City of Milford
Community Development Block Grant
Rental Housing Rehabilitation Loan Program
administered by the
Community Development Department
70 West River Street, Milford, CT 06460
(203) 783-3230
Program Policies & Procedures

Section 1 – Program Description

1-1 INTRODUCTION

Policies and procedures contained herein are applicable for the rehabilitation of privately owned properties under the City of Milford Housing Rehabilitation Loan Program. Funding for this program is provided by the U.S. Department of Housing and Urban Development (HUD) through the Community Development Block Grant Program (CDBG) under the provisions of Title I of the Housing and Community Development Act of 1974, and 1983 and 1987 amendments thereto.

1-2 PURPOSE

The program is designed to conserve, repair and improve the existing housing stock within the City of Milford. The program goals and objectives are to eradicate unsound housing conditions for low to moderate income families and to restore such residential structures to a sound, safe condition in accordance with applicable housing and building code standards.

1-3 GOALS AND OBJECTIVES

The primary objectives of the CDBG Housing Rehabilitation Loan Program are to improve sub-standard housing for low to moderate-income families and revitalize neighborhoods by providing low cost housing rehabilitation financing and technical assistance. This is accomplished by correcting unsafe and unhealthy housing conditions, restoring structural and mechanical systems and modernizing the older Milford housing stock.

The term "rehabilitation" as it is used in the Housing Rehabilitation Loan Program means general improvements intended to upgrade deteriorated and/or sub-standard property conditions and the removal of environmental hazards. It is also intended to mean, as a lesser priority, restoration or remodeling of homes to meet modern property standards and increase the level of amenity. Luxury materials and improvements as defined by HUD (example: swimming pools) ***are not eligible*** for funding.

1-4 NONDISCRIMINATION

Section 109 of the Housing and Community Development Act of 1974 requires that no one shall, on the grounds of race, color, national origin, sex, age or handicapped status, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded with Community Development funds. In addition, any property owner as a condition to obtaining a rehabilitation loan, must comply with all applicable requirements imposed by or pursuant to regulations effectuating Title VI of the Civil Rights Act of 1964 and title VIII of the Civil Rights Act of 1968 regarding the sale, lease, use or occupancy of his/her property.

1-5 RELOCATION

The city will not engage in any rehabilitation activity that will require present occupants to permanently vacate the property being repaired or improved.

1-6 AMENDMENTS

The city reserves the right to amend these regulations at any time, without notice, to further the goals of the program or to protect and/or preserve the city's interests and improve the program's benefit to the community.

Section 2 – Program Eligibility Requirements

2-1 GENERAL

Program staff of the Community Development Office shall make the determination of eligibility for a rehabilitation loan in accordance with the requirements set forth below. Staff will be available to assist applicants with the preparation of applications, compiling the required income and property documents and in other matters pertaining to the determination of eligibility and form of financial assistance.

2-2 ELIGIBILE PROPERTY

In order to be eligible for a low cost loan, the applicant must hold legal title to a condominium, one family or multi-family property that is rented to income eligible tenants. For multifamily properties the majority of the dwelling units (51%) must be income eligible. One unit in a two family property will satisfy this requirement. Funds can be used to improve units occupied by over-income tenants though all units must be brought to the same level of amenity. The property must be found to have building and/or housing code violations and/or have clearly identifiable rehabilitation needs. All applicable real estate taxes must be paid to date on the property. Priority on the waiting list of eligible applicants will be given on a first come, first serve basis. Special consideration will be given to property that evidences conditions that presently jeopardize the occupancy of the structure and/or would lead to further damage if not immediately

addressed. Examples would include failed or failing roof, heating system, septic system, sewer line or water supply.

2-3 INCOME ELIGIBILITY

A. Applicants must document the income of their tenants with the majority determined to be low or moderate-income households in accordance with income guidelines established by HUD and based on family size. Household income cannot exceed the levels on the table below. Eligibility is determined by totaling all income received by the applicant, spouse and other household members during the calendar year prior to the date of the application. Household members do not need to be relatives or family members if they reside in the dwelling. The "Adjusted Gross Income" as reported on the most recently required federal income tax return will be used to determine income eligibility. Non-taxable income will be added to Adjusted Gross Income if applicable. Applicants who are not required to file tax returns will be evaluated based on present documented earnings. If the income of a resident can not be determined, they will be considered over income and ineligible.

B.

