

City of Tucson

CDBG Owner-Occupied Residential Rehab Programs Standard Operating Procedures

March 2023

City of Tucson

Housing and Community Development Department

310 N. Commerce Park Loop, Tucson, AZ 85745

www.tucsonaz.gov/hcd



City of Tucson
CDBG Owner-Occupied Residential Rehabilitation Program Guidelines and Procedures

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Introduction

Background and Governing Regulations/Policies

The City of Tucson Housing and Community Development Department administers CDBG-funded owner-occupied residential rehabilitation programs directly and through qualified not-for-profit subrecipient agencies. These activities are governed by the CDBG Program Rule (24 CFR Part 570) and federal uniform guidance requirements contained in 2 CFR Part 200. These requirements are further clarified and limited by the City of Tucson Community Development Block Grant (CDBG) Program Policies and Procedures and Basically CDBG for Entitlements as published by the U.S. Department of Housing and Urban Development.

The implementation of these activities is further governed by the City of Tucson's Finance Policies and Internal Controls handbook for the Housing and Community Development Department and the Tucson Procurement Code as published by the City of Tucson Business Services Department and adopted by Mayor and Council.

These Program Guidelines and Procedures provide implementation standards related to the City of Tucson's CDBG-funded owner-occupied residential rehabilitation programs. It does not replace the aforementioned federal and City program rules but instead expands upon them to reflect the specific activities being administered by City of Tucson within this program area and the processes in place to support achievement of federal and City policy requirements.

Order of Precedence and Applicability

For the purposes of this manual, governing documents are assorted into three broad categories:

1. **Federal Regulations and Notices:** Federal regulations and notices apply to all CDBG activities and, in the event of discrepancies between federal regulations and local policies, supersede local policies except when the local policies and/or these guidelines are more restrictive than the federal regulations and notices. In such cases, the most restrictive policy shall prevail.

For example, the City of Tucson Procurement Code is more restrictive than 2 CFR 200 procurement standards. Procurement actions undertaken by the City of Tucson must adhere to the most restrictive policies (in this case, the City of Tucson Procurement Code). Similarly, some activities are defined as eligible by federal regulation/notices and the CDBG Policies and Procedures but are not authorized as eligible in both the local these guidelines, the most restrictive list of eligible activities shall prevail (i.e. these guidelines).

2. **Local Policies:** Local policies are adopted by the City of Tucson Housing and Community Development Department which provide policy and practice frameworks for all CDBG activities.

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This may include allowable activities that are not currently in practice and therefore, not included in these guidelines. Approval of any activities or costs which are defined as eligible in the CDBG Program Policies and Procedures but not authorized for current implementation by these guidelines require written approval by the Director of the Housing and Community Development Department or their designee(s).

3. Local Program Implementation Guidance: Whereas the Local Policies define all activities which are allowable under the CDBG Program Rule and establish policy requirements for their implementation, local program implementation guidance such as these guidelines clarify the specific activities that are currently approved for implementation without special approval by the Director of the Housing and Community Development Department or their designee(s), and provide detailed procedures for the fulfilment of the local policies and federal regulations.

The table below identifies the specific governing documents applicable to each of these three categories and their applicability to the CDBG Owner-Occupied Residential Rehabilitation Program. Cross-cutting federal requirements defined within these documents additionally apply.

Federal Regulations & Notices	24 CFR 570 – CDBG Program Rule	Defines federal program requirements for the CDBG Program. Available at https://www.ecfr.gov/current/title-24/subtitle-B/chapter-V/subchapter-C/part-570 .
	2 CFR 200 – Uniform Guidance	Defines uniform administrative requirements, cost principles, procurement standards, and audits requirements for all federal grant recipients and subrecipients. Available at https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200 .
	Basically CDBG for Entitlements	Provides programmatic clarification and implementation requirements for all CDBG recipients funded as an entitlement jurisdiction and their subrecipients (including all CDBG activities administered by the City of Tucson). Available at https://www.hudexchange.info/resource/19/basically-cdbg-training-guidebook-and-slides/ .
	HUD CPD Notices	Provide clarification regarding specific program topics and carry the authority of federal regulation. Available at https://www.hudexchange.info/programs/cpd-notices .
Local Policies	Tucson Procurement Code	Establishes procurement processes, guidelines, thresholds, and policies for all activities directly administered by the City of Tucson. Tucson Procurement Code does not apply to subrecipient agencies. Available at https://www.tucsonprocurement.com/ .
	Tucson Financial Policies and Internal Controls	Establishes financial management policies and internal controls for use by Housing and Community Development Department staff. Available to City of Tucson HCD staff on the Planning and Community Development Division intranet site. Subrecipients shall adhere to the subrecipient’s financial policies and internal controls which must meet federal program

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		requirements as outlined by applicable federal regulation, the subrecipient agreement authorized by the City of Tucson, and the City of Tucson solicitation (request for proposals, call for projects) under which the subrecipient was funded.
	Tucson CDBG Policies and Procedures	Define overarching program policies, requirements, and City activities authorized to be conducted under the CDBG Program. Available at https://www.tucsonaz.gov/hcd/program-policies-procedures .
	Tucson Subrecipient Management & Monitoring Policies	Defines the actions and activities to be conducted by the City of Tucson in its oversight and monitoring of subawards funded through HUD Community Planning and Development (CPD) programs including but not limited to the CDBG program. Available at https://www.tucsonaz.gov/hcd/program-policies-procedures .
Local Program Implementation Guidance	Tucson CDBG Owner-Occupied Residential Rehabilitation Program Guidelines and Procedures	Defines the specific activities and eligible costs that are implemented within the CDBG Owner-Occupied Residential Rehabilitation Program, and provides procedural guidance for the implementation of the program in conformity with federal and city program policies. Activities and costs identified as eligible within the Tucson CDBG Policies and Procedures but not authorized by this guidance are allowable only with written approval by the Director of the Housing and Community Development Department or their designee(s).

Administrative Structure

The CDBG Owner-Occupied Residential Rehabilitation Program is implemented by the Community Development Section of the Planning and Community Development Division, a subordinate division of the Housing and Community Development Department. The program is administered in coordination with the City of Tucson’s Lead Hazard Reduction and Healthy Homes Program.

The CDBG Owner-Occupied Residential Rehabilitation Program includes four sub-programs which are described in greater detail later in this document.

