



CITY OF EVANSTON
RESIDENTIAL
HOUSING REHABILITATION
PROGRAM DESCRIPTION
& GUIDELINES

City of Evanston
Community Development Department
Building & Inspection Services
2100 Ridge Avenue
Evanston, Illinois 60201
847-448-4311
www.cityofevanston.org
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INTRODUCTION

The City of Evanston is dedicated to promoting safe, sanitary and decent housing for its citizens. To facilitate this, the City offers a Housing Rehabilitation Program, funded by the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program, which provides financing to maintain and improve the quality of Evanston's housing stock that is occupied by low and moderate income households. The Rehabilitation Program provides income eligible owner-occupants and owners of residential investment properties that are occupied primarily by income eligible households, with financial assistance in the form of below market rate loans to accomplish this purpose.

The guidelines as set forth in this manual include the program purpose and priorities, eligibility criteria, program design, rules and policies that generally govern the Housing Rehabilitation Program.

PURPOSE, OBJECTIVES AND PRIORITIES

The Housing Rehabilitation Program was developed to improve the quality of housing, and therefore quality of life, for low to moderate income owners and renters by providing necessary improvements to meet their housing needs.

PROGRAM OBJECTIVES

1. To provide safe and sanitary housing to low and moderate-income homeowners and renters within the City of Evanston;
2. To encourage the revitalization, preservation, and stabilization of primarily low and moderate income neighborhoods in Evanston;
3. To reduce housing costs for low to moderate income residents by incorporating energy conservation techniques into housing rehabilitation projects;

PROGRAM PRIORITIES & ELIGIBLE ACTIVITIES

Loans will be considered based on the applicant's ability to incur and repay, whether immediately or in the anticipated future, debt obligations made using the property as collateral. The needs of the property will be evaluated and rehabilitation project specifications will be prioritized to address the conditions set forth, in the following order:

1. Code Violations and Life-Safety Needs
These items are included in the City of Evanston's housing code, building code and rehabilitation standards, oftentimes the building owner may have been given a written notice of a violation by the City's Building Department or Property Standards Division.

- Life threatening conditions
- Health and Safety items
- Items which alleviate a physical hardship for disabled or elderly applicants, such as egress ramps, grab bars, mobility modifications to kitchen and baths, etc.
- Structural, electrical, mechanical, plumbing, fire prevention and other code items not addressed above

2. Incipient Code Violations

These items include those elements which will lengthen the useful life of the structure, but are not yet an immediate threat to the occupants or the structure.

3. Energy and Resource Conservation

These items are directly related to the conservation of energy and resources by upgrading the dwelling's thermal protection, installing water saving fixtures, installing energy-efficient furnaces or other major mechanical equipment, and / or window replacement.

Items in this category, that are not already part of the scope of work due to a need as listed in Categories 1 or 2 above, will be completed if the Borrower's financials allow for the loan to increase in order to complete items within this category. These items are to conform to the Department of Housing and Urban Development "Initiative on Energy Efficiency in Housing".

Rehabilitation activities which are generally eligible are replacement of major home components (roof, HVAC, plumbing, electrical, etc.) that are no longer functioning, replacement of windows and/or doors that are not safe and do not properly secure the home, demolition of structures (such as a garage) if deemed an unsafe structure and interior and exterior property preservation (such as painting, siding, tuck pointing, soffit and fascia, tree removal if tree is diseased or deemed hazardous, etc.).

At no time will unnecessary beautification, whether interior or exterior, be added as a scope of work, unless it is necessary to return the property to the condition it was prior to other work (as described above) being performed. Creation of new or additional habitable space is not allowed as part of the scope of work.

GENERAL RULES AND TERMS OF ELIGIBILITY

ONE & TWO-UNIT AND CONDOMINIUM OWNER-OCCUPIED REHABILITATION

The following general rules govern the financial conditions that apply to all programs offered under the One and Two-Unit as well as Condominium Owner-Occupied Rehabilitation Program. Applicants who do not meet the criteria set forth in these General Rules will be denied assistance.

1. Applicant must own and occupy a single-family property, two-unit property or condominium unit as their principal residence throughout the term of the loan.
2. The income of the entire household cannot exceed 80% of the median income of the Chicago Primary Metropolitan Statistical Area (PMSA). Income eligibility is determined using 24 CFR Part 5 method of income determination. See Appendices for current income limits and a description of how household income is determined.
3. With two-unit properties, the unit not occupied by the owner must be occupied within four (4) months of completion of the Housing Rehabilitation. Eligibility will be determined based on the owner's unit and household information only; there are no restrictions on household income or rent amount for the rental unit.
4. An applicant will be ineligible for any housing rehabilitation program if he/she owes any back taxes or if there are any adverse encumbrances, judgments or liens on the property to be rehabilitated.
5. Housing Rehabilitation loans may be made in a subordinated position to a fixed-rate primary mortgage, however, subordination to reverse or adjustable-rate mortgages are not allowed. Subordination to other loan products will be evaluated on a case by case basis.

