

**POLICY AND PROCEDURES HANDBOOK**  
**FOR THE**  
**WEATHERIZATION PLUS PILOT PROGRAM**

**DAKOTA COUNTY, MINNESOTA**

Administered by the Dakota County CDA

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## **I. Purpose**

The Dakota County Community Development Agency (CDA) has provided weatherization services to low-income households through the federal Weatherization Assistance Program since 1976/1977. The goal of the weatherization program is to reduce energy costs for households through making their home and mechanical systems more energy efficient, while ensuring the health and safety of household members. Weatherization is a grant program for low income households (50% AMI or below).

Traditional weatherization funding from the federal Department of Energy (DOE) significantly increased for the CDA with American Recovery and Reinvestment Act (ARRA) funds. The ARRA weatherization years (2009 – 2012) positioned the CDA to develop new partnerships and more in-house experience in weatherization. For Program Year 2012 (July 1, 2012 – June 30, 2013), the State of Minnesota received no new weatherization funding from DOE. Despite this challenge, an alternative funding source has allowed the CDA to continue to provide a high-quality program serving fewer households than during the ARRA period.

The CDA also administers the housing rehabilitation loan program, which is primarily financed with Community Development Block Grant (CDBG) Program funding. The housing rehab program has existed since the late 1970s in a variety of forms. The CDBG-funded housing rehabilitation program began in 1985 after Dakota County became an entitlement county in 1984. The current housing rehab program provides eligible households (low/mod income) a maximum of \$25,000 in a deferred, zero interest loan for a variety of improvements to their homes. Common improvements include adding insulation, furnace replacement, exterior upgrades (roofs, siding, windows) and special needs modifications (such as ramps or roll-in showers).

The Weatherization Plus Pilot Program (WxP) was designed to offer energy conservation techniques (from the federal Weatherization program) to eligible households combined with expertise and components from the housing rehabilitation loan program. WxP serves the 50% - 80% AMI household that cannot receive federal weatherization assistance but is in the form of a forgivable loan, not a grant. The WxP pilot program is funded with CDBG funds.

The purpose of this Policies and Procedures Handbook (“Handbook”) is to set forth the policies and uniform procedures regarding the implementation of the Weatherization Plus Pilot Program.

Copies of this Handbook shall be available for review at the office of the Dakota County Community Development Agency, 1228 Town Centre Drive, Eagan, MN; 651-675-4400.

## **II. Delegation of Authority**

The Dakota County Community Development Agency (CDA) has partnered with the cities of Eagan and Rosemount (CDBG sub-recipients) to develop the pilot Weatherization Plus Program beginning in Program Year 2012 (starting July 1, 2012).

On behalf of Dakota County, the CDA administers the federal Community Development Block Grant (CDBG) program, receiving guidance from U.S. Department of Housing and Urban Development (HUD) and assisting the CDBG sub-recipients (Eagan and Rosemount) to ensure funds are provided only to eligible applicants and expended only for allowable costs.

CDBG funds are eligible to assist with weatherization efforts for single family households per the authority of CFR 24 Part 570.202, *eligible rehabilitation and preservation activities*.

## **III. Definitions**

- A. Allowable Costs - are those which meet federal, state or local requirements and guidelines herein established and interpreted by staff of the administering agency.
- B. Applicant - is the person(s) who is /are currently applying for assistance, as well as their spouse, if the spouse resides in the property to be improved, and any other person(s) with an ownership interest in and who resides in the property to be improved.
- C. Assets - means the gross value of all assets of the applicant excluding the following:
  - 1. The structure to be improved and up to 160 surrounding acres.
  - 2. Clothing and Household furnishings, appliances and equipment.
  - 3. Private vehicles unless used exclusively for the purposes of operating a business, and excluding collector vehicles.
  - 4. Private retirement funds and accounts, including, but not necessarily limited to, 401 K plans, IRAs, and employer sponsored retirement plans, where the assets are not liquid and there is a substantial penalty incurred upon early withdrawal.
- D. CDA - refers to the Dakota County Community Development Agency
- E. DOC – refers to the Minnesota Department of Commerce.
- F. DOE – refers to the federal U.S. Department of Energy.
- G. Dwelling Unit - A residential housing structure, including a mobile home and a modular home when permanently connected to the required utilities (including plumbing, heating and electrical systems contained therein) and designed to be used

as a permanent residence. It does not include a camper, recreational vehicle, boat, railroad car, bus or other structure designed and constructed as temporary living quarters.

