

CITY OF DERBY

HOUSING REHABILITATION PROGRAM GUIDELINES

Anita Dugatto
Mayor
1 Elizabeth Street
Derby, CT 06418

Program Explanation

The objective of the Housing Rehabilitation Program is to improve housing units occupied by low and moderate income households in the City of Derby. The primary emphasis of the program shall be to correct Building Code violations, make properties lead and asbestos safe, where appropriate and create a healthy living environment. The secondary focus of the program is to increase energy efficiency and correct incipient code violations. Properties shall be rehabilitated to at least HUD Section 8 Housing Quality Standards or local standards, whichever are more stringent.

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.

Eligibility Requirements

To qualify the Applicant must:

Own the residential property located within the City of Derby which is being assisted. All taxes must be paid up to date on the property.

The Occupants' income levels must not exceed income limits as established by HUD. Income limits are subject to annual update by HUD.

80% Median Income

Household Size	Maximum Gross Household Income
1	\$44,750
2	\$51,150
3	\$57,550
4	\$63,900
5	\$69,050
6	\$74,150
7	\$79,250
8	\$84,350

The property must have sufficient equity upon completion of rehabilitation to support the Municipality's rehabilitation loan. Typically, the Municipality will use 70% of the after rehabilitation loan to value ratio. Loan to value is based on the estimated value of the property value after rehabilitation and the total debt encumbered on the property. The Owner may, at their expense, provide an appraisal to determine after rehabilitation market value if they do not agree with the City's determination. The Municipality retains the right to perform their own appraisal to validate the Owner's appraisal if necessary. Under special circumstances, the Municipality may at its own discretion, waive the loan value ratio limit.

Verification of Income

To qualify, an applicant or occupant must provide adequate income documentation, as determined by the Municipality, to establish annual income for each family member over the age of 18 residing in each unit applying for assistance.

Annual income means all amounts monetary or not, which:

- a. Go to, or on behalf of the family head or spouse (even if temporarily absent) or to any other family member; or
- b. Are anticipated to be received from a source outside the family during the 12-month period following admission; and
- c. Annual income also means amounts derived (during the 12-month period) from assets to which any family member has access;
- d. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- e. The net income from the operation of a business or profession;
- f. Interest, dividends, and other net income of any kind from real or personal property;
- g. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts;
- h. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;

- i. Welfare assistance payments;
- j. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;
- k. All regular pay, special pay and allowances of a member of the Armed Forces.

Applicants must meet the annual income limits as set forth by the United States Department of Housing and Urban Development (HUD) for the CDBG program based on household size. 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 member 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 a minimum of 3 recent pay stubs.

Eligible Properties/Activities

Properties participating in the Housing Rehabilitation Program must meet the following conditions:

- a. The property must be located within the City of Derby. Property taxes must be current or the Owner must have a payment plan in place approved by the City.
- b. The property must be residential. No commercial, non-residential space of mixed use properties can be rehabilitated using CDBG funds. Manufactured and/or mobile homes must receive approval of the City on a case by case basis.
- c. The property must meet a minimum of Housing Quality Standards upon completion. Additional repairs, including but not limited to structural, code violations, weatherization improvements, lead paint hazard reduction activities and mechanical upgrades are eligible and allowable with the Municipality's consent.
- d. The property must have sufficient equity to make the proposed rehabilitation economically feasible and justified. Properties with insufficient equity to support the assistance may be done with the City's authorization.
- e. One hundred percent (100%) of all single family units rehabilitated must be occupied by eligible low and moderate income households unless specifically

approved by the Municipality. Multi-family homes must have a minimum of 51% occupancy by LMI households.

- f. Any proposed rehabilitation on properties 50 years or older not in accordance with the Secretary of the Interiors Standards of Rehabilitation shall be reviewed by the State Historic Preservation Office (SHPO) for compliance with the Secretary of the Interiors Standard of Rehabilitation.
- g. All rehabilitated properties shall address lead based paint hazard reduction activities.
- h. Detached garages are eligible when the work to the garage is necessary as part of the overall scope of the project.

