

CHAPTER 3

SECTION 5

Low-to-Moderate Income Direct Benefit Activities

Introduction

This section applies to publicly-financed construction of water or sewer lines which allow unserved households to obtain access to the specific utility or service. In making application for CDAP grant funds, a successful grantee had documented that at least 51 percent of the project would benefit low-to-moderate income persons (LMI). According to HUD regulations, local governments (grantees) may not impose a "special assessment" (assessing a fee or charge levied or filed as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public improvement) against properties which are owned and occupied by low-to-moderate income persons (defined by the most current HUD Section 8 income guidelines for the appropriate county). This means that households which have been identified and verified as low-to-moderate income cannot be charged "tap-on" fees. (The term "special assessment" does not relate to periodic water or sewer user fee charges imposed for the use of public improvements.)

The most common type of special assessment is a **tap-on fee**, which is a one-time charge made as a condition of access to an improvement, normally a sanitary sewage collection or water distribution system. If an entity determines that a tap-on fee will be charged, the income generated by the collection of such fees from non-LMI households will flow into that entity, i.e. water district, community, etc., and will generally be available for project construction costs, and may be used as local leverage. Keep in mind that tap-on fees are normally required to be paid by all property owners. CDAP funds may be used to pay for the tap-on fees for owner-occupied low-to-moderate income households, or the unit of local government may elect to waive those fees.

In some instances, the USDA Rural Development will require low-to-moderate income households to pay a tap-on fee (or reimbursable deposit) prior to CDAP award to satisfy their program requirements. In this case, either the low-to-moderate income households or the grantee can be reimbursed with CDAP funds provided the appropriate documentation and income verification is made prior to the disbursement of the funds (and the funds were used to assist in financing construction).

CDAP funds may also be used to pay for service lines which will benefit eligible low-to-moderate income persons. A **service lead/connection** is a line extending the main system to the utility's right-of-way line, normally owned and maintained by the utility.

CDAP public facilities projects for new or expanding water or sewer systems funded **after April 1, 1996**, will require **hook-ups** for all qualified **owner-occupied** low-to-moderate income households. (Hook-ups for rental units are not mandated, but may be done at the discretion of the unit of local government.) The grantee **must** use CDAP funds to pay for the actual cost of running the private water or sewer lines up to the house for each owner-occupied low-to-moderate income household. The maximum amount of money CDAP will contribute toward the hook-up is \$750 for water or \$900 for sewer. For grants awarded in 2002 and after the cost per household will increase to \$650 for water and \$900 for sewer. Any costs in excess of these amounts will have to be paid by the homeowner or other funding sources. The final connection to the house is the responsibility of the homeowner.

Low-to-Moderate Income Eligibility for Direct Assistance

Hook-ups are considered a direct benefit activity. Therefore, the grantee must document the income eligibility of each household receiving assistance.

1. Household Notification Requirement

Every unserved household must be notified in writing of their potential eligibility to receive a subsidized tap-on service line connection benefit (see Appendix 3-5-A). However, direct financial assistance must be restricted to low-to-moderate income households, and therefore, the grantee must document the income eligibility of each household scheduled to receive such direct financial assistance. Priority should be given to owner-occupied households. However, in cases where occupants rent (rather than own) the housing unit, the occupants must document the household income level which qualifies them as low-to-moderate income to receive assistance. Grantees may want to consider taking steps to assure that the rental units remain affordable to low-to-moderate income tenants.

The grantee's written notification (along with any local media advertisements, etc.) sent to all unserved households should at a minimum: (1) restate the fact that the household may qualify for a subsidized tap-on fee or service line connection; (2) state the specific hours and dates during which a representative of the grantee will be available to meet with affected households and discuss/determine their eligibility to receive such financial benefits; (3) identify the specific location for persons to discuss and/or actually apply for such financial benefits; (4) identify the specific types of income documentation that the household should bring to the meeting to verify their income level (see the sample letter of notification, Appendix 3-5-A); (5) set a deadline for sign-up. If a household applies after the deadline, the engineer should review the budget and advise the grantee if funds are sufficient to receive more households. If the grantee decides to receive more households, the

application phase must be "opened up again to all" so everyone in the project area has equal opportunity to apply; and (6) after the initial notification is sent to all households in the project area, a second notice must be sent to all unresponsive households if the estimated number of LMI households identified in the grant agreement scope of work did not respond.

