

Program Guidelines

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I. Purpose

There are three primary purposes for the Housing Rehabilitation Program in Wenatchee:

- Increase the number of owner-occupied housing units within the south Wenatchee neighborhood.
- Improve the health and safety condition of housing for low- and moderate-income households.
- Address fire, health or safety hazards of blighted properties not in compliance with the Wenatchee City Code.

The Wenatchee Housing Rehabilitation Program addresses owner occupied housing and certain blighted properties. Program assistance shall consist of zero-interest deferred payment loans for owner-occupied households and interest accruing liens for the costs of property abatement. The loans will be used to rehabilitate housing by addressing health and safety issues related to International Building Code deficiencies. The aim will be to identify and upgrade housing units which have significant structural, electrical, plumbing or weatherization problems. The minor home repair program provides lower amounts for safety, health, disabilities, disabilities, basic maintenance, weather proofing, and energy efficiency. The blighted property abatement program provides funds for the City to expend on securing, clearing, and otherwise abating certain blighted properties.

II. Objectives

- To provide more opportunities for owner-occupied housing
- To provide safe and sanitary housing conditions for low- and moderate-income households
- To improve conditions within the south Wenatchee neighborhood
- To provide financing to low-and moderate-income persons who are unable to secure conventional home improvement financing
- To achieve long term energy savings for low-and moderate-income households through weatherization
- To improve home ownership success for low-and moderate-income households through training, mentorship and other programs

These objectives will be met by following the established policies and procedures as described herein.

III. Owner Occupied Program

To be eligible for a rehabilitation loan, an owner-occupant shall meet the following criteria:

A. Ownership Interest

The Applicant must be the current owner/occupant or purchaser/occupant of the property under a valid land sales contract. Preference will be given to properties where a current rental unit is converted to an owner-occupied unit.

B. Income Eligibility

The applicant's gross family income shall be no more than 80% of the Chelan County median income based on family size. Income limits are set by H.U.D. and are updated annually. Contact the City of Wenatchee for current income eligibility data.

C. Asset Limitation

Eligibility will be limited to those Applicants whose personal assets do not exceed \$30,000 for Standard Application projects (Applicant ages 18 to 61), or \$60,000 for Elderly Application projects (Applicant ages 62 and up). Certain assets including the home itself, household furnishings, retirement accounts, and other holdings are excluded from asset evaluation. Assets to be included are as follows:

- Cash
- Checking and Savings Accounts
- Certificates of Deposit
- Annuities
- Money Market Funds
- Mutual Funds
- Stocks and Bonds

D. Property Eligibility

- The property must be in compliance with city zoning ordinances for residential use and must be free of refuse and clutter.
- The unit must be a permanent habitable structure that is economically feasible to rehabilitate. Mobile and/or modular homes do not qualify as eligible structures through this program.
- The unit must have at least one serious deficiency that: a) presents a threat to the occupants health or safety; b) limits the economic viability of the dwelling for a low-and moderate-income household, or c) significantly contributes to neighborhood blight or instability.
- Property must be located within the target area(s) established by the city. (See Appendix "B" for current target neighborhoods.)
- No housing rehabilitation should be undertaken that will not result in a "complete project". A complete project will be a house ready for occupancy with no code violations and a building envelope and building systems where no repairs or replacements will be needed for a minimum of 5 years, 10 years for the roof.

E. Eligible Repairs

The assistance available under this program aims at the rehabilitation of substandard housing. The assistance will focus on addressing building code deficiencies and improving the long-term habitability and economic life of the unit. The following priorities will be used as a guideline in determining the repairs to be made to each unit (in order of importance):

- Deficiencies that present a threat to the occupants' health and/or safety.
- Deficiencies that threaten the long-term habitability and/or the economic life of the property for low-and moderate-income households.
- Deficiencies that significantly contribute to neighborhood blight or instability.
- Insulation and weatherization work that will reduce heating costs and improve comfort in a cost effective manner.

Repairs that meet the above criteria may be eligible subject to the approval of the Housing Rehabilitation Specialist, and subject to maximum loan amounts as specified in section III.F.

Non-essential improvements such as furniture, area rugs, and appliances that are not permanently installed will generally not be allowed. Exceptions may be permitted for stoves or refrigerators based on an evaluation by the Housing Rehabilitation Specialist.

Every effort will be made to undertake the repair work in such a way that temporary relocation by the occupants is not required. If this is not possible, relocation costs will not be an eligible cost of the program.

F. Maximum Loan Amounts

The maximum loan amount shall be as follows:

Rehabilitation Work: \$25,000
Weatherization:..... \$3,000 (if available)

G. Loan Terms

1. General Conditions

Assistance shall be in the form of a deferred payment, zero interest loan, less all project costs related to Lead-Based Paint and Asbestos Assessments, Surveys and Clearances. A portion of the loan will be forgiven under the following formula:

After five (5) years of occupancy by the owner in the structure following completion of the project, up to 50% of the loan will be forgiven for non-seniors and up to 60% for seniors, under a sliding formula of 10% per year.

Example 1: The homeowner sells the property after four years of occupancy. 100% of the loan must be repaid, less all project costs related to Lead-Based Paint and Asbestos Assessments and Surveys, Interim Controls, Abatement and Clearances.

Example 2: The homeowner sells the house after 8 years. 10% per year for three years would result in 30% of the loan being forgiven, less all project costs related to Lead-Based Paint and Asbestos Assessments and Surveys, Interim Controls, Abatement and Clearances.

Example 3: The homeowner is a senior that sells the house after 11 years. 10% per year for six years would result in 60% of the loan being forgiven, less all project costs related to Lead-Based Paint and Asbestos Assessments and Surveys, Interim Controls, Abatement and Clearances.

