



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER

PAGE 1 OF

29

DATE: 1/21/2014

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE HOME REHABILITATION PROGRAM ADMINISTERED BY THE COMMUNITY DEVELOPMENT DEPARTMENT**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report of the HOME Rehabilitation Program administered by the Community Development Department.

**BACKGROUND:**

In accordance with Local Government Code, Subchapter A, Sections 115.001 Examination of Records, the Auditor's Office reviewed the HOME Rehabilitation Program administered by the Community Development Division (CDD) for the ten (10) months ended July 31, 2013. The objective of the review was to determine whether controls were adequate to reasonably ensure that the administration of the program complied with selected federal guidelines and CDD policies.

Attached to this report is a written response from the Director of CDD.

**FISCAL IMPACT:**

There is no fiscal impact to Tarrant County.

SUBMITTED BY: Auditor

PREPARED BY: S. Renee Tidwell  
APPROVED BY:



## TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506

100 E. WEATHERFORD

FORT WORTH, TEXAS 76196-0103

817/884-1205

Fax 817/884-1104

S. RENEE TIDWELL, CPA  
COUNTY AUDITOR  
rtidwell@tarrantcounty.com

CRAIG MAXWELL  
FIRST ASSISTANT COUNTY AUDITOR  
cmaxwell@tarrantcounty.com

November 27, 2013

Ms. Patricia Ward, Director of Community Development  
Mr. G.K. Maenius, County Administrator  
The Honorable District Judges  
The Honorable Commissioners Court  
Tarrant County, Texas

Re: Auditor's Report – Home Rehabilitation Program

### SUMMARY

In accordance with Local Government Code Section, Subchapter A, Sections 115.001 *Examination of Records*, we reviewed the Home Rehabilitation Program administered by the Community Development Division (CDD) for the 10 months ended July 31, 2013. The objective of our review was to determine whether controls were adequate to reasonably ensure that the administration of the program complied with selected federal guidelines and CDD policies. As a result, we found the following:

- Observation 1 Full and open competition may not exist in the procurement of contracts for the home rehabilitation projects.
- Observation 2 The initial inspection and subsequent oversight of the home rehabilitation projects should be improved.
- Observation 3 Documentation for the “in-kind” match was not adequate.
- Observation 4 Segregation of duties was not adequate.

We discussed these issues with management on October 16 and December 11, 2013. Attached to this report is a written response from the Director of the CDD.

**BACKGROUND**

The CDD of the Administrator's Office administers several development and housing programs. One of the programs is the housing rehabilitation program which is funded by two federal grants: The Community Development Block Grant (CDBG) and the HOME Investment Partnership Grant (HOME). These grant funds can be used meet critical needs for homeowners who lack the funds to make necessary improvements to their homes. These funds can be used to make essential improvements and bring homes up to local codes, improve energy efficiency and handicapped accessibility, and improve the living conditions of the individual households. The housing rehabilitation projects are performed to meet, at a minimum, Tarrant County Minimum Rehabilitation Standards. Both the Department of Housing and Urban Development (HUD) and the County's external auditors perform an annual audit.

During the period October 1, 2012 through July 31, 2013, CDD authorized payments in the amount of \$852,810 for 36 home rehabilitation projects. Of this amount, \$661,825 was funded through the HOME grant and \$190,985 through the CDBG grant.

According to CDD, most work is concentrated in cities that can provide a 30% match to allow more funding for the rehabilitation project. Some of the cities may lack sufficient funds to provide the 30% match. The home rehabilitation projects were in the following cities within Tarrant County:

<b>City</b>	<b>Amount Paid 10/01/2012 – 7/31/2013</b>
Haltom City	\$171,621
Eules	158,329
Hurst	140,675
North Richland Hills	132,130
Benbrook	114,145
Azle	52,595
Bedford	28,960
Blue Mound	27,330
White Settlement	27,025
<b>TOTAL</b>	<b>\$852,810</b>

## OBSERVATIONS AND RECOMMENDATIONS

### ***Observation 1 Full and open competition may not exist in the procurement of contracts for the home rehabilitation projects.***

#### **Background**

24 CFR 85.36(c)(1) states “*All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of § 85.36.*”

CDD procures contracts for home rehabilitation through sealed bids. 24 CFR 85.36(d)(2) states that “*Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest in price.*” Furthermore, 24 CFR 85.36(d)(2)(i) states that in order for sealed bidding to be feasible, the following conditions must exist:

- (A) A complete, adequate, and realistic specification or purchase description is available;*
- (B) Two or more responsible bidders are willing and able to compete effectively for the business; and*
- (C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.*

Three contractors were awarded contracts during the period of October 1, 2012 – July 31, 2013. Double D Contracting, LLC and DSCI, Inc. have been performing home rehabilitation projects for Tarrant County since at least 2005. The third vendor, Texas Rehab Group, LLC, has been performing these projects since 2010.

#### **Observations**

Full and open competition may not exist since only three contractors provided services for the 36 home rehabilitation projects completed during the period of October 1, 2012 through July 31, 2013. Initially, CDD management stated that a contractor was not allowed to perform more than two projects simultaneously. This policy can be anti-competitive and may allow vendors to engage in collusion. When provided the initial draft audit report, CDD stated that only contractors placed on probation were limited to working on two projects simultaneously. CDD management did not provide us with documented policies and procedures related to placing contractors on probation.

CDD awarded contracts on May 7, 2013 for two home rehabilitation projects. One contractor had the lowest bid on *both* projects, but was not awarded both contracts. Rather, CDD awarded only one contract to this contractor. According to CDD management, the contractor was placed on probation in April 2012 and could only work on one project at a time for the next five projects and continues to be on probation and cannot bid while working on two projects. Based on the final inspection dates of the projects, the contractor was working on two other projects as of the bid date. After winning the May 7 contract, the contractor was working on *three* projects according to the final inspection dates. Upon our request, CDD management could not provide us with documentation that notified the contractor of the terms of the probation.

We also observed that only one bid was received for 7 of the 36 projects. The chart below shows the amounts paid to the three contractors during the 10-month review period.

<b>Contractor</b>	<b>Amount Paid 10/01/2012 – 7/31/2013</b>
DSCI, Inc.	\$424,280
Double D Contracting, LLC	221,212
Texas Rehab Group, LLC	207,318
<b>TOTAL</b>	<b>\$852,810</b>

As shown in the chart below, twelve (12) contractors have performed home rehabilitation projects since 2005.

<b>Contractor</b>	<b>Amount Paid 10/01/2004 – 7/31/2013</b>
Double D Contracting, LLC	\$ 2,971,937
DSCI, Inc.	1,757,172
Texas Rehab Group, LLC	927,379
Bernardo Turcios	717,261
William Turcios	281,529
Inner City	137,186
Tetra One	44,614
Mark Gentry	25,065
Mc Webb	24,559
Texas Remodelers	24,088
Watermasters	16,727
MACTEC Engineering	1,755
<b>TOTAL</b>	<b>\$ 6,929,271</b>

As a result, HUD may question whether the County is in full compliance with 24 CFR 85.36 requiring full and open competition. Per the regulations, sealed bidding may not be appropriate in instances where only one bid is received.

