

Resolution Number 2015-06

**RESOLUTION TO ADOPT THE 2015 HOME PROGRAM  
POLICIES AND PROCEDURES FOR  
THE TOWN OF ASHLAND CITY, TENNESSEE**

**WHEREAS**, The Board of Mayor and Council of the Town of Ashland City approved a Resolution to accept the Tennessee Housing Development Agency Home Grant in the amount of \$500,000.00 on July 14, 2015; and

**WHEREAS**, the Home Program will make available financial and/or technical assistance for the rehabilitation of owner-occupied homes in the Town of Ashland City; and

**WHEREAS**, it is the desire of the Board of Mayor and Council of the Town of Ashland City to adopt the Home Program Policies and Procedures to insure applicant eligibility criteria in order to meet the qualifications for rehabilitation grant; and

**WHEREAS**, it is the desire of the Board of Mayor and Council of the Town of Ashland City to amend the Policies and Procedures to add an additional 10 points for the elderly and disabled, and 5 points for female Head of Household.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Mayor and Council of the Town of Ashland City meeting in regular session on this 14<sup>th</sup> day of July, 2015 that the attached Home Program Policies and Procedures for The Town of Ashland City, Tennessee are hereby adopted.

Duly passed and approved this 14 day of July 2015.

Approved

  
\_\_\_\_\_  
Mayor

Attested

  
\_\_\_\_\_

## HOME PROGRAM POLICIES AND PROCEDURES FOR TOWN OF ASHLAND CITY

### 1. PURPOSE

This program will make available financial and/or technical assistance for the rehabilitation of eligible, substandard, owner occupied housing units located in the community. Rehabilitation work will correct deficiencies in the eligible homes and make them safe, sound, and sanitary.

### 2. AUTHORITY

The legal authority of this program comes from the working agreement with Tennessee Housing Development Agency, Public Law 101-625 (National Affordable Housing Act of 1990), as well as State and local laws.

### 3. PROGRAM RESOURCES

The source of funds for the undertaking of these activities is a grant in the amount of \$500,000.00 which the Town of Ashland City has been awarded by Tennessee Housing Development Agency (THDA) through the U.S. Department of Housing and Urban Development Home Investment Partnership Act.

### 4. APPLICABLE LAWS

- A. The local governing bodies, contractors, subcontractors, vendors and applicants for rehabilitation assistance are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance.
1. Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128 and 24 CFR 92.358).
  2. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)(42 U.S.C. 4201-4655), 49 CFR Part 24, and 24 CFR 92.353)
  3. Debarment and Suspension provisions as required by 24 CFR Part 24 and 24 CFR 92.357.
  4. National Environment Policy Act of 1969 (NEPA), 24 CFR Parts 50 and 58, and 24 CFR 92.352.
  5. Equal Opportunity Provisions and Fair Housing, 24 CFR 92.350.
  6. Affirmative Marketing, 24 CFR 92.351.
  7. Lead-based Paint Poisoning Prevention Act, 24 CFR 92.355.
  8. Conflict of Interest Provisions, 24 CFR 85.36 or 24 CFR 84.42, as applicable, and 24 CFR 92.356.

9. Davis-Bacon Act and Contract Work Hours and Safety Standards Act, and 24 CFR 92.354.
10. Intergovernmental Review of Federal Programs, Executive Order 12372 and 24 CFR 92.359.
11. Drug-Free Workplace, 24 CFR part 24, subpart F.
12. Standard Equal Opportunity Construction Contract Specifications.
13. Certification of Non-segregated Facilities for Contracts over \$10,000.
14. Title VI of Civil Rights Act of 1964 Provisions.
15. Section 109 of Housing and Community Development Act of 1974 Provisions.
16. Section 3 Compliance Provisions.
17. Age Discrimination Act of 1975 Provisions.
18. Section 504 Affirmative Action for Handicapped Provisions.
19. And any other Federal requirements as set forth in 24 CFR Part 92, HOME Investment Partnerships Program

## 5. DRUG-FREE WORKPLACE

- A. The Town of Ashland City (HOME Grantee) will or will continue to provide a drug-free workplace by
  1. Notifying employees in writing that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Grantee's workplace and specifying the action that will be taken against employees for violation of such prohibition.
  2. Establishing an ongoing drug-free awareness program to inform employees about:
    - a. The dangers of drug abuse in the workplace;
    - b. The Grantee's policy of maintaining a drug-free workplace;
    - c. Any drug counseling, rehabilitation, and employee assistance programs; and
    - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- B. Providing each employee engaged in the performance of the HOME contract a copy of the notification required in paragraph A(1) above;
- C. The written notification required in paragraph A (1) above will advise the employee that, as a condition of employment under the HOME grant, the employee will:

1. Abide by the terms of the notification; and
2. Notify the employers in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five (5) calendar days after such conviction.

D. Notifying the State in writing, within ten (10) calendar days after receiving notice under D(2) above from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal Agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant. E. Taking one of the following actions, within thirty (30) calendar days of receiving notice under D(2) above, with respect to any employee who is so convicted:

1. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirement of the Rehabilitation Act of 1973, as amended; or
2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
3. Making a good faith effort to continue to maintain a drug-free workplace through implementation of Paragraphs A, B, C, D, E and F above.

