

I. SPOT REHABILITATION LOAN PROGRAM

A. PROGRAM GOAL

The goal of the Spot Rehabilitation Loan Program is to eliminate the specific condition(s) that is detrimental to public health and safety. The Spot Rehabilitation Loan Program is funded by the Community Development Block Grant Program and is subject to all of the Community Development Program rules.

B. ELIGIBILITY CRITERIA

1. The property may be owner-occupied, investor owned, or owned by a non-profit agency.
2. The property to be improved must be a residential property and be year-round or be converting to a year-round status according to the requirements of the City of Auburn's duly adopted construction codes and zoning ordinance.
3. Investor-owned properties must be in one of the City's target areas.

C. LOAN CATEGORIES AND TERMS

1. Deferred Loans

- a. A deferred loan is a non-installment loan bearing no interest and the principal payment is deferred. Deferred loans are available only for owners who occupy their buildings. Deferred loans are subject to the following conditions:
 - 1) The deferred will be repaid in a single payment upon sale, conveyance, or transfer of the property, within one year of death of the applicant(s), or at the time the owner ceases to occupy the property.
 - 2) An applicant who has received a deferred loan will be required to submit documentation of annual income upon request of the Community Development Block Grant Office two years from the date of loan closing, and every two years thereafter. If, at the time of re-evaluation, the applicant's income is above 65% of the median income, the deferred loan will be converted to an installment loan with monthly payments subject to Direct Loan repayment terms. When a borrower(s) has reached age 65 and has been through at least one deferred loan review, no additional reviews will be required.
- b. The maximum loan amount is \$18,000.
- c. Household income must be below 65% of median income.

2. Direct Loan/Owner-Occupied and Non-Profit Agencies

- a. A direct loan is an installment loan with monthly payments.

- b. Maximum loan amount is \$18,000 for applicants with household income between 65-80% of median income
- c. Loan term shall be established by Community Development staff with approval of the Community Development Loan Committee based on financial capacity of the applicant. The maximum term is 20 years if income is between 65-80% of median, and 15 years for all other income groups.
- d. Income/Interest Rate Categories

<u>Income Range</u>	<u>Interest Rate</u>
Between 0-80% of median income	0%
80% to 100% of median income	2%
100% to 120% of median income	4%
120% - of median income and above	6%

3. Direct Loan/Investor-Owners

- a. Direct loans are available to investor owners who own property in one of the City's target areas. Qualification for the Spot Rehab Program shall be determined by the Community Development Loan Committee based on the severity of the building condition and the building's cash flow.
- b. A direct loan is an installment loan with monthly payments.
- c. Maximum loan amount is 18,000
- d. Loan term shall be established by Community Development staff with approval of the Community Development loan Committee based on financial capacity of the applicant. The maximum term is 15 years.
- e. Interest rate shall be 6%.

4. Sewer Connection Assessment Grants

- a. A grant requires no repayment.
- b. The grant amount shall be one-half of the cost of the assessment, -
- c. Available for non-profit agencies or households with income below 80% of median income.

- d. A grant is used to pay for the cost of an impact/connection fee charge only when the Auburn Sewer District offers no financing for the assessment.

D. ELIGIBLE IMPROVEMENTS

Eligible activities are those necessary to:

2. eliminate condition(s) detrimental to occupants of the residence or public health and safety;
and
3. repair(s) of an emergency nature.

II. RESIDENTIAL REHABILITATION LOAN PROGRAM

A. PROGRAM GOAL

The goal of the Residential Rehabilitation Loan Program is to improve the quality of housing by eliminating substandard housing conditions, upgrading the property to meet Auburn's Housing Standards. The Residential Rehabilitation Loan Program is funded by the Community Development Block Grant Program and is subject to all of the Community Development Program rules.

B. ELIGIBILITY CRITERIA

1. The applicant must own or have a written agreement to purchase the property to be improved.
2. The property may be an owner-occupied - investor-owned, or owned by a non-profit agency. The property must be year-round residential structure or be converting to a year-round status according to the requirements of the City of Auburn's duly adopted construction codes and zoning ordinance.
3. After completion, the property must comply with Housing Standards of the Community Development Program. Community Development Department staff will determine the requirements for building improvements.

C. LOAN CATEGORIES AND TERMS

1. Target Area

- a. Property must be located within one of Auburn's target areas.
- b. The maximum loan amounts are:
 - 1) \$25,000 for the first unit (a unit that receives funding under the Homeowner Rehab Program will be considered the first unit);
 - 2) \$20,000 for each additional unit;
- c. The interest rate is 2%.
- d. Loan term shall be established by Community Development staff with approval of the Community Development Loan Committee based on financial capacity of the applicant. The maximum term is 25 years.
- e. The city's loan shall be leveraged with a minimum of 25% in private funds. The leverage requirement may be waived by the Community Development Loan Committee if cash flow warrants its elimination.

