



CITY OF MICHIGAN CITY
COMMUNITY DEVELOPMENT
DEPARTMENT
OWNER OCCUPIED REHABILITATION
PROGRAM

POLICIES AND PROCEDURES MANUAL

CITY OF MICHIGAN CITY
COMMUNITY DEVELOPMENT BLOCK GRANT
OFFICE OF PLANNING AND INSPECTION
OWNER OCCUPIED REHABILITATION PROGRAM

Policies and Procedures

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Preface

This handbook serves as the technical guide to the City's owner-occupied housing rehabilitation program (Housing Rehabilitation) administered by the Community Development, Planning & Inspection Department.

The Housing Rehabilitation Program also known as Residential Exterior Community Appeal Program or RECAP includes but is not limited to:

- I. Housing Rehabilitation Grant for Minor Exterior Repairs
- II. Emergency Repair Program
- III. Handicapped Access Improvements

Funding for the various program components under the Housing Rehabilitation Program is authorized by the City of Michigan City and provided by the U.S. Department of Housing and Urban Development. Community Development Block Grant (CDBG) provides funding for this program by a consortium with the City of Michigan City under its Redevelopment Authority as the lead agency.

The purpose of the Owner-Occupied Housing Rehabilitation Program is to assist low income families in maintaining decent, safe, sanitary, and energy efficient housing by rehabilitating substandard single-family dwellings to meet local standards and environmental requirements. The emergency repair component of the program eliminates unsafe, hazardous and unsanitary conditions that require immediate attention.

1. CITY OF MICHIGAN CITY OWNER OCCUPIED HOUSING REHABILITATION PROGRAM

1.1 Purpose

The City of Michigan City Owner-Occupied Housing Rehabilitation Program awards one type of forgivable loan (grant):

- A one to ten-year deferred loan (grant) to rehabilitate an eligible substandard housing unit.

1.2 Authority

The dwelling must be an owner-occupied, single-family residence and be located within the corporate limits of Michigan City, Indiana. Rehabilitation or reconstruction must correct building code deficiencies in the eligible units and make them safe, sound and sanitary.

1.3 Program Resources

Funding for rehabilitation activities comes from a U.S. Department of Housing and Urban Development Community Block Grant.

1.4 Applicable Laws

The local governing body, contractors, subcontractors, vendors 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. (See Appendix A).

The term "housing code" includes but is not limited to the International Property Maintenance Code, the International Residential Code and other building and life safety codes adopted by the City and State of Indiana.

2. ELIGIBILITY REQUIRMENTS - APPLICANTS

2.1 General. This section sets forth the property and owner eligibility requirements for a rehabilitation grant. The property must need rehabilitation to meet current HUD Housing Quality Standards and the Michigan City, Indiana Building Code.

A. Location

All programs are available to residents of Michigan City, Indiana that meet Federal eligibility requirements. In order to be eligible for a Housing Rehabilitation Grant the property must be located within Michigan City geographical boundaries.

B. Ownership

1. **Owner-Occupied Dwellings:** The owner-occupant of a single-family dwelling must meet the definition of a homeowner and must have had possession at least 12 months prior to applying for rehabilitation assistance. An applicant or structure may

only receive assistance up to the maximum dollar amount feasible for the project, which is ~~\$20,000~~ for hard costs for a Housing Rehab Grant project. This amount is subject to change orders and unforeseen circumstances, the project hard costs at time of contract execution cannot exceed 60% of the assessed value. This maximum amount will not include project delivery costs (e.g. project write-ups, bidding, inspections, lead-based paint clearance testing, etc.).

2. Contract Holder: A land sales contract purchaser must, at a minimum, meet all of the following requirements to be eligible for rehabilitation assistance to cover rehabilitation costs.

- a. The contract shall be a written, legally binding instrument involving property that will be for continued resident use after rehabilitation.
- b. The seller may not convey any interest in the property to any other party unless the conveyance is subject to the land sales contract, except the seller may retain the right to mortgage the property for an amount that does not exceed the unpaid portion of the contract purchase price.
- c. Under the contract, the seller and any subsequent holder of the title to the property must be obligated, without qualification, to deliver fee simple title and warranty deed to the property to the purchaser upon full payment of the contract price, or some lesser amount.
- d. Under the terms of the contract, the purchaser shall have:
 - i. Full use, possession, and quiet enjoyment of the property.
 - ii. Equitable title to the property.
- e. The purchaser shall have possession and use of the property under the contract for twelve months prior to applying for rehabilitation assistance, and must be a homeowner as defined herein.
- f. The contract must be recorded in the LaPorte County Recorder's Office prior to approval for assistance.
- g. The titleholder must sign an addendum to the land sales contract which will allow rehabilitation to proceed.

C. Occupancy

A homeowner shall verify that the property to be rehabilitated is the homeowner's principal place of residence and the homeowner has been in occupancy at least twelve months prior to applying for assistance. Verification of residency may be obtained from Northern Indiana Public Service Company or the Michigan City Department of Water Works, if other proof is unavailable.

D. Income

A. Income Limits

To qualify for the programs covered by this manual, the income of an applicant household may not exceed 80% of the area median income (AMI), as determined by the U.S. Department of Housing and Urban Development on an annual basis. The City of Michigan City maintains a table of the HUD determined AMI levels for households of various sizes and updates are requested annually according to the report issued by HUD.

B. Assets

If the applicant has assets in excess of \$5,000, the excess amount is multiplied by the current passbook savings rate or the actual income (whichever is applicable) and counted as earned income. If a household has over \$50,000 in assets (not including equity in the property to be rehabilitated) as defined in this manual, the household is not eligible for assistance.

E. Ownership and Income Verification

Ownership

For all applications the applicant must provide documentation of recorded ownership. Such documentation may be in the form of verification from the LaPorte County Assessor or a copy of the deed to the property or a title certificate. If uncertainty exists as to the adequacy of documentation, the case shall be referred to the City's Attorney's Office which may require additional support documentation.

2.2 Eligibility Criteria - Applicants

The applicant must satisfy the following criteria to be eligible for program assistance:

- A. The applicant must be the owner of the property to be rehabilitated and have resided in the dwelling for not less than one year.
- B. The household income must be classified low or very low as defined by HUD Income Guidelines requirements.
- C. The applicant must be a U.S. citizen or a legal resident alien.
- D. Ownership must be in the form of either a fee-simple title and the title must not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.
- E. The applicant must voluntarily apply for assistance. Participation in the City of Michigan City programs is voluntarily on behalf of the applicant and the City. This relationship may be terminated by the client or the City. Because the

relationship is voluntary, the applicant must agree to the initial codes inspection.

- F. The applicant must be current on mortgage payments and all applicable property taxes.
- G. The applicant must not have received rehabilitation or reconstruction assistance from the City of Michigan City previously unless a defect in previous rehabilitation work is determined to be faulty or has created a more severe deficiency in the housing structure or replaced components as associated with contractor negligence. Total rehabilitation assistance, including the assistance being applied for and previous assistance, may not exceed \$20,000 per applicant exclusive soft costs and costs of lead-based paint treatment unless a waiver (See Section 5.1 – Determination of the Amount of the Grant) is approved by the CDBG Program Administrator, or if the project is approved for reconstruction.
- H. The applicant must demonstrate the ability to maintain the dwelling with regard to ongoing maintenance and repairs, safety hazards and health/cleanliness issues.
- I. The applicant must maintain homeowner's insurance covering structure replacement during the grant compliance period.

The applicant acknowledges resources (family/friends) are readily available if temporary relocation is necessary during the rehabilitation construction period.

Uniform Relocation Act (URA) - In addition, the program will adhere to the Lead Safe Housing Rule when applicable that includes requirements for occupant protection during lead hazard reduction activities. These occupant protection measures often require a resident leave the unit while work is being performed. Relocation to a temporary unit may be required. (See Appendix A – Guidance on Relocation).

