, such as wet work methods, minimize dust and control the spread of paint chips. Safe work practices are required on interior surfaces larger than 2 ft² and on exterior surfaces larger than 20 ft².

Safe Treatment Methods

Removal of defective paint by:

- ✓ Wet scraping
- ✓ Wet sanding
- ✓ Chemical stripping off site
- ✓ Replacing painted components
- ✓ Scraping with an infrared or coil-type heat gun with temperatures below 1,100 degree F
- ✓ HEPA vacuum cleaning
- ✓ HEPA vacuum needle gun
- ✓ Abrasive sanding with HEPA vacuum

Covering of defective paint surface with:

- ✓ Durable materials such as wallboard or vinyl siding with joints sealed and caulked

Prohibited Treatment Methods

- ✓ Open flame burning or torching
- ✓ Machine sanding or grinding without HEPA local exhaust
- ✓ Abrasive blasting or sandblasting without HEPA local exhaust
- ✓ Heat guns operating above 1,100 degree F
- ✓ Dry scraping or sanding except in conjunction with heat guns or within one foot of electrical outlets
- ✓ Paint stripping in a poorly ventilated space using a volatile stripper that is a hazardous substance.

Abatement. For an abatement job, the rehabilitation specialist will have to perform inspections before all the work is completed in addition to a final inspection. The specialist should be sure that:

- ✓ All old paint has been removed prior to repainting
- ✓ All surfaces with lead-paint have been marked as lead-based paint prior to enclosure

Clearance

The purpose of clearance is to make sure that the unit is safe for occupants to return. Occupants are not permitted in the work area until it has achieved clearance. Clearance must be performed at least one hour after work has been completed. During clearance, a certified professional will take dust samples and have them tested for lead.

Clearance inspections must be conducted by a certified professional. Certified professionals include certified Risk Assessors, Paint Inspectors and licensed Clearance Technicians. The person conducting clearance must be independent of the contractor who performed the lead hazard reduction work.

During clearance, the clearance professional will complete the following tasks:

1. Conduct a visual assessment of the unit and worksite to identify dust, debris and deteriorated paint.
2. Take dust samples from floors, interior windowsills and window troughs.
3. If work was done to the exterior, visually assess the soil near the worksite.
4. Submit the samples to an NLLAP-recognized laboratory for analysis.
5. Write a report presenting the results of the clearance examination.
6. If the unit does not pass clearance, the inspector will require an additional cleaning and the clearance inspection until the unit passes clearance.

Occupant Notification of Clearance

Occupants must receive the results of the hazard reduction and clearance test within 15 days of completion. The notification of hazard control and clearance includes:

1. A summary of the hazard reduction activities and clearance results.
2. A contact name, address and telephone number for further information.
3. The locations of remaining lead-based paint surfaces and lead hazards.

ENVIRONMENTAL REVIEW

The Community Preservation & Development Manager will provide all preliminary information necessary for the Federal Compliance Officer to complete an Environmental Review. The Community Development Specialist will complete the Environmental Worksheet for a site-specific environmental review for each property which includes the Flood Plain Assessment using FEMA Flood Rate Maps. If the house was built prior to 1943, the Community Preservation Specialist will provide a photograph of the front and rear of the property to the Historic Preservation Office, with a letter for comments. The response from the Historic Preservation Officer must be provided within 30 days, before Construction Contracts can be entered into. If no response is received from HPO after 30 days, staff can proceed with Contract.

CONTRACTOR REQUIREMENTS

As a convenience to the property owner they can either;

1. Select a contractor from a list of bidders currently active in the Program, or
2. Get three (3) sealed bids for other contractors, or
3. If under \$15,000 get 3 written quotes on work to be performed.

To be awarded a contract or to be included on the bidder list, the contractor must provide the following:

- Evidence of comprehensive public liability insurance coverage protecting the owner for not less than \$100,000/\$300,000 in the event of bodily injury including death and \$100,000/\$300,000 in the event of property damage arising from the work performed by the contractor. Such evidence of insurance shall be in the form of a certificate from the insurance provider.
- Evidence of workmen's compensation insurance while performing work for the program. Such evidence of insurance shall be in the form of a certificate of insurance from the insurance provider.