2. Low-Income Households/City Wide and Target Area

- a. Applicant's household income is less than 80% of median income.
- b. Property may be located within any area of the city.
- c. Property must be owner-occupied.
- d. The maximum loan amounts are:
 - 1) \$25,000 for the first unit (a unit that receives funding under the Homeowner Rehab Program will be considered the first unit); and
 - 2) \$20,000 per unit for each additional unit.
- e. The interest rate is 0%.
- f. Loan term shall be established by Community Development staff with approval of the Community Development Loan Committee based on financial capacity of the applicant. The maximum term is 25 years.
- g. There is no match requirement.
- h. Buildings outside the target areas must meet the low-income occupancy requirement (50% for a 2-unit building and 51% for 3 or more units).

D. ELIGIBLE IMPROVEMENTS

Eligible improvements include rehabilitation of a permanent nature which may include, but not be limited to:

1. structural repairs;
2. energy improvements
3. lead-based paint hazard reduction;
4. accessibility for disabled persons;
5. repair or replacement of major housing systems;
6. incipient repairs and general property improvements of a non-luxury nature;
7. retaining walls and utility connections;
8. finishing of unfinished areas to add space to a dwelling unit to make it properly sized for the occupants according to applicable HUD standards;

9. improvements which would generally increase the economic viability of the property;
10. engineering and architect costs;
11. landscaping limited to correction of a drainage problem;
12. non-living space limited to demolition of deteriorated structure, structural repairs and weather protection; and
13. fencing when required to correct a hazardous condition.

E. IMPROVEMENTS THAT ARE INELIGIBLE

1. new construction;
2. paving;
3. appliances or furnishings; and
4. rehabilitation costs attributed to the non-residential portion of a mixed-use property.

III. APPROVAL PROCESS

A. COMMUNITY DEVELOPMENT STAFF

The Community Development -Department has responsibility for administration of the Rehabilitation Program. Community Development performs the underwriting and presents the loan request to the Community Development Loan Committee.

B. PRIVATE FUNDS

1. Private Funds: When matching funds are required, the applicant will have the option of using cash or borrowed funds. Match funds will be deposited into a segregated City account and will be subject to disbursement of funds procedures defined in this guideline.

C. COMMUNITY DEVELOPMENT LOAN COMMITTEE

1. Loans will be reviewed by the Community Development Loan Committee who will be responsible for making a decision to approve or deny loan requests and to establish loan conditions.
2. Appeal Procedure: The reason(s) for rejection shall be given to the applicant. Loans that have been denied may be appealed to the Community Development Loan Committee for a period of thirty days after the date of rejection. The applicant will be allowed to present his/her case to the Community Development Loan Committee. The Community Development Loan Committee may reconsider their prior vote to denying the application after the appeal review has been completed.
3. Waiver of Loan Amount and Term: The City Council may authorize a different interest rate, repayment term or loan amount than what is specified in this program guideline.

D. LOAN CONSIDERATIONS

In approving or denying loan requests, the Community Development Loan Committee shall be guided by the following loan considerations:

1) Underwriting

- a) Cash flow -- ability to repay the debt;
- b) Credit – good credit history and reputation;
- c) Payment of taxes or acceptable arrangements;
- d) Collateral – Collateral coverage must be adequate as determined by the

Community Development Loan Committee.

- e) Security – other assets;
- f) Commitment of matching funds;

2) Assessment Private/Public Benefit

The Community Development Loan Committee will also consider the broader implications of private and public benefits.

IV. REHAB PROGRAM ADMINISTRATION

A. NON-DISCRIMINATION

Administration of this program shall be in accordance with Title VI of the Civil Rights Act of 1964. No person shall, on the ground of race, color, national origin, be excluded from participation in, be denied the benefits of, or subjected to discrimination under this program.

B. APPLICATION PRIORITY

Applications shall be processed on a first-come, first-served basis. Community Development staff shall use the receipt date of a complete application to establish the order of priority. The applicant will be notified if there is funding available to proceed with the project and if there is inadequate funding, then the application may be placed on a Rehabilitation Waiting List.