3. ELIGIBILITY REQUIREMENT - PROPERTY

3.1 Definitions

Three terms: "dwelling", "single-family" and "substandard" – are used in determining if a property is eligible for city housing rehabilitation funding assistance. For the purposes of the City of Michigan City Owner-Occupied Housing Rehabilitation Program also known as Residential Exterior Community Appeal Program (RECAP), the terms are defined as follows:

Dwelling – Housing which is used entirely for residential purposes.

Single-Family – Designated for single-family use, although more than one family may be residing therein, if every resident has access to all parts of the structure.

Substandard – Failing to meet the minimum housing requirements as set forth in the International Property Maintenance Code as adopted by the City of Michigan City.

3.2 Eligibility Criteria - Property

- A. The dwelling unit must be located within the corporate limits of the City of Michigan City.
- B. The dwelling must not have received funds from the City of Michigan City CDBG Housing Rehabilitation Program within the last 10 years.
- C. The dwelling unit must not be recognized or classified as a manufactured or mobile home.
- D. Only single-family detached units are eligible for Housing Rehabilitation assistance.
- E. The applicant's property must not have a history of being used for illegal activity or any other activity which impairs the physical or social environment of the unit or the neighborhood.
- F. The applicant must own and occupy the home/property for which rehabilitation assistance is being requested.
- G. The home must be the applicant's principal residence and the only residential structure on the property.
- H. The home/property must also be owned and occupied by the applicant for at least one (1) year prior to the date of application.
- I. Proof of ownership must be demonstrated through clear title.

4. RANKING OF APPLICANTS

The City of Michigan City Housing Rehabilitation Program also known as RECAP awards rehabilitation and reconstruction loans based on financial need of the household and the condition of the dwelling.

A. Waiting List:

Applications will be accepted on a first-come, first-served basis as long as sufficient funds to cover the cost of additional projects remain uncommitted. Emergency home repairs are not subject to the first-come, first-served basis. Due to the popularity of the housing rehabilitation program the demand for services may create a waiting list. In the event a waiting list is established the first come, first serve application processing remains in effect notwithstanding extenuating circumstances such as an "emergency

repair” or an “imminent public health and safety threat” has been identified or a major “building code violation” addressed by the city requires an immediate remedy.

B. Criteria for Ranking:

Processing of applications will be prioritized by date of application except applicants with particularly urgent repair needs (such as a failed furnace during an extreme cold event or failed air conditioner during an extreme heat event or other public health and safety hazards or outstanding code violations may be prioritized at the City's discretion. Processing consists of completing a preliminary application and submitting all supporting documents. Staff reviews the file to determine eligibility. All housing rehabilitation, repairs, and handicapped access improvements must receive approval from the Community Development Department. Additionally, Housing Rehabilitation projects are reviewed on a case by case basis. Special consideration is given for applicants who:

- At or below 30% AMI
- Reside in a designated local target area
- Seniors, Frail Elderly
- Households with children under the age of 6 years
- Disabled Persons
- Veterans

The application is considered incomplete until all statements pertaining to income, benefits, assets, property tax records, title or warranty deed and employment have been verified by the Community Development Department. The homeowner will be notified by the CDBG Department when the application is complete.

C. Condition of Dwelling Structure:

The dwelling structure must be determined by an initial inspection to be a feasible project without considerable code violations that will exceed 60% of the assessed value and free of excessive clutter (i.e., hoarding) or is subject to receive or has received an “order to demolish”.

D. Cancellation

An approved application may require cancellation because the applicant requests cancellation, the applicant is unwilling or unable to proceed with the rehabilitation work for other reasons.

1. To cancel an approved application, the rehabilitation staff or designee shall prepare a letter of cancellation which shall be provided to the:
 - a. Applicant;
 - b. Project file; and
 - c. Contractor, if necessary.

E. Rejection of Application

- D. Loans must be repaid, in whole or in part if the property is sold during the compliance period, or if the dwelling is converted to rental property, or if the dwelling is abandoned. If the homeowner dies during the compliance period, the heirs may occupy the dwelling, rent it or leave it vacant without triggering the repayment clause. However, if the heirs sell the property, or if the property is sold by any actions of a court to settle outstanding claims or settle the estate, the loan must be repaid to the City of Michigan City. The purpose of the City of Michigan City's Owner-Occupied Housing Rehabilitation Program is to assist the homeowner and avoid real estate speculation.

5.3 Processing and Submitting Rehabilitation Applications

- A. General: This section outlines the functions performed in connection with rehabilitation financial assistance and sets forth the policies and procedures followed in preparing, processing and approving an application.
- B. Outline of Staff Functions: The rehabilitation staff or their designees perform the following functions in connection with rehabilitation financial assistance.
1. Initial intake.
 - i. Interview and advise applicant of program objectives and benefits, complete applications.
 2. Verify ownership and verify income, as necessary.
 3. Establish level of assistance and submit structure for preliminary historical/architectural significance review and clearance. Complete Environmental Review
 4. Inspect property with either or Building Inspector, CDBG Representative, Housing Rehabilitation Project Manager and Homeowner present. The Project 3333
 5. Update the RECAP worksheet regularly on applications received, certify income-qualified applicants (recertify every six months, verify properties proposed for rehabilitation, and the anticipated Scope of Work for rehabilitation projects.
 6. Send out Request for Proposals (RFPs) for bids; send notification to contractors and homeowner.
 7. Hold a pre-bid meeting in-office followed by property inspection.
 8. Hold a public bid opening. The CDBG Program Administrator will review chosen bids and associated contracts for approval.
 9. Execute contract for rehabilitation with homeowner, contractor and CDBG Program Administrator.
 10. Have owner sign a lien on property for amount of rehabilitation work.
 11. Issue to proceed to work orders.
 12. Inspect work in progress and authorize release partial payments.
 13. Final inspection and certification. Contractor provides manufacturers' and supplier's warranties and lien waivers.

14. Issue completion certificate. Authorize final payment and close file. Update lien as necessary and file with the LaPorte County Recorder's office.
15. Prepare releases following payment in full or forgiveness of the loan under the terms of the Promissory Note.

5.4 Other Grant Conditions

Specific terms and conditions are incorporated in the grant application and the contract documents. The applicant agrees to comply with all terms in the grant application and the contract documents and additionally to:

- A. Allow inspection of the property by the City of Michigan City whenever the City determines that such inspection is necessary;
- B. Furnish complete, truthful and proper documentation and information as needed to determine eligibility receipt of rehabilitation assistance;
- C. 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 work;
- D. Cooperate fully with the City and the contractor to ensure that the rehabilitation work will be carried out promptly;
- E. Defend, indemnify and hold harmless the City, its officials, employees and assigns, from all claims, demands, damages, actions, expenses, attorney's fees and causes of action that may arise from an act of God or nature during rehabilitation of the property;
- F. Abide by all lead-based paint hazards is necessary, have alternative housing during the time lead-based paint treatment is being done;
- G. Agree to maintain the property in a clean, neat and sanitary condition.

2. Assurance that Rehabilitation will be Completed.

A. General: Before the City of Michigan City will reserve funding for any rehabilitation project, the applicant must assure that all work included in the work write-up and subsequent change orders will be completed by signing a contract covering the work to be completed. In cases where the proposed rehabilitation costs exceed the amount of assistance, the City will not provide funds unless the applicant can provide the additional amounts needed to assure completion of the work.

- B. Failure to Complete Rehabilitation Work:** If the applicant receiving assistance fails to complete rehabilitation work in the time determined by the City or fails to comply with the terms and conditions of the Rehabilitation Agreement, the City may elect to cancel the grant or may complete the rehabilitation if satisfactory requirements and conditions are met that will allow the project to proceed. (Please see Homeowner Recitals / Contract for more information).

6. ELIGIBLE REHABILITATION ACTIVITIES

A rehabilitation loan may cover the cost of rehabilitation necessary to make a dwelling conform to the local housing codes adopted by the City of Michigan City as well as other exterior improvements.