Income Eligibility Table

Household Size	80% of median income
1	$40,600
2	$46,400
3	$52,200
4	$58,000
5	$62,650
6	$67,300
7	$71,900
8	$76,550

(Source: HUD 2/24/05) See **Section 2-5** below for applicable interest rates and terms.

B. For the purpose of calculating gross household income, the following sources of income will be included:

a. Gross salary and wages from employment including overtime, shift differentials, commissions, tips and bonuses.
b. Payments from annuities, pensions, disability benefits, etc.
c. Workmen's Compensation benefits.
d. AFDC payments.
e. Social Security and Supplemental Security Income.
f. Alimony and child support.
g. Military pay.
h. Interest and dividends from savings and investments.
i. Net income from the operation of a business.

j. Net income received from rents or leases without depreciation.
k. IRA Distributions.
l. Other Income as deemed appropriate.

C. Substantial liquid asset holdings as stipulated in section 2-4 below will be considered in determining applicant ineligibility.

2-4 LIQUID ASSETS

The city will provide no interest loans to eligible property owners in accordance with their incomes and total liquid assets (cash, stock, bonds, etc.) Home equity is not considered a liquid asset. Should total liquid assets exceed the amounts listed below for the number of persons in a household, a 25% contribution toward the project cost by the property owner will be required.

1 Person - $40,000	2 People - $50,000	3 People - $60,000	4 People - $65,000
5 People - $70,000	6 People - $75,000	7 People - $80,000	8 People - $85,000

Any liquid asset holdings in excess of the above limitations will require the borrowers to provide 25% matching funds for the cost of the improvement or the applicant would be deemed ineligible.

Example: If a three-person household has liquid assets in excess of $60,000 and the rehabilitation project will cost $10,000, the borrower will be required to contribute $2,500 towards the cost of the improvements.

2-5 FINANCING

CDBG funds are awarded in the form of a interest free loan to eligible property owners and will be secured by a mortgage. Up to $15,000 is available to 1-3 unit structures. An additional $5,000 can be borrowed for each additional dwelling unit to a maximum of $25,000.

2-6 LOAN TERMS, FEES & REPAYMENT OPTIONS AND SECURITY INSTRUMENT

Rehabilitation loans are repaid in monthly installments with terms of 5 to 10 years depending on the loan amount. There are no pre-payment penalties so borrowers can make full repayments at any time.

There are no fees or charges for participating in the Housing Rehabilitation Loan Program. Technical assistance provided with the development of a rehab plan and the management of the rehabilitation process is free of charge. There are no application fees, inspection fees or closing costs. Borrowers may retain legal representation at their own expense though the program requires none. Building permits will be required in most cases and will be included in the cost of the construction contract.

As security for the loan, the homeowner will execute a Loan Program Agreement, a Promissory Note, and a Mortgage Deed. These documents are recorded on the Land Records in the City Clerk's Office.

2-7 LOAN AMOUNTS & COST OF ENVIRONMENTAL HAZARDS

The maximum loan amount is twenty five thousand dollars ($25,000.00) depending upon the size of the property. Costs for compliance with HUD regulations related to lead-based paint and the correction or removal ***will not*** be paid for from loan funds. Grant funds administered by the Community Development Department will be used to cover these costs and will not be included in the $25,000 loan limit cap. These might include:

- Lead paint inspections and testing,
- Lead paint follow-up clearance testing,
- Lead paint safe construction practices and abatement.

In addition to lead-based paint control, other environmental remediation activities may also qualify for grant funding though they will be included in the $25,000 assistance cap. These costs and activities might include:

- Asbestos testing and removal,
- Radon testing and remediation,
- Underground oil tank removal, testing and clean-up (subject to limitations),
- Wastewater contamination control.

Example:

If a rehabilitation project will cost $12,000 and the asbestos removal, lead-based paint testing and safe practices cost an additional $3,500, a loan of $12,000 will be issued along with a grant for $3,500 for a total project cost of $15,500.

2-8 PROGRAM LIMITS

Housing Rehabilitation loans are awarded once and only once and any further eligibility will be determined on an emergency, case-by-case basis only.

2-9 WAITING LISTS AND URGENT REPAIR NEEDS

Applications can be submitted at any time and will be numbered in the order in which they are received. If upon receipt an application is determined ineligible, the applicant will be notified in writing. New applications will be brought into the program chronologically and updated as needed to re-determine income and program eligibility.