C. PARTICIPATION BY RELIGIOUS ORGANIZATIONS

1. Religious organizations can apply for Rehabilitation Loans with the understanding that loan funds cannot be used to support inherently religious activities such as worship, religious instruction, or proselytization. The organization can engage in such activities, but they must be offered in a different location. Religious participation by tenants must be voluntary.
2. The organization must not discriminate against a tenant or prospective tenant on the basis of religious belief or refusal to participate in a religious practice.
3. Any units improved with rehabilitation funds must be available for occupancy on the open market.

D. AFFORDABLE RENT STANDARDS

1. Rental units that are improved with Community Development funds shall be available and affordable to low- and moderate-income households.

2. The applicant will be required to furnish rental information to enable Community Development staff to evaluate the impact of the project on rent levels. The applicant will submit the current amount of rental charges for all units in the housing project, utility types, who pays the utilities, and the names of tenants.
3. A rent cap shall apply to assisted units of which 51% will be occupied by low income households. The maximum allowable rent shall be equal to the amount of rent and utility costs being paid by the tenant at the time of loan closing. The period of affordability shall be one year after the loan final inspection date.
4. Vacant units at the time of application shall be rented to low- and moderate-income households. The maximum allowable rent for vacant units shall not exceed the Fair Market Rent in effect when the rent is calculated with an adjustment for utility allowance based on Section 8 Existing Housing Allowances for Tenant Furnished Utilities and Other Services. The period of affordability shall be one year from the final inspection date.
5. The borrower will sign a Rent Agreement stipulating rent limitations at loan closing.

E. DEFINITIONS

1. **Fair Market Rent** - An annually published rent level prescribed by the U. S. Department of Housing and Urban Development based on a specified number of bedrooms.
2. **Household Income**
 - a. For the purpose of determining eligibility, Community Development staff will calculate income by estimating the annual income of a family or household by projecting the prevailing rate of income of each person at the time assistance is requested. Estimated annual income shall include income from all family or household members.
 - b. Income of all members of the household is considered for computing income. This may include wages, salaries, overtime, bonuses, fees, tips, commissions, interest and dividend income, self-employment income, net rental income, income from estates or trusts, child support, alimony, Social Security benefits, SSI retirement, survivor or disability pension, VA payments, pension, or annuity, Temporary Aid to Needy Families, unemployment benefits, worker's compensation, and disability or benefits from any source. Income will be based on the IRS Form 1040 method as defined by the Department of Housing and Urban Development.
 - c. For the purpose of computing income, a household shall be defined as all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together or any other group of related or unrelated persons who share living arrangements.

3. **Investor-Owner** -- Absentee owner, who may receive rehabilitation assistance in order to improve housing conditions for the tenants.
4. **Mixed-Use** -- A property used in some part for residential purposes and in some part for non-residential purposes.
5. **Owner-Occupied** -- An applicant who holds the entire ownership interest of a property and lives in one unit of the property as a primary residence.
6. **Rehabilitation Costs** -- The total of contractor estimates from the lowest eligible contractors, self-help expenses, and the contingency determined to be reasonable by the Rehab Coordinator.
7. **Residential Property** - A property used entirely for residential purposes (household living space).
8. **Target Area** - A designated neighborhood area defined by the Community Development Office for concentrated use of Community Development Block Grant Funds under the slums/blight eligibility determination.

F. INCOME LIMITS

To qualify applicants for various loans under the Rehabilitation Program, Community Development staff will use income limits for Lewiston-Auburn SMSA established by the Department of Housing and Urban Development. Revised charts will be used upon receipt.

G. APPLICATION PROCEDURES

This section sets forth the application procedures for rehabilitation loans.

1. **Initial Application** -- Loan application may be obtained from the Community Development Department (CDD).
2. **CDD Responsibilities** -- The City will make available the services of a Rehab Coordinator who will solicit applications, determine the scope of work, prepare specifications, document eligibility criteria and underwriting, secure approval, prepare loan documents, and act as a project manager including authorizing progress payments.
3. **Verifications**
 - a. **Income** - Copies of all income sources (i.e. check stubs, statements, W-2 forms, State and Federal income tax returns) shall be provided by the applicant. A certified financial statement or other documentation from an accountant or other acceptable source may be required of a corporation, partnership, or other business enterprise. Written verification may be required from income sources.