6.1 Eligible Costs

- A. **EXISTING CODE VIOLATIONS** – The cost to correct existing violations that have been identified by a qualified housing inspector and formalized in an individualized housing report are eligible.
- B. **INCIPIENT CODE VIOLATIONS** – An incipient violation exists if at the time of inspection there is an element in the dwelling which, due to age, deterioration, wear, or normal usage will deteriorate within the life of the grant period and become a code violation. Costs to correct these potential violations are eligible.
- C. **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.
- D. **EQUIPMENT** – Rehabilitations funds may provide for the repair or purchase and installation of certain basic equipment necessary for the maintenance of the household in a safe, sanitary and healthy environment. These include such items as heating furnace, water heater, electrical and sanitary fixtures, kitchen stove, refrigerator, cabinets and sinks. Purchase and installation are acceptable if there is no such equipment in the dwelling or if the existing equipment is unsafe, unsanitary or non-functional.
- E. **HANDICAPPED** – Special alterations or costs related with making the dwelling more convenient or accessible for handicapped persons are eligible costs. All work performance in these units must comply with all applicable codes as well as all Federal and State regulations.
- F. **ENERGY CONSERVATION** – All costs associated with weatherization and energy conservation in substantial rehabilitation or reconstruction, as determined by the housing inspector, must comply with Cost Effective Code 24 CFR 39.
- G. **LEAD-BASED PAINT** – All costs associated with the control of lead-based paint hazards must comply with 24 CFR 92.355.
- H. **EXTERIOR PAINTING** – Exterior painting is an eligible cost when it is necessary to maintain watertight exterior on the dwelling.
- I. **FURNITURE MOVING AND STORAGE** – The cost of moving or storing furniture during rehabilitation is an eligible expense. The homeowner's role in moving and storing furniture during the construction phase of the project will be discussed during the pre-bid conference.

- J. **OTHER COSTS** - Rehabilitation costs not specifically required by the housing rehabilitation standards but found necessary for the safety, health and general welfare of the occupants of the structure may be considered for eligibility, with prior consent of the City of Michigan City Community Development Department.

6.2 Ineligible Costs – Rehabilitation grants may not be used for:

- A. Renovation of detached accessory buildings;
- B. Appliances not required by code standards;
- C. Landscaping not associated with unit rehab;
- D. Materials, fixtures, equipment, or landscaping of type or quality that exceeds that customarily used in the local jurisdiction for properties of the same general type as the property to be rehabilitated.

6.3 Reconstruction Housing – Sometimes rehabilitation is not feasible, and reconstruction is the more cost-effective use of program funds. The \$20,000 cap is waived for reconstruction housing projects.

- A. **Replacement Home Guidelines** – The intent of a reconstruction activity is to help homeowners who otherwise might not be helped due to the prohibitive cost of rehabilitating the existing home. Funding for a replacement home, if deemed the most cost-effective solution to the housing deficiencies, shall be offered by the City of Michigan City.

- 1. Rehabilitation spending on an existing home is not authorized if a replacement home is declined by the homeowner.
- 2. If the unit is reconstructed, repayment of the reconstruction grant is forgiven over a 10-year period on a pro-rata, monthly basis beginning one year after the date of signing the Certificate of Completion and Final Payment. The forgivable amount becomes fixed at the end of the month immediately preceding the date of the event that causes the remaining principal balance at the beginning of each month, starting with the thirteenth month after the date of signing the Certificate of Completion and Final Payment, will be attached to the Grant (Promissory) Note.
- 3. A replacement home does not necessarily have to match the existing home in terms of square footage, number of bedrooms and bathrooms or other design/amenity consideration.
- 4. The replacement home must provide all permanent residents of the home with safe, decent, and sanitary housing within the terms of the International Residential Code as adopted by the City of Michigan City.

7. HOUSING REHABILITATION SPECIFICATIONS

7.1 Introduction – The City of Michigan City is responsible for determining the rehabilitation work necessary to bring a dwelling into conformance with codes and with the objective of the program. The City will:

- A. Inspect the property and prepare list noting code deficiencies;
- B. Consult with and advise the property owner of the work to be done and the availability of rehabilitation assistance;
- C. Prepare a work write-up and cost estimate as a basis for rehabilitation assistance and for the bid process in contracting for the rehabilitation work.
- D. Prepare a General Specifications for Rehabilitation of Residential Structures

7.2 Property Inspections and Specifications Checklist

The City of Michigan City will have the property inspected and have a report prepared that identifies each deficiency with respect to the housing code. The homeowner may also list other deficiencies with respect to the housing code or improvements that fall within the exterior repair program or adaptations for handicap accessibility. These reports provide the basis for preparing the work write-up, cost estimate and contract specifications.

7.3 Work Write-Up and Cost Estimates – The work write-up and cost estimate is a statement based on the code inspection and/or project manager and itemizes all the rehabilitation work to be done on the dwelling. The work write-up includes an estimate of the cost of each item. The cost estimate will be reasonable, reflect prevailing labor and material costs and reflect profit for the contractor.

- A. **DUAL USE OF WORK WRITE-UP** – The write-up will be detailed and specific in style. This same write-up without the cost estimate will serve as a part of the specifications for the construction bid documents.
- B. **ITEMIZING COSTS** – Each item of work and its estimated cost will be identified in the work write-up by entering the cost estimates in a columnar arrangement.
- C. **OWNER PREFERENCE** – A work write-up need not contain details such as color, style or pattern that have no significant effect on cost. The term “to be selected by owner” may be used appropriately.

7.4 CONSULTATION WITH HOMEOWNER/APPLICANT – The City of Michigan City will consult with the homeowner on the work write-up and cost estimate. The homeowner must understand that “general property improvements” improvements are

eligible for funding. Landscaping is not an eligible cost unless associated with the rehabilitation project. Work that is directed toward correcting conditions which do not meet minimum housing requirements as identified through a property maintenance inspection, or is an eligible activity, can be funded. The final work write-up (without costs) will be used by contractors for determining their bids and incorporated into the rehabilitation contract documents that the homeowner and contractor will sign.

7.5 Specifications – The work write-up will provide a clear, detailed understanding of the nature and scope of the work to be done because it serves as a basis for bids from contractors. The homeowner should have a clear understanding of the nature and scope of work to be done and any limitations that may exist.

- A. Each work write-up will show the nature and location of the work and the quality and types of material required.
- B. The specifications will refer to manufacturers' brand names or association standards to identify quality of material and equipment and may make provision for acceptable substitutes or quality. Brand name requirements may be included in the "General Conditions and Specifications" and indicated by reference in the work write-up.

8. LEAD-BASED PAINT PROVISIONS

Lead-based paint is a proven hazard and can lead to lead poisoning. Childhood lead poisoning is a particularly pernicious environmental disease. Although the use of lead-based paint was banned in 1978, HUD estimates about 80 percent of the homes built before 1980 have some lead-based paint. The Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X) requires housing rehabilitation programs which receive federal assistance to test for the presence of lead-based paint and take appropriate action to reduce the hazard.

8.1 Requirements for Rehabilitation Assistance

- A. Subpart J of Title X deals specifically with rehabilitation of housing units constructed prior to 1978. The requirements regarding lead-based paint are dependent on the cost of the rehabilitation. (See Appendix E). Costs of site preparation, occupant protection, relocation, interim controls, abatement, clearance and waste handling attributed to lead-based paint hazard reduction are not to be included when determining cost of rehabilitation. However, these costs plus the cost of rehabilitation must not exceed the City's subsidy limit.
- B. This program will adhere to state guidelines on lead-based paint where applicable.

9. CONTRACTING FOR REHABILITATION WORK

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

9.1 Determining Work to be Done with Rehabilitation Financial Assistance

A. General: This section sets forth the responsibilities of the Rehabilitation for determining the extent of the rehabilitation work necessary to bring the property into conformance with the City of Michigan City Building Code and HUD Housing Quality Standards and for providing assistance in rehabilitation property. In carrying out these responsibilities, the CDBG Representative, Housing Rehabilitation Project Manager and/or Building Inspector shall:

1. Inspect the property.
2. Identify the required and desired work.
3. Review the proposed work and bid proposals with the owner. Consult with and advise the owner regarding the work and the bids.

B. Initial Inspection: During the initial inspection, the Rehabilitation identifies deficiencies needing correction in order to meet the City of Michigan City Building Codes and HUD's Housing Quality Standards. The CDBG Representative reviews and discusses the inspection findings with the owner.

