

Community Housing Development Organization (CHDO)

Policies & Procedures Manual



January 2, 2025

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PROGRAM OVERVIEW

The HOME program is designed to provide eligible state and local governments with the resources and incentives to strengthen public-private partnerships, and to expand the supply of decent, safe, sanitary, and affordable housing.

In addition to the general requirements for affordable housing development, the HOME program requires participating jurisdictions (PJs) to set-aside at least 15 percent of their HOME funds for housing that is developed, owned, or sponsored by Community Housing Development Organizations (CHDOs).

WHAT IS A CHDO?

A CHDO is a certified private, nonprofit, community-based service organization that has staff capacity to develop affordable and decent housing for low-income people meeting the HUD regulations at [24 CFR 92 Section 92.2](#). A CHDO is the only entity eligible for the HOME set-aside funds. Additionally, the CHDO must be an owner, developer and/or sponsor.

INITIAL REQUIREMENTS TO BE DESIGNATED AS A CHDO

In order to be considered as a CHDO the agency must meet the following requirements as set forth in [24 CFR Part 92.300](#):

- Non-profit under Washington State.
- Active SAM.gov registration.
- A tax-exempt ruling from the Internal Revenue Service under Section 501(c) of the Internal Revenue Code of 1986. The 501(c) designations possibilities are 501(c)(3), 501(c) (4) and Section 905 statuses as a subordinate organization of a 501(c) organization. The designation may be either a valid conditional or final designation from the IRS.
- Submit a comprehensive strategic plan. The plan needs to address: the mission, goals and vision of the organization; the population served; the organization's role in the community; the programs, services and products offered; the sources needed to succeed; and the best way to combine resources, programming and relationships to accomplish the organizations mission.
- Demonstrate that it has at least one year of experience serving the community where it intends to develop HOME-assisted housing. Newly created organizations wishing to become a CHDO can meet this requirement if the sponsoring organization is a nonprofit and has provided services to the community for at least one year. The year of service does not have to be directly related to housing.
- Establish systems for community involvement where housing will be developed. Such systems might include special committees of neighbors of a proposed development site, neighborhood advisory councils, or open town meetings. Submit written documentation and the adopted process for low-income input.
- Have a board with a minimum of one-third representing low-income (provide census tract number and block group, proof of income and / or proof of residency); and a maximum of one-third may be representatives of the public sector.
 - The Board should have a committee structure of other means of overseeing

planning and development.

- The Board members should have professional skills directly relevant to housing development. For example, real estate, legal, architectural, planning, construction, finance and management experience are all professional skills that are relevant to housing development.
 - a. **A low-income resident** – an individual who certifies they qualify as low income (household income at or below 80 percent of the area median income)
 - b. **A resident of a low-income neighborhood** – an individual who certifies they live in a neighborhood that is not less than 50 percent low-to moderate income. The specific board member does not have to be low-income. A neighborhood means a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government, except if the unit of general local government has a population under 25,000, the neighborhood may but need not encompass the entire area of a unit of general local government. Therefore, if more than one neighborhood is being designated, all should be identified.
 - c. **A representative elected by a low-income neighborhood organization** – the organization must be comprised primarily of residents of the low-income neighborhood and its primary purpose must be to serve the interest of the neighborhood residents. Such organizations might include block groups, neighborhood associations and neighborhood watch groups. The board member must be elected by a low-income neighborhood organization, and it may not be the CHDO itself. If the board member is qualified under this criterion, a copy of the signed resolution from the neighborhood organization naming the individual as their representative on the CHDO is required.
 - d. **Elected officials** – City of Kennewick, Pasco or Richland Council member, advisory Neighborhood Commission or a School Board representative.
 - e. **Appointed officials** - members of the regulatory and / or advisory board or commission appointed by elected City officials.
 - f. **Public employees** – all employees of local government.

STAFF CAPACITY REQUIREMENTS

The CHDO shall have the capacity to carry out the proposals as prescribed. CHDO's must have paid employees with housing experience appropriate to the role the nonprofit expects to play in the project (i.e., developer, sponsor, or owner). Key staff must be experienced, and the experience clearly demonstrates the completion of similar projects. HUD defines CHDO staff as paid employees who are responsible for the day-to-day operations. The CHDO must provide evidence of full-time staff with pay stubs or tax statements,

along with resumes and job descriptions reflecting current job titles and responsibilities for the role the nonprofit expects to play in the projects. The requirement for development capacity can no longer be demonstrated using consultants with development experience, except during the first year of operation as a CHDO, if the consultant trains the CHDO staff. In addition, the capacity requirement cannot be met by volunteers or staff that is donated by another organization. Consultants or volunteers can continue to fill occasional skill gaps or undertake activities that are required only on a periodic basis (e.g., project underwriting), but cannot be the basis of a determination that a nonprofit has the capacity to be designated as a CHDO.

