

## CHAPTER 3 – HOMEOWNER REHABILITATION

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### Overview of HOME Program Requirements

The chapter covers eligible homeowner rehabilitation activities, applicant eligibility requirements, forms of financial assistance, and property standards and value. A summary of the key homeowner rehabilitation rules and how to document compliance with these rules is provided as Attachment 1.

Manual Reminder: The HOME Administration Manual contains information on eligible uses and requirements of HOME funds as general guidance. However, the Department further defines eligible uses and requirements for HOME funds administered by the Department via the Housing and Community Development Annual Action Plan, NAHP Application Guidelines and the HOME Program Contract. **Applicants and grantees must adhere to the requirements imposed on HOME funds for the particular program year and specific award.**

### Eligible Activities

HOME funds may be used to assist existing homeowners with the repair, rehabilitation or reconstruction of owner-occupied units.

Whenever HOME funds are used for rehabilitation, the work must be performed according to the Department's Rehabilitation Standards (Attachment 2) and the unit must be brought up to the applicable local code. If a local code does not exist, the unit may be brought up to the standards of one of the national model codes.

All of these types of repairs are eligible if they are undertaken within a more comprehensive scope of work that brings the unit up to the applicable codes and standards:

- Weatherization programs.
- Emergency repair programs.
- Handicapped accessibility programs.

## **Forms of Financial Assistance**

Grantees may structure HOME assistance for owner-occupied rehabilitation using any of the following five forms:

- Grants.
- Deferred-payment loans.
- Non-interest-bearing loans.
- Interest-bearing loans.
- Interest subsidies.

Regardless of the type of assistance, grantees may choose to finance all of the rehabilitation cost or only a portion of the cost.

- If financing all of the cost of rehabilitation, a grant or deferred-payment loan is often necessary to provide the deep subsidy required by the very low-and low-income participants of rehabilitation programs.
- In some cases, a low-interest loan may be affordable or more appropriate. Examples of such cases include owner-occupants with sufficient income to repay a loan on a monthly basis; or when refinancing of existing debt, necessary to lower the owner-occupant's overall housing debt, is included as part of the rehabilitation loan.
- If a grantee chooses to finance only a part of the rehabilitation cost, it may structure its assistance to be used in combination with other financing. For example, the grantee and a private lender could jointly loan the funds needed for rehabilitation. This arrangement, referred to as a participation loan, results in one loan from the lender and one from the grantee, usually at a low interest rate. The size of the HOME loan is typically dependent upon the amount available for the conventional loan.
- Another option would be for the grantee to provide HOME assistance as a grant or deferred-payment loan to "write down" the principal amount of a private loan thus making the monthly loan repayment affordable to the homeowner. This technique is often referred to as principal reduction.
- Interest subsidies, also referred to as interest reduction grants or interest rate buydowns, are similar to principal reduction grants or loans except that the HOME funds are used to "buy down" the interest rate to an affordable level. In this case, the HOME subsidy is paid directly to the lender and not provided to the homeowner.

## **Eligible Homeowner Rehabilitation Costs**

Under HOME, both the actual cost of rehabilitating the housing and related soft costs are eligible. The Department may also provide HOME funds for general administrative expenses associated with the grant.

### Hard Costs

- Meeting the rehabilitation standards.
- Meeting applicable codes, standards and ordinances.
- Essential improvements.
- Energy-related improvements.
- Accessibility for disabled persons.
- Repair or replacement of major housing systems.
- Incipient repairs and general property improvements of a non-luxury nature.
- Site improvements and utility connections.
- Lead-based paint hazard reduction.

*Note: Lead hazard reduction costs are not counted as hard costs for the purposes of determining the level of assistance under 24 CFR Part 35 (the Lead Safe Housing Rule).*

### Soft Costs

- Financing fees.
- Credit reports.
- Title binders and insurance.
- Recordation fees, transaction taxes.
- Legal and accounting fees.
- Appraisals.
- Architectural/engineering fees, including specifications and job progress inspections.

### Other Costs

Refinancing of secured existing debt if the housing is owner-occupied and refinancing allows the overall costs of borrower to be reduced and the housing is made more affordable.

Refinancing existing secured debt is an eligible cost if:

- The housing is owner-occupied.
- HOME funds are loaned for rehabilitation.
- Refinancing allows the borrower's overall housing costs to be reduced and the housing is made more affordable.

*Example: Mr. and Mrs. Brown are seeking HOME funds to rehabilitate their home. They have an outstanding principal balance on their first mortgage of \$40,000, at 10% interest, with a monthly payment of \$386. The cost of rehabilitation is \$15,000. The grantee is offering the rehabilitation loan at 3% for a 20-year term, with a monthly cost of \$83.19. The monthly payments for both loans total \$469.20.*

*Because the Browns are on a fixed income, the increased mortgage cost would create a financial burden, requiring them to pay well above 30% of their monthly income for their housing. Refinancing the first mortgage along with the rehabilitation costs using HOME funds would allow them to finance the total \$55,000 debt at 3% interest for 20 years. This results in a monthly cost of \$305.03, a savings of \$164.00 per month, making the rehabilitation possible for the Browns and substantially lowering their monthly housing-related expenses.*

Refinancing eligible owner-occupants' secured debt has several implications:

- Refinancing makes overall housing costs, including rehabilitation costs, affordable to the owner.
- Refinancing will reduce the amount of funds available to other applicants, thus reducing the number of families that can be assisted.

92.206(d)(6) is revised to clarify that the PJ's, State recipient's or subrecipient's staff and overhead costs related to carrying out a project **cannot** be charged to, or paid by, low-income families. These costs can be charged as administrative or project costs. Examples of these costs are construction management fees, loan servicing fees, loan processing fees, and underwriting fees.

Note that PJs, State recipients, and subrecipients are permitted to charge reasonable and customary fees commonly charged to a loan applicant in unassisted real estate transactions, such as the cost of credit reports and appraisals fees since these are customarily charged by a lender as part of a home purchase and paid to third parties performing services on behalf of the lender. PJs, State recipients, subrecipients, contractors, project owners/developers are permitted to charge nominal application fees to applicants for assistance, pursuant to §92.214(b).

### **CHDOs (Community Housing Development Organizations)**

Homeowner rehabilitation is not an eligible CHDO set-aside activity. CHDOs, like other non-profit agencies, may act as a subrecipient.

### **Eligible Property Types**

To be eligible for HOME assistance, a property must be:

- Occupied by an income-eligible homeowner
- The owner's principal residence.

The following property types may be included under the program:

- Traditional single-family housing that is owned fee simple (this housing may contain one to four dwelling units).
- A condominium unit.
- A manufactured home.

At the time of project completion, the manufactured housing must be connected to permanent utility hook-ups. The manufactured housing must be located on land that is owned by the manufactured housing unit owner.

The Nebraska Affordable Housing Program considers a Manufactured Home to be a factory-built structure which is to be used as a place for human habitation, which is not constructed or equipped with a permanent hitch or other device allowing it to be moved other than to a permanent site, which does not have permanently attached to its body or frame any wheels or axles, and which bears a label certifying that it was built in compliance with National Manufactured Home Construction and Safety Standards, 24 C.F.R. 3280 et seq., promulgated by the United States Department of Housing and Urban Development, and is taxed as real property.

The Nebraska Affordable Housing Program considers a Mobile Home to be a housing unit constructed off-site that does not meet the definition of a Manufactured Home.

If HOME funds are used to assist the rental units in a two-to-four-unit property, the HOME rental requirements apply --including provisions regarding tenant occupancy, initial rent levels and long-term affordability.

If HOME funds are used to rehabilitate only the owner-occupied unit in a two-to-four-unit property, the rental housing rules do not apply.

*Example: A four-unit owner-occupied property is being rehabilitated. HOME funds are used to upgrade the owner's unit, but CDBG funds are used to upgrade the other units. Therefore, the HOME rental housing rules do not apply.*

## **Maximum Property Value**

The HOME program statute requires that no housing have a purchase price or after-rehabilitation value that exceeds 95 percent of area median purchase price, in order to ensure that HOME-assisted housing is modest and non-luxury.

In the 2013 Rule, §92.254(a)(2)(iii) is amended to eliminate the use of the 203(b) limit and to change the methods for determining 95 percent of area median purchase price. HUD will determine and issue limits that represent 95 percent of the area median purchase price separately for newly constructed and existing single family housing units.

• **HUD-determined limits for newly constructed single family housing** units to be developed or acquired with HOME funds, will be based on 95 percent of the median purchase price for the area using FHA single family mortgage program data for newly constructed housing. PJs can use

the greater of this limit or 95 percent of the statewide nonmetropolitan area median purchase price for newly constructed housing, which will also be provided by HUD.

• **HUD-determined limits for existing single family housing** units being acquired and/or rehabilitated with HOME funds, will be based on 95 percent of the median purchase price of existing housing in the area using data from the FHA single family mortgage program data for existing housing and other appropriate data that are available nationwide for sales of existing housing. PJs can use the greater of this limit or 95 percent of the statewide nonmetropolitan area purchase price using this data, which will also be provided by HUD.

PJs also continue to have the option to determine the actual 95 percent of area median value limit for their jurisdiction using the methodology in the regulation [at §92.254(a)(2)(iii)]<sup>1</sup>, which remains unchanged.

## Property Standards

Properties that are rehabilitated with HOME funds must meet the following standards:

- The Department's Rehabilitation Standards (Attachment 2).
- Local Code Requirements, or one of the following national model codes:
  - Uniform Building Code (ICBO)
  - National Building Code (BOCA)
  - Standard Building Code (SBCCI)
  - Council of American Building Officials one-or two-family code (CABO)
  - Minimum Property Standards at 24 CFR 200.925 or 200.926 (FHA)
- Handicapped accessibility requirements, where applicable.