- I. Tucson Home Repair Program
- II. Mobile Home Repair Program
- III. Home Access Modifications Program
- IV. Accessory Dwell Unit Improvement Pilot Program

Specific requirements that apply to each of these sub-programs are described in the section of this document titled, “Program Specific Guidelines”. These program-specific guidelines provide unique requirements and procedures for each sub-project and supplement the guidelines and procedures

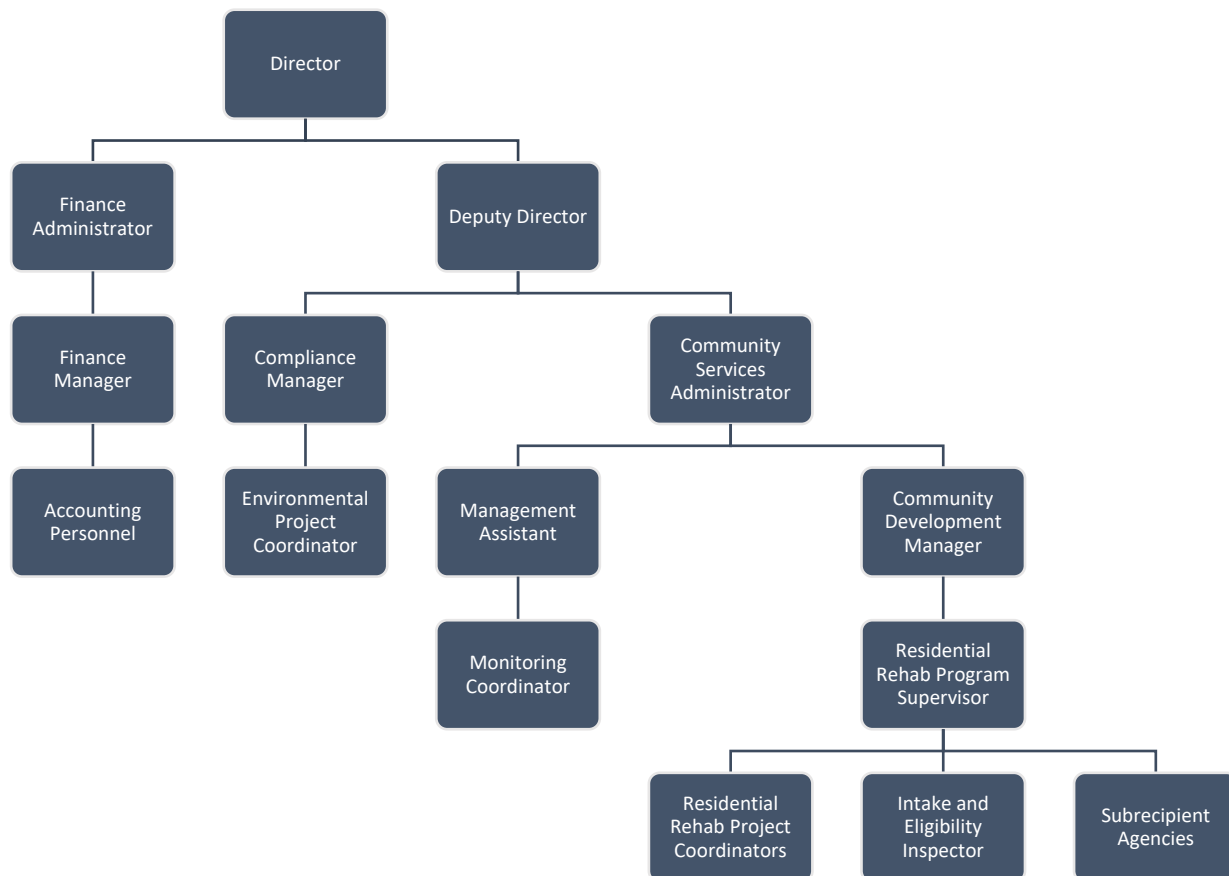
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described in the section of this document titled, “Uniform Guidelines and Procedures”, which apply to all CDBG Owner-Occupied Residential Rehabilitation Programs administered by the City and subrecipients.

The City of Tucson may create, revise, or eliminate sub-programs at its discretion. Additionally, the City of Tucson may establish targeted initiatives within these sub-programs when doing so will positively impact the number of households to be assisted, address an urgent need, or mitigate environmental and circumstantial challenges (e.g. the City sub-classify a sub-program’s wait list to create a priority list based on repair needs to support a surge of similar repairs/replacements such as a roof repair/replacement surge) and/or may prioritize households within a prioritized neighborhood as part of a larger neighborhood investment strategy provided that such prioritizations do not violate the CDBG Program Rule and/or applicable fair housing and civil rights laws and provided that such prioritizations are conducted in accordance with the procedures outlined in the Waitlist Procedures section of this manual.

Program Staffing

The organizational chart below provides the staffing structure for City of Tucson personnel with significant responsibilities related to the administration and implementation of the CDBG Owner-Occupied Residential Rehabilitation Program.



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This is not an exhaustive list of all positions involved in the administration and implementation of the program which additionally includes:

- City of Tucson – City Clerk’s Office: Staff prepare legal notices and record contracts and other documents on behalf of the program.
- City of Tucson – Attorney’s Office: Staff provide consultation on program policies, subaward and contract development, and lien preparation.
- City of Tucson – Business Services Department – Procurement Division: Staff coordinate procurement activities on behalf of the program in partnership with personnel identified in the staffing chart above.
- City of Tucson – Planning and Development Services Department: Staff assist personnel identified in the staffing chart above with permits, plans, and code-related activities.
- Administrative and Support Staff: Administrative assistants and support staff within the Housing and Community Development Department provide assistance with purchasing, reconciliation, and various administrative activities.

Program Specific Guidelines

Tucson Home Repair Program

Overview and Applicability

The guidelines in the section apply only to activities funded and administered through the Tucson Home Repair Program. The Tucson Home Repair Program is a sub-project of the CDBG Owner-Occupied Residential Rehab Program and is administered by the City of Tucson Housing and Community Development Department directly and through one or more subawards to qualified not-for-profit agencies.

Household Eligibility

- Household income must be equal to or less than 80% of Area Median Income and verified by City of Tucson project staff using the HUD Income Calculator located at <https://www.hudexchange.info/incomecalculator/>
- Household may not be enrolled in or receiving Arizona Long Term Care Services (ALTCS) benefits at the time of application or program enrollment.