During the period of deferral, the outstanding balance of the loan shall not accrue any interest.

All loans shall be secured by a Deed of Trust and a Promissory Note. The Deed of Trust shall be recorded with the County Auditor's Office.

Exceptions and/or modifications to the loan terms stated herein may be granted subject to review and approval by the city of Wenatchee. Requests for exemptions and/or modifications of loan terms stated herein shall be made by the property owner in writing.

To be eligible for the senior citizen grant/loan the applicant must meet the following requirements:

- Age of the head of household must be sixty-two (62) years of age or greater.

- Applicant must meet all eligibility requirements as stated in section III.
- Total cash assets (including securities) must not exceed \$60,000 in current market value.

2. Conditions for Immediate Repayment

Conditions upon which the loan will become payable are as follows:

- SALE of property.
- TRANSFER of title (other than inheritance due to death of Participant/s).
- RENTAL or subletting of the primary house.
- CHANGE IN USE from residential to commercial.
- FAILURE TO MAINTAIN the property.
- FAILURE TO PURCHASE AND MAINTAIN Homeowner's Insurance on the property.

3. Conditions for Monthly installments. The Participant shall make monthly payments upon the occurrence of one or more of the following loan default actions. Monthly installments shall be due and payable on the first day of each month, and shall be payment in advance of and for that month. In cases where the first monthly installment becomes due at a time other than the first of a month, said first installment shall be pro-rated for that month.

- NON-OCCUPANCY of the structure for a period exceeding One Hundred Twenty (120) days.

In cases where a Participant requires hospitalization in excess of one hundred twenty (120) days, or where a Participant is placed in a facility for medical treatment or convalescence in excess of one hundred twenty (120) days, the allowable non-occupancy time period shall be increased to one hundred eighty (180) days. The Participant must make adequate provision for the maintenance and upkeep of the dwelling and surrounding property during his/her absence.

Reasonable exceptions and/or variances to the Non-occupancy Extension may be granted upon the approval of the city of Wenatchee.

- DEATH of the Participant(s).

In cases where a spouse with ownership interest in the property survives the deceased Participant, the spouse retains all of the rights, privileges and

obligations of the rehabilitation loan. Transfer of the Title solely to exclude the deceased spouse interests shall not be considered a transfer of title, and shall not trigger the monthly installments referred to in this Section.

The required monthly payment amount to the City of Wenatchee shall be based upon the Total Project Cost/s of the respective rehabilitation, as set forth below.

MONTHLY INSTALLMENT AMOUNT

TOTAL PROJECT COST/S	MONTHLY PAYMENT
\$0.01 – 14,999.99	\$200.00
\$15,000.00 – up	\$275.00

4. Loan Subordination. Subordination of a Housing Rehabilitation Program loan (Program Loan) for the purpose of refinancing debt that is in a superior lien position to the Program Loan may be allowed provided that all of the following conditions are met:
- Refinancing with new money to Debtor shall not increase total indebtedness on the subject property (including the Program Loan) above ninety percent (90%) of the appraised value of the subject property. Debtor shall be responsible for obtaining and paying for a professional appraisal of the subject property if not already required by the lender.
 - Any cash back to the Debtor as a result of the proposed refinancing shall not exceed five percent (5%) of the debt that is being refinanced OR \$500.00, whichever is LESS.
 - The proposed refinancing shall not result in an increase in debt in a superior position to the Program Loan of more than ten percent (10%) of said superior debt, including any cash back to the Debtor.
 - In the case of refinancing adjustable rate mortgages, a waiver from meeting (a.) and (c.) above may be granted by the Director of Community Development, or designee, to help prevent foreclosure.

Subordination of the Program Loan will NOT be approved for any purpose other than to refinance debt that was secured by the subject property prior to the origination date of the Program Loan.

Recipients of a Program Loan requesting a loan subordination shall submit the following information to the City of Wenatchee:

- A letter from the Debtor stating the purpose of the proposed refinancing, the balance of the existing debt to be paid off at the time of the refinance, and the maximum amount of the new loan.
- Documentation of the balance of any other debt that is in a superior position to the Program Loan.
- Copy of a professional appraisal of the subject property that has been completed within the last six (6) months.

- d. Draft copy of the Settlement Statement (HUD-1) for the proposed refinance. Final approval of the subordination will be subject to approval of the final Settlement Statement.

The participant(s) shall allow five business days for the review of all requests for subordination.

H. Other Loan Requirements

The following additional loan requirements must be met:

- The Participant must agree to use Contractors approved by the city for the rehabilitation work.
- The Participant must agree to use the standard Construction Contract specification approved by the city.
- For the duration of the loan, the Participant will be required to maintain the property to acceptable community standards as required by city ordinance.
- Prior to the approval of any loan, all junk, trash, or other items creating blight shall be removed from the outside of the premises.
- Improvements to the outside of the house shall be encouraged to provide an improved visual impact in the neighborhood, including painting and any needed landscaping.

IV. Minor Home Repair and Home Access Program

The minor home repair and home access program provides loans to cover the cost of removing barriers, improving access and safety, improving health conditions, providing basic maintenance and energy efficiency as outlined below.

