



CDBG and HOME Housing Rehabilitation Programs

Revised March 18, 2015

Program Outline

I. INTRODUCTION

- A. Applicability** The U.S. Department of Housing and Urban Development has made assistance available for projects and activities, which principally benefit low and moderate-income persons, through the Community Development Block Grant (CDBG) program and HOME program. The Erie Redevelopment Authority (“the Authority”) administers one of the City’s CDBG Housing Rehabilitation Programs and the HOME program.
- B. Introduction** Consistent with the City’s consolidated plan, funding is allocated to the Authority for owner- occupied, and in some cases, renter occupied rehabilitation. The Authority awards deferred-payment loans for housing rehabilitation, lead hazard elimination, to income-qualified homeowners or renters. The purpose of this program is to improve the quality of the City’s housing stock and to correct conditions which pose a serious threat to the health and welfare of residents.
- C. Program Eligibility**

 - 1. To be eligible you must own and/or occupy a residence in the target area of the City of Erie and meet Department of Housing and Urban Development income requirements.
- D. Funding Usage**

 - 1. CDBG and HOME funds may be used in conjunction with other funding sources for housing rehabilitation, which may require that the rehabilitation meet requirements in addition to these guidelines.
 - 2. CDBG and HOME funds may be used to make repairs, rehabilitations, accessibility alterations, lead hazard mitigation, and/or to address code related issues. ERA’s inspectors and staff will determine the proper combination of work items for each project based on the level of deterioration, lead hazards, code issues, and accessibility issues found to be present at the proposed project.
 - 3. When addressing code issues, ERA will focus on:
 - a. Ensuring the health and safety of the residents.

- b. Ensuring weather-tightness of the home.
- c. Returning failed plumbing, electrical, mechanical and structural systems to good working order. Plumbing, electrical, mechanical and structural systems may be replaced when these systems cannot be repaired or when replacement is more cost effective than repair.
- d. **Repair of serious structural decay or collapse is beyond the scope of work that can be accomplished by the Authority.** When structural decay and collapse is encountered, the Authority's inspectors will assess the level of damage and make a determination on the viability of the project. If it is determined that the level of damage is beyond the scope of the Authority, the project will be immediately terminated and the client will be notified in writing.
- e. CDBG funding will not be used for removal of trash and debris other than that generated by the construction/rehabilitation activities.
- f. Components of the property that are in good working order will not be replaced or modified for beautification purposes using CDBG funding.

E. Funding Availability

1. Rehabilitation funding is typically assigned to a specific neighborhood called a target area or the City's CD Impact Area. Because funds are constantly being spent and may or may not be replenished, funding may be unavailable in some areas of the City.

II. APPLICATION PROCESS

A. Applications

1. Applications may be obtained from the Authority's office at 626 State Street, Room 107, Erie, PA 16501. Applications can also be requested by calling 870-1540.
2. The following information must be attached to each application submitted: (1) A copy of the property deed. (2) Paid property tax receipts for the past year. (3) Proof of income. (4) A basis (or general description) for projecting income for the next 12 months. –Part 5 Calculation (5) Latest federal income tax return and W-2 forms. (6) Evidence of current property/homeowner insurance. (7) Completed income and asset verification forms. (8) Evidence that water and sewer/trash bills are paid.
3. Incomplete applications will not be processed. The Authority's staff will review each application package and notify the applicant if additional information is needed.
4. Program guidelines and financial assistance will be reviewed and explained to applicants by the Authority's intake coordinator.
5. The housing unit is **NOT** eligible for participation in the rehabilitation program if it is being purchased under land contract.
6. Once the application has been completed and verified, the Authority's inspector will arrange an appointment with the applicant(s) to conduct an initial on-site inspection of the property. This inspection will determine eligible construction/rehabilitation activities including lead hazard and accessibility issues. It is the Authority's goal to prioritize those construction/rehabilitation activities which:

- a. Correct conditions that pose a serious threat to the health and welfare of the residents;
- b. Repair or replace failed structural, mechanical, plumbing and electrical systems as well as correct code conditions that are directly related to the scope of work;
- c. Correct conditions that, if left uncorrected, would lead to further decay of the property;
- d. Focus on exterior improvements that have the most potential to increase the fair market value of the property and neighboring properties and remove obvious signs of blight; and/or
- e. Fulfill the City and Authority's general and specific objectives to improve the quality of the City's housing stock.