2. Definition of Household

Household income includes income of all persons who occupy a group of rooms or a single room which constitutes a housing unit. A group of rooms or single room is regarded as a housing unit when it is occupied as separate living quarters, that is, when the occupants do not live and eat with any other persons in the structure, and when there is either (1) direct access from outside of the building through a common hall or (2) complete kitchen facilities for the exclusive use of the occupants of the household.

3. Guidelines for Determining Low-to-Moderate Income Eligibility for Multi-Unit Structures

Two-unit structures must have a least one unit occupied by LMI households. Structures with more than two units must have at least 51 percent of the units occupied by LMI persons.

4. Verification of Household Income

Verification of the household's income eligibility should be accomplished at a point in the project (usually after the grantee has issued a notice to proceed) when the CDAP administrator and project engineers/architects can be relatively confident that the intended project beneficiaries (i.e., households) will not be moving before the project's completion.

Verification of the unserved household's family income should be established by utilizing the Income and Allowances Guidelines detailed in Appendix 3-5-B.

5. The Grantee's Income Verification Files

The grantee must maintain a file with written documentation of each household's income eligibility that receives direct financial assistance in the form of either a subsidized tap-on fee or service line connection. The grantee's income verification file should contain at least two major components which include: (1) an application form signed by a representative of the low-to-moderate income household requesting direct CDAP assistance and verified by the grantee or its CDAP administrator; and (2) photocopies of the personal documents actually used to verify the

household's family income level for the 12 months following the date of application. A sample of a typical application form appears in Appendix 3-5-C.

6. Timing of the Income Verification Efforts

At the time tap-on fees are collected from unserved middle-or-upper income households which fail to qualify as low-to-moderate income families, an eligibility determination may be simultaneously undertaken by the grantee to verify the actual number of low-to-moderate income households which qualify for subsidized tap-on fees. However, the grantee should be cautious to insure that the verification of low-to-moderate income households is not performed too early in the process so that the list of qualifying households are no longer accurate or valid. **If there is a delay of more than 18 months between the time of verification of income and the provision of assistance the income shall be re-verified.**

The grantee should be aware of the fact that it is unlikely that every low-to-moderate income household determined to be eligible to apply for such CDAP-supported financial subsidies will in fact choose to do so. This could result in an under-expenditure of CDAP grant funds allocated for direct financial assistance to low-to-moderate income persons. In this instance a grant modification may be necessary. See Chapter 1, Section 4 for instructions.

7. Procurement of Service Line Connections/Hook-ups

There are two options to secure and provide a subsidized service line connection for a qualifying low-to-moderate income household. Prior to determining which of the two methods of procurement to use, the grantee should consult with its project engineers/architects and legal counsel.

In accordance with Illinois Department of Public Health rules and regulations, only an Illinois licensed plumber may make a connection to a public water system. While a licensed plumber is not required to make a connection to a public sewer system, materials used must meet with Illinois Plumbing Code standards, the sewer lines must be at least ten feet from the property's water line, and the work must be inspected by a licensed plumber.

It is DCEO's policy that households benefiting from CDAP funds are financially responsible for the connection of the water or sewer line into the house. All work must be completed in accordance with Illinois Plumbing Code regulations.

The two options for grantee consideration include:

Option 1. The grantee may choose to bid a separate contract to install the low-to-moderate income service line connections. Grantees with large-scale new systems, or significant additions will probably want to bid a separate contract (complete with plans and specifications) to provide such service in connections/hook-ups. In these instances, all the CDAP regulations apply.

Such contracts must be advertised and bid at a point in time when the grantee and its project engineers/architects are reasonably certain of when the individual water or sewer meters from the main line will be set so that the service line connection contractor can complete the work expeditiously. Typically, the specifications for such service lines will call for a unit price for residential installations. All easements must be obtained by the grantee from all property owners prior to bidding the service line contract.