1. Eligible Services

a. Safety

- Install smoke detectors
- Install carbon monoxide detectors
- Install, repair/replace security lighting if an existing electrical circuit is available
- Earthquake preparedness – hot water tank straps
- Repair/replace exterior doors, windows and stairways if broken
- Replace broken switches, sockets, and ceiling light fixtures
- Install locks and deadbolts
- Power outage check to see if power can easily be restored
- Circuit breaker replacement
- Repair/replace dangerous or non-working electrical circuits
- Apply non-skid material as needed

b. Health

- Replace furnace filters
- Repair/replace furnace fans
- Clogged drains
- Repair furnaces
- Repair heaters that are not free-standing
- Repair/replace garbage disposals
- Rodent control
- Pest extermination
- Repair/replace hot water tanks

c. Adaptations for disabilities

- Install exterior ramps
- Install/repair/replace special equipment like handrails, grab bars, door knobs, faucet handles

d. Maintenance of basic structure

- Exterior house painting
- Repair/replace gutters and downspouts

- Repair/replace faucets, toilets, sinks, drains, broken or leaking pipes
- Repair decks only if used as an exit
- Removal of moss on roof/main structure
- Install shut-off valves
- Repair dry rot on the interior/exterior

e. Weather proofing

- Repair/replace roofs; repair/replace soffits, fascia, flashing
- Minimize water damage - caulking/tub surrounds/leaks
- Chimney/flashing

f. Energy Efficiency

- Weatherstripping
- Insulation

2. Maximum Loan Amount

The maximum loan amount under this program is \$5,000 to any one property or owner. The loan will be provided to the homeowner without consideration as to home value or existing indebtedness on the home. The homeowner will be encouraged to consider total debt on the property prior to signing loan documents.

3. Loan Terms

The following provisions of the Owner Occupied Program in Section III are applicable to this program:

- Section A. Ownership Interest
- Section B. Income Eligibility
- Section C. Asset Limitation
- Section G. Loan Terms
- Section H. Other Loan Requirements

V. Blighted Property Abatement Program

The blighted property abatement program provides funds to the City to cover the cost of securing, clearing, and otherwise addressing any property conditions which constitute fire, health or safety hazards in accordance with the following provisions.

1. Eligible Properties

Properties eligible for blighted property abatement must be consistent with the definition of “blighted property”: One or more of the following conditions are present on the property:

- a. Substandard building(s);
- b. Physical deterioration of building(s) or improvements;
- c. Hazardous or unsanitary premises; or
- d. Known or suspected environmental contamination.

2. Abatement Activities

In accordance with CDBG program regulations and the Wenatchee City Code, abatement activities performed by the City, or its contractors, may include:

- a. The substandard building(s) may be vacated, secured and maintained against entry, and
- b. Any material or conditions may be cleared on the premises which constitute fire, health or safety hazards.

3. Program Process

Such blighted properties will go through the standard City code enforcement process. If there is no progress after \$10,000 in fines has been accrued on the property, then city staff may confer with the City Attorney to take appropriate abatement actions in accordance with the Wenatchee City Code.

4. Abatement Amount

The maximum amount available for abatement under this program to any one property will be determined on a case-by-case basis. A corresponding lien will be placed on the property in accordance with Wenatchee City Code for the costs of such abatement by, or on behalf of, the City.

VI. Contractor Qualifications and Requirements

To assist homeowners in choosing qualified contractors, the city shall maintain a bidders list of general and specialty contractors who have met minimum qualification standards. Contractors participating in the program shall be required to comply with all guidelines and procedures detailed in the Construction Contract (see Appendix "D"). All contractors participating in the program shall meet the following minimum standards:

- Hold a current certification of registration with the State of Washington as a General or Specialty Contractor. For the purposes of the program, the definition of General Contractor shall be as per RCW 18.27.010.
- Hold a current City of Wenatchee business license.
- Agree to a ten (10) percent retainage on all Construction Contract payments prior to execution of the Contract.
- Be lien free from any other work performed, by contract or otherwise.
- Provide proof of current contractor liability coverage for protection of personal injury, property damage, and medical coverage in the amount of 100/300/100 for any claims. Minimum insurance coverage may be greater if required by law.
- Submit three verifiable references for other work completed. References must be for completed projects involving repair and restoration work.
- Provide the city, State of Washington and Federal Department of Housing and Urban Development (HUD) with a hold harmless agreement against any and all claims arising from the Contractors activities in the program. Said agreement shall be incorporated in all Construction Contracts.
- Provide lien releases for all material, labor, supplies, equipment and subcontractors used during, or as a result of, the construction project. Said release shall be provided prior to the Contractor receiving final payment.
- Provide proof, if requested by the city, of satisfactory work experiences in previous contracts that are equivalent to the types of projects undertaken by the program.
- Provide a Contractor's warranty against defective workmanship for a period of one (1) year from the date of final acceptance of the work. Additional manufacturers' warranties shall also be provided as they apply.

As part of the contractor verification process, staff will contact the Department of Labor and Industries to obtain a list of any complaints. Any unresolved complaints shall be cause for a contractor to become ineligible to participate in the program.

If a Contractor's performance under the program is unsatisfactory, the contractor may be removed from the eligible bidders list for one or more of the following reasons:

- Termination of a Construction Contract under the program. Said termination shall be as per the terms of the Contract.
- Contractor persistently or repeatedly fails to complete projects on time as per the time of completion specified in the construction contracts.

- Contractor fails or refuses to complete actions necessary to satisfy a correction notice issued by the Housing Rehabilitation Specialist. This shall apply to correction notices issued before or after a final acceptance on the project has been issued.
- Contractor fails to obey, or persistently disregards laws, ordinances, rules, regulations, or orders of any public authority having jurisdiction.
- Bankruptcy or insolvency of Contractor, including failure to supply enough payment to subcontractor(s) of material suppliers.
- Pattern of inferior work performed by Contractor, including work that has not been performed in a good and workmanlike manner that is consistent with standard trade procedures. This section shall also include the failure of a Contractor to provide proper quality control and supervision of all subcontractors.
- Pattern of complaints from homeowners regarding the conduct of the Contractor, its employees and/or subcontractors.