- H. Energy Standards – are the standards established in the State Energy Code, chapter 7672, as they apply to the remodeling of existing residential structures.
- I. Health & Safety items - A general weatherization term referring to identifying or completing certain non-energy-saving activities, such as replacing ventilation fans or installing smoke detectors.
- J. Lead-based Paint - means paint or other surface coatings that contain lead equal to or exceeding 1.0 milligram per square centimeter or 0.5 percent by weight or 5,000 parts per million by weight.
- K. Manufactured Home - shall mean a structure, transportable in one or more sections, which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning and electrical system, contained therein, which is erected on a site that may be either owned, rented, or leased; except that this definition includes any structure which meets all the requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary and complies with the standards established under Minnesota Statutes, chapter 327.
- L. Mechanical items/services – improvements to a dwelling unit’s space heating and cooling, and water heating systems. The primary components of the mechanical system include those appliances (and their fuel supply, control and distribution systems) that heat and cool the dwelling and provide hot water for domestic use.
- M. Shell work items/ services - improvements to the dwelling unit to increase the energy efficiency of the shell of the building and address weatherization-related health and safety issues. Examples include air sealing, insulation, ventilation, and smoke and carbon monoxide detectors.
- N. SIR Calculation - Savings to Investment Ratio. Calculation which determines cost-effectiveness for specific weatherization measures. All WxP conservation measures must be cost-effective, based on lifetime savings and cost calculations performed by the Weatherization Assistant (WA) software. An SIR of one (1) or greater is required for all conservation measures.

#### **IV. Funding Availability**

The continuation of the WxP pilot is dependent upon the availability of funding to Dakota County from the federal Community Development Block Grant (CDBG) program and interest from the CDBG sub-recipients to continue such a program in the future. Dakota County has received CDBG funding since 1984, with 2012 the first year in implementing the Weatherization Plus Pilot Program.

#### **V. Forms of Assistance**

Assistance from WxP households is in the form of a forgivable loan. The maximum Deferred Loan amount secured by a single property at any given time shall be \$8,500. The minimum Deferred Loan amount shall be \$4,000. Services that are provided to every WxP homeowner include:

- A. Education regarding energy conservation.
- B. Energy audits to evaluate the home's energy usage and identify opportunities for energy efficiency improvements.
- C. Exterior wall and attic insulation, if needed.
- D. Air infiltration and bypass sealing, if needed.
- E. Natural gas and electrical baseload efficiency improvements, if needed.
- F. Test, repair and/or replace home heating systems to ensure efficiency and safety.
- G. General repair and health and safety measures needed to allow the safe completion of weatherization services.

In addition, residents of participating cities may be eligible for other rehabilitation programs, such as the CDA's Home Improvement Loan Program and the MHFA Fix-Up Fund and Rehabilitation Loan programs.

#### **VI. Property Eligibility**

- A. Property must be located in either the city of Rosemount or the city of Eagan and in need of improvements that are eligible.
- B. Property must be in compliance with applicable zoning ordinances or other land use regulations.

- C. The property must be structurally sound and feasible to weatherize as determined by the CDA Weatherization Coordinator. An exception may be made to allow weatherization of property that is determined not to be economically feasible in cases where threats to health and safety exist and no alternatives to the continued occupancy of the structure can be identified.
- D. One, two or three unit structures that are permanent in nature shall be eligible provided that the owner occupies one of the units and is the applicant. Manufactured housing is eligible.

