



City of Hillsdale Downtown Rental Rehabilitation Program Guidelines

A) Project Funding

Through MSHDA, the City of Hillsdale received funds for the creation and rehabilitation of affordable rental housing units in a targeted area of the Downtown District. For the creation of new units, a maximum of \$35,000 per unit is available. For existing units, a maximum of \$25,000 per unit is available.

Property Owners will be required to commit (or leverage), at a minimum, 25% of the total project cost. The total project cost includes the hard costs rehabilitation, the incremental increase in costs due to mitigation of LBP or Asbestos related hazards, inspection fees, recording fees, and other soft costs associated with the project.

A non-refundable fee of \$2,000.00 must accompany each full application for assistance. This fee will be held in escrow to be applied towards the cost of the LBP Risk Assessment and the Asbestos Survey/Inspection and Asbestos Clearance Report. Any unspent funds remaining from this fee will be applied to the project as leveraged funds.

B) CDBG Loan Terms and Conditions

All assisted properties will have a mortgage/lien in the form of a Future Advance Mortgage placed against them for the amount of CDBG grant funds provided to the Property Owner. Under the terms of the mortgage and the Rental Rehabilitation Program Loan Commitment and Agreement, the Property Owner must abide by all terms for five (5) years. This is known as the Affordability Period. All rehabilitation costs (including the incremental increase in costs associated with LBP and Asbestos related items) and all soft costs charged to the project must be included when determining the final mortgage/lien amount for the Affordability Period. The mortgage will bear no interest and the lien in the full amount of CDBG assistance provided will be discharged if the conditions of the Affordability Period are met.

If the conditions of the Affordability Period are not met, repayment of the entire lien amount will be required. If the property is sold prior to the end of the Affordability Period, the lien must be repaid to the funding source. The Program Administrator may waive this requirement if the new Property Owner agrees to continue to abide by the terms of the Affordability Period. This arrangement must be agreed upon in writing by all interested parties prior to the sale of the property. Subordination of the CDBG lien is allowed only for refinancing of debt from existing mortgages for rate and/or term improvement. If no new debt would be incurred, the subordination may be done locally without prior approval from MSHDA.

C) Property Improvements

All general interior improvements are eligible. It is expected that all projects will have properly insulated walls and ceilings, energy efficient windows and/or storm windows, and energy efficient central heating and cooling systems. Shared or individual laundry facilities and skylights allowing for natural illumination are encouraged amenities. Separate utility service for each unit is required.

With the exception of the repair and/or replacement of windows and doors specific to the residential space of the building, funds may not be used for exterior building or façade improvements.

Fire suppression (automatic sprinkling system) is required by code in all buildings that have three (3) or more floors or if the proposed project will have three (3) or more residential units.

The level of property improvement will be determined based upon the initial property inspection by the Program Administrator, local and state building regulations, MSHDA and HUD requirements, and Property Owner desired improvements

D) Property Eligibility

Properties must be located in the Downtown District according to the boundaries as outlined in the target area map. Properties cannot be for sale, in foreclosure, or involved in any legal dispute or court action. All assisted units must be located on the upper level of mixed use buildings. If ownership is held by Land Contract, the Land Contract holder must agree to subordinate their interest to that of the CDBG Rental Rehabilitation loan.

For each property identified for rehabilitation, Property Owners will be required to complete a pre-application form. Along with this completed form, Property Owners will be required to provide and/or complete the following documentation:

- **Proof of property ownership** - Applicant must be an individual or family who has ownership of an eligible Downtown property and must provide a copy of the recorded Warranty Deed or Land Contract establishing ownership of the property.
- **Proof of property insurance** - Applicant must provide proof of appropriate level of property insurance at the time of application and will be required to maintain loss payable insurance on the property for the duration of the loan and provide proof annually. The City of Hillsdale must be placed on the policy as a lien holder once the project is approved.
- **Proof of paid property taxes** - Program Administrator will verify that all taxes against the identified property are current and the Applicant will be required to keep the tax payments current for the duration of the loan.
- **Verification of existing mortgage (if applicable)** – Applicant must provide mortgage loan account number and lien holder information to the Program Administrator. Any existing mortgages against the subject property must be in good standing.
- **MSHDA Privacy Notice/Authority to Release Information Letter**