The Final HOME Rule imposes additional requirements to the Property Standards for Rehabilitation projects undertaken with HOME funds. The complete list of those standards can be found at the end of Chapter 3 in Attachment 4. The entire text of 24 CFR Part 92 can be accessed by following this link. [Final HOME Rule](#)

The Department generally requires manufactured housing units to have permanent utility hook-ups or permanent foundations to be eligible for rehabilitation with HOME funds.

The Nebraska Affordable Housing Program considers a Manufactured Home to be a factory-built structure which is to be used as a place for human habitation, which is not constructed or equipped with a permanent hitch or other device allowing it to be moved other than to a permanent site, which does not have permanently attached to its body or frame any wheels or axles, and which bears a label certifying that it was built in compliance with National Manufactured Home Construction and Safety Standards, 24 C.F.R. 3280 et seq., promulgated by the United States Department of Housing and Urban Development, and is taxed as real property.

The Nebraska Affordable Housing Program considers a Mobile Home to be a housing unit constructed off-site that does not meet the definition of a Manufactured Home.

## **The Applicant/Beneficiary**

To be eligible for HOME funds, the homeowner must:

- Be low-income; that is, with an annual (gross) income that does not exceed 80% of median for the area
- Occupy the property as a principal residence.

## **Income Eligibility Requirements**

The Department requires grantees to use the Annual (Gross) Income definition found at 24 CFR Part 5.609 (also referred to as the Section 8 method) to determine applicant income eligibility. Eligibility is based on anticipated income during the next 12 months. A detailed explanation of the Annual (Gross) Income definition can also be found in the “Technical Guide for Determining Income and Allowances for the HOME Program” on pages 11-34.

The HOME Program allows grantees to use two forms of verification for the Annual (Gross) Income basis of determining income eligibility. These forms are third party verification and review of source documents.

### Third Party Verification

Third Party Verification is the preferred method of verification in most instances, because a review of documents often does not provide needed information. For example, an employed applicant’s pay stubs may not provide sufficient information about the average number of hours worked, overtime, tips, bonuses and anticipated raises.

Under third party verification, a third party (e.g. employer, Social Security Administration, or public assistance agency) is contacted to provide information. Written requests and responses are preferred. However, to clarify or complete missing information on a written response, conversations with a third party are acceptable if documented through a memorandum to the file that documents the contact person, information conveyed and date of call.

To conduct third party verifications, a grantee must obtain a written release from the household that authorizes the third party to release required information.

Some third party providers may, however, be unwilling, unable or charge a fee to provide the needed information in a timely manner. In such cases, the grantee should attempt to find suitable source documentation without the third-party verification – for example, bank statements.

### Review of Documents

Source documents provided by the applicant may be more appropriate for certain types of income such as persons that are self-employed, and can be used as an alternative to the third party verification method. Source documents, such as wage statements, interest statements, unemployment compensation statements and income tax returns, etc. are reviewed to determine annual (gross) income.

### Calculating Annual (Gross) Income

The Part 5 definition of annual income “inclusions” – types of income to be counted and “exclusions” – types of income that are not considered (income of minors, etc.) comes directly from 24 CFR PART 5.609.

### Timing of Income Determinations

Income determinations must be completed before HOME assistance is provided. Income need not be reexamined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial determination.

## **Ownership Requirements**

Ownership of property assisted with HOME funds must be documented. A family or individual is considered to own the property if that family or person:

- Has fee simple title to the property; or
- Maintains a 99-year leasehold interest in the property; or
- Owns a condominium; or
- Maintains an equivalent form of ownership approved by the Department and HUD.
  - A contract for deed (also known as an installment contract or land sales contract) is *not* an eligible form of homeownership)

Loan documents or other forms of written agreement between the purchaser and the grantee must incorporate the requirement that the owner occupies the property as their principal residence.

## **Other Federal Requirements**

Attachment 3 identifies the other federal requirements that must be followed when HOME is used for rehabilitation of homeowner properties. This exhibit is meant to serve as a checklist only.

HUD's new consolidated Federal lead-based paint regulation took effect September 15, 2000. This regulation makes several important changes in the requirements for federal community development programs that fund housing.

## **Implementing a Homeowner Rehabilitation Program**

Suggested Reading: [\*HOME Program Rehabilitation Tune-up Kit & Good Habits of a Highly Effective Rehabilitation Manager\*](#) – Publications of the U.S. Department of Housing & Urban Development (HUD). Contact HUD or the Department to obtain either publication.

### Program Guidelines

Formulate program guidelines regarding the type of financial assistance, program recipients, rehabilitation standards, advisory committees (if any), and operational procedures.

Detailed written eligibility criteria and property rehabilitation standards must be developed to guide program operation. The grantee must adopt standards and guidelines for rehabilitation before the Department will issue a release of funds for this grant.

Homeowner Rehabilitation Program Guidelines must contain the following information:

- Clearly defined Application Process
  - Applicant eligibility, including income eligibility. Persons assisted with HOME funds must have incomes at or below 80% of the area median income. The Annual (Gross) Income definition found at [24 CFR 5.609](#) must be included in the guidelines.
  - Formal notification of selection and non-selection.
  - Application acceptance dates.
  - Application review process.
- Priority Ranking System for selection, if applicable, must not contain discriminatory criteria.
- Conflict of Interest Clause.
- Grievance Procedures.
- Process for Amending Program Guidelines, including language that amendments must be approved by the Department Program Representative.
- Types of assistance provided, including HOME funds and other sources such as employer contributions in an employer assisted housing program.
- Amounts of assistance allowed, including HOME funds and other sources such as employer contributions in an employer assisted housing program.
- Eligible Properties, including the geographic boundaries where the properties must be located.
- Determination of homeownership, including the acceptable forms of proof of homeownership by the occupant.
- Determination of infeasibility, including the criteria used to determine that a home is infeasible to rehabilitate and the plan, if any, to provide alternative assistance to the homeowner, such as replacement housing.
- Affordability Period, if the program requires, the home is occupied as principle residence for a minimum time period.
- Methods for ensuring the affordability period and principle residence requirement, if applicable, must include 1) program-wide recapture provisions; and 2) legal instruments to be used.
- Relocation policy, if applicable
- Rehabilitation process, including who will conduct work write-ups, how contractors will be procured, and the process for compliance with LBP requirements. All programs must comply with HUD's lead-based paint regulation requirements.
- Return beneficiaries, including policies on whether homeowners that have received rehabilitation assistance in previous years can receive additional assistance and any parameters related to this policy.
- The maximum after-rehab value cannot exceed the [95% of the median sales price for the area or the pre-stimulus 2008 Section 203\(b\) Single Family Mortgage Limit](#). State the limit for the counties you are serving. Also, state what the after-rehab value maximum will be for your program.

- The Nebraska Affordable Housing Program financial assistance to the unit provided to the homeowner cannot exceed the [Maximum per unit NAHP Subsidy](#).
- The Fair Housing Act must be complied with.
- [Department Rehabilitation Standards](#) must be met.
- If the rehabilitation program includes replacement housing for homes that are infeasible to rehabilitate, newly constructed housing must meet or exceed the 2009 International Energy Conservation Code and the Nebraska Energy Office must approve building specifications.

Remember that there is no model that is perfect for all grantees. How the grantee resolves each of the above issues should reflect local conditions and needs. The grantee should contact the Department and communities in the area to determine the kinds of programs that have worked well. Many of the developed procedures or processes may be transferable. These guidelines would be available at no cost since they were originally developed through the HOME program.

### Designing a Program

Become familiar with commonly accepted rehab practices and procedures and the applicable laws, regulations and administrative requirements governing HOME-assisted housing rehabilitation.

It is generally agreed that housing rehabilitation (rehab) is one of the most complex activities eligible for HOME funding. In order to successfully design and implement a rehab program, it is essential to have a thorough understanding of sound rehab practices and the applicable laws and regulations that govern them.

It is of critical importance to understand the HUD regulation on controlling lead-based paint hazards in housing receiving federal-assistance ([24 CFR Part 35](#)). [Subpart J](#) of the regulation provides guidance on meeting lead-based paint requirements for rehabilitation assistance programs.

Common Deficiencies:

- Unfamiliarity with accepted rehab practices and procedures.
- Unfamiliarity with applicable laws and regulations.
- Unfamiliarity with lead-based paint requirements.
- Inability to expend funds within the contract period due to lack of qualified and interested contractors.

### Maximum Amounts

In addition to deciding whether to go with either a grant or loan program, or a mix, the grantee must specify the maximum amount of assistance to be made available to any applicant. There are several factors to take into consideration:

- What is the general condition of the housing to be rehabilitated?
- What standards of rehabilitation will be adopted?

- How much money is needed to bring the target housing up to the proposed rehab standards?

If the housing to be rehabbed is badly deteriorated, a small maximum grant amount (for example, \$5,000) will probably not be sufficient to bring the property up to the minimum [Department Rehab Standards](#) as attached to this chapter. Most communities with badly deteriorated target housing have found a \$10,000 - \$12,000 maximum insufficient to meet these standards. On the other hand, if the housing is only mildly deteriorated a modest grant/loan maximum may be appropriate. Have a contractor or building inspector actually estimate needed repairs on a couple of typical units. Use these estimates as the basis for setting grant/loan limits. Also, be sure to specify a procedure which will allow the limits to be changed over time, as needed.

### Eligible Applicants

The written program guidelines must also delineate applicant eligibility. The guidelines should include provisions barring conflict of interest to the extent feasible. This is extremely important. A rehab program provides direct benefits to individuals. A rehab program is therefore subject to political pressures, cronyism, and nepotism.

In addition, the guidelines must specify income limits that are in compliance with HUD's definition of low and moderate income households. The Department specifies that applicants' gross income be computed as defined in 24 CFR Part 5.609.