Total cost of work on multiple units is subject to loan minimum and maximums provided in section VII. Work financed on structures containing rental units shall be limited to common systems or structural components and work directly on the owner-occupied portion of the structure.

- E. Properties previously weatherized through the federally funded Weatherization Assistance Program are not eligible for a WxP loan.
- F. Mortgage payments and property taxes must be current on the property to be improved, whether taxed as real property or personal property.
- G. The residential structure must have been constructed more than 15 years ago.

## **VII. Applicant Eligibility**

- A. Applicants must demonstrate an ability to make mortgage payments.
- B. An applicant will be deemed income eligible if the applicant's gross income is within 50% - 80% of area median income (AMI) limits annually published by HUD. See Appendix III for AMI limits.
- C. Eligible applicants cannot have Assets greater than \$60,000.00.

## **VIII. Selection**

The funding available for the loans through the WxP pilot program is \$110,467.70. The number of households served will depend upon the final amounts awarded per loan

(minimum of \$4,000 and maximum of \$8,500<sup>1</sup>). The pilot program is anticipated to launch in Fall/Winter 2012 with loans provided through May of 2013. The WxP pilot program will be promoted for approximately three weeks, followed by an application period of one week, or longer as needed.

Applicants will be selected at random through a lottery system administered by CDA staff. If a selected applicant does not meet the required criteria, another applicant will be randomly selected. This will continue until all WxP pilot program funds are committed. If more loans are made available, in addition to those originally selected, additional applicants will be randomly chosen by the lottery system until all WP funds are committed.

## **IX. Loan Limits and Conditions**

- A. WxP Loans are zero interest and require no monthly payment by homeowners. All loans shall be fully forgiven after fifteen (15) years. These loans will have a graduated forgiveness that includes 1/5 (20%) of the principal loan amount forgiven every three (3) years. For example, if the Applicant sells a home ten years after the loan was received, then 3/5 (60%) of the loan will be forgiven.
- B. The energy audit will identify the scope of work that best maximizes funding resources and energy efficiency as measured with a Savings to Investment Ratio (SIR).
- C. WxP Loans must be paid back when the property is sold, transferred, or no longer the principal residence of the original applicant. The amount due is the lesser of either the current loan balance (subject to the graduated forgiveness schedule), or the Net Proceeds. "Net Proceeds" means the sales price of the property minus superior loan repayment and any closing costs.

## **X. Eligible Work Items**

Services eligible through the Weatherization Plus Program (WxP) are defined and discussed in the Minnesota Weatherization Program Policy Manual (rev. 3/19/03) and the Minnesota Weatherization Field Guide (copyright 2003). These services have been deemed by the U.S. Department of Energy and the State of Minnesota to be the most cost-effective ways to conserve energy in Minnesota homes. An energy audit will be

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<sup>1</sup> The maximum loan is listed as \$8,500. If an eligible applicant is in need of additional funds, per the assessment of the Energy Audit and recommendation by the Weatherization Coordinator, this amount may be increased on a per basis limit.

conducted on each dwelling unit to determine the work items for each unit (see XI. Procedures for Processing Loans).

Below is a summary of eligible work items. See Appendix IV for all the allowable activities.

- A. Minor and major air sealing.
- B. Attic insulation.
- C. Sidewall insulation.
- D. Blower door diagnostics, pressure balancing and ductwork sealing.
- E. Miscellaneous insulation work such as crawl space and rim joist insulation.
- F. Natural gas and electrical baseload measures (including but not limited to water heater and pipe insulation, low-flow showerheads, compact fluorescent lighting and energy-efficient refrigerators).
- G. High-efficiency heating systems.
- H. General repair and health and safety improvements needed to allow the safe completion of weatherization services.
- I. Central air conditioning systems are eligible, but CDA staff may deem other improvements higher priority.

Please note that window replacement is not covered under WxP.