**Recommendations**

We recommend that CDD transfer the solicitation and bidding process to the Tarrant County Purchasing Department. At a minimum, CDD should coordinate with Purchasing to obtain additional qualified contractors for the home rehabilitation projects. CDD should also review current policies and procedures related to the procurement of contracts with the Purchasing Department and the District Attorney's Office to ensure full and open competition as required by federal regulations.

**Observation 2** *The initial inspection and subsequent oversight of the home rehabilitation projects should be improved.*

**Background**

24 CFR 85.36(2) states, “Grantees and subgrantees will maintain a contract administration system which ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.” The contract is between the contractor and the homeowner. The Assistant Director or the Housing Rehabilitation Specialist typically signs the contract as a “County Representative.” A project employee carries out the duties as the Housing Rehabilitation Specialist and is responsible for overseeing the day-to-day activities of the projects.

24 CFR 35.934(d) requires the abatement of lead-based paint on rehabilitation projects receiving more than \$25,000 in federal funds. CDD ensures that the initial project cost is under \$25,000. This practice is followed so that the County does not have to perform lead abatement. Guidance provided by HUD states that *unanticipated* change orders are common in rehabilitation projects and that a recalculation of the level of assistance for purposes of lead paint abatement is *not* required as a result of change orders *except* if a pattern of abuse exists.

Housing Rehabilitation Policy and Procedures states that an on-site inspection should be conducted by the Housing Rehabilitation Specialist before work begins. The on-site inspection should concentrate in five priority areas: 1) roofing, 2) plumbing, 3) electrical wiring, 4) weatherization needs, and 5) foundation repair. Based on the initial on-site inspection, the specifications document is prepared for the solicitation of bids. The policy also states that changes, “...require a Change Order to the Contract, which must be approved beforehand by the Housing Rehabilitation Specialist, contractor and homeowner.” The Director, Assistant Director, or a designated manager provides final approval of change orders.

Housing Rehabilitation Policy and Procedures state that the Housing Rehabilitation Specialist should conduct daily and/or weekly inspections of each project to ensure that the work is being performed in accordance with the contract. The policy also states that the contractor shall request that the Housing Rehabilitation Specialist inspect the project upon completion of the contracted work. All items requiring correction should be recorded on a “punch list” for correction prior to the final inspection. Upon satisfactory completion of the project, CDD staff initiates payment to the contractor.

**Observations**

The initial inspection and subsequent oversight of the home rehabilitation projects should be improved. Changes in the scope of work defined in the original contracts resulted in change orders. We also visited six homeowners and observed a number of contracted items were not performed.

- All 36 projects had up to four change orders to add, delete, and modify requirements specified in the original contract. Some change orders were due to unexpected circumstances that could not have been anticipated, such as electrical or plumbing issues. However, we observed a number of change orders that do not appear to be related to unforeseen circumstances, such as the addition of HVAC systems. This leads us to believe that the initial inspections, including dialogue with the homeowners, were not adequate.

Based on the dates of the change orders, documentation did not indicate that change orders were always approved in advance by the Housing Rehabilitation Specialist. According to CDD staff, change orders are often *verbally* approved and are later formalized. The approval date notated by the Director, Assistant Director, or a designated manager was often the same day as the project completion date.

All home rehabilitation contracts, excluding change orders, were executed for less than \$25,000 during the review period. Change orders for items that should have been foreseen could lead to questions as to whether they were used to circumvent lead abatement.

- *Not all contracted work was completed.* We selected six homes and performed a limited inspection of the work performed. As a result, we observed a number of instances where work was not performed in accordance with the terms of the contract. For example, one contract required that four entryways be widened to 36", and a subsequent change order added the installation of a three additional doors for wheelchair accessibility. We found that only one door was widened to 36". The remaining doorways were widened to 32". According to CDD staff, the doorways could not be widened to 36" due to electrical and structural reasons. A change order was not executed.

All six homeowners received substantial benefit and expressed overall appreciation for the improvements made to their homes.

We also observed that there was no documentation indicating routine oversight during the project and a final walk-through upon completion of the project as required by the Housing Rehabilitation Policy and Procedures.

## **Recommendations**

CDD staff should perform a thorough inspection of the home and interview with the homeowner to determine the repairs needed to the property. CDD should also fully evaluate the original contract and scope of work prior to approving change orders to ensure compliance with HUD's lead paint abatement guidelines. All changes to the original scope of the contract should be documented by a change order and approved by the Housing Rehabilitation Specialist and the appropriate manager *before* the work is performed in accordance with Housing Rehabilitation Policy and Procedures.

We also recommend that the Housing Rehabilitation Specialist document the project site visits and the final walk-through with the contractor. Any uncompleted work and/or materials that do not meet the requirements of the contract should be documented on a "punch list." The items on the punch list should be completed *before* final payment is made to the contractor.

Since CDD serves as an advocate for the homeowners, we also recommend that CDD follow-up with homeowners after a designated period of time to verify that the improvements made to the home are functioning properly.

***Observation 3 Documentation for the “in-kind” match should be improved.***

**Background**

Per 24 CFR 92.221, match contributions are credited on a fiscal year basis at the time the contribution is made. This match can be in various forms such as cash contributions, donated materials and labor, and a waiver of state or local taxes. Tarrant County requests a 30% match for the projects funded with HOME grant funds. The federal regulations also allow that matching contributions exceeding the participating jurisdiction's match liability for the current fiscal year may be carried over and applied to future fiscal years' match liability.

**Observation**

Although documentation was provided to CDD supporting the 30% match, we could not always verify the in-kind match, particularly for donated labor. Rather, the documentation was just notated as “General Labor.” The documentation did not specify whether labor was for painting, plumbing, electrical, etc. Therefore, we could not determine whether the County contracted services and subsequently paid the contractor for the same service provided by the in-kind match.

**Recommendation**

We recommend that the CDD request that the cities and the not-for-profit organizations provide greater detail related to the kind of labor donated, such painting labor and/or electrical labor.

***Observation 4 Segregation of duties was not adequate.***

**Observation**

Adequate segregation of duties does not exist. A project employee, who carries out duties as Housing Rehabilitation Specialist, conducts the initial house inspection, prepares the cost estimate and bid sheet, monitors the progress of rehabilitation project, signs the contracts and change orders, conducts a final inspection of the house upon completion, prepares necessary paperwork and signs for payment request to the Auditor's Office. When the Assistant Director performs duties as Housing Rehabilitation Specialist, he fulfills the duties as a County representative and is also responsible for notarizing the contract and supervising the project. Furthermore, these contracts and change orders are *not* presented to Commissioners Court for approval. As a result, a risk exists that an individual may misappropriate assets and/or an inappropriate use of funds may occur and will not be detected.