Evidence of a CHDO's capacity must be directly related to the HOME activity the organization proposes to undertake. CHDOs can provide evidence of capacity by completing the *Tri Cities Homeownership Development Project File* and /or the *Tri Cities Rental Development Project File*, as applicable to their prospective HOME activity.

FINANCIAL CAPACITY

Must demonstrate the financial capacity to support the proposed project during construction, lease-up / sale, and ongoing operations. This includes not only that the CHDO has sufficient financial resources, but also has adequate financial systems in place to appropriately manage project funding, accurately account for all project costs, and provide reliable reporting to the Consortium and other project funders. Costs must be “*reasonable and necessary*” and must represent a “*good deal*” to the public.

At minimum, the Consortium will review audited financial statements, contingent liabilities, interim financial statements, and individual personal financial statements to ensure that:

- The CHDO's most recent audit demonstrates compliance with Generally Accepted Accounting Principles (GAAP) and does not express material weaknesses in the entity's system of internal controls or financial management systems; and
- Financial ratios and trending are acceptable.

Applicants will be required to provide copies of commitment letters or, at a minimum, letters of interest from lenders for all the funding sources identified in the development budget.

APPROVED ACTIVITIES

The following types of activities are eligible:

- Single-family housing: The properties may be scattered site single-family new construction units. Single-family homes must be rented or sold to income-eligible renters or homebuyers who qualify under the program guidelines.
- Rental housing and/or multi-family rental with suitable amenities: multi-family properties assisted with HOME funds must be operated by the CHDO as long-term permanent affordable housing and will be subject to on-going compliance provisions throughout the period of affordability. CHDO must be able to demonstrate prior experience in ownership, development, and all phases of management of multi-family properties similar in scope to

the size of the project being proposed.

SITE LOCATION

New construction assisted with HOME Program funding must comply with the following:

- The housing must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act and Executive Order 11063 (Equal Opportunity in Housing), and HUD regulations issued pursuant thereto; and promotes greater choice of housing opportunities.
- The housing must meet site and neighborhood standards according to [24 CFR Part 92.202](#) and for new construction [24 CFR 983.6\(b\)](#).
- The site must be adequate in size, exposure, and contour to accommodate the number and type of units proposed, have adequate utilities (water, sewer, gas, and electricity) and streets must be available to service the site.
- The site must not be located in an area of minority concentration and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.
- A project may be located in an area of minority concentration only if: (a) sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside the area of minority concentration; or (b) the project is necessary to meet overriding housing needs that cannot be met in that housing market area.
- The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings, or other undesirable conditions predominate, unless there is a concerted program to remedy the undesirable conditions.
- The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market.
- Except for new construction, housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

STATE AND LOCAL CODES, ORDINANCES, AND ZONING REQUIREMENTS

Housing that is newly constructed with HOME-CHDO funds must meet **ALL** applicable State and local codes, ordinances, and zoning requirements.

ACCESSIBILITY

New housing must meet the accessibility requirements of [24 CFR part 8](#), which implements [Section 504](#) of the *Rehabilitation Act of 1973* (29 U.S.C. 794), and [Titles II](#) and [III](#) of the *Americans with Disabilities Act* (42 U.S.C. 12131-12189) implemented at [28 CFR parts 35](#) and [36](#), as applicable.

Covered multifamily dwellings, as defined at [24 CFR 100.201](#), must also meet the design and construction requirements at [24 CFR 100.205](#), which implements the Fair Housing Act ([42 U.S.C. 3601-3619](#)).

DISASTER MITIGATION

Where relevant, the housing must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, other State and local requirements, and any requirements HUD may establish.

CHDO CERTIFICATION

Once all of the requirements listed above are satisfied including: initial requirements, capacity requirements, financial viability, activities and site location, The Consortium will certify / re-certify the CHDO as required in [§92.300\(a\)](#)

REQUIREMENTS PRIOR TO CONTRACT

ENVIRONMENTAL REVIEW

HOME-CHDO regulations require an Environmental Review and environmental clearance before funds are expended or costs are incurred on any activity. This includes:

- Execution of a legally binding agreement.
- Use of non- HOME-CHDO funds on actions that would have an adverse impact.
- Use of non- HOME-CHDO funds on actions that would be prohibited with HOME-CHDO funds until an Environmental Review is completed.

INSURANCE

The CHDO and its employees, volunteers, contractors, and consultant shall provide to the Consortium, and carry throughout the life of the Agreement: Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance, and other coverage as may be appropriate or required by State or Federal law.

Insurance is to be placed with insurers with a current rating by the Housing Agencies, of at least Class VI for financial status and at least B+ for performance from the A.M. Best Company, or a rating of at least A from Demotech, Inc This insurance shall include the following:

- Commercial General Liability: Commercial General Liability Insurance shall be written on Insurance Services Office (“ISO”) occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, personal injury, and advertising

injury. The insurance shall include the Consortium, its members, officers, officials, employees, and agents with respect to performance of services, and shall contain no special limitations on the scope of protection afforded as an additional insured. If the liability coverage is written as a claim made policy, then evidence of an extended reporting period or “tail” coverage for a three-year period after project completion must be purchased, or otherwise maintained for the three-year period.