D)
Property Owner Eligibility

If the property meets eligibility requirements, the Property Owner must complete a full application packet for assistance with the Program Administrator. Documents to be completed and/or provided to the Program Administrator include:

- Property Owner Application for Assistance
- Application fee
- Annual Income and Expenses Report
- Occupancy Report
- Pre-evaluation Disclosure of LBP
- LBP and FH Brochures
- LBP and FH Receipt of Information form
- Property Owner Program Agreement
- Letter of commitment from Property Owner or Lender documenting availability of the Property Owner's minimum 25% contribution
- Copies of: Current Profit and Loss statements for occupied units

E)
Tenant Eligibility

At the time that a Property Owner completes the Pre-application for assistance, each Tenant Household currently residing in the subject property, will receive notification via certified mail that the Property Owner has applied for Federal rehabilitation dollars. This letter (URA #1) will outline the Tenant Household's pre-construction rights under the Uniform Relocation Act.

Once a Property Owner completes a full Application for assistance, each current Tenant Household will be required to complete the following documents:

- Tenant Information form
- Family Composition form
- Income and Asset Checklist (for all household members 18 & older)
- MSHDA Authority to Release Information Letter
- MSHDA Declaration of 214 Status
- LBP Paint Statement
- LBP and FH Receipt of Information form

*******Applications will not be considered "complete" by the Program Administrator until all of the required Property Owner and Tenant Household information has been provided. Applications will be processed on a "first qualified – first served" basis and not necessarily in the order in which they are received. Failure to provide the required information and/or documentation in a timely manner may result in the delay or denial of assistance.**

F)
Project Eligibility

After initial eligibility of the property has been determined, the Program Administrator will complete an HQS and property inspection. Based upon this information, and any other proposed improvements to the property, a Cost Estimate will be prepared. Photos will be sent to SHPO for historical compliance.

The Program Administrator will review the Cost Estimate with the Property Owner, and if the project appears economically feasible, and the Property Owner and Tenant Household(s) have met all Rental Rehabilitation Program requirements, a LBP Risk Assessment and an Asbestos Survey on the residential portion of the building will be performed by appropriately certified personnel.

Architectural drawings, including all mechanical, plumbing, electrical, and material schedules from a qualified architect or draftsman shall be provided at the expense of the Property Owner when new units will be created from previously unoccupied space, or in the event that substantial rehabilitation of existing units will occur. These renderings must be made available to the Program Administrator prior to the writing of the Work Specifications. These drawings must also be reviewed and approved by the Hillsdale County Building Inspection Department.

Work Specifications outlining the items to be completed (including LBP, Asbestos, SHPO, Local Building Code, Zoning and Ordinance requirements) will be written by the Program Administrator and returned to the Property Owner and all other appropriate parties for review and written approval as required.

Upon approval of the Work Specifications, the Program Administrator or designee will hold an on-site bid orientation to assist the Property Owner in soliciting bids from approved, licensed/certified General Contractors. The Property Owner will select the bidders from a list provided by the Program Administrator. If a Property Owner selects a Contractor or Sub-Contractor who is not on this list, they may do so; however, the Contractor or Sub-Contractor must meet all of the standards of the Rental Rehabilitation Program. At least two complete bids must be received per project.

The Program Administrator shall create a Bid Tab and provide this information to the Property Owner. The lowest, *responsible* bid will establish the cost of the project. If the Property Owner desires to utilize a higher bidder, he/she will be responsible for the difference in cost. Once the Property Owner has selected a Contractor, the Loan Review Committee will approve or deny the request for funds.

***** Please refer to the City of Hillsdale Contractor Handbook for additional Contractor compliance information.*****

G)
Rehabilitation Process

Once the project has been approved by the Loan Review Committee the Property Owner will be notified, in writing, of the denial or approval of the project. If the project has been approved, the Property Owner deposits their leveraged funds into the Program Administrator's escrow account and signs and completes the following CDBG loan documents:

- Loan Commitment and Agreement
- Future Advance Mortgage
- Mortgage Note
- Insurance Change Agreement
- Escrow Agreement
- Rent Affordability Checklist (signed by Property Owner)

At, or after loan closing, the Property Owner and Contractor execute the following documents:

- Property Owner/Contractor Agreement
- Occupant Protection Plan for Interim Control or Abatement activities
- Contractor LBP Certification form (for Interim Control activities only)
- Notice to Proceed order (issued by Property Owner)
- Notice of Commencement (issued by Property Owner)

Once a construction start date has been designated, all existing Tenant Households will receive notification of this date via certified mail. This notice (URA #2) will outline the Tenant Household's rights during the construction period under the URA.

