

CITY OF CHELSEA, MA

CDBG Housing Rehabilitation Program

City of Chelsea
Department of Planning & Development
500 Broadway, Room 101
Chelsea, MA 02150
Tel: 617-466-4180 Fax: 617-466-4195

Administered on behalf of the City by

Chelsea Restoration Corporation
154 Pearl Street, Office #2
Chelsea, MA 02150
Tel: 617-889-2277 Fax: 617-887-0611

Program Guidelines FY 2014



Rev. 12-23-2015

PROGRAM OVERVIEW.....	2
FINANCIAL ASSISTANCE	2
ELIGIBILITY CRITERIA	4
General Criteria.....	4
Criteria for Owner-Occupied Properties.....	6
Criteria for Investor-owned properties.....	6
Income Verification.....	7
ELIGIBLE REHABILITATION ACTIVITIES	9
LOAN TERMS AND CONDITIONS	10
Loan Terms for Owner-Occupied Properties	11
Loan Terms for Investor-Owned Properties	11
Rental Agreements	11
Repayment of Loans and Recapture Policy	11
Proceeds of Loan and Eligible Expenses	14
Maximum Value after Rehabilitation.....	14
PROJECT WORK.....	15
Application	15
Inspection and Contractor Bidding	16
Contractor Requirements	16
Loan Origination.....	17
Construction.....	18
REMOVING LEAD PAINT	18
OTHER SOURCES OF FINANCIAL ASSISTANCE	19
DISPUTE RESOLUTION PROCESS	19
EQUAL OPPORTUNITY	19
CONFLICT OF INTEREST	19
ANTI-DISPLACEMENT AND RELOCATION PLAN	20
OTHER CERTIFICATIONS.....	20
APPLICATION.....	21
TERMINATION	21
SIGNATURES.....	21

CDBG HOUSING REHABILITATION PROGRAM OPERATING GUIDELINES FY2014

PROGRAM OVERVIEW

In an effort to enhance and preserve the quality of the existing housing supply of affordable housing in the City of Chelsea, the City is offering the Community Development Block Grant (CDBG) Housing Rehabilitation Program, funded by the US Department of Housing and Urban Development's (HUD) and the Department of Housing and Community Development, Massachusetts CDBG Program.

The CDBG Housing Rehabilitation Program provides technical and financial assistance to residents and property owners, who have limited means, but wish to bring their residence in compliance with state and local codes and make improvements to their homes in order to maintain the residence as their primary residence and/or to provide quality affordable rental housing to lower income tenants.

The objectives of the City's CDBG Housing Rehabilitation Program include: 1) provide direct financial assistance to low and moderate-income households allowing them to obtain better housing conditions than they would otherwise be able to afford; 2) eliminate code violations that threaten the health and safety of the occupants; 3) preserve and enhance the quality of the City's housing stock so that additional low-cost, good quality housing units are available to all residents; 4) improve the overall quality of life for both building residents as well as residents in the surrounding neighborhoods.

As part of the program, it is understood by the property owners that in exchange for a loan to upgrade rental units in owner-occupied or investor-owned properties to compliance with the codes and make improvements, that property owner agrees to rent those units to low- and moderate-income tenants at affordable rent levels for the term of 15 years.

The City is working in collaboration with the Chelsea Restoration Corporation (CRC), a local non-profit with an extensive track record in the rehabilitation of the City's housing stock and the provision of services, education, and financial resources to first-time homebuyers.

FINANCIAL ASSISTANCE

The Community Development Block Grant Housing Rehabilitation Program (the "Program") is administered by the City of Chelsea and its Representative, Chelsea Restoration Corporation (CRC). The Program provides low interest, deferred payment loans **(zero percent/0% loans to owner-occupants and three-percent/3% loans to investor-owners)** to owners of eligible, 1-4 unit residential properties within certain target areas in the City of Chelsea (e.g. Census Tracts 1601, 1602, and 1605, aka the Shurtleff-Bellingham and Addison-Orange neighborhoods as defined in the City's application for funding to the state administered CDBG program).

The program have a limit of up to \$30,000 of financial assistance per dwelling unit. In extensive

rehabilitation projects the amount of CDBG funds may be increased up to \$35,000 per dwelling unit. DHCD authorization is required for projects where the cost of which will exceed \$30,000 per unit, except in projects involving lead, barrier removal, septic, asbestos, historic preservation, for which prior authorization of DHCD and the City of Chelsea Department of Planning and Development is required.

All Deferred Payment Loans (DPL) are required to be repaid fifteen (15) years from the date CDBG Mortgages are recorded at the Suffolk Registry of Deeds or under the following circumstances:

- (1) at any time during the same fifteen (15) period where there is a refinance, sale, or transfer of ownership of the rehabilitated property;
- (2) at any time when an owner-occupant ceases to occupy the property as the owner-occupant's primary residence;
- (3) at any time when there is an "Event of Default" under the terms of the closing documents;
or
- (4) the Owner fails to meet his/her/their obligations as established for the program.