- Employers Liability Coverage: If this agreement is over \$50,000 then Employers Liability Coverage shall also be maintained. Coverage shall include limits of not less than \$1 million per occurrence, and \$2 million aggregate.
- Comprehensive Automobile Liability Insurance: Business Automobile Liability Insurance with a minimum combined limit no less than \$1 million per accident for bodily injury and property damage shall be maintained. Coverage shall include owned, hired, leased, and non-owned automobiles. Coverage shall be written on ISO form CA 00 01 or a substitute form providing equivalent liability coverage. If deemed necessary, the policy shall be endorsed to provide contractual liability coverage.
- Professional Legal Liability: CHDO shall maintain Professional Legal Liability or Professional Errors and Omissions coverage appropriate to the CHDO’s profession and shall be written subject to limits of not less than \$1 million per claim and \$1 million policy aggregate limit. The coverage shall apply to liability for a professional error, act or omission arising out of the scope of the work for this agreement. Coverage shall not exclude bodily injury, hazards, or property damage related to the work in this agreement, including testing, monitoring, measuring operations, or laboratory analysis where such services are rendered as part of the agreement.
- Worker’s Compensation (Industrial Insurance): Workers’ Compensation Insurance as required by Title 51 RCW shall be maintained and CHDO shall provide evidence of coverage if required.

The CHDO shall furnish the Consortium with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements prior to the commencement of the work. The insurance policies are to contain, or be endorsed to contain, the following provisions for Commercial General Liability insurance, Comprehensive Automobile Liability Insurance, and Professional Legal Liability:

The insurance coverage shall be primary as respect to any insurance or self-insurance covering the Consortium, its members, elected and appointed officers, officials, employees, and agents.

- Any insurance, self-insurance, or insurance pool coverage maintained by the Consortium and its members shall be excess of the CHDO’s insurance and shall not contribute with it.
- The insurance shall not be cancelled by either party, unless 30 days prior written notice has been given by certified mail, return receipt requested, to the Consortium.

CONTRACT

Once the preliminary requirements are completed a contract will be initiated with the CHDO. Following a fully executed contract, a Notice to Proceed will be issued by the Lead Entity. The Notice To Proceed allows the CHDO to move forward with obtaining bids.

CONTRACT MODIFICATIONS / CHANGE ORDERS

Contract Modifications / Change Orders shall not increase the initial scope of work unless changes occur due to unforeseen or hidden circumstances, or to correct minor clerical inconsistencies in the original bid documents. All Change Orders must be in writing, whether or not there is a change in dollar value and must be signed and dated by the CHDO and Contractor. Change orders must receive approval from the Consortium prior to any work being performed or materials being purchased.

Change orders exceeding 10 percent over the initial cost estimate due to unforeseen or hidden circumstances may require additional bids from 2 or more contractors.

Examples of Change Orders may include the following:

- **ENVIRONMENTAL CONDITIONS:** The Contractor discovers hidden conditions that could potentially affect the environment and/or be a hazard, or that might be culturally or archeologically significant, he/she shall immediately cease work and notify the Lead Entity.
- **DISCOVERED CONDITIONS:** Contractor discovers hidden conditions which differ substantially from those usually found and expected on similar jobs, and which could materially affect the cost or outcome of the project, he/she shall immediately cease work and notify the Lead Entity.

If in the course of the work, conditions are discovered which are materially substandard or present a significant threat to health or safety, the Lead Entity and Building Inspector shall inspect the condition and determine a course of action which may include, without limitation, suspending the work, amending the contract documents and referring the matter to another agency. Nothing in this Program shall affect the authority of any public agency to take action to protect the health and safety of the community.

CONTRACT TERMINATION

The Lead Entity or the CHDO may terminate an Agreement for default for any of the following reasons:

- Failure to deliver the supplies and/or services
- Failure to perform work in a timely manner
- Violation of an Agreement clause, such as the prohibition against gratuities
- Violations of labor standards or other violations

If a project is terminated prior to completion or is otherwise not compliant with HOME-CHDO requirements, the CHDO must repay all HOME-CHDO funds.