The final loan to value ratio, including the City's funding, must be 100% or less. The loan to value is calculated by adding the market value of the property to 50% of the rehabilitation costs, which is then divided by the total of all mortgages on the property. If there is a household with a code violation or life-safety need that exceeds the 100% value limit, consideration will be made on a case by case basis, under the assumption the household would otherwise qualify for a loan.

6. In the event of a sale or transfer of property; refinancing of the primary mortgage (if applicable) without a subordination approval from the City of Evanston; death of the borrower(s); or vacancy of the premises by the owner; the loan is due payable in full.

Heirs of the property may make application for a new loan and are required to meet the program eligibility requirements at the time of application. The loan must be paid off or an application for a new loan must be made within 60 days of the loan recipient's death. If an application is not received within 60 days, the loan will start accumulating interest at a rate of one-half of the 30-year Treasury Bond rate as issued monthly. If the property is transferred to a minor due to death or incapacity of the borrower, the laws of wills and trusts in the State of Illinois shall apply. After the minor has reached the age of 18, the individual assumes the obligations and restrictions contained within the title transfer loan, namely the Mortgage and Promissory Note, to the extent permitted by law.

7. No applicant shall receive additional rehabilitation assistance within 10 years of the date of completion of the original rehabilitation loan; if an existing rehabilitation loan is in default status; or if the owner has a previously defaulted loan that has been written off by the City of Evanston. Consideration will be given to emergency repairs where health or life safety concern

exists where previous assistance was provided within the 10 year period.

8. For single-family or two-unit properties the maximum loan amount is \$50,000. For condominium units, the maximum loan is \$20,000 per unit. The actual loan amount will be determined by the City's loan committee with consideration of applicant's financial circumstances, the value of the home before and after rehabilitation and the scope of the work as determined by the Housing Rehabilitation Specialist.

9. For condominium units, loans are only for those areas within a unit that the owner of the unit has authority to change, alter or improve, as defined by the condominium declaration, by-laws, and or other rules and regulations as issued and adopted by the condominium association or board. If condominium covenants require board notification for work performed, an affidavit of notification will be requested.

10. Cooperatives are not eligible for the CDBG-funded rehabilitation program.

INVESTOR OWNED RENTAL REHABILITATION

The following general rules govern the financial conditions that apply to all programs offered under the Investor Owned Rental Rehabilitation Program. Applicants who do not meet the criteria set forth in these General Rules will be denied assistance.

1. Applicant must own a building containing two or more rental units. Condominiums and cooperatives are not eligible for this program.

2. Applicants cannot owe any back taxes on the property nor have any outstanding adverse encumbrances, judgments or liens.

3. The maximum loan for is \$20,000 per unit. The actual loan amount will be determined by the City's loan committee with consideration of applicant's financial circumstances, the value of the property before and after rehabilitation and the scope of the work as determined by the Housing Rehabilitation Specialist.

4. Housing Rehabilitation loans may be made in a subordinated position to a fixed-rate primary mortgage, however, subordination to reverse and adjustable-rate mortgages are not allowed. Subordination to other loan products will be evaluated on a case by case basis.

The final loan to value ratio, including the City's funding must be 100% or less. The loan to value is calculated by adding the market value of the property to 50% of the rehabilitation costs, which is then divided by the total of all mortgages on the property. If there is a household with a code violation or life-safety need and funding exceeds the 100% value limit, consideration will be made on a case by case basis, under the assumption the household would otherwise qualify for a loan.

5. No applicant shall receive additional rehabilitation assistance within 10 years of the date of completion of the original rehabilitation loan; if an existing rehabilitation loan is in default status; or if the owner has a previously defaulted loan that has been written off by the City of

Evanston.

6. Applicants shall execute a personal guarantee for the amount of the loan, in addition to executing an Assignment of Rents.

7. At least 51% of all units must be occupied by tenants with an income at or below 80% of the median income of the Chicago Primary Metropolitan Statistical Area (PMSA). Income eligibility is calculated using 24 CFR Part 5 method of income determination. See Appendices for current income limits and a description of how household income is determined.

The income-qualified units must be rented at affordable rates as defined by current HUD Fair Market rates. Tenant verifications for income must be submitted on an annual basis by the building owner. See Appendices for information regarding Fair Market Rents and Tenant Income Reporting.

8. Buildings with eight or more units are subject to Davis-Bacon Standard Provisions and other Related Acts. Buildings with more than four units are subject to the Uniform Federal Accessibility Standards.

