# NORWICH
# PROPERTY REHABILITATION PROGRAM

## Program Year 2016

## POLICIES AND PROCEDURES

AUGUST 2016

REVISIONS TO:

OCTOBER, 1991
OCTOBER, 1995
OCTOBER, 2000
AUGUST, 2001
MAY 2004
NOVEMBER 2004
OCTOBER 2006
JULY 12, 2007
SEPTEMBER 19, 2007
AUGUST 1, 2008
MARCH, 2009
MARCH, 2010
MAY, 2010
AUGUST, 2010
AUGUST, 2011
APRIL, 2012
AUGUST, 2012
JANUARY, 2013
AUGUST, 2013
OCTOBER, 2013
JANUARY, 2014
FEBRUARY, 2014
MARCH, 2015
AUGUST 2016

## INTRODUCTION

Policies and procedures contained herein are applicable for financing the rehabilitation of privately owned and investor owned properties under the Norwich Property Rehabilitation Program through the use of Block Grant Funds under the provisions of Title I of the Housing and Community Development Act of 1974.

## PURPOSE – Program Objective

The program is designed to conserve and improve the existing housing stock within specifically designated areas. The program goals and objectives are to eradicate substandard, unsafe and unsound housing conditions for low to moderate-income families and to bring such residential structures up to a sound, safe condition. It will help to provide a way for eligible families and individuals to preserve and upgrade the substandard condition of numerous properties and help reverse the snowballing effect of housing deterioration and neglect within these designated neighborhoods.

## CDBG PROPERTY REHABILITATION PROGRAM GOALS, OBJECTIVES AND ASSISTANCE TYPES

The primary objectives of the CDBG Property Rehabilitation Program are to provide decent housing for low to moderate income families; eliminate slum conditions, unsafe, and unhealthy housing conditions; and prevent blighting and deterioration of houses and neighborhoods through the use of housing rehabilitation.

## TYPE OF ASSISTANCE – The City has adopted a four-part program as follows:

**1. INVESTOR OWNER LOAN PROGRAM** (An investor owner is an owner who does not reside in the property under consideration for the program, or a resident owner with 2 or more rental units, not including the unit in which the owner resides). Loan amounts are based on a loan to value ratio of up to 140% at time of application.

> **A 5-year repayment loan not to exceed the following funding awards: $15,000 for a 1 unit property, $20,000 for a 2 unit, $25,000 for 3 units, $30,000 for 4-5 units, $35,000 for 6-7 units, and $40,000 for an eight plus units.**
>
> 5 Year Loan Repayment
>
> The investor owner will repay the loan to the City at 0% interest over **five years** following completion of the rehabilitation of the property.
>
> The loan will be divided into **60** equal payments due on the first of each month.
>
> If the owner falls ninety (90) days in arrears, they will be considered to be in violation of the terms of their agreement and subject to collection actions.

Upon sale or transfer of the property, total loan balance will be due to the City of Norwich.

## 2. OWNER OCCUPANT LOAN PROGRAM

For occupant owners (1-2 units) of lower income, as defined by HUD, financial assistance will be provided in the form of a loan which will be repaid by the occupant owner at 0% interest in **180** equal monthly payments over **fifteen** years following completion of the rehabilitation of the property.

However, should the owner no longer reside in premises, or sell or transfer interest in the property, all remaining loan balances will become due and payable to the City of Norwich with interest accruing at 0%. This guards against speculation. Loan amounts are based on a loan to value ratio of up to 140% at time of application. No equity is required. Negative equity may result in application denial. Denials may be appealed (see Waiver of Policy – page 3)

**A 15-year repayment loan not to exceed the following funding awards:**

- **$15,000.00 for a single unit property**
- **$20.000.00 for an owner-occupied property with two units**

## 3. OWNER OCCUPANT – (ELDERLY)

For Elderly (62+) (1-2 unit) occupant owners of lower income, as defined by HUD, financial assistance will be provided in the form of a deferred loan, payable at 0% interest due 30 years from the date of lien, or at the transfer or sale of the property. However, should the owner no longer reside in premises, all remaining loan balances will become due and payable to the City of Norwich at 0% interest.

