



CDBG CRITICAL REPAIR PROGRAM

A. PROGRAM GOAL

The goal of the Critical Repair Program is to respond to critical housing needs while upgrading the property conditions by addressing critical deficiencies. The Critical Repair Program is funded by the Community Development Block Grant Program and is subject to all the Community Development Program rules.

B. ELIGIBILITY CRITERIA

1. 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.
2. A Low- to Moderate-Income (LMI) household must occupy a structure with one unit. Two-unit structures must have at least one unit occupied by a LMI household. If the structure contains three or more units, at least 51 percent must be LMI occupied.
 - a) Applicants will be required to provide source income if they are the occupant or tenant certifications of income. Applicants will be required to sign a Rent Regulatory Agreement to assure one- year occupancy after project completion by a low-income tenant.
3. Funds must be used to repair/replace a “major system” if it has been determined by the Community Development Office to have failed, be in danger of failing within the next 12 months or be determined to be causing ongoing damage to other parts of a qualified residence. These systems are limited to:
 - a) Roof Repair
 - b) Furnace
 - c) Septic or Sewer hookup
 - d) Hot Water heater or Public Utility service lines
 - e) Electrical repairs to correct a safety hazard
 - f) Other recorded Code Violation

C. ASSISTANCE CATEGORIES AND TERMS

1. Loan Terms
 - a) Maximum loan assistance is \$25,000.
 - (1) Investor Owned:

- 75% amortized loan @ 4% APR
 - 25% private match of total project costs.
 - The private match requirement may be waived by the Program Director based on cash flow or inability to obtain private financing in which case the ratio shall be 75% loan and a 25% deferred loan.
- (2) Owner Occupied:

- 100% amortized loan @ 2% APR
 - If owner is below 65% of median income, loan will be deferred.

- b) Amortized Loan term shall be established by the Program Director based on the financial capacity of the applicant. The maximum term is 25 years.
- c) If the property is sold or transferred prior to the end of the repayment period, the principal balance of the loan(s) shall be immediately repaid.

D. NATIONAL OBJECTIVES

Projects will be eligible under the low- to moderate-income benefit National Objective. The allocation of loan pool funds each year must be a minimum 75% for low-income projects. Projects will be processed under the low- income criteria whenever possible.

- 1. Low-Income Criteria
 - a) Applicants will be required to provide source income if they are the occupant or tenant certifications of income. Applicants will be required to sign a Rent Regulatory Agreement to assure one- year occupancy after project completion by a low-income tenant.

E. PROGRAM QUALIFICATION ASSESMENT

The Community Development Office has responsibility for administration of the Critical Repair Program. Community Development performs the underwriting and presents the loan request to the Program Director for approval based on achieving the national objective in part I-D above and part II-C below.

F. PRIVATE FUNDS

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.

G. LOAN CONSIDERATIONS

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

1. Underwriting
 - a) Cash flow - ability to repay the debt.
 - b) Credit - credit history and reputation.
 - c) Payment of taxes or acceptable arrangements.
 - d) Collateral - Collateral coverage must be adequate as determined by the Community Development Staff.
 - e) Security - other assets.
 - f) Commitment of matching funds.
2. Assessment Private/Public Benefit

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

H. 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.

I. 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, if there is inadequate funding then the application may be placed on a waiting list.

J. PARTICIPATION BY RELIGIOUS ORGANIZATIONS

1. Religious organizations can apply for Critical Repair 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 based on religious belief or refusal to participate in a religious practice.
3. Any units improved with Critical Repair funds must be available for occupancy on the open market.

K. 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.

L. DEFINITIONS

1. Fair Market Rent

An annually published rent level prescribed by the U.S. Office 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 based on the IRS Form 1040 method as defined by the Office of Housing and Urban Development.
- 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 Office 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 Critical Repair assistance 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. Critical Repair 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).

M. INCOME LIMITS

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