



## **King County**

### **Housing and Community Development Housing Repair Program**

#### **Operating Procedures for Use of Private Contractors In the Housing Repair Program**

**Effective Date: August 26, 2011**

#### **Introduction**

The Housing Repair Program (HRP) is a section of the King County Community Services Division, Housing and Community Development Program (HCD). The program administers federal Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) funds on behalf of the King County Consortium, which is a partnership of most cities in the County outside the City of Seattle<sup>1</sup>. The King County Consortium sets aside 25 percent of its CDBG allocation, and approximately seven percent of its HOME allocation, for a HRP that serves low-income homeowners at or below 80 percent of area median income. The program provides major home repair loans (non-amortizing, zero-interest loans) and emergency grants.

The HRP has an intake phone line; from the intake line, applicants are asked to send in eligibility documentation. Once an applicant is determined to be income-eligible, housing repair staff conducts a physical inspection of the applicant's home to develop a scope of work of eligible repairs. The staff assists each homeowner in bidding out the repair project and contracting with a contractor who is qualified to do the job. The HRP coordinates the contract between the homeowner and contractor.

#### **I. Contractor Referral List**

Customers/clients have the opportunity to solicit bids from any licensed and bonded contractors, and often times do so. However, the HRP maintains a contractor referral list that helps facilitate the competitive bid process for our clients and projects. General contractors and specialty contractors can apply to this program at anytime during the year.

Our goal is to openly inform all contractors interested in participating with the HRP. We want to assist them in accessing and completing the County approval/referral

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<sup>1</sup> The City of Seattle receives CDBG and HOME funds directly from the Department of Housing and Urban Development.

process. Contractors are informed about the HRP in many ways; the following information outlines a few of the opportunities:

1. On a biennial basis, the HRP posts a public notice informing licensed and bonded contractors, sub-contractors and service providers, and informing small contracting businesses, women and minority contractors of the opportunity to bid on private home rehabilitation contracts.
2. The HRP participates yearly in one or more public forums targeted to small business contractors. The Regional Contractors Forum is an example of the types of outreach.
3. Contractors complete the contractor's packet, and HRP reviews the contractor submission in accordance with King County Risk Management criteria. When the contractor has complied with all requirements, they are placed on the referral list.
4. The HRP conducts various training programs for contractors. Through this networking, contractors are introduced to the HRP and the various contracting potentials.
5. Finally, contractors frequently are informed about the HRP and the contracting opportunity, and potential jobs by word of mouth.

## **II. Contractor Monitoring**

Contractors are monitored annually as their insurance policy, bond and contractors licenses renew. The need to review the contractors on our referral list is necessary in order to maintain a valid and current list of contractors. As contractors are awarded contracts by the homeowner, the County takes an additional opportunity to review that contractor, making sure status is satisfactory with Washington State Department of Labor and Industries (L&I), federal debarment notifications from the Excluded Parties List System (EPLS) and Washington State Department of Revenue. A contractor on the HRP referral list must be in good standing with the Washington State Department of Revenue and the L&I contractors' registration system and must maintain consistent information with both. Clients accessing this program are always encouraged to make their own due diligence review when hiring a contractor that is performing work on their home. Contractors are removed from the HRP contractor's list in the following ways:

1. Contractor's license is not renewed, or is suspended by L&I, resulting in an unlicensed contractor.
2. A summons, complaint, warrant or infraction/citation filed against the contractor by a previous customer, supplier, or wage related grievance is discovered through a review of the L&I database. The contractor would be immediately suspended from additional work or future contracts issued through the HRP. The contractor can re-establish themselves at a later date by satisfactorily addressing each summons, complaint, warrant or infraction/citation of record.

3. The contractor appears on the EPLS, and is ineligible to enter into a covered contract that is funded with federal dollars.
4. The contractor has unresolved poor workmanship that resulted from a contract or work authorization given to the contractor by the client/homeowner through the HRP.
5. The contractor contacts the HRP and requests removal from our referral list.

A. Washington State L&I Database Requirement

The King County HRP staff requires all contractors to be licensed and bonded. King County HRP takes the following steps to verify contractor status: 1) HRP staff print out a copy of the contractors business and licensing information from the L&I database to establish the initial contractors file; 2) HRP staff check the active status of contractors through the L&I database when a project is going under contract to verify that there are no outstanding complaints, judgments or citations against the contracting firm(s) at that time; 3) HRP staff will check the active status of a contractor through the L&I database any time they receive any derogatory information from HR clients.