**Recommendations**


No one person should perform all the functions as described above. We recommend that the Director of CDD implement procedures that segregate conflicting activities. An option to consider is transferring the solicitation and bidding of home rehabilitation contractors to the Tarrant County Purchasing Department. We also recommend that the Director of CDD provide a periodic report to the Commissioners Court listing the contracts and change order amounts related to projects under the Home Rehabilitation Program.



**CLOSING REMARKS**

We appreciate the responsiveness and cooperation of Community Development staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,

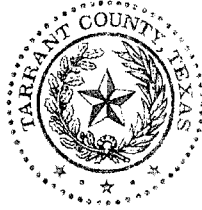


S. Renee Tidwell, CPA  
County Auditor

*Attachment:*  
Management's response

*Distribution:*  
Brian Cramer, Assistant Director, Community Development Department

*Team:*  
Kim Trussell, Audit Manager  
Maki Ogata, Senior Auditor



**TARRANT COUNTY**  
**COMMISSIONERS COURT**

ADMINISTRATOR'S OFFICE  
COMMUNITY DEVELOPMENT DIVISION  
Patricia Ward, Director

January 9, 2014

Ms. S. Renee Tidwell, CPA  
Mr. G. K. Maenius, County Administrator  
Honorable District Judges  
Honorable Commissioners Court  
Tarrant County

RE: Community Development Department (CDD) Response to  
Tarrant County Auditor's Report - HOME Rehabilitation Program

Dear Ms. Tidwell:

The Community Development Department (CDD) is in receipt of your Auditor's Report - HOME Rehabilitation Program dated November 27, 2013 (received via email 1/8/2013). Please accept this correspondence in response to the four (4) observations you outlined in the report.

**Observation 1:**

Full and open competition may not exist in the procurement of contracts for the HOME rehabilitation projects.

**Community Development Response to Observation 1:**

The purpose of bidding out the owner-occupied housing rehabilitation contracts is to determine cost reasonableness for each project. Program guidelines call for an initial cost estimate of \$24,999 or less. The contracts are between the homeowner and the contractor, and the warranty stays with the low-income homeowner and the property. This level of funding does not require a formal bid process in accordance with 24 CFR 85.36 - Procurement. It is the opinion of CD Management the current process is in compliance with federal guidelines and does provide for open and fair competition within the community development framework.

Based on the observation detailed in the County Auditor's Report:

1. The Director will approve any award consisting of only one bid for all future contracts.
2. The Department will reach out to small contractors within Tarrant County to become qualified Contractors for the Tarrant County Housing Rehabilitation Program.

### BACKGROUND

The purpose of this program is to preserve affordable single -family housing stock in residential communities; plus to promote economic development for small private contractors within our community. CDD has an established recognized procurement policy and procedure in place to select contractors and manage housing rehabilitation projects (attached). This procedure has been in place for over 30 years and reviewed by HUD on numerous monitoring visits. Community Development Management reviews policy and procedures annually, amends the policy as needed, and confers with the County Purchasing Agent on a regular basis. Historically, CD Management has requested the County Purchasing Agent to review all changes to the existing policy.

All bids are substantially below \$100,000 (\$24,999), well below the minimum amount of a contract that is required to go to a public sealed bid format (24 CFR85.36). The policy of CDD is designed to ensure transparency during the process, to encourage open and competitive bidding, and to ensure cost reasonableness on each project. Received bids must be within ten percent (10%) of the County's estimate of the project to be considered. As noted in your report there are times that a rehabilitation project is put out to bid and packets are picked up by multiple contractors, but only one (1) bid has been returned. Contractors are bidding on projects for other entities; we have no control over who turns in a bid or why a contractor does not bid on a particular project. However, if the one (1) bid that is turned in is from one of our preapproved contractors and is within 10% of our original estimate then the bid is awarded to that contractor. This ensures the bid was cost reasonable and fits within our estimated cost of the project.

CDD allows all contractors, not on probation, to bid on and have a maximum of five (5) rehab projects going at any one time. A contractor on probation is restricted from working on or bidding on fewer than five (5) rehabs at any one time. The restricted number is established internally after deliberation with staff and ultimately decided by Management. CDD has clarified its rehabilitation policies and procedures related to placing a contractor on probation. The action of placing a contractor on probation has only occurred one time in the 36 years the program has been in existence.

CDD Management has met with Jack Beacham to address the possibility of “obtaining additional qualified contractors for the HOME rehabilitation projects.” Management has contacted the Cities of Arlington, Fort Worth, and the non-profit TCHP to obtain additional contractors qualified to contract for HUD funded construction projects.

It is apparent the contractors working on the Urban County's rehabilitation program also work on rehabs for Fort Worth, Arlington, and several non-profits within the region. Procurement methods vary, for example the City of Fort Worth's Weatherization Grant program (better energy efficiency and weatherization of homes) contracts with only one (1) contractor for that activity as part of an (1 to 5 year) RFP process. The current contractor has undertaken approximately 250 weatherization projects for an estimated \$3 million.

Owner Occupied rehabilitation programs generally generate a 12% to 15% profit margin or \$3,000 or \$4,000 per house and do not attract larger contractors or sub-contractors. Qualified contractors must be Lead Certified, provide worker's comp insurance, and countless other requirements on each project. Many contractors simply prefer to work on private housing rehabilitation projects without professional or governmental oversight. Tarrant County is fortunate to have qualified rehabilitation contractors that want to work in our jurisdiction.

**Observation 2:**

The initial inspection and subsequent oversight of the HOME rehabilitation projects should be improved.

**Community Development Response to Observation 2:**

Based on the observation detailed in the County Auditor's Report:

1. Inspectors will provide additional file documentation to include; additional onsite photos; additional notes to the files; completion dates of the items detailed on the contracts.
2. Inspectors will agree to meet with the homeowner after the initial work write-up is completed to conduct a final review of the work to be performed within 3 working days prior to requesting bids.

**BACKGROUND**

The Auditor's observation and statement that “oversight of the HOME rehabilitation projects should be improved” is without merit. During the onsite audit phase, County Auditors did not accompany CDD staff to any inspection (initial or ongoing) of a home.