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- Household may not have received owner-occupied residential rehabilitation assistance through any City of Tucson home repair program during the 10 years (120 months) immediately preceding the household's application for assistance.
- The household's liquid assets must be less than \$20,000 per household at the time of application and project enrollment unless the amount of liquid assets equal to and exceeding \$20,000 will be used by the homeowner to fund repairs to the home prior to or at the same time as CDBG assistance. Liquid assets include but are not limited to cash on hand, savings accounts, U.S. Savings Bonds, stocks and bonds. If the household's liquid assets are equal to or greater than \$20,000 no CDBG funds shall be provided until the household has self-funded repairs included in the approved scope of work equal to or greater than the household's liquid assets which exceed \$20,000.

Property Eligibility

- The property must be owned and occupied as the primary residence of the applicant at the time that the repair need is identified, at the time of application, and at the time of program enrollment.
- The assessed value of the property may not exceed the maximum home value limits established for the HOME Program and in effect at the time of program enrollment.
- The property must be free of any liens or encumbrances (excluding mortgages).
- If the property has a mortgage, mortgage payments must be current at the time of program enrollment.
- Property taxes must be paid and current.
- The property must be completely located within the Tucson city limits.

Funding Caps and Forms of Assistance

Assistance provided through the Tucson Home Repair Program is capped at a maximum of \$20,000 per household as defined below:

- The first \$15,000 of assistance is provided in the form of a grant with no obligation of repayment. Households for which the total assistance is equal to or less than \$15,000 will not have a lien placed on the property.
- If a household receives more than \$15,000 in assistance, the amount in excess of \$15,000 is provided in the form of a forgivable five-year, no-interest loan. The City of Tucson shall record a lien upon project completion to secure its interest in the property during the lien period. Liens may be transferred without triggering re-payment requirements if homeownership is transferred to a first

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line heir due to death or incapacitation of the homeowner who initially received assistance. Any other sale or transfer of property ownership during the lien period shall result in repayment of the full amount of assistance provided as a forgivable loan.

Refer to the section of this document titled “Lien Procedures” for specific procedures and requirements related to liens.

Eligible Repairs

The Tucson Home Repair Program limits eligible repairs to major systems that prevent safe and healthy habitability of the property. Consistent with this approach, the following repairs are eligible under this program. No other repairs are eligible, even if identified as an eligible cost or activity within the City of Tucson’s CDBG Program Policies and Procedures or the CDBG Program Rule unless authorized in writing by the Director of the Housing and Community Development Department or their designee(s).

- Roof Damage: If the roof covering the primary occupied residence on the property is causing serious damage to the home and/or jeopardizing the health and safety of occupants, the cost of repair or replacement is eligible.
- Electrical System: The cost of repairing and/or replacing hazardous main electrical service, circuits, and/or wiring in the home is eligible.
- Sewer Line: The repair and replacement of sewer lines within the home and between the home and the point of disposal are eligible.
- Gas Leaks: The repair and replacement of piping and other materials to address gas leaks occurring between the gas meter and any household appliances are eligible.
- Heating and Cooling Systems: The repair and replacement of heating and cooling systems is eligible when the existing unit is inoperable. New installation of heating and cooling systems is eligible when the home does not have such systems. In the event that heating and cooling systems are replaced or newly installed with CDBG assistance, such systems must be energy-efficient. New air conditioning units shall, optimally, be minimum 16 SEER, “Rheem”, or approved units of equal or higher quality. Approval must be in writing from assigned Agency staff member. NOTE: 15 SEER is acceptable where 16 SEER is not available in appropriate size/tonnage AND contractor secures acknowledgement from assigned COT staff that 15 SEER will suffice. COT staff will document this in the project file.
- Water Heaters: The cost of, or replacement of inoperable, faulty, or deteriorated water heaters is eligible. The cost of installing a water heater if one does not exist is eligible.

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- Water Leaks: The cost of repair, replacement, and installation of piping and other components between the water meter and household fixtures is eligible, including piping that leads to and from the water heater.
- Security: The cost of repairing and/or installing exterior doors, fire-safe window and door security screens, and exterior lighting, including but not limited to motion activated lighting, are eligible if needed to secure the safety of the property and its occupants.
- Special Conditions: Emergency conditions which threaten the habitability of the home and/or the life and safety of its occupants which are not included in the list of eligible repairs above will be reviewed on a case-by-case and may be undertaken with written approval of the Director of the Housing and Community Development Department or their designee(s).

Ineligible Repairs

Any repairs not defined as eligible in the list above or approved in writing by the Director of the Housing and Community Development Department or their designee(s) are ineligible for CDBG assistance. While some repairs not listed above may be authorized on a case-by-case basis, the following repairs are never eligible under this program:

- Appliance Repairs: The costs of repairing or replacing refrigerators, ranges and ovens, washers and dryers, dishwashers, garbage disposal systems, microwaves, and other appliances are not eligible.
- Minor Plumbing: The costs of repairing dripping faucets, running toilet tanks, clogged drain, minor fixture leaks, and other minor plumbing issues are not eligible unless completed as part of a larger water heater, water leak, and/or sewer line repair or replacement project.
- Minor Electrical: The costs of repairing electrical outlets, switches, light fixtures, and other minor electrical equipment are not eligible unless completed as part of a larger electrical system, heating and cooling system, and/or security repair or replacement project.
- General Mechanical Maintenance: The costs of seasonal and routine furnace, air conditioning, and evaporative cooling services are not eligible. The costs of igniting and cleaning furnaces are not ineligible. The costs of repairing and/or replacing plumbing, blower motors, evaporative cooling pads, and water distribution systems are not eligible unless completed as part of a larger heating and cooling system repair or replacement project.
- Cosmetic and General Maintenance Repairs: The costs of plastering, patching and painting, and other routine and ongoing maintenance work are not eligible except when required to bring the home back to its original condition as a result of damages caused during the rehabilitation process. The costs of doors and hardware are not eligible unless completed as part of a larger security project. The costs of general repairs to accessory structures including, but not limited to, car ports, sheds, walls, fencing, and outbuildings are not eligible.