7. The initial inspection will be followed with the preparation of a preliminary work write-up and cost estimate. If it is determined that the necessary repairs will exceed available funding and the owner is unable to make up the cost difference, the inspector will submit to the Authority Executive Director a proposed prioritization of the eligible activities that will most substantially fulfill the above stated goals.

- a. The Program Manager will determine the viability of the project. If the Program Manager determines the project does not meet the above stated goals given the budgetary limits, he/she may terminate the project and notify the client in writing.
- b. The following inspections will be conducted prior to preparation of the final scope of work and cost estimate:
 - A lead risk assessment will be conducted on all properties built prior to 1978 in which costs for the contemplated construction/rehabilitation activities are estimated to exceed \$5,000.00, to determine if the property contains lead-based paint hazards. A certified Risk Assessor will make recommendations for corrections.
 - An inspection will be conducted to determine the extent of construction/rehabilitation needed and to ensure that all contemplated activities are consistent with applicable Erie City adopted Uniform Construction Codes, Property Maintenance Codes, City Ordinances and Zoning Ordinances.
 - An inspection may be conducted to determine possible accessibility improvements when appropriate.
- c. If the project is considered feasible, a finalized scope of work and cost estimate will be prepared and scheduled for bidding.

B. Application Approval

1. ERA will verify ownership of property and ensure that the property is within the CD-Impact Area or an identified target area. ERA will also verify that property taxes are paid up to date and that the household income does not exceed federal requirements for family size.
2. The Authority may consider applicants' previous experiences with housing and homeowner assistance programs in selecting participants in this program. The Authority reserves its rights to reject applicants in poor standing with other housing and homeowner assistance programs and also prioritize those applicants which have not previously received housing and homeowner assistance.

C. Income Requirements

1. Applicants must meet the 2015 HUD income guidelines which are revised annually.

Family Size	1	2	3	4	5	6
Income Limits	33,950	38,800	43,650	48,450	52,350	56,250

2. Family size determines the income limit and includes all family members, including shared-custody children who reside within the household at least 50% of the time. Foster children, live-in aides and their children, and unborn children may not be included.

3. Family income includes all income determined eligible by HUD’s Part 5 Annual Income. It includes the following income of family members 18 years of age and older: Gross income through wages, salaries, overtime pay, commissions, fees, tips, bonuses and other personal compensation; net income from business; interest, dividends and other net income; social security, pensions, retirement, disability, death benefits and other similar types of periodic payments; welfare or unemployment payments; alimony and child support; armed forces pay. (Earnings in excess of \$480 for each full-time student 18 years or older, excluding the head of household or spouse, may be excluded.)

D. Income Verification

1. The client must request verification of income from his/her employer. This will be filled out by the Human Resource Manager, Shift Manager, etc. at your place of employment. The most current income tax return, W-2, and at least 3 months of the most recent paystubs must be included as well for **complete income verification** in the household.

2. If an applicant is self-employed, his or her most recent income tax return will serve as verification of income as well as invoices for services provided.

E. Building Condition

1. The Authority will conduct a preliminary structural evaluation of the property to determine eligibility for the program. Properties with serious structural defects will not be eligible under any of the Authority’s programs.

III. THE BIDDING PROCESS & CONTRACTOR REQUIREMENTS

A. Contractor Process

1. To be eligible to bid on rehabilitation and/or lead hazard control work the contractor must follow the Authority’s procurement policy regarding bonding and provide the following documentation:

- a. Proof of liability insurance
- b. Proof of lead contractor, lead supervisor and lead worker certifications if bidding on lead hazard control work
- c. Proof of workers’ compensation insurance
- d. A description of recent projects completed and references

B. Bidding Process

1. ERA will solicit bids from pre-qualified contractors.
2. Owner-occupants and/or owners of rental properties are not permitted to be self-contractors or subcontractors for the work to be performed on their own units. Furthermore, any contracting company, that is an agent of a participating owner, is not eligible to bid on that owner's properties.
 - a. The Authority may advertise one or more projects in the local newspaper for public bidding as an alternate bidding process.
 - b. Contractors will obtain a bid packet.
 - c. Contractors are required to attend a pre-bid meeting held at the property location. The contractors and owner(s) will be notified of the results of the bid opening.
 - d. The lowest responsible bid is accepted. If the homeowner wishes for another contractor who bid at the property to receive the bid, the homeowner would have to pay the difference.
 - e. If the Contractors bids are over 10% of ERA's estimate, the project must be re-bid or will not be approved.

