

CITY OF HUMBOLDT, NEBRASKA
CDBG #14-HO-3S056
Citywide Owner-Occupied Housing Rehabilitation
GUIDELINES FOR THE HOUSING REHABILITATION PROGRAM
Adopted 11/4/14

I. PROGRAM

The purpose of this program is rehabilitation of substandard single family homes through a combination of Conditional Grants and Deferred Loans through the CDBG Program and combined with other sources of funding. The maximum total CDBG injection per project/construction amount is \$24,995. Said recommendations will be based upon whether a project can reasonably be expected to meet the NDED Rehab Standards, National Applicable Recommended Rehab Provisions and increase the life expectancy of the home for 20 years, that is: when the project in question is within the noted \$24,995 threshold and with that added injection can become a sound rehab project.

II. PURPOSE

- A. To increase the attractiveness of existing neighborhoods within the community.
- B. To prevent the spread of blight and its influence.
- C. To increase the number of good, habitable dwelling units.
- D. To promote continued home ownership.
- E. To discourage the abandonment or neglect of residential dwelling units.
- F. To provide assistance to those persons of the greatest need.

III. ELIGIBILITY CRITERIA

A. Eligible properties shall be single family, owner occupied dwelling units that do not meet Minimum Rehabilitation Standards. Rental properties are not eligible for rehabilitation assistance. Eligible properties will be the “principal residence of the homeowner applicant.” Security documents (Promissory Note and Deed of Trust) will include reference to requirements that the housing unit will be the “principal residence” of the participating family.

B. The structure is not under contract or under negotiation for acquisition by any federal, state or local governmental agency. Properties shall be situated in locations where they will not be in conflict with the following types of government projects:

- B.1. Federally assisted government projects which are to be constructed.
- B.2. Projects for the construction or development of public schools, parks, streets, highways, utilities or other public works.

C. Properties shall be located within the City Limits of the City of Humboldt, with no specific target area.

D. To qualify, the applicant's annual gross household income cannot exceed the established income guidelines as listed on page 11 of this document, and as further modified by the NDED Income Guidelines that are in affect at the time of the specific rehab program. **(Income levels will**

be verified according to 24 CFR Part 5.609). Income eligibility guidelines are based upon a maximum of eighty percent (80%) of median income for CDBG projects, for various family sizes as established for Richardson County from the most current Income Guidelines established by the Nebraska Department of Economic Development (NDED) and the Department of Housing and Urban Development (HUD). (Refer to the Income Schedule on page 11 of this document.)

E. The structure's conditions are such that it can be rehabilitated at a reasonable cost. The objective of the City of Humboldt Owner Occupied Housing Rehabilitation Program is to restore each housing unit receiving financial assistance to a physical condition which will result in a life expectancy of at least 20-years. A limited number of occupied housing units may be deteriorated to such an extent that rehabilitation is not feasible. If the Project Inspector determines, and the Advisory Committee/City Council concurs, that it is not economically feasible to rehabilitate a structure to achieve a 20-year life expectancy, then the City may determine not to provide financial (rehab) assistance to that homeowner. The Humboldt standard of limiting CDBG or Trust Fund construction injection to the NDED Maximum of \$24,995 will have a major impact in this determination of being economically feasible.

F. Property taxes must be paid and current, and kept current through the life of the lien/compliance period. Home ownership will be verified by written confirmation from the Richardson County Register of Deeds under a deed search.

G. No person or family shall be eligible to receive assistance under this program that has in excess of Fifty Thousand Dollars (\$50,000) in total assets, excluding the value of the property to be rehabilitated and autos for personal use. Exclusions shall also include personal property in the residence to be rehabilitated, assets that are part of a business/trade/farming operation in which a member of the household is actively engaged in such operation, or the value of an established trust that is not revocable or is under control of a household member.

H. Properties shall be located within the City boundaries and be located where safe, sanitary and adequate water supplies and sewage disposal are available. No projects will be approved that are included in 100-year Flood Zones and no projects will be included that are located in designated Wetlands.