<b>XI. Wx Plus Procedures</b>
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**Procedures**

- A. Applicant eligibility shall first be reviewed and approved by CDA staff prior to working with Weatherization staff. CDA staff shall review all submitted income documentation to verify the household income, based upon the U.S. Department of Housing and Urban Development (HUD) income verification standards. See VI Property Eligibility and VII Applicant Eligibility for details. See Appendix I for details on required income documentation.
- B. Energy Audit. Each eligible dwelling unit scheduled for weatherization shall have an energy audit provided by a CDA-approved energy auditor. The audit must take

place after household eligibility is established and prior to the start of any weatherization work. The energy audit is a thorough on-site evaluation of the dwelling unit's weatherization needs and takes an average of four hours.

During the energy audit, the auditor will:

- Collect information on the existing condition of the dwelling, including review of energy use data, detailed measurements, photographs, blower door testing, and testing and evaluation of the condition of the heating system and other combustion appliances; and
- Evaluate the home for energy conservation opportunities and energy-related health and safety problems that could be affected by weatherization activities.

- C. Assessment/Plan. The CDA Weatherization Coordinator will input data from the energy audit into the state-approved Weatherization Assistant software. The software prioritizes energy conservation measures and determines which measures have an acceptable Savings to Investment Ratio (SIR). The Weatherization Coordinator uses this information to determine the best course of action to take to improve energy efficiency and correct energy-related health and safety problems.
- D. Approved Work Plan. Based upon the energy audit data and Weatherization Assistant software recommendations, the CDA Weatherization Coordinator will develop the optimal weatherization work plan for the dwelling unit. The Weatherization Coordinator will secure approval from the homeowner - either in person or via phone or e-mail - prior to sending out work orders to complete the work.

**NOTE.** The work plan is intended to maximize energy savings and ensure the health and safety of the home's occupants. Because interactions between some of the measures could make it unsafe or detrimental to the long-term condition of the home to complete only a portion of the recommended work, the homeowner will generally need to agree to the work plan as a package. The CDA reserves the right to decline to offer the household a loan if the full work plan is not agreed upon by both parties. A homeowner's request to decline specific work plan measures will be considered on a case-by-case basis.

- E. After the approval of the work plan, the Weatherization Coordinator shall procure the necessary work items. See Procurement section below for details.
- F. After all work has been procured and is acceptable to both the CDA and homeowner, a loan closing is scheduled. At the closing, the appropriate documents are executed as required for the CDA to secure the loan (see Appendix I for copies of documents). A Work Agreement is executed by the Applicant and contractor and

approved by the CDA. This agreement outlines the contractual conditions that both parties are required to follow. Work will be authorized to begin by the CDA after all documents are signed and the loan is secured by being recorded with Dakota County Recorder's Office.

- G. Work commences at the dwelling unit and contractors are in contact with both the homeowner and the CDA Weatherization Coordinator. During weatherization, CDA WxP staff will authorize and monitor the work.
- H. Final Inspection. A final inspection is performed to ensure that all measures are correctly completed, and the client is satisfied with the work. Inspections are also a diagnostic quality-assurance check on the thoroughness of each energy audit completed on a dwelling. All installed Conservation, Health and Safety, General Repair, and Mechanical measures must pass a final inspection before the unit may be reported as completed and before contractors are paid.

Final inspections shall be conducted by the CDA Weatherization Coordinator. The CDA Weatherization Coordinator will determine if a re-work is necessary to correct any work missed or not satisfactorily completed by contractors. If re-work is completed, the CDA Weatherization Coordinator shall be responsible to re-inspect. When a final inspection is complete and signed by the inspector, no additional funding may be spent on the dwelling.

- I. When the final inspection is completed, a Completion Certificate is issued by the CDA. All Davis Bacon payroll documents must be reviewed and approved by the CDA prior to payment. The contractor(s) shall be paid directly by the CDA based on provisions in the approved contract(s).