CDBG Target Areas Map



ELIGIBILITY CRITERIA

The City of Chelsea's CDBG Housing Rehabilitation Program primarily serves low- or moderate-income (LMI) **owner-occupants of one to four-family properties** in the Target Areas, subject to conditions described below. However, the program may also serve **investor-owners of one to four family properties** where **100%** of the units in the building are occupied by low-moderate income tenants.

***Low and Moderate income** means household income which does not exceed 80% of the median income of the metropolitan area in which the household is located, or, if the community is not located in a metropolitan area, 80% of the median for the county or the median for the entire non-metropolitan area of the state, whichever is greater.*

Participation in the program requires that households residing in the intended unit(s) to be rehabilitated are income qualified and/or low-to-moderate income families.

Preliminary eligibility is defined as an applicant meeting the initial eligibility requirements in order to qualify to begin the housing rehabilitation application, and determination is made by the City and CRC. Eligibility for funding is determined after the complete application is received and reviewed by the City and CRC, and not necessarily must be understood as a guarantee for approval of the whole rehabilitation project cost. Further estimation is required after the Program Rehabilitation Specialist conducts a home inspection.

General Criteria

The Program has the following criteria for eligibility:

- **Participation Selection Criteria:** Funds are generally available on a “first come, first served” basis until they are exhausted. Priority shall be available to eligible applicants in the CDBG Target areas for proposed housing repair work that is a priority as described in this Program Guidelines (see “Eligible Rehabilitation Activities” on page 9 for additional information). In this event funds are exhausted, Program staff may create a waiting list for additional funds if they may become available at a later date. The program may, at its sole discretion, invoke a priority ranking system, based on need, to determine the order in which applications are approved. Priority ranking will be based upon the emergency conditions of the property.
- **Taxes and Fees:** Any property owner requesting assistance under the program must be in “Good Standing” with regard to any other obligation to the City (such as property taxes, water and sewer, outstanding tickets, fees, etc.), or must have entered into and be in compliance with a payment agreement with the City Treasurer/Collector to repay the delinquent balances. The City reserves the right to prohibit the participation of property owners who have a history of repeated code violations and/or delinquent tax or other financial obligations to the City.

-
- Credit Status: To be eligible to participate in the program, all mortgages or mortgage notes secured by the property must be in “Good Standing”. The property must not have any state or federal tax liens. Applicants are required to inform the Program staff if existing mortgages or mortgage notes secured by the property are not in good standing (e.g. in arrears, default or foreclosure). The Program will not provide assistance to applicants who have not resolved issues pertaining to the above. Applicants who are currently in bankruptcy or foreclosure proceedings are not eligible to apply to the Program.
 - Start of Work: Work assisted under the Program may only begin after an Owner has signed and returned a Commitment Letter to Program staff and a Notice to Proceed order has been received by the contractor. Owners will not be reimbursed for work undertaken prior to approval and authorization under the Program.
 - Frequency of Participation: If an Owner has previously participated in the same or similar CDBG Housing Rehabilitation Program and has received funding assistance within the last ten (10) years, he/she/they will NOT be eligible for assistance under this program. The City may exercise discretion in cases of extreme hardship/need and availability of funding.
 - Property Ownership: All applicants must be the property owner of record of the proposed residential structure. For applicants seeking status as owner-occupants, ownership of the property must be in the name(s) of people who reside at the property. Applicants must be able to clearly demonstrate who owns or has beneficial interest in the property and will be required to provide deeds or trust documents, as applicable, to Program staff. If an applicant holds a life estate in the property, Program staff will require the consent of the holder of the remainder of the interest.
 - Income Qualification and Guidelines: Generally, except as discussed below, the gross household income of owner-occupants must fall below specific LMI guidelines set forth by HUD (see table on page 8). Owner-occupants of multi-family properties may be eligible for program assistance regardless of income, only if their tenants are income eligible.

HOUSEHOLD: All the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

- Household Size: Household size will be determined as of the date of the first request by Program Staff for income documentation. In the event there is a change in household size before a determination of income eligibility is made, the Program may review the eligibility of the project in light of the change.
- Tenants Household Incomes Guidelines: Generally, except as described below, if there are rental apartments in the buildings, tenant household incomes must also fall within the same

LMI guidelines.

- Property Location within Target Areas: Generally, funds will be available only for properties located within the Target Areas detailed above and these properties will be given priority, however, where conditions warrant and where funds may be available, the City may use its discretion, with DHCD approval, to use a certain percentage of funding outside of the specified target areas.
- Type of Property: The property must be a 1-4 unit residential property and may be either owner-occupied (requires 51% of the units occupied by LMI households) or investor-owned (requires 100% of the units occupied by LMI households).

