

**CITY OF HICKORY
HOUSING REHABILITATION LOAN PROGRAM**

1. INTRODUCTION

Housing rehabilitation is a term applied to the repair and improvement of homes that have fallen into a substandard condition. The primary goals of the program are the conservation of existing housing and the preservation of good neighborhoods. The City of Hickory's Housing Rehabilitation Program is designed to assist in accomplishing these goals by providing both deferred and low-interest loans to low and moderate income homeowners in residential areas:

- 1.1 Assist very low, low and moderate income homeowners in target areas who would otherwise be unable to undertake home repairs without financial assistance.
- 1.2 Stabilize older residential areas by providing limited financial assistance to moderate income homeowners in target areas in order to prevent deterioration of property.
- 1.3 Eliminate housing conditions which are detrimental to public health, safety and welfare.
- 1.4 Conserve the community's housing stock in order to meet the needs of the City's low and moderate income families.
- 1.5 Conserve energy through the availability of funds for energy improvements undertaken as a part of rehabilitation.
- 1.6 Improve neighborhood appearance through the application of property eligibility guidelines and the availability of funds to improve the exterior appearance of homes rehabilitated for lower income families.

2. APPLICANT ELIGIBILITY

- 2.1 No member of the City Council of the City of Hickory and no other official, employee, or agent of the City who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. This prohibition shall continue for one year after an individual's relationship with the City of Hickory ends.
- 2.2 Recipients of housing rehabilitation loans must be the owner of record and occupant of a single family home.
- 2.3 Recipients of housing rehabilitation loans must be current in all their accounts with the City of Hickory.
- 2.4 Very Low, Low and Moderate income applicants may be eligible to receive Housing Rehabilitation Loan Assistance. Households earning under 80% of area

median income (currently \$62,500 for a family of four) may qualify for assistance¹:

Number in Household	Low Income Limit (80 % of Median)
1	\$43,750
2	\$50,000
3	\$56,250
4	\$62,500
5	\$67,500
6	\$72,500
7	\$77,500
8+	\$82,500

This income schedule is based upon the income limits established by the U.S. Department of Housing and Urban Development Program and shall be updated periodically upon notification of revisions by the U.S. Department of Housing and Urban Development.

3. PROPERTY ELIGIBILITY

- 3.1 Only owner occupied single family dwellings are eligible for rehabilitation assistance.
- 3.2 Units must be located in a residentially zoned area within the City of Hickory. Residentially zoned property means land zoned in the R-1, R-2, R-3, R-4, or OI categories on the Official Zoning Map of the City of Hickory.
- 3.3 All properties must be covered by a current homeowner's insurance policy.
- 3.4 Eligible properties must be free of all nuisances as defined in Chapter 20 of the Hickory City Code or any such nuisance conditions must be corrected by the homeowner prior to acceptance of an application for housing rehabilitation assistance.
- 3.5 Eligible properties must be economically feasible to rehabilitate. To be considered economically feasible to rehabilitate it must be possible to bring the dwelling into compliance with the Minimum Housing, Section 8 and HUD energy efficiency standards with the funds available under the housing rehabilitation program in combination with any owner supplied funds.

¹ This schedule is set by the US Department of Housing and Urban Development's Income Limits. It is subject to change. City staff will consult the guidelines prior to conducting income verification.

- 3.6 Eligible properties must not be located in the right-of-way of any planned public improvements.
- 3.7 Eligible properties must have all taxes and assessments paid up to date prior to acceptance of an application for housing rehabilitation assistance.
- 3.8 Eligible properties must be located on a site that is not endangered by mudslides, landslides or other environmental hazards.
- 3.9 Eligible properties located in flood hazard areas must be covered under the National Flood Insurance Program.
- 3.10 No loan shall be provided for a dwelling in substantial compliance with the City of Hickory Minimum Housing Code.