Typically HUD and OIG auditors accompany Tarrant County (Grantee) CD Staff as part of an audit or monitoring. The Auditor's staff never once discussed the interview or inspection process with CDD Rehabilitation staff. By simply interviewing the homeowner you cannot get a full and clear understanding of the process that actually takes place. An initial rehabilitation inspection takes 2-3 hours and includes (during the initial inspection) discussions with the homeowner about possible required repairs. After the inspection is completed, a complete and formal write-up of all work to be completed is prepared by the inspector and a work write-up is then mailed to the homeowner for their review and acknowledgement (acknowledgement signed and returned to CDD) prior to going to bid. At the time of the pre-construction conference with the homeowner and the contractor the write-up of the work to be performed is reviewed again with the homeowner. It is common for a homeowner to change their mind about what it is they want done in their home. CDD staff spends a substantial amount of time to make accommodations for homeowners during the rehabilitation process. Many of the homeowners are elderly and mentally disabled; staff takes a strong fiduciary role with the full knowledge of the program's limitations and restrictions. In any housing rehabilitation project, there will be change orders. Rehabilitation is not new construction. Contractors are working on homes that have long term deferred maintenance issues and strong familiar attachments for the owners. In the report, the auditor questions items that should have been known earlier in the process or that "could lead to questions as to whether they were used to circumvent lead abatement." Once again none of the auditor's inspections were performed with CDD Staff. Such items could have been clarified if the auditor would have interviewed the CDD Inspector.

The Report stated "... there was no documentation indicating routine oversight during the project and a final walk-through upon completion of the project as required by the Housing Rehabilitation Policy and Procedures." During the rehab process there are on-going on-site inspections of all rehabs. The Auditor's staff never asked to go on an inspection of a current rehab and never asked CDD staff what the process was during an actual rehab inspection. It is really difficult to get a full and clear picture of the process when you only ask a homeowner what they remember about a rehab at their home months ago. All Final inspections of rehabs are performed by CDD staff once the contractor states they have completed all required work and all the green tags and warranty paperwork has been submitted. The final inspection is completed with the contractor and homeowner both present. A rehab is not complete unless all the work from the write-up is performed and all the paperwork (Final Inspection Report, Contractor's Final Bill, Warranty on Labor and Materials and Certification of Payment of Bills and a Summary of all Change Orders) is signed by the Homeowner, the Contractor and CDD Staff. The Report noted several minor oversights of items, all noted items have been corrected by CDD Staff.

**Observation 3:**

Documentation for the "in-Kind" match should be improved.

**Community Development Response to Observation 3:**

1. CDD staff has instructed partner agencies donating in-kind match documentation to be more specific in the type of work completed by volunteers. Worksheets will be developed to assist partnering agencies with additional documentation of in-kind match.

**BACKGROUND:**

In-kind match was not reviewed with CDD Staff at any time during auditor's monitoring. The documentation of HOME Match has been reviewed by HUD and the OIG on numerous occasions for years and there has never been an issue with the documentation for in-kind match. HUD received, for more than a year, all match documentation on a per project basis (prior to the project moving forward) and never questioned the way the in-kind match was provided. HUD determined that all match was appropriately documented for prior years.

**Observation 4:**

Segregation of duties was not adequate.

**Community Development Response to Observation 4:**

1. CDD will submit quarterly reports to Commissioners Court on all owner-occupied housing rehabilitation activities conducted through the department.

**BACKGROUND:**

The ability to carry out activities in an orderly and timely fashion with a small staff is something we face daily as a department. We are very aware of duties of each staff person and the separation of those duties to ensure no conflicts arise. Segregation of duties in the County's homeowner rehabilitation program has been reviewed by both the OIG in 2009 and HUD in 2012 and no issues or concerns were found.

For clarification - in Observation 4, the Auditor makes the statement that the rehabilitation specialist "prepares necessary paperwork and signs for payment request to the Auditor's Office." The rehabilitation specialist prepares the project for closing and conducts the final inspection. The rehabilitation specialist does not sign for payment requests. A departmental manager reviews all the paperwork, and more than likely has been on-site prior to the closing, and then reviews (as part of the approval process) the check to be requested. That payment request along with all supporting documentation is then reviewed by the department's director and is signed for payment by the Auditor's office.

The auditor's observation that the contracts and subsequent change orders don't go to Commissioners' Court for approval is correct. A rehabilitation contract lasts approximately 40 days; the contract is between the homeowner and the contractor. The County takes a strong fiduciary role on behalf of the program and the owner. This program uses small contractors within the community. The process of submitting change orders for owner-occupied housing rehabilitation through the commissioners court agenda process would most likely eliminate the program all together. Staff is professional and highly experienced. Inspectors take their fiduciary roles seriously. HUD has determined on numerous occasions adequate internal controls are in place. Management is experienced, knowledgeable, and professional. Tarrant County CD has administered approximately 1800 owner-occupied housing rehabilitation contracts, over 1100 of these rehab contracts have been overseen by current management.

In Observation 4 the Auditor makes a statement that because items "are *not* presented to Commissioners' Court for approval" that ... "as a result, a risk exists that an individual may misappropriate assets and/or an inappropriate use of funds may occur and will not be detected". Tarrant County conducts criminal background checks on all inspectors. If there were items or activities suggesting such activities found during the auditor's monitoring then addressing the issue is understandable. But in the 36 years the County has run a homeowner's rehabilitation program no misappropriation of assets and/or an inappropriate use of funds has been found. Staff is professional and experienced. All payments are presented to Commissioners Court for approval. This statement questions the integrity of CD staff and management without basis.

**Conclusion:**

Management appreciates the follow-up meetings with the County Auditor during the past month. Community Development looks forward to working with the auditors in the future to continue to serve the residents of our community in a cost efficient, professional manner.

Please note that Community Development is audited by different compliance entities routinely and have been for the past 38 years. CDD staff is comprised of qualified, experienced professionals. The average staff experience is 20 years. The CD Director, HOME Administrator, CD Program Manager all have Rehabilitation Program Management Certificates and are dedicated to serving the County and its communities. Should you have any questions and/or comments, please contact me directly at 817-850-7946.

Sincerely,

Patricia Ward  
CD/Housing Director

\attachments

General Contractors for PY13-14 (Arlington)

General Contractors - Fort Worth

General Contractors- TCHP

CD Housing Rehabilitation Policies and Procedures



# General Contractors for PY 13-14

## **Add-On Construction**

Contact: Gaylord Johnson  
1802 Mansfield Road  
Cedar Hill, TX 75104  
214-801-4673 Cell  
972-293-6254 Fax  
addonc@sbcglobal.net  
MBE/WBE contractor

## **B & R Contractors Services, Inc.**

Contact: Eddie Frisby  
5300 Pocassett Dr.  
Arlington, TX. 76018  
817-975-8690 Roger's Cell  
972-977-1138 Eddie's Cell  
817-784-9447 Fax  
brcs2000@msn.com

## **Cleta Bryant Construction Co.**

Contact: Cleta Bryant/Dearl Reed  
1133 Beaver Brook Lane  
DeSoto, TX 75115  
469-867-1944 Cleta's Cell  
469-867-2144 Dearl's Cell  
972-863-7068 Fax  
cletabryant@aol.com  
MBE/WBE contractor

## **Double D Contracting**

Contact: Danny Wywias, Sr.  
P.O. Box 24281  
Ft. Worth, TX 76124  
3411 Bluebonnet Circle  
Weatherford, TX 76087  
817-688-6160 Danny's Cell  
817-284-1806 Fax  
dannywywias@hotmail.com