I. Only owner-occupied units will be eligible for rehabilitation. Mobile homes, as defined by NDED (said definition including those which are considered to be personal property) will not be eligible for rehabilitation assistance.

J. The homeowner will be required to maintain homeowner's hazard insurance, with an amount equal to replacement value of the dwelling, for the duration of the program lien.

K. Properties shall be free and clear of any debris that jeopardizes public safety and/or impairs the appearance of the neighborhood. Properties must remain debris-free for the duration of the program lien period. Debris shall include, but not be limited to; inoperable automobiles, machinery, appliances, tires and accessories, noxious weeds, discarded metal and other unsightly rubble.

L. The maximum "after-rehabilitation value for homes will not exceed 95% of the median

purchase price for the area. This is \$115,000 for Richardson County. The maximum per unit subsidy limit that HUD can approve is 240% of the basic 221(d)(3) mortgage limit for elevator type projects. Limits will be updated annually as they are received from NDED/HUD.

IV. TYPES OF ASSISTANCE

It is the express intent of this rehabilitation program to benefit moderate and low income homeowner/occupants within the City. Actions taken by or on behalf of owner occupants to circumvent this intent are prohibited. To affect this intent, owner occupants receiving housing rehabilitation assistance under this program shall immediately advise the City of any event that may alter this intent.

A. **Category 1** is a Conditional Grant for those under 80% of Median for CDBG projects : the owner shall personally and at all times occupy and live in the rehabilitated structure as a “principal residence” for a period of sixty (60) months after the effective date of the rehabilitation work. In the event that the owner shall not occupy the unit or should the owner abandon, rent, sell or transfer title to said property, the owner shall reimburse to the City a portion of the cost of rehabilitation equal to a monthly pro rata rate for the Sixty (60) month period (i.e., should the owner rent, sell or move after ten (10) months from the effective date, the City shall be reimbursed at a ratio equaling the fifty (50) remaining months out of the sixty (60) month period).

In the event the owner-occupant does not occupy said property for the required five (5) year period due to circumstances beyond the control of the owner-occupant, and which circumstances are found acceptable to the Program, portions of repayment may be forgiven only if **net proceeds (defined as the sale price of the property minus any closing costs and minus any repayment of prior liens on the property)** from sale of the property are insufficient for full repayment of the obligated debts.

V. ELIGIBLE REHABILITATION PRIORITIES

A. Code Deficiencies:

The property must conform to municipal building codes and rehabilitation standards after rehabilitation work is complete. The correction of code deficiencies is given top priority in the rehabilitation process. When necessary to meet specific requirements of a local minimum housing code, program funds may be used for:

- A.1. The provision, rehabilitation or removal of structural elements of the dwelling, including the repair or replacement of basic equipment, outbuildings, fences, steps and walks. The term basic equipment refers to such items as furnaces, water heaters, plumbing, electrical fixtures, etc.;
- A.2. The provision of sanitary and related facilities, including the provision, expansion and finishing of space necessary to accommodate such facilities;
- A.3. The provision of additional or enlarged bedrooms where needed to accommodate family size requirements;
- A.4. The grading, filling or landscaping of the lot for other than purely aesthetic purposes.

B. Minimum Property Rehabilitation Standards Requirements:

If the existing City building codes are less stringent than the NDED Minimum Standards for Rehabilitation, then the NDED Minimum Standards for Rehabilitation will apply. Bringing a property into conformance with the above listed Standards will be undertaken before any incipient code deficiencies are addressed.

C. Incipient Code Deficiencies:

Program funds may be used to correct incipient deficiencies of the local minimum housing code. An incipient deficiency exists if, at the time the house is inspected, it is determined that the physical condition of a particular structural element may deteriorate to an actual code deficiency in the reasonable future (usually considered to be within two years). An example of an incipient deficiency would be a leaky roof that could be patched at low cost, but would eventually have to be totally replaced. Program funds could be used to replace the entire roof in this situation. Incipient deficiencies may be corrected after existing code deficiencies are corrected and the property conforms to the Minimum Standards for Rehabilitation and at the inclusion by the City of Humboldt: the 2006 International Property Maintenance Code.