- Copy of Commonwealth of Virginia "A" or "B" contractor licenses.
- Copy of Prince William County Business License.
- Resume or Company Profile.
- Three (3) references from property owners who previously had work performed by the contractor.
- Lead Certification required for any contractor that will be doing rehabilitation on property that has been tested and found to contain lead-based paint. If a contractor does not have the Lead Certification required they can hire a subcontractor to perform the work who does have the certification. Copy of the subcontractors certification is necessary before work can begin.

A contractor shall be removed from the bidder list, with proper written documentation, as a result of any of the following:

- Currently under contract with 3 Neighborhood Housing Rehabilitation contract or contracts adding up to \$100,000.
- If the contractor fails to respond to six (6) consecutive Invitations to Bid by either not bidding or failure to notify the Community Development Specialist of the reason for not bidding.
- If the contractor violates any terms or conditions of the Program Participation Agreement.
- If the contractor fails to conduct himself or herself in an ethical and/or professional manner in dealings with the County, other contractors, or property owner.

BIDDING

Homeowners have three options to obtain bids for the rehabilitation of their property. As a convenience to the property owner we offer three options;

Option #1 Select a contractor from a list of bidders currently active in the Program, or

Option #2 Get three (3) sealed bids for other contractors, or

Option #3 If rehabilitation is under \$15,000 get 3 written quotes on work to be performed.

Homeowner may receive inquires in the future from other program participants on the workmanship and working relationship on the contractor selected.

Option # 1 OHCD Staff Coordinate Bid Process: After the household has reviewed and approved the Work Write-Up a Lead Hazard Evaluation must be conducted for properties built before 1978. This involves paint testing and/or risk assessment. The risk assessment is a thorough examination of the property with a written report. The report explains the results of the exam and identifies acceptable abatement and interim control strategies. A certified Risk Assessor must perform the risk assessment. Using the risk assessment report, a second Work Write-up is developed to correct potential lead problems. The revised Work Write-Up, (including lead reduction activities and the rehab) is used for bidding purposes. Before the bid package is sent out, the Community Development Specialist will give the case file, along with the bid package, to the Community Preservation & Development Manager for review of the Work Write-up, cost estimate and household's eligibility prior to bid issuance. After a review of the file and signing of the bid issuance, the bid package is sent to contractors certified by OHCD as eligible to bid. A letter is sent to the household informing them of the date and time for the bid walk-through and bid opening.

Pre-bid Walk Through: At the walk-through, all contractors must sign in with Community Preservation and Development staff. Contractors and staff go over all items listed within the Work Write-Up. If there are changes, then the Work Write-

Up is revised with a revision date on each page and the changes underlined and bolded. The revisions are sent to the contractors present at walk-through and the household. Following the pre-bid walk through, OHCD will provide the homeowner with the name and phone number of the last three jobs awarded under the program for each contractor to assist them in making an informative decision on each contractor's performance.

Bid Opening:

Bids Openings are open to the public. Each sealed bid is opened and logged on a Bid Talley Sheet. The results of the bids are shared with all parties present. Letters are sent to all interested bidders as to the bid results.

Following the bid opening, OHCD will provide the homeowner with a referral list for each contractor who provides a reasonable and responsive bid, which will include the name and phone number of the last three jobs awarded under the program to assist them in making an informative decision on each contractor's performance.

Award of Contract:

The homeowner will select a contractor, based upon the bids and their analysis of both current and/or prior rehabilitation work performed by each contractor. The Community Preservation and Development staff will send letters to all bidders informing them of the selected contractor.

Option # 2 Homeowner Obtains Bids: Before the bid package is sent out, the Community Development Specialist will give the case file, along with the bid package, to the Community Preservation & Development Manager for review of the Work Write-up, cost estimate and household's eligibility prior to bid issuance. **Option #2 will not be used for properties that require unique rehabilitation activities.** A cover letter is sent to the homeowner by Community Preservation and Development staff along with 3 bid packages that must be used to solicit bids with date and time of bid opening. When the homeowner meets with contractors they should explain the program requirements for participation that are contained in the bid package. With the bid package the contractor will be required to submit the Required Contractor Information along with their sealed bid by the date and time specified to the following:

Prince William County Office of Housing and Community Development
Community Preservation and Development Division
Dr. A.J. Ferlazzo Building
15941 Donald Curtis Drive, Suite 112,
Woodbridge, VA 22191

Bid Opening:

Bid Openings are open to the public. Each sealed bid is opened and logged on a Bid Talley Sheet. The results of the bid are shared with all parties present. Letters are sent to all interested bidders as to bid results.