For the duration of the project, Contractors may make multiple payment requests to the Program Administrator. 20% off the total amount requested will be retained from each interim payment request. The City of Hillsdale will not provide "advance" money or authorize payment for items which are not completed or properly installed with the exception of "rough-in" installations of plumbing, electrical or mechanical systems.

**H)
Program Compliance**

Rent Limits

For Restricted Units

- The maximum contract rent charged cannot exceed the most current published HUD FMR for Hillsdale County. This applies to units with tenants in place at the time of rehabilitation and for vacant or newly created units at the time of initial occupancy.
- For units with Tenant paid utilities, the maximum contract rent that may be charged will be the applicable FMR less the cost of all Tenant paid utilities as determined by the MSHDA Utility Schedule.
- Property Owners and their immediate families are not eligible to rent the restricted units.

For all Units:

- Rents may not increase on occupied units, regardless of Tenant Household income, from the pre-rehab rent for a minimum of one year after rehabilitation has been completed.

Income Limits and Tenant Household Information

For Restricted Units:

- Tenant Household income must be at or below 80% of AMI for Hillsdale County. This applies to units with tenants in place at the time of rehabilitation and for vacant or newly created units at the time of initial occupancy.
- Tenant Households must complete all income verification and household information documents per MSHDA and HUD regulations.
- The Property Owner must submit all MSHDA/HUD required documentation, along with a copy of the lease, to the Program Administrator for review at least **5 days** prior to entering into a lease agreement with a prospective Tenant Household. This applies only at initial occupancy of units that are newly created or for existing units that were vacant at the time of rehabilitation.
- Property Owners must provide each Tenant Household a copy of “Fair Housing – It’s Your Right” and the LBP booklet “Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools” prior to the Tenant signing a lease. The Tenant must sign an acknowledgement letter indicating that they have received the booklet.
- The Property Owner agrees not to discriminate against any applicant based on the applicant’s race, color, religion, national origin, age, sex, marital status, height, weight, or disability.

2009 AMI and FMR limits for Hillsdale County

80% AMI	\$30,150	\$34,550	\$38,750	\$43,050	\$46,500	\$49,950
Family size	1	2	3	4	5	6

Unit type	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
FMR	\$404	\$498	\$593	\$834	\$911

Number of Restricted Units per Property

- One unit properties must be rented to a Tenant Household with gross yearly income at or below 80% AMI for Hillsdale County.
- Two unit structures must have at least one (1) Tenant Household with gross yearly income at or below 80% AMI for Hillsdale County.
- Three unit structures must have at least two (2) Tenant Households with gross yearly income at or below 80 % AMI for Hillsdale County.
- Four unit structures must have at least three (3) Tenant Households with gross yearly income at or below 80 % AMI for Hillsdale County.

******All documentation pertaining to this program must be maintained by the Property Owner for a minimum of 5 years beginning on the date when all units of a project are occupied.******

Accessibility Modifications

A Property Owner must make reasonable accommodations in rules, policies, practices, or services when accommodations may be necessary to afford a person with a disability equal opportunity to use and enjoy residential real property. The Property Owner shall not refuse to permit, at the expense of the person with a disability, reasonable modifications of existing premises occupied or to be occupied by the person with a disability, if that modification may be necessary to afford that person full enjoyment of the premises. Reasonable modifications may include things such as handrails and raised countertops. The person with the disability may be required to return the premises to its original condition upon vacating the premises.

Asbestos

All commercial mixed use buildings built prior to 1981 must undergo an Asbestos Inspection/Survey per MIOSHA regulations. This Inspection/Survey must be performed by a Michigan accredited Asbestos Building Inspector or Certified Industrial Hygienist (CIH).