The City shall provide Contractors with written notification of violations that threaten the eligibility of the Contractor to participate in the program.

VII. Application Procedures

This describes a typical step-by-step application/mortgage origination process for a transaction involving the purchase and rehabilitation of a property. It explains the role of the city, the mortgage lender, the contractor, the borrower, the rehabilitation specialist, and appraiser.

A. Homebuyer Locates the Property.

A qualified household finds property within the target neighborhood that is for sale.

B. Preliminary Feasibility Analysis.

After the property is located, the homebuyer and their realtor should make a marketability analysis prior to signing the sales contract. The following should be determined:

- 1) The extent of the rehabilitation work required;
- 2) Rough cost estimate of the work; and
- 3) The expected market value of the property after completion of the work.

Note: The borrower does not want to spend money for appraisals and repair specifications (plans), then discover that the value of the property will be less than the purchase price (or existing indebtedness), plus the cost of improvements. *The city will provide, however, the services of the Building Division and/or Rehabilitation Specialist to do a preliminary review of the work that might be required. If such City services are required, a small fee will be charged.*

C. Sales Contract is Executed.

A provision should be included in the sales contract that the buyer has applied for Rehabilitation financing, and that the contract is contingent upon loan approval and buyer's acceptance of additional required improvements as determined by the city or the lender.

D. Homebuyer Selects Mortgage Lender.

E. Homebuyer Applies for Rehabilitation Program Approval

The Homebuyer must first be qualified to enter the Rehabilitation Program. This involves two steps: 1) Income eligibility determination and 2) house eligibility determination.

1. Income Eligibility

The Homebuyer must complete an application that includes questions about income and assets. This application will be reviewed and approved by the City of Wenatchee. *Note: the potential Homebuyer can become pre-screened for this program by providing an application prior to house selection.* This includes review of a current title report in the event the applicant is the current owner of the home seeking rehabilitation.

2. Home Eligibility -- Work Write-up and Cost Estimate.

The city's Rehabilitation Specialist will provide a work write up and cost estimate for the work needed on the home. If the preliminary determination is that the home cannot meet standards of the program due to costs or other reasons, the Rehabilitation Specialist can deny the home and no further work will ensue. If the home is acceptable, then the homebuyer will meet with the Rehabilitation Specialist to ensure that the architectural exhibits and scope of work are acceptable and that all program requirements have been properly shown on the exhibits. Two additional tasks that must be undertaken are:

- Lead Based Paint Assessment – must be completed on any home built prior to 1978 by a Certified Assessor to determine the extent of lead based paint in the home and ways to minimize the hazard to occupants.
- Environmental Review – An environmental review and determination of the property must be conducted in accordance with the U.S. Department of Housing and Urban Development regulations prior to approval of the home for rehabilitation.

F. Performs the Appraisal.

Once the Rehabilitation Specialist completes the exhibits and cost estimates for the work that will occur, an appraiser required by the mortgage lender will determine the value of the home after rehabilitation. In the event the applicant is already the

homeowner, an appraisal will only be required when necessary for loan approval and will be paid for by the applicant, unless the applicant's household income is at or below 50 percent of Chelan County's median income as determined by HUD.

G. Lender Reviews the Application

The appraisal is reviewed to determine the maximum mortgage amount for the property.

H. Issuance of Conditional Commitment/Statement of Appraised Value

This is issued by the lender and establishes the maximum mortgage amount for the property.

I. Lender Prepares and Issues Firm Commitment

The borrower provides information for the lender to request a credit report, verifications of employment and deposits, and any other source documents needed to establish the ability of the borrower to repay the mortgage. If the application is found acceptable, the firm commitment is issued to the borrower.

J. City Prepares and Issues Firm Commitment.

The homebuyer provides all information to the city to make a final determination as to eligibility for the rehabilitation program. This includes verification of homeowner's insurance coverage sufficient to protect the interests of the City. If the application is found acceptable, the city will issue a firm loan commitment to the homebuyer.

K. Mortgage Loan Closing.

After issuance of the firm commitment, the lender prepares for the closing of the mortgage. This includes the preparation of the Rehabilitation Loan Agreement. The Agreement is executed by the borrower, city and the lender in order to establish the conditions under which the lender will release funds from the Rehabilitation Escrow Account. Following closing, the borrower is required to begin making mortgage payments on the principal amount for the mortgage, NOT including the amount of the Rehabilitation Loan which is deferred per the terms of the Rehabilitation Loan Agreement.

L. Rehabilitation Construction Begins.

At loan closing, the mortgage proceeds from the private mortgage lender will be disbursed to pay off the seller of the existing property. The private mortgage lender will establish an Escrow Account for the Rehabilitation Loan, and will release funds upon approval of the city. Construction may begin on the Rehabilitation project, once a City approved contractor is awarded the construction bid, all contract documents are signed, and a building permit, if necessary, is issued. The homeowner has up to six (6) months to complete the work depending on the extent of work to be completed. (Lenders may require less than six months.)

M. Releases from Rehabilitation Escrow Account.

As construction progresses, funds are released after the work is inspected by the city's Rehabilitation Specialist. A maximum of four draw inspections plus a final inspection are allowed. The inspector reviews the Draw Request that is prepared by the borrower and contractor. If the cost of rehabilitation exceeds \$10,000, additional draw inspections are authorized provided the city and borrower agree in writing. The city will retain 10% of all costs until completion of the work and acceptance.

N. Completion of Work/Final Inspection.

When all work is complete according to the approved architectural exhibits and change orders, the homebuyer provides a letter indicating that all work is satisfactorily complete and ready for final inspection. If the Rehabilitation Specialist agrees, the final draw may be released, minus the required 10 percent holdback. If there are unused contingency funds or mortgage payment reserves in the Rehabilitation Escrow Account, the lender will revert those funds to prepay the mortgage principal on the Rehabilitation Loan.

