

Housing Rehabilitation and General Administration

Policy & Procedures Manual

Chapter 1-5 Suggested Revisions

City of Racine Loan Board of Review

June 8, 2017

Chapter 1 Introduction

Paragraph 1, last sentence

Current

Chapter 1: Introduction

- The purpose of this document is to describe all the program policies, guidelines, and procedures used in administration of the City of Racine's housing rehabilitation loan program. In general, rehabilitation loan assistance will be extended, depending on availability of funds, to eligible low-moderate income homeowners and eligible landlords who rent to low-moderate income tenants. The overall intent of the program is to rehabilitate, maintain and expand the supply of decent, safe and sanitary housing within the City of Racine. **The Department of City Development and the Department of Housing work jointly on this effort and this policy guides both departments and within this document and departments are interchangeable.**

Revision

- The Department of City Development guides the housing repair loan programs.

Chapter 1 Introduction

Paragraph 3, second sentence

Current

Chapter 1: Introduction

Funding for this program has been provided by the Federal Government. Therefore, within the parameters set forth by the Federal Government, administrative control is exercised by the Department of City Development in conjunction with the Department of Housing with final policy-making and loan approval authority the responsibility of the Loan Board of Review. Programs will only be available as funding is available.

This policy attempts to meet applicable federal and state regulations and may be updated as regulations change. The City also uses software such as **FIPCO and** Loan Ledger and pays a fee for updates in the software to stay in compliance with state and federal regulation. Forms generated from the software shall update automatically as needed.

Revision

- The city also uses software such as Loan Ledger and...
- (We no longer use FIPCO)

Chapter 3 Eligibility Requirements

Section A Property Requirements, Item #4

Current

Chapter 3: Eligibility Requirements

A. Property Requirements

In order to be eligible for rehabilitation loan assistance, a residential property must:

- (1) be owner-occupied or owner of rental property with income qualified tenants to be rehabilitated;
- (2) be located in the City of Racine;;
- (3) require at least \$3,000 of rehabilitation work in order to meet the Housing Code and other appropriate City and State codes and rehabilitation standards;
- (4) in the judgment of the Housing Technician, be structurally and financially able to be placed in a sound and readily maintainable condition;

Insert a new #5, (renumber the sequence of requirements)

Revision

- (5) Loan Board may also consider City plans for the property, neighborhood, and current zoning.

Chapter 3 Eligibility Requirements

Section A Property Requirements, Item #6

Current

Chapter 3: Eligibility Requirements

Property Requirements

In order to be eligible for rehabilitation loan assistance, a residential property must:

(1) be owner-occupied or owner of rental property with income qualified tenants to be rehabilitated;

.
. .

(4) in the judgment of the Housing Technician, be structurally and financially able to be placed in a sound and readily maintainable condition;

(5) Loan Board may also consider City plans for the property, neighborhood, and current zoning.

(6) at all times during the application process and the term of the loan, have all real estate taxes and special assessments paid or under a City-approved payment schedule;

(7) if located within Zone “A” as shown on the latest edition of FEMA’s Flood Insurance Rate Map, have flood insurance coverage in an amount equal to at least the total after-rehabilitation debt against the property;

Revision

(7) Rehabilitation loans will not be made to homes located within Zone “A” of FEMA’s Flood Insurance Rate Map.

Chapter 3 Eligibility Requirements

Section B Applicant Requirements

ii. Owner-Investor Residential/Mixed Use Structures, e, #2

Current

In an effort to ensure tenant income verification is **obtained**, staff will follow up in **writing and by phone on a quarterly basis with owner who have not reported occupants.**

Revision

...in writing, by phone or by email. Owner is responsible to provide the required tenants(s) information within 60 days of completion of rehabilitation work to unit(s); if verification is not provided or if tenants occupy the units before a determination of being income eligible is made, the loan may be called due and owing immediately.

Chapter 4 Loan, Debt and Other Underwriting Standards

Section A. Loan limits, item #2

Current

Chapter 4: Loan, Debt, and Other Underwriting Standards

A. Loan Limits

Subject to the debt limit constraints contained in subsequent sections of this manual, the following are the minimum and maximum loan amounts:

(1) The minimum loan that will be made under this program is \$3,000

(2) The maximum loan for a multi-family dwelling is \$30,000 per property for CDBG (not to exceed \$25,000 per unit). HOME funded projects will be assessed and approved by the Community Development Committee.