Award of Contract:

The homeowner will select the lowest, most reasonable and responsive bid based up their analysis of rehabilitation work performed by each contractor. The Community Preservation and Development staff will send letters to all bidders informing them of the selected contractor.

Option # 3 Homeowner Obtains Written Quotes (estimated rehab must be < \$15,000):

Prior to the Work Write-up being sent out for three written proposals, the Community Preservation and Development staff will provide the Community Preservation and Development Manager the case file to review the Work Write-up, cost estimate and household's eligibility prior to signing bid issuance. A cover letter is sent to the homeowner informing them of the date and time that three written contractor proposals must be returned to OHCD along with required verifications for contractor eligibility. When the homeowner meets contractors they need to explain the program requirements for participation that are contained in the bid package.

Written Proposals:	Each written proposal amount is logged on a Bid Talley Sheet.
Award of Contract:	The homeowner will select the lowest, most reasonable and responsive bid based up their analysis of rehabilitation work performed by each contractor. The Community Preservation and Development staff will send letters to all bidders informing them of the selected contractor.

CONTRACT/LOAN CLOSING

The following documents are prepared for contact/loan closing by the Community Development Specialist:

1. Construction Contracts
2. Attachment A - Work Write-Up
3. Attachment B - General Conditions for Construction
4. Attachment C (draw schedule provided by contractor)
5. Program Participation Agreement
6. Right of Recession
7. Deed of Trust and Promissory Note are signed and remain un-filed until work is completed. When work is completed the Deed of Trust and Promissory Note are adjusted to reflect actual cost of project and are then filed.
8. Lead-based paint notification. If given and signed at time of initial inspection not necessary to complete again.
9. * Request for Construction Payment
10. * Final Waiver of Lien
11. Owner Selection List

* Given to contractors when they are found eligible to participate in the Rehab program

When the contract/loan closing documents are completed the packaged documents and file are provided to the Community Preservation and Development Manager for review and signature. The Community Preservation & Development Manager will setup in-house financial worksheets to verify obligations and disbursement of funds for project. At the closing the homeowner and contractor sign necessary documents including the Program Participation Agreement. A deferred Deed of Trust and Promissory Note are prepared by the Community Preservation Development Specialist for the contract award amount, plus 20% to cover professional costs paid for by OHCD (lead inspections, engineering inspections, architectural work, etc),. The 20% factor is utilized for maximum amount of possible change orders to the contract amount. These documents require notarized signatures of homeowner(s).

After all documents have been signed, appropriate copies are sent to the homeowner, contractor and OHCD's Finance Division. OHCD Finance Division will prepare a purchase order to encumber the total funds for lead-paint testing and rehabilitation work.

FILING DEED OF TRUST

Two Deeds of Trust will be filed among the Prince William land records. One for the downpayment assistance and the second for the rehabilitation of the property. The rehabilitation Deed of Trust will be filed following the Right of Recession period to protect the County's investment. The Promissory Note signed by the homeowner will not be filed but will be retained in the file. (See Change Order and Closeout Sections below for additional requirements for filing of Deeds of Trust).

PAYMENT REQUEST

All submitted payment requests will be reviewed by Community Development Specialist to ensure that items stated as being completed are indeed completed. Homeowner, contractor, Community Development Specialist and Community Preservation & Development Manager must sign off on all payment requests. Ten (10) percent of each draw is held until 60 days after the final payment to ensure no problems in workmanship and/or materials exist. Original payment request with all signatures are given to OHCD's Finance Division for payment. Copies of the executed payment request are sent to both homeowner and contractor with a copy for the case file.