C. Progress Inspections: During the course of the rehabilitation work being completed, inspections of the progress will be made as deemed appropriate by City staff, or as requested by the homeowner or contractor.

D. Change Orders: If, in the course of the rehabilitation, additional repairs become necessary, a formal change order to the contract write-up will occur. Change orders requested by any party require signature approval from the homeowner, the contractor, Project Manager, and the Community Development Program Administrator or designated department staff member.

E. Final Inspection: Once all rehabilitation work has been completed, the Housing Rehabilitation Project Manager will schedule a time with the homeowner to inspect all work. The homeowner will be asked to create a "punch list" for this purpose to bring attention to any rehabilitation project defects or deficiencies.

9.2 Requirements and Procedures

- A. CONTRACTOR** – The term "CONTRACTOR" applies to the firm bidding on work or receiving an award. The firm must hold a current Indiana General Contractor license. Contracts for emergency repairs may be awarded to business vendors whose services are appropriate for the work being done (i.e., a roofing contractor, plumber or licensed electrician) but who may not necessarily be licensed general contractors. These vendors must have current licensure applicable to their specialty.

B. INSURANCE – Before commencing work, the contractor shall submit to the City of Michigan City a certificate of insurance as evidence of the coverage required.

1. The contractor shall carry or require that there be carried Workers' Compensation Insurance for all employees and those of subcontractors engaged in work at the site in accordance with Indiana State Workers' Compensation Laws.
2. The contractor shall carry or require that there be carried Public Liability Insurance. This insurance will be in an amount of not less than \$500,000 for injuries including accidental death to any one person and for one accident, and to protect the contractor and subcontractors against claims for injury to or death of one or more person(s) 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 the amount of not less than \$100,000 to protect the contractor and subcontractors from claims for property damage which might arise from operations under their contract.

C. FORM OF CONTRACT – The construction contract will consist of a single document signed by the contractor and the property owner. It will contain a bid, the General Conditions and Specification by reference, the work write-up that specifies the work to be done and a listing of the existing code violations.

D. USE OF ALTERNATES – The document prepared by the City may contain alternates by which each bidder may increase or decrease the lump sum contract price.

E. PROCUREMENT OF BIDS – The City of Michigan City will advertise openly and publicly for bids and encourage minority and female-owned firms to bid on its projects.

F. PRE-BID WALK-THROUGH – Contractors will be required to attend and participate in a pre-bid walk-through of the property.

9.3 General Conditions – The bid package will include the following:

- A. The address, time and date by which the bid should be submitted by the contractor;
- B. A provision that the bid be accepted by the homeowner within a specified length of time;
- C. A provision that the contractor begins work within a specified length of time;
- D. A statement concerning the acceptability of progress payments;

- E. A provision that final payment on the contract amount will be made only after final inspection, acceptance of all work by the City and the homeowner, and after the City receives the contractor's invoice and release of liens, and claims for liens by any subcontractors, laborers and material suppliers for completed work or supplied materials; and
- F. Provisions that the contractor will be required to:
 - 1. Obtain and pay for all permits and licenses necessary for the completion and execution of the work and labor to be performed;
 - 2. Perform all work in conformance with applicable local codes and requirements, whether or not covered by the specifications and drawings for the work;
 - 3. 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;
 - 4. Not assign the contract without written consent of the City and the homeowner;
 - 5. Guarantee the work performed for a period of one year from the date of final acceptance by the owner and with the approval of the City of all work required by the contract; (See Appendix F). Furthermore, the contractor shall furnish the homeowner, in care of the City of Michigan City, with all manufacturers' and suppliers written guarantees and warranties covering materials and equipment furnished under the contract;
 - 6. Include a statement as to whether the premises are to be either occupied or vacant during the course of construction work; and
 - 7. A provision that the contractor may use existing utilities without payment during the course of the work.

9.4 Work Write-Ups, Specifications and Drawings – The City of Michigan City or its authorized representative i.e., Housing Rehabilitation Project Manager will prepare specifications, based on the property maintenance inspection, the work write-up and illustrative sketches, if any, covering specific rehabilitation work proposed for each property.

The specifications will:

- A. Work to correct conditions which do not meet minimum standards;
- B. Work to fulfill general deficiencies, defects or eligible improvements;
- C. Include any unusual features or limitations; and
- D. Be initialed on each page by the homeowner and signed on the signature page by the homeowner.

9.5 Ineligible Contractors – The City may determine a contractor is ineligible to bid on projects if:

- A. The contractor does not have a valid Indiana General Contractor license; or
- B. The contractor is listed on the Federal or State debarred list or is on the City's ineligible list for failure to complete warranty repairs; or
- C. There is documented proof that the contractor has not paid material suppliers; or
- D. The contractor has not completed projects within the allotted time frame; or
- E. There exist complaints by homeowners about quality of the contractor's work and performance.

9.6 Invitation to Bid / Request for Proposals (Contractors)

- A. The City of Michigan City or its authorized representative (Housing Rehabilitation Project Manager) will advertise for contractors in a local and/or regional newspaper or through a posting on the City website at least once each year.
- B. The City will accept applications from contractors throughout the life of the program.
- C. The City will develop and maintain a list of contractors, including minority and female headed firms within the region.
- D. The City will notify in a timely fashion in writing all contractors on list when bid packages are available.

9.7 Selection of Successful Bidders – The opening of the sealed bids must meet these conditions:

- A. The bid opening must be open to the public. Bidders must list current licensure on the front of the bid envelop. Bid tabulations will be kept on file at the Community Development Block Grant Office, Planning & Inspection Department. The lowest bid from an eligible contractor will generally prevail unless it exceeds the amount of the specifications. In the event of two bidders submitting the same low bid but neither bid exceeds the construction budget and both are responsive to the bid specifications, the low bid will be determined by the earliest date and time of submission to the Community Development Block Grant office, Planning & Inspection Department.
- B. A "no-bid" is not considered a valid bid.
- C. Questions concerning contractor eligibility shall be decided prior to opening bids. The City will confirm contractor and subcontractor eligibility with Systems for

Award Management (SAM). Self-certified "Suspension and Debarment" statements will not be accepted for this program.

- D. The City may limit the number of projects awarded to any one contractor at any one time based upon the contractor's demonstrated manpower and resources.
- E. If all bids for a project exceed what is determined to be a "feasible" amount, the City may not negotiate solely with the low bidder. The project can be re-bid, changed in scope, or the CDBG Program Administrator may waive the cap and approve the bid if recommended by Community Development Block Grant staff.

If the project is changed, 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. The City will maintain documentation to demonstrate this process was followed.

- F. The Owner-Occupied Housing Rehabilitation Program or RECAP will comply with the City of Michigan City policies and procedures for competitive bidding.
- G. Should the homeowner decide to accept a bid other than the lowest qualified bid, the homeowner must state the reasons or justification in writing to the City. If the homeowner's justification is not acceptable, the homeowner will be required to finance any rehabilitation that exceeds the lowest qualified bid through personal resources.

9.8 AWARD OF CONSTRUCTION CONTRACT

- A. The successful bidder will be required to submit a complete bid packet.
- B. The contract will become effective upon the signatures of the homeowner and contractor and with the City's endorsement following approval of the contract by the CDBG Program Administrator. The City will distribute the executed contract documents as follows: one to be filed with the Community Development Office; one to the homeowner; one to the contractor.

10. INSPECTION, CLOSE-OUT AND PAYMENT FOR REHABILITATION WORK

10.1 Responsibility for Making Inspection – Inspection of construction will be performed by the City or its designee as follows:

- A. Initial, Partial and Final inspections will be made during each rehab project from beginning to end to assure that the work is being completed in accordance with the City's Inspection/Code Enforcement Department, zoning regulations, and any other related State and local laws and ordinances.

- B. Progress inspections will be carried out with regard to roofing, siding, windows, entrance doors, ADA compliance (sidewalks, curb cuts, bathroom modification, air conditioning and furnace installation to ensure that the work being performed is in accordance with the terms of the construction contract.

