

**Town of Putnam
Community Development Block Grant
Housing Rehabilitation Program**

PROGRAM GUIDELINES

PROGRAM OBJECTIVES

The Housing Rehabilitation Program will upgrade housing units primarily occupied by low- and moderate-income persons and families in the Town of Putnam by correcting code violations, increasing energy efficiency and accessibility (where appropriate) and making properties lead safe.

ELIGIBILITY REQUIREMENTS

1. Conflict of Interest

No member of the governing body of the locality and any other employee or agent of the Town of Putnam who exercises policy, decision-making functions, or responsibility in connection with the planning and implementation of the Community Development Program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the Town of Putnam ends.

2. Income Eligibility

- A. Applicants must meet the income limits as prescribed by the U. S. Department of Housing and Urban Development (80% of family median income for Windham County MSA). **Income will be calculated as gross annual household income** (all occupants 18 years +) which shall include, but not be limited to: wages/salaries of applicants, overtime, part-time earnings, bonuses and commissions, Social Security benefits, annuities, trusts, retirement benefits, disability benefits, unemployment benefits, severance pay, workman's compensation, welfare payments, child support and alimony, interest and dividends from all Savings, Stocks, Bond or similar income producing assets, rental income less:

- 1) Any as permitted by HUD/State of Connecticut

- B. All household income sources must be verified through source documentation (i.e. employers, banks, social security, etc.). Copies of the past year's income tax return may also be required.
- C. For self-employed applicants, income will be calculated by gross adjusted income. Copies of the past two year's income tax returns will be required.

3. Property Eligibility

- A. Single family properties will be eligible only if the applicant household meets the income requirements set forth above.
- B. Two-family properties will be eligible if at least 50% of the households residing in the property meet income standards as set forth above.
- C. Other multi-family properties will be eligible for program participation only if at least 51% of the households residing in the property meet income standards as set forth above. Vacant units will be counted as eligible if the property owner agrees to rent the unit upon completion to an income-eligible household.

***In addition to the above income eligibility requirements, the pre-rehab loan to value ratio cannot exceed 100%. The Town will use the Assessor's Office records to determine the value of the property. If the property owner disputes the Assessor's valuation, he/she can, at their own expense, obtain a current appraisal from a certified appraisal firm as proof of value.

4. Residency, Non-Discrimination and Property Tax Requirements

- A. The State of Connecticut requires that the Town create a revolving loan fund as property owners receive a financial benefit by participating in the housing rehabilitation program. Consequently, funding will be loaned to eligible owner-occupants; however, when the property is refinanced, transferred or sold, funds must be repaid to the Town. In limited cases, the Town will subordinate a mortgage loan – please see the refinance policy.

The Town will provide eligible investor-owners with a zero percent (0%) loan with a term not to exceed fifteen (15) years.

- B. Property owners with rental units must also comply with the following conditions:
 - 1) No tenant has been, or will be, dislocated without due cause, for the purpose of evading the terms of the program agreement.
 - 2) All vacant units and/or units occupied by eligible families at the time of construction must be maintained as income eligible units for a period of not less than five (5) years and up to fifteen (15) years, depending on the amount of loan funding provided, from the completion of rehabilitation work.

- 3) Rent collected from income eligible units must not exceed the Fair Market Rent as determined by the U. S. Department of Housing and Urban Development for a period of not less than five (5) years and up to fifteen (15) years, depending upon the amount of loan funding provided, from the completion of rehabilitation work. The Barney Frank Amendment to Section 104(d) of the Housing and Community Development Act of 1974 further requires that the rent of a low- or moderate-income tenant cannot be raised to exceed 30% of their income for a period of five (5) years after the unit is assisted with Small Cities Community Development Block Grant funds.
- 4) The property owner shall not refuse to rent to tenants holding rental subsidies from any State or federal sources **except** for good cause such as non-payment of rents, proper maintenance of their dwelling unit, or other violations of the terms and conditions of the tenancy.
- 5) The property owner shall comply with affirmative fair housing marketing for all units in the property when they become vacant, and shall not discriminate in housing on the grounds of race, color, national origin, ancestry, age, religion, welfare status, children, marital status, physical handicap, gender identity or expression, or sex.
- 6) Rehabilitated units will be maintained in a decent, safe and sanitary condition.