### Eligible Property

The guidelines should also identify the geographic eligibility criteria pertaining to the target area(s). If rehab is only eligible within the designated target area(s), the guidelines should say so and describe the area(s). The Department may permit spot rehab outside the target area(s) for the benefit of low to moderate income families or to eliminate specific conditions detrimental to public health and safety.

However, Spot rehab can open a program to substantial pressure to spread the benefits around and this undermines the potential for private activity stimulated by concentration of resources. On the other hand a program can find itself unable to assist households in acute need who live outside target areas. It is recommended that provisions be made for spot rehab and that the guidelines explicitly describe the conditions under which it will be made available.

If a property is located within a HUD designated area of flood hazard and the grantee proposes a substantial repair, then it is required that flood insurance be purchased by the time of completion of the rehab. The cost of the insurance is an eligible HOME activity.

Length of ownership is also a factor some grantees may want to consider. If a high vacancy rate is a problem, the program may only require that the unit become occupied at the completion of the rehab. This way new owners may be enticed into the community to buy vacant, but fixable units. As long as they are otherwise qualified, there is no reason that a new owner cannot participate.

### Eligible Improvements and Rehab Standards

The guidelines must also specify the standards that properties must meet after rehab. Housing must meet the [Department's Rehabilitation Standards](#) and local codes. If no local codes exist, it must meet one of the HOME-recognized national model codes. Assisted housing must also comply with lead-based paint hazard elimination standards.

Any improvement needed to bring a unit up to the required standards should be specified as an eligible improvement. It is recommended that the grantee consider making energy conservation improvements a priority. Energy conservation standards must be included in standards that are adopted for housing rehab. Many grantees include exterior painting or siding as eligible improvements since the work is immediately noticeable and can have a significant “bandwagon” effect on rehab in the neighborhood. It is not recommended that general property improvement—carports, patios, decks, etc.—be eligible for grant funding. For a loan, the grantee may want to allow such improvements but limit their cost to a low percentage of the total loan.

### Contracting Requirements

The homeowner is to authorize the contract for rehab services. Because the grantee remains responsible for monitoring contractor compliance with federal standards, financial management, and other program requirements you probably will want a three-party contract to afford the grantee greater visibility in the process.

The guidelines should specify contracting procedures and any other procedures which govern the conduct of work, such as those relating to change orders, dispute resolution, and acceptance of work. Regarding the latter, the grantee should assume final authority for sign-off on completion of work, if the homeowner has not borrowed the HOME funds.

### Applicant Selection

Since demand for rehab assistance typically outstrips the resources available, a grantee must establish procedures for selecting recipients and include them in the program guidelines.

A priority rating system combined with staggered review and award periods will allow the grantee to meet such demand in an equitable fashion. A priority rating system means that each application is assigned points and ranked on the basis of such household characteristics as income and housing condition. In addition elderly and/or disabled applicants may receive priority points. A rating system must be carefully thought out to assure that the criterion used does not have the effect of discriminating against racial minorities or women. For example, credit worthiness criteria could easily discriminate against female-headed households. The grantee may want to differentiate rating guides for grant versus loan assistance.

Development of the priority rating system is something for which citizen board or resident representative input can be appropriately requested. The actual selection, however, should be a staff responsibility. It should not be done by a citizen board. Information on applicants is confidential and should remain so.

### Operating Procedures

The guidelines should specify such other issues as complaint procedures, responsibilities of the recipient, infeasible rehabs, relocation policies in the event of the need for temporary relocation, and so forth. Complaints are a given with rehab programs. It is important to distinguish between the rational and the irrational. The best prevention is to conduct frequent on-site inspections of the work, and stop the work when there are problems. Also make sure that the recipients are well-informed about the contract work, have signed-off on the work write-up, and have a copy of the program guidelines. The complaint procedure itself should include written responses from city representatives and an appeal procedure.

The guidelines should be developed by staff, with input from citizens and elected officials. They should always include a clause describing the process by which they can be changed.

They should be adopted by resolution. They should be written in plain language and be available to all potential applicants. And changes to the guidelines must also be approved by the Department. They should also be followed as written.

#### Common Deficiencies:

- Guidelines are not written.
- Guidelines lack conflict of interest provisions.
- Guidelines lack housing alternatives for infeasible rehab.
- Priority Rating Guides included but not used.
- Lack of prompt response to homeowner/contractor complaints.
- Exceeding per-unit maximum assistance amounts allowed under the program guidelines with out Department approval.

### Supporting Materials

[Minimum Standards for Rehabilitation \(Attachment 2\).](#)

### Staffing

In staffing a rehab program, it is helpful to understand the specific skills that will be needed.

First, there is a need for a person who can deal with applicants, process paper, and manage the program. Someone must talk to applicants, visit their homes to complete family surveys, and keep track of the rehab program and process.

Second, there is a need for a person with experience and knowledge in the areas of home construction, local codes, inspection (building, electrical and plumbing), and cost estimating. These skills are found in experienced contractors, building inspectors, and architects familiar with rehab.

For small rehab programs, it may not be feasible to hire full-time staff. The grantee may be able to locate people to assist on a contract basis. The grantee might also consider a cooperative arrangement with nearby communities or a regional agency to pool resources and share staff. Special arrangements utilizing the staff of larger city programs may also be worked out.

The quality and success of a rehab program depends on the abilities and experiences of the people implementing the program. Every effort should be made to hire qualified staff.

Lead-based paint requirements necessitate using people with the proper qualifications to do specific functions of the rehab project.

#### Common Deficiencies

- Inadequate number of staff.
- Unqualified staff.
- Lack of adequate administrative budget for rehab.
- Lack of budget for staff training and development.

#### Marketing

Inform target area residents about the program, conduct family surveys, distribute information on lead-based paint and make preliminary determination of eligibility.

The grantee must inform property owners of the availability of rehab assistance. Generally, grantees have found that very little information solicits a large number of persons interested in rehab grants while a greater “sales” effort is necessary to obtain eligible loan applicants. Since the grantee has designated one or more target areas in the application, they should direct their efforts to reaching that population. The program should be well-publicized, and thoroughly explained to all interested individuals to allow for equal opportunity to all potential eligible beneficiaries.

All interested applicants should be screened first for eligibility under income and other criteria as specified in the guidelines. Although the cost of improvements is also a critical factor, a preliminary eligibility review can spare substantial costs of inspections and work write-ups for ineligible applicants. The information needed to determine basic eligibility can be obtained through a household survey guide that solicits information on income, family composition, place of employment, tenure, and so forth. Usually, the rehab officer will conduct the interview. The grantee must verify ownership, income, and employment. Verification should be done carefully and sensitively since many people do not wish others to know they have applied for assistance. The information solicited is confidential and should be treated as such.

All applicants are to be informed of the hazards of lead based paint. This information should be distributed to everyone even if they don't qualify.

#### Common Deficiencies:

- Solicitation of recipients is left to chance.
- Preliminary assessments of eligibility are not conducted.
- Income, employment, and ownership are not verified.

## Files

Maintain documentation that rehab is being carried out in conformance with applicable laws, regulations and sound rehab practices.

A separate file must be maintained for each rehab applicant with all of the documentation. Unsuccessful as well as successful applications must be kept. A file checklist should be kept in each applicant file to assure the same required documentation is collected for all applicants.

*Note: good resources for establishing files for a rehabilitation program are the homeowner rehabilitation checklists located in Chapter 15 – Monitoring.*

## Common Deficiencies

- Inadequate documentation, forms not signed by all parties.
- No documentation from the State Historical Preservation Office (an environmental review requirement).

## Rehabilitation Preparation

Screen applicants for those whose homes can be brought up to established standards within the grant amount, and select which applicants shall receive the grants/loans.

An inspection of the property should be conducted to determine the type and cost of work necessary to bring the property into compliance with the established property rehab standard. This is termed a work write-up or deficiency list. The work write-up should be designed so that it can form the basis of bid specifications if a loan or grant is made. The work write-up should specify all the work that must be done to bring the building to the standards required, including the elimination of lead-based paint hazards.

A deficiency list identifies all items to be repaired, but leaves the repair method up to the contractor. In both cases a technical specification manual or code book should be referenced for specific and acceptable construction method.

Some grantees with experienced staff have blank forms the inspector fills in as she/he goes along. Grantees with inexperienced staff have sometimes adopted very detailed check-off forms. The inspector checks for each one and specifies action needed to remedy the problem. It is better to err on the side of caution. If local codes exist, the city inspector should certify by signature to the work write-up that the specified repairs will be adequate to bring the unit up to code.

Computerized write-ups are also used by some rehab specialists. The software is easy to use but would require access to a personal computer and printer.

Once the work write-up has been prepared, the cost of the work has to be estimated. The cost estimate is necessary to know whether or not the work can be done within the grant/loan limits, and, for a loan, is within the owner's ability to repay. The person doing cost estimates should be familiar with the going rates for materials and labor in the area and be able to estimate accurately the time required to complete each task.

Although there is no substitute for experience, if staff is inexperienced, they should talk with building supply people, contractors, and other communities and non-profits in order to increase their knowledge of local costs. Cost estimation is important because if your estimates are low, contractors will not bid the job within grant/loan limits, or they will and will then attempt to get change orders. Good, reliable cost estimates are critical.

Some grantees allow property owners to perform some of the required improvements themselves. Self-help can increase the resources available to bring the house up to rehab standards. If self-help is to be allowed, the grantee must assume responsibility for judging that the property owner possesses sufficient skill to perform agreed-upon improvements and must inspect the work for quality of workmanship and timely completion.

With the work write-up and cost estimate in hand, eligible applicants are rated according to the adopted priority rating guides. A rating sheet should be prepared for each applicant and placed in the file, permitting the grantee to explain to each applicant, if requested, the basis upon which they were selected or denied.