**A 30-year deferred loan not to exceed the following funding awards:**

- **$15,000.00 for an owner occupied single unit property**
- **$20,000.00 for an owner occupied property with two units**

## 4. LEAD HAZARD CONTROL PROGRAM

The City of Norwich may have access to funding from the Federal Government for the exclusive purpose of Lead Hazard Control. This funding is non-renewable and may not be available at all times. If the applicant property qualifies for this program by virtue of age, condition or occupancy, the Lead/Rehab Officer will refer the application to the Lead program for further evaluation and possible funding. In the event the applicant qualifies for this funding, the rehabilitation portion will be coordinated with the Lead Hazard control work to maximize the use of all funds available to the applicant.

## DESIGNATION OF THE PROGRAM AREA

The areas in Norwich in which the Property Rehabilitation Program will take place are all are within the entire boundaries of the City of Norwich.

Property Rehab projects can be accepted from the entire City of Norwich as long as the project meets Community Development Block Grant (CDBG) regulations.

## NON-DISCRIMINATION

Section 109 of the Housing and Community Development Act of 1974 requires that no one shall, on the grounds of race, color, national origin, sex, age or handicapped status, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded with Community Development funds. In addition, any property owner, as a condition to obtaining a rehabilitation loan, must comply with all applicable requirements imposed by or pursuant to regulations effectuating Title VI of the Civil Rights Act of 1968 regarding the sale, lease, use or occupancy of his/her property.

## RELOCATION

It is not the intent of the City to engage in any rehabilitation activity that will require vacating property. However relocation may be required if the property contains significant amounts of lead based paint that puts occupants under the age of six at risk, or the level of rehabilitation required renders the property unlivable during the work process. The use and availability of relocation housing will be determined by the City of Norwich.

## WAIVER OF POLICY

The policies and procedures set forth herein shall be implemented in a uniform and consistent manner. Any questions concerning state policies or procedures or waiver of same may be referred to the Rehab Review Committee for recommendation. The Community Development Director if approved by a majority vote of the Review Committee members may authorize a waiver of policy.

A. Cite the specific policy provision for which the waiver is requested

B. Clearly describe the specific circumstances and facts on which the request for waiver is based.

C. State the reasons why the waiver is felt to be warranted in the particular circumstance

## ADDITIONAL ALLOCATION OF FUNDING

The Rehabilitation Review Committee hereby authorizes the Property Rehabilitation Program Manager to allocate additional rehabilitation funding without their prior approval for program projects **that meet all the following requirements**. The Rehabilitation Review Committee will require complete accounting of instances when this policy used at the next regularly scheduled meeting.

1. Additional funding is not to exceed 10% of the project's total funding allocation under the Property Rehabilitation Program.
2. Additional funding will only be allocated for construction items that are of an unforeseen nature. For this policy "unforeseen" is defined as:

    a.) Part of, or related to, a work action within the original contracted specification for actions taken on the property.
    b.) Work that extends beyond an item that is discovered to be related to, and required for, accomplishing the contracted work item.

c.) Items that are directly required by a recognized authoritative body, such as the Building, Fire, or Health Departments for vital corrective actions that were either missed or, discovered during the execution of contracted work.

## AMENDMENTS

The City reserves the right to amend these regulations as experience may dictate.

# ELIGIBILITY REQUIREMENTS

## GENERAL

The Rehabilitation Review Committee shall make determination of eligibility for a rehabilitation loan in accordance with the requirements set forth below. Community Development staff shall assist the applicant in preparing the application and in other matters pertaining to determining eligibility and levels of assistance.

## BASIC ELIGIBILITY

In order to be eligible for a deferred payment loan, or direct loan, the applicant must hold legal title to the proposed property. The property, when inspected, must be found to have building and/or housing code violations.

Applicants' mortgage **must be current** at the time of application and at contract signing.

## INCOME

A. Projects must benefit low to moderate-income households, according to income limitations as further defined by family size. At least fifty-one percent (51%) of all the units (apts.) in a specific structure must be occupied by families, which are under 80% of the median income. Two family situations shall be eligible in accordance with HUD Regulation. Household income is determined by totaling all income received by applicant, spouse, and any other household members for a one-year period prior to the date of the application.

