

GUIDELINES AND PROCEDURES

HOUSING REHABILITATION PROGRAM

TOWN OF GROTON OFFICE OF PLANNING & DEVELOPMENT SERVICES

These guidelines supersede all previous Home Improvement Loan Program and Housing Rehabilitation Program guidelines for homeowners.

Approved by
The Groton Town Council
December 4, 2007

Amended: December 2013 (New Income Limits – Pg. 12)

I. SCOPE

These guidelines and procedures are applicable to the Housing Rehabilitation Program administered by the Town of Groton's Office of Planning and Development Services (OPDS). This program is funded through Community Development Block Grant (CDBG) Funds received from the State of Connecticut and loan repayments made by participants in the program.

II. OBJECTIVES

The objective of the Housing Rehabilitation Program is to improve housing units occupied by low- and moderate-income households in the Town of Groton. The primary emphasis of the program shall be to correct Rental Housing Code, Building Code, and Property Maintenance Code violations, make properties lead and asbestos safe, and provide handicapped accessibility where appropriate. The secondary emphasis of the program is to increase energy efficiency and prevent incipient code violations. Properties shall be rehabilitated to HUD Section 8 Housing Quality Standards or local standards, whichever are more stringent.

III. NON-DISCRIMINATION

Section 109 of the Housing and Community Development Act of 1974, as amended, requires that no one shall, on the grounds of race, color, religious creed, age, marital status, ancestry, national origin, sex, physical disability, mental retardation or families with children, be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded with CDBG resources. Eligible property owners, as a condition to obtaining rehabilitation assistance, must comply with all applicable requirements imposed by or pursuant to regulations effecting Title VI of the Civil Rights Act of 1964 or Title VIII of the Civil Rights Act of 1968 regarding the sale, lease, rental use, or occupancy of his/her property.

IV. FINANCIAL ASSISTANCE

The program offers loans to low- and moderate-income property owners for eligible housing rehabilitation work. Two types of loans are available:

1. No-Interest Deferred Loans for Owner-Occupants

No-interest deferred loans are available to owner-occupied households earning 80% or less of median household income for the Norwich-New London Metropolitan Statistical Area (see Attachment A for Income Limits). The principal amount shall be paid to the Town when the property is sold or ownership is transferred.

2. Low-Interest Loans for Investor-Owners

Low-interest loans are available to Investor-Owners. The loan rate shall be 3% payable over a five-year term. Low-interest loans require the applicant to make monthly payments directly to OPDS. Please refer to the section on Eligibility for conditions.

The Town operates a Lead-Based Paint Control Program as part of the Housing Rehabilitation Program. All applications to the Housing Rehabilitation Program for structures built prior to 1978 will be referred to the designated Lead Inspector for testing and evaluation. In the event that the property qualifies for lead abatement, additional financial assistance may be available based on overall program requirements and as determined by OPDS staff. The terms of the financing for lead abatement shall be:

Forgivable No-Interest Deferred Loans for Lead Abatement for Owner-Occupants and Investor-Owned Properties

Forgivable no-interest deferred loans are available to all applicants to assist with the remediation of lead-based paint hazards. If the property is sold or ownership is transferred within five (5) years of the completion of the rehabilitation work funds must be repaid to the Town per the following rate schedule:

<u>Year</u>	<u>Percent to Repay</u>
1	100%
2	80%
3	60%
4	40%
5	20%

At the end of year five the entire amount of the lead abatement loan will be forgiven.

Household occupants may be required to temporarily move out of their units during rehabilitation activities due to the nature or extent of work being done. Temporary relocation assistance will be provided in accordance with the Federal Uniform Relocation Assistance and Real Properties Acquisition Act of 1970, as amended, and Section 104(d) of the Community Development Act of 1974, as amended. Please consult the Town's Temporary Relocation Policy or Residential Anti-Displacement and Relocation Assistance Plan for more information.

Rehabilitation costs for CDBG-funded jobs may be supplemented with personal financing or with other sources of leverage. Property owners may also make up the difference in the estimated cost of the recommended grade of material versus the cost of material that is considered an upgrade.

Please note that "sale" or "transfer" shall include any sale, exchange, quit claim, conveyance, transfer or assignment for the benefit of creditors, any lease of the premises

whereby the applicant fails to continue to reside on the property or fails to utilize the property as the principal place of residence, the appointment of a receiver, a foreclosure of any nature, any gift, and any transfer upon death except to the surviving spouse.