Property owners who have repair needs of an urgent nature should include with their application a written explanation of their property's condition. Urgent repairs might

include failed or failing heating systems, roof systems with active leaks, failed water or sewer systems, etc. Repair needs that could render the property potentially uninhabitable or present an immediate hazard to the occupants or the surrounding community will be addressed in an expedited fashion regardless of when the application is received.

2-10 APPLICANT FOUND INELIGIBLE FOR A LOAN

Any applicant found to be ineligible for a loan shall be given written notice of the reason(s) for disapproval of his/her application. Final determination as to whether or not and applicant meets the eligibility requirements for financial assistance will be made by the Community Development Department. Applicants will be encouraged to re-apply if program guidelines or the applicants circumstances change.

Section 3 – Rehabilitation Work to be Performed

3-1 GENERAL

In carrying out the city's role in assisting the property owner with a rehabilitation plan, the Community Development Office will provide qualified staff to:

1. Inspect the property including tests for the presence of lead-based paint.
2. Create written construction specifications to outline the work to be done.
3. Consult with and advise the owner on the work to be done within the limits of available funding and the owners desires.
4. Prepare a final cost estimate to be used as basis for budgeting and the setting of home improvement priorities.

Loan funds can be used for the correction of Housing and Building Code violations, general repairs (roofing, siding, foundations) the upgrading of building mechanical systems (plumbing, electrical, heating), modernization plans (kitchen & bath remodeling), energy and water conservation improvements, sewer and septic repairs, replacement appliances (restrictions apply), cosmetic improvements (painting, wall paper, floor refinishing) and site improvements (fencing, driveways, sidewalks).

Loan funds ***cannot*** be used for new construction or the expansion of existing residential structures. Installation of luxury items such as swimming pools is not permitted. Personal property or equipment is not permitted such as a window air conditioners or laundry equipment. Owner performed labor costs are not permitted though certain materials may be reimbursable.

3-2 LEAD-BASED PAINT

For properties constructed prior to 1978, a lead-based paint inspection and risk assessment will be required. The purpose of this inspection is to; 1) identify surfaces coated with lead-based paint that are deteriorated and pose a present risk to building occupants, 2) identify building components that are coated with lead-based paint that

might be disturbed when the rehabilitation is performed thus creating a potential risk, and 3) determine the presence and number of children under age six and the women of childbearing age that might potentially be exposed to lead-based paint hazards within the structure. This inspection will be arranged by the Community Development Department and will be performed at no cost to the property owner. The results of the assessment will be compiled into a written report and a copy will be provided to the property owner and all occupants.

Lead-Based Paint Hazard

If a lead-based paint hazard or potential hazard is identified, the effected surfaces will either need to have the paint "abated" (properly removed by a trained professional) or be "stabilized" (repaired to correct a peeling, chipping or chalking condition). Upon completion of the rehabilitation work, the house will be re-tested for loose lead paint dust or paint chips that pose a potential hazard. This is referred to as Clearance Testing. The final payment will not be made to the construction contractor until satisfactory Clearance has been achieved.

Potential Hazard

If a lead-based paint hazard could potentially be created by the planned construction (eg. removing old windows and wood trim coated with lead-based paint) the contractor will be directed to perform the construction work following "Lead-based Paint Safe Works Practices." This means the work will be done without creating and lead paint chips or dust conditions that could effect the residents while work is being done or after the work is completed. The contractor will provide an itemized cost breakdown for the work being performed including a "Provision for Safe Work Practices." The cost of this additional work procedure will be paid for from grant funds provided by the U.S. Department of Housing and Urban Development and administered by the Community Development Department and will not be included in the rehab loan amount.

High Risk Residents

Lead-based paint poisoning can adversely effect adults, children and pets. Young children are the most vulnerable due to their stage of growth and development and their behavior (crawling on the floor, hands in their mouths, etc.). The publication ***Protect Your Family From Lead in Your Home*** will be provided to all property owners and building occupants participating in the program. Parents with small children should be particularly diligent in following these important guidelines to protect their families. Households with children under the age of six (6) that have been found to contain lead-based paint will be required to provide the child's written blood test results for the presence of elevated lead levels. This is done by your family pediatrician and should be a routine part of you child's blood test screening at regular medical visits. If elevated levels are discovered, Connecticut Law requires the Milford Health Department to report the finding to the state Health Department. A lead abatement plan will be developed as part of the general rehabilitation plan to eliminate the lead-based paint hazard. Abatement

costs will be paid for with grant funds provided by the U.S. Department of Housing and Urban Development and administered by the Community Development Department and will not be included in the loan amount.