## **Procurement**

- A. The CDA has an adopted Statement of Procurement Policy that is the basis for following public methods to secure construction and professional services. In addition, the DOC provides guidance on proper procurement procedures.
- B. The CDA uses a standardized price list system for WxP work items, specifically work items in Sections 1 – 9 in Appendix IV, also known as “Shell Work”. Since Shell Work items listed in Sections 1 – 9 in Appendix IV are very common and standard in most residential structures, it would be impractical to bid out every project, resulting in a repetitive process with similar results. Therefore, the CDA has developed a common price lists for shell work.

- C. The approved price lists have been developed with an analysis of material and labor costs, including federal Davis-Bacon wage rates and payroll documentation requirements.
- D. The CDA will select qualified WxP contractors based on a fair and open annual bidding process for mechanical items, listed in Sections 10 – 22 in Appendix IV. The number of contractors selected shall be based on a combination of factors, including the number of housing units to complete, the capacity of each contractor, and the qualifications of contractors selected to work in Dakota County. The appropriate Davis Bacon wage determination and associated requirements will be included in the bidding process.
- E. For the WxP work that shall be bid out, a minimum of three (3) bids may be required per job except in extraordinary circumstances where bidding is impractical/difficult and submitted costs can be verified as reasonable according to the Weatherization Coordinator. Jobs will be awarded to the lowest responsible bidder. Davis Bacon documents will be included in the contracts.
- F. Bids will be reviewed by the CDA Weatherization Coordinator and reviewed with the homeowner prior to the execution of a contract.

## **XII. Appeals**

Each person applying for funding from the WxP Program shall have the right to appeal any determination of the CDA staff to the Director of Community and Economic Development of the agency. Appeals should be made in writing within 30 days of the event causing the appeal.

## **XIII. Statement of Affirmative Action**

The CDA shall insure that every person be given full and equal opportunities for employment in the WxP undertaken by the CDA. It shall be the policy of the CDA that no individual shall be discriminated against with respect to compensation, terms, conditions, or other privileges of employment, because of race, color, religion, creed, sex, national origin, disability, marital status, age, or status with respect to public assistance. The CDA as the administrator of the Dakota County WxP shall do whatsoever necessary to guarantee that minority contractors and subcontractors are provided equal opportunity to perform weatherization work.

## **XIV. Modifications**

The Executive Director of the CDA has the authority to make modifications to this document as deemed necessary for the continued implementation of same, including, but not limited to: (1) policy revisions necessary due to a change in design of the WxP Pilot Program; and (2) policy revisions necessary due to changes in the rules and regulations of the CDBG Program. The Executive Director has the right to amend this policy and/or discontinue the WxP Pilot Program at any time.

## APPENDIX I DOCUMENTATION REQUIREMENTS

Thank you for requesting an application for a Weatherization Plus Loan through the Dakota County Community Development Agency (CDA). To speed the processing of your application, please do the following:

1. Complete the application. Please do not leave any questions unanswered.
2. Submit copies of the following with your completed application:
  - Verification of your income:
    1. If you are employed, we will need copies of your four most recent pay stubs from each of your places of employment.
    2. If you are self-employed, or if you receive rent from another property, please submit complete copies of your Federal tax forms and all related schedules for the past two years.
    3. If you receive Social Security or SSI, please call 1-800-772-1213 to obtain a statement directly from Social Security.
    4. If you receive child support, please submit a six-month printout Support and Collections, or a signed statement from the person you receive it from.
    5. If you have other sources of income, please call Mark Hanson at (651) 675-4469 about needed documentation.
  - Assets
    1. A complete copy of your six most recent bank statements from each of your Checking accounts.
    2. A complete copy of your one most recent bank statement from each of your Savings accounts.
  - Verification of your outstanding mortgage balance(s), payment status and your monthly payment amount(s). If you pay association dues, please send in documentation showing you are current on your dues.
3. Read and sign the form entitled “There are Laws to Protect Your Rights to Information and Privacy.
4. Return a completed **hard copy** application and other required information to the following address:

Dakota County CDA  
1228 Town Centre Drive  
Eagan, MN 55123  
Attn: Bruce Anderson

When we receive the above items, we will evaluate your application based on your income, financial assets, credit history, equity in the property, and your ability to repay a loan based on our underwriting standards. You will be notified of all decisions in writing. If you have any questions, please call Mark Hanson at (651) 675-4469. Thank you for your interest in our loan pilot program!

