

ACEDP LOW- AND MODERATE-INCOME HOOKUPS PROCESS

I. INTRODUCTION

Use of Arkansas Community and Economic Development Program (ACEDP) funds to connect low and moderate-income residents to utility systems is a major consideration of Title I of the Housing and Community Development Act of 1974, as amended. Sections of this act define restrictions concerning collection of special assessments (e.g., tap fees, connection fees, etc.) to recover capital costs of construction as a condition of access to public services.

When ACEDP funds are used to pay all or part of the cost of a public improvement, special assessments may be imposed only as follows:

- Special assessments to recover ACEDP-funded project improvements may be made only against properties owned and/or occupied by persons **not** of low or moderate income. However, such assessments constitute program income and are governed by ACEDP program income policies.
- Special assessments to recover the non-ACEDP portion of capital costs may be levied only if ACEDP funds are used to pay the special assessment on behalf of all properties owned and/or occupied by persons of low and moderate income, except that ACEDP funds need not be used to pay the special assessments on behalf of properties owned and occupied by moderate income persons if it is determined that there are not sufficient ACEDP funds to pay the assessments on behalf of all of the low and moderate income owner/occupant persons.

This prohibition does not apply to user charges (operation, maintenance and replacement charges) collected as a result of using the system.

The following section defines each of the typical steps required to identify and provide utility hookups to low and moderate income beneficiaries. Because hookup construction occurs on private property, these contracts differ somewhat from public works contracts. The differences are noted below as they apply to each step.

For contracts in excess of \$20,000, only licensed contractors may be awarded ACEDP-funded plumbing hookup contracts. All work must be completed in accordance with the Arkansas State Plumbing Code unless variance has been permitted by the Arkansas Department of Health (ADH).

II. HOOKUP STEPS

- A. **Determine eligible costs.** Generally, hookup costs eligible for ACEDP funding include service lines, tap/connection fees, hookup charges, meter installation costs, inspection fees, disposal and/or installation of septic systems, limited indoor plumbing improvements, and any other costs involving income-eligible beneficiaries resulting from requirements imposed by the Arkansas Department of Health (ADH). (See Arkansas Economic Development Commission hookup policies on page 6 for further discussion of eligible costs.)

Costs for appliances, appurtenances and repairs to existing plumbing may or may not be grant-eligible depending upon conditions specified in your grant agreement. A thorough understanding of eligible costs is necessary prior to completion of work “write-ups”. Equitable provision of services should be a major component in determining the scope of work to be completed and should be communicated to all proposed beneficiaries as policy. All questions regarding eligibility should be referred to the grants manager prior to the completion of work write-ups. **Meter deposits or other non-refundable deposits are not grant-eligible.** Connections to multi-family residences entail specific eligibility requirements, which should be discussed with the grants manager prior to completion of work write-ups.

- B. **Notify all potential Low- and Moderate-Income (LMI) residents** that applications for free plumbing hookups are being accepted. Be sure that a cut-off date for application submission is included as part of the notification. As discussed below, it is advisable that a variety of notification methods be utilized. Suggested methods include:

- **Direct door-to-door solicitation of all project beneficiaries.** This process is the most comprehensive and effective method, especially in solicitation of elderly residents, and will suffice without further notification efforts. Mail-outs indicating acceptance of hookup applications to non-responsive residents will need to be made.
- **Direct mailings/flyers to potential beneficiaries.** Although this method is effective, strict reliance on initial income survey data to identify proposed beneficiaries may be misleading because survey information may change due to death, migration, vacancy, changes or corrections in income information, and/or potential responses from residents who did not respond to the initial survey. For these reasons, it is advisable to issue at least one public notification so that all potential beneficiaries are notified.
- **Public notification through newspaper and radio advertisements or notifications posted in at least five public places, if no newspaper or**

radio access is generally available to beneficiaries. Minimally, these notices (Form 74, Notice to Area Residents of Free Utility Connections) must identify

1. Who is eligible based on specific HUD income guidelines
2. Where/how an application may be obtained
3. Measures to make applications accessible to disabled or elderly persons
4. A deadline for application submission
5. A list of documentation that must accompany the application
6. Who may be contacted for further information

It is advisable that project administrators reference existing LMI maps to ensure that all-potential hookup recipients are contacted.