VIII. Qualifying the Buyer

The Wenatchee Housing Rehabilitation Program addresses owner occupied housing. To be eligible for a rehabilitation loan, an owner-occupant shall meet the following criteria:

- The Applicant must be the current owner/occupant or purchaser/occupant of the property under a valid land sales contract.
- The applicant's gross family income shall be no more than 80% of the Chelan County median income based on family size.
- The purchaser must successfully complete a Home Owner class as required by the program.
- The Applicant must have acceptable credit. Demonstration of credit acceptance is the Applicant's qualification for a loan product from one of the financial institutions participating in the City of Wenatchee Housing Rehabilitation Program.
- Eligibility will be limited to those Applicants whose personal assets do not exceed \$30,000 for Standard Application projects (Applicant ages 18 to 61), or \$60,000 for Elderly Application projects (Applicant ages 62 and up). Certain assets including the home itself, household furnishings and other holdings are excluded from asset evaluation.

IX. Qualifying the House

Some property owners might be interested in marketing a property based on a rehabilitation plan. Since the city funds used for rehabilitation can only be used for direct benefit to low-and moderate-income households, the city's Rehabilitation Specialist cannot be used for developing a rehabilitation plan utilizing the city's grant funds. In these cases, the property owner will be required to pay the direct costs of the

Rehabilitation Specialist for preparation of a plan. In the event that the house is sold to a qualified low-and moderate-income household approved under the City Rehabilitation Program, the costs for this plan can be submitted as an eligible expense in the approved Rehabilitation Loan agreement with the city.

X. Administrative Guidelines

The following guidelines are necessary to ensure fair treatment in the administration of the program and to comply with federal, state and local requirements.

A. Code of Conduct

The purpose of this Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with federal Office of Management and Budget (OMB) Circular A-102, Attachment 0, paragraph 7 and other applicable federal and state standards, regulations and laws.

This Code of Conduct applies to all appointed officials, employees or agents of the city of Wenatchee engaged in the award or administration of contracts supported by federal grant funds.

No member of the governing body, nor employees of the city and no other official of the city who exercises any functions or responsibilities with respect to the Housing Rehabilitation Program during his or her tenure shall have any personal or pecuniary gain or interest, direct or indirect, in any contract or subcontract or the proceeds thereof for any work to be performed in connection with activities of the Housing Rehabilitation Program, except as provided in applicable federal and state standards, regulations and laws.

Appointed officials, employees or agents of the city of Wenatchee shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors or subcontractors.

To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions to be taken against the elected officials, employees or agents of the city of Wenatchee, or the contractor's, potential contractors, subcontractors or their agents.

B. Affirmative Action and Equal Opportunity Requirements

The Housing Rehabilitation Program as administered by the city of Wenatchee is a federally funded project requiring compliance with civil rights laws. Civil rights laws and related regulations are intended to protect individuals from discrimination on the basis of race, national origin, religion, color, sex, age, or handicap. In keeping with these requirements, the following laws and regulations will be followed:

- Civil Rights Act of 1964, Title VI 942 USC (24 CFS, Part 1): No person shall be excluded from participation in, denied program benefits of, or be subjected to

discrimination based on race, color and/or national origin in regards to activities of the Housing Rehabilitation Program.

- Civil Rights Act of 1968, Title VIII 942 USC 3601 et seq: Prohibits discrimination on the basis of race, color, religion, sex, and/or national origin in housing activities of the Housing Rehabilitation Program.
- Rehabilitation Act of 1973, Section 504 (19 USC, 794): No otherwise qualified individual shall, solely by reason of his/her handicap, be excluded from participation in (including employment), denied program benefits of, or be subjected to discrimination in regard to activities of the Housing Rehabilitation Program.
- Housing and Community Development Act of 1974, Section 109, as amended through 1981: No person shall be excluded from participation in (including employment), denied program benefits of, or be subjected to discrimination on the basis of race, color, religion, national origin, or sex with regard to activities of the Housing Rehabilitation Program.
- Age Discrimination Act of 1975 (42 USV 6101 et seq.) as amended: No person shall be excluded from participation in, denied program benefits of, or be subjected to discrimination on the basis of age with regard to the activities of the Housing Rehabilitation Program.
- Executive Order 11063 (as amended by Executive Order 12259) (CFR part 109): No person shall, on the basis of race, color, religion, sex, or national origin, be discriminated against in housing or lending practices, with respect to residential property, in activities of the Housing Rehabilitation Program.
- Executive Order 11246 (as amended) Equal Employment Opportunity in Contracts and Subcontracts: No person shall be discriminated against on the basis of race, color, religion, sex, or national origin in any phase of employment during the performance of contracts and/or subcontracts in the activities of the Housing Rehabilitation Program.
- State of Washington RCW 49.60 (Equal Employment Opportunity): No person shall be discriminated against for reason of employment on the grounds of race, color, sex, age, or handicap.

C. Grievance Procedures

The following rights of grievance shall be available to all homeowners and contractors participating in the Housing Rehabilitation Program:

Step #1: Contact the Director of the Wenatchee Department of Community Development and state in writing the nature of the complaint and the suggested corrective action. The Director can be reached at 509-888-3250. The Director will respond with a written statement of the Department's position, as well as steps to be taken to resolve the dispute.