3-3 PROPERTY INSPECTION, PLANNING AND BUDGETS

A Rehabilitation Specialist employed by the Community Development Department will schedule an inspection to evaluate the property needs and develop a rehabilitation plan with you. After inspecting the property, the Rehabilitation Specialist will prepare a preliminary work outline and cost estimate. The final cost estimate shall be the basis for determining the final specifications in the bidding documents to be used to solicit proposals from construction contractors.

If extensive work is needed, the Rehab Specialist will work with you to establish priorities within program budgetary limits. If the necessary renovation work desired exceeds the $15,000 maximum, the property owner may choose to use savings or obtain additional financing to complete the project. Community Development staff may be able to assist in arranging additional financing.

3-4 SPECIFICATIONS AND BID DOCUMENTS

Work specifications will be written to describe the work to be done, the quality of materials to be used and the professional construction standards to be followed. The specifications will include the owners' choices of colors, fixtures, finishes and designs. Property owners have the final approval on the scope of work to be performed and the design choices made, however, all existing Code violations must be addressed. After thorough review, the owner will be asking to "sign-off" on the specifications to approve the work write up. This will be done prior to putting the job out to competitive bid.

A Bid Package will be created incorporating the Specifications and the Lead-based Paint Report (if applicable). The package provides instructions to the contractor, bid forms with a cost breakdown by trade and various acknowledgements and affidavits. The Invitation to Bid will be advertised in the newspaper (at no cost to the property owner) and will set the deadline for the submission of bid proposals. A ***mandatory*** walk-through of the property will be scheduled to review work scope and inspect the property.

Bidding contractors must have the appropriate licenses and be registered as Home Improvement Contractors with the Connecticut Department of Consumer Protection. They must also maintain the proper insurance with adequate coverage amounts.

Section 4 – Contractor Selection

4-1 GENERAL

Construction work for rehabilitation financed through the Housing Rehabilitation Loan Program shall be undertaken only through a written contract between the contractor and the property owner.

4-2 GENERAL CONDITIONS

Provisions of general conditions shall be included in all contracts. These protect the property owner and establish parameters for how the work will be performed and the quality standards expected of the contractor.

4-3 SITE INSPECTION

A mandatory walk-through will be held at the property with all contractors. Specifications will be reviewed and questions answered by the Rehab Specialist. Only contractors who attend the mandatory walk-through will be allowed to submit proposals. Contractors must submit, as part of the bid proposal, a site inspection affidavit signed by the Rehabilitation Specialist as proof of inspection.

4-4 OBTAINING CONTRACTOR'S BIDS AND PROPOSALS

The city's bidding procedure will be followed. Notification to solicit bids will be advertised in the legal section of the local newspaper (at no cost to the homeowner). Any contractor may bid on the work to be done but no contract may be awarded until all city requirements are met. The city shall be responsible for producing the actual invitation to bid along with the specifications.

4-5 SELECTION OF SUCCESSFUL BIDDERS

All bids received by the Community Development Office will be compared with the cost estimate and if necessary, be reviewed with the bidder. A contract will be awarded to the lowest qualified bidder provided that his/her bid is deemed acceptable by the Community Development Office. Generally the contract will be awarded to the lowest responsible bidder. At least two competitive bid must be received to award a contract. If less than two bids are received, the project will be re-bid. If the homeowner chooses to award the contract to a contractor other than the lowest bidder, the homeowner is responsible for the additional cost.

4-6 NOTICE TO PROCEED

A formal Notice to Proceed will be given to the contractor by the homeowner. The contractor as specified in his/her proposal and contract documents is responsible for finishing the work within the required timeframe. The contractor is required to secure any necessary permits prior to start of construction. Progress will be monitored for contract compliance and quality of work by the Rehabilitation Specialist. Work contained

in the contract that requires a permit will also be monitored and signed off by the Building Inspection Development.

Section 5 – Construction Management

5-1 INSPECTION OF REHABILITATION WORK

It shall be the responsibility of the contractor to ensure that all required inspections under local codes are made. It shall be the responsibility of the Community Development Office/Rehabilitation Specialist to inspect the rehab work to ensure that the contract compliance as follows:

1. Compliance inspection, on a frequent basis, to assure that the work is being completed in accordance with the contract specifications.
2. A final inspection to determine that all the work has been completed in accordance with the contract. This inspection will ensure that all required inspections have been performed and approvals granted and shall consider "quality of workmanship".

3. No contract will be closed until all work that is performed under a permit has been inspected and approved by the City of Milford, Building Inspection Department.