## **GTO Construction**

Contact: Javier Villagomez  
2317 Oakland Blvd.  
Ft. Worth, TX 76103  
817-536-9888 Office  
817-819-0609 Javier's Cell  
817-819-0608 Claudia's Cell  
817-536-4734 Fax  
gtocon1@yahoo.com  
MBE/WBE contractor

## **Romance Services**

Contact: Jackey R. Dunn, Jr.  
Office Contact: Barbara  
P.O. Box 136513  
Fort Worth, TX 76136  
817-232-2200  
817-831-0559  
jack@romanceplumbing.com

## **Gulf Energy Mechanical, Inc.**

Contact: Ron Ernest  
1304 13<sup>th</sup> Street, Suite D  
Plano, TX 75074  
972-423-2335 Office  
214-934-8086 Ron's cell  
972-423-2535 Fax  
gulfenergymech@verizon.net  
MBE/WBE contractor

## **Assured Mechanical Solutions, LLC**

Contact: Byron Bailey  
Byron@amsdfw.com  
Office Contact: Sonya Roberts  
sonya@amsdfw.com  
955 Cedarview Drive  
Cedar Hill, TX 75104  
972-291-2653 Office  
214-228-7096 Byron's cell  
888-213-7868 Fax

## Patricia Ward

---

**From:** Cordova, Joe <Joe.Cordova@fortworthtexas.gov>  
**Sent:** Monday, January 13, 2014 2:03 PM  
**To:** Patricia Ward  
**Subject:** RE: Contractors  
**Attachments:** Glenn Miller.vcf; Jel Zimmerman.vcf; Javier Villagomez.vcf; Maynard Ketron.vcf; Jackie Dunn Jr .vcf; Kent Adams.vcf

Hi Patricia! Per your request I'm forwarding you the business cards for the contractors we use.

**Glenn Miller**  
Glenn's A/C and Heating  
Owner  
817, 534-4463 Office  
817, 413-0100 Mobile  
817, 300-9587 Mobile  
glennsac@gamiller.net

**Jel Zimmerman**  
Integrity Texas Construction  
Project Manager  
817, 793-8934 Mobile  
itjeh@gmail.com

**Javier Villagomez**  
GTC Construction  
Owner  
817, 819-0609 Mobile  
gtocon1@aol.com

**Maynard Ketron**  
Tarrant Paint & Stain  
862, 351-6667 Mobile  
maynard@tarrantpainting.com

**Jackie Dunn Jr.**  
Romance Plumbing  
Owner  
817 232 2200 Office  
817, 822-0912 Mobile  
jackie@romanceplumbing.com

**Kent Adams**  
Housing and Economic Development  
Rehabilitation Technician II  
Equipment Services  
817, 392-5130 Office  
817 879 9481 Mobile  
1817 584 0064 Home  
Steven.Adams@fortworthgov.org

Joe Cordova  
Development Project Coordinator  
Housing and Economic Development Department  
817-392-7332- Office  
817-999-1850- Cell

**From:** Patricia Ward [mailto:PWard@TarrantCounty.com]  
**Sent:** Monday, January 13, 2014 11:37 AM  
**To:** Garcia, Cynthia B.; Cordova, Joe  
**Subject:** Re: Contractors

Thanks!

**From:** Garcia, Cynthia B. [mailto:Cynthia.Garcia@fortworthtexas.gov]  
**Sent:** Monday, January 13, 2014 11:07 AM  
**To:** Patricia Ward; Cordova, Joe <Joe.Cordova@fortworthtexas.gov>  
**Subject:** Re: Contractors

Sure-

Joe- can you please give her the list of contractors we use for priority repair program?  
Cynthia

On Jan 10, 2014, at 11:33 AM, "Patricia Ward" <PWard@TarrantCounty.com> wrote:

Cynthia: Can you help me. We are being audited and the internal auditor thinks that we need to reach out for more contractors. I have already received the information from Arlington and TCHP. It would be very helpful if we had the same information from Fort Worth. I have also left a message for James from Parks and Recreation for their weatherization program. Thanks, Patricia

## Patricia Ward

---

**From:** Donna VanNess <donna@tchp.net>  
**Sent:** Thursday, January 09, 2014 4:18 PM  
**To:** Patricia Ward  
**Subject:** RE: Contractors

Don Sneed, DSCI Construction, 817-822-7874  
Danny Wywais, Double D Contracting, 817-688-6160  
Javier Villagomez, GTO Construction, 817-536-9888

**From:** Patricia Ward [mailto:PWard@TarrantCounty.com]  
**Sent:** Thursday, January 09, 2014 11:44 AM  
**To:** 'Arlington' (sheryl.kenny@arlingtontx.gov); Garcia, Cynthia B. (Cynthia.Garcia@fortworthtexas.gov); Donna VanNess; 'Charlie Price'  
**Subject:** Contractors

You would please send me a copy of the list of housing rehabilitation contractors for your organizations at your earliest convenience. Thanks, Patricia

Patricia Ward  
Tarrant County Community Development/Housing Director  
817-850-7946  
817-996-2973 (c)



**TARRANT COUNTY**  
**COMMISSIONERS COURT**

ADMINISTRATOR'S OFFICE  
COMMUNITY DEVELOPMENT DIVISION

TCCDD Policy CD\_07

TO: Community Development Division Staff

FROM: Patricia Ward, Director

DATE: September 1, 2004, November 18, 2005, May 23, 2006, October 4, 2007, November 12, 2007, May 22, 2008, June 5, 2008, April 2, 2009, August 13, 2009, April 7, 2010, January 13, 2012, April 9, 2012, *May 1, 2012, January 14, 2013*

SUBJECT: **HOUSING REHABILITATION POLICY AND PROCEDURES**

**I. Purpose**

The purpose of this issuance is to outline the process by which the Community Development Division (CDD) of Tarrant County provides housing rehabilitation services to eligible homeowners. Single family housing unit rehabilitation is an eligible activity under both the CDBG and HOME programs [24 CFR Parts 570.202(a), 92.205(a)(1)]. CDD conducts housing rehabilitation under both grants in order to conserve existing housing stock and provide eligible low-income homeowners with professional repairs to sub-standard housing. The only difference between CDBG and HOME programs is that HOME requires a 25% match of federal funds towards each activity. CDBG does not require match.

**II. Background/References**

- Eligible Rehabilitation and Preservation Activities: 24 CFR Part 570.202 (a)
- HOME Investment Partnership Eligible Activities: 24 CFR Part 92.205(a)(1)
- Lead Safe Housing Regulation: 24 CFR Part 35
- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and Regulations (24 CFR Parts 570 and 92)
- HUD Handbook No 1378, "Tenant, Relocation and Real Property Acquisition"
- Uniform Building Code 2000
- Tarrant County Minimum Rehabilitation Standards Checklist
- Texas Residential Construction Commission (TRCC) Registration of Existing Homes by a Builder (10 TAC 303.110(b))

### **III. Policy Summary**

CDD provides housing rehabilitation for low income homeowners living in a single family dwelling. CDD does not provide housing rehabilitation for mobile homes. Information about housing rehabilitation services are provided to potentially eligible County residents through strategic distribution of information materials, targeted workshops, and information presented at public meetings and through social service agency contacts. Targeted outreach is conducted to ensure that low income residents in the service area are able to access rehabilitation services necessary to maintain safe and affordable housing.