Property owners failing to comply with the above conditions may be in violation of their contract agreement with the Town of Putnam and may be subject to repayment of funds granted.

- C. All participating property owners must comply with all applicable requirements imposed by or pursuant to Title VI of the Civil Rights Act of 1964 and Title VIII of the Civil Rights Act of 1968 regarding the sale, lease, rental, use or occupancy of the subject property.
- D. All property taxes due to the Town of Putnam must be paid. In certain circumstances, funds may be provided if the property owner has a signed payment schedule with the Town.

5. Ineligible Applicants

Applicants found ineligible will be notified in writing of the decision.

FINANCING

Funding for this program is made possible by a Small Cities Community Development Block Grant (CDBG) from the State of Connecticut Department of Housing to the Town of Putnam. The Town has set forth the following financing mechanisms for its Housing Rehabilitation Program.

The Town of Putnam will provide Deferred Payment Loans to eligible owner-occupants under the Housing Rehabilitation Program. A Deferred Payment Loan (DPL) is a zero interest loan – a lien is placed on the rehabilitated property will be payable in full to the Town when the owner refinances, transfers or sells the property.

Investor-owners can receive a zero percent (0%) loan with a term not to exceed fifteen (15) years.

1. Owner Occupied Properties

Owner-occupants of one to four family properties may be eligible for up to \$35,000 in DPL monies per unit for rehabilitation and lead hazard control work at their property.

2. Investor Owned Properties

Investor owners may be eligible for up to a \$100,000 loan for a multi-unit property for rehabilitation of assisted properties (eligible units only), provided the owner provides matching funds on a 1:1 ratio.

The property owner's share of funds necessary to complete the work shall be provided from any of the following: (1) conventional financing; (2) personal savings; (3) grant or loans obtained from other State, federal or non-profit programs to provide materials and/or labor for property repairs; or (4) any combination of the above.

Property owner funds must be available at the time of the loan closing. These funds will be deposited into the Program escrow account and expended as work is completed and payment is authorized. See payment process.

APPLICATION PROCESS

The Town of Putnam will advertise not less than annually for property owners interested in participating in the Housing Rehabilitation Program. If a target area exists, a detailed neighborhood-specific marketing plan will be developed. The Town will affirmatively market the Program to property owners least likely to apply for funding.

Economic and Community Development staff or their consultant will be available to meet with property owners and/or tenants individually or in a group setting to explain the program, its requirements and the process. A brochure or guidelines will also be developed and provided to each prospective applicant.

Applications and support documentation will be received, reviewed and numbered sequentially. Town staff will determine eligibility, and all applicants meeting program qualifications will be placed on a waiting list. Applications will be processed on a first come, first served basis from the waiting list with one exception - an applicant needing rehabilitation work to correct an emergency condition affecting health and safety of the occupant(s) will be moved to the top of the list.

Applications will be accepted on an on-going, continual basis. However, once an applicant has received funding through the Housing Rehabilitation Program for a specific property address, he/she will not be eligible for additional assistance at that address for ten (10) years.

REHABILITATION INSPECTION PROCESS

The CDBG Program Coordinator (consultant) will inspect each approved property and use the following priorities:

- First Priority: Work items necessary to correct code related items, major systems that have failed, energy efficiency improvements, accessibility improvements and lead-based paint hazard control work.
- Second Priority: Items and major systems in danger of failing in the next five-ten years.
- Third Priority: Other eligible repairs or improvements.

The Program Coordinator shall prepare a preliminary work list for the property, based on the initial inspection. Consultant staff, in consultation with the lead inspector/risk assessor will determine whether to presume lead paint or to have completed a lead inspection/risk assessment. The determination will be based on age of property, condition of property, and the age of property residents. The property owner and any tenants will be provided a copy of "Protect Your Family from Lead in Your Home" and "Renovate Right" and a sign-off will be placed in the case file.