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Mobile Home Repair Program

Overview and Applicability

The guidelines in the section apply only to activities funded and administered through the Tucson Home Repair Program. The Tucson Home Repair Program is a sub-project of the CDBG Owner-Occupied Residential Rehab Program and is administered by the City of Tucson Housing and Community Development Department directly and through one or more subawards to qualified not-for-profit agencies.

Household Eligibility

- Household income must be equal to or less than 80% of Area Median Income and verified by City of Tucson project staff using the standard income determination form which conforms to the annual income determination standards established by 24 CFR 5.609.
- Household may not be enrolled in or receiving Arizona Long Term Care Services (ALTCS) benefits at the time of application or program enrollment.
- Household may not have received owner-occupied residential rehabilitation assistance through any City of Tucson home repair program during the 10 years (120 months) immediately preceding the household's application for assistance.
- The household's liquid assets must be less than \$20,000 per household at the time of application and project enrollment unless the amount of liquid assets equal to and exceeding \$20,000 will be used by the homeowner to fund repairs to the home prior to or at the same time as CDBG assistance. Liquid assets include but are not limited to cash on hand, savings accounts, U.S. Savings Bonds, stocks and bonds. If the household's liquid assets are equal to or greater than \$20,000 no CDBG funds shall be provided until the household has self-funded repairs included in the approved scope of work equal to or greater than the household's liquid assets which exceed \$20,000.

Property Eligibility

- Must be a designated Mobile Home (recreational vehicles, utility camper trailers, and similar are ineligible).
- Mortgage (if any) and tax payments must be current.
- The property must have an active flood insurance policy. When necessary to permit the project to move forward, COT may provide payment for up to 12 months of flood insurance one time.

Funding Caps and Forms of Assistance

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Assistance provided through the Mobile Home Repair Program shall not exceed \$20,000 per mobile home assisted with CDBG program funds.

Eligible Repairs

The Mobile Home Repair Program limits eligible repairs to major systems that prevent safe and healthy habitability of the property. Consistent with this approach, the following repairs are eligible under this program. No other repairs are eligible, even if identified as an eligible cost or activity within the City of Tucson's CDBG Program Policies and Procedures or the CDBG Program Rule unless authorized in writing by the Director of the Housing and Community Development Department or their designee(s).

- Roof Damage: If the roof covering the primary occupied residence on the property is causing serious damage to the home and/or jeopardizing the health and safety of occupants, the cost of repair or replacement is eligible.
- Electrical System: The cost of repairing and/or replacing hazardous main electrical service, circuits, and/or wiring in the home is eligible.
- Sewer Line: The repair and replacement of sewer lines within the home and between the home and the point of disposal are eligible.
- Gas Leaks: The repair and replacement of piping and other materials to address gas leaks occurring between the gas meter and any household appliances are eligible.
- Heating and Cooling Systems: The repair and replacement of heating and cooling systems is eligible when the existing unit is inoperable. New installation of heating and cooling systems is eligible when the home does not have such systems. In the event that heating and cooling systems are replaced or newly installed with CDBG assistance, such systems must be energy-efficient. New air conditioning units shall, optimally, be minimum 16 SEER, "Rheem", or approved units of equal or higher quality. Approval must be in writing from assigned Agency staff member. NOTE: 15 SEER is acceptable where 16 SEER is not available in appropriate size/tonnage AND contractor secures acknowledgement from assigned COT staff that 15 SEER will suffice. COT staff will document this in the project file.
- Water Heaters: The cost of repair or replacement of inoperable, faulty, or deteriorated water heaters is eligible. The cost of installing a water heater if one does not exist is eligible.
- Water Leaks: The cost of repair, replacement, and installation of piping and other components between the water meter and household fixtures is eligible, including piping that leads to and from the water heater.
- Security: The cost of repairing and/or installing exterior doors, fire-safe window and door security screens, and exterior lighting, including but not limited to motion activated lighting, are eligible if needed to secure the safety of the property and its occupants.

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- Special Conditions: Emergency conditions which threaten the habitability of the home and/or the life and safety of its occupants which are not included in the list of eligible repairs above will be reviewed on a case-by-case and may be undertaken with written approval of the Director of the Housing and Community Development Department or their designee(s).

Ineligible Repairs

Any repairs not defined as eligible in the list above or approved in writing by the Director of the Housing and Community Development Department or their designee(s) are ineligible for CDBG assistance. While some repairs not listed above may be authorized on a case-by-case basis, the following repairs are never eligible under this program:

- Appliance Repairs: The costs of repairing or replacing refrigerators, ranges and ovens, washers and dryers, dishwashers, garbage disposal systems, microwaves, and other appliances are not eligible.
- Minor Plumbing: The costs of repairing dripping faucets, running toilet tanks, clogged drain, minor fixture leaks, and other minor plumbing issues are not eligible unless completed as part of a larger water heater, water leak, and/or sewer line repair or replacement project.
- Minor Electrical: The costs of repairing electrical outlets, switches, light fixtures, and other minor electrical equipment are not eligible unless completed as part of a larger electrical system, heating and cooling system, and/or security repair or replacement project.
- General Mechanical Maintenance: The costs of seasonal and routine furnace, air conditioning, and evaporative cooling services are not eligible. The costs of igniting and cleaning furnaces are not ineligible. The costs of repairing and/or replacing plumbing, blower motors, evaporative cooling pads, and water distribution systems are not eligible unless completed as part of a larger heating and cooling system repair or replacement project.
- Cosmetic and General Maintenance Repairs: The costs of plastering, patching and painting, and other routine and ongoing maintenance work are not eligible except when required to bring the home back to its original condition as a result of damages caused during the rehabilitation process. The costs of doors and hardware are not eligible unless completed as part of a larger security project. The costs of general repairs to accessory structures including, but not limited to, car ports, sheds, walls, fencing, and outbuildings are not eligible

Home Access Modifications Program

Overview and Applicability

The guidelines in the section apply only to activities funded and administered through the Tucson Home Access Modification Program. The Tucson Home Access Modification Program is a sub-project of the CDBG Owner-Occupied Residential Rehab Program and is administered by the City of Tucson Housing and Community Development Department directly and through one or more subawards to qualified not-for-profit agencies.