10.2 Change Orders – Situations which did not show up during the work write-up are not uncommon in the housing rehabilitation process, and they can change the scope of work, especially if the new problem must be resolved to correct the underlying code deficiency. In such a case, a change order may be initiated.

- A. Conditions necessitating a change order must meet guidelines in Section 3 and Section 6 of the Owner-Occupied Rehabilitation Program Policies and Procedures and the General Specifications – Rehabilitation of Residential Structures as applicable.
- B. Change orders must be submitted in writing to the Community Development Block Grant Office, Planning & Inspection Department. The City inspector assigned to the project, the homeowner, the contractor and the Community Development Program Administrator must sign off on the change order.
- C. Because a change order may alter the City's financial statement to the project, all change orders should be approved by the CDBG Program Administrator. Change orders shall be submitted to CDBG Program Administrator for approval in a timely manner. If the CDBG Program Administrator approves the change order, which must be less than \$10,000 in amount, it will take effect immediately.

10.3 Progress Payments – No more than one progress payment will be made on a rehabilitation project, and that only after at least 60 percent of the project is deemed complete. The payment will be no more than 50 percent of the contract amount, as modified by change orders, if any. Up to three interim payments will be allowed on reconstruction projects. Progress payments will be made only after the City's representative has completed the inspection and all work performed to date has been accepted by the homeowner.

10.4 Final Payments

- A. **FINAL INSPECTION** – Upon completion of the rehabilitation work, a final inspection is held by the City. Any uncompleted work or work that is unsatisfactory is noted on a final "punch list" and sent to the contractor in writing. When these items are completed to the satisfaction of the homeowner and the City's inspector, the contract is complete.

- B. **CERTIFICATION** – After the City determines that the rehabilitation work has been fully and satisfactorily completed, it will prepare a Certificate of Completion and Final Inspection.
- C. **OWNER STATEMENT OF ACCEPTANCE** – The homeowner's signature of the Certificate of Completion and Final Inspection indicates acceptance that rehabilitation work as meeting the terms and conditions of the contract. If the homeowner refuses to sign the final acceptance, the City may authorize full payment for those items which are undisputed and acceptable to all parties.

11. GRIEVANCE PROCEDURE

Disputes between the homeowner, the City of Michigan City and contractor may arise from time to time during the rehabilitation project. In those instances where a mutually satisfactory agreement cannot be reached between the parties, this Grievance Procedure will be followed. The Grievance Procedure will be made a part of the contract between the homeowner and the contractor.

If there is a dispute:

- A. The grievance by the homeowner or contractor is to be filed with the Community Development, Planning & Inspection Department, CDBG Program Administrator.
- B. The Community Development Program Administrator will meet with the homeowner and contractor and attempt to negotiate a solution.
- C. If the Community Development Program Administrator and/or City Corporate Council is unable to negotiate a solution, the homeowner should contact the U.S. Department of Housing and Urban Development, Indianapolis Field Office at (317) 226-6303 during normal business hours, Monday thru Friday, 8:00 A.M. – 4:30 P.M EST for assistance.

If these steps are unsuccessful, all claims or disputes between the owners and contractor arising out of the related work shall be decided by arbitration in accordance with the construction industry arbitration rules of the American Arbitration Association unless the parties mutually agree otherwise.

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's fees in favor of the contractor. If the award of the arbitrator is in a sum greater than that which was offered in settlement by the owners, the arbitrator may award costs and attorney's fees in favor of the owner.

The contract and rehabilitation specifications, along with any building code inspections, will provide the basic documentation by which the relative merits of any dispute will be judged.

12. MISCELLANEOUS

- 12.1 Conflict of Interest of Public Officials** – No elected or appointed Federal, State and local official, member of the City of Michigan City Council, or any other public official or employee who exercises any functions or responsibilities in conjunction with the administration of the City of Michigan City Owner-Occupied Housing Rehabilitation Program 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 City of Michigan City must contact the Indianapolis Field Office, Department of Housing and Urban Development, Community Development Programs Division for clarification before proceeding. The Indianapolis Field Office, Department of Housing and Urban Development will routinely consider requesting an exemption to the conflict of interest provisions from HUD.
- 12.2 Kickbacks and Discounts** – No member of the City of Michigan City Planning & Inspection Department, Community Development Department employee shall receive kickbacks or discounts from either contractors or property owners in return for special favors regarding housing rehabilitation.

APPENDICES

Appendix A – Definitions

Appendix B – Applicable Laws

Appendix C – Income Eligibility

Appendix D – Program Income Limits

Appendix E – Warranty Work

Appendix F – Guidance on Relocation & Lead Safe Housing Rule & Lead-Based Paint Management Plan

Appendix G – HUD Section 8 for Calculating Annual Gross Income

Appendix H – General Specifications Rehabilitation of Residential Structures

Appendix A

Definitions

Definitions: Following are definitions of various terms as used with respect to rehabilitation activities.

- a. **Abatement** – A measure or a set of measures designed to eliminate lead-based paint hazards or lead-based paint permanently. (Permanent is defined by HUD regulation as at least 20 years effective life). Abatement requires a certified, licensed abatement contractor.
- b. **Annual Gross Income for Assisted Units** – Gross income as defined by the U.S. Department of Housing and Urban Development.
- c. **Architectural Barrier** – A structural condition, existing in a housing unit, that places a physical hardship on the mobility of a person with disabilities in the performance of normal self-care activities.
- d. **Appraisal** – An evaluation of the value of real property by a certified appraiser. A recent appraisal will be considered if it is less than 6 months old and no significant changes to the property have been made.
- e. **Asset** – Resource with an exchange value, including but not limited to equity in real property other than the applicant's primary residence. It also includes gold, precious metals, cash, checking and savings accounts, savings bonds, Certificates of Deposit, mutual funds, money market funds, stocks, IRA or Indiana Public Employee Retirement Funds accounts that are not bona fide retirement programs.
- f. **Building Code Standards** – The Uniform Building Code of the City of Michigan City.
- g. **Building Inspector** – Representative of the Planning & Inspection Department.
- h. **CDBG Assisted Projects** – Units within a CDBG-funded rehabilitation project.
- i. **Children-minor** – Individual under the age of 18 and not head of household or spouse.
- j. **Community Development Block Grant (CDBG) Program** – A Federal program administered by the U.S. Department of Housing & Urban Development which provides Community Development Block Grant (CDBG) funds for programs that benefit low-moderate income residents.
- k. **Community Development Program Administrator** – The Director for the Community Development Department, which is a division of the City of Michigan City Office of Planning and Redevelopment Department, that oversees the use and expenditure of funds in the Community Development Block Grant Program.
- l. **Conditional Occupancy Loan** – A lien against real property which is repaid only upon transfer of title, rental of the property or termination of occupancy.
- m. **Condominium** – A condominium is defined as joint ownership of common areas and facilities by the separate owners of single dwelling units in the project (Section 234, National Housing Act (12 U.S.C. 17154)).
- n. **Director** – The Director or Program Administrator of the City of Michigan City Community Development Department.