Criteria for Owner-Occupied Properties

- In a single-family building, the unit must be currently occupied by a LMI household;
- In a two-family building, at least one of the two units must be currently occupied by LMI household or if vacant must be rented to a LMI household as defined in the table below, with the rent not to exceed the allowable rent levels listed in the Rent Limits table in page 8, which are subject to approved adjustments only for the 15 year affordability period or while any part of loan remains outstanding;
- In a three-family building, at least two of the three units must be currently occupied by LMI households, or if vacant, must be rented to LMI households as defined in table below, with the rent not to exceed the allowable rent levels listed in the Rent Limits table in page 8, which are subject to approved adjustments only for the 15 year affordability period or while any part of loan remains outstanding;
- In a four-family building, at least three of the four units must be occupied by LMI households, or if vacant, must be rented to LMI households as defined in table in page 8, with the rent not to exceed the allowable rent levels listed in the Rent Limits table in page 8, which are subject to approved adjustments only for the 15 year affordability period or while any part of loan remains outstanding.

Criteria for Investor-owned properties

- In Investor-owned properties, all of the units in the building must be occupied by LMI households, or if vacant, must be rented to LMI households with incomes defined in table Income Limits in page 8, with the rent not to exceed the allowable rent levels listed in the FMR table below which are subject to approved adjustments for a minimum of fifteen (15) years. An Affordable Housing Restriction restricting rent levels in low and moderate income units for a minimum of 15 years is required, and runs with the land. The terms are transferred to a new property owner should the property be sold or transferred during the terms of the Affordable Housing Restriction.

Income Verification

- Household income will be verified by Program Staff by examining all sources of income, such as employment, retirement, rental, and any other income source, etc. The determination of eligibility will be based upon the gross annual income of the applicants' household (or where applicable, the tenants' household income). All annual gross household income is considered. See sheet entitled "Sources of Income" on Supplement 2 of the "Application."

Household Income eligibility screening will be performed in accordance with Mass CDBG Income Documentation Requirements and annual income. For purposes of income eligibility, all persons and residents are considered household members.

Annual Income is the anticipated total income from all sources received by the Family head and spouse (even if temporarily absent) and by each additional member of the family, including all net income derived from assets for the 12 month period following the effective date of certification of income.

For most cases, the Program Staff will collect income documentation that requires verification of adjusted gross income over a six to eight week period. Upon documentation, projected household income is determined and compared to the published HUD Section 8 Income Limits to identify low to moderate persons. The application will be used to collect data on household composition, income and asset sources. All documentation must be dated prior to loan closing and will be held in confidence in compliance with all Privacy Act requirements.

- Household income shall be defined as the income of all household members, 18 years and older, who are not full-time students. To be "Income-Eligible", an owner-occupant or tenant household(s) must have total household incomes that do not exceed the limits established by HUD below:

HOUSING REHABILITATION PROGRAM INCOME LIMITS

Household Size	Maximum Income Adjusted for Household Size*
1 person	\$48,800
2 people	\$55,800
3 people	\$62,750
4 people	\$69,700
5 people	\$75,300
6 people	\$80,900
7 people	\$86,450
8 people	\$92,050

*Includes gross income from all sources of adult household members. These income limits are revised from time to time. The above figures are effective as of 03/06/2015.

<http://www.huduser.org/portal/datasets/il/il2014/2014summary.odn>

RENT LIMITS for Renter-Occupied Assisted Units*

Bedroom Size	Maximum Rent
0/Efficiency	\$1,071
1 bedroom	\$1,196
2 bedroom	\$1,494
3 bedroom	\$1,861
4 bedroom	\$2,023

*Please note these rent limits include utilities! If the tenant is paying their own utilities, you must deduct a "Utility Allowance". For updated utility allowances, please request a copy of the utility schedule from the Housing Rehabilitation Specialist. These rent limits are revised from time to time. The above figures are effective for 2015.

ELIGIBLE REHABILITATION ACTIVITIES

All properties assisted with a CDBG Housing Rehabilitation Loan must be brought into compliance with the City of Chelsea local ordinances and zoning regulations, Massachusetts State Building and Sanitary Code regulations, Chapter II of the Massachusetts State Sanitary Code and requirements proscribed by HUD in the Uniform Physical Condition Standards inspection procedures as pursuant to 24 CFR 5.705, the HUD Lead-Based Paint Regulation (24 CFR Part 35); and the EPA's Renovation, Repair and Painting Rule (RRP Rule).