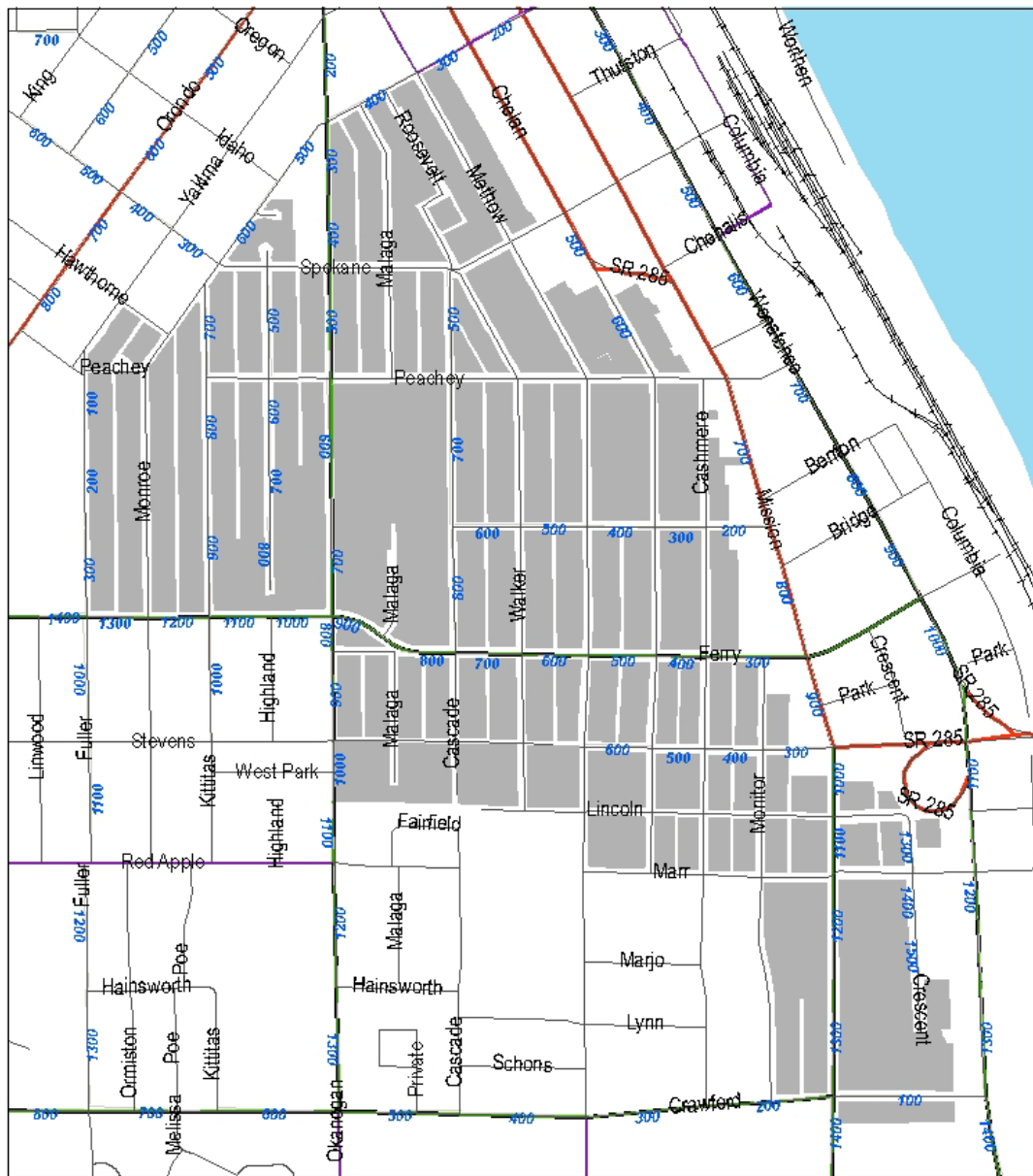
Step #2: If the complainant is not satisfied with the response of the Director, a written appeal to the Mayor should be submitted within ten (10) working days following receipt of the Director's written statement. The appeal should be sent to the Mayor at P.O. Box 519, Wenatchee, WA 98807


XI. Appendix

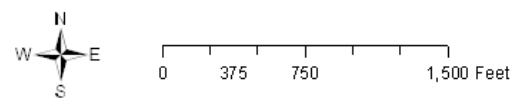
A. Maps

TARGET AREA: the target neighborhood currently is south Wenatchee. The target area is as illustrated on the map below.

**Housing Rehabilitation Program
South Wenatchee Target Area**



Legend
 South Wenatchee Area



Community Development
City of Wenatchee
December 2009

B. Owners Agreement to Participate

The Applicant(s) certify that he/she/they is/are the legal owner (or purchaser under a valid land sales contract) and occupant(s) of the property at _____ (street address) and that the rehabilitation loan will be used only for work, materials and assessments necessary to meet rehabilitation or building code standards, as applicable, and which are recommended for the property. If the Housing Rehabilitation Specialist determines that the rehabilitation loan cannot be used for the purpose described herein, the Applicant(s) agrees that the funds earmarked for the project shall remain with the City of Wenatchee's Housing Rehabilitation Program. The Applicant(s) acknowledge(s) and agrees that he/she/they has/have no interest, right or claim with respect to said funds and that the City of Wenatchee will not be liable for any costs or expenses incurred if the Applicant(s) does not receive such funds.

The Applicant(s) also certifies that:

- He/she/they understand(s) that submittal of an application is not a guarantee of funding and that income eligibility, the condition of the property and the work scope determined necessary by the Housing Rehabilitation Specialist will all be used to determine eligibility.
- He/she/they is/are of sound mind and body and does/do not require representation by a guardian with power of attorney.
- He/she/they will use the property in a lawful manner with regard to occupancy and all applicable provisions of the Wenatchee City Code.
- He/she/they understand(s) that the main objective of the program is to correct safety and health issues and/or code violations within the home, and that funds will be used to address these items prior to any other repairs being made.
- He/she/they agree to use contractors and the standard construction contract approved by the City for rehabilitation work paid for by the City's Housing Rehabilitation Program.
- He/she/they understand that prior to the approval of any loan, all junk, trash or other items creating blight shall be removed from the outside of the premises by the applicant(s).