- o. Persons with Disabilities – For purposes of these programs, a person shall be considered disabled/handicapped if that person has a physical or mental impairment expected to be of long, continued or indefinite Social Security Act (42 U.S.C. 423) or Amendments of 1970 (42 U.S.C. 269(1)).
- p. Dwelling Unit – Any room or group of adjoining habitable rooms located within a dwelling and forming a single habitable unit with facilities, including a bathroom, which are used or intended to be used for living, sleeping, cooking and eating.
- q. Elderly – For purposes of these programs, a property titleholder at least sixty-two (62) years of age is considered elderly.
- r. Repair – Condition of a major violation of housing standards that creates an immediate threat to the health and safety of the occupant. Such violations include unsafe or hazardous electrical service or wiring; unsanitary plumbing; inoperative or dangerous furnace; unsafe structural or roof condition where the roof is actively leaking or the ceiling is water-damaged and in danger of collapse; and other such emergency conditions that, from time to time, the CDBG Representative, Project Manager in consultation with a Building Inspector, identifies.
- s. Equitable Interest – Owner shows sufficient value in the property to provide security for an additional lien.
- t. Family – Usually two or more persons who constitute a legal family relationship (blood, marriage, adoption or as defined in Federal, State or local law). The term also includes: an individual between the ages of 18 and 62 who is disabled or handicapped as defined herein; two or more unrelated individuals who are at least 62 years of age or disabled or handicapped; or two, but not more than two persons not related by blood, marriage or adoption.
- u. Grant – A direct subsidy for home improvement to a homeowner requiring no lien or payback.
- v. Historic Preservation – A procedure undertaken when any home in the rehabilitation program is over 50 years old whereby a historical review is conducted. If the property is found to be in a historical district or a contributing structure, steps must be taken to preserve the historical integrity of the home according to the standards of the Indiana State Historical Preservation Office and/or Secretary of the Interior Standards (Section 106).
- w. HOME Investment Partnership Program – Federal program of the U.S. Department of Housing and Urban Development which provides funds for affordable housing programs. (**The City of Michigan City, CDBG Program presently does not receive HOME funds.**)
- x. HOME Assisted Projects – Units within a HOME project where HOME funds are used for rehabilitation. Resale restrictions apply.
- y. Homeowner or Owner – A person who both owns the property for which assistance is sought and occupies that property as the principal place of residence. Ownership is determined by legal or equitable title or by a land sales contract. (**RECAP or Michigan City Housing Rehabilitation Program does not accept land contract applications.**)
- z. Household – One or more persons occupying a housing unit.
- aa. Housing Representative – An employee or designee of the City's Community Development Department charged with the duties of administering the specific aspects of the rehabilitation program.

- bb. HUD – U.S. Department of Housing and Urban Development.
- cc. Incipient Violation – The state or physical condition of an element of the structure required to meet a HUD Housing Quality Standards or the City of Michigan City Building Code, that at the time of inspection is in such a state of deterioration that if left uncorrected, it will further deteriorate into an actual violation within the next two years.
- dd. Income – The total annual gross income of a family or tenants from all sources for the 12-month period following the date of income verification.
- ee. Income Guidelines – The area median income (AMI) levels as determined by the U.S. Department of Housing and Urban Development for the City of Michigan City, as amended on an annual basis.
- ff. Interim Controls– A set of measures designed to temporarily reduce human exposure or likely exposure to lead-based paint hazards. Requires contractor(s) with Lead-Based Paint Safe Work Practices certification.
- gg. Land Sales Contract – Any transaction in which the purchaser obtains fee title from the seller upon completion of installment payments over a term of years. The form of a land sales contract may vary according to the circumstances of each state. (**The Michigan City Housing Rehabilitation Program does not accept applications that are based on open/non-paid Land Contract Sales.*)
- hh. Lead Safe Work Practices – Work practices that are used to protect workers and residents from the effects of lead-based paint hazards. Contractors must have a training certificate to perform activities associated with lead-based paint correction.
- ii. Major Code Violation – A housing standards violation involving the following categories of deficiency: electrical, heating, plumbing, roofing and structural. Structural violations are considered as deficiencies only when they involve the major structural systems of the property, including roof, floor girders and joists, and the foundation.
- jj. Manufactured Home – A structure, transportable in one or more sections, which in the traveling mode is eight body feet or more in width or forty twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air condition, and electrical systems contained therein (MHCSS 24 CFR 3280).
- kk. Principal Place of Residence – Residing in the property at the time of application for assistance (except where extraordinary circumstances have made the property temporarily uninhabitable) and for at least eleven (11) months of each calendar year.
- ll. Program Funds – Any funds received under the umbrella of a particular program, specifically CDBG and HOME Programs.
- mm. Rehabilitation Agreement – An agreement the applicant must execute which specifies the terms and conditions for obtaining a rehabilitation loan or grant.
- nn. Rehabilitation Cost – The total cost of repairs, improvements and other costs for rehabilitation incurred by the applicant that are eligible for rehabilitation assistance, regardless of whether the costs are financed in part with funds from other sources.
- oo. Single-Family Home – Structure containing one dwelling unit.

pp. Termination of Occupancy – If an owner(s) does not reside in or occupy the property according to the terms of the Rehabilitation Agreement. Also see “Principal Place of Residence”.

APPENDIX B

Applicable Laws

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), (46 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 Environmental Policy Act of 1969 (NEPA), 24 CFR Parts 50 and 58, and 24 CFR 92.352.
5. Equal Opportunity Provisions and Fair Housing, 42 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 and OMB Circular A-110, 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 112372 and 24 CFR 92.359.
11. Drug-Free Workplace, 24 CFR part 24, subpart F.
12. Standard Equal Opportunity Construction Contract Specifications.
13. Certification on 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.

APPENDIX C

Income Eligibility

A. ANNUAL INCOME (GROSS INCOME) – The City of Michigan City's Owner-Occupied Rehabilitation Housing Program uses the income definitions of the Department of Housing and Urban Development LaPorte County – Michigan City income guidelines in determining the annual income (gross income) used to classify a household for purposes of eligibility.

Annual income means all amounts, monetary or not, which:

- a. Go to, or on behalf of the family head of household or spouse (even if temporarily absent or to any other family member;
- b. 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 re-determination at the end of the shorter period; and
- c. Are not specifically excluded in paragraph G (Income Exclusions) below.
- d. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
- e. **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 City of Michigan City's Owner-Occupied Rehabilitation Housing 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. 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 holding. 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. 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 or 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 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
 - b. If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.
 - c. Checking account balances (as well as savings account balances) are considered an asset. This recognizes that some households keep assets in their checking accounts and is not intended to count monthly income as an asset.
2. Assets above and below \$5,000 are treated differently.
 - a. If the family's assets are \$5,000 or less, actual income from assets (e.g., interest on checking account) is counted as annual income.
 - b. If the family's assets are greater than \$5,000, income from assets is computed as the greater of:
 - i. Actual income from assets, or
 - ii. Imputed income from assets based on a passbook rate applied to the cash value of all assets.
3. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in a "arm's length" transaction) have voluntarily reduced their ability to afford housing. The City acknowledges the Section 8 rules which require that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.
 - a. The value to be included as an asset is the difference between the cash value of the asset and the amount that was received (if any) in the disposition of the asset.
 - b. Each applicant must certify whether an asset has been disposed of for less than fair market value. Not included in this calculation are assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation.
 - c. These procedures are followed to eliminate the need for assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

D. ASSETS INCLUDE:

1. Amounts in savings accounts and six-month average balance of checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investments accounts.
3. Equity in real property or other capital investments. Equity if the estimated current market value of the asset is less than 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. The equity of the principal residence is not included as an asset by the City of Michigan City's Owner-Occupied Rehabilitation Housing Program.
4. The cash value of trusts that are available to the household.
5. IRA, Indiana Public Employee Retirement Funds (PERF) Annuity Accounts 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, antiques cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during the two years preceding certification or recertification.

E. ASSETS DO NOT INCLUDE:

1. Necessary personal property, except personal property held as an investment such as gems, jewelry, coin collections, antiques cars, etc.
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's main occupation.
4. Assets which are 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: overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

1. The full amount, before any payroll deduction, of wages and salaries, 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 business 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 off 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 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. An allowance for depreciation is permitted only as authorized in paragraph (B)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash of assets invested by the family. Where the family \$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 payment or prospective monthly amounts for delayed start of a periodic amount (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment, workers compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designed 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 an application of the percentage.
7. Periodic and determinable allowance, 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.

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 (but see paragraph ©(5) above);
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. The full amount of student financial assistance paid directly to the student or to the educational institution;
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
8. Amounts received:
 - a. Under training programs funded by HUD;
 - b. 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;
 - c. 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, childcare, etc.) which are made solely to allow participation in a specific program;
 - d. From incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including 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 goal and objectives and are excluded on for the period during which the family member participates in the employment training program.
9. Temporary, nonrecurring or sporadic income (including gifts);
10. 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;
11. Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
12. Adoption assistance payments in excess of \$480 per adopted child;
13. For public housing only, the earnings and benefits to any family member resulting from the participation in a program provided employment training and supportive services in accordance with Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state, or local law during the exclusion period.

14. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum payment or in prospective monthly amounts.
15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on a dwelling unit.
16. Amounts paid by a state agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
17. 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 offender's 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. 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. Payment 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 to the extent it exceeds income tax liability;
 - l. Payments received after Jan. 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 childcare 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 receiving assistance from the City of Michigan City Owner-Occupied Housing Rehabilitation Program must be income eligible. Income certification must be completed before assistance begins. A preliminary determination of eligibility may be made much earlier in the process.

1. Income verification must be dead no earlier than six months prior to eligibility.
2. The City of Michigan City calculates the annual income of the household by projecting the prevailing rate of income of the family at the time the City determines that the family is income eligible. The City is not required to re-examine the family's income at the time the assistance is provided, unless more than six months has elapsed since the City determined that the family qualified as income eligible.

I. INCOME VERIFICATION – The City of Michigan City will verify and retain documentation of all information collected to determine a household's income. Using the Department of Housing and Urban Development's Section 8 Program income guidelines as a rule of measure, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification. Applicants may also complete a notarized "No Income Affidavit".

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, the City will obtain a written release from the household that authorized the third party to release required information.
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.
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.

In some cases, the City may supplement the applicant certification by reviewing the applicant's income tax return from the previous year to determine if the current year's income is consistent with activity for the previous year.

J. CALCULATION METHODOLOGIES

1. Applicants must report how their pay is calculated – hourly, weekly, bi-monthly (24 pay periods a year), every two weeks (26 pay periods a year), monthly or other – and how much they are paid for that period. This information will be used to calculate annual gross income.
2. Applicants must indicate 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 – Under the Department of Housing and Urban Development's 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 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 ATTRIBUTE 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 17 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 of absent family member contributes to the household. For example, a stewardess earns \$800 a week at a temporary at a temporary job on the other side of the State. The working family member keeps \$500 for expenses and sends \$300 a week home to his/her family. The entire \$800 a week is counted in the family's income.
5. **ADULT STUDENTS LIVING AWAY FROM HOME** – 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.

APPENDIX D

Program Income Limits

To receive funding from the City of Michigan City's Owner-Occupied Housing Rehabilitation Program also known as the Residential Exterior Community Appeal Program or RECAP or Emergency Repair funding assistance, the household's annual gross income may not exceed 80% of the Area Median Income (AMI) in the LaPorte County – Michigan City, Indiana. These numbers are determined by the Department of Housing and Urban Development (HUD) and are subject to change. A link to current income limits is provided with this Policy and Procedure notice and the information for current income limits may be found at <https://www.huduser.gov/portal/datasets/il.html>

Appendix E

Warranty Work

All rehabilitation work done by the Contractor shall be warranted for one year from the date the homeowner signs the Certificate of Completion and Final Inspection indicating acceptance of the rehabilitation work as meeting the terms and conditions of the contract.

Should the homeowner notify the Community Development Block Grant Program of a warranty claim, the CDBG, Planning and Inspection Department will:

1. Review rehabilitation project documents to determine if the complaint might be related to the work done;
2. Conduct an on-site inspection accompanied by the contractor or a designee to investigate the request for warranty work;
3. If an on-site inspection determines the requested repair is under warranty, the contractor will have 10 working days to resolve the warranty issue. Another inspection by the City will determine if the terms of the warranty have been satisfied.
4. If the complaint is not resolved within 10 days, a second notice will be issued to the contractor giving an additional five working days to resolve the warranty issue. If the complaint remains unaddressed or resolved unsatisfactorily, the contractor may be ruled ineligible for further participation in the City of Michigan City's Owner-Occupied Housing Rehabilitation or Residential Exterior Community Appeal Program (RECAP).
5. A contractor ruled ineligible will be notified by certified mail. The contractor may appeal the ruling within 15 working days of receiving notification. The appeal must be in writing, addressed to the Community Development Block Grant Program Administrator, City of Michigan City, Planning and Inspection Department, 100 E. Michigan Blvd., Michigan City, Indiana 46360;
6. When an appeal is received, the Community Development Block Grant Program Administrator will investigate and either restore the contractor's eligibility for program participation or sustain the earlier decision. The program administrator reserves the right to report a contractor who fails to honor his contractual obligations to the City and the U.S. Department of Housing and Urban Development with a recommendation for disbarment;
7. Before the Community Development, Planning and Inspection Department will consider restoring eligibility, a contractor will be required to reimburse the City for any expense incurred to have another contractor satisfy the ineligible contractor's warranty work.

Appendix F

Guidance on Relocation & Lead Safe Housing Rule & Lead-Based Paint Management Plan

exhibit F

Guidance on Relocation

The Lead Safe Housing Rule includes requirements for occupant protection during lead hazard reduction activities. These occupant protection measures often require that a resident leave the unit while work is being performed. Relocation to a temporary unit may be required.

The following are some frequently asked questions about relocation.

1. When is relocation required?

- ◆ Residents must be kept out of the work area during lead hazard reduction work and cannot return to the work area until it has passed clearance.
- ◆ If the residents cannot enter important parts of their home (e.g. bathrooms, kitchens) for more than a day, they need to be relocated temporarily.

2. When is relocation not required?

- ◆ The lead safe housing rule lists several situations that do not require relocation. These include the following situations:
 - Work will not disturb lead-based paint, dust lead hazards, or soil lead hazards.
 - Work on the interior of the unit will be completed within one period in eight daytime hours, the site will be contained, and the work will not create other safety, health, or environmental hazards.
 - Only the building's exterior is treated; the windows, doors, ventilation intakes, and other openings near the worksite are sealed during hazard reduction activities and cleaned afterward; and a lead-free entry is provided.
 - Treatment will be completed within five calendar days; the work area is sealed; at the end of each day, the area within 10 feet of the containment area is cleared of debris and cleaned; at the end of each day, occupants have safe access to sleeping areas, bathroom, and kitchen facilities; and treatment does not create other safety, health, or environmental hazards.
- ◆ HUD has advised that the relocation of elderly occupants is not typically required, so long as complete disclosure of the nature of the work is provided and informed consent of the elderly occupant(s) is obtained before commencement of the work. (See Form 13 in this manual for a sample form to be filled out by an elderly occupant.)

3. What constitutes an appropriate relocation unit?

- ◆ The Lead Safe Housing Rule requires that the relocation unit be lead-safe. The Interpretive Guidance provides two ways to demonstrate the lead-safety of a unit:
 - Use post-1978 units
 - Perform a clearance examination in the unit to ensure that there is no deteriorated paint or dust hazards

4. Does relocation for lead hazard reduction trigger the Uniform Relocation Act (URA)?

- ◆ The URA is triggered if tenants are not treated reasonably during temporary relocation.
- ◆ For tenants, this means that the agency must pay the out-of-pocket costs incurred by tenants during temporary relocation, such as the rent charged for the temporary unit above their costs for their existing unit, costs to move back and forth from the temporary unit, storage costs for personal belongings, and utility hookups at the temporary unit. In addition reasonable advance notice must be

provided to the tenant before the tenant is required to move into or out of the temporary unit. Further, the unit they move into must be suitable for their needs. (For more information on URA, consult HUD Handbook 1378.)

- ◆ Work in owner-occupied housing does not trigger the URA. However, agencies may choose to adopt optional policies that define "hardship" situations for homeowners and pay certain costs related to the temporary relocation, such as a per-day maximum for costs actually incurred for housing and meals. Form 30 (in this manual) provides an example of the kinds of costs that can be reimbursed. Any such policy must be written and must be applied consistently.