Priority is given to elimination of Code violations as defined as conditions that do not meet the minimum standards detailed in the Massachusetts State Sanitary Code, Chapter II. Code violations often addressed by the Housing Rehabilitation program include:

- Major defects in structural elements of a dwelling (e.g., floors, stairways, porches, railings, walls, doors, windows, ceilings, roof, staircases, chimney and other elements.)
- Leaks, obstructions or defects in sinks, tubs, showers, toilets, connecting plumbing, gas fittings, sewage disposal system, electrical, heating, or ventilation equipment.
- Temporary, improper, or dangerous electrical wiring.
- Presence of lead-based paint in units where there are households with children under six years of age.
- Presence of asbestos.
- Infestation of insects and rodents.
- Those conditions that are deemed to endanger or impair Health or Safety as listed in 105 CMR 410.750

Eligible repair activities may include: electrical, heating, and plumbing work; structural repairs, roof repairs, weatherization and energy conserving improvements, insulation, painting, lead and asbestos removal and other related building improvements as well as handicap accessibility needs for elderly and/or handicapped residents, and are dependent upon the funding availability and should it not be cost prohibitive to do so.

Rehabilitation work that does not directly address code violations or any other items that are not determined to be eligible under the categories listed above will be considered only in so far as it contributes to the sustainability and functionality of the property as an affordable housing unit.

Ineligible items include luxury items and other personal property that are not an integral part of the property structure. Program funds cannot be used for purposes of general upgrades or "remodeling work" at a residence, or creating additions (including additional bedrooms or bathrooms within the existing property).

Work must be performed in accordance with the Materials and Performance Specifications, as updated by the Housing Rehabilitation Specialist, unless otherwise noted in the work-write up/scope of work for the property to be rehabilitated.

Furthermore, contractors are expected to follow the guidelines outlined in the General Contract Conditions. These guidelines provide information and expectations regarding the bids provided by the contractor as they relate to the work-write ups and/or change orders associated with specific properties, de-leading work covered by the contract, and license, permit, and insurance requirements.

Guidance concerning the work standards and conditions outlined in the General Work Standards and Conditions cover: building codes, interruption of services provided under the rehabilitation contract, protection and clean-up responsibilities, as well as occupancy, quality, and workmanship standards, etc.

All improvements must be attached to the property and must be permanent in nature. Any questionable items considered for rehabilitation assistance shall be reviewed by the Program Director.

Correction of code requirements determined necessary by the Rehabilitation Specialist and building inspector will be considered non - negotiable items that are to be corrected.

Properties that have been determined to be or are potentially historically and/or architecturally significant shall be reviewed with the State Historic Preservation Officer (SHPO) to avoid any adverse effects on properties of this nature. The U.S. Department of the Interior's "Standards for Rehabilitation" shall be used as program guidelines for such structures that are greater than fifty (50) years of age.

In cases where the estimated work is higher than the per unit cap of \$30,000 for a rehabilitation project, the Rehabilitation Specialist will review the scope of work and reduce it where possible. The Owner and the Rehabilitation Specialist may agree to list alternates to the bid specifications in an effort to keep the project within the cap allowed.

LOAN TERMS AND CONDITIONS

CDBG Rehabilitation Loans are secured by a CDBG Mortgage on the property and subject to all the terms of a CDBG Promissory Note and the CDBG Loan Agreement. Tied to the financial assistance are: Rental Agreements for units assisted by the program, with provisions for establishing rents and the refilling of vacated rental units. The property owner must agree to consistent maintenance of the property by the owner, and timely payments of all municipal charges (i.e., tax & water/sewer bills), and payment of homeowner's insurance for the full term of the loan, as well as flood insurance, if applicable. If an owner is found non-compliant with the terms and conditions of the Loan Agreement and associated documents, the Chelsea City Solicitor can initiate cancellation of the Loan Agreement and recapture of funds.

Loan Terms for Owner-Occupied Properties

Income-eligible owner-occupants may receive a 0% interest, fifteen (15) year, deferred payment loan to rehabilitate their primary residence through the CDBG Housing Rehabilitation Program subject to the availability of funds, eligibility of owner and/or tenants, terms and conditions of the Promissory Note, CDBG Mortgage, CDBG Loan Agreement, and, as applicable, the Rental Agreement with an affordable housing restriction for rental units.

Loan Terms for Investor-Owned Properties

Investor-owners may receive a 3% interest, 15 year, deferred payment loan to rehabilitate their property through the CDBG Housing Rehabilitation Program only where 100% of the tenant households in the property are eligible LMI households. Assistance is subject to the availability of funds, eligibility of tenants, terms and conditions of the Promissory Note, CDBG Mortgage, CDBG Loan Agreement, Rental Agreements and an Affordable Housing Restriction that runs with the land, and is recorded at the Suffolk Registry of Deeds.

Rental Agreements

Any rental unit rehabilitated under the CDBG Housing Rehabilitation Program (whether in an owner-occupied or investor-owned property) will be subject to 15 year affordability restrictions as to rent levels to be charged so that the unit will be retained as affordable housing. Maximum rental rates are those established by the Section 8 Program Fair Market Rents inclusive of any adjustment factor.