The advantage to having a single contract is that all households can be completed in a relatively short time frame and the projects are such that smaller contractors have an opportunity to bid on them as prime contractor. The disadvantage of this procurement alternative is that this method requires the grantee to go through the complete bidding process and all CDAP regulations apply.

Option 2. The grantee may direct the homeowner to solicit bids from at least three local plumbing contractors and ask for a lump sum per household quote for completing the low-to-moderate income service line connections/hook-ups. Appendix 3-5-C is used by the grantee as an application between the homeowner and the grantee stipulating that the grantee will pay for the service line connection with CDAP funds.

Once the homeowner receives three bids from local plumbing contractors, the homeowner submits the bids to the grantee. The homeowner may select any of the three plumbing contractors to complete the work. However, CDAP will only pay the amount of the lowest bid. Any excess costs must be paid by the benefiting homeowner or landlord.

Once the grantee has given the homeowner approval to proceed with the construction, the service line connection/hook-up must be completed, and the homeowner must submit to the grantee a request for payment along with the contractor's invoice within 60 days of the grantee's approval date. The grantee should advise the

homeowner that the plumbing contractor should be held responsible for any necessary permits.

The grantee should consult with legal counsel to ensure an appropriate procedure is established if this is the option the grantee selects. Procedures must be in place to ensure that the homeowner proceeds with the service line connection/hook-up in a timely manner and to ensure that the plumbing contractor is paid upon satisfactory completion of the work.

It is important that the grant administrator work closely with the CDAP grant manager on issues involving low-to-moderate income direct benefits. Should the CDAP administrator have any questions about a household's income eligibility, the guidance of your CDAP grant manager should be requested to avoid inadequate documentation or ineligible CDAP beneficiaries.

CHAPTER 3

Low-to-Moderate Income Direct Benefit Activities Appendices

Appendix

Sample Letter to New Utility System Users	3-5-A
Section 8 Income and Allowances	3-5-B
Tap-On-Fee and/or Service Connection Assistance Application	3-5-C

Grantee or Water/Sewer District Letterhead

TO: Potential Customers
 FROM: Representative of Grantee or Water/Sewer District.
 SUBJECT: Potential Eligibility for Subsidized Tap-On Fees/Service Line Connections
 DATE: XX/XX/XX

As you may know, (describe the improvement in question) are currently being undertaken by (name of the CDAP grantee or water/sewer district). These public works improvements are being financed in part with grant funds awarded by the State of Illinois under the Community Development Assistance Program. Because of the availability of the state grant funds, **all unserved owner-occupied households that can document their income eligibility will receive a free "tap-on". In addition you will also receive a free lateral service connection (up to a maximum benefit of \$___).** Households which do not qualify for this assistance will be required to pay the tap-on fee (which is \$\$\$\$\$), and will be responsible to install their own water service connection line. **Please be advised that all homes, regardless if they qualify for the free tap-on, are responsible for having a qualified plumber to make the final connection of the water/sewer line into the home.**

We have scheduled the following times to be at (the location of meeting place) for homeowners to **fill out and submit applications** for the free tap-on fees and service line connections on behalf of low-to-moderate income households within the project area.

Day/Date	Time: XX:XX AM to XX:XX PM
Day/Date	Time: XX:XX AM to XX:XX PM

It is **critical** that you **bring the following items with you to the meeting:**

- (1) proof of your identification (e.g., a valid drivers license or social security card, etc.); and
- (2) verification of you household's current income. Please bring all of the following which apply to you:
 - (a) Form SSA-1099 Social Security Current Benefit Statement;
 - (b) most recent Form 1099-R Distribution from Pension, Annuities, Retirement, IRA's, etc.;
 - (c) Current pay stubs (please bring 3 stubs);
 - (d) Current dividend and interest distribution statements, etc.
 - (e) Documentation of any Public Aid which you receive
- (3) proof of ownership of your house: this can be documented by either a copy of your Real Estate tax receipt or a copy of your deed.

(4) farmers and self-employed persons should bring their most recently completed federal 1040 income tax form.