## 6. CONFLICT OF INTEREST

- A. No person listed in paragraph B may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
- B. **PERSONS COVERED** – Immediate family members of any local elected official or of any employee or board member of a non-profit agency are ineligible to receive benefits through the HOME program. “Immediate family member” means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual. In addition, the conflict of interest provisions as apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, the local community or the non- profit agency (including CHDOs) receiving HOME funds, and who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities.

**12.4 APPEARANCE OF A CONFLICT OF INTEREST** - Grantees must also make every effort to avoid the appearance of favoritism in the eligibility determination process. In those cases where the applicant is otherwise eligible, but there exists the appearance of a conflict of interest or the appearance of favoritism, the Grantee must complete *HO-4A (Determination of a Conflict of Interest)* and submit written documentation to THDA that the following procedures have been observed:

1. The Grantee must publish an announcement in the local newspaper concerning the potential for a conflict of interest and request citizen comments.
2. The Grantee's attorney must render an opinion as to whether or not a conflict of interest exists and that no state or local laws will be violated should the applicant receive HOME assistance.
3. The Grantee's elected body must pass a resolution approving the applicant.

## 7. APPLICANT ELIGIBILITY

**A. APPLICANT ELIGIBILITY CRITERIA:** The following criteria must be satisfied by all applicants in order to become eligible for a rehabilitation grant:

1. The applicant must be low or very low income as defined by Section 8 income requirements, i.e., below 80% of area median income.
2. The applicant must have been the resident of the property to be rehabilitated for a period of not less than one year and must occupy the property as his or her principle residence.
3. The applicant's ownership must be in the form of:
  - a. fee simple title; or
  - b. a 99-year leasehold; or
  - c. a life estate. The person with the life estate must have the right to live in the housing for the remainder of his or her life and not pay rent, must be low income, and must occupy the housing as his or her principal residence; or
  - d. inherited property with multiple owners not all residing in the housing. The owner- occupant must be low income, must occupy the house as his or her principal residence, and must pay all the costs associated with ownership and maintenance of the housing.
4. The title must not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.
5. The applicant must voluntarily apply for assistance.

## 8. INCOME ELIGIBILITY

**A. ANNUAL INCOME (GROSS INCOME) -** The State's HOME program uses the income definitions of the Section 8 program to determine the annual income (gross income) used to classify a household for purposes of eligibility. Annual income means all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member;

2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date. In other words, it is the household's future or expected ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period; and
3. Which are not specifically excluded in paragraph 6.8 (Income Exclusions) below.
4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
5. **MONTHLY GROSS INCOME** - Monthly gross income is Annual Gross Income divided by 12 months.

**B. ASSETS** - In general terms, an asset is a cash or non-cash item that can be converted to cash. There is no asset limitation for participation in the HOME program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.

1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
  - a. Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
  - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.
  - c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.

**C. INCOME FROM ASSETS** - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account.) The income is counted even if the household elects not to receive it. For example, although a household may elect to reinvest the interest of dividends from an asset, the interest or dividends is still counted as income.

1. The income from assets included in Annual Gross Income is the income that is anticipated to be received during the coming 12 months.
  - a. To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or



**D. ASSETS INCLUDE:**

1. Amounts in savings accounts and six month average balance for checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. *DO NOT INCLUDE EQUITY OF PRINCIPAL RESIDENCE AS AN ASSET FOR HOMEOWNER REHABILITATION PROGRAMS.*
4. The cash value of trusts that are available to the household.
5. IRA, Keogh, and similar retirement savings accounts, even though withdrawal would result in penalty.
6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during two years preceding certification or recertification.

**E. ASSETS DO NOT INCLUDE:**

1. Necessary personal property, except as noted under paragraph 6.5(9) (Assets Include) above.
2. Interest in Indian Trust lands
3. Assets that are part of an active business or farming operation.

**NOTE:** Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant/tenant's main occupation.

4. Assets not accessible to the family and which provide no income to the family.

5. Vehicles especially equipped for the handicapped.

6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

**F. INCOME INCLUSIONS** - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, over-time pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income for operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the family has net family assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from net family assets or a percentage of the value of such Assets based on the current passbook saving rate, as determined by HUD.
4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount

calculated under this paragraph shall be the amount resulting from one application of the percentage.

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces. (See paragraph (8) under Income Exclusions).

**G. INCOME EXCLUSIONS** - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family), who are unable to live alone;
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide;
6. Certain increases in income of a disabled member of the family residing in HOME assisted housing or receiving HOME tenant-based rental assistance (see 6.12 (7) under Determining Whose Income to Count).
7. The full amount of student financial assistance paid directly to the student or to the educational institution;
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
9.
  - a. Amounts received under training programs funded by HUD;
  - b. Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
  - c. Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care etc.) which are made solely to allow participation in a specific program;
  - d. Amount received under a resident's service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a

resident for performing a service for the owner or manager on a part-time basis, that enhances the quality of life in the development. Such services may

include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination and serving as a member of the governing board. No resident may receive more than one such stipend during the same period of time.