C. Allocation of Funding

1. Funding is allocated only after a successful bid has been obtained and the Authority has determined that the project can be successfully contracted.
2. If the low bid exceeds the program or budgeted limits, the client must show that he/she is financially able to fund the amount of the overage and is willing to provide the funds at the time of contract signing. Funding will not be allocated until this determination has been made.

D. Priority of Projects

1. When combining CDBG funding with other funding sources, priority status may be granted based on the priorities of those other funds.
2. In cases where no priority status is granted, projects will be considered on a first come-first served basis.

E. The Construction Process

1. Prior to the actual contract signing, the contractor will be notified of the number of calendar days allotted to complete the entire project. The number of days allotted will depend on the extent of the work to be completed and in most cases will not exceed 54 days.
2. The contractor must submit a pre-abatement plan to the Authority following all appropriate HUD, EPA, and state, local and other appropriate guidelines.
3. In most cases, the construction process will be scheduled so that all exterior work, basement work, and attic work will be completed prior to relocation. During relocation all work taking place in the living areas of the home will be completed. The last phase of the project will be lead hazard clearance testing. When the clearance test has been passed, the occupants may return to the home. In some cases weather or other conditions beyond the contractors control may prevent adherence to this schedule.
4. Relocation:

- a. Temporary relocation is required on most projects involving lead hazard control work. All relocation will be carried out according to the Authority and H.U.D. relocation policies.
- b. Exceptions to relocation can occur and are reserved for very small projects where the sole residents of the unit are elderly.

V. TERMS

A. Repayment Terms of the Loan

1. A loan will be made to the client for the amount paid to the contractor. A “deferred loan” made under this program will be secured by a mortgage. The borrower will be expected to agree in writing to repay the remaining balance of the loan if the property title is transferred to a party outside of the immediate family within 5 years. Immediate family is defined as spouse, children, legally adopted children or stepchildren. The property owner must also maintain the property as his/her principle residence.

2. The assistance being provided to eligible participants is referred to as a "Loan to Grant." A five-year term will be established for the CDBG grant and ten years for a HOME grant. No repayment will be required if the property remains titled and occupied by the original applicant for 5 years or 10 years respectively. Should the owner relinquish title or occupancy to someone other than an immediate family member the loan payoff is as follows:

HOME: If you sell the house for money before five years after completion of the rehabilitation, you must pay all the money back. If you continue to own the property for ten years after the rehabilitation is completed, you do not have to pay back the money. If you sell the house after 1 year but before 10 years, the following payback schedule applies to you:

Year 1-5	100% of amount of the loan
Year 5-6	80% of amount of the loan
Year 6-7	60% of amount of the loan
Year 7-8	40% of amount of the loan
Year 8-9	20% of amount of the loan
Year 9-10	10% of amount of the loan
After Year 10	0% of amount of the loan

The property must remain free of major code issues that affect the health and safety of the residents and the value of the property for the deferment to continue and all county and municipal obligations must be current.

CDBG: If you sell the house for money before one year after completion of the rehabilitation, you must pay all the money back. If you stay for five years after the rehabilitation is completed, you do not have to pay back the money. If you sell the house after 1 year but before 5 years, the following payback schedule applies to you:

Year 0-1	100% of amount of the loan
Year 1-2	80% of amount of the loan
Year 2-3	60% of amount of the loan
Year 3-4	40% of amount of the loan
Year 4-5	20% of amount of the loan
After Year 5	0% of amount of the loan

The property must remain free of major code issues that affect the health and safety of the residents and the value of the property for the deferment to continue and all county and municipal obligations must be current.

3. The Authority inspector and City of Erie code officials will determine what constitutes major code issues relating to the rehabilitation.

4. During the term of the loan, if the mortgagor(s) should die or be placed in a long-term health care facility, ownership of the property must remain with the family of the borrower. All other terms and conditions contained herein will remain in effect, including income limits of the residents and that the property must remain free of major code issues that affect the health and safety of the residents and the value of the property for the continued deferment of the loan over the remaining term.

HOMEOWNER / TENANT ACKNOWLEDGEMENT

I have read and understand the components of the program, and have received a copy of this document. I acknowledge that I am encouraged to have all mortgage related documents reviewed by legal counsel.

Print Name: _____

Signature: _____ Date: _____

Signature: _____ Date: _____