When units occupied by over income tenants at the time of rehabilitation become vacant, the rent for the unit will be set at a level that does not exceed the lessor of the Section 8 Program Fair Market Rents including adjustments for utility cost of the high Home rents.

In addition, property owners will be required to provide annual "RECERTIFICATION" documentation to the Program regarding the rent levels charged and the income of tenant households in order to ensure compliance with the terms of the Rental Agreement and/or CDBG Affordability Provisions.

Repayment of Loans and Recapture Policy

0% Owner-Occupant Deferred Payment Loans: Deferred Payment Loans (DPL) to qualified owner-occupants will have a term of fifteen (15) years. No monthly payments are required, and the DPL is recaptured according to the repayment schedule when the term of the loan expires or at any time during the initial 15 year term when property is sold, transferred, refinanced (cash-out) or where owner-occupant ceases to occupy property as primary residence.

For owner-occupants, the amount owed for a DPL is reduced and/or forgiven according to a schedule of twenty percent every three years. At the end of the fifteen years, the loan is forgiven IF ownership and residency have been maintained.

Repayment Schedule for Assisted Owner-Occupant Loans

Transfer before the End of Year	Recapture Percentage – Repayment by year
Year 1	100%
Year 2	
Year 3	
Year 4	80%
Year 5	
Year 6	
Year 7	60%
Year 8	
Year 9	
Year 10	40%
Year 11	
Year 12	
Year 13	20%
Year 14	
Year 15	
After Year 15	Forgiven

Requests for subordination are considered on a case-by-case basis ensuring that the City’s position on the loan will remain at least as favorable as is at the time of the request. Under certain conditions of financial hardship and submission of written documentation, forgiveness for owner-occupants due to serious illness may be allowed with review and approval of the City of Chelsea Director of the Department of Planning and Development.

In the event that the Owner-Occupant moves out prior to the 15 year term, retains the property and rents the unit, the owner may delay the loan being called. The owner must demonstrate that 100% of the units in the building meet the LMI income guidelines at the time the owner moves out, and must enter into required agreements with the City. [If this cannot be demonstrated, the loan is accelerated and becomes due and payable.] Any amount then outstanding on the new loan will no longer be forgivable and must be repaid with 3% interest accruing from the date of move-out.

3% Investor-Owner Deferred Payment Loans: Deferred Payment Loans to qualified investor-owners are 3% DPL loans that will have a term of fifteen (15) years. No monthly payments are required, and the DPL is recaptured according to the repayment schedule when the term of the loan expires or at any time during the initial 15 year term when property is sold, transferred, refinanced (cash-out). Investor-owner loans are not forgivable under any circumstance. The Owner reserves the right to prepay at any time all or any part of the principal amount of the loan, however the 15-year Affordable

Housing Restriction remains and runs with the land.

Pre-Payment Charges: If an Owner Occupant or Investor Owner pays off the loan at any time within three (3) years after the date hereof, a prepayment charge is applied, as follows: (a) within one year, a 10% charge of the aggregate outstanding amount of the principal prepayments during such year, (b) after year one but before two years, a 5% charge of the aggregate outstanding amount of the principal prepayments during such year; and (c) after year two but before three years, a 3% charge of the aggregate amount of principal prepayments.

Loan Repayments Terms: The City of Chelsea will accept loan payments from an Owner-Occupant and/or Investor Owner upon sale or transfer of the property, refinancing or change in title according to the recapture policies. Loan payments should be made to:

City of Chelsea
Department of Planning & Development
ATTN: CDBG Housing Rehabilitation Program
500 Broadway, Room 101
Chelsea, MA 02150

The required recapture provisions will be enforced through the execution of the CDBG Loan Agreement between the City of Chelsea and the homeowner occupant or investor with the City of Chelsea as Beneficiary, which will include the signing of a CDBG Loan Agreement and a Promissory Note.

Condition of Default: Conditions of default include transfer of title or sale of the property without repayment of assumption of the CDBG loan. The homeowner and the property investor is also considered in default if property taxes are not paid or proper insurance is not maintained. If the CDBG Loan Agreement is not adhered to, the CDBG loan is also in default.

Foreclosure: In the event the Owner Occupant or Investor property enters foreclosure proceedings through a foreclosure action or a deed transfer to the lender in lieu of foreclosure, the City of Chelsea will take all precautions necessary to ensure the funds invested in the property are protected. The City of Chelsea will refer the homeowner for housing counseling. The homeowner will be required to repay what is due only out of net proceeds (if any) received from transfer.