- e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded must be received under employment training programs with clearly defined goals and objectives, are excluded only for the period during which the family member participates in the employment training program.
10. Temporary, nonrecurring or sporadic income (including gifts);
  11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
  12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);
  13. Adoption assistance payments in excess of \$480 per adopted child;
  14. For public housing only, the earnings and benefits to any family member resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.
  15. Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
  16. Amounts received by the family in the form of refunds or rebates under state or local law from property taxes paid on the dwelling unit.
  17. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
  18. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions apply.
    - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
    - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster

Grandparents Program, youthful offenders incarceration alternatives, senior companions);

- c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a));
- d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
- e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
- f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;
- g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
- h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117)
- i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f)).
- k. Any earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- l. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.)
- m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q)
- n. Payments received under the Maine Indian Claims Settlement Act of 1980.

**H. TIMING OF INCOME CERTIFICATIONS** - All households that receive HOME assistance must be income eligible. Income must be verified before rehabilitation assistance begins.

- 1. Application processing is labor intensive. Early screening for income eligibility can eliminate excessive work in processing an ineligible applicant.
- 2. Establishing a deadline for formal eligibility determinations is a challenging part of the planning process. Generally, the HOME Program permits verification dated no earlier than 6 months prior to providing assistance

3. The Grantee must calculate the annual income of the household by projecting the prevailing rate of income of the family at the time the Grantee determines that the family is income eligible. The Grantee is not required to re-examine the family's

income at the time the HOME assistance is committed to the household, unless more than six months has elapsed since the Grantee determined that the family qualified as income eligible. If more than six months elapses before assistance is provided, eligibility must be re-determined.

- a. For homeowner rehabilitation projects, the date assistance is provided is the date of the rehabilitation contract.
- b. For homeownership programs, the income eligibility of the families is timed as follows:
  - i. In the case of a contract to purchase existing housing, it is the date of the purchase;
  - ii. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, it is the date the lease-purchase agreement is signed; and
  - iii. In the case of a contract to purchase housing to be constructed, it is the date the contract is signed.

**I. INCOME VERIFICATION** - Grantees must verify and retain documentation of two (2) months of income information for each person in the household to determine the household's income. Under the Section 8 Program, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification.

1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
  - a. To conduct third-party verifications, a Grantee must obtain a written release from the household that authorizes the third party to release required information.
  - b. Third-party verifications are helpful because they provide independent verification of information and permit Grantees to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.
2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files. Grantees should be aware that although easier to obtain than third-party verifications, a review of documents often does not provide

needed information. For instance, a pay stub may not provide sufficient information about average number of hours worked, overtime, tips and bonuses.

3. **APPLICANT CERTIFICATION** - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use

an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash. Applicant certification is the least reliable form of verification and may be subject to abuse. In some cases, the applicant certification can be supplemented by looking at the applicant's past history. The Grantee can review the previous year's income tax return to determine if the current year's income is consistent with activity for the previous year.

**J. CALCULATION METHODOLOGIES** - Grantees must establish methodologies that treat all households consistently and avoid confusion.

1. It is important to understand the basis on which applicants are paid (hourly, weekly or monthly, and with or without overtime). An applicant who is paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).
2. It is important to clarify whether overtime is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9- or 12-month period.

**K. DETERMINING WHOSE INCOME TO COUNT** - Knowing whose income to count is as important as knowing which income to count. Under the Section 8 definition of income, the following income is not counted:

1. **INCOME OF LIVE-IN AIDES** - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide);
2. **INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN** - Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and
3. **EARNED INCOME OF MINORS** - Earned income of minors (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted.
4. **TEMPORARILY ABSENT FAMILY MEMBERS** - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns \$600/week at a temporary job on the other side of the state. He keeps \$200/week for expenses and sends \$400/week home to his family. The entire \$600/week is counted in the family's income;

5. **ADULT STUDENTS LIVING AWAY FROM HOME** - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the family, the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is head of household or spouse (their full income must be counted); and

6. **PERMANENTLY ABSENT FAMILY MEMBER** - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.
7. **PERSONS WITH DISABILITIES** - During the annual recertification of a family's income, increases in the income of a disabled member of qualified families residing in HOME assisted housing or receiving HOME tenant-based rental assistance is excluded. 24 CFR 5.61(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to an eligible family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, 50 percent of the increase in income is excluded. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

## 9 ELIGIBILITY REQUIREMENTS OF PROPERTY TO BE REHABILITATED

### A. DEFINITIONS - The following are definitions of the various terms used with respect to eligibility requirements of the property to be rehabilitated.

1. **DWELLING UNIT** - A single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation.
2. **SINGLE FAMILY** - A housing unit consisting of living, sleeping, bathing, and food preparation designed for single-family use, although more than one family may be residing therein, if every occupant has access to all areas within the building envelope.
3. **SUBSTANDARD** - A housing unit failing to meet all applicable codes, rehabilitation standards ordinances, and zoning ordinances as set forth by the Community, UPCS as defined by HUD, or as defined by the HOME application.