4. ELIGIBLE ACTIVITIES

- 4.1. The expenditure of housing rehabilitation funds will be limited to those repairs and improvements required to provide standard, readily maintainable and reasonably attractive housing units. The activities considered necessary and suitable to achieve this objective are those required to meet the Minimum Housing Code, the HUD Section 8 Existing Housing Quality Standards, and the HUD Energy Efficiency Standards.
- 4.2. In general, allowable expenditures will be authorized according to the following priorities:
 - 4.2.1. Elimination of conditions that, in the judgment of the Rehabilitation Specialist, are hazardous to the health and safety of the dwelling's occupants. These items include but are not limited to:
 - Repair or replacement of water and sewerage systems and their components;
 - Repair or replacement of heating systems and their components;
 - Repair or replacement of electrical systems and their components;
 - Replacement of defective plumbing, including sinks, tubs and toilet facilities;
 - Eradication of all serious insect or rodent infestations;
 - Correction of insufficient exit ways;
 - Correction of insufficient ventilation in order to prevent deterioration caused by chronic dampness;
 - Eradication of lead paint hazards where chipping or peeling exists;
 - Repair of all seriously deteriorated walls, ceilings and floors;
 - Repair or replacement of structurally defective porches, roofs, gutters, chimneys, and foundations;
 - Repair of exterior walls and windows in order the dwelling may be kept watertight and free from chronic dampness;

- Repair of walkways and steps;
- Special facilities for the handicapped;
- Smoke detectors.

4.2.2. In addition to correcting basic code violations, up to thirty percent of housing rehabilitation funds may be used to bring about compliance with HUD Energy Efficiency Standards by caulking, weather-stripping and the addition of attic insulation. No more than 30 percent of the improvements shall be purely energy efficiency items. Improvements may include additional energy efficiency items including:

- Heating system tune up;
- Storm windows;
- Floor insulation;
- Fireplace and flue dampers;
- Clock thermostats;
- Heat duct insulation;
- Pipe and water heater insulation.

4.2.3. Correction of incipient housing code violations. An incipient violation is a condition which will, in the opinion of the Rehabilitation Specialist, (Building Inspector), deteriorate to an actual violation within two (2) years.

4.2.4. Exterior painting and vinyl siding are allowable expenditures.

4.3. Any work performed on a dwelling listed as an individual entry or as a principal or contributing dwelling in a district listed on the National Register of Historic Places must conform to the Secretary of the Interior's Standards for Rehabilitation Projects.

4.4. No assistance shall be provided if the after rehabilitation value of the property, less any encumbrances or liens, will not, in the opinion of the Rehabilitation Specialist, equal or exceed the amount of the rehabilitation loan. The Rehabilitation Specialist may require the owner to provide an appraisal from a licensed real estate appraiser. If the loan is approved, the cost of the appraisal may be included in the loan amount.

5. DEFERRED LOAN PROGRAM INFORMATION AND AMOUNTS

5.1. Very low, low, and moderate income (under 80% of area median income) applicants may qualify for a deferred payment loan for eligible housing rehabilitation expenses. All applicants must go through loan approval. Income eligibility does not automatically qualify an applicant for a loan.

5.2. No interest shall be charged on deferred rehabilitation loans. The maximum loan amount shall be \$25,000. The minimum amount of program funds that can be

spent on any assisted dwelling unit is \$2,500.00. The maximum lifetime amount received through this program shall be \$25,000.

5.2.1. When estimates contract bids or final contract amount exceeds \$25,000:

- Owner supplies additional funds
- Renegotiate with contractor to reduce project scope
- Re-bid the job with reduced scope

5.3. No payments shall be required on the loan provided that the homeowner remains in compliance with all program guidelines.

5.4. If the property owner resides in the house for at least 5 years from the date of project completion, the loan balance shall be reduced by 50%.