The CHDO shall terminate an Agreement for convenience or default only by a 30-day written notice to the Lead Entity. The notice shall state the following:

- That the Agreement is being terminated for the convenience of the CHDO or that it is being terminated for default, under the Agreement clause authorizing the termination

- If terminated for default, the acts or omissions constituting the default, the Consortium's determination that failure to perform is not excusable, the CHDO's right to charge excess costs of re-procurement to the contractor, and the contractor's appeal rights shall be listed
- The effective date of termination
- Any special instructions
- Whether the Agreement is terminated in whole or in part
 - For partial termination, identify the specific items being terminated

ELIGIBLE COSTS

HARD COSTS

Development hard costs are the actual cost of constructing or rehabilitating housing to meet applicable property standards. For both new construction and rehabilitation projects, eligible development costs include:

- Demolishing existing structures construction **must** start within 12 months.
- Acquiring vacant land however, construction **must** start within 12 months.
- Making utility connections including off-site connections from the property line to the adjacent street.
- Making utility connections or improvements to the project site, in accordance with the provisions of [24 CFR 92.206\(a\)\(3\) \(ii\)](#) and [\(iii\)](#).
- Making improvements to the project site that are in keeping with improvements of surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.
- Construction costs
- Building Materials

SOFT COSTS

Related soft costs include *reasonable* and *necessary* costs incurred by the Consortium or the CHDO to complete the housing project. **These costs may not exceed 15% of the funding received by the CHDO.** Soft costs include:

- Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, or work write-ups. The costs may be paid if they were incurred not more than twenty-four (24) months before the date that HOME-CHDO funds are committed to the project and if the Consortium expressly permits HOME-CHDO funds to be used to pay the costs in the written agreement.
- For both new construction and rehabilitation, costs for the payment of impact fees that are charged for all projects within a jurisdiction.

COST REIMBURSEMENT

The CHDO may request funds only when a written agreement has been fully executed. The funds are available on a **reimbursement basis ONLY** for specific, allowable costs. The CHDO shall be

reimbursed for eligible project costs after the Lead Entity has reviewed and approved invoices, statements, other billings, and supportive documentation.

To access funds, the CHDO must submit the following documents:

- [Invoice and Disbursement Request Form](#)
- invoice
- Invoice from contractor(s) and/or subcontractor(s) (when applicable)
- Any source documentation

SOURCE DOCUMENTATION

All accounting records must be supported by source documentation. Supporting documentation is important to retain for all program expenditures. Documentation must specifically prove that expenditures charged to the grant are:

- Incurred only during the period of the Agreement between the Consortium and CHDO
- Were actually paid out (or properly accrued within 15 days of dispersal request for reimbursement)
- Allowable and reasonable
- Approved by a responsible official in your organization

Source documentation must explain the basis of the costs incurred. For example:

- With respect to staff time charged to the grant, you must have timesheets signed by the employee and supervisor that explicitly state the hours charged to the grant
- Utility costs should be supported by bills from the utility company
- This information must be available at all times to verify that costs charged are accurate

QUARTERLY REPORTS

The CHDO is required to submit a [Quarterly Report](#) for each address) and [Section 3 Labor Hours](#) within fifteen (15) calendar days of the end of each quarter during the fiscal year, as specified within the Agreement with the Consortium. The reports provide the status of the CHDO's progress towards achieving the goals stipulated in their application, any issues that have arisen during the reporting period, and use of funds. Additional reporting may be requested by the HOME Consortium.

	DATE	DUE BY
Quarter 1	January 1 st – March 31 st	April 15 th
Quarter 2	April 1 st – June 30 th	July 15 th
Quarter 3	July 1 st – September 30 th	October 15 th
Quarter 4	October 1 st – December 31 st	January 15 th

PROCUREMENT

The purpose of these standards is to ensure materials and services are obtained efficiently, economically, and in compliance with the provisions of applicable federal laws. Situations where local and federal purchasing standards do not match, the more stringent procurement procedures must be followed.

CHDO must follow applicable federal regulations, including:

- \$0 to \$3,000 - Micro-purchases may be awarded without soliciting competitive quotes.
- \$3,001 to \$150,000 – must obtain 3 written quotes
- \$150,001 and over – written specifications are necessary and require a sealed bidding process using a “Request for Proposal” or “Competitive Bid.” Competitive bidding must be advertised for at least 14 business days with opening on 15th day. CHDO must perform a price analysis, including amendments and change orders.
- [2 CFR 200.318](#) – General Procurement Standards
- [2 CFR 200.319](#) – Competition
- [2 CFR 200.320](#) – Methods of Procurement to be Followed

Sole Source Procurement (non-competitive process) is solicitation from only one source. This process is rare and is acceptable only after solicitation of a number of sources is unsuccessful. Sole Source Procurement is appropriate only when the needed service or good is only available from a single source, or there is an emergency or public urgency that exists which will not permit the delay of competitive solicitation.

BUILD AMERICAN BUY AMERICAN (BABA) ACT

BABA requires that all iron and steel (since 2022), construction materials (required in 2025), and manufactured products (required in 2025) purchased with funds from all CPD programs, including HOME-CHDO, are produced in America if the housing project is five or more units per [CPD 25-01](#).

- Iron and Steel
- Construction Material
- Non-ferrous metals
- Lumber
- Plastic and polymer-based composite building materials, pipes, and tube
- All other Construction Material
- All other plastic and polymer-based composite building materials
- Glass
- Fiber optic cable
- Optical fiber
- Engineered wood
- Drywall
- Manufactured Products
- Materials or wood supplies that have been:
 - Processed into a specific form or shape, or
 - Combined with other materials, or supplies to create a product with different properties than the individual articles, materials, or supplies

CONSTRUCTION (CONTRACTOR)

SAM.GOV

Contractors and Subcontractors are required to have an active SAM.gov ID prior to a contract.