Energy Conservation/Energy Star Standards

Energy conservation measures and efforts will be made on each property rehabilitated to the greatest extent possible. These efforts will include, but not be limited to:

- a. Installation of attic insulation to create a minimum rating of R-30.
- b. Installation of insulated duct wrap on heating ducts to reduce heat loss.
- c. Installation of pipe insulation on domestic hot water pipes to reduce heat loss and heating costs.
- d. Installation of pipe insulation on heat piping where hot water baseboard heating is present.
- e. Installation of insulation within the perimeter rim joist of the buildings.
- f. High efficiency Energy Star rated heating units will be specified when new boilers and furnaces are replaced.
- g. Conversion from electric heat to gas or oil when applicable.
- h. High efficiency Energy Star rated hot water heaters will be specified when applicable.
- i. All new windows installed will be Energy Star rated, with Low E glazing.

- j. The use of insulating backer board and/or anti air infiltration products will be specified as a standard when vinyl siding is installed.
- k. Additional breakers and the creation of new electrical circuits will be specified as standard practice when performing electrical services upgrades, reducing the electrical load on existing circuitry thereby reducing energy consumption and cost.
- l. Draft stopping and sealing will be performed as necessary reducing air flow entering into the dwelling.
- m. New plumbing fixtures will be low flow products with 1.6 gallon flush toilets and 2.2 gal./min. shower heads the standard. Kitchen and bath faucets will be equipped with low flow aerators further reducing water consumption.
- n. Electrical fixtures will be Energy Star rated.
- o. The standard for new entry doors will be insulated doors with thermal break to minimize the transfer of heat and cold.
- p. Door sweeps and weather stripping will be added to existing doors not being replaced.

Energy Star rated products will be specified and installed in all rehabilitation projects to the greatest extent possible. These products will include doors and windows, electrical fixtures, heating systems, and hot water heaters.

Healthy Homes

Healthy Home initiatives will be implemented to the greatest extent practical on each property being rehabilitated. This may include one or more of the following:

1. Radon testing of air and water
2. Mold inspections
3. Air Quality calculators

Alternative Funding Sources

In an effort to maximize the effectiveness of CDBG dollars, the Rehabilitation Specialist will advise the Owner of alternative funding agencies such as LAMPP, Connecticut Energy Efficiency Funds, USDA and/or CHFA as appropriate. Where feasible, the Rehabilitation Specialist will coordinate and refer to other agencies as needed to maximize leveraging of funds.

Energy Audits

As part of the comprehensive approach to the rehabilitation of residential properties, energy audits will be offered to the property owner. L. Wagner Associates will incorporate the programs being offered by Connecticut Light and Power (CL&P) and United Illuminating (UI), which provide Home Energy Audits at a substantially reduced rate for electric utility customers.

Ineligible Properties/Activities

- a. Any non-residential property, unless the intention of the rehabilitation is to create residential property for income eligible occupants.
- b. Any property with outstanding back taxes where no locally approved payment plan is in place.
- c. Luxury construction activities such as pools, decks, skylights, are not eligible. Bedroom additions are allowable only in cases of severe overcrowding and with the approval of the Municipality and DECD.
- d. Landscaping, plantings or fencing.
- e. Out-buildings such as sheds, carports, gazebos, barns, etc.
- f. Cosmetic improvements are not eligible.
- g. Work that would result in permanent relocation.

Financial Assistance

Deferred Loan Program

Owner occupants with income of less than 80% of the median income as listed above and certain investors where applicable, financial assistance will be provided as a deferred payment loan. Deferred payment loan requires no monthly payment and no interest accrues during the life of the loan. Repayment is due upon transfer of title, re-mortgage, loss of property, or the Owner's demise, or the rehabilitated property is no longer their principal place of residency or if LMI occupancy is discontinued for investor owned properties.

Subordination Policy

In the event of a refinance the Owner may request a subordination agreement from the City. The Owner would be responsible to provide the following information for review by the City before rendering a decision.

- a. Written request from applicant requesting subordination of a Small Cities Loan.
Applicant shall include name, address and phone number of potential lender.
- b. Dollar amount of proposed refinance, amount of current mortgage and/or any additional debt to be consolidated in the refinance.
- c. Current income information from all household members over the age of 18 years old, not full time students. This information will be utilized to determine eligibility of the household in relationship to the current annual income limits as established by HUD for Section 8 programs.
- d. A summary of the intention of the refinance, i.e. debt consolidation, reduction of interest, cash out, etc.
- e. A current appraisal and title search of the subject property. Appraisals shall be provided by the applicant; however the City reserves the right to obtain independent verification at the applicants' cost.
- f. Copy of current homeowner's insurance policy in the form of a certificate of insurance in amounts and from a copy acceptable to the City.