B. The City uses HUD guidelines to establish income. For the purpose of calculating gross household earnings, the following sources of income include but are not limited to:

1. Gross salary from employment
2. Periodic payments from annuities, pensions, disability payments, benefits, etc.
3. Payment in lieu of wages, unemployment compensation, worker's compensation
4. Welfare payments
5. Social Security
6. Periodic allowances, child support, alimony
7. Armed Forces pay
8. Rental Income

| Number of People In Household | Gross Household Income* |
|---|---|
| 1 | $46,000 |
| 2 | $52,600 |
| 3 | $59,150 |
| 4 | $65,700 |
| 5 | $71,000 |
| 6 | $76,250 |
| 7 | $81,500 |
| 8 | $86,750 |

*Based upon HUD FY2015 guidelines. These figures are adjusted on an annual basis and can be confirmed with the Office of Community Development. The owner must also provide additional financial information as contained in the application form.

The following situations will also be deemed ineligible for both owner-occupied and investor-occupied properties:

- Adjustable rate mortgage (ARM) when the rate adjusts 2% or greater in any given year
- Mortgages with balloon payments
- 30-day late on any mortgage in last 12-months

## APPLICANT FOUND INELIGIBLE FOR A LOAN

Any applicant found to be ineligible for a loan will be given written notice of the reason(s) for disapproval of his/her application. The notification shall include a description of the steps the applicant may take to obtain a review of the application. Final determination as to whether or not an applicant meets the eligibility requirements for a loan will be made by the Rehabilitation Review Committee.

## PROPERTY

A. Property must be situated in outlined designated area.

B. Property must be residential in nature and use.

C. All applicable taxes and fees (including, but not limited to: real estate taxes, motor vehicle taxes, utility bills, relocation liens) due to the City, by the applicant, must be paid to date on any property with interest in or owned by the applicant within the City of Norwich.

D. Residential property with evidence of housing and building code violations which deem the property to be substandard, deteriorated, unsafe and unsound will require these items to be addressed on a priority basis.

E. Manufactured Mobile Home Requirements for Eligibility.

1. It must be a permanent structure tied to a conforming foundation.
2. The property owner must own the land beneath the structure and be a legal resident of the United States.
3. A minimum of 400 square feet living area.

## AGREEMENTS

A. Prior to the awarding of a deferred payment/and or direct loan, the applicant will agree in writing to the placement of a lien for the amount of the loan on the subject property.

B. Rent and Eviction Regulations

1. The property owner will maintain affordable rent levels for a minimum of two years after the completion of the rehabilitation, and rent levels will not be higher than section 8 fair market rent.

2. Eviction

    a. No tenant shall be forced to permanently move by owner/loan recipient. Any violation of this results in cancellation of the agreement and immediate remittance of all funds given.

    b. Tenants shall be guaranteed occupancy for a one-year period following rehab work completion. Exceptions are made for cause (non-payment of rent or nuisance). Non-compliance shall result in immediate remittance from the property owner of all funds given.

    c. Property owners are required to maintain homeowners property insurance and where applicable flood insurance.

## FINANCING

CDBG funds will be utilized to provide 0% interest loans or deferred payment loans to eligible low and moderate income individuals as explained in previous sections.

## REHAB PROCESS

## APPLICATION

A. The City will solicit applications from interested owners through such means as press releases, direct mailings, public notices, etc...

B. The City will receive applications and application fees from investor owners. Applicants will be required to provide the following:

    1. Most current income tax return and/or statements of earnings from Social Security, Pensions, etc.
    2. Income verification form for each tenant, including copies of three consecutive pay stubs (employer verification) or other proofs deemed appropriate by the City of Norwich, if applicable
    3. Property owners must provide adequate evidence mortgage is current

C. All applicants will then be qualified according to program guidelines. An interview with the applicant may be scheduled as necessary in order to qualify the project.

D. The Lead/Rehab Officer will visit the property to do a cursory inspection. The purpose of this inspection is to make a preliminary determination as to the eligibility of the property for this program. This inspection does not guarantee the applicant funding, nor does it activate local housing codes. This inspection may involve a cursory inspection for the presence or potential presence of lead based paint.

E. All applicants will be notified in writing of their eligibility status.

**PROPOSED REHABILITATION PROCESS – Reference Lead Inspection**

1. If applicant is eligible for participation, the Building Department inspects the property to determine unsafe, or substandard conditions such as electrical hazards; plumbing hazards; or structural hazards; and submits a written report to the Lead/Rehab Officer for inclusion in the specifications. The Housing Inspector; Fire Marshall; and Lead Inspector where applicable, will inspect the property to determine unsafe conditions and submit a written report to the Lead/Rehab Officer for inclusion in the specifications.