D. Energy Conservation

Once all City building codes and Minimum Property Rehabilitation Standards have been met and incipient code violations have been corrected, program funds may be used to finance energy conservation measures. Energy conservation refers to steps taken to lessen the consumption of fuels and electricity. Housing Rehabilitation Program resources may be used to finance such energy conservation measures as:

- D.1. The insulation of attics and sidewalls, or increasing the amount of existing insulation;
- D.2. The provision of storm windows and doors;
- D.3. The elimination of leaks in structural openings through the installation of weather-stripping, caulking, etc.
- D.4. When replacing basic equipment, higher energy efficiencies will be considered.

E. Fire Protection

Fire protection involves the provision of devices to warn dwelling occupants in the event of fire. Early warning fire alarm devices may be provided and installed using program funds.

F. General Improvements

General improvements include any rehabilitation work that does not fit into any of the previously discussed eligible cost categories. Only after all eligible applicant's needs, relative to the previous four categories have been met, will consideration be given to any general improvement work items. This does not prevent the homeowner from undertaking any general improvement work items, provided they supply whatever additional funds are necessary to finance that portion of the project.

VI. PROPOSED ADMINISTRATION

- A. Application Review Committee: The City Council shall serve as the Advisory Committee for Housing Rehabilitation.

- B. Program Managers/Project Inspectors: SENDD Housing Rehabilitation Staff.
- C. Grievance Committee: The City Council is serving as the Advisory Committee for Housing Rehabilitation shall serve as the grievance committee.

VII. APPLICATION PROCESS

The application process for assistance under the Housing Rehabilitation Program has two stages: the application and the on-site interview. The rationale for this approach centers on saving the time and trouble of filling out a rather lengthy application when it is possible to determine the homeowner's basic eligibility through a streamlined preliminary application process.

If there are more applications on hand than expected available funds, there will be an initial "round" of scoring and ranking of those applications on hand at the time of release of funds. If the processing of those applications on hand at the time of release of funds does not result in enough projects that will move to closing, then additional applications will be taken on an ongoing/continuous basis until the grant contract goal has been reached.

A. Preliminary Application

The application consists of questions related to family size and composition, income, housing characteristics, etc. Application information will be reviewed, evaluated and tabulated by the Program Management Staff and the City Housing Advisory Committee on a confidential basis. Homeowners who do not meet basic eligibility requirements will be notified in writing, including the reason they are ineligible for assistance. Homeowners who are eligible will be notified in writing.

B. Full Application

Once basic eligibility has been determined through review of the application material, the Project Inspector will contact the homeowner and arrange for an interview. The interview will take place in the applicant's home, and in addition to obtaining the information necessary to complete the application process, the Project Inspector will perform a preliminary inspection of the structure. This inspection will provide an indication of the extent of repairs needed and a preliminary estimate for the cost of those repairs. The interview is to provide more specific information for determining whether the homeowner may take advantage of the Housing Rehabilitation Program. Review of the application and data acquired from the interview will begin as soon as practicable after it is received.

The review process includes verification of income, bank deposits, employment, etc. All applications will be rated on the project rating scale and notification of final eligibility will be made to the homeowner shortly thereafter. (Refer to the attached Application Rating and Selection scale = Page 10) Applicants who do not meet approval criteria will be notified in writing, including a statement of the reason for non-selection.

Applicants who do meet approval criteria will be notified in writing, including a request for their approval of work the work write-up, and eventually a 3-party construction contract, etc.

The program will collaborate with other agencies or organizations which provide housing rehabilitation related services or financing. The applicant under this program may also apply to

the USDA-Rural Development Repair Program. If approved by USDA-RD, the applicant must first maximize the use of the USDA-RED Repair Program funds prior to assistance from this Program. The Program will also coordinate with Southeast Nebraska Community Action (SENCA) – Weatherization programs for eligible weatherization activities.