CHANGE ORDERS

Change Orders require signatures and approval by all parties (*homeowner, contractor, Community Development Specialist and Community Preservation & Development Manager*) before the change should take place. Original executed Change Order is given to OHCD's Finance Division to increase the contract purchase order. The Community Preservation & Development Manager will increase obligation on in-house financial worksheet to reflect the signed Change Order. A copy of the executed Change Order is provided to the homeowner and contractor with copy for file.

In the event that a Change Order, along with the lead testing/correction, exceeds the amount of the existing Deed of Trust and Promissory Note, a new deferred Deed of Trust and Promissory Note must be prepared for signature(s) and notarized before the Change Order can be approved and signed. The revised deferred Deed of Trust will be filed after executing a Release of Lien and Certificate of Satisfaction for the previously filed deferred Deed of Trust. Copies of all signed documents will be provided to the homeowner with a file copy.

TEMPORARY RELOCATION

The Neighborhood Housing Rehabilitation Program does not trigger the Federal Residential Anti-Displacement and Relocation Assistance Act because the program assisting owner occupied properties which are not covered. In an effort to assist homeowners who must temporarily relocate during construction due to heat and safety issues OHCD will approve the payment for hotel/motel accommodations based upon the federal per diem rate. The cost will be handled as a Change Order paid by the contractor and that cost will be added to the total lien filed on the property.

CLOSEOUT/FINAL PAYMENT

If the total amount expended on the project is less than the amount of the original Deed of Trust, a new deferred Deed of Trust and Promissory Note must be prepared for signature(s) and notarized for the actual amount expended. The revised deferred Deed of Trust will be filed after executing a Release of Lien and Certificate of Satisfaction for the previously filed deferred Deed of Trust. Copies of all signed documents will be provided to the homeowner with a file copy.

Final Payment Request inspections are conducted by Community Development Specialist. The Specialist, along with the homeowner, will develop a "punch list" of items contractor will need to correct within 60 days. Letter will be sent to contractor informing him of item(s) needing correction and time frame for correction. After 60 days an inspection will be made to ensure that all items have been corrected. Letter sent to homeowner regarding the one year warranty period coverage for work performed on property. If items are not corrected letter sent to contractor stating that company will not receive retainage and that amount will be used for another contractor to finish project. Contractor will then be removed from participation for a period of no less than 1 year.

If all items are corrected, Community Development Specialist prepares and signs a request for payment of the retainage. The payment request and the file are given to the Community Preservation and Development Manager to ensure that the Deed of Trust, Promissory Note, insurance coverage and retainage amount are correct. The Community Preservation & Development Manager will sign the retainage payment and give the file to the Community Development Specialist who will make a copy for the file and give the original to the Finance Division for payment. The payment will be listed in the in-house financial worksheets maintained by Community Preservation & Development Manager. Following approval of issuance of retainage, the Community Preservation and Development Specialist will send a letter to the homeowner stating that the final retainage payment has been issued to the contractor based upon his completion of all punch listed items. The letter will also include reference to a new deferred Deed of Trust and Promissory Note for the homeowner to sign to reflect the actual rehab expenditures including lead testing and fees associated with recording a Certificate of Satisfaction for previous filed loan.

INSURANCE COVERAGE

Households must provide verification of adequate homeowners insurance coverage with Prince William County listed as a mortgagee. This verification of insurance is needed to protect the County's investment in the event of fire or other disasters. The mortgagee shall be listed as Prince William Board of County Supervisors, C/O Office of Housing and Community Development, 15941 Donald Curtis Drive, Suite 112, Woodbridge, VA 22191. This verification must be provided prior to Final Payment Request inspection conducted by Community Development Specialist.

LOAN REPAYMENT

The amount of assistance provided for rehabilitation will be secured by a deferred Deed of Trust on the property. The trust will not be due and payable until the property ceases to be the principal residence, or is sold, or the borrower fails or neglects to pay the taxes, assessments, or premiums for hazard, flood (if required) or mortgage insurance, or terms of the Deed of Trust are violated.

At the time that the property is sold, vacated, leased or transferred through inheritance or any other means to any person other than the original parties to the loan, the principal only amount of the loan becomes due and payable to the County. However, upon the death of the original parties, an heir to the improved property shall not be required to make immediate payment if the heir resided in the property at the time of the original application to the Program, or the heir resided in the property at the time of the death of the parties and the heir's total household income does not exceed established income levels.