9. The program is subject to the availability of funding.

APPLICATION PROCEDURES

The Community Development Department's Building & Inspection Services Division has programmatic oversight of the application and loan qualifying process. All loans will be taken to the Loan Committee for review and determination of approval and loan terms. The application process is as follows:

1. Inquiries regarding the program may be directed to the staff of the Housing Rehabilitation Program. Upon request, any interested party can be sent an application form, which must be completed in its entirety and submitted with all requested supplemental information related to the Household's income, asset and debt history.

2. Completed applications are to be submitted to the City for consideration; applications will be prioritized first by priority needs (life-safety issues will take precedence over incipient code violations, for example) and second by date of receipt. Any application being held on the waiting list for another application will be notified in writing as such, and owner will have the opportunity to withdraw application. Once a wait list application begins to be processed, the property owner will be notified in writing as such.

3. If any additional information or documentation is needed in order to process an application, Housing Rehabilitation Program staff will contact the applicant and/or a member of their household. Failure to provide this information or documentation could render the application incomplete and unable to be processed.

4. Staff will review the property for compliance with HUD's required environmental review process, which includes a historic preservation review. It must be determined that there are

no adverse environmental conditions present that would disallow the project from moving forward. More information regarding the Environmental Review Process can be found in the section below. Any structure designated as a Landmark Building by the Evanston Preservation Commission shall be subject to review by that Commission before rehabilitation can be considered for approval.

5. Income will be calculated for the household using the HUD Part 5 definition of income, which will be used to determine eligibility. If a household is determined to be income eligible, the Housing Rehab Specialist will make an appointment with applicant(s) to complete a home inspection to determine the scope of work and estimated budget based on the program priorities listed previously. The inspector will evaluate the needs of the home utilizing the City Inspection Checklist (see Appendices). The proposed scope of work and estimated cost will be presented to the loan committee for consideration. If a project is determined to be ineligible for assistance, a letter will be sent to the applicant informing the applicant(s) the reason for denial; the applicant shall have five (5) business days from the date of the letter to appeal a denial.

6. The Committee will review all information including household income, household size, applicant(s) debt and mortgage information, scope of work, preliminary budget and any relevant supporting information (such as pictures, code violations, etc.). The Committee will make a decision as to what the applicant(s) are able to afford, what work shall be considered part of the final scope of work and the terms of the loan (See Loan Terms and Conditions for more information on how this is evaluated).

7. A letter detailing the decision of the Loan Committee shall be sent to the applicant(s) within two (2) business days of the Loan Committee meeting; the applicant(s) shall have up to five (5) business days to accept the loan and shall schedule a loan closing appointment with the staff of the Housing Rehabilitation Program. If the loan is denied by the Loan Committee, a letter will be sent informing the applicant(s) the reason for denial; the applicant shall have five (5) business days from the date of the letter to appeal a denial.

8. If approved, the applicant shall sign a mortgage, note and project agreement consistent with the terms of the approved loan. The documents shall be recorded at the Cook County Recorder of Deeds office by staff.

LOAN TERMS AND CONDITIONS

Each applicant, if determined to be income-eligible for participation in the CDBG-rehabilitation loan program, will be evaluated to determine what loan terms they are able to afford. This is based on an analysis of the scope and cost of the work to be performed, value of the home, outstanding mortgage loan(s), household debt-to-income ratio and any other factors affecting the long-term affordability of the home. Investor-owned rental properties will also be evaluated on the property's operating budget and capital improvement plan reserves.

The analysis will be brought to a loan committee, composed of no less than three Building & Inspection Service and Housing & Grants staff members, who collectively make a decision as to income-eligibility, scope of work approval and assignment of loan product. All approved loan

applicants will receive either an amortized loan or a deferred loan from the City. Appeals of loan committee decisions may be made within five (5) business days of the date on the notification of decision.

DEFERRED LOAN

A Deferred Loan has zero (0%) interest and no monthly payments. When the property is sold or title otherwise transferred, or in the event of the death of the mortgagee, the Deferred Loan becomes due and payable in full. A mortgage will be recorded in the full amount of the Deferred Loan.

This product will be offered to income-eligible owner-occupants of single-family, two-unit and condominium units who do not have the financial capacity to afford loan payments due to their income, high cost of living and/or high debt-to-income ratio, as determined through underwriting. Usually this will be for households with a total debt-to-income ratio at or above 43% for a 20 year loan term.

A deferred loan may be offered to investor-owned properties that show insufficient capacity to operate the property as safe and sanitary housing and cover additional debt service based on an underwriting review of the property's pro forma and capital replacement plan. Owner(s) will have to demonstrate an inability to provide outside investment (private financing, conventional loan or line of credit, etc.) for a deferred loan to be considered.

This product may also be offered to non-profit agencies for housing that serves low-income, special needs populations where the agency does not have adequate capital reserves for needed improvements. These situations will be reviewed on a case-by-case basis, with an analysis of the property's operating budget, rent roll and capital improvement plan to determine inability to make repairs outside of CDBG investment.