Any identified hazards and appropriate remediation activities will become part of the Work Specifications. A Michigan Licensed and Certified Asbestos Abatement Contractor must perform all remediation activities. The cost of the Inspection/Survey and any required Clearance testing will be the responsibility of the Property Owner and may not be counted towards leveraged funds; however, any incremental costs in construction due to Asbestos hazards may be paid for out of CDBG loan funds and will be included as part of the total rehab cost.

The Program Administrator will be solely responsible for ordering of all Asbestos Inspection/Survey and Clearance testing. A copy of the Asbestos Inspection/Survey report must be posted in a conspicuous area of the property for the purpose of notifying Tenant Households as to the presence and remediation of Asbestos hazards.

Davis Bacon

All MSHDA funded activities are subject to the provisions of the Davis Bacon/Prevailing Wage Act. Each project will be reviewed by the Program Administrator to determine if the project will be impacted by the Act. All bid documents will reflect this determination and the project will be closely monitored for compliance with the Act. Generally, any exterior repair including roof repair and/or replacement, and façade repairs or improvements, will trigger Davis Bacon.

Lead Based Paint

Any property built prior to 1978, must have a LBP Risk Assessment performed to detect any LBP hazards. All known hazards will become part of the Work Specifications. The incremental costs in construction due to LBP hazards may be paid for out of CDBG grant funds and will be included as part of the total rehab cost.

The Program Administrator will be solely responsible for ordering of all LBP testing and Clearance exams.

All properties with identified LBP hazards must pass a final Clearance test. Multiple Clearance tests may be required depending on the length and type of LBP work being performed. The Program Administrator may use CDBG funds to pay for the initial Clearance test. If the initial clearance test on any area fails, then the Contractor who performed the LBP reduction work will be responsible for payment of all subsequent tests until clearance of the area in question is obtained.

All Property Owners will receive a copy of the LBP Risk Assessment and Clearance report and must post these reports in a conspicuous area of their property for the purpose of notifying Tenant Households as to the presence and remediation of LBP hazards.

All work performed on lead-containing surfaces must conform to LBP Safe Work Practices and/or approved Abatement measures as indicated in the Work Specifications and must be supervised by a State certified Abatement Supervisor and performed by workers trained in LBP Safe Work Practices and/or Abatement measures, in accordance with HUD regulation (24 CFR 35.1330 (a)(4)).

In order to ensure compliance with HUD and MDCH LBP regulations, all participating General Contractors who do not possess the required LBP certifications will be required to Sub-Contract with an appropriately licensed/certified LBP Abatement Supervisor. As part of the bid package, a list of certified LBP Abatement Contractors will be provided to all bidders by the Program Administrator.

HUD Health Quality Standards

At project completion, all CDBG assisted and non CDBG assisted units and common areas must comply at a minimum with HQS guidelines. During the Affordability Period, properties with 1-4 units must be inspected every 3 years and 5-24 unit properties must be inspected every 2 years to insure on-going HQS compliance.

State Historic Preservation Office

For each property fifty (50) years or older, The Program Administrator will submit appropriate photo and written documentation to SHPO. Any architectural features deemed historically significant that must be preserved or repaired in accordance with SHPO guidelines will be incorporated into the final Work Specifications.

Uniform Relocation Act

All Tenant Households in place at the time that the Property Owner applies for funds will be notified of the Property Owners intent to rehabilitate the property with Federal funds. This letter is referred to as the General Information Notice (URA #1).

Once the project has been approved and a construction start date has been established, these same Tenant Households will receive a Notice of Non-Displacement (URA #2).

A third notice (Notice to Prospective Tenant) must be given to all prospective Tenant Households prior to their signing of a lease during the period between project approval and the completion of the rehabilitation activities.

****** Generally, existing Tenant Households are not required to re-locate during rehabilitation activities; however, if re-location is necessary due to these activities, all costs associated with displacement will be the sole responsibility of the Property Owner.***

I) Fair Housing

All applications will be taken and processed in the order in which they are received without regard to race, religion, national origin, color, sex, marital status, age or handicap.

Fair Housing materials will be distributed by the Program Administrator and through the City of Hillsdale offices and functions.