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Household Eligibility

- Household income must be equal to or less than 80% of Area Median Income and verified by City of Tucson project staff using the standard income determination form which conforms to the annual income determination standards established by 24 CFR 5.609.
- Household may not be enrolled in or receiving Arizona Long Term Care Services (ALTCS) benefits at the time of application or program enrollment.
- Household may not have received owner-occupied residential rehabilitation assistance through any City of Tucson home repair program during the 10 years (120 months) immediately preceding the household's application for assistance.
- The household's liquid assets must be less than \$20,000 per household at the time of application and project enrollment unless the amount of liquid assets equal to and exceeding \$20,000 will be used by the homeowner to fund repairs to the home prior to or at the same time as CDBG assistance. Liquid assets include but are not limited to cash on hand, savings accounts, U.S. Savings Bonds, stocks and bonds. If the household's liquid assets are equal to or greater than \$20,000 no CDBG funds shall be provided until the household has self-funded repairs included in the approved scope of work equal to or greater than the household's liquid assets which exceed \$20,000.

At least one member of the household must be over 62 years of age or have a documented disability and require modification to remove barriers for safe access into and within the home.

Property Eligibility

- The property must be owned and occupied as the primary residence of the applicant at the time that the repair need is identified, at the time of application, and at the time of program enrollment.
- The assessed value of the property may not exceed the maximum home value limits established for the HOME Program and in effect at the time of program enrollment.
- The property must be free of any liens or encumbrances (excluding mortgages).
- If the property has a mortgage, mortgage payments must be current at the time of program enrollment.
- Property taxes must be paid and current.
- The property must be completely located within the Tucson city limits.

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Funding Caps and Forms of Assistance

Assistance provided through the Home Access Modifications Program is capped at a maximum of \$30,000 per household as defined below:

- The first \$15,000 of assistance is provided in the form of a grant with no obligation of repayment. Households for which the total assistance is equal to or less than \$10,000 will not have a lien placed on the property.
- If a household receives more than \$15,000 in assistance, the amount in excess of \$15,000 is provided in the form of a forgivable ten-year, no-interest loan. The City of Tucson shall record a lien upon project completion to secure its interest in the property during the lien period. Liens may be transferred without triggering re-payment requirements if homeownership is transferred to a first line heir due to death or incapacitation of the homeowner who initially received assistance. Any other sale or transfer of property ownership during the lien period shall result in repayment of the full amount of assistance provided as a forgivable loan.

Refer to the section of this document titled “Lien Procedures” for specific procedures and requirements related to liens.

Accessory Dwelling Unit Improvement Pilot Program

Overview and Applicability

The City of Tucson’s Accessory Dwelling Unit (ADU) Improvement Pilot Program provide financial and technical assistance to low-income homeowners within the City of Tucson to improve an existing Accessory Dwelling Unit (ADU) or accessory structure that can be improved to an ADU on owner-occupied properties.

The City of Tucson Housing and Community Development Department has established the ADU Improvement Pilot Program to assist eligible low-income households with ADU improvements during the pilot period. Financial assistance of up to a maximum of \$20,000 per participating household will be made available to qualifying applicants.

Improvements can include needed repairs and/or minor kitchen and bathroom upgrades to make the ADU habitable.

Household Eligibility

- Household income must be equal to or less than 80% of Area Median Income and verified by City of Tucson project staff using the standard income determination form which conforms to the annual income determination standards established by 24 CFR 5.609.

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- Household may not be enrolled in or receiving Arizona Long Term Care Services (ALTCS) benefits at the time of application or program enrollment.
- Household may not have received owner-occupied residential rehabilitation assistance through any City of Tucson home repair program during the 10 years (120 months) immediately preceding the household's application for assistance.
- The household's liquid assets must be less than \$20,000 per household at the time of application and project enrollment unless the amount of liquid assets equal to and exceeding \$20,000 will be used by the homeowner to fund repairs to the home prior to or at the same time as CDBG assistance. Liquid assets include but are not limited to cash on hand, savings accounts, U.S. Savings Bonds, stocks and bonds. If the household's liquid assets are equal to or greater than \$20,000 no CDBG funds shall be provided until the household has self-funded repairs included in the approved scope of work equal to or greater than the household's liquid assets which exceed \$20,000.

Property Eligibility

Properties assisted through the program must meet the following eligibility criteria:

- The assisted property must be located within the City of Tucson
- The homeowner must live in a housing unit on the property on which the ADU is located
- The existing structure must be permitted. If the structure is unpermitted, the property owner will be required to complete the permitting process with the City of Tucson Planning and Development Services Department prior to receiving CDBG assistance.

Eligible Repairs

The ADU Pilot Program limits eligible repairs to major systems that prevent safe and healthy habitability of the property. Consistent with this approach, the following repairs are eligible under this program. No other repairs are eligible, even if identified as an eligible cost or activity within the City of Tucson's CDBG Program Policies and Procedures or the CDBG Program Rule unless authorized in writing by the Director of the Housing and Community Development Department or their designee(s).

- Roof Damage: If the roof covering the primary occupied residence on the property is causing serious damage to the home and/or jeopardizing the health and safety of occupants, the cost of repair or replacement is eligible.
- Electrical System: The cost of repairing and/or replacing hazardous main electrical service, circuits, and/or wiring in the home is eligible.

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- Sewer Line: The repair and replacement of sewer lines within the home and between the home and the point of disposal are eligible.
- Gas Leaks: The repair and replacement of piping and other materials to address gas leaks occurring between the gas meter and any household appliances are eligible.
- Heating and Cooling Systems: The repair and replacement of heating and cooling systems is eligible when the existing unit is inoperable. New installation of heating and cooling systems is eligible when the home does not have such systems. In the event that heating and cooling systems are replaced or newly installed with CDBG assistance, such systems must be energy-efficient. New air conditioning units shall, optimally, be minimum 16 SEER, "Rheem", or approved units of equal or higher quality. Approval must be in writing from assigned Agency staff member. NOTE: 15 SEER is acceptable where 16 SEER is not available in appropriate size/tonnage AND contractor secures acknowledgement from assigned COT staff that 15 SEER will suffice. COT staff will document this in the project file.
- Water Heaters: The cost of, or replacement of inoperable, faulty, or deteriorated water heaters is eligible. The cost of installing a water heater if one does not exist is eligible.
- Water Leaks: The cost of repair, replacement, and installation of piping and other components between the water meter and household fixtures is eligible, including piping that leads to and from the water heater.
- Security: The cost of repairing and/or installing exterior doors, fire-safe window and door security screens, and exterior lighting, including but not limited to motion activated lighting, are eligible if needed to secure the safety of the property and its occupants.
- Special Conditions: Emergency conditions which threaten the habitability of the home and/or the life and safety of its occupants which are not included in the list of eligible repairs above will be reviewed on a case-by-case and may be undertaken with written approval of the Director of the Housing and Community Development Department or their designee(s).