2. The Lead/Rehab Officer will:

    a. Consult with the property owner to review all pertinent reports and consider any additional work the owner may request. Referral for the Lead Based Paint Hazard Control Program may be made at this time

    b. Prepare a detailed cost estimate of all eligible rehabilitation costs for the property owner

    c. Prepare detailed specifications based on the various code and lead reports. The Lead/Rehab Officer will coordinate the scope of work with the Lead Abatement program if applicable

    d. Make any necessary changes to the specifications and obtain applicant's approval

    e. Obtain cost estimates/bids from contractors (as part of bidding process when jobs are formally advertised hold pre-bid conferences with interested contractors to explain the specifications and view the project site). This includes any Small/Minority/Female and Section 3 outreach efforts at this time

    f. Review bids with property owner in detail. The City will base its funding on the lowest bid amount provided that it is a responsible bid. The owner may select other than the low bid provided that the owner, pay the difference between the low bid price and the selected bid price

    g. Prepare a contract between the owner and the contractor and set up a meeting to review the scope of work, approximate starting date, method of payment, etc. The contract will be signed at this meeting and Notice to Proceed will be issued

    h. Establish and follow a construction inspection schedule with written progress reports where appropriate. All contractors' invoices will be checked against actual work done before any payments are made. Both the City and property owner will sign off on all payments. Should the property owner withhold payment for no just reason, the City may decide to make payment to the contractor.

    i. Provide a final inspection at the completion of the job, performed by the Lead/Rehab Officer, the Housing Inspector and the Fire Marshall if required. A lead clearance test may also be required.

    j. If any deficiencies are found during the final inspection, they will be addressed to the contractor with a final punch-list signed by the owner. The Lead/Rehab Officer will prepare this punch-list.

    k. Upon completion of the project, a certificate of completion will be executed by the Lead/Rehab Officer. The Housing Inspector and the Fire Marshall will also certify, in writing, that everything on their initial inspection report was corrected/accomplished. A final Clearance report for lead dust levels will be included with the certificate of completion.

l. Assist in generating a waiver of Mechanic's Lien is to be signed by the contractor and each of his subcontractors stating he/she has been paid in full. The Waiver of Mechanic's Lien is to be filed with the Community Development Office.

m. The contractor is required to sign a warranty, which holds him/her responsible for correction of deficiencies, which may arise, from workmanship or faulty materials, by the contractor or subcontractor for a period of one (1) year from the date of contract completion and acceptance.

n. When all of the above has been completed, the Rehabilitation Review Committee will approve final payment on the job.

NOTE: CONTRACT CHANGE ORDERS: When a change in the specifications is made for any reason, a contract change order will be incorporated into the contract specifications for the additional work. All requests for change orders must be submitted to and approved by the Lead/Rehab Officer. Only upon approval of the Lead/Rehab Officer, Homeowner, and Contractor, as indicated by all three signatures, will the change order will be made part of the contract and all work contained therein will be governed by the terms of the original contract.

## LEAD BASED PAINT HAZARD CONTROL

The Department of Housing and Urban Development has mandated that all properties receiving funding under this program are subject to the HUD regulation on controlling lead-based paint hazards in housing receiving Federal assistance (24 CFR Part 35). All applications for this program for structures built prior to 1978, or contain children under the age of six will be referred to the lead abatement program for additional assistance. The extent of lead hazard control activities to be provided under this program is based upon the amount of funding available to the property owner. Attachment 3a below indicates the level of activity required.

| | | *All Investor Owner Applications* | *All Owner Occupant applications* |
|---|---|---|---|
| **Activity** | **≤ $ 5000.00/unit** | **$5000.00 to $25000.00 / unit** | **>$25000.00/ unit** |
| Approach to Lead Hazard Evaluation and Reduction | Do no harm | Identify and control lead hazards | Identify and Abate Lead Hazards |
| Notification | Required to all Residents | Required to all residents | Required to all residents |
| Lead Hazard Evaluation | Paint Testing | Paint Testing and risk assessment | Paint Testing and risk assessment |
| Lead Hazard Reduction | Repair Surfaces disturbed during rehabilitation | Interim Controls | Abatement<br>Interim controls may be used exterior surfaces not disturbed by Rehabilitation |
| Work practice & Clearance | Safe Work Practices<br>Clearance of work site | Safe Work Practices<br>Clearance of unit | Safe Work Practices<br>Clearance of unit |
| Ongoing Maintenance | As required by plan | As required by plan | As required by plan |
| EIBLL Requirements | No | No | No |
| Options | You can presume the presence of lead based paint. Use lead safe | You can presume the presence of lead based paint. Use Standard | You can presume the presence of lead based paint. Abate all |

| | | | |
|---|---|---|---|
| | work practices on all units | Treatments | applicable surfaces. |