The City of Hillsdale will appoint a Fair Housing Officer for this program who will be available during normal business hours and has an understanding of Fair Housing laws. The Fair Housing Officer will maintain a complaint log and referral system. The Fair Housing Officer will maintain and continuously update a listing of Fair Housing Resources.

Program Administrator will use the Fair Housing logo on all materials relating to the housing programs distributed to the general public.

Fair Housing Complaint Procedure

The Fair Housing Officer will maintain a complaint referral system as indicated below. Upon receiving a fair housing complaint from a program participant, prospective program participant or Contractor, prior to commencing internal procedures to resolve the complaint, the Fair Housing Officer will take all of the following steps:

- Record the complaint in the running log.
- Inform the claimant that he/she may go directly to the Michigan Department of Civil Rights, HUD or the local Fair Housing Center.
- Forward a copy of the complaint to the CD Specialist at MSHDA.

The complaint procedure will:

- Ensure that a Program Administrator or staff responds to the initial complaint within 15 working days.
- Provide for the establishment of a review committee of at least three persons, including a community representative and a person with building/construction experience.
- Ensure that the claimant may appear before the review committee either in person or in writing.
- If a complaint is still unresolved, the Fair Housing Officer will seek the services of the closest Dispute Resolution/Mediation program.

J)

City of Hillsdale Rental Rehabilitation Program Responsibilities

The City of Hillsdale has the authority and may, at its discretion and upon prior MSHDA approval, exceed any of the guidelines it has established and disregard any of the restrictions it has imposed in any case where the Program Administrator determines that the program purpose will be best served by doing so. Any change to the guidelines must be approved by the appropriate MSHDA staff.

***** All program guidelines remain subject to the most current MSHDA Policy Bulletins regarding eligible grant activities and program requirements. The City of Hillsdale Rental Rehabilitation Program guidelines do not contain all of the regulations governing the program and are subject to change or modification. Please refer to current MSHDA Policy Bulletins and the Housing Resource Fund Summary for additional regulations and guidance.**

STEP	ACTIVITY:	DOCUMENTS OR ACTIVITIES INVOLVED:
#1	Program Administrator determines initial property eligibility.	<ul style="list-style-type: none"> • Property Owner Pre-application • Proof of ownership (Recorded Warranty Deed or Land Contract) • Proof of property insurance • Proof of paid property taxes • Verification of Mortgage • MSHDA Release of Info/Privacy Act Notice • URA #1
#2	Program Administrator inspects property.	<ul style="list-style-type: none"> • Initial HQS inspection • Environmental checklist • SHPO card • Flood plain map • Noise Attenuation • Assessor's card • Davis Bacon Assessment • Initial cost estimate
#3	Program Administrator determines Property Owner eligibility	<ul style="list-style-type: none"> • Property Owner Application for Assistance • Annual Income and Expenses Report • Occupancy Report • Pre-evaluation Disclosure of LBP • LBP and FH Receipt of Information form • LBP and FH brochures • Leveraged funds availability letter • Property Owner Program Agreement • Request for copies of: Current Profit and Loss statements for occupied units • Initial Rent Affordability Checklist • Initial eligibility letter
#4	Program Administrator determines Tenant eligibility	<ul style="list-style-type: none"> • Tenant Survey • Income Computation Worksheet • Third Party Verification Monitoring • Family Composition Form • MSHDA Release of Info/Privacy Act Notice • MSHDA Declaration of 214 Status • Income/Asset Checklist • Verification of income, assets, resources, etc. • LBP statement • LBP and FH Receipt of Information form • LBP and FH brochures
STEP	ACTIVITY:	DOCUMENTS OR ACTIVITIES INVOLVED:
#5	Program Administrator completes work specs and reviews feasibility of project.	<ul style="list-style-type: none"> • Cost estimate submitted to LBP and Asbestos Risk Assessor • Work Specifications • Architectural renderings • Approval by County building department • SHPO clearance