Ineligible Repairs

Any repairs not defined as eligible in the list above or approved in writing by the Director of the Housing and Community Development Department or their designee(s) are ineligible for CDBG assistance. While some repairs not listed above may be authorized on a case-by-case basis, the following repairs are never eligible under this program:

- Appliance Repairs: The costs of repairing or replacing refrigerators, ranges and ovens, washers and dryers, dishwashers, garbage disposal systems, microwaves, and other appliances are not eligible.

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- Minor Plumbing: The costs of repairing dripping faucets, running toilet tanks, clogged drain, minor fixture leaks, and other minor plumbing issues are not eligible unless completed as part of a larger water heater, water leak, and/or sewer line repair or replacement project.
- Minor Electrical: The costs of repairing electrical outlets, switches, light fixtures, and other minor electrical equipment are not eligible unless completed as part of a larger electrical system, heating and cooling system, and/or security repair or replacement project.
- General Mechanical Maintenance: The costs of seasonal and routine furnace, air conditioning, and evaporative cooling services are not eligible. The costs of igniting and cleaning furnaces are not ineligible. The costs of repairing and/or replacing plumbing, blower motors, evaporative cooling pads, and water distribution systems are not eligible unless completed as part of a larger heating and cooling system repair or replacement project.
- Cosmetic and General Maintenance Repairs: The costs of plastering, patching and painting, and other routine and ongoing maintenance work are not eligible except when required to bring the home back to its original condition as a result of damages caused during the rehabilitation process. The costs of doors and hardware are not eligible unless completed as part of a larger security project. The costs of general repairs to accessory structures including, but not limited to, car ports, sheds, walls, fencing, and outbuildings are not eligible.

Affirmative Outreach and Marketing Procedures

HCD conducts an analysis of impediments to fair housing every five years as part of its Consolidated Plan process as required by the U.S. Department of Housing and Urban Development. The analysis results in a Fair Housing action plan and identification of disparately impacted subpopulations and geographic areas with high concentrations of minority and low-income households.

HCD affirmatively markets its services to subpopulations least likely to apply for assistance through targeted mailing, print, online, and mass media advertising with a primary focus on reaching eligible households least likely to apply for assistance in the absence of such outreach. Additionally, HCD conducts neighborhood canvassing efforts through internal staffing and/or contracted outreach services targeting neighborhoods identified through the five-year analysis. Advertising is conducted in English and Spanish, and all program materials are offered with the option of language translation and alternative media formats (e.g. large print).

HCD collects and routinely evaluates applicant and participant demographic data to identify and address any unintended disparities in the delivery of program activities. When such disparities are identified through annual evaluation and review processes, outreach, marketing, and/or program implementation strategies are adjusted to promote equitable opportunity, access, and program outcomes.

Application Procedures

Application Processing

Applications for assistance are processed on a first-come, first-served basis. Once qualified, a project may be assessed and ranked against other qualified applications in terms of priorities as further described under the Waitlist Management section below. On occasion, HCD must reject applications despite the presence of eligible work. Reasons for this may include lack of program funds, conditions requiring substantial rehab beyond scope of the program, costs exceeding program limits, titling issues, ineligible tenants, and factors that indicate that the applicant may be unable to comply with federal regulatory requirements or the terms of the program.

Waitlist Management

HCD maintains individual wait lists for each of its Housing Rehabilitation Programs. Services are provided on a first-come, first-served basis based on date of receipt of a completed and eligible application for assistance. When applications exceed available resources, HCD may, at its discretion, establish specific priorities at the direction of the Department Director or their designee(s). Such priorities may include:

- Targeting resources to particularly vulnerable populations (e.g. older adults, persons with disabilities, persons with extremely low incomes, etc.) provided that such targeting does not violate Fair Housing law or HUD regulation;
- Targeting resources to specific priority neighborhoods as part of larger neighborhood transformation, revitalization, and/or investment strategies;
- Targeting resources to address time-sensitive needs (e.g. cooler repair/replacement during the summer, heating system repair and replacement during the winter, roof repair/replacement prior to monsoons, etc.)

In the event that HCD elects to target resources, documentation of this determination will be maintained on file and will include at a minimum:

- Written authorization from the Department Director which specifically defines the targeting of resources, time period covered (in terms of days/months/years) and/or triggering conditions (e.g. until the wait list need does not exceed 150% of available funding resources, until a specific amount of funds is expended, etc.).
- Written procedures for selecting eligible households from the waitlist using the targeting criteria.

In such instances, HCD shall select households which meet the targeting criteria from the existing waitlist in accordance with the written procedures established for the targeting period.

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The written authorization and procedures shall be published on the HCD website throughout the period in which the targeting is in effect and shall be available to program applicants.

Application Contents and Submittal

Homeowners seeking assistance are required to complete an online or telephone application to register their interest in participating in the Housing Rehabilitation Program. The program application requests basic information about the applicant, the applicant's property, and the occupants sufficient to establish preliminary eligibility prior to wait list placement. The submission of an application does not guarantee assistance under the Housing Rehabilitation Program. If an applicant meets the basic eligibility criteria, the application will be placed on the waiting list. Once the applicant's number is reached on the waiting list, the case will move forward to the next steps in the process which include final verification of eligibility and initiation of services.

Accommodations for Applicants with Disabilities and Non-English Speakers

The purpose of this section is to set forth procedures for the Reasonable Accommodation of applicants who are qualified individuals with disabilities. This policy shall be consistent with existing state and federal laws and is the policy of the City of Tucson to provide applicants with Reasonable Accommodations to ensure equal opportunity in the Housing Rehabilitation application process.

HCD makes all attempts to accommodate the needs of applicants with physical disabilities. The program application is available online in machine-readable formats. Alternatively, applicants with visual, motor, or other disabilities may complete the application by phone with a member of the HCD staff. HCD is equipped to complete telephonic applications with individuals using TTY/TDD devices and, when necessary, can conduct interviews using video meeting software or in person. HCD additionally maintains a directory of multi-lingual staff in many common languages used within the region and contracts with language interpretation services which are available on-call 24-hours/day for telephonic and written interpretation and translation services. HCD additionally contracts with a local American Sign Language interpretation service for persons who are deaf or hard of hearing.