5. What should a relocation policy cover?

- ◆ Grantees and their subrecipients are encouraged to develop written relocation policies. Such policies serve as a useful guide to staff and program participants and help ensure that all program participants are treated consistently.
- ◆ The policy should cover:
 - When relocation is required under the program and how long temporary relocation will typically last
 - How much notice will be provided to move and return
 - What constitutes an appropriate relocation unit
 - Whose responsibility it is to identify a temporary unit
 - How much – if any – will be allowed for a meal allowance per person if the temporary unit has no cooking facilities.
 - How payment will be disbursed
 - What relocation benefits are available to the resident during the relocation period

6. How can relocation costs be minimized?

- ◆ Minimize the relocation time.
 - Stage work to minimize the time the residents need to be out of the unit. When staging the work, keep in mind that:
 - ✓ The worksite must be properly contained and the resident may not enter that area ever during the course of the work.
 - ✓ Work areas must pass interim clearance before a resident can reoccupy them.
 - ✓ A final clearance is still required at the end of the job, even after interim clearances have been done.
 - Look for ways to streamline standard rehab procedures to ensure that jobs move more quickly.
 - Offer financial incentives to contractors to finish the work and pass clearance ahead of schedule.
- ◆ Minimize associated costs.
 - Negotiate favorable rates with motel or apartment owners for temporary relocation units.
 - Obtain competitive bids from moving or storage companies and identify a mover and storage company that will provide services at the most favorable rate. (However, costs should be based on actual expenses, not a per unit rate.)

LEAD-BASED PAINT MANAGEMENT PLAN
CITY OF MICHIGAN CITY
CDBG HOUSING REHABILITATION PROGRAM

CDBG recipients conducting housing rehabilitation programs must comply with the Lead-Based Paint Poisoning Prevention Act and the Residential Lead-Based Paint Hazard Reduction Act of 1992. 254 CFR Part 35, Subpart J establishes procedures to eliminate lead-based paint hazards in residential properties built before 1978 that receive CDBG and other federal assistance. This management plan will discuss the definitions, programs, requirements, procedures, and required compliance actions, as applicable to CDBG assisted owner-occupied rehabilitation.

Eligible Dwellings

Guidelines established in this management plan apply to all dwellings receiving any form of assistance from the City of Michigan City's Housing Rehabilitation Program, with the following exceptions:

- Housing built on or after January 1, 1978.
- Housing exclusively for the elderly or persons with disabilities, unless a child under age 6 is expected to reside there.
- Property that has been found to be free of lead-based paint by a certified inspector.
- Property from which all lead-based paint has been removed and clearance has been achieved.
- The rehabilitation will not disturb any painted surface.
- The property has no bedrooms.
- Repairs to the property are being performed to safeguard against imminent danger to human life, health, or safety, or to protect the property from further structural damage due to natural disaster, fire, or structural collapse. (This exemption only applies to repairs necessary to respond to the emergency.).

Notification

Prior to each housing rehabilitation project, the homeowner will receive a copy of the pamphlet "Protect Your Family From Lead In Your Home," disseminated by the Indiana Department of Public Health in accordance with the Environmental Protection Agency. This pamphlet informs homeowners of the risks of lead-based paint, how lead-safe work practices are used to minimize these risks, and other applicable information. Each homeowner will sign a statement acknowledging receipt of the pamphlet.

Homeowners will also be provided with any previous Disclosures of Known Lead-Based Paint on file with the LaPorte County Recorder's office, the City of Michigan City, or other sources, as possible.

Homeowners will be provided with a Notice of Lead Hazard Presumption within 15 days of the site evaluation. The City of Michigan City will approach all housing rehabilitation projects presuming lead-based paint, unless the property is otherwise exempt as mentioned above.

Homeowners will also receive a Notice of Lead Hazard Reduction Activity, specifying the lead-based paint reduction activities that will occur at their home during the rehabilitation.

Lead Hazard Evaluation

A visual assessment will be completed one or all of the following on each property: the Housing Rehabilitation Project Manager, General Contractor, City Inspector or Community Development Department staff member for any paint that will be disturbed during the rehabilitation process, or is deteriorated, chipping, and/or peeling. For projects expending less than \$5,000, the work site will be evaluated for any potential lead hazards. For projects between \$5,000 and \$25,000, lead-based paint and/or lead-based paint hazards will be presumed, per 24 CFR 35.120(a). No projects with an expected cost over \$25,000 in total will be eligible for rehabilitation.

Lead Hazard Reduction

For projects expending less than \$5,000, any paint that is disturbed will be repaired; lead safe work practices will be used by the contractor and his/her workers. For projects between \$5,000 and \$25,000, standard treatment will be used; lead safe work practices will be used by the contractor and his/her workers. When visual assessments identify deteriorated paint above the minimis amounts, paint stabilization will occur, regardless of whether rehabilitation activities would affect the area, paint stabilization activities will take place. The Housing Rehabilitation Project Manager also an Environmental Firm will perform Lead Inspection Risk Assessments at the beginning of the rehabilitation project and Clearance Testing on all properties at the end of the rehabilitation project.

After the Rehabilitation Work is Completed

After all rehabilitation work has been completed and Clearance has been achieved, the Clearance report will be provided to the homeowner, Copies of all documentation including notifications, receipt of notifications to the homeowner, visual assessments and inspections, reduction activities, and Clearance reports will be maintained by the City of Michigan City for at least five years after the end of the project.

Definitions

Lead-Based Paint: Paint that contains at least 1 milligram per centimeter square (mg/cm²) of lead. Also measured as greater than 0.5 percent lead or has 5,000 parts per million (ppm) lead by dry weight.

Lead-Based Paint Hazards: Housing conditions that cause human exposure to unsafe levels of lead from paint. These conditions include deteriorated lead-based paint; friction, impact, or chewable painted surfaces; lead-contaminated dust; or lead-contaminated soil.

Visual Assessment: A visual evaluation of interior and exterior painted surfaces to identify specific conditions that contribute to lead-based paint hazards.

Clearance Test: Clearance is performed after hazard reduction, rehabilitation, or maintenance activities to determine if a unit is safe for occupancy. It involves a visual assessment, analysis of dust and soil samples, and preparation of report. A certified risk assessor, paint inspector, or clearance technician (independent from contractor conducting paint stabilization or hazard reduction) conducts clearance.

Standard Treatments: A complete set of interim control methods that when used together temporarily control all potential lead hazards in a unit. Because they address all conditions, a risk assessment or other evaluation is not needed. Standard treatments must be completed by qualified workers using safe work practices.

Deteriorated Paint: Paint that is cracking, flaking, chipping, peeling, or otherwise separating from the surface to which it was originally adhered.

APPENDIX G

HUD SECTION 8 REGULATIONS FOR CALCULATING ANNUAL GROSS INCOME FOR APPLICANTS REQUESTING ASSISTANCE

Annual Income: The anticipated income for all adult members of the family, even members temporarily absent, from all sources for a twelve-month period following the date of the income determination. This includes but is not limited to, the following:

- A. The full amount, before any payroll deduction, of wages and salaries, including compensation for overtime and other compensation for personal services such as commissions, fees, tips and bonuses.
- B. Net income from operation of a business or profession. The expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine net income from a business.
- C. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness and an allowance for depreciation of capital assets shall not be deducted to determine the net income from real or personal property. Where the family has Net Family Assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from all Net Family Assets or the value of such assets multiplied by the current passbook savings rate.
- D. The full amount received from annuities, periodic payments from insurance policies, retirement income, pensions, periodic benefits for disability or death, and other similar types of periodic receipts to include lump sum payment for a delayed start of a periodic payment.
- E. Payments in lieu of earnings, such as unemployment and disability compensation, social security benefits, workers compensation, and dismissal wages (vacation and sick leave).
- F. Welfare assistance payments including those amounts withheld as payments for food coupons or stamps. The value of food stamps is not included and regular contributions or gifts.
- G. Periodic and determinable allowances, such as, alimony and regular contributions or gifts.
- H. The value of in-kind gifts and services from public and private sources to the extent that these gifts or services are given on a regular and ongoing basis.

- I. All regular pay, special payments and allowances received by a member of the Armed Forces, whether or not living in the dwelling, who is head of the family, spouse, or other person whose dependents reside in the unit.
- J. Payments to the head of the household for support of a minor or payments nominally to a minor for his support but controlled for his benefit by the head of household, or a resident member other than the head, responsible for his support.

APPENDIX H

General Specifications – Rehabilitation of Residential Structures City of Michigan City RECAP Program

(See Attachment)