V. ELIGIBILITY

1. Property

- a. Properties must be substandard to be eligible for the program. Substandard properties have one or more code violations of the Rental Housing Code, Building Code, or Property Maintenance Code, as specified by the Town of Groton Building Inspector or designated Rehabilitation Inspector (Rehab Inspector).
- b. Properties must be residential in nature and use.
- c. Applicants must hold legal title to the property.
- d. Owner-occupied properties being rehabilitated must be the primary residence of the applicant. Primary residence shall be defined as living in the subject property for at least eight months each year.
- e. Applicants must have and maintain homeowners insurance and flood insurance as required.
- f. Property taxes and sewer use charges must be current. In some cases assistance may be provided if the applicant has entered into a written payment agreement with the tax collector that is acceptable to OPDS.
- g. Properties that have received funding through the Housing Rehabilitation Program are not eligible to receive additional rehabilitation assistance for ten years, except to correct an emergency condition.
- h. Multifamily properties must contain four or fewer dwelling units. This clause shall not exclude trailers or interior work on condominiums from eligibility.
- i. For multifamily properties at least 51% of the units must be income-eligible, that is, tenants must have income at or below 80% of median income based on household size as shown in Attachment A. Two-family properties will be eligible if at least one unit is income eligible.

2. Income

- a. Owner-occupied applicants must meet the income limits as set forth by the United States Department of Housing and Urban Development (HUD) for the CDBG program based on household size (See Attachment A). A household is defined as all persons who occupy the housing unit as a place of residence. Household income shall be established at the time of application and shall include income from all members of the household, whether or not they are related, received in the 12-month period prior to the date of application based on an IRS 1040 form or an employer's income verification. An estimate of current year income may also be requested using recent pay stubs. Applications shall be valid for one year.
- b. Income shall include the following (less eligible deductions):

- i. Gross wages and salaries including overtime, part-time earnings, bonuses and commissions, if such constitute established regular or periodic additions to income;
 - ii. Periodic payments received from Social Security, annuities, trusts, retirement benefits, disability benefits and other similar types of payments including payments to dependent children;
 - iii. Payments in lieu of earnings such as unemployment and disability compensation, workman's compensation (except in lump sum payments) and severance pay;
 - iv. Welfare payments;
 - v. Periodic and determinable allowances, such as child support, as directed by the Court;
 - vi. Interest and dividends from all Savings, Stocks, Bonds and similar income-producing assets; and
 - vii. Allowances for clothing, food or housing, provided through military, National Guard or reserve participation.
- c. If joint owners of a property are separate households occupying individual dwelling units within that property, the income of the applicant shall be the average household income of the joint owners.

3. Investor-Owned Rental Properties

- a. A single property owner shall be limited to the subsidized rehabilitation of a maximum of three (3) structures per program year. However, additional units may be subsidized if funds are available after all property owners on the waiting list have been assisted.
- b. Income requirements contained in section V shall not be applicable to investor-owners seeking assistance under the program. However, the investor-owner must agree in writing to the following conditions:
 - i. To charge "affordable rents" (applicable Fair Market Rents for Groton) for a minimum of five (5) years from the date of completion of work.
 - ii. Not to evict the existing tenant for a period of two (2) years from job completion (if vacant, for two (2) years from date of first occupancy), unless said tenant is guilty of property destruction, non-payment of rent, or habitual nuisance.
 - iii. Owners of presently vacant properties to be rehabilitated for occupancy under this program shall agree to rent said property to tenants that are at or below 80% of median household income as shown in Attachment A.

4. Conflict of Interest

- a. No member of the Town's governing body, any employee or agent of the Town who exercises policy, decision-making functions, or responsibility in the planning and implementation of the Housing Rehabilitation Program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after the member, employee, or agent's association with the Town ends.

VI. ELIGIBLE WORK

The types of work that can be subsidized include the following:

- Heating systems and components
- Electrical systems and components
- Plumbing, including defective sinks, tubs, et cetera
- Insect/Rodent eradication
- Walls, ceilings, floors that are seriously deteriorated
- Porches
- Roofs
- Gutters and downspouts
- Chimneys
- Foundations
- Exterior wall repair
- Windows and doors
- Insulation
- Stairways
- Asbestos and lead-based paint hazard mitigation

Additions and new construction are not eligible. Actual eligibility of all work items will be determined by OPDS staff.

VII. APPLICATION PROCESS

OPDS staff will be available to meet with property owners and/or tenants to explain the program, its requirements, and the rehabilitation process. Interested property owners are placed on the waiting list and will be notified once they reach the top of the list. The waiting list works on a first come, first served basis with one exception—an applicant needing rehabilitation work to correct an emergency condition affecting the health and safety of the household will be moved to the top of the list.