Information obtained from L&I includes:

1. Name of contractor
2. Licensing and bonding information
3. Any complaints, judgments or citations filed against the contractors that are unresolved.

B. Debarred Contractors Procedures

1. HRP staff will check every contractor via the Excluded Parties List System (EPLS) on the Federal General Services Administration web site to ensure that debarred contractors are not chosen to complete King County HRP projects. Printed copies verifying that the contractor is not on the debarred list will be put in each contractors/homeowners file as follows:
  - a. This will be done when contractors apply to get on the HRP contractors list.
  - b. This will also be done whenever the contractor is awarded a contract by the homeowner.
2. Self-Certification: Debarred contractor language is in the contract signed by the contractor and homeowner, as the contractor must also self-certify that s/he is not debarred.

### **III. Contractor General Requirements**

Contractors are required to complete, sign and date a Contractor's Qualification Statement, and to provide the following:

1. A copy of their current Washington State contractor's license and bond
2. A Certificate of Liability Insurance. The Certificate of Liability Insurance must show that the contractor has the minimum insurance requirements for general liability (primary and non-contributory), and for automobile liability, as follows:
  - a. \$1,000,000 Each Occurrence
  - b. \$1,000,000 General Aggregate
  - c. \$500,000 Business Automobile
  - d. WA Stop-Gap or employers liability coverage
  - e. King County HRP is named as Certificate Holder
3. Additionally Insured Endorsement Form (form CG-20-33-10-01, or its equivalent). This form must reflect King County Housing Repair Program as additionally insured under the contractor's policy.
4. Additional insurance, as required, for lead and asbestos abatement.

### **IV. Work Write-up and Construction Standards**

After formally applying to the HRP for assistance, a homeowner/client will receive a general home inspection by an HRP engineer or other qualified inspector. This inspection process will determine the general condition of the home and outline all eligible repairs needed. The inspection process will categorize the repairs into a priority order of emergency repairs, health and safety repairs, building preservation repairs, and energy conservation activities.

With this information, the King County HRP engineer will complete a bid and proposal package outlining the allowable and recommended repairs. Within the bid and proposal package, there is a scope of work called the Work Write-Up (WWU). The WWU lays out the scope of work and the accompanying specifications that are necessary to complete a competitive bid process.

Each HRP approved homeowner/client is encouraged to solicit at least three bids from licensed and bonded contractors, before a contract is drawn and work begins. The King County HRP contractors' list is provided to each client for bid solicitation.

Cost reasonableness is determined through a collaborative effort involving the HRP engineer, the homeowner and the King County HRP Coordinator. The cost reasonableness of each project is determined by analysis of all the following factors:

1. The competitive bid process
2. The homeowner's input regarding contractor communications, responsiveness, experience, and customer service
3. Industry standards and publications such as RS Means and /or Marshall and Swift guide to construction costs, and other publications that are recognized as an industry standard for residential building costs
4. Overall presentation of the project facts
5. The recommended scope of work.

The homeowner selects the contractor; the homeowner does not have to select the lowest bidder, but must stay within the project cost reasonableness, as determined by HRP staff and Coordinator.

The construction standards adopted for the King County HRP are the King County 312 Construction Standards. A complete copy of this established standard is available upon request. These standards are grouped according to the Uniform Construction Index Format and provide the material and workmanship requirements for housing rehabilitation work under the King County HRP. The 312 standards supplement the standards of the Washington State Revised Code of Washington and applicable King County Code for the work specifications provided in the WWU. All King County HRP jobs, which do not have general standards listed in the 312 Construction Standards, shall be performed by skilled mechanics in accordance with the best practices of the applicable trades.

## **V. Contracting and Project Oversight**

Once the complete Scope of Work has been established and the contractor has been selected, the homeowner and contractor enter into a construction contract. King County is not a party to this contract between the homeowner and contractor, but King County provides project oversight. King County's role is clearly delineated in the contract. The contract includes the General Conditions, the work to be completed, the contract price and the time of commencement and anticipated completion of the project.

### **A. Notice To Proceed**

The Notice To Proceed is issued by King County HRP shortly after all parties sign the contract. The contractor is to begin work on the contract within 30 days of a fully signed contract, and with receipt of the Notice To Proceed order.