If the Town decides to test, the Lead Paint Inspector/Risk Assessor, a consultant, will complete a full lead inspection and risk assessment. A report will be provided to the Economic and Community Development Office. Within ten (10) days of receipt of the report, the property owner and any tenants will be noticed with the "Summary Risk Assessment Notice".

The Program Coordinator will prepare work specifications based on the preliminary work list and the risk assessment. Specifications will be reviewed and approved by the property owner.

BIDDING/CONTRACTING PROCESS

1. Contractor Recruitment

The Economic and Community Development Office will advertise for qualified general contractors not less than annually to inform contractors of the requirements and processes to bid on all Small Cities CDBG housing rehabilitation projects. All participating contractors must be (1) properly licensed in the State of Connecticut; (2) carry all required insurance(s); (3) have adequate references; and (4) carry proper licensure and/or certifications to complete lead hazard control work, including RRP certification(s).

The Town shall advertise for the meeting(s) in the Norwich Bulletin, and The Chronicle, and at the State of Connecticut's DAS website at a minimum. Each interested contractor shall complete an application for participation and submit supporting documentation (insurance, certifications, etc.). A list of interested and qualified contractors will be maintained. If contractor recruitment or attendance at property walk-throughs does not produce adequate interest from contractors, the Town will additionally advertise for contractors for each individual project, using the above referenced publications.

The Town will contract primarily with general contractors for performance of Program work. Exceptions will be made for projects that are specific in nature i.e. septic system replacement. Contractor files will be maintained in the Economic and Community Development Office.

A participating property owner may have contractors bid on work if they qualify with all program requirements and provide the proper documentation to the Economic and Community Development Office.

Requests from property owners for "sweat equity" will be determined on a case by case basis.

2. Bidding Procedures

A bid package including an invitation to bid, work specifications, and the date and time of the pre-bid construction walk-through will be provided to every contractor on the contractor list for each job. Attendance at the pre-bid walk-through is mandatory. During the walk-through, the Program Coordinator will discuss the required property improvements with all contractors at the property. If necessary, specification addendums will be issued after the bid walk-through.

Sealed bids will be due within two (2) weeks of the walk-through date, depending on job scope, and opened publicly. Bids will be reviewed with the property owner, as ultimately, it is the owner's choice of contractor. The Program will pay for the lowest responsive and responsible bid. If the property owner chooses a contractor other than the low bid, the owner may pay the difference between the low bid and the higher priced contractor.

3. Contract Procedures

The Economic and Community Development Office will schedule a contract signing/loan closing meeting between the property owner(s) and either the Town Attorney or Town's Consultant to execute Housing Rehabilitation Program contract agreements/loan documents. The following agreements must be executed to secure Program participation:

- A. Town/Owner Agreement – The agreement will detail the loan amount, the Town and owner's responsibilities, and the program terms and conditions.
- B. Mortgage Deed and Note (lien) – The property owner will execute the note defining the terms of the loan financing. This document will be recorded with the Town Clerk in the Town's Land Records.
- C. Owner/Contractor Agreement – The agreement will detail the scope of work, term of construction, program requirements and responsibilities of the owner and contractor. Although the Economic and Community Development Office is not a legal party to this contract, the Town shall act as an interested third party to assist in the coordination of the job.
- D. Mortgage Modification Agreement – The agreement will revise the Mortgage Deed and Note in the event that project change orders have been approved. This document will be recorded with the Town Clerk in the Town's Land Records.

REHABILITATION/RELOCATION PROCESS

All occupants of any assisted property needing lead hazard control work may be temporarily relocated, and cannot return until the unit has passed a clearance inspection per regulations cited at 24 CFR Part 35. Consequently, the contractor shall schedule work to minimize displacement to the occupants. The contractor, property owner and Economic and Community Development Office or their consultant shall work together to determine the work schedule and relocation plan for each family.