- C. **Accept applications.** Applications may be accepted on-site, through the mail, or in person at public hearings or at locations such as city halls or water associations. Only applications consistent with Form 75, Application for Free Utility Connections, will be accepted.
- D. **Verify income** based upon the previous calendar year's total annual income, not including disability benefits, of all persons inhabiting the residence. Boarders who are paying rent shall not be counted in this determination. Wage earnings can be verified by contacting employers (Form 78) or by reviewing tax returns only if employees are not accessible. Income obtained through public assistance can be verified by contacting the Social Security Administration or Department of Human Services (DHS) offices through the completion and submittal of Forms 79 and 80 respectively. It is likely that special circumstances will arise, (e.g., temporary residency, loss of income sources, etc.) during the application process. Contact the grants manager to determine if these circumstances warrant deviations from procedure. It is important that all income documentation remain confidential.
- E. **Verify home ownership** through examination of tax records. Form 81, Verification of Home Ownership, should be used to request the necessary information.
- F. **Obtain temporary construction easements** from property owners. Easements may be obtained when applications are received or after income is verified; however, they must be obtained prior to completion of the write-ups. The easement must be consistent with the sample Temporary Construction Easement and Hookup Agreement included as Form 76.
- G. **Obtain a Rent Control Agreement (Form 77).** If the structure to be connected is inhabited by an income-qualified renter. This document, like

the temporary easement, may be requested with the application or after income verification. Eligibility will be based on the income of the renter rather than the owner.

- H. **Notify applicants regarding eligibility** as soon as income, ownership and easement information is reviewed. Otherwise, income-eligible applicants pending one or more documents should be informed that omitted documents must be received within a specified time or else the application will be rejected. Eligibility notices should inform eligible applicants of approximate date(s) that work write-ups and construction will commence. See Form 82 and 83, Notice of Eligibility Determination (Approval/Disapproval) for eligibility determination notices.
- I. **Procure a write-up specialist.** Write-ups must be completed by either licensed plumbers, ADH officials or individuals trained by ADH to complete write-ups. Questions regarding qualifications can be referred to ADH, Bureau of Environmental Health Services, Division of Protective Health Codes at 501-661-2642. It is preferable to have write-ups completed by ADH personnel familiar with or assigned to the project area. These individuals do not have to be formally procured. However, there may be occasions, such as time constraints, when write-up specialists will need to be procured. Procurement must be in accordance with Section III of this chapter.

Occasionally, grantees may prefer to include utility connections as part of the prime contractor distribution system contract. In these instances, the engineer may prepare the work write-ups as part of the plans and specifications; however, eligible applicants must be identified prior to commencement of the write-ups, and write-up compensation shall not exceed \$75 per write-up for income-eligible applicants. If hookup work is **not** bid under a separate contract, then the following policies must be adhered to:

- All hookup work must be listed as a separate schedule to the contract and contain work only for income-eligible applicants. Any approval of plans and specifications will be contingent upon the income eligibility verification of applicants. Thus, income verification must be complete prior to development of work write-ups.
- Davis-Bacon wage rates will apply unless the scope of work can be completely separated from the distribution contract (e.g., use of a specialized crew/subcontractor).
- Final inspection of plumbing connections will still need to be made by a licensed plumbing inspector.

- J. **Conduct write-ups** for each income-eligible applicant. Write-ups must identify
1. The name and address of applicant
 2. The location of the structure if different than above
 3. A pictorial description (drawing/schematic) of proposed improvements
 4. A written description of proposed improvements
 5. Signatures of the homeowner (if requested by the homeowner; see Form 76) and the work write-up specialist

All write-ups must be in accordance with ACEDP eligibility requirements and the Arkansas state plumbing code unless variances have been obtained by ADH. Work write-ups with a list of eligible applicants must be submitted to the Arkansas Economic Development Commission grants manager for approval prior to advertisement for bids.

- K. **Procure a licensed, bonded plumber** to complete the work as specified in the work write-ups. If the contract is anticipated to exceed \$20,000, it must be formally advertised in a newspaper of statewide circulation. (See the Procurement Chapter of the ACEDP Administrative Procedures Manual for additional information.) Procurement should begin after construction of the distribution system has begun but prior to substantial completion to ensure timely closure of the project. Coordination with the project engineer and distribution system contractor may be helpful in “dovetailing” work of all contractors.
- L. **Submit contract information** to the grants manager identifying the low bidder on the bid tabulation sheet and verifying the eligibility of the contractor (Form 89, Verification of Contractor Eligibility Form). The grantee must also confirm that the sureties bonding of the contractor are licensed to do business in the state of Arkansas and that underwriting ceilings exceed the amount of the bonds. Confirmation can be obtained by consulting Department of Treasury Circular 570 published periodically in the Federal Register.
- M. **Sign the contract**, conduct a preconstruction conference (to be attended by the Arkansas Economic Development Commission), and issue the Notice to Proceed (Form 67). A copy of the signed contract and Notice to Proceed forms must be submitted to the grants division.
- N. **Complete connections** in accordance with the work write-up. Any changes to construction must be approved by the write-up specialist and noted in the write-up. Work found to be inconsistent with the approved write-up and/or state law will not be paid for with grant funds.
- O. **Arrange for inspections by a state-certified plumbing inspector.**