- b. Title - The CDD shall verify title by checking the records at the Androscoggin County Registry of Deeds.
- 4. Initial inspection** -- If it appears that the applicant and property are eligible for a loan, an initial inspection will be scheduled with the applicant and the Rehab Coordinator. Rehabilitation requirements will be determined during the initial inspection.
- 5. Inspection Report and Specifications** -- An inspection report shall be prepared by the Rehab Coordinator and mailed to the applicant. The inspection report shall list the rehabilitation requirements to bring it into compliance. Once the owner has reviewed the inspection report, the Rehab Coordinator creates technical specifications for contractor bidding.
- 6. Lead** – The CDD must consider whether the rehabilitation calls for lead hazard control measures.
 - a. A risk assessment will identify whether lead hazards exist and what type of methods must be used to control the identified hazards, or the CDD may presume surfaces are covered by lead-based paint.. It will be necessary to perform clearance testing of the construction area to confirm the absence of lead hazards after the work is completed. All testing costs will be paid by the CDD.
 - b. Priorities

The order of priority for repairs will be determined by the risk assessment report according to the following criteria:

- 1) Surfaces that are found to contain lead-based paint levels greater than 9.9 mg/cm² and are in poor and fair condition.
- 2) When a component that contains lead-based paint is being repaired because it is in poor or fair condition, the entire surface area may be included in the scope of work.
- c. The Contractor, owner and Rehab Coordinator will work closely to minimize the need to displace occupants of a dwelling unit. If a tenant must move in order to insure that they are not adversely affected by the corrective work, the owner and CDD will arrange for the relocation. CDD shall pay for temporary moves according to its Residential Antidisplacement and Relocation Assistance Plan.

7. Construction Bids--

- A. The applicant may choose one of two options for obtaining construction bids.

1.Applicants may secure their own bids from contractors of their

preference without the assistance of the Community Development Department. Three bids will be required.

2. Applicants may request that the Rehab Coordinator secure bids on their behalf. The Rehab Coordinator will notify all contractors on Auburn's Contractor List of the project, hold a pre-bid meeting on site, and accept bids on behalf of the applicant at a specified time and place.

- B. Contractors may be selected from a list of eligible contractors as maintained by the City of Auburn CDD or contractors must be able to meet the Community Development department's eligibility standards. No contractor may be selected who has been designated ineligible by the CDD.
- C. The applicant is not bound to contract with the lowest qualified bidder, but in the event of choosing the higher bid the applicant must provide private funding for the difference in cost. All loan amounts will be calculated based on the lowest estimate.
- D. Each contractor will give a proposal on the CDD specification/bid form. The contractor must, if requested, provide a breakdown on each portion of the work he is bidding. The contractor must sign the proposal sheet. The CDD may require that information pertinent to materials be submitted for approval.

8. Contractor Eligibility Standards

- a. Insurance -- The contractor and subcontractors shall carry Worker's Compensation Insurance for all their employees in accordance with the Worker's Compensation laws of the State of Maine. The contractor and subcontractors shall carry Manufacturer's and Contractor's Public Liability Insurance with a limit of \$300,000 for personal injury or death and \$100,000 for property damage. The CDD may require bonding for contracts in excess of \$100,000. The CDD will require evidence of insurance prior to signing a construction contract.
- b. License and Qualifications --The contractor shall have in effect a license if required by the City of Auburn, or State of Maine. The contractor must have obtain a Department of Environmental Protection approved-Repair, Renovate or Paint certification, if pertinent to the work being performed.
- c. Credit -- The City may require a list of credit references, names of suppliers, name of bank where contractor does business, and names and addresses of recent home improvement customers.
- d. Skill and Equipment -- No approval of a contract shall be given unless the construction contractor can satisfactorily demonstrate that he/she and/or their subcontractor(s) have the necessary skills and equipment to perform the work in an efficient and expedient manner.

9. Ineligible Contractors - Where a contractor fails to comply with the eligibility standards set forth above, or commits one or more of the following violations, the CDD shall remove the contractor from the list of eligible contractors and shall designate the contractor to be ineligible. The applicant will not award any rehabilitation work, other services, materials, equipment, or supplies to be paid for, in whole or in part, with the proceeds of the loan to any contractor or subcontractor whom the CDD has designated as ineligible. The CDD shall designate a contractor to be ineligible if it finds that the contractor has:

- a. Committed one or more material violations of its obligations under a rehabilitation contract and has failed to cure all such violations promptly after 10 days written notice by the applicant or the CDD.
- b. Engaged in a pattern of delayed performance or failed to complete the work under a rehabilitation contract, and has received written notice of such delay.
- c. Failed to communicate in a courteous, prompt and professional manner, and such failure continued after written notice by the applicant or the CDD.
- d. Committed fraud and other illegal acts against the applicant or the City of Auburn, including but not limited to kickbacks and collusion.
- e. Failed to pay subcontractors or suppliers on a timely basis, allowed a lien to be placed on the applicant's property, or otherwise failed to maintain good credit, and such failure continued after written notice by the applicant or the CDD.
- f. Threatened, intimidated, or harassed the applicant or City staff.