The grantee should write a letter to each applicant as to the results of the review process, indicating next steps for successful applicants and informing unsuccessful applicants that their application will be automatically reconsidered during the next review period.

*Caution: Title IV of the Lead-Based Paint Poisoning Prevention Act and regulations at 24 C.F.R. Part 35 provide specific circumstances in which additional procedures and trained professionals are required in order to ensure there are no lead-based paint hazards remaining after or created by the rehab activity.*

#### Common Deficiencies

- Work write-ups are insufficiently detailed or do not reference a technical specification.
- Cost estimates are not based on current costs.
- Selection procedure is informal and undocumented.
- Selection of applicants whose homes cannot be brought up to required standards within the maximum loan/grant amount.
- Non-selected applicants not formally notified of non-selection.

#### Rehabilitation Work

The lack of availability of interested and/or qualified contractors has been a major impediment for some grantees to implement a rehab program. Depending on the level of construction activity in the area, home building and remodeling contractors may not be interested in relatively small jobs for repairing homes in poor condition.

The grantee staff should try to identify possible contractors and attempt to interest them in program participation. The yellow pages of the telephone book, the Chamber of Commerce, conversations with construction materials suppliers, and word of mouth are all information resources to aid in developing a bidders list. All contractors working on HOME funded projects must be registered with the [Nebraska Department of Labor Contractor Registry](#).

In order to promote the participation of small contractors, try to eliminate procedural barriers. Bonding requirements for small contractors can be prohibitive. Grantees should demand the minimum bonding and insurance required by federal and local law.

Technical assistance approaches some grantees have adopted are: financial management assistance to small contractors; talking to local suppliers to assure them of payment for any credit extended to rehab contractors for HOME funded jobs, guaranteed through two party checks, if necessary; talking to local financial institutions to encourage them to extend lines of credit. In order to expedite payment to small contractors, who often have cash flow problems, discuss with them the drawdown process and set specific procedures for providing ample notice for payment.

The pool of qualified contractors has been further limited by the additional requirements of the lead-based paint regulations associated with construction worker qualifications for rehab in pre-1978 housing.

#### Rehab Contract

The contract for rehab must include the language and requirements specified in applicable federal, state, and local laws binding the program. Davis-Bacon and other Labor Standards provisions do not apply unless the rehab to be undertaken in the contract is for twelve or more units. However, the payment of overtime is a law by which rehab contractors must abide.

Grantees should also consider including provisions in rehab contracts which require the contractor to obtain and pay for all necessary permits and licenses; perform all work in conformance with local codes and requirements whether or not covered by the specification and drawings; keep the premises clean and orderly during repairs and remove all debris at the completion of work; obtain written consent for changes to the specifications; not assign the contract without written consent; and warrant the work for one year from final acceptance. In order to be a complete contract document, the applicable HOME and local terms and conditions must be included.

#### Contractor Selection

Requirements of the grantee concerning bidding are dictated by 2 CFR 200 §§318 – 326 (Procurement Standards) and State Law. If the grantee is not directly contracting for the rehab, i.e. they approve the contract on a third party basis, competitive bidding is not required. Homeowners should be given maximum preference with selecting their contractor.

Following award of the contract, the contract package should be executed by all parties. It is a good idea to have the homeowner sign the work write-up to reduce possible misunderstandings about the scope of work to be performed. Following any Right of Recission period, a Notice to Proceed must be issued to the contractor that must specify the time period within which the work should begin and when the work should be completed.

Many small contractors will want progress payments. However, these payments must be tied to inspection of the work. Progress payments should generally not total more than 80% of the work satisfactorily completed and cannot include the value of uninstalled material or equipment. Project milestones triggering progress payments should be specified in the contract.

### Inspections

Systematic, thorough and frequent inspections are critical to successful housing rehab. Inspection should identify and remedy problems as early as practical. Payments are the primary leverage over contractors and should be withheld until faulty work is corrected. If serious deficiencies are identified through inspection, the grantee can terminate the contract, compute the cost of unsatisfactory work and escrow this money, and solicit another contractor to complete the job paying the original contractor from the escrow account only if sufficient funds remain for the new contractor to complete the work. The grantee should also recognize that its staff may have to intercede on behalf of the contractor with the property owner who may have unfounded complaints about the repairs.

When repairs are completed and a final invoice is received from the contractor certifying completion in accordance with the contract and warranty, the grantee must make a final inspection. If the work is satisfactory and complete, the job should be accepted. After the receipt of a release of liens and applicable warranties from the contractor, all subcontractors and suppliers, and the elapse of the requisite lien period, final payment can be made. The grantee should perform a follow-up visit to the property owner in roughly 60 days to determine the existence of any problems with the job. If problems have occurred, the grantee should assist the property owner to obtain corrective action according to the warranty. A second follow-up visit should be held prior to the expiration of the contractor's warranty period.

### Common Deficiencies

- Failure to include required language in contract documents.
- Failure to control the use of change orders.
- Failure to perform thorough inspections.
- Failure to set specific procedures for pay requests.
- Failure to condition progress payments on inspection of “in-place” rehab work.
- Failure to assure release of liens.
- Failure to anticipate or promptly respond to complaints.
- Failure to require prompt corrective action by the contractor and to withhold payment in complaint cases.
- Failure to assist the property owner in receiving satisfaction under the warranty.

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<sup>1</sup>....In lieu of the limits provided by HUD, the participating jurisdiction may determine 95 percent of the median area purchase price for single family housing in the jurisdiction annually, as follows. The participating jurisdiction must set forth the price for different types of single family housing for the jurisdiction. The participating jurisdiction may determine separate limits for existing housing and newly constructed housing. For housing located outside of metropolitan areas, a State may aggregate sales data from more than one county, if the counties are contiguous

and similarly situated. The following information must be included in the annual action plan of the Consolidated Plan submitted to HUD for review and updated in each action plan.

(A) The 95 percent of median area purchase price must be established in accordance with a market analysis that ensured that a sufficient number of recent housing sales are included in the survey.

(B) Sales must cover the requisite number of months based on volume: For 500 or more sales per month, a one- month reporting period; for 250 through 499 sales per month, a 2-month reporting period; for less than 250 sales per month, at least a 3-month reporting period. The data must be listed in ascending order of sales price.

(C) The address of the listed properties must include the location within the participating jurisdiction. Lot, square, and subdivision data may be substituted for the street address.

(D) The housing sales data must reflect all, or nearly all, of the one- family house sales in the entire participating jurisdiction.

(E) To determine the median, take the middle sale on the list if an odd number of sales, and if an even number, take the higher of the middle numbers and consider it the median. After identifying the median sales price, the amount should be multiplied by 0.95 to determine the 95 percent of the median area purchase price

**Attachment 1**

**SUMMARY OF HOMEOWNER REHABILITATION RULES  
& HOW TO DOCUMENT**

**Eligible Participants**

	Key HOME Requirement	Documentation
Owner Income	Gross income $\leq$ 80% of median income based on the upcoming 12 months.  Gross income is defined by 24 CFR Part 5.	Completed application in the client file.  Source documentation (wage statements, interest statements) in the client file.
Owner Occupancy	Applicant must occupy unit as his/her principal resident.	Client must sign a clause on the application form certifying that the property is the principal residence.
Ownership of Property	Applicant of property must have ownership of property through one of the following: <ul style="list-style-type: none"> <li>● Fee simple title,</li> <li>● 99-year leasehold interest</li> <li>● Other form approved by the Department</li> </ul>	Title search* documentation in client file.  Copy of deed or other approved ownership document in the client file.

\*It is the expectation that a title search, title check, or some other form of review be completed that includes the review items noted below. How a grantee obtains that info is up to them.

It is the expectation for grantees to obtain a title search in order to: 1) Establish proof of ownership [chain of title], 2) determine defects to title/ownership [if any], 3) Identify outstanding mortgages and other liens, and 4) to disclose any recorded covenants, conditions, restrictions, easements, condemnations, etc.

The above mentioned items would be searched for, likely through a title company, or other source, that can provide all of this information.

## Eligible Property

	Key HOME Requirement	Documentation
Property Type	<p>Eligible property types include:</p> <ul style="list-style-type: none"> <li>● One-to-four unit property</li> <li>● Condominium unit</li> <li>● Manufactured housing</li> </ul>	If two-to-four units, indicate status of non-owner-occupied units and verify no HOME funds provided as assistance to these units.
Property Location	Property must be located in program area as designated in approved program guidelines.	Client application must contain address.
HOME Minimum & Maximum Subsidy	<p>A minimum of \$1,000 in HOME funds must be invested in each assisted unit.</p> <p>Assistance must not exceed NAHP subsidy limit on a unit by unit basis.</p>	Maintain records demonstrating that each unit assisted received at least \$1,000 in HOME assistance but not more than the maximum NAHP subsidy allowed.
Property Value	A unit's after-rehab value must not exceed the applicable pre-stimulus 203(b) limit or 95% median sales price limit.	Document unit's estimated after-rehab value and method for determining the estimate.
Property Standards	Property must meet Department's Rehabilitation Standards and applicable codes (local or one of the accepted national codes).	<p>Document local code or model code used.</p> <p>Maintain written rehab standards in program files.</p> <p>Include inspection report or certification by inspector in client file.</p> <p>Keep inspection checklist and work write-up in client file.</p>
Eligible Activities	Rehabilitation and reconstruction	Document all expenditures.