The Applicant(s) further acknowledge(s) that any verbal or physical abuse or threats to City of Wenatchee staff, contractors or their employees may result in the immediate termination of assistance and that any work performed will be at the Applicant's expense.

The Applicant(s) covenants and agrees that he/she/they will comply with all local, state and federal laws, including, but not limited to all requirements imposed pursuant to regulations of the Secretary of Housing and Urban Development effectuating Title VI of the Civil Rights Act of 1964 (78 Stat. 252). The Applicant(s) agrees not to discriminate upon the basis of race, color, creed, age, sex, and/or national origin. The United States shall be a beneficiary of these provision both for an in its own right, and also for the purpose of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit these provisions have been provided and shall have

the right, in the event of any breach of these provisions, to maintain any actions or suits at law or in equity or any other proper proceedings to enforce the curing of such breach.

WARNING: Section 1001 of Title 18 of the United States Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

Signature of Applicant Date

Signature of Co-Applicant Date

C. Construction Contract

This Contract made this _____ day of _____, 201 by and between _____ (contractor), having his/her principal place of business at _____ (address, city, and state), hereinafter called "Contractor" and _____ (homeowner), residing at _____ (property address), hereinafter called "Owner/s".

WITNESSETH that the Contractor and the Owner/s for consideration stated herein mutually agree as follows:

ARTICLE 1, CITY OF WENATCHEE

The CITY OF WENATCHEE, hereinafter called "City" will be the Owner/s' technical consultant during construction. City assumes no responsibility for performance by the Contractor. City will advise and consult with the Owner/s, and all of the Owner/s instruction to the Contractor shall be issued through City.

The City shall hold funds for the parties and disburse them to the Contractor on the basis of this Contract and only upon the written approval of the Owner/s and the City Housing Rehabilitation Coordinator stating that the required work has been completed in a satisfactory and acceptable manner.

ARTICLE 2. STATEMENT OF WORK

The Contractor shall furnish all supervision, technical personnel, labor, materials, supplies, permits, licenses, bonds, insurance, taxes, machinery, tools, equipment, transportation and services to perform and complete all work required for the rehabilitation and/or weatherization of the project. Additionally, the contractor shall provide an independent heat source for the successful completion of the project. Said heat source shall be totally independent of the structure, and shall not make use of the structure's heating system, electrical system, or related electrical lines. The contractor shall bear all related costs for said heating source, including any and all associated fuels. EXCEPTIONS: a) In cases where the Owner/s continue to reside in the structure during the construction process, the contractor may use the existing heating system. During the temporary absence of the Owner/s, the contractor shall ensure that the thermostat setting does not exceed 65 degrees (F), unless otherwise agreed upon by all parties to this contract. b) No heating source shall be required if all parties to this contract agree that the ambient temperature is sufficient for the successful completion of the project.

All work under this contract shall be performed upon the single family dwelling situated on the Real Property located at: _____ in the State of Washington, County of Chelan, City of Wenatchee.

All work shall be performed in strict accordance with the Contract Documents for the rehabilitation of said property.

ARTICLE 3. CONTRACT PRICE

City, in behalf of the Owner/s, will pay the Contractor for performance of the Contract, in current funds, the total sum of: _____.

ARTICLE 4. CONTRACT DOCUMENTS

The Contract Documents shall consist of the following components:

A. THIS CONTRACT

B. CONTRACT DOCUMENTS:

1. Addenda to the Contract Documents (if any)
2. Construction Scope of Work
3. Construction Drawings/Plans (if any)
4. Bid and Proposal for rehabilitation of property
5. Change Orders (if any)

ARTICLE 5. COMPLIANCE WITH CONTRACT DOCUMENTS

All parties to this Contract hereby agree to comply with all provisions of the Contract Documents.

ARTICLE 6. TIME OF COMPLETION AND LIQUIDATED DAMAGES

Time is of the essence to complete this Contract. The Contractor shall complete all work on or before _____(date). If the Contractor shall fail to complete the work by the date specified in this Contract, the Owner/s, through the City, shall withhold as liquidated damages the amount of ten dollars (\$10.00) per calendar day that the work remains incomplete beyond the specified completion date herein, unless there shall have been a written extension of time granted by the Owner through the City. In the event of an extension of time, liquidated damages as stated above shall commence on the day following the extended completion date if work remains incomplete.

The Contractor does hereby authorize the City to deduct such liquidated damages from the amount due, or to become due, the Contractor. The Contractor further agrees that any such deduction shall not in any degree release him from further obligations and liabilities in respect to the fulfillment of the entire Contract. Liquidated damages shall not be assessed the Contractor for any days for which an extension of time has been granted.

ARTICLE 7. GENERAL CONDITIONS

1. **INSURANCE:** Contractor shall provide proof of current Contractor's liability insurance for the protection of persons and property in an amount of not less than \$300,000 per occurrence as a result of claims arising from their activities in conjunction with housing rehabilitation contracts.

Contractor shall carry and require that there be carried Workman's Compensation Insurance in accordance with Washington State law for all of his/her employees and those of his/her Sub-Contractors.

2. PERMITS: Contractor shall obtain at his/her own expense all permits and licenses necessary for the work covered under this Contract. In addition, Contractor shall provide proof of his registration and license with the State of Washington.
3. CODE CONFORMANCE: Contractor shall perform and cause to be performed all work in conformance with the latest adopted edition of state and local building codes.