		<ul style="list-style-type: none"> • LBP Risk Assessment • Asbestos Inspection/Survey • LBP Property Exemption form (p.16,17) • Revised specs and cost estimate • Property Owner approval of specifications • Initial Proforma set-up
#6	Program Administrator schedule Contractor walk.	<ul style="list-style-type: none"> • Prepared bid package • Davis Bacon attachment • List of invited contractors
#7	Program Administrator reviews bid and homebuyer selects Contractor.	<ul style="list-style-type: none"> • Bid Tab summary • Record of bid selection • Contractor debarred list confirmation • Notice to unsuccessful bidders • Loan Review Committee • Final eligibility letter • Revised Proforma
#8	Loan closing, execution of construction contract and beginning of construction.	<ul style="list-style-type: none"> • Future Advance Mortgage • Mortgage Note • Truth-in-Lending Statement • Loan Commitment and Agreement • Escrow Agreement • Proof of leveraged funds • Insurance Change Agreement • Rent Affordability Checklist • Pre-construction conference checklist • Contractor license, insurance, and LBP training certificates • Contractor LBP certification • Occupant Protection Plan • Property Owner/Contractor Agreement • General Conditions • Notice to Proceed • Notice of Commencement • URA #2 • Update of Property Owner insurance, paid property taxes, mortgage verification
#9	Program Administrator monitors construction process.	<ul style="list-style-type: none"> • Change orders • Building inspection reports • Sworn Statement • Lien Waivers • LBP Clearance • Asbestos Clearance • LBP Compliance Form (p. 22) • Interim inspections • Final HQS • All rehab Invoices • Davis Bacon monitoring • Itemized list of project costs • Revised Proforma(s) • Final Proforma • Client satisfaction survey • Grant close-out in OPAL
#10	Ongoing Monitoring	<ul style="list-style-type: none"> • HQS inspections

PROGRAM DEFINITIONS

Affordability Period: The five (5) year period during which the Property Owner must meet all the requirements of the Loan Commitment and Agreement. It begins when rehab of the subject property is completed.

Area Median Income (AMI): Household income levels as published annually by HUD.

Bid Tab: A side-by-side comparison of the cost for each repair item as outlined in the Work Specifications. This is how the lowest responsible bidder is determined.

CDBG: Community Development Block Grant.

Contract Rent: The maximum dollar amount on a lease that a Property Owner can charge. This amount is calculated based upon the applicable FMR less the cost of any Tenant paid utilities.

Cost Estimate: The estimated dollar value of improvements to be made based upon the initial HQS inspection, code items, and other desired improvements of the selected property.

Davis Bacon/Prevailing Wage: For commercial construction contracts involving Federal dollars, the Davis-Bacon Act sets a minimum pay scale for workers by requiring contractors to pay the prevailing or average pay rate for selected trades in the region.

FH: Fair Housing. Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status.

FMR: Fair Market Rent. This is the maximum amount of rent that a Property Owner may charge for CDBG assisted units. FMR limits are published annually by HUD.

Forgivable Lien: A 0% interest mortgage lien requiring no monthly payments. It is repaid to MSHDA when the Property Owner sells or transfers title of the property or refinances to take equity out of the property.

Household Income: The total of all gross earnings for all household members as defined by MSHDA Policy Bulletin #11.

HQS: Housing Quality Standards; Minimum property standards as defined by HUD.

HUD: U.S. Department of Housing and Urban Development.

LBP: Lead Based Paint.

Loan Commitment and Agreement: Document which outlines the terms and conditions of the Affordability period.

MDCH: Michigan Department of Community Health.

MIOSHA: Michigan Occupational Safety and Health Administration.

MSHDA: Michigan State Housing Development Authority.

New Unit: A unit created from space that has never been used for residential occupancy OR rehabilitation of an existing unit that has not been unoccupied for five or more years.

Rent Affordability Checklist: Used to determine the maximum amount of contract rent that a Property Owner can charge on a restricted unit.

Restricted Unit: A CDBG assisted unit that must be meet the FMR and AMI limits for Hillsdale County. These limits must be met at initial occupancy of the assisted unit.

SHPO: State Historic Preservation Office.

Tenant Household: All persons living within a single residential rental unit.

URA: Uniform Relocation Act. This Act provides protection and assistance for people affected by the acquisition, rehabilitation, or demolition of real property on federally funded projects.

Utility Schedule: A listing of average utility rates paid published annually by MSHDA. It is used to complete the Rent Affordability Checklist.

Work Specifications: The written detail of what repairs will be made to a property, including LBP items. A copy of this document is given to all Contractors at the bid orientation. From this document, the total cost of all specified repair items is determined.