Loan Monitoring Procedures: The City will monitor annually both the homeowner and the units to ensure compliance to program requirements including, but not limited to, the following:

- Owner-occupancy and tenancy income-qualification

-
- Property tax payments
 - Hazard insurance coverage
 - Good standing on first lender loan
 - General upkeep of housing unit

Proceeds of Loan and Eligible Expenses

Loan proceeds may only be used to cover the actual expenses incurred in order to move the rehabilitation project forward. This may include, but is not limited to, costs of construction (inspected, approved, and paid to contractor) for work completed, costs for required legal and/or recording fees, costs/fees necessary to secure required approvals/permits, costs of required inspections (such as lead paint, structural, etc.), required or incidental and documented costs and expenses incurred by the Chelsea Restoration Corporation (CRC) on behalf of the property owner (generally, however, CRC's costs to administer the program are paid separately by the City of Chelsea), and other grant-eligible cost as may be deemed necessary and appropriate by the City and CRC in order to assure completion of the rehabilitation project.

NOTE: Loan proceeds may not be used for any other purpose other than those detailed above. No loan proceeds may be used as "Cash Out" or result in excess funds to the property owner above the actual costs to complete rehabilitation.

Maximum Value after Rehabilitation

After the rehabilitation is complete, the value of the home cannot exceed 95% of the area median purchase price for similar homes, as established by the federal government. If the Housing Rehabilitation Specialist determines that the scope of rehabilitation work necessary to bring the property up to code would cause the property value to exceed these purchase price limits (as set by the US Department of Housing and Urban Development), the property will **NOT** be eligible for a Housing Rehabilitation Loan.

PROJECT WORK

Application

The application form for a housing rehabilitation loan is available through the Chelsea Restoration Corporation, at 154 Pearl Street, Office #2, Chelsea, MA. The property owner and/or the tenants must supply all information required in order to complete an income certification, as well as documentation of homeowner/property owner status (Owner of Record). A CRC staff person will assist in completing the application form and guide the applicant through the following process:

- A. The Owner submits an application to Chelsea Restoration Corporation (CRC) and the Program Director / Primary Rehabilitation Specialist reviews it for accuracy and completeness to determine project eligibility.***

It is expected that applications will be received, clocked in, and checked for obvious errors and omissions. The City will be notified of the application so that it can be determined whether or not the borrower is in “good standing” with regard to other obligations to the City such as property taxes, water and sewer, outstanding tickets, fees, etc. The Program Director will consult with the applicant regarding this issue as well as other errors, discrepancies, or missing information on the application. The owner signs the Lead Safe Information pamphlet. Those who are in arrears on taxes, water and sewer, etc. may visit with the Treasurer to arrange for a payment plan.

Applications that appear to qualify for the income thresholds will be reviewed to ensure that there is sufficient equity and that the cost of the work that needs to be done does not exceed 95% of the property’s assessed value. Income will be documented according to HUD and DHCD procedures.

- B. The Program Director / Primary Rehabilitation Specialist requests a Certificate of Habitability Inspection from City Inspectional Services Department. CRC Inspector will then undertake a complete inspection of the property, prepare a preliminary scope of work and make a preliminary calculation of the value of the work that is needed, and will determine the level of code deficiency or repairs to be addressed by the Rehabilitation Program.***

When a project is fully qualified, the Program Director will notify the owner that the project is in queue and move the project file onto the “Active list”. When a project is moved onto the active list (and if owner has not already done so), the Housing Rehabilitation Specialist (HRS) will first request and coordinate a Certificate of Habitability Inspection from ISD. S/he will then undertake a complete inspection of the property, prepare a preliminary scope of work, note whether the property may be historical in nature, and make a preliminary calculation of the value of the work that is needed. S/he will typically request that the owner apply for an energy audit through the MassSave program in order to receive a discount on energy solutions such as blown-in insulation, programmable thermostats, etc. An environmental review, including review by the Massachusetts Historical Commission, must be completed prior to commitment of funds. The level of lead paint abatement is noted and owner

must provide valid Certificate of Lead Paint Compliance, where applicable; the project requirements for EPA Lead Paint Abatement will be evaluated by the Program.

Inspection and Contractor Bidding

C. After property is inspected, the Program Director / Rehabilitation Specialist and the CRC Inspector will develop a scope of work and schedule a pre-construction meeting between the City, CRC and the Owner.

Following consultations for ISD, lead paint removal requirements, and historical work, a scope of work and preliminary cost estimates will be developed and a meeting will be held with the owner. The HRS will design and develop cost estimates for the project.

D. Owner approves the scope of work and agrees to the amount and terms of the financing. Program Director / Rehabilitation Specialist and CRC inspector prepares bid packages and release them to qualified contractors.

When the owner approves the scope and agrees to the amount and terms of the financing, the project is put out to bid to qualified contractors. Contractors are taken on a “walk-through”, following which possible addenda may be issued. Following opening of sealed bids, the HRS reviews the bids for accuracy and responsibility. If a case waiver is needed, it is applied for at this time.