In the event that there is not enough equity in the property to repay the loan the County would foreclose on the property, even after the sale. With that possibility, the property probably won't look attractive to a potential buyer or lender. With an outstanding Deed of Trust, the property cannot be transferred free and clear.

REFINANCE AND SUBORDINATION

The rehabilitation loan will not be subordinated at anytime during the deferral period for a "home equity loan, reverse mortgage or any other form of refinance of the first trust that results in the removal of equity from the property for any reason (i.e. cash, loan consolidation, debt repayment, home improvements, education expenses, reverse mortgage, etc.).

In order to make a decision regarding the subordination of the Loan, we ask that the loan officer processing the refinance provide all of the following items (please ensure that all loan amounts, rates and terms are consistently reflected on supporting documents):

- 1). Completed Refinance information sheet
- 2). Copy of Typed Loan Application
- 3). Good Faith Estimate
- 4). Mortgage Credit Analysis Worksheet (MCAW)
- 5). Property Appraisal (if FHA Streamline and no appraisal required, please indicate in writing)
- 6). Draft HUD 1 showing all fees and new loan amount signed by lender

If OHCD approves the subordination of the Rehabilitation Loan a Subordination Agreement will be signed by the Director and forwarded to the Prince William County Attorney's Office for final approval. We anticipate seven to ten working business days processing time at the County Attorney's Office, dependent upon their work load. Once the subordination agreement is signed and returned to us from the County Attorney's Office, we will issue a preliminary approval of the subordination, and the settlement can be scheduled. **If the new loan amount or terms change from that initially approved by our office, the lender must submit a new draft HUD 1 and supporting documents for our review and approval. Settlement cannot take place before our office has approved the documentation supporting the revised loan amount.**

Once the settlement has occurred, the settlement agent will need to courier, or Fed Ex the Certified True HUD 1, Certified True Deed and Note from the settlement. We can only forward the Subordination Agreement to the settlement agent after reviewing and approving these actual settlement documents. **Note: Changes in Loan Amounts, terms, charges from those initially approved by our office will be cause for us to withdraw our offer to subordinate.**

The settlement agent should make arrangements for a courier to pick up the Signed Subordination Agreement from our office, or they must provide their Fed Ex billing number, for mailing directly to them from our office. After the Subordination Agreement has been recorded,

a copy must be sent to us. All of these requested items must be sent to the Specialist attention at the address on this letterhead.

CONFLICT OF INTEREST

No person who is an employee, agent, consultant, officer, or elected or appointed official of the Prince William County, Manassas City or Manassas Park who exercises or has exercised any function or responsibilities with respect to assisted rehabilitation activities of the Housing Rehabilitation Program or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract , subcontract or agreement with respect thereto, or the proceeds hereunder, either for themselves, their immediate family, or with who they have business ties, during their tenure or for one (1) year thereafter.

PRINCE WILLIAM COUNTY OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
Rehabilitation-Acquisition Program (RAP) for First-Time Homebuyers
LETTER OF INTENT

Purpose

In an effort to provide a wider inventory of potential properties available to first-time homebuyers in Prince William County the Rehabilitation-Acquisition Program (RAP) for First-Time Homebuyers was formulated. The program combines the Homeownership Assistance Program (HAP) and the Neighborhood Housing Rehabilitation Program. Households eligible to participate in the HAP program will be offered this option for additional funds towards downpayment and rehabilitation of selected property. **This program cannot be used in conjunction with VHDA's Sponsoring Partnerships and Revitalizing Communities (SPARC) loan allocations to Prince William County effective 7/1/07.**

Minimum Project Cost

There is **no minimum project cost for downpayment** assistance but the **minimum project cost of rehabilitation is \$2,000**. The minimum cost requirement applies to total rehabilitation costs for work and shall not include delivery costs incurred by the County. Eligible rehabilitation costs shall be the sum of the amount of the contracts for the rehabilitation work including any change orders and any related fees required by the project, which may include survey costs, architectural fees, lead-based paint testing and one year's premium for insurance.

Maximum Project Cost

Both Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) Program federal funds have limits regarding the amount of assistance that can be used in an individual project. Before a project can be approved, staff must determine compliance with the distinct rules applicable to the federal funding source(s) which will be used for funding.