**MINIMUM STANDARDS FOR REHABILITATION**  
**Nebraska Department of Economic Development**

A. MINIMUM STANDARDS FOR BASIC EQUIPMENT AND FACILITIES

1. KITCHENS – Every dwelling shall have a kitchen room or kitchenette equipped with a kitchen sink, properly connected to both hot and cold running water lines, under pressure, and in working order.
2. TOILET ROOM REQUIRED – Every dwelling unit, except as otherwise permitted for rooming houses, shall contain a room that is equipped with a flush water closet and properly installed lavatory. Said lavatory shall be properly connected to both hot and cold running water, under pressure, and shall be in working order. Fixtures shall be properly installed, free of hazards, leaks and defects, and in functional and sanitary order.

Said flush water closet shall be properly connected to the water supply, under pressure, and shall be in working order.

3. SHARED TOILET FACILITIES – Shared toilet rooms shall be equipped with a flush water closet and lavatory basin, and shall be connected as provided in Section 2 above. In rooming house type structures, at least 1 toilet and 1 lavatory basin, properly connected as set forth above, shall be supplied for each 8 persons or fractions thereof residing within a rooming house, including members of the operator's family whenever they share the use of said facilities, provided that in rooming houses where rooms are let only to males, flush urinals may be substituted for not more than ½ of the required number of toilets.
4. BATH REQUIRED – Every dwelling unit shall contain a bathtub and/or shower. Fixtures shall be properly installed, free of hazards, leaks and defects, and shall be in functional and sanitary order.

Potable water supply piping, water discharge outlets, backflow prevention devices or similar equipment shall not be so located as to make possible their submergence in any contaminated or polluted liquid or substance.

Said bathtub and/or shower may be in the same room as the flush water closet and lavatory, or said bathtub and/or shower may be in a separate room. In all cases, these facilities shall be properly connected to both hot and cold running water lines, under pressure, and shall be in working order.

In rooming house type structures, at least 1 bathtub and/or shower, properly connected as set forth above, shall be supplied for each 8 persons or fractions thereof, residing within a rooming house, including members of the operator's family whenever they share the use of said facilities.

5. PRIVACY IN ROOM CONTAINING TOILET AND BATH – Every toilet and every bath shall be contained in a room or within separate rooms which affords privacy to a person within said room or rooms. Said rooms shall not be the only passageway to the exterior.

Toilets and bathrooms shall have doors with a privacy type lock and such doors, locks and hardware shall be in working order.

6. LOCATION OF COMMUNAL TOILETS AND BATHS – Every communal bath required to be provided in accordance with other provisions, shall be located within a room or rooms accessible to the occupants of each dwelling unit sharing such facilities, without going through a dwelling unit of another occupant and without going outside of the dwelling.

In rooming houses, said room or rooms shall be located on the same floor of the dwelling as, or on the floor immediately above or below, the dwelling unit whose occupants share the use of such facilities.

7. WATER SUPPLY – All fixture water supplies shall be properly connected to public or private water system.

All water supply inlet orifices (mouth of an opening from any pipe or faucet supplying water) shall have an air gap (The unobstructed vertical distance through the free atmosphere between the lowest opening from any pipe or faucet supplying water to a tank, plumbing fixture or other device and the floor level rim of the receptacle.) or shall be protected by vacuum breakers (also known as backflow preventers).

8. HOT AND COLD WATER LINES TO BATH AND KITCHEN – Every dwelling shall have supplied water-heating facilities which are properly installed; in working condition and free of leaks; properly connected to hot water lines required; and are capable of supplying hot or tempered water at not less than 110°F to be drawn for every bath, as well as general usage.

Hot water storage associated with water heating facilities shall not be less than the following minimum capacities:

- |    |  |                    |
|----|--|--------------------|
| a. | 1 dwelling unit                                | 30 gallons         |
| b. | 2 dwelling units                               | 40 gallons         |
| c. | 3 or more dwelling units<br>and rooming houses | 50 gallons or more |

Sizes and/or number of water heaters are to be based upon the number of units served. No water heaters shall be allowed in bathrooms or bedrooms. All hot water heaters shall be properly vented and sealed and equipped with a pressure relief valve and drip leg a maximum of 6” above the floor.

The local rehabilitation division and/or building inspection division may adjust the above-required capacities upward or downward based on the type and recovery time of the hot water system.

9. CONNECTION OF SANITARY FACILITIES TO SEWAGE SYSTEM – Every kitchen sink, toilet, lavatory basin and bathtub/shower shall be in working condition and properly connected to an approved public or private sewage system.

All sewers and vents shall function properly and be free of leaks and blockages.

10. EXITS – Every exit from every dwelling and/or dwelling unit shall comply with the following requirements:

- a. It shall be functional;
- b. It shall be unobstructed;

- c. All stairways and steps of 4 or more risers shall have at least 1 handrail, and all stairways and steps that are 5 feet or more in width or open on both sides shall have a handrail on each side where possible;
- d. Every dwelling unit shall have 2 independent ways of egress;
- e. All handrails shall be not less than 30" or more than 42" vertically above the nose of the stair treads and not less than 36" above the stairway platform;
- f. All balconies and platforms that are 30" or more above grade, shall have protective guards not less than 30" in height above the balcony or platform level;
- g. All multiple dwellings (1 & 2 family residences exempted) shall have a second exit stairway or approved fire escape available to all occupants of units located on second or higher stories;
- h. All stairs and steps shall have a riser height of no more than 8" and a tread depth of no less than 9". This requirement may be waived on the programmatic level if in an existing structure, it would be impossible or cost prohibitive to meet this requirement. In such cases, new stairs could be put in having the same rise and run as the old;
- i. In basement units where one means of an exit shall be a window, it shall comply with the International Residential Code, Section 310 Emergency Escape and Rescue Openings.

11. FIRE PROTECTION AND SMOKE ALARMS – All fire protection systems and devices shall be in operable condition. When a dwelling is occupied by any hearing impaired person, smoke alarms shall have an alarm system designed for hearing impaired persons in accordance with NFPA 74 (or successor standards).

Smoke alarms shall be installed:

- On each story, including basement and cellar (Alarms are not required in unfinished attics and crawl spaces)
- Outside of each bedroom
- In each bedroom

## B. MINIMUM STANDARDS FOR LIGHT, VENTILATION AND HEATING

1. REQUIRED WINDOW AREA – Every habitable room, provided such rooms are adequately lighted, shall have at least one open air space. The minimum total window area, measured between stops, for every habitable room shall be as follows:
  - a. 1/12 of the floor area if two or more separate windows exist or
  - b. 1/10 of the floor area if only one window exists;
  - c. a minimum of 12 square feet of window area is required in habitable rooms other than kitchens;
  - d. a kitchen may pass without a window area, provided there is a mechanical means of ventilation in working order.

**Whenever the only window in a room is a skylight type window, the total window area of such skylight shall be equal to at least 15% of the total floor area of such room. Skylight type windows, if less than 15% of the total floor area shall be increased to 15% of the total floor area, unless another window is to be installed to provide adequate light and ventilation.**

2. ADEQUATE VENTILATION REQUIRED - Every habitable room shall have at least one window or skylight which can easily be opened, or other such device as will adequately ventilate the room.
3. LIGHT AND VENTILATION REQUIREMENTS FOR BATHROOMS, TOILET ROOMS AND KITCHENS  
Every bathroom, toilet room, and kitchen shall comply with the light and ventilation requirements for habitable rooms contained above, except that no window shall be required in adequately ventilated bathrooms, toilet rooms, or kitchens equipped with a ventilation system that filters or exhausts to the exterior.
4. ALTERNATIVE LIGHT AND VENTILATION – Artificial light or mechanical ventilation complying with the International Building Code shall be permitted.
5. CLOTHES DRYER VENTING – Clothes dryer exhaust vent shall be a single purpose vent in compliance with the manufacturer’s instructions and vent to the exterior.
6. ELECTRIC OUTLETS AND SERVICE REQUIRED - Where there is suitable electricity available from supply lines no more than 300 feet away from a dwelling, including all existing dwellings now supplied with electrical services, every habitable room within such dwelling shall contain a minimum of two separate and remote wall type electric convenience outlets. Habitable rooms measuring more than 120 square feet shall contain a minimum of three separate and remote wall type electric convenience outlets. Temporary wiring, extension, or zip cords shall not be used as permanent wiring.

Every habitable room shall have at least one ceiling or wall type electric light fixture, controlled by a wall switch, or a wall type grounded electric convenience outlet controlled by a remote switch. Every toilet room, bathroom, laundry room, furnace room, and hallway (hallway where applicable) shall contain at least 1 supplied ceiling or wall type electric light fixture, controlled by a wall switch, and at least one wall type grounded electric convenience outlet. Convenience outlets used in bathrooms shall be the GFI type.

Each individual kitchen based on its size and layout shall be wired to meet the requirements of the National Electric Code (N.E.C.).

Receptacle convenience outlets in or on open porches, breezeways or garages shall be of the GFI type with a weather proof receptacle box.

All wall and/or ceiling type lighting fixtures shall be controlled by a wall switch, except porcelain type fixtures used in cellars and/or attics, which may be controlled with a proper pull chain.

All electrical equipment, appliances and wiring shall be properly installed and in safe condition.

All broken and/or missing switch and receptacle plates shall be replaced.

All outlets and fixtures shall be properly installed, shall be in working condition and shall be connected to the source of electric power in a proper manner and in accordance with the electrical code of the city and/or the N.E.C., as applicable.

Minimum electrical service for each dwelling and/or dwelling unit's circuit breaker box shall be by a three wire 120/240 volt single phase service rated no less than 100 amps, or as adjusted for size and usage of equipment and appliances in accordance with the ICC Electrical Code and approved, in writing, by the electrical inspector of the local jurisdiction or program.

7. **HAZARDOUS ELECTRICAL CONDITIONS** – Where any condition of the electrical system in the dwelling or structure is identified as, and constitutes a hazard, the hazardous conditions shall be corrected.
8. HEATING FACILITIES –Heating facilities shall be properly installed, be in working condition and be capable of adequately heating all habitable rooms, and toilet rooms contained therein, or intended for use by the occupants capable of maintaining a room temperature of 68°F (20°C) when the outdoor temperature is within the winter outdoor design temperature for the locality as cited in Appendix D of the International Plumbing Code. Space heaters shall not substitute for a central heating unit.