**APPENDIX II**  
**SUBORDINATION / AMENDMENT / SATISFACTION POLICY**

**1. Subordinations:**

- A. Requests for subordination of the interest of the Dakota County CDA in real property shall be considered after the lender has submitted a Subordination Request Form. The completed form shall contain the following information:
1. The reason for the requested subordination.
  2. The amount of the loan to which we would be subordinating.
  3. The full name of the lending institution as it will appear on the subordination.
  4. The current principal balance of any other superior lien secured by the property.
  5. The value of the property. The lender shall attach a copy of the current appraisal or other evidence of market value of the property that is acceptable to the CDA.
  6. An attached copy of any current title work that has been prepared.
  7. Estimated closing costs/settlement statement.
- B. The Dakota County CDA will subordinate its mortgage interest to a “rate and term” refinance if the closing costs are reasonable, and if the CDA believes that the refinance will improve the financial situation of the borrower.
1. Closing costs for the new superior mortgage must be deemed to be reasonable by the CDA. Generally this shall mean that the sum of all discount points, origination fees, and lender ancillary fees generally shall not exceed 3% of the new first mortgage amount.
  2. Property taxes, if not escrowed by the superior mortgage holder, must be current.
  8. In most cases, interest-only loans or loans with interest-only options will not be allowed unless the Director of Community and Economic Development determines that an acceptable reason warrants this type of loan.

The Director of Community and Economic Development may approve other subordination requests on a case-by-case basis that are clearly in the best interests of the CDA, and the security of the CDA loan remains acceptable, and denial of the request will cause or contribute to a documented hardship on the part of the borrower.

C. Subordination requests will be processed by Community and Economic Development Department staff, who will submit the request, with a recommendation for action, to the Director of Community and Economic Development. The Director shall approve or disapprove all requests for subordination. Requests for subordination should be submitted a minimum of ten (10) working days prior to the date the agreement to subordinate is needed.

D. Fees:

1. Subordination requests, if approved, will be subject to a processing fee as established annually by the CDA, which must be paid prior to the CDA providing the Subordination Agreement. Fees are not refundable.

**2. Amendments:**

A. Amendments of the terms of existing loans may be authorized by the Director of Community and Economic Development upon the recommendation of Community and Economic Development Department staff. Such amendments shall be limited to increases in the remaining term of a loan in order to lower the monthly payment amount to accommodate a financial hardship of the borrower that has been documented by Department staff. Any other changes in the terms for repayment of a loan are subject to approval by the CDA's Board of Commissioners.

**3. Satisfactions:**

A. When a loan made by the CDA is paid in full, a document satisfying the lien will be prepared by the CDA and delivered to the borrower for recording.

**APPENDIX III  
AREA MEDIAN INCOME LIMITS  
AS OF DECEMBER 10, 2012**

Median Inc. = **\$82,300** (effective 12/10/12 for Dakota County)

<b>Income Limits</b>	<b>1 person household</b>	<b>2 person household</b>	<b>3 person household</b>	<b>4 person household</b>	<b>5 person household</b>	<b>6 person household</b>	<b>7 person household</b>	<b>8 person household</b>
50%	\$28,850	\$32,950	\$37,050	\$41,150	\$44,450	\$47,750	\$51,050	\$54,350
<b>80%</b>	<b>\$45,100</b>	<b>\$51,550</b>	<b>\$58,000</b>	<b>\$64,400</b>	<b>\$69,600</b>	<b>\$74,750</b>	<b>\$79,900</b>	<b>\$85,050</b>

**APPENDIX IV**  
**ALLOWABLE ACTIVITIES & MEASURE TYPE CHART**