- P. **Arrange for final inspection.** In addition to a state-certified plumbing inspector, grantees may request that city and/or utility system inspectors approve the completed work. As soon as all plumbing connections have been inspected, the grantee must schedule a final contract inspection to be attended by the project administrator, Arkansas Economic Development Commission, the contractor, and the grantee if requested by the grants division. A letter or other written documentation from the state-certified inspector certifying completion of the work in accordance with state law must be received by the grants division prior to scheduling of the final contract inspection and subsequent release of final payment. (See Form 87 for a sample Plumbing Inspection Clearance Letter for the entire project and Form 88 for a sample inspection certification clearance for each individual home.)
- Q. **Submit Release of Lien Form and Certificate of Substantial Completion** (Forms 72 and 73 respectively) to the Arkansas Economic Development Commission when requesting final payment to the contractor.

III. ARKANSAS ECONOMIC DEVELOPMENT COMMISSION HOOKUP POLICIES

- Generally, service line connections cannot be more than 300 feet from the existing lateral line. Costs for service lines greater than 300 feet will be borne by the owner unless a request for variance has been submitted to and approved by the Arkansas Economic Development Commission prior to commencement of the work.
- Under no circumstances will hookup costs incurred on private property of non-LMI residents be paid for with grant funds.
- Homeowners are eligible for hookups if they meet income criteria and provide proof of home ownership. Rental property is eligible for plumbing hookups if the tenant meets income criteria and a rent control agreement for at least 12 months has been executed with the homeowner. Homeowners must meet specific length of ownership requirements of improved residences (i.e., indoor modifications), as specified in Form 76.
- Hookup only projects will require income verification information prior to grant development. If hookups are part of a larger distribution or collection system project, work write-ups and income verification information must be submitted prior to contract advertisement for contract bids.
- Hookup costs are generally limited to \$1,500 per structure; however, additional work required to meet minimum health standards can exceed \$1,500 with prior Arkansas Economic Development Commission approval.
- Hookups to multi-family structures (e.g., apartment complexes, mobile home parks) which contain some income-ineligible families will require a cost eligibility determination by the Arkansas Economic Development

Commission prior to construction to determine what scope of work may be grant eligible. As a general rule, direct access connection to individual units must be evaluated on a family-by-family basis. For example, if one unit of a duplex apartment is occupied by income-eligible renters, then a connection to that unit can be made. Costs to connect the other residence from a tap off of this line will not be paid by the grant. A connection to a multi-unit structure can be made at a common meter; however, any branch lines and/or meters must be verified for income eligibility on a unit-by-unit basis. Improvements to existing multi-unit complexes may be eligible depending on the potential of connecting low and moderate income residents.

- Occasionally, connection of a low or moderate income residence will require the placement of service line(s) across the property of another residence, which may or may not be part of the project. Easements must be obtained from all landowners whose property is disturbed by the project.
- Any variances to state plumbing codes must be acceptable to ADH.
- Individual contracting between homeowners and contractors is not allowed.
- Hookups will not be provided to seasonal structures or residences.
- Individuals who prepare work write-ups cannot conduct inspections of completed work.
- No more than one plumbing fixture/appliance/conversion, in addition to a water heater, may be grant funded per residence unless justified in writing by the Arkansas Economic Development Commission or if additional fixtures will not cause the \$1,500 maximum ceiling per residence to be exceeded.
- Plumbing improvements will be restricted to the kitchen and master bathroom of the residence.
- Replacement of existing indoor plumbing will be approved only if Arkansas state plumbing code violations exist.
- If connection is provided to a water system and the residence has no wastewater system, grant funds can be used to install wastewater plumbing from the water fixtures and installation of a septic system. These expenses can exceed the \$1,500 ceiling per residence; however, total hookup costs with septic systems that exceed \$3,000 per structure must be approved by the Arkansas Economic Development Commission prior to commencement of work.
- Most carpentry expenses are ineligible for grant reimbursement; however, incidental expenses to install approved appliances (e.g., small vanities, minor framing, etc.) are allowable.
- If write-ups are not completed in entirety by ADH personnel, ACEDP grant reimbursement may not exceed the following: \$30.00 per write-up to administrators who accompany/assist ADH personnel with write-up work or \$75.00 per write-up when write-ups are prepared by procured write-up specialists without assistance from the administrator. If the administrator does assist with the write-ups, an amendment to their contract must be prepared. However, documentation of ADH attendance of ADH trained personnel during inspection of the homes must be submitted to the Arkansas Economic Development Commission.