AMORTIZING LOAN

An Amortizing Loan has equal monthly payments for the term of the loan. The loan term may be 5, 10, 15 or 20 years and is based on the size of the loan and the mortgagee's capacity to carry debt service based on underwriting.

This product will be offered at zero (0%) interest to income-eligible owner-occupants of single-family homes, two-flats or condominium units who have been determined have the capacity to afford loan payments based on their household income, housing debt, debt-to income ratio and other factors, as determined through underwriting. Usually loan terms will be structured so that the household's total debt-to-income ratio does not exceed 43% over a 5, 10, 15 or 20 year loan term.

An amortizing loan with interest may be offered to investor-owned properties or non-profit agencies who own and operate rental properties which, through underwriting, based on the property's operating pro forma and capital replacement plan, show a capacity to operate the property as safe and sanitary housing and cover additional debt service over a 5, 10, 15 or 20 year period. The interest rate will be determined through underwriting and will not exceed 3%.

LOAN SERVICING

Upon completion of the rehabilitation project, a loan completion letter will be sent to the owner as a confirmation of project completion and a reminder of the terms of the project, including ongoing compliance requirements and loan terms. Annual compliance requests will be sent to owners for the term stated in the mortgage, note and project agreement, or until the loan is fully satisfied, whichever comes first. The City shall have the right to call the Note as due in full in the event of a default for non-payment or non-compliance of all terms of the mortgage, note and/or project agreement.

Housing Rehabilitation loans may be subordinated to another mortgage to allow a property owner to refinance a first mortgage, provided that the refinance is to better the financial situation of the property owner (e.g.: lower interest rate, more affordable payment, etc.). In order for a subordination request to be considered, the new loan and homeowner must meet the following criteria:

- The terms of the new loan are not predatory
- There is no cash out (the homeowner cannot receive a check from the new lender due to the new loan)
- The property owner is in compliance with all aspects of the Housing Rehabilitation loan they currently have.

A service charge of \$50.00 shall be required to process the subordination agreement. Applicant shall submit a completed subordination agreement request with an accompanying remittance of \$50.00 to the City. All requests require a minimum processing time of two weeks. The mortgagee is responsible for payment of recording costs.

REHABILITATION STANDARDS AND PROJECT MANAGEMENT PROCEDURES

These general procedures and physical standards for the rehabilitation of existing residential properties have been developed to provide minimum design and construction criteria for the City Rehabilitation Program. These provisions are intended to serve as an aid in carrying out rehabilitation objectives and goals, which seek to address those physical, social, and economic factors which have tended to contribute to neighborhood deterioration.

REHABILITATION STANDARDS

The Housing Rehabilitation Program uses a combination of HUD's Housing Quality Standards (HQS), HUD's Final Rule on Lead-Based Paint Poisoning, the City of Evanston's Building Code and the International Code Council's (ICC) International Property Maintenance Code (IPMC), International Residential Code (IRC) and the International Energy Conservation Code (IECC) as the basis for determining minimum property standards. These code standards are hereby incorporated by reference and made a part of these property rehabilitation standards. Additionally, the rehabilitation program will utilize an inspection checklist (see appendices) as a basis for determining the needs of the properties that are rehabilitated under this program. The rehabilitation standards may be superseded in whole or in part by the above codes in instances where code requirements are more stringent.

The purpose and intent of the rehabilitation standards are three-fold:

1. To assure improved housing that is livable, healthful, safe, and physically sound, and at the same time is low enough in cost for the present residents of the building to afford.
2. To provide a guide to an acceptable minimum level for residential rehabilitation with sufficient flexibility to meet varied local conditions.
3. To encourage innovation and improved technology for reducing construction and maintenance costs in order that safe and decent housing may be provided to as many City residents as possible.

Rehabilitation work completed as part of this program shall be in compliance with the above listed codes and standards; while it is the goal of the program to bring the home completely up to code, it may not always be feasible as the home may require more work than is financially feasible. When there is more work than dollars available to bring a home up to code, work will be given consideration based on the program priorities listed on pages 2 and 3. All work shall be done with medium and/or construction grade materials; there shall be no ability for the owner to upgrade materials to luxury grade. If there shall be a change in any project specification due to an item being out of stock of the contractor's inability to find the originally contracted item, replacement items shall be of similar size, quality, and shape unless noted otherwise.

Energy efficiency improvements shall be made when either the component is at the end of its useful life or the cost of the rehabilitation of said component shall bear a cost that is realized in energy-efficiency savings within the life expectancy of the component or 20 years, whichever is less.