Temporary relocation assistance will be provided to homeowners and/or tenant households affected by lead hazard control/rehabilitation per the guidelines established in the Town's Relocation Policy. Families will first be asked to move with family or friends for the relocation period (a stipend may be provided). If the first option is infeasible, the

family will be relocated to an area hotel that is decent, safe and sanitary and provided reimbursements for reasonable out-of-pocket expenses.

Prior to the start of lead control work, the contractor shall post the property regarding lead hazards per the requirements in 24 CFR Part 35.

The contractor is responsible for securing and paying for all permits required for the performance of the contract work. He/she shall also be responsible to ensure that all inspections necessary by code have been made.

The Economic and Community Development Office or their consultant shall also inspect the rehabilitation work to ensure compliance with the work specifications and to approve progress and final payments due the contractor. If during the inspection(s) the Program Coordinator finds that the contractor has not complied with the work specifications, a deficiency report shall be issued to the contractor requiring him/her to correct the deficiencies. Work not corrected shall not be paid.

In the event that unforeseen work or changes to the work specifications are needed during construction process, the contractor will immediately contact the Economic and Community Development Office or their consultant. The Program Coordinator will inspect the conditions to determine if the change is warranted, discuss any changes with the property owner for concurrence, and authorize a change order. Any change order shall be signed by the property owner and contractor, and assented to by the Town of Putnam.

The Contractor shall be responsible to order the clearance inspection for the lead hazard control work. The Housing Rehabilitation Program shall pay for the "pass" clearance test. If the property does not pass, the contractor shall be responsible to re-clean the property and pay for additional clearance inspections.

At the conclusion of the job, the Economic and Community Development Office or their consultant shall issue to all property residents a "Hazard Reduction Completion Notice."

The Contractor shall be required to warrant for a period of one year from job completion that all work under the contract shall be free of defects arising from the workmanship of the Contractor or any subcontractor and guarantees the quality of materials for the same period.

If disputes arise between the property owner and contractor during the performance of work, the Economic and Community Development Office or their consultant will meet with both parties to negotiate a satisfactory solution. If the meeting does not produce satisfactory results, the parties will meet with the Town Administrator or designee to discuss the complaints. The Town Administrator or designee's decision will be final and binding on the parties.

PAYMENT PROCESS

Payments will be made for completed work items only and in accordance with a predetermined payment schedule.

A request for payment shall include a written statement of invoice for work completed to date. Upon receipt of request for payment from the contractor, the Program Coordinator shall inspect the work to determine completed work items. A four (4) party payment form will be completed by (1) the contractor; (2) the program coordinator and (3) the property owner, and (4) the Town's Consultant. Upon receipt of the completed form, the Economic and Community Development Office shall process the payment. The check shall be made payable to the Contractor.

During construction, 10% of the amount due the contractor shall be held as retainage. The final payment shall include the retainage amount.

At the conclusion of the process, and if change orders were executed on the project, a modification lien will be prepared by the Town Attorney or Economic and Community Development Office for the revised loan amount, signed by the property owner(s) and recorded in the Putnam Town Records.

GRIEVANCE PROCEDURE

The Town's Consultant shall accept written complaints pertaining to the implementation and operations of the Housing Rehabilitation Program. A written response and/or meeting will be provided within fifteen (15) working days of receipt of the complaint.

If the objecting party is not satisfied with the response, a written complaint shall be brought to the Town Administrator or designee. A written response and/or meeting will be provided within fifteen (15) working days of receipt of the complaint.

If these steps do not result in a satisfactory conclusion, the complainant shall submit a written notice to the Town Administrator, who will conduct a formal investigation of the problem. A final response shall be rendered within sixty (60) days of receipt of the complaint.

GUIDELINE REVISIONS

The General Program Guidelines developed for this program may be changed, or amendments made by the Economic and Community Development Office with consent of the Town Administrator.

Signed: _____

Date: May 22, 2020