- The CDBG regulations state that the maximum federal dollars for housing rehabilitation can not exceed 75% of the replacement cost.
- The HOME Program's intent is to provide modest housing and uses a limit that changes with market conditions, and is published for the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)). The HOME limits state that the initial purchase price can not exceed 95% of the median purchase price for the type of single family housing (1-4 family residence) for the jurisdiction as determined by HUD Single Family Mortgage Limits under Section 203(b) of the National Housing Act, and has an estimated value after acquisition and rehabilitation that does not exceed the 95% limit as described above. The 95% limits value as of 1/17/06 is \$362,790. Due to these limitations it is important to indicate all funding necessary for downpayment and rehabilitation.

The maximum CDBG assistance for **downpayment cannot exceed \$25,000**. For **rehabilitation the maximum assistance is \$50,000**, which includes the cost for lead-based paint testing and correction. The Housing Finance and Development staff and the Community Preservation and Development staff will after inspection of the property, development a Work Write-up, and cost estimates for rehab. With a completed appraisal and after rehab value provided by appraisal company staff will determine maximum dollars allowable.

Appraisals

All properties must have an appraisal of the property before rehab and an estimated after rehab value that does not exceed the 95% limit as described above. The 95% limit as of 1/17/06 is \$362,790. In the event that the after rehab value exceeds this limit, the Work Write-up items will need to be adjusted to eliminate non-code and/or non-HQS items to lower the estimated after rehab value. Another after rehab evaluation must be completed by the appraiser. If there is an additional cost for the report, the purchaser of the property will be responsible for the additional charge.

Initials & Date _____

Loan Repayment

Under the RAP program the borrower is making an application for two separate activities (rehabilitation and downpayment/closing cost assistance) and thus will have two separate loans with different repayment provisions.

Rehabilitation Loan – The amount of assistance provided for rehabilitation will be secured by a deferred deed of trust until the property ceases to be the principal residence, or is sold, or the borrower fails or neglects to pay the taxes, assessments, or premiums for hazard, flood (if required) or mortgage insurance, or terms of the deed of trust are violated. The rehabilitation loan will not be forgiven.

Downpayment Assistance Loan – The downpayment assistance provided will be secured by a 30-year deferred deed of trust which includes a share of the market appreciation (See HAP guidelines). The trust will not be due and payable until the property ceases to be the principal residence, or is sold, or the borrower fails or neglects to pay the taxes, assessments, or premiums for hazard, flood (if required) or mortgage insurance, or terms of the deed of trust are violated. If the borrower does not trigger any of the repayment provisions cited and maintains the property as their principal residence the loan is forgiven after 30 years.

Share of Market Appreciation means the amount of funds the borrower must pay the County, in addition to the principal balance of the HAP and RAP Loan, due to increased market value of the property at the time of resale, or repayment of the HAP and RAP Loan prior to the end of the affordability period. Market value will be the greater of the contract sales price, or the value as determined by a licensed appraiser at the expense of the borrower which is acceptable to the County. The County's share of the market appreciation of the property will be calculated prior to deductions for real estate fees/commissions, settlement fees, judgments, liens or considerations for home improvements made by the Borrower and will equal the product of the market value at the time of sale or refinance, minus the original total acquisition cost multiplied by a fraction, the numerator of which is the principal sum of the HAP and RAP Loan and the denominator is the property's original total acquisition cost.

(Example: Market Value at time of sale:	\$370,000
Original Total Acquisition cost:	-\$250,000
Amount of Market Appreciation:	\$120,000
Principal Sum of HAP & RAP Loan (maximum)	\$ 87,000 \$ 25,000
Fraction: $\$112,000/\$250,000=.448$ or 45%	
County Share of Market Appreciation:	$\$120,000 \times .45=\$54,000$
Borrower Share of Market Appreciation:	$\$120,000 \times .55=\$66,000$

From the Borrowers Share of the Market Appreciation (\$66,000) the Rehabilitation Loan must also be repaid. If the household received the maximum Rehabilitation Loan of \$50,000, the Borrower would have a balance of \$16,000 that they could use towards paying all necessary closing cost such as commissions, taxes, points, etc..