### B. ELIGIBILITY CRITERIA

1. The minimum HOME expenditure per unit must exceed \$1,000.
2. The dwelling must be located within the designated area as outlined in the application.
3. The dwelling unit must be classified as substandard, based on a written, detailed inspection report by a qualified inspector.
4. The dwelling unit must not lie within a 100-year floodplain.

## 10. RATING SYSTEM FOR RANKING OF APPLICANTS

- A. The awarding of rehabilitation grants to eligible applicants will be based on a priority list, according to which households are in greatest need for housing assistance. Houses will be rehabilitated in descending order, the household with the most need first, the next household second, and so on until the funds are expended.

- B. The rating system is based on points. The most deprived households will have the highest number of points. Information for determination of points is taken from the application (HO-3) submitted by the homeowner. Each application shall be rated according to:

1. **INCOME/FAMILY**

<b>SIZE FAMILY SIZE</b>	<b>80% INCOME LIMIT 1 1</b>
1	37,450
2	42,800
3	48,150
4	53,500
5	57,800
6	62,100
7	66,350
8	70,650

If the income based on family size is less than the stated figure, the household will receive extra points.

If 80% to 99% less	Add 70 points
If 60% to 79% less	Add 60 points
If 40% to 59% less	Add 50 points
If less than 39%	Add 20 points

2. **NUMBER IN HOUSEHOLD**

1 Person Household	5 Points
2 Person Household	10 Points
3 Person Household	20 Points
4 Person Household	25 Points
5 Person Household	30 Points
6 Person Household	35 Points
7 Person Household	40 Points
8 Person Household	45 Points

3. **NUMBER OF ELDERLY** 20 Points per person

For each household member at least 62 years old at the time of application

4. **NUMBER OF HANDICAPPED/DISABLED** 20 Points per person

Household member receiving disability benefits from Social Security, a pension program, life insurance program, or a total or partial physical impairment which renders the person unable to work. Where there exists reasonable question, a doctor's certification will be used.

<sup>1</sup> Annual Income Limit Figures available from HUD/THDA

State of Tennessee 2014 HOME Operations Manual

HO-1

10-34

5. **HEAD OF HOUSEHOLD** 15 Points

This is a single head of household (male or female) with children under 18, or a dependent with severe developmental disabilities or severe dementia. This does not apply to a widow/widower living alone.

6. **NUMBER OF PERSONS 18 OR YOUNGER** 10 Points per person

7. **CONDITION OF THE DWELLING STRUCTURE**

Standard Dwelling	No Points
Substandard Dwelling	15 to 29 Points
Dilapidated Structure	30 to 50 Points
Structures beyond repair	No Points

## 11. TERMS, CONDITIONS AND CONSIDERATIONS FOR GRANTS

**A. DETERMINATION OF THE AMOUNT OF THE GRANT** - The amount of a rehabilitation grant that an applicant may receive will not exceed:

1. The actual and approved cost of the repairs and improvements necessary to make the dwelling conform to the housing standards adopted by the Grantee and THDA.
2. The amount and structure of the grant must be consistent with the application submitted to THDA.

3. When the applicant is furnishing supplementary funds from other sources, evidence that actual funds are available will consist of verification and documentation by the Grantee that the applicant has deposited the required amount in the appropriate escrow account. Such deposit must be made before the grant application and any construction work can begin.

**B. STRUCTURE OF FINANCIAL ASSISTANCE** - HOME funds are used to make forgivable grants to property owners to cover the full cost of the needed rehabilitation work.

1. To prevent homeowners from simply selling the property and profiting from the HOME funded improvements, the owners must repay the program if they sell the property within the compliance period. Part of the owner's obligation is forgiven each year they live in the rehabilitated unit.

2. Repayment of the rehabilitation grant over a five year affordability period shall be based on a twenty percent (20%) reduction of the amount to be repaid per year, according to the following schedule:

0 - 12 months	100% Repayment
After one year	80% Repayment

After two years	60% Repayment
After three years	40% Repayment
After four years	20% Repayment
After five years	0% Repayment

3. The property owner must sign a Grant Note and a Deed of Trust. The Deed of Trust secures the Grant Note by placing a lien against the property and is activated if the owner attempts to sell within the compliance period.
    - a. If ownership of the property is in the form of a life estate, the owners of the property as well as the person with the life estate must sign the Grant Note and the Deed of Trust.
    - b. If the property has been inherited by multiple owners not of whom reside in the property, all of the owners must sign the Grant Note and Deed of Trust.
    - c. Grantees and administrators should consult their agency or community general counsel if there are questions.
  4. In cases of death, THDA does not require repayment as long as the ownership of the property passes to the heirs. The heirs may occupy the unit, rent it or let it sit empty, without triggering the repayment clause. However, if the heirs sell the property, or if the property is sold with monetary gain by any actions of a court to settle outstanding claims or settle the estate, the grant must be repaid to THDA, less any forgivable portion.
- C. OTHER GRANT CONDITIONS** - Specific terms and conditions are incorporated in the grant application and the contract documents. The applicant agrees to:
1. Allow inspection by the Grantee and/or THDA of the property whenever the Grantee and/or THDA determines that such inspection is necessary.
  2. Furnish complete, truthful and proper information as needed to determine eligibility for receipt of grant money.
  3. Permit the contractor to use, at no cost, reasonable existing utilities such as gas, water and electricity which are necessary to the performance and completion of the work.
  4. Cooperate fully with the Grantee and the contractor to insure that the rehabilitation work will be carried out in a timely manner. Provide a safe, secure, and non-hostile environment.