Every installed central heating system shall comply with the following requirements:

- a. The central heating unit shall be safe and in good working condition;
- b. Every heat duct, steam pipe and hot water pipe shall be free of leaks and obstructions and deliver an adequate amount of heat where intended;
- c. Every seal between any and all sections of a hot air furnace shall be air-tight so noxious gases and fumes will not escape into the heat ducts;
- d. Required clearance from combustible materials shall be maintained;
- e. All chimneys and vents shall have a flue liner intact and in safe working condition.

Every existing space heater shall comply with the following requirements:

- a. No space heater burning solid, liquid or gaseous fuels shall be of a portable type;
- b. Every space heater burning solid, liquid or gaseous fuels shall be properly vented to a chimney or duct leading to outdoor space and be installed to provide proper draft;
- c. Every fuel burning space heater shall have a fire-resistant panel between it and the floor or floor covering as required by the unit's manufacturer;
- d. Whenever a space heater is located within 2 feet of a wall, said wall shall be protected with insulation sufficient to prevent overheating of the wall as required by the unit's manufacturer; ;
- e. Every space heater smoke pipe shall be equipped with approved thimbles or guards, properly constructed of non-flammable material, at the point where the pipe goes through any wall, ceiling or partition;

- f. Each dwelling and/or dwelling unit shall be supplied with its own heating systems. Local option may provide for one central forced air system to serve no more than two separate dwelling units.

9. LIGHTING OF PUBLIC HALLS AND STAIRWAYS

- a. Public halls and stairways in every dwelling containing 2 to 4 dwelling units shall be provided with convenient wall-mounted light switches controlling an adequate lighting system that will provide at least 2 foot candles of illumination on all parts thereof and be turned on when needed. An emergency circuit is not required for this lighting;
  - b. Public halls and stairways in every dwelling containing 5 or more dwelling units shall be lighted at all times with an artificial lighting system. Said system shall provide at least 2 foot candles of illumination on all parts thereof at all times by means of properly located electric light fixtures, provided that such artificial lighting may be omitted from sunrise to sunset where an adequate natural lighting system is provided;
  - c. Wherever the occupancy of the building exceeds 100 persons, the artificial lighting system as required herein, shall be on an emergency circuit;
  - d. All basements and cellars shall be provided with a lighting system that permits safe occupancy and use of the space and contained equipment as intended, and which may be turned on when needed;
  - e. The required intensity of illumination shall apply to both natural and artificial lighting.
- a. SCREENS REQUIRED - For protection against flies, mosquitoes and other insects, every door opening directly from a dwelling unit or rooming unit, to the outdoor space where feasible, shall be supplied with a screen covering at least 50% of the window area of the door, and said door shall be equipped with a self-closing device.

Every window or other opening to outdoor space used or intended to be used for ventilation shall likewise be supplied with screens covering the entire window areas required for ventilation. The material used for all such screens shall be no less than 16 mesh per inch, properly installed, and repaired when necessary to prevent the entrance of flies, mosquitoes and other insects.

Half-screens on windows may be allowed, provided they are properly installed and are bug and insect proof.

- 11. SCREENS FOR BASEMENT AND CELLAR WINDOWS - Every dwelling unit having operable basement or cellar windows shall be screened to prevent the entry of insects and rodents.
- 12. EXISTING HEATING TO DWELLINGS OR PARTS THEREOF - Every dwelling owner or operator who rents, leases or lets for human habitation any unit contained within such dwelling, on terms either expressed or implied, shall supply or furnish heat to the occupants.

***Whenever a dwelling is heated by means of a furnace, boiler or other heating apparatus under the control of the owner or operator, in the absence of a written contract or agreement to the contrary, said owner and/or operator shall be deemed to have contracted, undertaken, or bound to furnish heat in accordance with the provisions of this section to every unit that contains radiators, furnace heat duct outlets, or other heating apparatus outlets, and to every communal bathroom and communal toilet room located within such unit.***

- a. Every central heating unit, space heater, water heater and cooking appliance shall be located and installed in a safe working manner to protect against involvement of egress facilities or egress routes in the event of uncontrolled fires in the structure;
- b. Every fuel burning heating unit or water heater shall be effectively vented in a safe manner to a chimney or duct leading to the exterior of the building. The chimney duct and vents shall be designed to assure proper draft, shall be adequately supported, and shall be clean;
- c. No fuel-burning furnace shall be located in any sleeping room or bathroom unless provided with adequate ducting for air supply from the exterior, and the combustion chamber for such heating unit is sealed from the room in an airtight manner. Water heaters are prohibited in bathrooms and sleeping rooms.
- d. Every steam or hot water boiler and every water heater shall be protected against overheating by appropriate temperature and pressure limit controls;
- e. Every gaseous or liquid fuel burning heating unit and water heater shall be equipped with electronic ignition or with a pilot light and an automatic control to interrupt the flow of fuel to the unit in the event of failure of the ignition device. All such heating units with plenum have a limit control to prevent overheating.

#### C. MINIMUM STRUCTURAL STANDARDS

1. SIDEWALKS AND DRIVEWAYS – All sidewalks, driveways, stairs and similar areas shall be free of hazardous conditions and in proper repair.
2. PREMISE IDENTIFICATION NUMBERS – Address numbers easily visible and legible from the street or road shall be installed. Numbers shall contrast in color with their background and be at least 4 inches high with a minimum stroke width of one half inch.
3. FOUNDATIONS, EXTERIOR WALLS, ROOFS, SOFFITS AND FASCIA - Every foundation, exterior wall, roof, soffit, and fascia shall be structurally sound, weather-tight, and rodent/insect-proof.

All exterior surface materials shall be protected by lead-free paint or other protective coating in accordance with acceptable standards. The exception is all types of exterior materials acceptable to weatherizing without deterioration.

4. INTERIOR WALLS, FLOORS, CEILINGS, DOORS, AND WINDOWS – Every interior partition, wall floor, ceiling, door and window shall be structurally sound.

Holes in walls should be replastered before new paint is applied.

All interior doors shall be capable of affording privacy for which they were intended.

5. GRADING AND RAINWATER DRAINAGE FROM ROOF - All rainwater shall be drained and conveyed from every roof so as not to cause dampness within the dwelling. All rainwater drainage devices, such as gutters, downspouts, leaders and splashblocks shall be in safe working order. Ground areas around the habitable unit shall be sloped or drain away from foundation walls to prevent standing water.

6. WINDOWS, EXTERIOR DOORS AND BASEMENT OR CELLAR HATCHWAYS - Every front, rear, side and basement or cellar door shall be no less than 2'4" in width and no less than 6' 6" in height. In existing structures, if replacement to meet these requirements would be impossible or cost-prohibitive, said requirement may be waived by the grantee.

Every window, exterior door and basement or cellar hatchway shall be substantially tight and rodent-proof. In addition, the following requirements shall be met:

- a. All exterior doors to the outside or to a common public hall shall be equipped with adequate security locks. Means of egress door locks shall be easily opened from the egress side without a key or special knowledge. All windows accessible from ground level without the aid of mechanical devices shall have a security device. Emergency escape windows shall be openable from the inside without the use of a key, code or tool;
  - b. Every window sash shall be fully equipped with windowpane glazing materials free of cracks or holes, and all panes shall be secured with retaining devices or an adequate amount of putty. Said putty shall not be cracked, broken or missing;
  - c. Every window sash shall be in good condition and fit tightly within its frame;
  - d. Every window, other than a fixed window, shall be easily opened and held in position by window hardware;
  - e. Every exterior and interior door, door hinge, door latch, and/or lock shall be in good working condition;
  - f. Every exterior and interior door, when closed, shall fit well within its frame;
  - g. Every window, door and frame shall be constructed in relation to the adjacent wall construction, to exclude rain and wind as completely as possible from entering the dwelling or structure;
7. STAIRWAYS, DECKS, BALCONIES AND PORCHES - Every interior and exterior stairway, porch, deck, balcony and appurtenance thereto, including hand and guard rails, shall be constructed to be sound and safe to use and capable of supporting the load that normal use may place upon it.
8. SUPPLIED PLUMBING FIXTURES - Every plumbing fixture and water and waste pipe shall be properly installed in safe, sanitary working condition, free from leaks, defects, and obstructions.
9. BATHROOM, TOILET ROOM, KITCHEN AND UTILITY ROOM FLOORS - Every bathroom, toilet room, kitchen, and utility room floor surface shall be constructed to be impervious to water and to permit such floors to be easily kept clean and sanitary.

Indoor-outdoor type carpeting, when properly installed, shall be allowed in bathrooms, toilet rooms, kitchens and utility rooms except when in conflict with required interim controls or standard treatments required to comply with the lead-based paint regulation.

10. CHIMNEYS AND SMOKE PIPES - Every chimney and smoke pipe shall be adequately supported, structurally sound, and clean.