C. Comprehensive Property Inspection

The purpose of this inspection is to compile a comprehensive list of all necessary and desirable repairs, categorize the repairs by type (i.e. Property Rehabilitation Standards requirement, code violation, general improvements, etc.) and estimate the total cost of the work. The Project Inspector will assemble information necessary for preparation of bid documents for the work. An estimate of the total cost of the work is made so that the homeowner can be counseled on the extent of rehabilitation and the type and cost of the financial assistance. In addition, the Project Inspector shall review the work write up with the applicant and receive in writing the applicant's concurrence with the identified work items.

D. Bid Document Preparation

The Project Inspector will use the information gathered to prepare the Project Specifications (referred to as a “work write-up”) and other documents necessary to obtain bids on the rehabilitation work.

E. Contractor Selection

The homeowner will be expected to take a lead position in the contractor selection/solicitation process. With assistance from the housing inspector/housing management team, the homeowner will be encouraged to obtain bids from 2 to 3 contractors. The solicitation of bids for the rehabilitation work will be conducted in accordance with Federal, State and local requirements for requesting bids. The City of Humboldt utilizes a standard format where the homeowner receives bid packets from SENDD and works from a list of pre-approved contractors (those with lead test certifications, etc.) to secure bids. Bids are submitted by the rehab contractors to the SENDD Lincoln office where the Housing Inspector works up a recommendation to the City of Humboldt for award or re-bidding, etc.

If “Competitive Sealed Bids” are requested for a project, normally the lowest responsible bid will be accepted. Alternate methods of selecting contractors to allow for increased homeowner involvement and the highest level of local contractor participation will be considered and encouraged.

When the owners act on their own behalf, a formal bid package may not be required. The homeowner will solicit proposals from several contractors to meet a minimum deficiency list of work items and material specifications, which will be reviewed by Program Staff. With assistance and concurrence from Program Staff, the owner may select their contractor of choice.

F. Contracts

The contract for rehabilitation work will be between the homeowner and contractor, with the Program as a third party acting as an Operating Agency (OA) to provide for oversight, construction observation, and to provide financing, insuring that the contractor and homeowner meet agreed upon conditions.

G. Construction Monitoring

Inspections will be necessary during the construction phase to monitor the rehabilitation. The primary purpose of these inspections is to insure that materials used and work done is accomplished in compliance with the contract. The Project Inspector shall visit each job site when necessary to observe job performance and coordinate with the City Building Inspector, as appropriate. Should change orders become necessary during the rehabilitation work which would change the total cost of the contract, the Program Inspector and the applicant must agree on the change orders and any modification to the funding prior to execution.

H. Project Completion

At the completion of construction the Project Inspector shall inspect the work, in the presence of the homeowner and the contractor. If the quality of work is satisfactory to the homeowner and the Project Inspector, and the work areas pass a lead clearance test, and all other contract conditions have been met, the Project Inspector will request final payment for the contractor. Any deficiencies must be corrected to the satisfaction of the homeowner and the Program, and all warranties, lien waivers, etc., must be delivered before final payment is made.

VIII. COMPLAINT PROCEDURE

Complaints concerning the Housing Rehabilitation Program shall be in writing and addressed to SENDD Staff Program Manager. A written response will be made within 15 working days. If not satisfied, complaints may be filed with the City Clerk. The Grievance Committee shall meet, as soon as practicable, to review all factors in the complaint. If a satisfactory solution is not determined, the complaint, along with all information and Grievance Committee decisions will be forwarded to the City Council for final determination and any formal action.