Applicants and program participants may request additional accommodations in writing or by communicating their request to the staff member assigned to the case. All reasonable accommodation requested are reviewed with program management and documented in the case file along with the final determination. HCD makes every effort to honor all reasonable accommodation requests when possible within the program scope and budget.

Retaliation against applicants or employees because they requested accommodation or made an Americans with Disabilities Act (ADA)-related complaint is prohibited. Additionally, discrimination against non-disabled applicants or employees because of any association or relationship they might have with individuals with disabilities is prohibited.

Unit Inspection Procedures

Inspection Process

Upon assignment of a project, the Residential Rehabilitation Project Coordinator (RRPC) will schedule an inspection at the residence. During the inspection, the RRPC will review the specific rehabilitation request of the homeowner and complete a full inspection of the home to identify any additional rehabilitation that is necessary to address threats to life, safety, and/or habitability.

Upon completion of the inspection, the RRPC will prepare a scope of work for eligible rehabilitation activities and review with the homeowner. CDBG funds shall only be used to address household needs which threaten the life, safety, and/or habitability of the property and its occupants, and which are eligible for the applicable program as defined in the Program Specific Guidelines section of this manual. Cosmetic and luxury repairs or replacement will not be authorized. The homeowner may decline any or all of the assistance provided and maintains full decision-making authority about all work completed in their home.

Once the homeowner and RRPC have agreed to a final scope of work, the RRPC will prepare a detailed cost estimate based on the scope of work. The homeowner's acknowledgment and approval of the scope of work shall be documented in a signed "Owners Approval of Rehab Work Required" form which is maintained in the case file.

Work Documentation and Cost Estimation Procedures

Write Up and Estimation Process

Upon completion of the scope of work and cost estimate, the RRPC will request project approval from the Housing Rehabilitation Supervisor or their designated representative. The RRPC will then prepare a solicitation to invite contractors from the current City of Tucson Housing Rehabilitation Bid List to submit proposals for the rehabilitation of the property. This bid list contains contractors who have been through all required training, and possess the necessary certifications, insurance, and qualifications to be eligible for consideration.

Cost estimates are prepared utilizes industry standard contractor pricing guide software. . The cost estimation also includes averaged updated pricing based on the current local market conditions.

A scope of work inclusive of all rehabilitation work to be done including any special conditions will be prepared by the City of Tucson, or in the case of work conducted by a subrecipient, by the subrecipient. The documents will clearly establish the nature of the work to be done, the time allowed for completion of work, and the materials and equipment to be installed. Known brands and acceptable material

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finishes are identified by references to manufacturer or association specifications and provision is made for the acceptance of equal or higher quality substitutions.

Bidding and Contractor Selection Procedures

Bidding and Selection

Contractors are placed on the bid list after they have been through all required training, and possess the necessary certifications, insurance, and qualifications to perform rehabilitation work. Contractors on the bid list are invited to bid on the project with the Notice of Intention to Receive Sealed Bids document, which is sent via email with the scope of work. They then submit the Bid and Proposal document along with the attached scope of work, with itemized line items and corresponding prices via electronic submission or sealed bid, dropped in the bin in the lobby of HCD.

Bids will be publicly opened and read at the time, date, and location indicated in the Notice of Intention to Receive Sealed Bids document. Electronically submitted bids are required to be submitted using the submittal guidelines included in the Notice of Intention to Receive Sealed Bids document and are not opened or looked at until the time and date of the bid opening. The contract will be awarded to the lowest, qualified bidder. RRPC will schedule a pre-bid walkthrough on a case-by-case basis dependent on the difficulty of the scope of work.

Pre-construction conferences are held on a case-by-case basis at the homeowner's or contractor's request. If a conference will be held, it will be attended by the contractor's foreman, the homeowner, and the RRPC assigned to the project.

Contractor Payment and Retention Procedures

Payment and Retention Process

When construction on the dwelling is completed, the final inspection is made by the Residential Rehabilitation Project Coordinator, and if a permit was pulled on the project, a permit inspection must be performed by a City of Tucson Planning and Development Services inspector. The homeowner and RRPC both sign off on the final inspection. At this time, the homeowner also must sign the Notice of Completion document, which will be filed at the recorder's office. The contractor is required to sign a Lien Waiver (contractor's representation that all subcontractors and vendors have been paid in full). A payment is then requested by the RRPC and approved by the Housing Rehab Supervisor. This payment request is then sent to accounts payable, and they ensure the contractor gets paid, and made payable to the contractor. Lien waivers are required for both progress payments, and the final payment.

In the event of a progress payment prior to full completion of the project, the RRPC will do an inspection of the completed line items of the scope of work with the homeowner to ensure they are complete to

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satisfactory quality standards. After the homeowner and RRPC sign off on the inspection, the invoice will be paid. There will be a 20 percent retainage held over on all progress payments until the project is complete and all contract terms are met.

Change Order Review and Approval Procedures

Change orders are discouraged, and all project change orders must be reviewed and receive a recommendation by the Residential Rehabilitation Project Coordinator. Change orders are limited to unanticipated changes in the project scope of work during completion and unanticipated price fluctuations in supplies needed for performance of the scope of work.

If a change order will result in increased project cost, such changes must remain within the approved per-project expenditure limits of the program. As with the initial commitment, any portion of a change order which exceeds the initial \$10,000 in CDBG funds shall be included in the lien placed on the property.

All change orders must be approved in writing by program management prior to execution of any work or cost encumbrance not included in the original scope of work.

Lien Procedures

Funding Process

If a lien is required on the property in accordance with the Program Specific Guidelines section of this manual, the lien will be signed at the time of the contract signing with the homeowner and will be recorded after project completion. Liens initiated through the City's Owner-Occupied Residential Rehabilitation Programs are subject to repayment if the home is sold or the homeowner obtains cash out refinancing during the 10-year lien period.

All liens initiated through the program will be reduced by 10% annually over the course of 10 years and will result in a zero balance at the end of that time period.

The City will subordinate to a financial institution should the owner do a non-cash out refinance during the 10-year lien period without penalty or requiring repayment.