Scope of Work

The scope of work covered under this program will include the correction of existing code violations, incipient code violations, preventive maintenance, and other reasonable items of work requested by the Owner and approved by the City.

It is the City's express intent to upgrade and extend the economic life and livability of structures receiving assistance.

The City reserves the right to review each application to determine if an emergency condition exists. If emergency conditions exist, i.e., failed heat, non-potable water, lack of water, septic system violations, structural or any other conditions, which jeopardize the integrity and well being of the unit and, or its occupants, the City retains the right to prioritize said application and conditions.

The City also retains the right to waive compliances with full H.Q.S. and Energy Standards requirements if extenuating circumstances exist.

Typical Rehabilitation Process

The following is a typical course of events that will transpire during the rehabilitation process. The following scenario is for illustrative purposes only, each project is unique

and the individual circumstances of each project will be determined and evaluated separately and in accordance with all applicable rules and regulations governing the use of this funding.

- a. The City will solicit and accept applications from interested Owners. Tax check information, assessor's cards and other pertinent information will be provided by the City and the application will be forwarded to the Rehabilitation Specialist.
- b. The Rehabilitation Specialist will receive applications and contact interested applicants, to set up initial inspections.
- c. During the initial inspection the Owner will be re-qualified based on income if necessary, and informed of the program process and requirements. The scope of work requested by the Owner will be reviewed and an initial inspection of the property performed.
- d. All applicants will be notified of their eligibility status.
- e. Eligible applicants may be contacted by the Building Official and/or Fire Marshal to inspect the property if necessary. The Building Official and/or Fire Marshal will submit a written report of their findings to the Rehabilitation Specialist for inclusion in the scope of work.
- f. Lead tests will be performed on all homes built before 1978. All lead based paint must be addressed through the rehabilitation process.
- g. The City will obtain a title search of the property to ascertain the amount of equity available. Lack of sufficient equity satisfactorily to secure the City's loan may prohibit funding.
- h. The Rehabilitation Specialist will then schedule a meeting with the Owner to review the inspection reports and recommendations.
- i. The Rehabilitation Specialist will then prepare a cost estimate of all eligible rehabilitation costs for the Owner's approval.
- j. The Rehabilitation Specialist will review the proposed project cost and Owner's income against standard loan ratios used in lending to provide a preliminary determination of the Owner's ability to afford a loan. Preliminary determination of the financial subsidy will be determined at this point.

- k. The Rehabilitation Specialist will prepare detailed specifications and meet with the Owner to review the specifications and obtain the applicant's approval.
- l. Cost estimates/bids from contractors will be obtained (as part of the bidding process when jobs are formally advertised pre-bid conferences will be held with interested contractors to explain the specifications and view the project site.) The City may allow the Owner to solicit bids if determined to be in the City's best interest. This includes Section 3 outreach efforts at this time. The City will make additional outreach efforts to inform and employ Minority/Female contractors on these projects.
- m. The Rehabilitation Specialist will review bids with the property owner in detail. The City will base its funding on the lowest responsive bid received. The Owner may select any bidder provided that they pay the difference between the low responsive bid/proposal price and the selected bid/proposal price.
- n. The Rehabilitation Specialist will prepare a contract between the Owner and selected contractor.
- o. The Rehabilitation Specialist will prepare loan documents to secure funding. Prior to the contract signing, there may be a pre-construction conference with the property owner and the contractor to review the scope of work, approximate starting date, method of payment, etc...
- p. A Notice to Proceed will be issued to the contractor authorizing the start of work. The Contractor and Owner shall coordinate the work schedule.
- q. All invoices will be checked against actual work performed before payments are made. The Contractor, Rehab Specialist and property owner will sign off on all payment requests authorizing the release of funds. Payment shall be issued by the City as a two party check made payable to the Contractor and the Owner.
- r. Any disputes between the Owner and the contractor, which cannot be resolved by the Rehabilitation Specialist or Program Coordinator will be submitted to a third party for binding arbitration pursuant to DECD requirements. The decision of the arbitration will be final and binding on both parties.
- s. Upon completion of the job, final inspection will be performed by the Rehabilitation Specialist and the Building Official if required.