ENVIRONMENTAL REVIEW

The City of Evanston is the Responsible Entity for the City's entitlement grants and is therefore responsible for the Environmental Review (ER) referred to in the regulations at 24 CFR Part 58 for CDBG-funded activities. Housing and Grants staff ensure that the ER process is complete and in compliance with the National Environmental Protection Act (NEPA) before funds are committed to a specific activity. The City's Community Development Director is the Certifying Officer (CO) for HUD Environmental Reviews for purposes of compliance, having been delegated that role by the City Manager. The CO is the decision-maker concerning whether a project is approved or rejected on the basis of the environmental review findings.

The Housing Rehab Specialist is responsible for conducting ERs for specific housing rehab projects. The City plans to use a tiered review process for Housing activities for its 2015-2019 ConPlan. The Grants and Compliance Specialist will be responsible for the Tier 1 review, which addresses all environmental issues that can be addressed on a community wide basis such as airports and farmland. The Housing Rehab Specialist will complete the Tier 2 review, which addresses all issues that are site specific, including noise, above and underground storage tanks and Historic Preservation, under the supervision of the Grants and Compliance Specialist.

Procedures

The Housing Rehabilitation Specialist and Grants and Compliance Specialist use the Environmental Review Process flowchart provided by the Region 5 Environmental Officer to determine the level of review for each activity as outlined below:

- Review of all activities funded in the annual Action Plan to determine the level of ER based on activity type (Exempt; Categorically Excluded, Not Subject to 58.5; Categorically Excluded, Subject to 58.5; or Environmental Assessment), including consideration of using tiered or aggregated reviews for projects with unspecified sites.
- Complete the appropriate ER form (Exempt, Statutory Checklist, Environmental Assessment, or other applicable review format) by conducting research on the various laws and authorities, collecting information and documentation, making determinations and consulting with appropriate agencies and resources.
- Publish or post any applicable notices relating to use of funds for the appropriate length of time based on the ER level and receive any comments
- If required, submit the Request for Release of Funds (RROF) (7015. 15) to HUD
- Pending receipt of the Authority to Use Grant Funds from HUD (Form 7015. 16), enter into agreements (subrecipient agreements, memoranda of understanding (MOU), or contracts, as appropriate); these agreements include federal uniform administrative and cross-cutting requirements, as applicable.

The City will re-evaluate its environmental findings and decisions if there are substantial changes in the nature, magnitude, or extent of a project, or if environmental conditions are discovered during implementation of a project. If the changes do not affect the original determination, this will be documented to the file. In any instance where changes make the original determination invalid, a new ER will be prepared.

Record Keeping

A written Environmental Review Record (ERR) will be created and maintained for every activity and project funded in full or part with CDBG (§ 58.38). The ERR substantiates decisions and conclusions concerning the environmental impact of the activity or project. Each ERR is retained in the project file in compliance with CDBG records retention policy and includes the following documentation as appropriate based on the level of review:

- Complete description of the activity or project, including funding amount and source(s), with pictures of the site and renderings of completed project, as appropriate
- Completed ERR form (dated and signed by CO)
- Documentation of the evaluation of the effects of the activity or project on the environment, including, but not limited to:
 - Consultation with applicable authorities, including Historic Preservation Planner
 - All determinations and findings
 - Verifiable source documents and relevant base data
 - Maps (including the location of the project)
 - Letters of correspondence, approvals or required permits
 - Phase I and Phase II Environmental Site Assessment reports

LEAD BASED PAINT POLICY & PROCEDURES

All housing units in a project assisted with CDBG funds must comply with the regulations of the Lead

Safe Housing Rule (LSHR) found at 24 CFR Part 35. The purpose of this regulation is to notify the occupants of the hazards of lead-based paint and to identify and address lead-based paint hazards during the project. Specific requirements vary depending on the type of work performed and the level of federal subsidy. For CDBG-funded projects involving the acquisition or rehabilitation of housing, the lead-based paint requirements established by the regulation fall into the major categories listed below:

<i>Summary of Required Activities to Address Lead-Based Paint</i>	
Category	Required Activities
Notification	All of the following notices must be provided as appropriate: <ul style="list-style-type: none"> • Lead Hazard Pamphlet • Disclosure • Notice of Lead Hazard Evaluation or Presumption • Notice of Lead Hazard Reduction Activity
Lead Hazard Evaluation	One or more of the following may apply: <ul style="list-style-type: none"> • Visual Assessment • Paint Testing • Risk Assessment (or Lead Hazard Screen)
Lead Hazard Reduction	One or more of the following may apply: <ul style="list-style-type: none"> • Paint Stabilization • Interim Controls (or Standard Treatments) • Abatement The following always apply: <ul style="list-style-type: none"> • Safe Work Practices • Clearance
Ongoing Maintenance	This requirement may apply. <ul style="list-style-type: none"> • Inspect and maintain lead hazard reduction work

Exemptions

CDBG projects may be exempt from the Lead Safe Housing Rule if they meet the criteria listed below:

- Housing units constructed after 1978.
- Emergency repairs to residential properties are being performed to safeguard against imminent danger to human life, health or safety, or to protect the property from further structural damage due to natural disaster, fire or structural collapse. The exemption applies only to repairs necessary to respond to the emergency.
- Properties that will not be used for human residential habitation. This does not apply to common areas such as hallways and stairways of residential and mixed-use properties
- Housing projects exclusively for the elderly or persons with disabilities, with the provision that children less than six years of age will not reside in the dwelling unit.
- An inspection performed according to HUD standards found the property contained no lead-based paint

- According to documented methodologies, lead-based paint has been identified and removed, and the property has achieved clearance
- The rehabilitation will not disturb any painted surface
- The property has no bedroom.
- The property is currently vacant and will remain vacant until demolition

The Renovation, Repair, and Painting Rule (RRP Rule)

The Renovation, Repair, and Painting Rule (RRP), issued by the EPA in 2008 and amended in 2010 and 2011, requires the use of lead-safe practices and other actions aimed at preventing lead poisoning. Contractors performing renovation repair, and painting projects that disturb lead-based paint in homes built before 1978 must be EPA-certified and must follow specific work practices to prevent lead contamination. Further, for jobs where lead-based paint is disturbed, firms must assign one or more “certified renovators,” who have successfully completed an EPA-approved training course. All renovation workers must receive on the job training from the certified renovation. Projects subject to the EPA RRP do not require clearance examinations.

All contractors with RRP covered projects funded by CDBG must follow these three simple procedures:

- Contain the work area
- Minimize dust
- Clean up thoroughly.

Procedures

Applications for funding are reviewed by Housing and Grants staff to determine if they are subject to either the HUD LSHR or the EPA RRP and provide information on the appropriate regulations, including the certifications required for any paint inspectors, risk assessors and individuals performing lead clearance testing, from 40 CFR 745.226. Bid documents for covered projects must specify any certifications required by contractors and the project budget must include costs for evaluating lead-based paint hazards, as well as appropriate lead hazard reduction activities (paint stabilization, interim controls or abatement) in their project budgets.

The City’s Housing Rehab Specialist is responsible for ensuring compliance with LSHR on all rehab projects and must be a certified Illinois Department of Public Health Lead Inspector.

The Rehab Specialist is responsible for:

- Calculating the level of assistance by taking the lower of the per unit rehabilitation hard costs (regardless of source of funds) or the per unit Federal assistance (regardless of the use of the funds).
- Determining the most appropriate approach to evaluate lead hazards and address them as summarized below:
- For projects ≤ \$5,000 per unit, workers must be trained in safe work practices, notices must be provided to owners and tenants, and clearance must be achieved.
- For projects between \$5,000 and \$25,000 per unit, either:
 - Presume that lead-based paint is present and perform standard treatments in lieu of interim controls on all applicable painted surfaces and presumed lead-based paint hazards

- Conduct a lead hazard screen instead of a risk assessment. If the screen indicates there is no lead contamination, no lead hazard reduction is required. If the screen indicates the presence of lead, a risk assessment must be conducted and required interim controls and clearance performed
- For projects over \$25,000 per unit, either:
 - Presume that lead-based paint hazards exist and abate all applicable painted surfaces that will be disturbed during rehabilitation and all presumed lead hazards
 - Conduct a lead hazard screen instead of a risk assessment. If the screen indicates there is no lead contamination, no lead hazard reduction is required. If the screen indicates the presence of lead, a risk assessment must be conducted and required abatement and clearance performed

The Rehab Specialist is responsible for ensuring all notifications, including the Lead Hazard Information pamphlet, Evaluation or Presumption of Lead Hazards, and Lead Hazard Reduction work, are provided to property owners and residents; and that contractors have the appropriate certification and training and all lead safe practices are followed. All actions must be documented in the project file.

PROJECT MANAGEMENT & REHABILITATION PROCEDURES

1. Prior to a final approval, but after the project has been determined to be income-eligible, the Rehab Specialist will make an appointment with the owner to inspect the property. The purpose of the inspection is to assess the needs of the property and determine a final scope of work, including the requirements to address any lead hazards. The Rehab Specialist will create a preliminary scope of work and budget based on the inspection which will then be taken to the loan review committee for consideration.
2. The loan committee will review the proposed scope of work and budget, as well as the application and supplemental documents, and make a decision as to program eligibility, appropriateness of the scope of work and budget and loan terms. If the application is approved, the loan committee will collectively determine the budget for the project (which shall include an appropriate amount of contingency funding, generally not to exceed 20% of the total project budget) as well as the terms of the loan as appropriate based on underwriting of the application.
3. A letter will be sent to the property owner within two (2) business days of the loan committee meeting informing them of the proposed scope of work, budget and loan terms or of denial for eligibility for the program. The property owner shall have five (5) business days to appeal any decision. Appeals will be heard by the loan committee. For approved projects, the Rehab Specialist will meet with the owner at the property to review the final scope of work and detailed project work write-up and specifications and obtain approval to proceed with the bidding process.
4. Once the work specifications are agreed upon, the Rehab Specialist shall solicit construction bids using the program's Approved Contractors List; if the owner would like a contractor that is not on the list to be part of the bidding process, the contractor shall request to be added to the approved contractor list and provide evidence of program requirements and shall be approved to be eligible before bidding on the job. Contractors shall be notified by letter to submit bids by the deadline in the bid package in order to be considered for the job. Contractors must attend a scheduled walk-through of the property and meet the owner to be eligible to bid on the job. Contractors are ineligible to