## 12. ELIGIBLE REHABILITATION ACTIVITIES

- A. INTRODUCTION** - A rehabilitation grant may be made only to cover the cost of rehabilitation necessary to make a dwelling unit conform to the UPCS and applicable code adopted by the jurisdiction in which the property is located and consistent with the application submitted to THDA.

**B. HOUSING REHABILITATION COSTS AND LEAD-BASED PAINT** - The maximum HOME subsidy per unit is established by HUD and cannot be exceeded.

1. If a unit to be rehabilitated was built after 1978, the rehabilitation costs are capped by the HOME subsidy limits.
2. All units built prior to 1978 require a risk assessment by a qualified lead inspector. If the risk assessment of a pre-1978 unit discloses no lead, then the cap for rehabilitation costs is \$40,000.

3. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs are less than \$25,000, the standard treatments will apply and the maximum HOME subsidy for rehabilitation is limited to \$25,000.
4. If the risk assessment for a pre-1978 unit reveals the presence of lead-based paint and the estimated rehabilitation costs exceed \$25,000, then abatement using a qualified abatement contractor will be required to provide assistance up to \$40,000 for rehabilitation hard costs. Lead-based paint costs would be paid as project soft costs up to the HOME subsidy limits. The Grantee must have pre-approval by THDA staff before proceeding with abatement.

**C. ELIGIBLE COSTS**

1. **EXISTING CODE VIOLATIONS** - Costs which can be included in rehabilitation grants are the costs of correcting existing housing code violations which have been determined by a qualified project inspector and formalized in an individualized housing report.
2. **INCIPIENT CODE VIOLATIONS** - An incipient violation exists if at the time of inspection an element in the structure which, due to age, deterioration, wear, or normal usage will deteriorate within the life of the grant period and thus become a code violation. Costs to correct these potential violations are eligible costs.
3. **PERMITS AND FEES** - Rehabilitation funds may be used to cover the cost of building permits and related fees required to carry out the proposed rehabilitation work. However, since the rehabilitation contract documents will require the contractor to pay them, these costs ordinarily would be included in the contract amount. Recording and filing fees are eligible costs.
4. **EQUIPMENT** - Rehabilitation funds may provide for the repair or purchase and installation of certain basic equipment necessary for the maintenance of the household in a safe, decent, sanitary condition, and in good repair. These include such items as a furnace, water heater, electrical and sanitary fixtures, kitchen range, refrigerator, cabinets and sinks. Purchase and installation is acceptable if there is no such equipment in the dwelling or if the existing equipment is unsafe, unsanitary or non-functional. There is a \$800.00 maximum expenditure (including taxes and delivery) for a kitchen range, and an \$1,000.00 maximum expenditure (including taxes and delivery) for a refrigerator. These appliances must be Energy-Star rated where available.
5. **HANDICAPPED** - Special alterations or costs related to making the dwelling more convenient or accessible for physically challenged persons are eligible costs. All work performed in these units must comply with all applicable codes as well as all Federal and State regulations.

6. **LEAD-BASED PAINT** - All costs associated with the reduction of lead-based paint hazards must comply with 24 CFR 92.355.
7. **DEMOLITION OF EXISTING STRUCTURES AND UTILITY CONNECTIONS** All costs related to the demolition of existing structures and to provide utility connections are to comply with 24 CFR 92.206(a)(3). Demolition is only eligible if it is a part of a HOME project such as reconstruction or removal of an unsafe addition or out building.

8. **EXTERIOR PAINTING** - Exterior painting is an eligible cost when it is necessary to maintain a weatherproof exterior on the dwelling.
9. **GUTTERS** – Gutters are an eligible cost when rehabilitating the exterior of a unit or when reconstructing a unit.
10. **OTHER COSTS** - Rehabilitation costs not specifically required by the housing rehabilitation standards found necessary to be decent, safe, sanitary, and in good repair for the general welfare of the occupants of the structure may be considered for eligibility, with prior consent of the Grantee's governing body and THDA, as well as any other cost as outlined in 24 CFR 92.206.

### C. INELIGIBLE COSTS

1. Renovation of dilapidated out buildings.
2. Appliances not required by code standards.
3. Materials, fixtures, equipment, or landscaping of type or quality that exceeds that customarily used in the locality for properties of the same general type as the property to be rehabilitated.
4. All items outlined in 24 CFR 92.214. D.