11. TREES AND VEGETATION – Trees and vegetation endangering the unit and/or its occupants shall be eliminated.
12. INTERNATIONAL RESIDENTIAL CODE FOR ONE AND TWO-FAMILY DWELLINGS – All rehabilitation work must meet or exceed the requirements of the International Residential Code as promulgated by the International Code Council in its current edition or as adopted in ordinance by the local jurisdiction.
  - a. Work must comply with the permitting and inspection requirements of the local jurisdiction.
  - b. In the absence of local permitting and inspection services, the local recipient program shall engage qualified inspectors and document code inspection and compliance.
13. LEAD-BASED PAINT – As required under 24 CFR Part 35, the Final HUD Regulation on Lead-Based Paint Hazards in Federally Owned Housing and Housing Receiving Federal Assistance, all assisted dwelling units constructed before January 1, 1978, will be evaluated for lead-based paint hazards or presumed to have lead-based paint present throughout the unit when paint is disturbed.
  - a. Evaluation will be done by a qualified, certified or licensed person as required under the regulation.
  - b. All lead-based paint hazards will be identified and reduced or eliminated through paint stabilization, interim controls or abatement with work being done by supervised, trained, qualified, certified or licensed persons as required under the regulation.
  - c. Safe work practices will be followed at all times.
  - d. Occupants shall be protected or temporarily relocated as required by the regulation. With some exceptions, as listed at 24 CFR 35.1345, occupants shall be temporarily relocated before and during hazard reduction activities to a suitable, decent, safe and similarly accessible dwelling unit that does not have lead hazards.
  - e. The dwelling unit and worksite shall be secured. The worksite shall be prepared and warning signs shall be posted as required by the regulation.
  - f. Clearance examinations will be performed by qualified personnel and final clearance shall be achieved as required by the regulations.
14. ENERGY CONSERVATION –
  - a. Equipment, appliances, windows, doors and appurtenances replaced during rehabilitation shall be replaced with Energy Star qualified products.
  - b. If feasible, attics should be insulated to R38 and walls to a minimum of R11.
  - c. Replacement heating and/or cooling systems shall be properly sized as evidenced by completion of ACCA/ANSI Manual J® or an equivalent sizing calculation tool.
  - d. All accessible air ducts shall be tightly sealed.

- e. Heating or cooling supply running through unconditioned space should be avoided or rerouted, but when present and accessible, shall be insulated.
15. INDOOR AIR QUALITY – The scope and conduct of rehabilitation of each dwelling unit shall take into consideration the improvement and maintenance of satisfactory and healthy air quality within the unit.
- a. A carbon monoxide detector installed per manufacturers’ recommendations shall be present in each unit, and receive primary power from the building wiring or battery. If the house is all electric a carbon monoxide detector is not required.
  - b. Devices and appurtenances identified to contain mercury shall be removed or replaced excluding CFL bulbs.
  - c. Materials and methods used in carrying out rehabilitation, shall to the extent feasible, minimize and prevent dust, outgassing, volatile organic compounds and other contaminants within the dwelling unit.
16. UNIVERSAL DESIGN AND ACCESSIBILITY – Rehabilitation of each unit shall be carried out with consideration for the needs of its occupants and to the maximum practical extent in accordance with the principles of universal design. For guidance in implementing universal design features, visit [www.design.ncsu.edu/cud](http://www.design.ncsu.edu/cud)

D. MINIMUM SPACE, USE AND LOCATION REQUIREMENTS

- 1. CEILING HEIGHT - Wherever possible, no habitable room in a dwelling or dwelling unit shall have a ceiling height of less than 7' 6". At least 1/2 of the floor area of every habitable room located above the first floor shall have a ceiling height of 7' 6", and the floor area of that part of any room where the ceiling height is less than 5' shall be considered as part of the floor area in computing the total floor area of the room for the purpose of determining maximum floor area.
- 2. ROOM WIDTH - All rooms, except kitchens and/or kitchenettes and baths, shall have a minimum width of 7'. Kitchens shall have a clear passage dimension of no less than 3 feet between walls, appliances and cabinets.
- 3. CELLAR SPACE NOT HABITABLE - No cellar space shall be converted or rehabilitated as habitable room or dwelling unit.
- 4. REQUIREMENTS FOR HABITABLE BASEMENT SPACE - No basement space shall be used as a habitable room or dwelling unit unless all of the following requirements are met:
  - a. Such required minimum window area is located entirely above the grade of ground adjoining such window area, or an adequate window well of sufficient size as to allow escape of inhabitants residing within such basement apartment, has been constructed;
  - b. Such basement dwelling unit or rooming unit shall be entirely sealed off from the central heating plant with a one hour fire separation. To assist grantees in evaluating existing building components, HUD has published the “Guideline on Fire Ratings of Archaic Materials and Assemblies”, February 2000, available at <http://www.huduser.org/publications/destech/fire.html>;
  - c. Such basement dwelling unit or rooming unit provides two means of exit, with at least one means of opening directly to the outside;
- 5. MINIMUM STORAGE AREAS - Each dwelling unit shall have at least one closet with a minimum of 6 square feet of floor area and a minimum height of 6’, located within the dwelling unit. Dwelling

units with 2 or more bedrooms shall have a storage floor area of at least 4 square feet per bedroom. This storage requirement does not necessarily have to be located in the bedrooms.

E. MINIMUM STANDARDS FOR GARAGES, FENCES AND PREMISES

1. PROTECTION OF EXTERIOR WOOD SURFACES - All exterior wood surfaces shall be properly protected from the elements against decay and rot by lead-free paint, or other approved protective coating.
2. FENCES - Every residential fence shall be in a state of maintenance and repair or shall be removed. Wood materials that are not decay resistant shall be protected against decay by use of lead-free paint or by other preservative material.

If a fence is removed and replaced, said installation shall conform with all local requirements.

3. CONDITION OF PREMISES - All areas and all parts of the premises upon which any dwelling or dwelling units are located and all areas adjacent thereto and a part of the premises shall be in a clean and sanitary condition. This shall include, but not be limited to, removal of abandoned and junked automobiles, automobile bodies, chassis, parts, and trailers; inoperable machines and appliances; lumber piles and building materials not used in actual construction; tin cans, broken glass, broken furniture, boxes, crates, and other debris, rubbish, junk and garbage.
4. WATER SUPPLY - CONNECT TO WATER MAIN - Every owner of a dwelling situated on property that abuts any street or alley in which a water main is laid, shall be connected to such main to provide water service.
5. ABANDONED WELLS AND CISTERNS - Every owner of a dwelling that contains an abandoned well or cistern on the premises shall permanently seal or fill it in a proper manner.
6. INFESTATION AND EXTERMINATION – Structures shall be free from rodent and insect infestation.

**DO OTHER FEDERAL REQUIREMENTS APPLY TO HOMEOWNER REHAB?**

**Non-Discrimination and Equal Access Rules**

**Fair Housing and Equal Opportunity – Yes, Must affirmatively further Fair Housing**

Regulatory Citations & References:

- ❑ 92.202 and 92.250
- ❑ Title VI of Civil Rights Act of 1964 (42 U. S. C. 2000d et. seq.)
- ❑ Fair Housing Act (42 U. S. C. 3601-3620)
- ❑ Executive Order 11063 (amended by Executive Order 12259)
- ❑ Age Discrimination Act of 1975, as amended (42 U. S. C. 6101)
- ❑ 24 CFR 5.105(a)

**Affirmative Marketing - Yes**

Regulatory Citations & References:

- ❑ 92.351

**Handicapped Accessibility – No (Note: Accessibility improvements are eligible costs)**

Regulatory Citations & References:

- ❑ Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8)
- ❑ For multi-family buildings only, 24 CFR 100.205 (implements Fair Housing Act)

**Employment and Contracting Rules**

**Equal Opportunity Employment –Yes, small projects especially offer opportunities for minority and resident-contractors.**

Regulatory Citations & References:

- ❑ Executive Order 11246 (implemented at 41 CFR Part 60)

**Section 3 Economic Opportunity – Yes, if amount of assistance exceeds \$200,000 OR contract or subcontract exceeds \$100,000.**

Regulatory Citations & References:

- ❑ Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)

**Minority/Women Employment – Yes**

Regulatory Citations & References:

- ❑ Executive Orders 11625, 12432 and 12138
- ❑ 24 CFR 85.36(e)

**Davis-Bacon - No**

Regulatory Citations & References:

- ❑ 92.354
- ❑ Davis-Bacon Act (40 U. S. C. 276a -276a-5)
- ❑ 24 CFR Part 70 (volunteers)
- ❑ Copeland Anti-Kickback Act (40 U. S. C. 276c)

**Conflict of Interest –Yes**

Regulatory Citations & References:

- 92.356
- 2 CFR 200 §§.318 and .319

**Debarred Contractors – Yes**, check HUD's list of debarred contractors

Regulatory Citations & References:

- 24 CFR Part 5

**Other Federal Requirements**

**Environmental Reviews –Yes**, neighborhood reviews may facilitate targeted programs, but individual checklists still required for each project site. Special attention should be paid to flood insurance, noise and historic requirements.

Regulatory Citations & References:

- 92.352
- 24 CFR Part 58.35 a(4)
- National Environmental Policy Act (NEPA) of 1969

**Flood Insurance – Yes**, must obtain flood insurance if located in a FEMA designated 100-year flood plain. Community must be participating in FEMA's flood insurance program.

Regulatory Citations & References:

- Section 202 of the Flood Disaster Protection Act of 1973 (42 U. S. C. 4106)

**Site and Neighborhood Standards - No**

Regulatory Citations & References:

- 24 CFR 893.6(b)

**Lead-Based Paint – Yes**, for pre-1978 units. Notices to owners. Paint testing of surfaces to be disturbed. Risk assessment, if applicable, based on level of rehabilitation assistance.

Appropriate lead-hazard reduction activity (based on level of rehabilitation assistance). Safe work practices and clearance. Provisions included in all contracts and subcontracts.

Regulatory Citations & References:

- 92.355
- Lead Based Paint Poisoning Prevention Act of 1971 (42 U. S. C. 4821 et. seq.)
- 24 CFR Part 35
- 982.401(j) (except paragraph 982.401(j)(1)(i))

**Relocation – Yes**, relocation **is** required for tenants are living in the other units. Relocation **is not** required for owner-occupied units unless lead hazard reduction activities require it.