## CONTRACTOR PARTICIPATION

While the City of Norwich is concerned about the availability and quality of contractors participating in the Program, there is no single sure-fire method that will locate good contractors. As a general rule, the usual advertising in local newspapers will attract only those contractors already used to doing governmental work.

Special efforts, if needed, should be made to inform potential contractors by advertising in the newspaper and holding a contractor meeting, if necessary. The City already has developed a list of contractors interested in participating in the program. Direct efforts will be made to contact designated SBA/MBF/WBE firms. Financial institutions may also be contacted as sources for names of potential contractor participants. An informal question and answer session in the evening, if needed, will be held with potential contractor to discuss the program and explain special procedures, standards, etc., not usually used in private work.

It is necessary that participating contractors provide a quality of work that ensures the continued success of the rehabilitation program. To provide the highest degree of security to both the program and the owner, contractors will have the following on file with the City (updated on an annual basis):

A. Completed contractor's application detailing all pertinent information

B. Before the signing of any construction contract, evidence of insurance (workman's comp., if needed, liability, etc.). A contractor must have minimum coverage of $1,000,000 property liability and $1,000,000 bodily injury liability.

C. A contractor must also have a Home Improvement Certification issued by the State of Department of Consumer Protection before the contractor can enter into a contract.

D. Contractor must also have attended and passed an 8 hour lead awareness training program or be a licensed lead abatement supervisor who will supervise all personnel on site, every day.

E. Lead Contractors must provide copies of appropriate licenses and insurance certificates.

A listing of contractors having the above information on file will be provided to each applicant upon request to be used to assist them in selecting firms in addition to other firms which they may specify and firms which are informed through bid advertising.

The City will also utilize the State's listing of minority and women owned firms for material and contracting opportunities. Direct notification to appropriate firms on this list will occur as part of the City's outreach process.

Owners and/or contractors must take out all required permits prior to initiation of construction. The cost of these permits is to be included within the overall job cost.

## PROCUREMENT STANDARDS

In regard to the City's rehabilitation program, the following procurement standards are set forth:

A. The City will complete an initial cost estimate to assist the owner in rehabilitation planning.

B. The City will formally advertise for bids. In the case of formal bidding, a pre-bid conference will be held.

C. In all cases, the owner may select a contractor other than the low bidder. In such cases, financial assistance will be computed on the basis of the certified low bid only. The owner will be responsible for all cost differentials between the low bidder and their bidder of choice.

D. The City reserves the right to reject any or all bids or estimates of contractors and to waive any irregularities or items if it is in its best interest to do so.

## TENANT ELIGIBLITY

Tenants, themselves, are not eligible to participate in this program. Owners may qualify, however, based upon tenants having incomes, which qualify. In order to provide a reasonable degree of protection to tenants, no owner participating in the program may receive benefits unless that owner agrees, as previously mentioned, to rent his units within these limitations for two (2) years after the rehabilitation has been complete. Tenants must provide proof of income eligibility during the application phase of this program.

## SIZE OF PROJECTS

It is the City's intent to provide the greatest range of assistance to as many potential projects as possible. All eligible projects will be considered, however viable work determinations will be based on a property's most immediate needs. All work proposals falling outside or on the border of immediate code or Lead Hazard needs of the property, will be at the discretion of the Property Lead/Rehab Officer.

## ADMINISTRATION

The Office of Community Development will administer the City's Housing Rehabilitation Program. The Program Coordinator will be responsible to the Community Development Supervisor for the operation of the program on a day-to-day basis.

Any costs incurred by the City in operating and implementing of this program shall be expended from project funds. Local procedure shall be followed (when not in conflict with HUD regulations) in the operation of the program.