Contractor Requirements

The minimum requirements for contractors to participate in the Program include:

- A Massachusetts Construction Supervisors license or trade license.
- Registration as a Massachusetts Home Improvement Contractor, as applicable.
- Workman’s compensation insurance at statutorily required limits, as applicable.
- Property and liability insurance: Contractors shall furnish the City with a Certificate of Insurance including general liability and workers’ compensation and employees’ liability insurance.
- Completion of EPA Certified Renovator Course Lead Safe Work Practices, when applicable
- Demonstrated experience in the appropriate trade(s).
- Each contractor must fill out a registration form listing references and licenses and submit a certificate of insurance prior to receiving a contract award. References will be checked by Program staff.
- Once registered with the Program, contractors will receive notice of projects when they go out to bid. Owners wishing to use contractors not included on the list may only do so if the contractor registers with the Program and submits the proper insurance certificates and

references prior to the project going out to bid.

- Contractors must take out all required permits prior to initiation of construction. The cost of the permits is to be included in the bid price.
- If a participating contractor's performance or quality of work is unsatisfactory in the opinion of Program staff, the contractor will be issued a written notice describing specific problems with the contractor's work. This notice shall serve as a warning. If the problems, as outlined in this notice, are not addressed, then, based upon a recommendation from Program staff to the Department of Planning & Development, the contractor will be barred from working in the Program.

NOTE: CONTRACTORS INTERESTED IN APPLYING FOR THE PROGRAM SHOULD CONTACT CHELSEA RESTORATION CORPORATION

Loan Origination

- E. Owner file is submitted to the City for CDBG loan origination and contracting procedures. City prepare a CDBG Loan Agreement with Owner and Contractor-Owner Agreement.***

The Program Director and HRS again discuss the project with the owner. The CDBG Loan Agreement CDBG Mortgage and Promissory Note documents are drawn up and signed by the owner (subject to availability of sufficient financing). The Rental Agreement(s) and the Affordable Housing Restriction as applicable will also be drawn up. A pre-construction conference is held, and work is expected to begin after all documents are approved and executed by the City. The Program Director and HRS work with the owner and contractor to advance the project and monitor for issues, change order, etc. No changes in the scope will be issued unless written approval is received from the Program Staff. The documents will spell out procedures for communication, grievances, payments, affordability restrictions, fair rents, affirmative fair marketing requirements and other topics. When projects are completed, follow-ups for affordable housing restrictions, insurance, and fair rent compliance continue.

- F. Contracting meeting takes place between CRC, the City, selected construction contractor and the Owner for closing.***

The City verifies all required documentation is in place. The City prepares a draft owner/contractor agreement for the proposed work. Once the Loan Agreement is approved by the City, notices are sent both to the selected contractor and the participant. Upon selection of contractor(s), an agreement will be signed between the owner of the property and contractor(s) for the specified work to be completed.

Construction

G. Contractor is notified of contract execution and receive a Notice to Proceed with the rehabilitation work.

Upon completion of the work, the contractor(s) will submit the invoices directly to the owner for payment. Invoices are reviewed by CRC, signed by the owner and then submitted to the City. Checks are made payable to the contractor with consent from the owner. The owner must sign approval forms prior to a check being provided.

H. Periodic and a final inspection is conducted by CRC Housing Rehabilitation Specialist

The Housing Rehabilitation Specialist will assist with periodic inspections during the course of construction to supervise work progress and ensure compliance with scope of work. In addition, the Housing Rehabilitation Specialist will review progress with the property owner, submit progress reports, and review requests from contractors for payment, modify them as needed, and make recommendations to the City for payment. A 10% retainage will be withheld from each progress payment to ensure project completion in accordance with the Scope of Work. Final payment is made upon satisfactory completion of construction, sign off by owner and Program Director, sign off on permits, and release of liens and warranty.

I. Project is closed out

The Housing Rehabilitation Specialist will conduct final inspection, prepare corrective list ("Punch List") as required, and conduct follow-up inspections as required.

REMOVING LEAD PAINT

A lead paint inspection and risk assessment will be conducted by a qualified and insured inspector. Specifications will be developed based on the applicable state and/or federal laws. For projects receiving more than \$5,000 and less than \$25,000 of housing rehabilitation assistance, under the effective revised lead paint regulations, a risk assessment will identify those lead paint hazards requiring interim control measures. Projects receiving \$25,000 or more of housing rehabilitation assistance and found to have lead paint have to be fully abated.

The inspection report will identify levels of hazard, prioritize the risk, and recommend interim measures of abatement or full abatement depending on the amount of housing rehabilitation assistance which the property is estimated to receive. Dwellings where children under the age of six years reside must be abated first regardless of the cost of the project. All occupants must have to follow the City's relocation policy during the de-leading process. All de-leading projects must be performed by qualified, certified, and insured de-leading contractors.