Regulatory Citations & References:

- 92.353
- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U. S. C. 4201-4655)
- 49 CFR Part 24
- 24 CFR Part 42 (subpart B)
- Section 104(d) "Barney Frank Amendments"

## §92.251 Property standards.

### The FINAL HOME RULE

The changes to §92.251 reorganize the presentation of the property standards requirements and clarify and update the standards. The reorganization is intended to minimize confusion about the applicability of the codes and standards across different housing activities. It creates separate requirements for projects involving:

- New construction [§92.251(a)]
- Rehabilitation [§92.251(b)]
- Acquisition of standard housing [§92.251(c)]
- Housing occupied by tenants receiving HOME tenant-based rental assistance [§92.251(d)]
- Manufactured housing [§92.251(e)]
- Ongoing property standards for rental projects [§92.251(f)]
- Inspection procedures [§92.251(g)].

Revisions to the property standards also address the codes cited in the pre-2013 HOME Rule that have been superseded and/or updated. The 2013 Rule provides additional specificity to the rehabilitation standards requirements in order to ensure that adequate improvements are made to support the long-term viability of HOME-funded rehabilitation projects. For new construction and rehabilitation, the 2013 Rule requires a higher degree of oversight by the PJ. It imposes requirements for the PJ to review and approve construction-related documents prior to construction, and to monitor construction progress.

***NOTE: The changes cited above have been suspended to date, while PJs await additional guidance from HUD on the implementation of these standards. Until final guidance is received, the Property Standards in place prior to the Final HOME Rule are applicable. Department Rehabilitation Standards can be found in [Attachment 2](#).***

(b) *Rehabilitation projects.* All rehabilitation that is performed using HOME funds must meet the requirements of this paragraph (b).

(1) *Rehabilitation standards.* The participating jurisdiction must establish rehabilitation standards for all HOME- assisted housing rehabilitation activities that set forth the requirements that the housing must meet upon project completion. The participating jurisdiction's description of its standards must be in sufficient detail to determine the required rehabilitation work including methods and materials. The standards may refer to applicable codes or they may establish requirements that exceed the minimum requirements of the codes. The rehabilitation standards must address each of the following:

(i) *Health and safety.* The participating jurisdiction's standards must identify life-threatening deficiencies that must be addressed immediately if the housing is occupied.

(ii) *Major systems.* Major systems are: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning. For rental housing, the participating jurisdiction's standards must require the participating jurisdiction to estimate (based on age and condition) the remaining useful life of these systems, upon project completion of each major systems. For multifamily housing projects of 26 units or more, the participating jurisdiction's standards must require the participating jurisdiction to determine the useful life of major systems through a capital needs assessment of the project. For rental housing, if the remaining useful life of one or more major system is less than the applicable period of affordability, the participating jurisdiction's standards must require the participating jurisdiction to ensure that a replacement reserve is established and monthly payments are made to the reserve that are adequate to repair or replace the systems as needed. For homeownership housing, the participating jurisdiction's standards must require, upon project completion, each of the major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the participating jurisdiction, or the major systems must be rehabilitated or replaced as part of the rehabilitation work.

(iii) *Lead-based paint.* The participating jurisdiction's standards must require the housing to meet the lead-based paint requirements at 24 CFR part 35.

(iv) *Accessibility.* The participating jurisdiction's standards must require the housing to meet the accessibility requirements in 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). Rehabilitation may include improvements that are not required by regulation or statute that permit use by a person with disabilities.

(v) [Reserved]

(vi) *Disaster mitigation.* Where relevant, the participating jurisdiction's standards must require the housing to be improved to mitigate the impact of potential disasters (e.g., earthquake, hurricanes, flooding, and wildfires) in accordance with State and local codes, ordinances, and requirements.

(vii) *State and local codes, ordinances, and zoning requirements.* The participating jurisdiction's standards must require the housing to meet all applicable State and local codes, ordinances, and requirements or, in the absence of a State or local building code, the International Existing Building Code of the International Code Council.

(viii) *Uniform Physical Condition Standards.* The standards of the participating jurisdiction must be such that, upon completion, the HOME-assisted project and units will be decent, safe, sanitary, and in good repair as described in 24 CFR 5.703. HUD will establish the minimum deficiencies that must be corrected under the participating jurisdiction's rehabilitation standards based on inspectable items and inspected areas from HUD-prescribed physical inspection procedures (Uniform Physical Conditions Standards) pursuant to 24 CFR 5.705.

(ix) *Capital Needs Assessments.* For multifamily rental housing projects of 26 or more total units, the participating jurisdiction must determine all work that will be performed in the rehabilitation of the housing and the long-term physical needs of the project through a capital needs assessment of the project.

(2) *Construction documents and cost estimates.* The participating jurisdiction must ensure that the work to be undertaken will meet the participating jurisdiction's rehabilitation standards. The construction documents (i.e., written scope of work to be performed) must be in sufficient detail to establish the basis for a uniform inspection of the housing to determine compliance with the participating jurisdiction's standards. The participating jurisdiction must review and approve a written cost estimate for rehabilitation after determining that costs are reasonable.

(3) *Frequency of inspections.* The participating jurisdiction must conduct an initial property inspection to identify the deficiencies that must be addressed. The participating jurisdiction must conduct progress and final inspections to determine that work was done in accordance with work write-ups.

(c) *Acquisition of standard housing.* (1) Existing housing that is acquired with HOME assistance for rental housing, and that was newly constructed or rehabilitated less than 12 months before the date of commitment of HOME funds, must meet the property standards of paragraph (a) or paragraph (b) of this section, as applicable, of this section for new construction and rehabilitation projects. The participating jurisdiction must document this compliance based upon a review of approved building plans and Certificates of Occupancy, and an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance.

(2) All other existing housing that is acquired with HOME assistance for rental housing must meet the rehabilitation property standards requirements of paragraph (b) of this section. The participating jurisdiction must document this compliance based upon an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance. If the property does not meet these standards, HOME funds cannot be used to acquire the property unless it is rehabilitated to meet the standards of paragraph (b) of this section.

(3) Existing housing that is acquired for homeownership (e.g., downpayment assistance) must be decent, safe, sanitary, and in good repair. The participating jurisdiction must establish standards to determine that the housing is decent, safe, sanitary, and in good repair. At minimum, the standards must provide that the housing meets all applicable State and local housing quality standards and code requirements and the housing does not contain the specific deficiencies proscribed by HUD based on the applicable inspectable items and inspected areas in HUD-prescribed physical inspection procedures (Uniform Physical Condition Standards) issued pursuant to 24 CFR 5.705. The participating jurisdiction must inspect the housing and document this compliance based upon an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance. If the housing does not meet these standards, the housing must be rehabilitated to meet the standards of this paragraph (c)(3) or it cannot be acquired with HOME funds.

(d) *Occupied housing by tenants receiving HOME tenant-based rental assistance.* All housing occupied by tenants receiving HOME tenant-based rental assistance must meet the standards in 24 CFR 982.401, or the successor requirements as established by HUD.

(e) *Manufactured housing.* Construction of all manufactured housing including manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280. These standards preempt State and local codes which are not identical to the federal standards for the new construction of manufactured housing. Participating jurisdictions providing HOME funds to assist manufactured housing units must comply with applicable State and local laws or codes. In the absence of such laws or codes, the installation must comply with the manufacturer's written instructions for installation of manufactured housing units. All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i). All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability. In HOME-funded rehabilitation of existing manufactured housing the foundation and anchoring must meet all applicable State and local codes, ordinances, and requirements or in the absence of local or state codes, the Model Manufactured Home Installation Standards at 24 CFR part 3285. Manufactured housing that is rehabilitated using HOME funds must meet the property standards requirements in paragraph (b) of this section, as applicable. The participating jurisdiction must document this compliance in accordance with inspection procedures that the participating jurisdiction has established pursuant to §92.251, as applicable.

(f) *Ongoing property condition standards: Rental housing.* (1) Ongoing property standards. The participating jurisdiction must establish property standards for rental housing (including manufactured housing) that apply throughout the affordability period. The standards must ensure that owners maintain the housing as decent, safe, and sanitary housing in good repair. The participating jurisdiction's description of its property standards must be in sufficient detail to establish the basis for a uniform inspection of HOME rental projects. The participating jurisdiction's ongoing property standards must address each of the following:

(i) *Compliance with State and local codes, ordinances, and requirements.* The participating jurisdiction's standards must require the housing to meet all applicable State and local code requirements and ordinances. In the absence of existing applicable State or local code requirements and ordinances, at a minimum, the participating jurisdiction's ongoing property standards must include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (Uniform Physical Condition Standards (UPCS)) prescribed by HUD pursuant to 24 CFR 5.705. The participating jurisdiction's property standards are not required to use any scoring, item weight, or level of criticality used in UPCS.

(ii) *Health and safety.* The participating jurisdiction's standards must require the housing to be free of all health and safety defects. The standards must identify life-threatening deficiencies that the owner must immediately correct and the time frames for addressing these deficiencies.

(iii) *Lead-based paint.* The participating jurisdiction's standards must require the housing to meet the lead-based paint requirements in 24 CFR part 35.

(2) Projects to which HOME funds were committed before January 24, 2015 must meet all applicable State or local housing quality standards or code requirements, and if there are no such standard or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401.

(3) *Inspections.* The participating jurisdiction must undertake ongoing property inspections, in accordance with §92.504(d).

(4) *Corrective and remedial actions.* The participating jurisdiction must have procedures for ensuring that timely corrective and remedial actions are taken by the project owner to address identified deficiencies.

(5) *Inspection procedures.* The participating jurisdiction must establish written inspection procedures inspections. The procedures must include detailed inspection checklists, description of how and by whom inspections will be carried out, and procedures for training and certifying qualified inspectors. The procedures must also describe how frequently the property will be inspected, consistent with this section, §92.209, and §92.504(d).