Once the CDD has designated a contractor to be ineligible, the Contractor shall remain ineligible for a minimum of two years, and shall remain ineligible thereafter until the CDD determines, in its sole discretion, that the contractor has taken all necessary steps to ensure that no further violations will occur, provided that in the case of violations of Sections 9 (d) or 9 (f) above the Contractor shall remain permanently ineligible.

10. Labor Performed by the Owner -- A property owner may complete some or all of the tasks required to rehabilitate his/her property if he/she has the degree of skill required to perform the work involved. Self-help is usually appropriate for the accomplishment of tasks of an unskilled nature such as general cleanup, demolition, cartage and disposal of debris, and for work that involves minimal use of costly materials and equipment.

- a. **Materials and Workmanship** --The CDD will require information regarding the cost of materials for any self-help work prior to approval of the loan. The CDD may require evidence of workmanship on previous projects before accepting the owner's intention to do his/her own work. The amount of the loan may include funds to pay for the materials and rental of equipment to be installed by self-help.

- b. Schedule -- The Rehab Coordinator and owner will establish a schedule of work items and projected completion date prior to loan closing.
 - c. Qualification -- The owner must have completed a Department of Environmental Protection Renovate, Repair and Paint course, if pertinent to the work being performed.
- 11. Private Lender's Loan** - Interest rates and terms of the portion of the rehabilitation work to be funded by the private lender shall be individually negotiated between the loan applicant and the respective lending institution. The private lender's funds are subject to the same contractor and self-help requirements as the City's loan.
- 12. Community Development Loan Committee** - The application is presented to the Community Development Loan Committee who is responsible for awarding loans.
- 13. Loan Closing**-- A loan closing shall be completed prior to contractors starting work and shall include, but not be limited to a mortgage instrument to be recorded at the Androscoggin Registry of Deeds, and a promissory note in the full amount of the City's loan.
- 14. Amended Loans** - If unforeseen project costs exceed the original rehabilitation estimates plus any project contingency, the Rehab Coordinator may increase the loan by \$500 without approval of the Community Development Loan Committee.
- 15. Assumability** – Loans are generally unassumable.
- 16. Cancellation** -- A loan approval shall be valid for 3 months. If there has been no loan closing or commencement of work, it will be necessary for such a loan to be reconsidered by the Community Development Loan Committee.
- 17. Construction Contract** – The owner and contractor will sign a contract signed at the time of loan closing which is acceptable to the CDD. Assurance will be required of the contractor and owner that the rehabilitation work will be carried out efficiently and within a reasonable period of time. The contractor shall secure all necessary permits prior to the start of work at his/her own expense. The contractor shall contact the Rehab Coordinator for approval of each phase of the work. No change to the rehabilitation contract work shall be allowed unless approved by the CDD, owner, and contractor. Any changes involving cost will be supported through the execution of a change order between the contractor and owner.
- 18. Inspection** - The CDD shall have the right to inspect all rehabilitation work financed in whole or in part with the proceeds of the loan. The CDD will inform the owner and/or contractor of any noncompliance with respect to the rehabilitation work and the corrective action needed. The CDD will verify that all work has been

done according to the specifications. No payment shall be made until the work is acceptable. The owner will take all steps necessary to assure that the CDD is permitted to examine and inspect the rehabilitation work.

- 19. Records** - The applicant agrees to keep such records as may be required by the CDD with respect to the rehabilitation work financed in whole or in by the loan and, furthermore, when the rehabilitated property contains rental units, the applicant agrees to keep such records as may be needed by the CDD with respect to income received and expenses incurred from this property. The applicant will, at any time during normal business hours, and as often as the CDD may deem necessary, permit the CDD to have full and free access to its records with respect to the property.
- 20. Escrowing of funds** - The CDD will act as escrow agent for the City loan, as well as any supplemental funds required to meet the amount of the construction contracts. The owner permit the CDD to disburse such funds to the owner and/or the contractor in the manner set forth in the contract between applicant and contractor. The CDD may require lien waivers as a condition of payment.
- 21. Disbursement of Funds** - After receiving appropriate invoices receipt of lien waivers for invoices over \$5,000, and inspecting the rehabilitation work, progress payments shall be authorized by the CDD. Unutilized funds may be applied to reduce the principal of the City and private funds to maintain the 75% City and 25% private participation level, or may be used to complete additional work as approved by the CDD.