Once a property owner reaches the top of the list s/he will be asked to submit an application and supporting income documentation. OPDS staff will determine eligibility as well as apply the underwriting criteria found in Attachment B before applications will be approved. The Town will then inform the applicant of its determination. Delays in processing due to the failure of applicants to provide information will not be allowed to delay the processing of other potential applicants on the waiting list.

VIII. PROPERTY INSPECTION & COST ESTIMATE

1. Property Inspection

Upon a determination that an applicant meets the eligibility requirements, an inspection of the property to be rehabilitated shall be made by the Rehab Inspector to determine the

existence of any violations of applicable codes. If the property is likely to qualify for the Lead-Based Paint Control Program component based on age of the structure, condition, and type of work required, the property will also be referred to the designated Lead Inspector for testing, evaluation, and an abatement plan, as required. The Lead Inspector will then forward a report to OPDS staff for inclusion in the work specifications. OPDS staff will submit all proposed rehabilitation that may represent an exception to the Secretary of the Interior's "Standards for the Treatment of Historic Properties" to the State Historic Preservation Office for review and comment. All rehabilitation work and lead abatement work will be coordinated.

2. Specifications and Cost Estimates

Upon receipt of the Rehab Inspector's and Lead Inspector's inspection reports, a meeting shall be held with the property owner to agree upon the scope of work. In the event the homeowner and OPDS staff cannot agree on the scope of work, or any item thereof, the final decision on the scope shall be made by OPDS staff. Detailed work specifications shall then be prepared by the Rehab Inspector and reviewed with the property owner. These specifications will form the basis of all rehabilitation performed on the property and shall be incorporated into the bid documents. The Rehab Inspector shall specify the grade of materials.

Based on the work specifications, the Rehab Inspector shall prepare a detailed cost estimate for each type of work to be performed. All cost estimates shall remain confidential until the contract(s) have been awarded. The owner can be supplied with an approximate price range for the work; however, the owner shall not be made aware of the exact cost estimate until all proposals/bids have been submitted.

IX. BIDDING

Once the scope of work has been agreed upon with the homeowner, the Rehab Inspector will prepare bid documents and put the work out to competitive bid in accordance with the following procedures:

1. Contract specifications shall be prepared, and the date and time of the pre-bid construction walk-through shall be set.
2. Qualified, licensed and insured contractors shall be invited to submit bids. Attendance at the pre-bid walk-through is encouraged. If necessary, specification addendums will be issued to all contractors, return receipt required, after the walk-through.
3. The contract shall be awarded to the lowest qualified bidder, provided the bid is deemed acceptable by OPDS staff and the Owner, and is within 20% plus or minus of the cost estimate. If the bid is not within 20% plus or minus of the cost estimate, and the contractor can sufficiently document that his/her bid is a responsible one, the contract may be awarded with the permission of the Neighborhood & Community Planner.

4. For contracts for which the cost estimate is less than \$2,000 or for emergency situations, the bidding procedure may be waived in favor of proposals solicited by the Neighborhood & Community Planner. However, the provisions regarding variation from cost estimates shall remain in effect.
5. Approval of the Neighborhood & Community Planner is required prior to awarding a contract to a single bidder if the bid exceeds the cost estimate by 10%.
6. With the written approval of the Neighborhood & Community Planner, a property owner may be allowed to solicit bids directly in accordance with the following terms and conditions:
 - a. The owner shall be given copies of the written work specifications for each type of work performed.
 - b. The owner shall then obtain a minimum of three (3) proposals from qualified contractors for each separate work item, that is, electrical, plumbing, heating and general contractor. The proposals must be in writing and must reflect the exact nature of the work described in the written specifications.
 - c. Upon completion of the solicitation of proposals, the owner shall submit all written proposals to OPDS staff for review.
 - d. The owner shall at this time be made aware of the Rehab Inspector's cost estimate for each item of work. The written proposals submitted by the owner shall be compared with the cost estimate.
 - e. The owner may select any contractor to perform the work who has provided a written proposal that is within 20% plus or minus of the Rehab Inspector's cost estimate. If the owner selects other than the lowest bid, the owner shall pay the difference between the costs incurred and the lowest bid.
 - f. If the owner has not obtained any proposals within the required 20% of the cost estimate, the Rehab Inspector will review the estimate for the job. If an error or omission has been found, the estimator shall revise the cost estimate to reflect such error or omission. If the estimator determines that the cost estimate is accurate, the owner will be required to obtain additional proposals until a satisfactory proposal is received.
 - g. Exceptions to this procedure shall be granted only with the written approval of the Town Manager.