## 13. HOUSING REHABILITATION SPECIFICATIONS

- A. **INTRODUCTION** - This section sets forth the responsibilities of the Grantee for determining the rehabilitation work necessary to bring a dwelling into conformance with the UPCS and applicable code adopted by the State, county or city and with the objective of the program as proposed in the application submitted to THDA. The Grantee will:
1. Inspect the property and prepare an inspection list noting UPCS and code deficiencies.
  2. Conduct lead-based paint testing/risk assessment to identify lead-based paint hazards.
  3. Consult with and advise the owner of the work to be done and the availability of a rehabilitation grant.
  4. Prepare a work write-up and cost estimate as a basis for rehabilitation grant and for the bid process in contracting for rehabilitation work and lead-paint hazard reduction activities.

**B. PROPERTY INSPECTION AND SPECIFICATIONS CHECKLIST** - The Grantee will have the property inspected and have a report prepared that identifies each deficiency with respect to the UPCS and applicable code adopted by the Community and the lead-based paint hazard reduction activities required by the testing/risk assessment. The homeowner will also list other deficiencies and request for repairs which may be eligible for correction through the rehabilitation grant. This Initial Inspection will provide a proper basis for the preparation of the work write-up, cost estimate and contract specifications.

**C. WORK WRITE-UP AND COST ESTIMATE** - The work write-up and cost estimate is a statement based on the initial inspection and lead-based paint testing/risk assessment. It itemizes separately all the rehabilitation work and the lead hazard reduction activities to be done on the dwelling and includes an estimate of the cost of each item. The cost estimate will be reasonable, reflect prevailing labor and material costs, and reflect a reasonable profit & overhead costs for the contractor. The work write-up and estimate must be reviewed and approved by THDA before presenting it to the homeowner/ applicant.

1. **DUAL-USE OF WORK WRITE-UP** - The write-up will be detailed and specific in style. Each item will be identified as correcting a UPCS and code violation, meeting a code requirement, reducing lead-based paint hazards, or as an eligible cost under the grant. This same write-up without the cost estimate will serve as part of the scope of work and specifications for the construction contract documents.

2. **ITEMIZING COSTS** - Each item, definable feature of work and its estimated cost will be identified in the work write-up as either correcting a UPCS and code violation, meeting a code requirement, reducing lead-based paint hazards, or eligible under the grant. This will be done on the work write-up by entering the cost estimates in a columnar arrangement.

3. **OWNER PREFERENCE** - A work write-up need not contain details that have no significant effect on cost. The term "to be selected by owner" may be used appropriately.

**D. CONSULTATION WITH HOMEOWNER/APPLICANT** - The Grantee will consult with the prospective applicant on the work write-up and cost estimate. The Grantee will advise the applicant that only work that is directed toward correcting a UPCS and code violation, meeting a code requirement, or that is an eligible activity can be funded by the grant. The homeowner must understand that "cosmetic improvements" are not eligible for funding. The final work write-up (without costs) will be used by contractors for determining their bids and incorporated into the rehabilitation contract documents which the homeowner and contractor will sign. The homeowner should initial each page and sign the last page of the write-up.

**E. CLEARLY WRITTEN SPECIFICATIONS** - The work write-up will be written so that it provides a clear detailed understanding of the nature and scope of the work to be done and a basis for carefully determined bids and proposals from contractors. The homeowner shall have a clear understanding of the nature and scope of the work to be done and any limitations that may exist.

1. Each specification will show the nature and location of the work and the quantity and type of material required. The specifications are to comply with THDA's Minimum Design Standards for New Construction & Rehabilitation of Single Family & Multifamily Housing Units.

2. The specifications will refer to manufacturer's brand names or association standards to identify quality of material and equipment, and may make provision for acceptable substitutes of equal or greater value or quality and brand name requirements may be included in the "General Conditions and Specifications" and indicated by reference in the work write-up.

## 14. CONTRACTING FOR REHABILITATION WORK

**A. INTRODUCTION** - This section sets forth requirements and procedures with respect to the construction contracts for housing rehabilitation financed through a rehabilitation grant. Rehabilitation work will be undertaken only through a written contract between the contractor and the property owner receiving the grant.

1. **FORM OF CONTRACT** - The construction contract will consist of a single document signed by the contractor and the property owner, following approval of the grant application. It will contain a bid, the Grantee's General Conditions and Specifications by reference, the work write-up which specifies the work to be done, and the existing UPCS and code violations.
2. **USE OF ALTERNATES** - The document prepared by the Grantee may contain alternates by which each bidder may increase or decrease the lump sum contract price, if the alternates are later accepted as part of the work to be performed.
3. **PROCUREMENT OF BIDS** - The Grantee will advertise openly and publicly for bids and encourage minority and female owned firms to bid on its projects. Advertise at beginning of the program and at least once each year.

**B. GENERAL CONDITIONS** - The bid package will contain the following:

1. The address, time and date by which the bid should be submitted by the contractor.
2. A provision that the bid be accepted by the homeowner within a specified length of time.
3. A provision that the contractor start work within a specified length of time.
4. A statement concerning the acceptability of progress payments.
5. A provision that final payment on the contract amount will be made only after final inspection, acceptance of all work by the Grantee and the homeowner, and after the Grantee receives the contractor's final invoice release of liens and warranty, and claims for liens by subcontractors, laborers and material suppliers for completed work or supplied materials.
6. Provisions that the contractor will be required to:
  - a. Obtain and pay for all permits and licenses necessary for the completion and execution of the work and labor to be performed.