perform work on their own home as part of the program. On behalf of the owner, the Rehab Specialist obtains a minimum of three (3) proposals from contractors for all work.

5. The Housing Rehab Specialist recommends a contractor to the property owner based on the lowest responsible and responsive bid. The property owner has ultimate responsibility for selection of the contractor from among the bids that are deemed responsible and responsive by the Rehab Specialist. If the lowest responsible bid is not accepted, the property owner shall provide justification for using another contractor.

6. Contracts are drafted for the rehabilitation work in addition to the owner's mortgage, note and project agreement. A loan closing meeting will be scheduled where the owner and contractors will meet to review all rehabilitation related documents and contracts and execute signatures by all parties. Expectations of rehabilitation, including timeliness of work, payment and lien release procedures and quality of work will be discussed.

Upon execution of all contract documents, the owner will also close on their loan by signing the mortgage, note and project agreement. Once all documents have been signed by the City, each party to the contract will receive copies. One copy of each document will also be placed in the project file.

7. If there is a contract of \$100,000 or more, a contractor shall provide a performance bond prior to the start of construction. A copy of the bond, as well as the sworn statement, shall be placed in the project file.

8. City project management during the rehabilitation process will include progress inspections in addition to required inspections by the Building & Inspection Services Division for plumbing, electrical, mechanical and structural work, if applicable. Any deviations from the rehabilitation contract or issues with the workmanship of the contractor shall be handled as soon as the Rehab Specialist is made aware. Resolutions may include written notice of failure to perform requesting the contractor to complete the work in a manner that is to the satisfaction of the owner and in accordance with the contract, or in extreme circumstances, removal of the contractor and rebidding the job for another contractor to complete. The owner should make the Rehab Specialist aware of any concerns immediately and the Rehab Specialist shall take any unresolved issues to the loan review committee to consider remediation actions.

9. Any change to the contract shall be made in the form of a change order; no changes shall be made by physically writing on the original contract or by verbal authorization. Change orders under \$500.00 which are modifications to the original scope of work due to unforeseen circumstances or unavailable materials may be made without loan committee consideration, but must be made in writing and signed by the owner, contractor and Rehab Specialist.

Change orders over \$500.00 or that adds a new item to the scope of work (for reasons identified above, not to add additional items at the discretion of the owner) shall be taken to the loan committee for consideration. If said change order is approved, it shall be made in writing and signed by owner, contractor, Rehab Specialist and Building & Inspection Services Division Manager.

10. Payments shall be made to the contractor in amounts no less than 33% of the contract amount, unless it is the sole and final payment of the contract. Payments shall be made to contractors only

after receipt of original lien waivers, sworn statements, pay-out orders, inspection tickets, contractor affidavits and, when necessary, paid invoices are provided to the City. For projects with eight or more units, certified timesheets must be submitted with any payment request. Additionally, payments will only be processed when the property owner has signed a payment authorization form confirming their satisfaction with the work completed as identified in the invoice. If the property owner refuses to sign the payment authorization, the loan committee may make decisions as to the appropriateness of payment to the contract; invoices deemed appropriate for payment will be made and will be debited from the owner's loan balance. This will be conveyed to the owner in writing.

If all of the work has been completed satisfactorily, the contractor shall submit a final pay-out order affidavit, and all necessary releases of liens and warranties shall be collected for distribution to the property owner. For work not satisfactorily completed, the City shall issue a "punch-list" (statement of incorrect or incomplete items) to the contractor. The items shall have to be completed within a specified time period, as stated on the punch-list. Once the "punch-list" items are completed and approved the Housing Rehab Specialist the pay-out shall be processed. Final payments shall follow the same procedures as listed above.

11. Upon completion of all rehabilitation work, a final lead clearance shall be ordered. Upon obtaining lead clearance certification, the rehabilitation project is considered complete. Unspent funds shall be applied to the loan amount and final principal balance determined. The owner will receive a loan completion statement informing them of their repayment obligations and loan terms, including final principal balance of the loan.

12. All contractors are required to provide a one-year warranty from final contractor payment date on all work performed on rehabilitation activities. The owner is responsible to contact the contractor for any warranty-related problems. Should a dispute between the contractor and owner arise during the contractor's one-year warranty period, every attempt shall be made by those parties to reach an agreement. There is no obligation or liability of the Community Development Department in such circumstances; however, Community Development staff may enter into the negotiations to facilitate an agreement.