X. CONTRACT EXECUTION

Once a winning bid has been determined, the property owner must enter into the following contracts before work can begin:

- A. **Owner/Contractor Agreement** – Once a winning bidder has been determined, the owner will enter into a Construction Agreement with the contractor awarded the bid. The agreement will detail the scope of work, term of construction, and program requirements and responsibilities of both the owner and contractor.

Although OPDS is not a legal party to this contract, the Town shall act as an interested third party to assist in the coordination of the job.

- B. Owner/Town Agreement** – The agreement will detail the loan and grant amount and Owner and Town responsibilities. A mortgage document and promissory note shall be recorded with the Town Clerk in the Town’s Land Records for the bid amount as evidence of this agreement. The mortgage and promissory note work as security for the Town to ensure the loan will be repaid.

In addition, each property owner who participates in this program shall insure in writing that they will not discriminate on the basis of race, color, religion, national origin, handicap, sex, or families with children in the selection of tenants, contractors, or in the solicitation of proposals from contractors.

All contractors participating in this program must:

1. be approved by OPDS staff prior to entering into a contract with a participating owner. This approval shall consist of having a contractor’s application and references on file with the office, plus providing a certificate of insurance and evidence of workers compensation insurance.
2. be registered with the State of Connecticut, Department of Consumer Protection or with the appropriate State licensing agency.
3. where lead is in the work specifications, be lead-safe certified; where lead abatement is necessary, be a licensed lead contractor.
4. currently hold such license or permit for work that requires such specific license or permit in accordance with Town Building Codes.
5. not be on the State of Connecticut debarred contractor’s list or in the federal Excluded Parties Listing Systems database.

The contractor shall be required to warrant for a period of one year from job completion that all work under the contract shall be free of defects arising from the workmanship of the contractor or any subcontractor and guarantee the quality of materials for the same period. The contractor shall also be required to sign a Non-Collusion Affidavit as well as submit proof of having obtained a Building Permit for the work to be performed. All work requiring a building permit must be performed under such permit.

Upon completion of these procedures OPDS staff shall issue a written “Notice to Proceed” to the contractor allowing her/him to begin the work.

XI. INSPECTIONS AND CHANGE ORDERS

1. Periodic inspections of the work shall be made by the Rehab Inspector to assure work quality, contract compliance, and compliance with all applicable codes. Such inspections shall be noted in an inspection log.

2. If it is found that the contractor has not complied with the specifications, or has performed inadequately on any item of work, the Rehab Inspector shall issue a Deficiency Report to the Contractor requiring him/her to correct the noted deficiencies.
3. All contracts shall include a 10% contingency to provide for unforeseen additional work. All additional work shall be approved in accordance with the change order procedure contained in the Construction Agreement.
4. If, after the work has begun, an unexpected problem or unforeseen situation arises, the Rehab Inspector shall prepare an Inspection Detail Report describing the problem or situation and recommended corrective actions.
5. If the recommendation of the inspector is to correct the problem or situation using the contingency amount contained in the contract, a Contract Change Order shall be issued upon the approval of the homeowner, contractor and appropriate OPDS personnel. The Rehab Inspector is authorized to sign change orders that do not exceed 10% of the contract; all others are to be signed by the Neighborhood and Community Planner. Change orders shall not exceed 25% of the original contract amount.
6. Change orders that modify the contract amount may require promissory note and mortgage modification agreement(s) to reflect the increases/decreases to the contract amount.
7. Upon completion of all contract work, a final inspection shall be performed. If all work is found to be satisfactory and in compliance with applicable codes, a Contract Completion Form shall be signed by the owner, OPDS staff, and Rehab Inspector.

XII. PAYMENT TO THE CONTRACTOR

1. All payment checks shall be made payable to both the owner and the contractor. OPDS staff shall obtain the owner's endorsement of the check prior to disbursing it to the contractor. The endorsement of the check by the owner signifies the owner's acceptance and the satisfactory completion of the work covered by the check.
2. Progress and final payments to contractors shall be made by OPDS staff in accordance with predetermined payment schedules.

XIII. GRIEVANCES

1. In the event of a dispute between the parties as to any item claimed by the Owner or OPDS staff to be incomplete or improper, the amount of money required for the completion or repair of said items shall be held in escrow by OPDS staff. Once the dispute is resolved the balance of the payment due shall be paid to the Contractor.