OTHER SOURCES OF FINANCIAL ASSISTANCE

In addition to the CDBG funding, and in the event of any shortfall between the funding available under the CDBG program and the amount required to properly rehabilitate the property in order to meet the requirements of Chapter II of the State Sanitary Code and the requirements proscribed by HUD in the Uniform Physical Condition Standards inspection procedures as pursuant to 24 CFR 5.705, Program staff may also review and facilitate the property-owner's qualification for other funding programs that may be of benefit (such as, Get the Lead Out for de-leading, HEAT Loans for energy conservation measures, as well as conventional bank financing programs that the property owner may qualify for). Where appropriate, the property owner may be able to access these programs to close the funding gap and help "stretch" CDBG funds.

DISPUTE RESOLUTION PROCESS

Should a dispute or difference of opinion arise between the owner and the contractor, the Housing Rehabilitation Specialist is available, as an impartial third party with experience and construction knowledge, who can assist in arbitrating the dispute. Although it is preferred for the owner and contractor to resolve any disagreements that might arise over the course of the rehabilitation work between themselves, it is important that either the owner or the contractor contact the Housing Rehabilitation Specialist immediately, should they prefer assistance in resolving the dispute. The overall goals are to minimize conflict, keep the work on schedule, and completed in a quality, workmanlike manner, as quickly as possible.

*Please refer also to the **Dispute Resolution Disclosure** which both owner and contractor must sign at the Pre-Construction Conference.*

EQUAL OPPORTUNITY

It is the policy of the City of Chelsea to carry out these objectives as effectively as possible and without regard for race, color, creed, religion, national origin, ancestry, sex, age, children, marital status, sexual orientations, gender identity, disability, public assistance or rent-subsidy status.

CONFLICT OF INTEREST

The City of Chelsea shall adhere to the provisions of Massachusetts General Laws, Chapter 268A, with respect to the Conduct of Public Employees. In addition, no member, officer, or employee of the Recipient, or its designees, or agents, no member of the governing body of the locality who exercises any function or responsibility with respect to the Program during his tenure of for (1) year thereafter shall have an interest in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with this program.

ANTI-DISPLACEMENT AND RELOCATION PLAN

Permanent, non-voluntary displacement of households benefiting from the program will not occur under any circumstances.

Whenever there is the potential of temporary displacement for non-lead paint abatement work, the City/Consultant will request that the Property Owners consider the feasibility of carrying out the rehabilitation and programs in stages. This reduces the amount of household upheaval inherent in the housing rehabilitation process and often eliminates the need for temporary relocation. The Rehabilitation Specialist will design the scope of work with this in mind.

For units requiring only one day of lead abatement work, and work is done while tenants are working, services should not be shut off for more than eight hours. The City of Chelsea/Consultant will maintain records of sufficient detail to demonstrate compliance with the requirements of the Uniform Act.

Temporary Relocation and Displacement Assistance:

When owner-occupants and tenants are required to be temporarily displaced, the owner-occupant relocates the tenant to a vacant unit in the same building, if possible. If there are no available units, the suggestion is made that they move in with family or friends for a short term displacement. If this is not an option, the City/Consultant arranges for lodging and the tenant is reimbursed for reasonable out-of-pocket expenses incurred in conjunction with the temporary relocation. Likewise, the City/Consultant arranges for lodging when an owner-occupant is unable to relocate to a vacant unit or stay with family or friends.

Temporary relocation expenses are included in the property-owner's budget (per-unit cost) and loan.

OTHER CERTIFICATIONS

Because the loan pool funds are limited, not all applicants can be serviced. If funds are not available, the application may be put on a waiting list. Payments will not be made for work undertaken or contracted before the homeowner(s)' application is processed and approved.

The City of Chelsea and Chelsea Restoration Corporation are equal opportunity agencies providing services to eligible persons without regard to race, national origin, sex, sexual orientation, age or handicap.

APPLICATION

If you wish to participate in the CDBG Housing Rehabilitation Program or would like additional information, please contact Marilyn Garcia, Program Director at Chelsea Restoration Corporation at 617-889-2277 or to David Guzman, Senior Housing Development Project Manager at the City of Chelsea Department of Planning & Development at 617-466-4180. The City of Chelsea will provide auxiliary services, written materials in alternative formats, and reasonable modifications in policies and procedures to persons with disabilities upon request.

TERMINATION

The City of Chelsea has the right to reject the CDBG Housing Rehabilitation Program application or terminate any agreement if a participant is found to be in violation of any conditions set forth in these guidelines. The applicant must not begin construction on a CDBG Housing Rehabilitation funded project prior to an executed CDBG Loan Agreement and/or the “Notice to Proceed with Improvements” with the City of Chelsea and Chelsea Restoration Corporation.

SIGNATURES

I, the applicant, have read and I understand the CDBG Housing Rehabilitation Program Guidelines and I will retain a copy of these guidelines as part of the application package.

Applicant Signature

Co-Applicant Signature

Printed Name

Printed Name

Date

Date