- b. Perform all work in conformance with UPCS, applicable local codes, as well as lead-based paint regulations and requirements, whether or not covered by specification and drawings for the work.
- c. Keep the premises clean and orderly during the course of the work and remove all debris at the completion of the work. Materials and equipment that have been removed and replaced as part of the work shall belong to the contractor, unless specifically stated otherwise within the work write-up.

- d. Not assign the contract without written consent of the Grantee and homeowner.
- e. Guarantee the work performed for a period of one year from the date of final acceptance of all work required by the contract. Furthermore, furnish the homeowner, in care of the Grantee, with all operations and maintenance manuals, manufacturers and suppliers written guarantees and warranties covering materials and equipment furnished under the contract.
- f. Include a statement as to whether the premises are to be either occupied or vacant during the course of construction work.
- g. A provision that the contractor may reasonably use existing utilities without payment during the course of the work.

### C. INSURANCE

1. The contractor shall carry or require that there be carried Workman's Compensation Insurance for all his employees and those of his subcontractors engaged in work at the site in accordance with Tennessee State Workman's Compensation Laws.
2. The contractor shall carry or require that there be carried Manufacturer's and Contractor's Public Liability Insurance. This insurance will be in an amount not less than \$100,000 for injuries including accidental death to any one person for one accident, and to protect the contractor and subcontractors against claims for injury or death of one or more persons because of accidents which may occur or result from operations under the contract. Such insurance shall cover the use of all equipment, including but not limited to, excavating machinery, trenching machines, cranes, hoists, rollers, concrete mixers, and motor vehicles in the construction of the rehabilitation embraced in their contract.
3. The contractor shall carry during the life of the contract Property Damage Insurance in an amount of not less than \$100,000 to protect him and his subcontractors from claims for property damage which might arise from operations under their contract.
4. Before commencing work, the contractor shall submit evidence of proof in Workman's Compensation, Public Liability Insurance and Property Damage Insurance.
5. Specify work to correct those violations or hazards;
6. Note any unusual features or limitations;
7. Include the Grantee's estimated cost for rehabilitation; and

8. Will be initialed on each page by the homeowner and signed on the signature page by the homeowner.

**E. INELIGIBLE CONTRACTORS** - The Grantee may determine a contractor ineligible to bid on projects when:

1. The contractor is listed on the Federal Debarred list; the grantee must check the contractor and all subcontractors' names against the Federal Excluded Parties List System (available at <https://www.sam.gov/portal/public/SAM/>). The grantee will print out the system search results and place in file to document that the contractors and subcontractors are not on this list.

2. There is documented proof that the contractor has not paid material suppliers;
3. There is documented proof that the contractor has not completed projects within the allotted time frame;
4. There exist substantial complaints by homeowners about quality of work and performance.
5. There is documented proof that the contractor has not performed warranty work on previous contracts.
6. Conflict of interest exist between the contractor candidate and project participants, location, or any financial ties

**F. INVITATION TO CONTRACTORS FOR BID AND PROPOSAL**

1. The Grantee will announce the program and advertise for contractors in local and/or regional newspapers at the beginning of the program and at least once each year thereafter.
2. The Grantee will accept applications from contractors throughout the life of the program.
3. The Grantee will develop and maintain a list of contractors, including minority and female headed firms within the region.
4. The Grantee will notify in writing and in a timely fashion all contractors on the Contractors List when bid packages are available.
5. The Grantee will document when and to whom invitations to bid are sent out and packages picked up.

**G. SELECTION OF A SUCCESSFUL BIDDER** - The opening of the sealed bids must meet these conditions.

1. The opening must be public.
2. The best value responsive and responsible bid will prevail. Bids that fall 15% under or 15% over the Grantee's cost estimate may be rejected as not responsible bides.
3. There must be at least three (3) competitive bids by eligible contractors.

4. Minutes of the award and bid tabulations should be appropriately filed.
5. Questions concerning contractor eligibility shall be decided prior to opening the bids.
6. The Grantee will verify with THDA that contractors are not debarred.
7. The Grantee may limit the number of bids awarded to any one contractor at any one bid letting to three (3).

8. If all bids exceed the amount of the construction budget, the Grantee may not negotiate solely with the low bidder. The project can be re-bid or changed in scope. If the project is changed, then each bidder must be given the opportunity to bid again. Bidders must be informed that they have the right to change their original unit prices as long as they conform to the revised bid specifications. Grantees must maintain documentation to demonstrate that this process was followed.
9. If there are not at least three (3) competitive bids from eligible contractors, the project must be re-bid. If there are still not three bids after the project has been re-bid, the Grantee will contact THDA before awarding the contract.

**H. AWARD OF THE CONSTRUCTION CONTRACT** - The contract will become effective upon the signatures of the homeowner and contractor and with the Grantee's endorsement. The Grantee will distribute the executed contract documents as follows: original to Grantee, copy to homeowner, copy to contractor.