To help you determine whether or not your household may qualify for a free tap-on fee, and free service line, the **total gross income** for all persons 18 or older living in your household **must be less than:**

Sample

<i>No. Of Persons In Household</i>	<i>Income</i>	<i>No. Of Persons In Household</i>	<i>Income</i>
1 Person	<u>\$ 24,400</u>	5 Persons	<u>\$ 37,500</u>
2 Persons	<u>27,900</u>	6 Persons	<u>40,450</u>
3 Persons	<u>31,400</u>	7 Persons	<u>43,250</u>
4 Persons	<u>34,900</u>	8 Persons	<u>46,050</u>

Should you have any questions, please contact (name, address, phone number of contact person). If it is impossible for you to apply during the times available, please contact (the above person) to make other arrangements. **Applications and documentation will not be accepted after (give deadline date).**

COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM

DEFINITION OF ANNUAL INCOME

Annual Income is the gross amount of income anticipated to be received by the family during the twelve months following the effective date of examination.

COMPUTING ANNUAL INCOME

Use current circumstances to anticipate income, unless verification forms indicate an imminent change.

INCOME INCLUSIONS

1. The full amount, before any payroll deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income for operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted on straight line depreciation as provided in Internal Revenue Service regulations.
3. Farm income defined as net money income (gross receipts minus operating expenses) received from the operation of a farm by a person on their own account, as an owner, renter or sharecropper. Operating expenses include depreciation, interest on debt as well as other normal operating expenses.
4. Interest, dividends, and other net income of any kind from real property.
5. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts.
6. Payment in lieu of earnings, such as unemployment, workers compensation and severance pay.
7. Welfare assistance excluding payments specifically designed for shelter and utilities.
8. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts from persons not residing in the dwelling.
9. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family, spouse.
10. Relocation payments.

INCOME EXCLUSIONS

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children.
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance, workers compensation, SSI and social security), capital gains and settlement for personal or property losses.
4. Amounts received by the family that are specifically for or in reimbursement of the cost of medical expenses for any family member.
5. Income of a live-in aide.
6. Amounts of educational grants or scholarships.
7. The special pay to a family member serving in the armed forces who is exposed to hostile fire.
8. Amounts received under training programs funded by HUD.
9. Temporary, nonrecurring or sporadic income.

Tap-On Fee and/or Service Connection Assistance Application
COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM
(Printed on Grantee's Stationery)

Name: _____ Telephone: _____
 Address: _____

Number of Persons Living in Household: _____ Number of Wage Earners: _____
 Renter Owner *(Check one)* *(18 years of Age or Older)*

Total Household Income: *(For all Wage Earners)* \$ _____

Number of Disabled Persons in Household: _____

Number of persons over 62+ Years of Age: _____

Is the Head of the Household Female? Yes No *(Check one)*

Household's Racial Classification:

White		
Black/African American		
Asian		
American Indian/Alaskan Native		
Native Hawaiian/Other Pacific Islander		
American Indian/Alaskan Native and White		
Asian and White		
Black/African American and White		
American Indian/Alaskan Native and Black/African American		
Other Individuals Reporting More Than One Race		

I affirm that the information provided in this application is correct and made for the purpose of receiving assistance from the Community Development Assistance Program in a form of (a tap-on fee/service line connection) to the *(name of the CDAP grantee's utility system)*. I authorize the *(name of CDAP grantee)* or its representatives to contact any person, agency or organization deemed necessary to verify the information contained in this application. I understand that this subsidy is intended to cover the costs associated with *(describe the purpose of the subsidy)*. I understand that the funds for this program are provided by the federal government through the U.S. Department of Housing and Urban Development (HUD) and are administered through the Illinois Department of Commerce and Economic Opportunity (DCEO).

 Applicant's Signature

 Dated

PENALTY FOR FALSE OR FRAUDULENT STATEMENT: USC Title 18, Section 1001, provides: "Whoever, in any manner within the jurisdiction of any department or agency of the United States knowingly falsifies... or makes any false, fictitious, or fraudulent statement or entry, shall be fined not more than \$10,000, or imprisoned for not more than five (5) years, or both."

REVIEWER'S REMARKS

Type of Income Verification Provided:
Property Location (Lot, Block, Map # etc.):

Applicant has been deemed:

Eligible Ineligible

Dated

Reviewer's Signature