SECTION 3

In accordance with [24 CFR Part 75](#) Section 3 focuses on labor hours and promotes sustained employment for low and very low-income workers.

- Section 3 Worker: a worker who currently fits or when hired within the past 5 years fits at least one of the categories:
 - Low or very-low-income worker (80% or below the area median INDIVIDUAL income based on where the worker resides); or
 - Is employed by a Section 3 Business Concern; or
 - Youth Build Participant
- Targeted Section 3 Worker: employed by a Section 3 Business Concern or when hired fits at least one of the categories within the past 5 years:
 - A worker living in the service area or neighborhood of the project (lives within a one-mile radius, if fewer than 5,000 or a circle that encompasses 5,000); or
 - Youth Build Participant
- Section 3 Business Concern
 - 51% or more controlled by low-or very low-income persons; or
 - 51% or more owned and controlled by current residents of public housing or Section 8-assisted housing; or
 - Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.

To meet the quantitative benchmarks:

- 25% or more of all labor hours worked on a project must be Section 3 workers; and
- 5% or more of all labor hours worked on a project must be Targeted Section 3 workers

If the quantitative benchmark is not met examples of qualitative efforts include:

- Outreach efforts
- Efforts to provide technical assistance
- Job or workforce readiness training; and
- Coordination activities

To document eligibility:

- Worker's self-certification that their income is below the income limit from the prior calendar year
- Certification of residing in public housing or Section 8-assisted housing
- A Youth Build participant documentation
- Employer certification that the worker's income is below the income limit when based on an employer's calculation of that the worker's wage rate would be if annualized on a full-time basis
- Employer certification that a worker's residence is in the targeted area
- Businesses may self-certify they are Section 3 Business Concern

Reporting Requirements:

- Section 3 labor hours
- Targeted Section 3 labor hours
- Total labor hours; and
- Nature of efforts to meet Section 3 requirements

The Section 3 hiring and contracting goals are not intended to be construed as a requirement to employ a Section 3 eligible person or business concern that does not meet the qualification of the position to be filled or the work to be performed. Bidding solicitations will include notifying local agencies/housing authorities of the bidding opportunity and requesting that they post the information or include in tenant periodicals, direct mailing of the bid opportunity, posting flyers or brochures at locations frequented by low- and moderate-income persons, and by posting a sign at construction job sites providing contact information for the project.

While no preferential treatment is given, Minority and Women Owned Business Enterprises are encouraged to participate and bid on federally funded projects through bid or procurement advertisements and direct mailings, with total cost to the project being the primary deciding factor on whether a Minority or Women Owned Business is placed under contract.

[See Section 3 Guide for additional guidance.](#)

PREVAILING WAGE

The Contractor and every subcontractor on the project must pay the [Washington State prevailing wage rates](#). Current wage rates are to be included by reference in the bid document.

Contractors/subcontractors are required to file a Statement of Intent to Pay Prevailing Wages prior to starting construction and an Affidavit of Wages Paid at project completion with the Department of Labor.

The CHDO is responsible to monitor, compile the appropriate documentation and forward copies to the Lead Entity.

CERTIFIED PAYROLL(CONSTRUCTION CONTRACTS OVER \$2,000.00)

For construction projects over \$2,000.00, the Copeland Act (40 U.S.C. § 3145) requires contractors and subcontractors to "furnish weekly a statement with respect to the wages paid each employee during the preceding week." accompanied by a signed "Statement of Compliance" indicating that the payrolls are correct and complete and that each laborer or mechanic has been paid not less than the proper Davis-Bacon prevailing wage rate for the work performed. This information can be obtained by completing form [WH-347](#)

BONDS

For construction contracts over \$150,000, or any sealed bid construction contract, three types of bonds or guarantees are normally required: a bid guarantee, a performance bond, and a payment bond.

A bid guarantee or bid bond is submitted by bidders with their bids and assures that, if awarded the contract, the bidder will accept and perform the contract, not attempt to withdraw or otherwise

disavow the contract and will execute such contractual documents as may be required within the time specified. A bid guarantee must equal no less than 5 percent of the bid price. If the low bidder fails to produce acceptable assurances of completion, the CHDO shall consider the bid guarantee forfeited and notify the surety company. The amount to be recovered should equal at least the difference between the defaulted bid and the next higher acceptable bid, or the amount by which the bid accepted by re-soliciting exceeds the defaulted bid. The defaulting bid should not be rejected until after recovery.

The Bond shall be in amounts at least equal to the Contract Price and with such Sureties named in the current list of "Surety Companies Acceptable of Federal Bonds" as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department. The performance bond shall be held for one year from the date of completion. If the surety on any Bonds furnished is adjudged, bankrupt, or becomes insolvent or its right to do business is terminated, the CHDO shall, within 5 days thereafter, substitute another Bond which shall be acceptable to the Consortium.