The above loan limits are, however, subject to the debt limit constraint described below.

Revision

The maximum loan for any property, up to 4 units, is \$24,999.

Chapter 4 Loan, Debt and Other Underwriting Standards

Section C. Types of Loans, item #1a

Current

Revision

C. Types of Loans

1. Owner-Occupied, Single-Family Residence
– For all eligible owners who occupy a single-family residence, the loan shall be repaid as outline in Attachment A.

A . For applicants whose income is below 30% of the median income, **the loan is deferred (no monthly payments)**. The loan is repaid with 1% simple interest with a term of up to 20 years **or paid in full when the property is sold or when the owner moves out of the property**.

For applicants whose household income is below 30% of the median income, the loan is repaid with 1% simple interest with a term of up to 20 years.

Chapter 5 Eligible and Ineligible Rehabilitation Costs

Section A. Eligible Costs, item #2 A 1

CURRENT

A. Eligible Costs

1. Code-Related

Code-related costs eligible for rehabilitation assistance include:

A. The costs of rehabilitation work needed to correct existing violations of the Building Code or federal Housing Quality Standards (HQS). Generally, the costs of needed rehabilitation work will be based on the use of the “least cost” work methods and material available that will bring the property into compliance with applicable property rehabilitation standards (e.g. Building Cod, HQS, and where applicable the various State and local building, zoning, plumbing and energy codes). However, when the use of such work methods and materials would likely result in a recurrence of the violation(s) within a five-year period and/or require an unreasonable level of maintenance to avoid such recurrence, the cost of such work may be based on more expensive work methods and materials, or on the replacement of structure’s element;

B. The costs of rehabilitation work needed to correct “incipient violations” or the Housing Standards Code and other applicable property rehabilitation standards;

C. The costs of rehabilitation work needed to convert a non-conforming residential use to a conforming use; and

D. The costs of energy conservation work, including but not limited to insulation, caulking, weather stripping, and new efficient windows and doors, etc..

2. Other Eligible Costs

Other rehabilitation costs that are eligible for assistance include:

A. Costs needed, although not required by provisions of the applicable property rehabilitation standards, to place the property in a sound and readily maintainable condition. Such costs may include, but are not necessarily limited to:

1. The rehabilitation, removal, or replacement of existing elements of the structure, including the basic equipment (e.g. furnaces, water heaters, siding, roofing, **flooring**, plumbing, etc.);

REVISION

Remove “flooring”

Chapter 5 Eligible and Ineligible Rehabilitation Costs

Section A. #2 Other Eligible Costs, Item G

Current

- B. The cost of repairing/replacing sewer and water laterals;
- C. Special alterations or costs related with making the dwelling more convenient or accessible for handicapped persons. All work performance in these units must comply with all applicable codes as well as Federal and State regulations.
- D. All costs associated with the control of lead-based paint hazards must comply with 24 CFR 92.355.
- E. Rehabilitation costs not specifically required by the housing rehabilitation standards but found necessary for the safety, health and general welfare of the occupants of the structure may be considered.
- F. Where the applicant contracts the use of architectural and/or other design services to prepare plans and/or specifications for rehabilitation work, the reasonable costs of such services;

G. Administrative costs such as title reports, appraisals, credit reports, recording fees, etc. Effective 2014, the Loan Board of Review approved a change in the policy allowing for charging upfront loan fees.

Revision

Administrative costs such as title reports, appraisals, credit reports, recording fees, etc.

These fees will now be paid through a standard loan fee by loan type:

1. Investor loan/ mixed use loan fee is \$500
2. Owner Occupied (2 Units or less) loan fee is \$300

A deposit of \$225 will be charged at the time of application for all loans and applied towards the loan fee.

Chapter 5 Eligible and Ineligible Rehabilitation

Section B. Ineligible Costs, Item A

Current

B. Ineligible Costs

Except as otherwise provided in Section 1 of this Chapter, the costs that may be financed with the housing rehabilitation loan do not include the following:

A. The costs of construction, substantial reconstruction, expansion of a structure, or the finishing of unfinished spaces such as an attic or basement (unless the expansion or finishing is intended to relieve an overcrowded condition) and meets all applicable codes.

Revision

The costs of construction, substantial reconstruction, expansion of a structure, or the finishing of unfinished spaces such as an attic or basement.