To qualify for housing rehabilitation services, homeowners must submit an application, be certified eligible, and meet all other requirements outlined in Section IV.C. Qualified rehabilitation projects may be funded for up to \$24,999.99. Projects may exceed this amount with approval of the CDBG Program Manager and appropriate documentation (i.e., approved change orders). A twenty-five (25) year period must pass on each home and homeowner before an application for rehabilitation can be considered again.

Tarrant County housing rehabilitation projects are performed to meet, at a minimum, Tarrant County Minimum Rehabilitation Standards. Tarrant County also has a policy for the identification and containment/removal of lead based paint in homes undergoing rehabilitation.

Although Tarrant County's policies and procedures with respect to housing rehabilitation are stated herein, each rehabilitation project has unique characteristics and may require actions not explicitly outlined in this guide. While such actions must not contradict the stated requirements, any actions outside the purview of this policy must be noted in the file with detailed explanation and documentation.

### **IV. Procedures**

#### **A. Outreach to Eligible Populations**

Information materials, such as brochures, are periodically distributed to individuals in low-income neighborhoods and disseminated through public channels such as workshops and events, senior centers, public meetings, and local social service agencies. These materials explain the housing rehabilitation program and detail conditions for application, income limits, the contracting process, and other information that potential applicants may need.

#### **B. Application Process**

1. Homeowners initiate the application process by calling the CDD office. The Housing Rehabilitation Coordinator, or designated staff, conducts a brief informal telephone interview to explain the program and ascertain project eligibility. Preliminary eligibility is based on a checklist (see attached), which includes house location, funding availability, household income sources and amounts, family size, and status of home ownership. If, after review of initial information, CDD staff finds the project eligible and feasible, the homeowner's name and address are placed on a waiting list.
2. Formal application packets are periodically mailed to homeowners at the top of the waiting list in batches of approximately twenty-five (25). As completed applications are

returned by mail, they are date-stamped by CDD staff and processed on a first-come, first-served basis. Required forms in the application packet include:

- a. Housing Rehabilitation Application; and
- b. Release of Information Form, which authorizes CDD staff to verify income and benefits for each family member.

Other forms and/or information that may be required to verify income under **24 CFR Part 5** include the following. Definition of each may be found at **24 CFR 5.609 paragraph (b)**

- c. Income from wages, salaries, tips, etc.
- d. Business Income
- e. Interest & Dividend Income
- f. Retirement & Insurance Income
- g. Unemployment & Disability Income
- h. Welfare Assistance
- i. Alimony, Child Support, & Gift Income
- j. Armed Forces Income
- k. Records of Social Security/Veterans Administration benefits;
- l. Bank account statements.

**NOTE:** Total liquid assets cannot exceed \$75,000 if AMI is 71% - 80%. If AMI is < 70%, total liquid assets cannot exceed \$100,000. Liquid assets are defined as accounts or securities that can be easily converted to cash at little or no cost value. These include cash, money in bank accounts, money market mutual, stocks, bonds and US Treasury bills. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets. IRS retirement plans per IRS definition are excluded as income.

3. CDD evaluates each completed application individually for household eligibility. Although project eligibility and feasibility can only be determined during the on-site inspection, CDD staff can generally make a preliminary determination of household eligibility based on discussions with the homeowner and the formal application. In order to qualify a project must meet the following criteria:

- a. One year of residency in the home to be repaired, prior to application;
- b. Family income at or below HUD-established maximum income limits for the respective family size under Part 5 definition of annual income (i.e., 80% of Area Median Income (AMI));
- c. The home value after rehabilitation cannot be more than 70% of the single family 2008<sup>1</sup> FHA Mortgage limits of: \$200,160 for a 1 unit structure; \$256,248 for a 2 unit structure; \$309,744 for a 3 unit structure and \$384,936 for a 4 unit structure;  
(See: [http://www.fha.com/lending\\_limits\\_state.cfm?state=TEXAS](http://www.fha.com/lending_limits_state.cfm?state=TEXAS)) for current limits for one family)
- d. Property listed in County tax records under the applicant's name;
- e. No more than two liens against the property;

---

<sup>1</sup> Please refer to the email from *Melodee M. Humbert*, forwarded by Brian Cramer on January 14, 2013

- f. A major systems failure identified on the property;
  - g. Cost of repairs needed to bring the dwelling up to Tarrant County rehabilitation standards will fall within established spending limits; and
  - h. Property repairs correspond to all applicable environmental regulations, including but not limited to, flood plains, noise and historic structures (*see Environmental Review Policy*).
4. CDD staff receives and reviews all completed rehab applications determining the city in which the property resides. Cities participating in the HOME program's funding for rehabs will vary annually. All homes to be rehabbed within a HOME participating city will be processed as follows:
- a. All procedures for the rehab program remain the same up this point;
  - b. Once the property is identified as residing within a HOME city and the work write-up is completed (establishing the amount to be expended) the HOME program manager is notified with the estimated cost of repairs, the home owners name, the address, and the approximate date of the start date of the rehab.
  - c. It will be the HOME program manager that will ensure match of at least 25% is made with the participating city for HOME funded rehabs.

**C. Applicant and Property Eligibility Verification**

Applicant Eligibility: The eligibility verification process includes several steps, completed by the Housing Rehabilitation Coordinator (HRC). Information provided by the applicant on the application form is verified for accuracy (see Rehabilitation Folder Checklist and Rehabilitation Income Checklist). Part 5 definition of annual income is verified by the HRC through direct contact with income sources listed by the applicant. For CDBG funded rehab, income must be re-verified if time elapsed has been 6 months or longer since original verification and contract signing between homeowner and contractor to proceed with work. For HOME funded rehab, income must be re-verified if time elapsed has been 6 months or longer since original verification and the Home Agreement has been signed. The HRA sends letters requesting information to various sources, with the information release form attached.

Property Eligibility: The HRC also requests a title search of the property under review for rehabilitation services.

Environmental Review: An environmental review of the proposed property is required according to HUD guidelines (see Environmental Review Policy). Housing rehabilitation projects receive a tiered review. The Broad Review identifies and evaluates those compliance factors requiring analysis and excludes those issues not relevant to the project. The broad review will include completion of the Level I: Broad Review checklist for the rehabilitation program summarizing the assessment and certification of Categorical Exclusion per 24 CFR 58.35 (a) as well as identifying the specific issues to be considered in the Level II: Site-Specific Review. Upon completion of the Level I: Broad Review, CDD will publish a *Notice of Intent to Request Release of Funds*.

