

HOUSING REHABILITATION BEST PRACTICES

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Introduction

- Why is it important to talk about housing rehabilitation?
 - Nationally, from 2010 through 2015, over 20%* of CDBG expenditures were for housing rehabilitation activities.
 - Many communities have been running housing rehabilitation programs for years without many changes, and it's always good to periodically reevaluate your programs effectiveness.
 - Many grantees have newer staff on board who may need/want to learn more about housing rehabilitation programs.

*Sources <https://www.hudexchange.info/manage-a-program/cdbg-expenditure-reports/>

Housing Rehabilitation Program Overview

**Program
Design:
Program
Guidelines**

**Outreach and
Advertisement**

**Application
Intake and
Eligibility
Determination**

**Initial
Inspection and
Cost Estimate**

**Agreement
with the
Homeowner**

**Procurement
and
Contractor
Contract**

**Construction
Management:
Progress and
Final
Inspections**

Program Design: Program Guidelines

- Who, what, when and where:
 - Who: Target population or all LMI households? Internally or externally administered?
 - What: Specialty-type program or more general rehabilitation? Type of financing to be provided?
 - When: First come, first served or priority for certain types of work?
 - Where: Target area v. City-wide?

Example of specialty programs:

- Accessibility improvements
- Emergency repairs
- Energy conservation
- Historic preservation
- Hoarding
- Paint programs
- Utility hook-ups

Program Design: Program Guidelines Continued

- Program guidelines should be written in a way that is easily understood by both staff and potential clients.
- Guidelines will need to clearly reflect type(s) of assistance provided – i.e. loans will need to have established terms, interest rates and maximum borrowing amounts.
- Loan programs will also need to have established policies and procedures for loan servicing.

Outreach and Advertisement

- Develop policies and procedures for targeting potential program participants.
 - Community needs and program design will inform targeting efforts.
 - Most costly efforts do not always yield the greatest results.
- Establish procedures for developing a list of potential contractors.
 - Refresh the list **at least** annually.
 - Document that contractors have not been debarred.

Application Intake and Eligibility

- Describe in the program guidelines the process that will be used to complete an application and the criteria that will be used to approve or deny applications.
- For Low/Moderate Income Housing (LMH) activities:
 - Determine which definition of income will be used to determine program eligibility.
 - Establish standard income verification procedures, including acceptable forms of source documents/third party verification.

Initial Inspection, Work Specifications and Cost Estimate (Bob's Favorite)

- Initial inspection needs to be comprehensive.
- Work specifications need to be detailed enough to clearly describe the scope work to be performed.
- A good cost estimate is important for ensuring that bidders' prices are reasonable. A variety of tools exist that can help to estimate cost.
- Program policies and procedures should describe cost estimate methods to be used.

Agreement with the Homeowner

- Program guidelines should include sample agreements and funding instruments that will be used.
 - Grant agreement
 - Loan agreement, mortgage, promissory note
- Agreement components include:
 - Amount and form of assistance;
 - Rehabilitation work to be undertaken;
 - Date of completion; and sometimes
 - Property standards to be met (not required for CDBG)

Note: There is no on-going principal residency requirement for either CDBG or HOME-funded homeowner rehabilitation programs, but some communities include this requirement in their program design.

Procurement

- Establish a written contractor selection process.
 - Include a procedure for resolving contract disputes.
- Options include:
 - Procurement by the grantee with approval by the homeowner
 - Procurement by the homeowner with approval by the grantee

Progress and Final Inspections (Another One of Bob's Favorites)

- Establish policies and procedures for conducting inspections. Inspections should be performed and progress documented (i.e. narrative, photos, sign-off) **before** any payments are released.
- Process for approval of change orders needs to be included in policies and procedures and include approval by the homeowner.
- Final payment should not be made until the homeowner has approved the work and been provided with applicable warranty information.

Common Monitoring Findings

- Initial inspections were not documented or poorly documented.
- Rehabilitation standards were inadequate.
- Cost estimates were not performed.
- Work specifications were inadequate leading to excessive change orders.
- Contract payments were processed without verification of satisfactory completion of the work.

Other Issues

- Managing performance – things to consider:
 - # of completions per year
 - Length of time to complete
 - % of activity delivery costs to total expenditures
- Dealing with difficult customers and contractors
- Things we forgot?