If the homeowner obtains cash out refinancing or sells the property during the 10-year lien period, the balance remaining on the lien will be funded to the City at the close of escrow. Upon notification of such transaction by the title company, HCD Finance staff will provide a payoff letter to the title company to facilitate repayment at the close of escrow.

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All liens are recorded within the HCD Lien Database. On a monthly basis, HCD staff review expiring/expired liens and initiate lien release with the Recorder's Office within 60 days of expiration.

Applicant and Beneficiary Grievance Procedures

Grievance Policy

Applicants and participant homeowners have the right to fair and equitable treatment throughout their participation in the program. All applicants and participant homeowners are informed of their right to appeal program decisions which they believe to be unfair, illegal, and/or unethical. This includes the right to appeal application and selection decisions, treatment by project staff and contractors, the nature and scope of work authorized by the program, the quality of work and/or supplies used, and other relevant matters.

All applicants are informed of their right to appeal program decisions at the time of placement on the wait list and again at the time of contract. Any disagreement arising out of this Contract or from a breach thereof shall be submitted to the HCD management team for a hearing and written determination. Such written determination shall be issued to the interested parties within ten (10) working days after the hearing. The determination of the management team shall be admissible in a court of law.

Grievance Procedures

The Rehabilitation Programs utilize the City of Tucson's Administration Plan for the Housing Choice Voucher Program, Chapter 16, Part III "Informal Reviews & Hearings".

A copy of the Grievance process is available for review on-site at the Housing and Community Development Department and on the Department's website at <https://www.tucsonaz.gov/hcd/program-policies-procedures>.

Uniform Guidelines and Procedures

Subrecipient Selection and Oversight

Subrecipient Funding Competitions

The City of Tucson may, at its discretion, engage qualified not-for-profit subrecipient organizations to supplement its delivery of owner-occupied residential rehabilitation programs.

In such cases, the City of Tucson releases a competitive solicitation (e.g. request for proposals, call for projects) for the CDBG Owner Occupied Residential Rehabilitation Program. The competitive solicitation issued by the City includes at a minimum:

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- An overview of the CDBG Owner-Occupied Residential Rehab Program.
- A detailed description of the scope(s) of work and activity/activities available for subaward.
- Minimum and maximum funding requests.
- Description of eligible and ineligible costs.
- Terms and conditions to be incorporated into subrecipient agreements.
- Application instructions and due dates.
- Criteria to be used by the City of Tucson in its evaluation of applications and funding decisions.
- Certifications and attestations required by the City of Tucson and U.S. Department of Housing and Urban Development.

Applications must include the following information at a minimum. Additional information may be required by the solicitation:

- Narrative responses to application questions.
- Threshold review items as defined in the City of Tucson HUD CPD Programs Subrecipient Management and Monitoring Policy (available at <https://www.tucsonaz.gov/hcd/program-policies-procedures>).
- Proposed line item budget and budget narrative.

Subrecipient vs. Contractor Determinations

Prior to executing a written agreement, the assigned City personnel shall complete a standard subrecipient vs. contractor determination form. The Housing and Community Development Department uses a standard determination form developed by the Association of Government Accountants which is available electronically in the Planning and Community Development Division intranet site.

Written Agreement/Contract Requirements

The City of Tucson HUD CPD Programs Subrecipient Management and Monitoring Policy is posted on the HCD website and outlines all items which must be included in subawards issued to administer the CDBG Owner-Occupied Residential Rehabilitation Program (available at <https://www.tucsonaz.gov/hcd/program-policies-procedures>).

Subrecipient Risk Assessments

A subrecipient risk assessment must be completed prior to initial award and annually thereafter. City staff conducting risk assessments on behalf of the CDBG Owner-Occupied Residential Rehabilitation Program shall use the standard Risk Assessment form and process defined by the City of Tucson HUD CPD Programs Subrecipient Management and Monitoring Policy (available at <https://www.tucsonaz.gov/hcd/program-policies-procedures>).

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Risk assessments are recorded in the City's Neighborly software and approved by the Monitoring Coordinator who is responsible for scheduling and coordinating monitoring activities with the program team based on the results of the risk assessment.

Written Agreement/Contract Amendments

Amendments to Subawards

The City of Tucson uses standardize Budget Modifications and Subaward Amendments to modify its subawards with subrecipient agencies. Standard Budget Modification and Subaward Amendment templates are available on the HCD Intranet page.

The nature and amount of the modification determines which template will be used:

- Budget Modification forms are used to authorize movement of subawarded funds between budget lines in the approved subaward budget provided that the change does not result in an increase or decrease to the overall subaward amount and the total amount of funds moved between lines is 15.00% or less of the total subaward budget. Budget modifications must be approved and signed by the Program Manager.
- Subaward Amendment forms are required to change the scope of work or activities to be performed by the subrecipient, to modify the terms and/or conditions of the subaward, to increase or decrease the amount of funds obligated to the subrecipient through the subaward, to alter the subaward's period of performance, or to authorize movement of funds between budget lines when the sum of the moved funds exceeds 15.00% of the total subaward budget. Subaward Amendments must be approved and signed by an HCD leadership team member authorized to sign legal agreements on behalf of the City of Tucson (Administrator, Deputy Director, Director).

Subrecipient Monitoring

The City of Tucson uses a combination of desk and on-site monitoring in oversight of subawards. Subrecipient monitoring policies, procedures, and checklists are defined in the City of Tucson HUD CPD Programs Subrecipient Management and Monitoring Policy and CDBG Policies and Procedures (both available at <https://www.tucsonaz.gov/hcd/program-policies-procedures>).

Subaward Closeout

All subawards must be closed out within 90 days of the period of performance end date. Before closing out a subaward and issuing a close-out letter, the following must be complete:

- Receipt and payment of final invoices must be made.

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- Receipt of final programmatic reporting (quarterly and annual reports, mandatory IDIS reporting) must be received.
- Fully complete Equal Employment Opportunities Commission (EEOC) demographics report must be received.
- Liens resulting from activities under the subaward must be recorded.
- Outstanding program or financial requirements and reporting must be met.
- If the program will receive a new subaward, all monitoring findings must be resolved.

Upon verification that close-out requirements are met, the assigned Project Coordinator will issue a grant closeout report using the standard closeout letter.