- t. Any deficiencies found during the final inspection shall be addressed by the Contractor prior to release of final payment.
- u. The Contractor will provide a final lien waiver to the Owner.
- v. Close out documentation such as clearance tests, lien waivers, warranty information, Building Official or Fire Marshal approvals must be obtained before final payment is issued.

Certified Renovator/Lead Safe Work Practices

As of April 22, 2010 the United States Environmental Protection Agency's (EPA) requires that contractors that perform work on any building built before 1978 be certified as a Renovate, Repair and Painting (RRP) Certified Renovator. This requires that any contractor that had previous training and certification in lead safe work practices perform an additional four (4) hours of training to obtain the RRP certification. Any contractor not previously certified in lead safe work practices will be required to take an eight (8) hour training course. A lead on Certified Renovator must be present on the job site during set up, breakdown and clearance, as well as be accessible when not on site.

The City will require that the contractors participating in the Housing Rehabilitation Loan Program have this certification when working on houses built prior to 1978.

Displacement/Relocation

- a. No project which requires permanent relocation or permanent displacement will be considered for funding.
- b. No funding will be provided for temporary relocation of owner occupied properties.
- c. Temporary relocation of tenants during construction will be considered only if the work cannot be staged to allow the tenants to remain in their unit during construction.
- d. Any project which requires temporary relocation assistance must receive approval by the City prior to the commitment of any funds. Income eligible tenants may receive relocation benefits through the Uniform Relocation Act and Section 104(d) if eligible.

Historic Preservation

Any property over fifty (50) years old shall be rehabilitated in accordance with the Secretary of the Interiors Standards for Rehabilitation for older homes. This process includes State historical review from the State Historic Preservation Office (SHPO) and possible concurrence with local historical jurisdictions. If the subject property is located within a surveyed area and listed on the survey, all work must conform to the Secretary of the Interiors Standards of Rehabilitation for older homes.

If the subject is located in a surveyed area but not listed on the survey, the proposed work does not need to comply with the Secretary of the Interiors Standard of Rehabilitation of older homes. If the subject property is not in a surveyed area but 50 years old or older, then any work not in accordance with the Secretary of the Interiors Standards of Rehabilitation of older homes must be reviewed and approved by the SHPO prior to performing the work.

Flood Plain Properties

Federal regulations require that any property receiving Federal funding located within a 100 year flood plain have adequate flood insurance coverage as a condition of participation.

Fair Market Rents (FMR)

Any unit receiving assistance shall not increase the rents in excess of the current Fair Market Rent (FMR) as listed by the Department of Economic and Community Development for at least a period of five (5) years from the date of completion of rehabilitation.

Existing Rates

Existing rents cannot be increased in excess of the current FMR, or in excess of 30% of the tenants' adjusted gross income, including utility allowances, whichever is less. Existing rents in excess of 30% of the tenants adjusted gross income, but less than the posted FMR, are acceptable, however, in no circumstances can these rents be increased beyond the 30% of the tenants adjusted gross income. Any existing rent greater than the current FMR must be lowered to 30% of the tenants' adjusted gross income or the FMR whichever is greater.

New Rents

New rents cannot be in excess of the current FMR as listed by the Department of Economic and Community Development or 30% of the tenants' income whichever is less.

Rent levels may be increased beyond 30% of the tenants' adjusted gross annual income or the present FMR when extenuating circumstances exist and the Owner receives written consent from the City.

The DECD modifies FMR and utility allowances annually. The Owner may contact the City to obtain the updates. The utility allowances are attached. The current rent levels per month are:

Fair Market Rents

<u>0 BR</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>
\$931	\$982	\$1,214	\$1,537	\$1,712

Conflict of Interest

No member of the City's governing body, any employee or agent of the City 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.

For further information please contact:

Peter J. Testa, Jr.
c/o L. Wagner & Associates
51 Lakeside Blvd. East
Waterbury, CT 06708
203-573-1188

Patty Finn
City of Derby
1 Elizabeth Street
Derby, CT 06418
203-736-1453

Program Guidelines are subject to change, without notice, and may be amended by Federal, State or Local regulation or requirement without prior notice.