Upon the death of the original parties, an heir to the improved property shall not be required to make immediate payment if they resided in the property at the time of the original application to the Program, or they resided in the property at the time of the death of the parties and maintain the property as their principal residence and their total household income does not exceed established HOME and CDBG or subsequent program income guidelines.

In the event that an owner wishes to sell the property and there is not enough equity in the property to repay the loan the County has the option to foreclose on the property, even after the sale, for the unpaid balance of the Rehabilitation Loan. With that possibility, the property probably won't look attractive to a potential buyer or lender. With an outstanding Deed of Trust, the property cannot be transferred free and clear.

Refinance and Subordination

The loans will not be subordinated at anytime during the deferral period to a Home Equity Loan, other loan, or refinances of the first loan that result in removal of equity from the property for any reason (i.e. cash, loan consolidation, debt repayment, home improvements, education expenses, etc.).

Initials & Date _____

Role of the Office of Housing & Community Development (OHCD)

OHCD staff will assess eligibility of family and property, complete Work Write-up, assist property owner with contractor selection, inspect work, make funds disbursement on behalf of the property owner, and serve as a liaison between contractor and property owner.

Contractor Requirements

As a convenience to the property owner they can either;

1. Select a contractor from a list of bidders currently active in the Program, or
2. Get three (3) sealed bids for other contractors, or
3. If under \$15,000 get 3 written quotes on work to be performed.

To be awarded a contract or to be included on the bidder list, the contractor must provide the following:

- Evidence of comprehensive public liability insurance coverage protecting the owner for not less than \$100,000/\$300,000 in the event of bodily injury including death and \$100,000/\$300,000 in the event of property damage arising from the work performed by the contractor. Such evidence of insurance shall be in the form of a certificate from the insurance provider.
- Evidence of workmen's compensation insurance while performing work for the program. Such evidence of insurance shall be in the form of a certificate of insurance from the insurance provider.
- Copy of Commonwealth of Virginia "A" or "B" contractor licenses.
- Copy of Prince William County Business License.
- Resume or Company Profile.
- Three (3) references from property owners who previously had work performed by the contractor.
- Lead Certification required for any contractor that will be doing rehabilitation on property that has been tested and found to contain lead-based paint. If a contractor does not have the Lead Certification required they can hire a subcontractor to perform the work who does have the certification. Copy of the subcontractors certification is necessary before work can begin.

A contractor shall be removed from the bidder list, with proper written documentation, as a result of any of the following:

- Currently under contract with 3 Neighborhood Housing Rehabilitation contract or contracts adding up to \$100,000.
- If the contractor fails to respond to six (6) consecutive Invitations to Bid by either not bidding or failure to notify the Community Development Specialist of the reason for not bidding.
- If the contractor violates any terms or conditions of the Program Participation Agreement.
- If the contractor fails to conduct himself or herself in an ethical and/or professional manner in dealings with the County, other contractors, or property owner.

Payments to Contractors

The property owner, contractor, and the Office of Housing & Community Development (OHCD) will enter into a contract for the work to be completed. The County, with funds provided by the CDBG program and with the property owners written consent, shall pay the contractor for performance of work. OHCD will serve as funds disbursement agent on behalf of the property owner, authorizing payments under the contract to the contractor.

Conflict of Interest

In reference to contractor selection and rehabilitation services the borrower agrees to abide by the provisions of conflicts of interest. The borrower acknowledges that it presently has no financial interest and shall not acquire any financial interest, direct or indirect, which would conflict in any manner or degree with the contractor selection or rehabilitation services. No one shall obtain a financial benefit from the rehab activities for themselves or for those with whom they have "immediate family ties". Immediate family ties include spouse, parent (including step), child (including step), bother, sister (including step), aunt, uncle, grandparents, grandchildren and in-laws.

Initials & Date _____

My signature below certifies that I have read and understand the guidelines pursuant to the Rehabilitation –Acquisition Program (RAP) and I agree to participate in the program and work with the Office of Housing and Community Development Staff towards the purchase and rehabilitation of selected property. I hereby grant permission to verify any or all information with respect to this application for assistance.

Signature of Applicant Date

Signature of Co-Applicant Date