The Contractor hereby acknowledges that he/she has knowledge of City of Wenatchee building codes and State of Washington codes and insures that he/she will comply with the provisions thereof.

4. CHANGES: No changes in the work covered by this Contract shall be made without prior written approval by the Owner/s, through the City, and said approval shall remain on file with the Owners and the City.
5. PROGRESS PAYMENTS: The Contractor may apply for a Partial Payment for items of work completed when Forty Percent (40%) of the work has been completed, again at the Sixty Percent (60%) level of completion, and again at the Eighty-Five Percent (85%) level of completion. Fund requests for Asbestos, Lead-Based Paint or other required inspection costs may precede the 40% pay request as necessitated by Program activities.

A retainage of ten Percent (10%) shall be withheld on the Forty Percent (40%), Sixty Percent (60%), and Eighty-Five Percent (85%) progress payments, pending final completion and acceptance of the project.

6. CONDITION OF THE PREMISES: Contractor shall keep the premises clean and orderly and remove all debris immediately upon completion of work. Materials and equipment that have been removed and replaced as part of the work shall belong to the Contractor unless otherwise specified.
7. NON-ASSIGNMENT: Contractor shall not assign this Contract or any part thereof without the written approval of the Owner/s, through the City. Notice of the Request for Assignment shall be sent to the Owner/s and to the City, in care of the Housing Rehabilitation Coordinator, for approval. The request, if approved by the Owner/s and the City, shall be placed in the project file.
8. GUARANTEE: Contractor shall perform or cause to be performed all work under this Contract in a good and workmanlike manner. Furthermore, Contractor guarantees that all work performed under this Contract shall be free of defects in labor and materials for a period of one (1) full year, dated from the project completion, date. The Contractor shall correct all work rejected by the Owner/s through the City as defective or failing to conform to the Contract Documents, whether observed before or after completion of the

project and whether or not such work is fabricated, installed, or completed. The Contractor shall promptly correct such work after receiving notice from the Owner/s through the City to do so. Contractor shall furnish Owner/s with all supplier's and manufacturer's written guarantees and warranties covering materials and equipment furnished under this Contract.

9. INSPECTION: Contractor shall permit officials of the United States government and the City to inspect work performed hereunder as well as to inspect Contractor's books, records, correspondence, drawings, receipts, vouchers, payrolls, agreements, and other papers which relate to work performed under this Contract.

Contractor shall preserve the aforementioned records for two (2) years after payment hereunder.

10. OWNERS' COOPERATION: Owner/s shall permit Contractor to use, at no cost, existing facilities on the premises including, but not limited to, light, electricity, and water which are necessary to carry out the completion of work under this Contract. Owner/s shall cooperate with Contractor to facilitate the performance of work in all reasonable ways including, but not limited to, the removal of rugs, coverings, furniture, and appliances, as necessary. In addition, the Owner/s shall be responsible for all costs pertaining to the installation or reinstallation of the following items: a) telephone service, b) television cable service, c) television antenna, unless such existing services were damaged by the contractor during contractor's operations.

ARTICLE 8. CONTRACT PROVISIONS

Contractor shall abide by the following Federal and State regulations and requirements, if applicable:

1. Executive Order 11246, as Amended
2. Notice of Requirement of Affirmative Action to ensure Equal Employment Opportunity
3. Standard Equal Employment Opportunity Construction Contract Specifications, Goals and Time Tables
4. Title VI Clause
5. Section 3 Clause of the Housing and Community Development Act of 1968
6. Section 109 Clause of the Housing and Community Development Act of 1974, as Amended
7. Section 504 of the Rehabilitation Act of 1973, as Amended
8. Age Discrimination Act of 1975, as Amended
9. Revised Code of Washington State Nondiscrimination Clause (RCW 49.60)
10. Segregated Facilities Clause
11. Flood Insurance
12. Lead-Based Paint
13. Access to Records/Maintenance of Records Clause
14. Conflict of Interest Clause
15. Contractor's and Sub-Contractor's Contract Agreement
16. Copeland Act

ARTICLE 9. INDEMNIFICATION

The Contractor covenants and agrees to, and does hereby indemnify, hold harmless and defend, the Owner/s, the City of Wenatchee, and the U.S. Dept. of Housing and Urban Development, their agents, servants, or employees, from and against any and all claims for injuries or damage to persons or property of whatsoever kind or character, whether real or asserted, arising out of this Agreement and the work to be performed herein.

The Contractor hereby assumes all liability and responsibility for injuries, claims or suits for damages, including cost for defense to persons or property of whatsoever kind or character, whether real or asserted, occurring during the time the work is being performed or arising out of the work.

ARTICLE 10. BREACH OF CONTRACT

Upon breach of any conditions within this Contract, the Owner/s, through the City, may send to the Contractor written notice at the address listed herein by registered or certified mail, return receipt requested, setting out with particularity the nature of the breach. If within seven (7) days after the mailing of such notice, the Contractor has not satisfactorily remedied all breaches, Owner/s, through the City, may declare this Contract in default.

In addition to all other remedies afforded by law, City shall, upon Contractor's default, withhold all payments to the Contractor and may on behalf of the Owner/s finish the work by whatever method deemed expedient. In the event of legal action arising out of this Contract, the prevailing party shall be entitled to the award of court costs and reasonable attorney's fees, as determined by the court. The foregoing shall not in any way limit or restrict any right of remedy at law or equity which would otherwise be available to the Owner/s and/or the City.

IN WITNESS WHEREOF, the parties hereto have caused This Agreement to be executed on the day and year first written on Page 1 of this Construction Contract.

Owner/s: _____

Attest:

Attest

Contractor _____

Attest:

Witness _____

City of Wenatchee