Upon identification of a specific proposed home rehabilitation project address, CDD will conduct the Level II: Site-Specific Review which will examine compliance with statutes,

Executive Orders and Regulations related to Historic Preservation, Floodplain Management, Environmental Justice, Noise Abatement and Control, Explosive and Flammable Operations, Toxic Chemicals and Radioactive Materials, Airport Clear Zones and Accident Potential Zones, and other Man-Made and Natural Hazards. (see Tiered Environmental Review Procedures).

Qualifications Summary: To qualify a rehabilitation project as eligible, a **home must be outside of a floodplain** (Flood Insurance Rate Map for Zones AE, AH, A1-A30, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V1-V30, and VE that indicates the water surface elevation resulting from a flood that has a one percent chance of equaling or exceeding that level in any given year.) If the home is deemed outside of the floodplain, the HRC provides a summary of the applicant qualifications and environmental information to the Housing Rehabilitation Specialist for further determination of project eligibility. If the home is inside a floodplain, the rehabilitation of the home will not be eligible.

#### **D. Project Inspection, Evaluation, and Work Write-up**

An on-site inspection is conducted by a Housing Rehabilitation Specialist before work can begin. The Specialist completes a Housing Rehabilitation Inspection form, Work Write-up and Cost Estimate. The on-site inspection concentrates in five priority areas: 1) roofing, 2) plumbing, 3) electrical wiring, 4) weatherization needs, and 5) foundation repair. A serious flaw in any of these areas constitutes a major systems failure, which is one of the requirements for project funding. Other areas of concern are considered cosmetic and are repaired only when funding allocations permit.

The Work Write-Up and Cost Estimate are conducted by the Housing Rehabilitation Specialist. The Write-Up is signed and dated by the specialist to certify that the proposed repairs will bring the unit into compliance with Tarrant County's Minimum Rehabilitation Standards, which includes, compliance with Lead Safe Housing Regulation (24 CFR 35).

If, after completing the on-site inspection, the Housing Rehabilitation Specialist determines that the property cannot be rehabilitated under the County program, the homeowner will be notified in writing as soon as possible. The work write-up along with the estimated total cost of repairs is forwarded to the city's permitting department in which the home resides. The city's permitting department reviews the work write-up and calculates an amount that would ordinarily be charged for permits to a construction project of this type. All permits and some contractor's fees are waived by all consortium cities regardless of the program paying for the rehabilitation. This amount is used as match for the HOME program on annual basis. However, rehabilitation projects may be ineligible for rehabilitation services for a variety of reasons (e.g., inability to be properly inspected, cost of repairs over the limit, etc.).

If the rehabilitation project is determined to be ineligible, the homeowner then has ten working days after receipt of the ineligibility notice from CDD to appeal this decision to an Appeals Board. The Appeals Board consists of three representatives from the County. A hearing date is set at the CDD office at which time both CDD staff and the homeowner present their analysis of the project to the Appeals Board. The Appeals Board makes the final determination to approve or reject the appeal and the final decision is mailed to the applicant.



## E. Contractor Selection Process

1. Each project will be advertised for bids in the *Commercial Recorder*. County-approved contractors may request and receive copies of the bid packet for each project. Contractors with applications pending approval may receive bid packets, but their bids will not be accepted prior to being placed on the County-approved list.

To be approved by Tarrant County as a qualified contractor for housing rehabilitation projects, a contractor must complete an Application for Approved Contractor Status form provided by CDD (attachment 6), accompanied by the following information:

- a. Resume of qualifications for rehabilitation work;
- b. List of five previous rehabilitation jobs/references;
- c. Names of two materials suppliers with whom the contractor has credit standing;
- d. Letter of Interim Financing for backing of an amount not less than \$24,999;
- e. Statement of financial disclosure; and
- f. Certification of Insurance for Workers' Compensation (\$25,000 minimum in property damage coverage and \$100,000 minimum in public liability coverage).
- g. A copy of the contractor's current Texas Residential Construction Commission (TRCC) registration form.

All Tarrant County rehabilitation/building contractors must register with the Texas Residential Construction Commission (TRCC). As provided by TRCC: "A builder or remodeler may not construct new homes or engage in rehabilitation projects that change the living area of the home or that cost more than \$10,000 for interior renovations in Texas without first registering with the commission. Proof of registration must be provided with every bid submitted to Tarrant County. Failure to do so will result in contract being awarded to next lowest bid.

All references will be checked and certificates of insurance reviewed for compliance before conditional approval is given. Once conditionally approved, a contractor may be awarded one rehabilitation project at a time. After satisfactory completion of five consecutive projects, contractors may receive multiple awards, but no more than five rehabilitation projects concurrently.

To prepare its bid, a contractor may schedule appointments with the homeowner for on-site inspection. Contractors generally formulate their bids based on the bid packet and the on-site inspection.

2. Contractors must submit sealed, itemized bids to the CDD within twelve (12) days of the date the bid is advertised. Bids received are date and time stamped by the CDD Housing Rehabilitation Coordinator to ensure compliance with this deadline.

Bids are opened by CD Program Manager and the low bidder's submittal will be reviewed for accuracy and compliance with the conditions stated in the bid packet. When

a determination as to accuracy and compliance has been made, a contract for the project is prepared for execution with the contractor submitting the lowest and best satisfactory bid.

The contractor winning the award will be notified and scheduled to meet with the homeowner and Housing Rehabilitation Specialist in order to execute the contract. At this meeting, the Work Write-up and contract will be reviewed in detail with both parties to preclude any misunderstandings about the extent of rehabilitation to be accomplished and the total contract price. If the amount of the selected bid is within 10% (high or low) of the County's estimate, or subrecipient or CHDO staff cost estimate, the bid is considered to be cost reasonable. If the bid is between 11% and 20% lower than County estimates, the contractor must confirm in writing that there are no material mistakes in his/her bid and he/she can complete the project within the cost of his/her current bid amount.

To ensure the validity of a bid amount, should the bid amount be substantially below staff cost estimate (< 20%), the County reserves the option to reject the bid, re-bid the project or award the project to the next lowest bidder.

3. After all paperwork is signed and both parties have copies of the paperwork, a "Notice to Proceed" is issued to the contractor giving notice to begin work within ten (10) days of the Notice date and establishing the forty (40) day contract period. If the project is not completed within the stipulated forty (40) day period, the contractor will be subject to one hundred dollars (\$100.00) per day liquidated damages unless proof of delays are a result of acts of God and/or delays in material delivery. The Housing Rehabilitation Specialist must inform the Director and Rehab manager at least 1 week prior to the 40 day completion deadline if it appears that a contractor will not complete the job timely. Contract period extensions beyond 40 days must be requested by letter from the contractor and reviewed by the Director or designee. After two (2) missed 40 day deadlines, the director has discretion on decreasing the maximum number of rehabilitations performed at one period.