2. It is further agreed by the parties that in the event of a dispute arising with reference to materials used, or with reference to the workmanship of the Contractor, or any of his agents, or any of his subcontractors, and if the parties cannot reach an agreement regarding such dispute, that the item or items of dispute shall be referred to a person mutually acceptable to all parties hereto, and any decision of said person regarding such dispute shall be binding on the parties.
3. In the event that the parties hereto cannot agree upon a person acceptable to them, then the parties agree that the dispute shall be submitted to binding arbitration in accordance with the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

XIV. WAIVERS

Unless otherwise specified, no provision of these guidelines may be waived without the written approval of the Neighborhood & Community Planner and the Town Manager.

XV. ATTACHMENTS

The following documents are attached and form a part of these guidelines:

- A. Income Limits and Loan Amount
- B. Underwriting Criteria
- C. Subordination Policy

Attachment A – Income Limits and Loan Amount

	Household Size*					
	1	2	3	4	5	6
80% of Median Income	\$44,750	\$51,150	\$57,550	\$63,900	\$69,050	\$74,150

*Households may be greater than 6 people; the table is not extended here for lack of space.

Data is based on the United States Department of Housing and Urban Development (HUD) income tables for the Norwich-New London Metropolitan Statistical Area, effective in FY 2014. This data is updated yearly.

Maximum Expenditure per Structure:

\$40,000 if no lead-based paint or other hazardous material control is required
\$60,000 if lead-based paint or other hazardous material control is required, the additional \$20,000 being allowed for hazardous material control only

Attachment B – Underwriting Criteria

1. OPDS may directly loan funds to qualifying homeowners and landlords. Landlords do not have to meet income eligibility requirements but are only eligible for low-interest loans. The application shall be reviewed by OPDS staff to determine ability to pay a loan based on debt/income analysis, equity in the property to be rehabilitated and any other relevant factors.
2. Deferred no-interest loans may not exceed the available equity in the property and the estimated cost of rehabilitation should be less than 75% of the total estimated cost of replacement after rehabilitation.
3. Low-interest loan amounts will be limited by available property equity and the property owner's ability to make monthly payments. The maximum expenditure will also be limited to 75% of the total estimated cost of replacement after rehabilitation.
4. Should the proposed total rehabilitation costs exceed either available equity and/or the 75% rule, approval from the Director of OPDS will be required.
5. If excessive encumbrances, defined as more than 80% loan to value, preclude the effective securing of a loan/grant, assistance may be denied.
6. Applicants who are in bankruptcy or in the process of declaring bankruptcy or applicants whose property is in the process of foreclosure are not eligible. Any property that has state or federal tax liens is not eligible.
7. In the case of rental units, in order to assure rental units remain affordable to low- and moderate-income tenants, rents may not exceed applicable Fair Market Rents for the Town, as determined by the State of Connecticut.
8. A mortgage and promissory note in the amount of the loan shall secure the loans. Loans shall be approved by the Neighborhood and Community Planner and the Town Manager, or his designee.
9. The Truth in Lending Act and its procedural and disclosure requirements must be followed as applicable to the rehabilitation loans assisted with Community Development Block Grant Funds.

Attachment C – Subordination Policy

It is the policy of the Town of Groton Housing Rehabilitation Program to consider written requests for subordination. The written request must be presented to the Town no fewer than 15 working days prior to the proposed closing date.

The written request must include: 1) the reason(s) for requesting the subordination agreement; 2) contact information for the applicant, attorney, and loan representative; 3) the applicant's authorization for the lender to release additional information to the Town; and 4) a copy of the loan application and appraisal.

The Town will evaluate each subordination request based on the: 1) purpose of the subordination; 2) loan-to-value ratio of the proposed financing; 3) income-to-debt ratio of the applicant; 4) reputation of the bank providing the financing; 5) applicant's financial need; 6) applicant's loan and tax status with the town; 7) town's initial and current mortgage position; and 8) condition of the property.

In most instances the copy of the loan application and appraisal should be enough information for the Town to make a decision. However, the Town may request additional information including, but not limited to: 1) the mortgage rate on the property owner's current mortgage; 2) for debt consolidation: the payoff amount, monthly payment and interest rate for each debt that will be paid off; 3) the truth in lending statement; 4) a copy of the projected settlement costs; 5) income verification; 6) Good Faith Estimate or HUD-1 Settlement Form; 7) the Uniform Underwriting and Transmittal Summary (Fannie Mae Form 1008 or Freddie Mac Form 1007); 8) evidence of debt counseling; and 9) a copy of title insurance commitment.

The Town of Groton is under no legal obligation to approve requests for subordination and reserves the right to deny any subordination request it deems not in its best interest.