## **15. INSPECTION, CLOSE-OUT AND PAYMENT FOR REHABILITATION WORK**

- A. RESPONSIBILITY FOR MAKING INSPECTIONS** - Inspection of construction will be performed by the Grantee or it's designate as follows:
  1. Compliance inspections will be made as often as necessary to assure that the work is being completed in accordance with the community's building, electrical, mechanical and plumbing codes, zoning regulations, and any other related State or local laws and ordinances.
  2. Inspections will be made as often as necessary to assure that the work being performed is in accordance with the terms of the construction contract.
  3. Written notices of inspections (HO-17) shall be filed appropriately.
  4. THDA's QAI will perform a minimum of 3 inspections throughout the project. An initial inspection, a progress inspection, and a final inspection will be conducted in accordance with THDA's Policy and Procedures and HUD 24CFR 92.251 of the 2013 HOME Final rule.
- B. PROGRESS PAYMENTS** - If progress payments are allowed by the Grantee, no more than one progress payment can be made and the payment will be 50% of the funds at the completion of 60% of the work.
- C. FINAL PAYMENTS**

1. **FINAL INSPECTION** - Upon completion of the rehabilitation work, a final inspection is held by the Grantee. Any uncompleted work or work that is unsatisfactory is noted on a final "punch list" and sent to the contractor in writing (HO-17 and HO-18). When these items are completed, clearance testing for lead-based paint hazards is conducted on the unit. When the unit passes clearance testing, the contract is complete.
2. **CERTIFICATION** - After the Grantee determines that the rehabilitation work has been fully and satisfactorily completed and the unit has passed clearance testing, the Certification of Completion and Final Inspection (FM-7) is prepared. The

homeowner signs the Certification indicating that he accepts the rehabilitation work as meeting the terms and conditions of the contract. The contractor signs the Certification indicating that the work has been completed in accordance with the contract and that there are no unpaid claims for labor, materials supplies or equipment. The inspector signs the Certification indicating that work has been completed in accordance with the contract and authorizing final payment.

3. **NOTICE OF COMPLETION** - The contractor shall file a Notice of Completion with the Register of Deeds in the county where the work is performed and return a certified copy to the Grantee.
4. **MAKING FINAL PAYMENT** - When the final inspection determines that the work is completed in accordance with the contract and the homeowner has accepted the work, the Grantee will obtain from the contractor a release of liens, including all subcontractors and suppliers, and a copy of each warranty due the owner for the work. The Grantee will request final payment from THDA at that time.
5. If the homeowner refuses to sign the final acceptance, the Grantee may authorize full payment for those items which are undisputed and acceptable to all parties.

## **16. GRIEVANCE PROCEDURE**

- A. The Grievance Procedure shall be made a part of the contract between the homeowner and the contractor. Disputes between the homeowner, Grantee and contractor may arise from time to time during the life of the rehabilitation project. In those instances where a mutually satisfactory agreement cannot be reached between the parties, the grievance procedure will be followed.
  1. The grievance by the homeowner or contractor is to be filed with the program administrator in writing.
  2. The program administrator will meet with the homeowner/contractor and attempt to negotiate a solution.
  3. Contact the THDA Community Programs Division at (615) 815-2030 should the program administrator fail to negotiate a solution.
- B. **GRIEVANCE PROCEDURE** - If this fails, the program administrator will follow the grievance procedure as outlined below:

1. All claims or disputes between the owner and contractor arising out of or related to the work shall be decided by arbitration in accordance with the current construction industry arbitration rules of the American Arbitration Association unless the parties mutually agree otherwise.
2. The owner and contractor shall submit all disputes or claims, regardless of the extent of the works progress, to (Arbitrator) unless the parties mutually agree otherwise.
3. Notice of the demand for arbitration shall be filed in writing with the other party to this rehabilitation agreement and shall be made within a reasonable time after the dispute has arisen.

4. The award rendered by the arbitrator shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
  5. If the arbitrator's award is in a sum which is less than that which was offered in settlement by the contractor, the arbitrator may award costs and attorney fees in favor of the contractor. If the arbitrator's award is in a sum which is less than that which was offered in settlement by the owners, the arbitrator may award costs and attorney fees in favor of the owner.
- C. THE WRITTEN CONTRACT** - The contract and the rehabilitation specifications, along with the initial inspection report provide the basic documentation by which the relative merits of any dispute will be judged.
- D. CONFLICT OF INTEREST OF PUBLIC OFFICIALS** - No elected or appointed Federal, State or local official, member of the local governing body, or any other public official or employee who exercises any functions or responsibilities in conjunction with the administration of the housing rehabilitation shall have any interest, direct or indirect, in the proceeds or benefits of the rehabilitation grant program. In those cases where the interest may not be direct or indirect, and the conflict of interest is only "apparent", the Grantee must contact THDA for clarification before proceeding. THDA will not routinely consider requesting an exception to the conflict of interest provisions from HUD.
- E. KICKBACKS AND DISCOUNTS** - No member of the governing body of the Grantee or any Grantee employee shall receive kickbacks or discounts from either contractors or property owners in return for special favors in regard to housing rehabilitation.