5.5. Loans shall not be assumable.

5.6. Upon completion of the bidding and contracting process, the City shall issue a purchase order for the contract amount to ensure prompt payment of the contractor. The City shall be responsible for payment of contractors in the amount of the contract. Whenever an owner supplies funds to cover any remaining balance for the rehabilitation, these funds shall be escrowed along with the rehabilitation loan, or the owner shall make other legally binding commitments satisfactory to the City to guarantee the availability of funds upon the completion of work by the selected contractor. Owner shall supply his/her portion of funds before contractor will commence project.

5.7. The remaining loan balance shall be paid when the either of the following two items occur

5.7.1. The property is sold or otherwise alienated by the borrower, whether voluntary involuntary or by operation of law, or

5.7.2. The property ceases to be occupied by the borrower, as borrower's principal residence, including upon the death of borrower.

6. CONTRACTING REQUIREMENTS

6.1. The contract for rehabilitation will be let by the homeowner and will be between the homeowner and the contractor.

6.2. Contracting will be done on a competitive bid basis. The City, after consultation with the homeowner, will prepare a bid package consisting of detailed work specifications, contract document, cost proposal form, and instructions to the bidder. Bids should fall within approximately fifteen percent (15%) of the cost estimate. Staff has the option to reject any bids that are not within fifteen percent (15%) of the cost estimate.

- 6.3. The City will maintain a list of contractors eligible to bid on work financed by housing rehabilitation loans. Such contractors must present evidence of their rehabilitation experience, ability to complete work items in a workmanlike manner, possession of liability and workman's compensation insurance, ability to work with the homeowner and City staff and to complete work on schedule. Contractors not on this list must supply evidence of their qualifications to the homeowner and shall be reviewed for approval by the City. All contractors performing work under this program shall obtain city privilege licenses and must possess other contracting licenses as required by the adopted building codes.
- 6.4. Contractors shall be permitted one partial payment during construction. This payment shall be eighty percent (80%) of the value of work completed when fifty percent (50%) or more of the work is completed.
- 6.5. Contractors must supply lien waivers and warranties to the homeowner upon the completion of work. All workmanship shall be guaranteed for at least 12 months following acceptance of the work by the homeowner and rehabilitation specialist.
- 6.6. All Change Orders to the bid specifications must be approved by both the homeowner and the City of Hickory. Loan funds shall not be advanced beyond the permitted maximum to cover change orders.
- 6.7. In the event of any dispute between the homeowner and the contractor concerning the rehabilitation work, the City Housing Rehabilitation Specialist will work with both parties to negotiate a satisfactory solution. If a mutually satisfactory solution cannot be found, the Citizens' Advisory Committee will have final authority on when the job has been satisfactorily completed.

7. APPLICANT SELECTION AND UNDERWRITING CRITERIA

- 7.1. Applications for housing rehabilitation loans will be accepted on an on-going basis and advertised on the city website and through other means as the city deems fit.
- 7.2. Applications shall consist of three parts:
 - Application for determination of eligibility
 - Housing inspection report
 - Work write-up and cost estimate
- 7.3. All applications received during an open application period will be prioritized according to the order in which they are received and categorized according to income range requirements.
- 7.4. Applicants shall be responsible for providing all documentation required to determine program eligibility.

- 7.5. The rehabilitation loan amount plus all additional encumbrances cannot exceed the estimated value of the structure to be rehabilitated. The city may require an appraisal from a licensed real estate appraiser if the value of the property is in question.
- 7.6. The City of Hickory must be able to place a lien on the property in no worse than third position. The Citizen's Advisory Committee may make an exception to this depending on the amount of the other encumbrances.
- 7.7. Complaints concerning the housing rehabilitation loan program shall be in writing and addressed to the City's Housing Rehabilitation Specialist. This individual will contact the person making the complaint and attempt to resolve the problem. A written response will be made within 15 working days. If the complaining party is not satisfied with the response, he or she may file a complaint with the Citizens' Advisory Committee who will schedule a meeting with the complaining party. The decision of the Committee shall be final and will be made in writing within 5 days.