PAYMENTS TO CONTRACTORS (RETAINAGE)

The amount of retainage that can be withheld is generally capped at 5%. However, if the contract is for \$150,000 or less, retainage may be withheld at a higher rate of 10% instead of requiring the contractor to post a bond.

Intent and Affidavits regarding Prevailing Wages and Certified Payroll must be received prior to the release of any retainage under this contract. A bond in lieu of the retainage will not be accepted. Once documentation is received, the CHDO should release the retained funds within 60 days. Or, if the retainage withheld is 10% (in lieu of a bond), then retainage should be released within 30 days of completion.

PROGRESS PAYMENTS

The CHDO may agree to authorize "Progress Payments" upon written request from the Contractor as provided herein as follows:

- A. Progress payments shall not exceed 95 percent of the value of work satisfactorily completed.
- B. The value of the work satisfactorily completed is based on the Contract prices of labor and materials incorporated in the work as estimated by the Contractor and approved in writing by the CHDO. Approval of the payments will be withheld if, in the opinion of the Building Inspector, the Contractor has not performed in accordance with the provisions of the contract and/or the percentage of the work completed does not comply with the respective progress payment requested.
- C. Before issuance of progress payment, the Contractor must submit mechanics lien waivers and evidence satisfactory to the Lead Entity or CHDO that all payrolls, material bills, and any indebtedness connected with the work completed has been paid. When requesting each draw, the General Contractor is required to furnish a release of the right to place on a lien on the property. Before receiving the Final payment, Release of Lien is also required of all subcontractors who have been employed by the General Contractor for an amount equal to or greater than \$500.00. Final payment to the General Contractor will be withheld until such time as all Releases of Lien have been received by the owner.
- D. Final payment shall be due within 30 days after completion of the work provided the work is

fully completed, approved, and the contract fully performed. Upon receipt of written notice that the work is ready for a final building inspection, and performance accepted by the CHDO, and after final inspection, the Lead Entity or other Consortium member shall promptly issue a final certificate stating that the work provided for in the contract has been completed and is accepted by him and the City Building Inspector under the terms and conditions thereof, and that the entire balance found to be due the Contractor and noted in said final certificate, is due and payable.

- E. If at any time there shall be evidence of any lien or claim for which, if established, the CHDO might become liable, and which is chargeable to the Contractor, the CHDO shall have the right to retain out of any payment then due, or thereafter to become due, an amount sufficient to completely indemnify them against such claim. After all payments are made, the Contractor shall refund to the CHDO all money that the latter may be compelled to pay in discharging any default.
- F. Final payment will not be made until all materials, debris and contractor owned equipment have been removed from the premises.

INSPECTIONS / MONITORING

MONITORING GOALS

The goal of monitoring is to review:

- If services are being delivered in accordance with Agreement requirements.
- Records to determine if systems are in place to properly document compliance with all Agreement requirements
- Determine if expenditures of allocated funds are being used in accordance with the Agreement and programmatic requirements
- Records to determine if systems are in place to properly document financial transactions, the use of allocated funds, the use of program income, and any other Agreement, Federal, State, or local requirements. In some cases, it may be necessary to perform a follow up monitoring visit or conduct monitoring more frequently than once per year

Substandard performance, as determined by the Consortium, will constitute noncompliance with this Agreement. If action to correct such substandard performance is not taken by the CHDO within a reasonable period of time after being notified by the Consortium, Agreement suspension or termination procedures will be initiated.

PROGRAM MONITORING PROCESS

Consortium staff will contact the CHDO to schedule monitoring visits. The CHDO will be informed which records will be initially reviewed. These records should be ready for review upon arrival in a working space set up for the Lead Entity and should be in an understandable format. Alternatively, the Lead Entity may conduct a desk-top review and may require the CHDO to submit documents to the Lead Entity's office. During these visits the Lead Entity will:

- Meet staff responsible for preparing reimbursement requests, payroll, and maintaining accounting records

- Review records selected for monitoring and discuss record keeping methods with the staff that maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records to be reviewed by the Lead Entity may include, but are not limited to:
 - Invoices and purchase orders
 - Bank reconciliation
 - Time and attendance reports (time sheets or timecards)
 - Payroll register
 - Cash receipts journal
 - Check disbursement journal or check register
 - Bank statements, canceled checks, and/or direct deposit verification
 - General ledgers
 - Any additional item (vouchers, documents, financial reports, records, etc.) needed to verify transactions

The Consortium will monitor the performance of the CHDO against the goals and benchmarks described in their HOME-CHDO application and approved budget.

CHDO must agree to provide all requested documentation to the Lead Entity within five (5) business days to maintain compliance with the HOME-CHDO Program and related laws, rules, regulations, and policies.