## B. Change Orders

A Change Order is executed when changes are needed to the overall contract in accordance with Article 11 of the General Conditions, Changes in the Work and Time. A Change Order must be done when the Scope of Work needs to be adjusted due to a circumstance or activity that has changed under the original contract. While occasionally a homeowner may request a change order to broaden the Scope of Work, usually a Change Order is requested by the contractor to address some unforeseen issue within the project. A Change Order reflecting a revised Scope of Work and must be signed by the homeowner, contractor and authorized King County representative prior to additional work outside of the original contract begins.

The contract will not be revised without a completed review of the suggested Change Order by the project engineer and/or the program coordinator. This is so the homeowner does not need to rely on the contractor's word alone, and also to insure that the repair work stays within the HRP cost limits and eligibility standards. The engineer shall look at the necessity of the Change Order as it relates to the overall project. The project engineer will check all change order pricing against the industry standard, to validate overall change order costs.

The industry standard for cost can come directly from the experience of a project engineer. This experience is developed from the engineer continually dealing with common and repetitive change orders allowing insight into market costs. Industry handbooks, such as Home Tech Remodeling and Renovation Cost Estimator, or other like industry standards can also be used to validate change order requests and costs. Once the change order has been validated, all parties to the change must approve and adopt the change(s) to the contract. The homeowner, contractor and King County representative shall sign the Change Order before any additional work is started.

## C. Payment

The contractor can request payment from the contract in the following manner:

1. A contractor can request an interim disbursement draw against completed work from the contract. An interim disbursement draw request is initiated by the contractor. The contractor outlines the completed line items within the contract that have been completed and requesting payment. A construction draw inspection will take place to verify with the homeowner and contractor that all draw amounts and the associated work is complete. The request for interim draw document is signed by homeowner, contractor and authorized County representative. The check request is processed and issued to the contractor less a ten percent (10%) construction holdback. Interim draw request holdbacks will be released to the contractor at the time the final invoice for payment.

2. The contractor can submit a final invoice for payment when the job is 100 percent complete and the contract with the homeowner fulfilled. The contractor must certify that all work required under the contract had been performed in accordance with the terms and conditions of the contract. The contractor certifies that there are no unpaid claims for materials, supplies or equipment and no claims of laborers or mechanics liens arising out of the performance of the contract.

In addition to the above:

- a. The contractor guarantees the work performed for a minimum period of one year from the date of final acceptance of all the work required by the contract. The contractor shall also deliver to the homeowner all manufacturers and suppliers guarantees and warranties covering materials and equipment furnished under the contract.
- b. The final invoice for payment shall be signed and accepted by all parties including King County or its authorized representative before final payment is released to the contractor. The homeowner's signature represents acceptance of the work as performed by the contractor and releases King County Housing and Community Development to pay the contractor the balance of the construction contract.

## **VI. Procedures for Handling Disputes Between the Homeowner and Contractor**

The prevention of disputes between homeowners and contractors is an important goal of the HRP. HRP takes the following steps to diminish misunderstandings and disputes, and to promote clear communication between the parties:

1. Each project contract is between the contractor and the homeowner, directly, and is specific to the work that is to be contracted. HRP works with the parties to help provide clear agreement by both parties before the contract is signed.
2. Staff review the General Conditions of the contract with the parties, including: Article 3, regarding the authority of King County to inspect and help ensure satisfactory completion of the contract work; Article 11, regarding changes in the work and time of contract completion (change orders); Article 12, regarding correction of work; Article 15 regarding termination by the contractor; and Article 16, regarding termination by the owner. A pre-construction conference takes place on each signed contract with each contractor and homeowner.

Disputes between the contractor and homeowner are handled as follows, and in the following order:

1. The parties are first asked to try to resolve the dispute in good faith directly between the contractor and homeowner.

2. If there are any outstanding issues that are not resolved, a representative of King County Housing and Community Development/HRP will meet with the parties to mediate the remaining dispute(s), and will issue a determination. The parties will be asked to abide with the HRP determination. This determination is intended to help resolve issues but is not binding on the parties.
3. As an additional service, the Housing and Community Development/HRP can coordinate a mediation effort through the Inter-Local Conflict Resolution Group, sponsored by King County and the King County Labor Council. This is an informal and private way for both parties to work through disagreements, in which an impartial third party assists people in candid exploration of the issues and options, and allows the parties involved to find solutions that work for everyone.
4. As a last resort, the parties may pursue other legal remedies available to them.