5-2 CONTRACT CHANGE ORDERS

A change order may only be issued once a contractor has been awarded a construction contract. The change will be a work specification requiring additional labor and materials could not have been identified at the time the original specifications were written. Likewise, a change order may be issued for deletion of work found no longer necessary. Specifications for the addition or deletion of work will be prepared by the Rehabilitation Specialist and forwarded to the contractor who will offer a cost proposal for the addition or deletion of work. Upon approval and signature of the homeowner, contractor, Rehabilitation Specialist, and Block Grant Coordinator, the change order will be made part of the contract and all work contained therein will be governed by the terms of the original contract.

5-3 METHOD OF PAYMENT

The property owner will execute a Loan Escrow Agreement that details the terms for the release of funds. The use of loan funds is restricted and cannot be released directly to the borrower. The Contractor shall be paid the Contract Price in progress payments as work is completed to the satisfaction of the Rehab Specialist and the property owner. Generally not more than three (3) payments will be made in the course of the construction process;

1) a partial payment to cover materials supplied and installed mid way through the project, 2) a second partial payment upon completion of the project minus a pre-determined retainage amount (generally not more than 10% of the total contract amount), 3) the final payment to be released 10-14 days after the completion of the project to ensure that all workmanship and materials are acceptable. Final payment will also be contingent upon lead-based paint Clearance, if applicable.

The Rehab Specialist will prepare a Payment Request Form based on the contractors request for payment and an inspection of the work performed to date. A recommendation will be made to the property owner for each partial and/or final payment. Once the property owner signs off on the payment request a check is requested by the CDBG Coordinator payable to the contractor. The contractor will sign off on the Payment Request Form upon receipt of the payment.

5-4 CONTRACTOR DISPUTES

Should the contractor default on their obligations or fail to perform in an acceptable manner, the Rehab Specialist will make every effort to correct the default and restore acceptable performance. If the default cannot be resolved, the contract will be terminated and an alternative contractor will be retained to complete the project.

If a dispute between the contractor and the homeowner arises that does not clearly represent a default by the contractor, it will be the responsibility of the property owner to resolve the dispute. The construction contract and payment obligations therein represent an agreement between the contractor and the property owner and does not contractually obligate the Community Development Department or City of Milford in any way.

Every effort will be made to see that the work is performed and the contract is honored to the satisfaction of all parties.

Section 6 – Project Completion

6-1 FINAL DOCUMENTATION

A. After it has been determined that the work has been completed in accordance with all of the contract requirements, the CDBG Coordinator will provide the property owner with copies of all payment records, contracts, permits and other documents related to the project.

C. The contractor is required to warranty all workmanship and is held responsible for correction of deficiencies that may arise from workmanship or faulty materials by the contractor or subcontractors for a period of one (1) year from the date of contract completion and acceptance.

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City of Milford

Community Development Block Grant

Housing Rehabilitation Loan Program

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70 West River Street, Milford, CT 06460

(203) 783-3230

Instructions & Checklist

Copies of the following documents should accompany a completed Rehabilitation Loan Application. Not all documents will be relevant to all applications:

- ❑ **Rehabilitation Loan Application Form**
- ❑ **Copy of most recently files Federal Income Tax return with W-2's and all schedules.**
- ❑ **Last three pay-stubs or record of present gross wages or salary.**
- ❑ **Documentation of other forms of income (Social Security, Pension, Child Support, Disability, Unemployment, Worker's Compensation, etc.)**
- ❑ **Declarations page from the Homeowners insurance policy and Flood insurance policy (if applicable).**
- ❑ **Recent statement from present mortgage lenders showing account balance, monthly payment, escrow allowance and account number.**
- ❑ **Summary of the rehabilitation works that needs to be done on your home.**

Rental Property Information

Property Address: _____

Monthly Income:

	Tenant Name	# of Bedrooms	Monthly Rent
Apartment #1			
Apartment #2			
Apartment #3			
Apartment #4			

Utilities Included? [ ] Yes [ ] No

Other Monthly Income (laundry, storage, etc.) _____

Do any of the tenants get rent subsidies (Housing Choice Vouchers)? [ ] Yes [ ] No

Annual Expenses:

Debt Service (mortgage payments)	_____
Taxes	_____
Insurance	_____
Refuse Collection	_____
Utilities	_____
Maintenance/ Repairs	_____
Snow Removal/ Landscaping	_____
Legal/Advertising	_____
Other Expenses	_____
TOTAL	_____