Any deficiencies noted in audit reports must be fully cleared by the CHDO within thirty (30) days after receipt by the CHDO. Failure of the CHDO to comply with the above audit requirements will constitute a violation of this agreement and may result in the withholding of future payments.

CONSTRUCTION MONITORING

The construction phase will be inspected according to the following schedule in accordance with § [92.504\(d\)](#). Inspectors must be granted access to the project, as requested, within reasonable work hours. Significant findings must be corrected prior to funding progress payments.

Progress Inspections (Construction Phase)	Final Inspection (Post Construction)	Conducted By
Monthly during the construction phase		Consortium Staff
	<p>A post construction inspection will be conducted to ensure that the project meets all project requirements.</p> <p>This inspection will occur before final payment will be made.</p>	Consortium Qualified, Trained, Certified Inspector

CORRECTIVE AND REMEDIAL ACTIONS

Timely corrective action must be taken to remedy any deficiencies within the project. If there are observed deficiencies for any of the inspectable items in the property standards established by the Consortium, a follow-up on-site inspection to verify that deficiencies are corrected must occur. The Consortium may accept third party documentation (e.g., paid invoice for work order) as proof that non-hazardous deficiencies have been corrected.

Health and safety deficiencies must be corrected immediately, in accordance with [24 CFR 92.251](#). The Consortium will adopt a more frequent inspection schedule for properties that have been found to have health and safety deficiencies.

POST-CONSTRUCTION INSPECTION

An inspection will be conducted once construction is complete to identify any items that need to be completed before project closeout to bring the project into compliance with the property standards listed in [24 CFR 92.251](#). The CHDO will create a punch list of any tasks that need to be accomplished, make all needed corrections, and submit the completed punch list to the Consortium with notes on the corrective action(s) taken to remedy the flagged items.

Once all punch list items have been corrected and the completed punch list has been submitted to the Consortium, a final inspection will be scheduled. If any additional findings are made at this inspection, the CHDO will be responsible for creating a new punch list, completing the items, and scheduling a follow-up inspection with the Consortium. This process will continue until all punch list items have been corrected and no additional findings have been made.

Final payment will not be made until all punch list items have been corrected, inspected by the Consortium, and certified complete.

MONITORING REPORTS AND APPEALS

Within thirty (30) days after the completion of the monitoring visit or desk-top review, a written report of the results will be forwarded to the CHDO

The monitoring report contains:

- A detailed list of areas reviewed
- A detailed list of findings, if any
- A recommendation will accompany each finding explaining how the deficiency can be corrected
- A detailed list of concerns, if any
- Depending on the nature of the concern, a recommendation may be included on how to eliminate the concern
- Observations, if any, made regarding the CHDO's operation
- If findings are severe, the letter accompanying the report may place a hold on further reimbursements until the findings are cleared or may require the suspension of the activity until satisfactory corrective actions are made and approved by the Lead Entity

RESPONSE TO MONITORING REPORT

Within thirty (30) days after receipt of the monitoring report, the CHDO must submit a written response to the monitoring report. The response should include:

- A response to each individual finding and concern, if applicable
- Copies of any documentation to back up the response to the findings (copies of corrected employee monthly time reports, etc.)

Upon receipt of the CHDO's response to the monitoring report, a review of the response will be conducted to determine if the findings have been satisfied. A written response to the CHDO's response will be sent, to include the following:

- Those findings which have been satisfied will be noted as closed; if all findings are closed, the CHDO's monitoring is considered to be complete
- Findings which are not satisfied will remain open and will require further response or action on the CHDO's part
- The CHDO will be given an adequate period of time to take any further action needed to correct the findings and respond in writing
 - If these actions are satisfactory, the findings are noted as closed and the monitoring is considered to be complete
 - If these actions are not satisfactory, further correspondence is required until such time as all findings are closed, and the monitoring is concluded
 - The close of the Agreement does not necessarily close the monitoring or the corrective actions required

Correspondence will continue until all findings are closed.

APPEALS

In the event the CHDO and the Lead Entity cannot come to an agreement on one or more findings of the Consortium's monitoring visit, an appeal may be made in writing to the Development Services Manager. The appeal should state clearly the finding being appealed, and the basis for the appeal. HUD does not accept appeals of decisions by the Consortium regarding monitoring issues.

SELLING PROCESS

A homebuyer unit must have a ratified sales contract within **nine months** of construction completion or be converted to a rental unit. Eligible buyers must be at 80% or below the Area Median Income for the Kennewick, Richland Metropolitan Statistical Area.

The CHDO MUST REPAY ALL HOME-CHDO FUNDS that have been invested in units that are not sold to eligible households or converted to a rental unit within twelve (12) months of project completion.

The sale must include private financing documented by recorded deeds of trust, promissory notes, and other contractual loan agreements. Long-term rental is required for CHDO's opting to participate in the rental program. Eligible CHDO's must be able to demonstrate experience in lease

to purchase conversion, single-family acquisition, property valuation, asset management, marketing and sales, and management of scattered site single-family rental units (as applicable). The units should include options, designs, and/or plans to adapt for the disabled population.