CONTRACTOR ELIGIBILITY & DEBARMENT

All contractors shall be pre-approved by the City of Evanston as eligible to participate in the Rehabilitation Program. In order to be eligible, a contractor must have any required trade licenses, not have any judgments or liens against them, have current proof of insurance and must be in good standing with the City of Evanston. They must also have appropriate lead hazard training, certification and insurance for any lead hazard stabilization, interim controls or abatement requirements.

Contractors and subcontractors listed on the Federal System Award Management website (www.sam.gov) as debarred or excluded may not be used by the Housing Rehabilitation Program. Additionally, any contractor on the City's local debarred contractor list may not be used.

If the any contractor has consistently exhibited poor workmanship, unethical behavior, or refuses to comply with the requests of the City, or if the contractor falsifies information, files for bankruptcy or if the City has reason to doubt his/her solvency, has insufficient insurance, fails to honor warranty work or has failed to complete or pursue diligently this or any other rehabilitation projects, the contractor

shall be barred from any further rehabilitation work associated with the Housing Rehabilitation Program. The contractor shall also be removed from any eligible Contractor's List, and may, at City of Evanston discretion, be removed from his current project. In that event, any and all financial obligations of the City to the contractor shall be at an end as of the date of termination. The local Contractor Debarment shall be in effect for two (2) years, after which time, the contractor may re-apply to be eligible for the program.

DEFINITIONS

After-Rehabilitation Value:

An estimate of the post rehabilitation market value of a property. This value is calculated by adding 50% of the proposed rehabilitation costs to the as-is appraised.

Amortization:

The gradual extinguishment of a debt (including interest, if any) by equal monthly payments.

As-Is Appraised Value:

An estimate of the market value of a property in its existing condition as determined by an appraiser or, in the absence of the need for a professional appraisal, an estimation of value by Housing Rehabilitation staff.

Assets:

An account or tangible item, which has a cash value or can be converted to cash. These include, but are not limited to, cash, stocks, bonds, CDs, checking accounts, savings accounts, retirement account, etc.

Code Violations:

Violations of the current ICC International Property Maintenance Code as adopted and amended by the City of Evanston, other current applicable City building codes and Housing and Urban Development (HUD) standards.

Deferred (Title Transfer) Loans:

Deferred loans are loans made at zero (0%) percent interest without monthly payments. The property serves as collateral in the form of a mortgage. When the property is sold or title is otherwise transferred, or in the event of the death of the mortgagee, the deferred loan shall be paid in full.

Gross Monthly Income:

The Housing Rehabilitation Program uses HUD's Part 5 definition of income to determine eligibility to participate in the program and receive assistance. Household income includes the incomes of all adults living in the property, regardless of familial relationships. Gross monthly income shall include, but is not limited to:

- The gross earnings, which include, salary, overtime pay, commissions, fees, tips, and bonuses
- Interest and/or dividends.
- Passbook value of equity in the subject property owned by the applicant.
- Net income from business or net rental income.
- Social security, annuities, pensions, retirement funds, etc.

- Unemployment benefits, Workers compensation, etc.
- Alimony, child support, welfare payments.

Housing Expenses:

Payments for principal and interest on loans secured by lien on the property, mortgage insurance premiums, hazard insurance premiums, real estate taxes, special assessments, homeowner assessments, and other relevant housing expenses.

Incipient Code Violations:

An element of the structure which is not in violation of the housing code but which appears to be in a condition which will deteriorate into an actual code violation in the near future.

Investor-Owned:

A property that is owned by an investor, or group of investors, for which the majority of the property is rental units not occupied by one or more of the owners.

Mortgage:

A duly-recorded encumbrance upon a property.

Owner-Occupant:

A person who occupies and will continue to occupy property of which he/she is the legal owner.

Rehabilitation:

The process of reconstructing a usable structure, using modern techniques and materials, which overcomes deterioration and code violations and provides a satisfactorily improved physical condition.

Residential Property:

A property used for residential purposes.

Standard Dwelling Unit:

A dwelling unit which meets existing minimum housing code standards for habitation. Specifically, a dwelling unit in compliance with the current ICC International Property Maintenance Code, as adopted and amended, and HUD Minimum Property Standards.

Substandard Dwelling Unit:

A dwelling unit that does not meet the criteria for a standard dwelling unit. A substandard dwelling unit can be classified as either: 1) Deteriorated unit, i.e., one that is substandard but is structurally sound or able to be made structurally sound and can be brought up to standard condition with rehabilitation; or 2) Dilapidated unit, i. e., a substandard unit that has deteriorated to the extent that it is unsafe, unsanitary, or dangerous to human life, and rehabilitation is not feasible.