IX. CONFLICT OF INTEREST

As a general rule no employee, officer or agent of the recipient will participate in selection, or in the award or administration of a contract supported by the federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when: the employee, officer or agent; any member of their immediate family; their partner; or an organization which employs, or is about to employ, any of the above, has a financial or other interest in the family and/or home and/or firm selected for the award. The City's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements, during office tenure or for one year after the closeout of the project. No member of the governing body of the City of Humboldt and no other official, employee or agent of the City government who exercises policy, decision making functions or responsibilities in connection with the planning and implementation of this program shall be directly or indirectly eligible for this program. Waivers for any conflict situation must be requested according to the Nebraska Department of Economic Development guidelines.

X. AMENDMENT OF THE GUIDELINES

The above Guidelines for the Housing Rehabilitation Program may be amended only after review by the City Council which serves as the Advisory Committee, and formal action by the City Council, and following approval of the amendments by NDED.

XI. RELOCATION POLICY

The City of Humboldt Housing Rehab Program will not pay for relocation expenses. Rehab construction contracts call for the contractor to maintain the home in a manner which does not trigger a need for relocation. The decision to relocate will typically be the voluntary decision of the client and not a condition of this program plan or work write up. Any costs of relocation shall be the responsibility of the client/program recipient. As this Housing Rehab Program is a voluntary program, the client/program recipient may elect to not participate in this program should they determine that they are not able to or do not desire to be responsible for any relocation costs. NOTE: while relocation is not anticipated, there may be times when construction issues arise (such as compliance with Lead Safe Work Practices) where temporary relocation is triggered. It is the policy of Humboldt that the CDBG or Trust Fund program will not fund those relocation costs, and the client/program recipient/owner occupant will be responsible for said relocation costs.

XII. ELIMINATION OF LEAD-BASED PAINT HAZARDS

It is the expressed intent of the Housing Rehabilitation Program to eliminate lead-based paint hazards in all assisted projects in accordance with subpart C, Section 35 (b) and (c) of the *H.U.D. Title 24 Federal Regulations* as identified in the Rehabilitation Module of the CDBG Manual. During the Comprehensive Property Inspection, work items will be identified to provide treatment necessary to eliminate immediate lead-based paint hazards. Testing for Lead-Based paint hazards, Risk Assessment Reports and Clearance testing after construction will be methods used to identify, develop mitigation plans and clearing projects involving lead-based paint and mitigation construction. (See **Attachment #1: "Lead Based Paint Procedures**). In addition, no new lead based paint may be used in any housing rehabilitation construction project.

XIII. FAIR HOUSING ACT

The program will fulfill affirmative action requirement of federal fair housing laws, (P.L.90-284, as amended by 1988 P.L. 100-430; and E.O. 11063.

XIV. MARKETING PROCEDURES

Pre-applications, indicating homeowner interest, were received before award of the Program. These homeowners will be contacted and will be targeted for project funding. If funding still exists following contacting all, the City of Humboldt will market the program via the Humboldt Standard and will include marketing to residents and tenants of public housing and manufactured housing, other families assisted by public housing agencies and household identified to be potentially eligible, but least likely to apply.

XV. PROGRAM INCOME

Any re-payments collected during the 5 year affordability period, excluding recaptured loan funds, will be considered program income. Program income will be used to further the goals of these program guidelines and other purposes approved by the Nebraska Department of Economic Development. Ten percent (10%) of program income collected will be eligible for use as administrative funds. See the **Humboldt HO Program Income ReUse Plan for HO Program**

Income ReUse Plan specifics).

XVI. UNDERWRITING CRITERIA

The City of Humboldt will verify each applicant's income and ensure that no more than 30% of the homeowners' verified income will be used to pay for the cost of housing, including any payback for conditional grants associated with rehabilitation. Housing costs for purposes of this Owner-Occupied Rehabilitation include:

- Mortgage Payment;
- Mortgage Insurance; and
- Any Housing rehabilitation loan (not applicable)

XVII. PRE-QUALIFYING CONTRACTOR'S

Program Staff will maintain a pre-qualified list of contractors that are available to conduct Housing Rehabilitation for projects that are awarded rehabilitation funds. The program will be promoted directly to local contractors who are eligible to be added to the pre-qualified list of contractors. Promotion to contractors may include, but is not limited to, contractor training, ads in the local newspapers, word of mouth, flyers and brochures requesting contractor assistance for the program. Pre-qualification requirements include submittal of the following documents to the Official Program Contact:

- A. Proof of liability insurance
- B. Lead safe work practices training; and
- C. Completion of the Contractor's Application (Proof of Responsibility)

XVIII. APPLICATION RATING AND SELECTION

Initial Threshold = Located within an appropriate target zone, (NOTE: CDBG 14-HO-3S056 is Citywide) then all applications received during a "round" will be reviewed together and rated on the priority rating scale below. In cases in which this rating yields equivalent scores, priority will be determined in accord with "first come, first qualified, and first served". Applicants not selected in one round will be automatically considered in subsequent rounds and will be notified, in writing, of such action. Households with applications not funded will be notified in writing that they were unsuccessful in obtaining program funds for the repairs of their home.

Applicants will be rated and selected by Housing Rehabilitation Management staff with anonymous review and approval by the Humboldt Housing Advisory Committee and City Council.

#1) INCOME Points Earned

- 1.1. Applicant's annual gross adjusted income meets
Very Low Income threshold... (50% of median).....50 points + _____
- 1.2. Applicant's annual gross adjusted income meets
Low Income Threshold (80% of median but not less than 50%)....10 points + _____

#2 HOUSEHOLD CHARACTERISTICS

- 2.1. *Head of household 65 years of age or older.....10 points* + _____
- 2.2. *Handicapped/disabled applicant.....5 points* + _____

#3) IMPACT OF ASSISTANCE

- 3.1. *Bring dwelling to Minimum Property Rehabilitation
Standards and/or Building Codes.....10 points* + _____
- 3.2. *Eliminate housing overcrowding.....5 points* + _____
- 3.3. *Substantial weatherization and energy conservation improvements
.....5 points* + _____

#4) DEDUCT FOR PREVIOUS CDBG ASSISTANCE (NEDED refers to as "Return Beneficiary")

- 4.1. If the Structure has received CDBG/Trust Fund Rehab Assistance
In the last 10 years.....DEDUCT10 points - _____
- 4.2. If the Structure has received CDBG/Trust Fund Rehab Assistance
In the last 11 to 20 years.....DEDUCT5 points - _____

TOTAL POINTS EARNED/VERIFIED: _____

Staff Initial: BV _____ Date: _____

Maximum Family Income Limits for Eligibility: CDBG 14-HO-3S056

Income guidelines are based on HUD Housing Assistance programs effective December 18, 2013, limits will be updated annually as they are received from HUD/DED.

Family Size	<= 50% MHI	<= 80% MHI	<= 100% MHI
1	\$20,950	\$33,500	\$41,900
2	\$23,950	\$38,300	\$47,900
3	\$26,950	\$43,100	\$53,900
4	\$29,900	\$47,850	\$59,800
5	\$32,300	\$51,700	\$64,600
6	\$34,700	\$55,550	\$69,400
7	\$37,100	\$59,350	\$74,200
8	\$39,500	\$63,200	\$79,000

Category 1 = 100% Conditional Grant: for low to moderate income only, those below 80% of median income for CDBG funds or 100% of median income for Trust Funds. 100% of project amount is a Conditional Grant and is forgiven if the family lives in the home for 5-years. If the homeowner does not continuously occupy the home, or abandons, rents, sells or transfers title to the property within the 60-month period, they can be required to pay back a pro-rata portion of the project amount, based upon "Net Proceeds" definition.

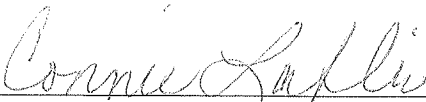
Adopted this 4th day of November, 2014, by the City of Humboldt, Nebraska.



Mike Riley, Mayor, Humboldt

11/4/14

Date



Connie Laflin, Clerk, Humboldt

11/4/14

Date