The initial purchase price of homeownership units assisted with HOME funds must not exceed 95 percent of the area median purchase price for single-family housing. **This is also referred to as the HOME Maximum Purchase Price.** Please refer to the latest release from HUD located at the following link for maximum values. <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

AFFIRMATIVE MARKETING

ALL HOME-CHDO funded programs and projects must be affirmatively marketed to attract eligible persons without regard to race, color, national origin, sex, religion, familial status, or disability. Affirmative marketing procedures must include requirements detailed in [24 CFR Part 92, 92.351ⁱ](#). A detailed affirmative marketing plan must be submitted to the Lead Entity at the start of a project.

The Consortium is committed to providing equal access and opportunity to all persons. The three cities will not discriminate and will require that all contractors, subcontractors, recipients, Subrecipients, owners, landlords, and vendors not discriminate against any person on the basis of race, color, national origin, gender, sex, religion, disability, or familial status. See *Attachment I: Affirmative Marketing Plan* for more information.

Actions to provide information and attract eligible persons in the community that otherwise would not be aware of these projects or funding opportunities may include displaying advertisements in Spanish and English in local newspapers; hosting neighborhood meetings; direct mailing to social service agencies or businesses that employ or are frequented by lower income persons; providing information to housing authorities, advertising in periodical newsletters or utility bill inserts; distributing flyers or brochures at community events to businesses that have ties to the agricultural community; providing community service announcements on television, radio networks, and City reader-boards for special events / activities; and maintaining contacts with community agencies and people who have agreed to act as interpreters and mentors for non-English speaking residents.

FEDERAL REQUIREMENTS

DAVIS BACON

Projects that contain 12 or more units may have additional Davis Bacon requirements.

CODE OF CONDUCT

The CHDO shall maintain written Standards of Conduct governing the performance of the employees engaged in the award and administration of Agreements.

No member of the CHDO shall participate in the selection, award, or administration of an Agreement supported by Federal funds if a real or apparent conflict of interest would be involved. An example of such a conflict is if the employee, officer, or agent, any immediate family, his / her

partner, or an organization which employs or is about to employ any of the parties indicated above has a financial or other interest in the firm selected for an award.

The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to Agreements with the CHDO. The CHDO may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the CHDO/

VAWA

CHDO must comply with the Violence Against Women Act (VAWA) requirements set forth in [24 CFR 92.359](#).

CODE OF ETHICS

A CHDO's oversight body is expected to demonstrate a commitment to integrity and ethical values. The CHDO must have a written Code of Ethics reflecting this commitment for members of their Board of Directors.

CONFLICT OF INTEREST

The general ruleⁱ is that no employee, board member, officer, agent, consultant, or staff member of the CHDO receiving funds under a HOME-CHDO Program may have during their tenure or for one year thereafter:

- Responsibilities with respect to the HOME-CHDO activities
- Participate in decision-making processes
- Have access to inside information with regard to the activities that could result in a personal or financial interest or benefit from a HOME-CHDO-assisted activity

Agencies must maintain a written Code of Conduct that governs the purchase of materials, product, supplies, and services, as well as the awarding and administering of Subrecipient Agreements. Personnel involved in the procurement process must be trained to recognize situations that create a conflict of interest or the appearance of a conflict of interest. The CHDO personnel should:

- Be familiar with the Code of Ethics, Code of Conduct, and potential conflict of interest issues
- Not take gifts or gratuities from persons or organizations associated with the procurement process
- Assure the proposal evaluators or member of their immediate families do not have financial interest in the companies

Additional guidance regarding Conflict of Interest is found at [2 CFR 200.112](#), [2 CFR 200.317](#), and [2 CFR 200.318](#). Procurement must comply with the conflict-of-interest provisions in the HOME-CHDO regulation outlined in 24 CFR 92.356.

LOBBYING AND HATCH ACT

The CHDO is prohibited from using any HOME-CHDO funds to any person for the purpose of influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement. The CHDO must also ensure that no funds provided, nor personnel employed with HOME-CHDO funds shall be in any way or to any extent engaged in the conduct of political activities in violation of chapter 15 of Title V, U.S. Code.

UNIFORM RELOCATION ASSISTANCE (URA) i

The Uniform Act, passed by Congress in 1970 set forth at [49 CFR Part 24](#), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The Uniform Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects.

The Consortium prioritizes projects that will not cause displacement of individuals or businesses. If a project is selected that results in temporary or permanent displacement, the CHDO will follow the guidance as authorized under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and Section 104(d) of the Housing and Community Development Act of 1974 at a minimum.

The Consortium will minimize, to the greatest extent possible, permanent displacement that might result from the use of HOME-CHDO funds. The Consortium reserves the right to reject an activity or require that a CHDO provide non-federal financial relocation assistance to persons or organizations affected by the activity if the activity causes permanent displacement.