Rehabilitation project contracts are executed between the homeowner and the contractor. Tarrant County, although not a party to the contract, acts as mediator, handles paperwork, makes housing quality inspections, and issues final payment.

#### **F. Relocation Policy**

Tarrant County's policy is to minimize displacement of occupants during rehabilitation work on their homes. If displacement is necessary due to rare circumstances, occupants will be assisted with relocation in compliance with Tarrant County's Relocation Assistance Plan. The plan is in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, related regulations (24 CFR Part 570 and Part 92), and the HUD Handbook No. 1378, "Tenant Assistance, Relocation and Real Property Acquisition."

#### **G. Construction Phase**

1. Contractors receive with the bid packet a set of standard specifications and general conditions under which they must operate (attachment 7). All matters not covered in these specifications or general conditions are governed by the Uniform Building Code of 2000 and/or the applicable building code of the city in which the project is located.

Questions concerning construction methods for materials not already covered will be resolved by the Housing Rehabilitation Specialist and the contractor. Community Development has complete discretion in all matters concerning the rehabilitation project.

2. The Housing Rehabilitation Specialist conducts daily and/or weekly inspections of each project to ensure the rehabilitation work being accomplished is in accordance with the specifications and conditions contained in the Work Write-up.

Any items found unsatisfactory during the inspection shall be corrected to the satisfaction of the Housing Rehabilitation Specialist.

3. Only work specified in the Work Write-up is to be undertaken. If substitutions in materials become necessary, the contractor shall have the substitution approved beforehand by the Housing Rehabilitation Specialist. Any other changes, even those necessitated by unforeseen conditions, require a Change Order to the Contract, which must be approved beforehand by the Housing Rehabilitation Specialist, contractor and homeowner. In the absence of the Director or the Assistant Director, a designated manager may sign off on change orders for final approval of the change order.

4. If a contractor has one or more projects that has exceeded the original contract deadline, the director has the discretion to not accept bids on additional projects. Please see term of contract for timeline and deadlines and section E3 in this policy.

## H. Project Completion

1. Upon completion of all work specified in the Work Write-up, the contractor shall request the Housing Rehabilitation Specialist to inspect the project. Each item in the Work Write-up is inspected and all items requiring correction are recorded on a "punch list" for correction prior to final inspection. The Housing Rehabilitation Specialist makes final inspection of the project following completion of the "punch list." A Final Inspection Report Form is signed by the homeowner, the contractor, and the Housing Rehabilitation Specialist attesting to completion of the work required. Record keeping 92.508(a)(3)(iv) will be adhered to. All HOME assisted units will meet the property standards contained at 24 CFR 92.251 (a) (1) as well as Texas and local Tarrant County Minimum Rehabilitation Standards and code requirements. The CDD will assure property inspections are conducted by the qualified in-house staff, the subrecipient, or a third party contracted for the specific purpose of compliance with these standards. All units will be inspected before final completion of the housing activity.

Concurrently, the contractor must then register the home with the TRCC. **10 TAC 303.110(b)** requires that: "a builder or remodeler shall register a home under this subsection by submitting a home registration form and the appropriate fee to the commission no later than the 15<sup>th</sup> day after the earlier of the date of substantial completion of the residential construction project; the date a certificate of occupancy is issued; or in those cases in which the home is not occupied during the material

improvement or interior renovation, the date a certificate of completion is issued or the date the home is occupied. Check requests will be issued after final inspection of the project but Tarrant County will require proof that the project was registered with the state prior to the release of final payment to the contractor. Registration forms can be downloaded from the TRCC website.

2. As soon as the contractor requests a final inspection, a check request is processed for the amount of the bid and forwarded to the Tarrant County Auditor's Office for issuance of the check upon satisfactory completion of the project. Following approval of the check request by the County Auditor, and its listing on the claims register, HOME and/or CDBG funds sufficient to pay for the project are drawn down through the HUD-designated financial system.
3. The contractor issues a warranty stating that all bills incurred and all employees have been paid for the project. This warranty remains in effect for a one-year period on all workmanship and materials used for the project.

**I. Project Close-out**

1. A check to the contractor is mailed to CDD from the County Auditor's Office.
2. The check is released to the contractor by CDD.
3. All files pertaining to the project are consolidated into one file to be maintained in the CDD offices. After five years, records are sent to the county archives. The homeowner receives copies of final documents for his records. All files will be maintained for five years and will be available to HUD or the public for audit or inspection.
4. In the event of a sale, short sale and/or foreclosure of the house, the amount recaptured will be limited to the amount of "net proceeds" available at the time of such occurrence before five years of the rehabilitation completion date. **The amount recaptured will be limited to the amount of 'net proceeds' available at the time of such occurrence** according to the following schedule:

Sold within one year	100% repayment costs to CDD
Sold within two years	80% repayment
Sold within three years	60% repayment
Sold within four years	40% repayment
Sold within five years	20% repayment
Forgiven at the end of the fifth year	

5. Homeowners who choose to refinance/reverse mortgage during the five year period following the completion of the housing rehabilitation, must adhere to the following CDD guidelines:
  - The refinance or reverse mortgage must lower their current interest rate or reduce the term of their note.
  - Tarrant County will not subordinate to less than a **second lien position** when a home is **refinanced**.

- Tarrant County will only subordinate to a **third lien position** behind HUD when a homeowner chooses to do a **reverse mortgage**.
- If a cash-out refinance is requested by the homeowner, 20% of the value of the home plus the cost of the rehabilitation (pro-rated at 20% per year) cannot be cashed-out without approval from the CDD Director.

If the homeowner chooses to refinance or reverse their mortgage during the five year period following completion of the housing rehabilitation, the homeowner will work with their lending institution to negotiate the terms. Once negotiated, the lending institution will contact CDD upon seeing Tarrant County's lien on the title to obtain more information. CDD may also request more information from the lender to help assess and implement a complete review of the homeowner's request. The rehab specialist and director will review and discuss the homeowner's request to make preliminary approval/dismissal of the refinance/reverse mortgage request. Usually, only at this point will CDD know that the homeowner is choosing to refinance or reverse their mortgage. If the CDD director denies this request, the homeowner may request a panel hearing to plead their case. CDD will have fourteen (14) calendar days to assemble a panel, meet in CDD offices to listen/discuss about objections and render a final decision of approval or dismissal.

If the director approves or a panel renders an approval of the refinance/reverse mortgage, a letter of subordination will be sent by the lending institution to the CDD director to sign and return. By signing the subordination letter, CDD agrees to subordinate to either 2<sup>nd</sup> or 3<sup>rd</sup> lien position. If however the five year period has expired, the lending institution will send CDD a lien release for the CDD director to sign and return thereby releasing the homeowner of any commitments with Tarrant County.

6. Terms of this project close-out policy may be waived or modified as determined by the Community Development Division Director.

## **VI. Action Required**

Assigned CDD staff will be responsible for following the policies and procedures outlined above. Direct inquiries to the CDBG Program Manager at 817-850-7940.