

CITY COMMISSION AGENDA MEMO
June 25, 2015

FROM: Karen Davis, AICP, Director of Community Development
George Stark, Housing Rehabilitation Inspector

MEETING: July 7, 2015

SUBJECT: Amend Housing Rehabilitation Program Administrative Plan

PRESENTER: Karen Davis, AICP, Director of Community Development

BACKGROUND

The City of Manhattan currently operates a Housing Rehabilitation Program (The Program) which assists low and moderate income homeowners with home repairs. Funding is provided through the Community Development Block Grant (CDBG) Program, which is allocated from the Department of Housing and Urban Development (HUD).

The Program is guided by an Administrative Plan (*attached*) that identifies eligible applicants, eligible activities, and the maximum grant amounts that will be provided. In addition, the Plan details the process for rehabilitation, including inspections that will be necessary, the bidding process, and the codes that will be used to inspect projects.

Assistance is provided in three categories:

Comprehensive Repairs

This activity funds larger rehabilitation projects to meet local building codes and HUD Housing Quality Standards. The maximum amount that may be expended on rehabilitation per project is \$25,000.

Emergency and Accessibility Repairs

Emergency and accessibility repairs are provided to address activities that correct emergency situations or make improvements to remove physical barriers within the home. The maximum one-time funding amount for emergency housing repairs is \$5,000 and no household can receive more than \$8,000 over a five year period.

Mobile Home Repairs

Mobile home repairs are provided to correct emergency situations and make accessibility modifications on mobile homes owned and occupied by low and moderate income persons and families. The maximum one-time funding amount is \$2,500, and no household may receive over \$4,000 over a five year period.

Assistance is provided in the form of a deferred loan, with repayment conditions dependent on the value of rehabilitation received. Rehabilitation assistance which totals \$5,000 or more is provided in the form of a 0% interest loan, 50% of which is forgiven on a prorated basis for five years after the completion of the rehabilitation repairs. During this period, the owner is required to maintain ownership and occupancy of the property as well as current hazard insurance and property taxes. The remaining 50% of the loan is due in full when the recipient ceases to be the owner/occupant of the rehabilitated property.

Rehabilitation assistance which totals more than \$1,000 but less than \$5,000 is provided in the form of a 0% interest loan, which is forgiven on a prorated basis over five years after the completion of the rehabilitation repairs. During this period, the owner is required to maintain ownership and occupancy of the property as well as current hazard insurance and property taxes.

Rehabilitation assistance which totals \$1,000 or less is considered a grant to the homeowner.

DISCUSSION

The Administrative Plan also addresses loan subordination issues if a homeowner proposes a refinancing. Any loan over \$5,000 allows for the City to recoup 50% of the loan, if the house is ever sold by the property owner. Recapture of these funds allows the Program to use this money to continue providing assistance to future applicants and the City should protect this interest in any subordination agreement. Subordination requests are rare; however, there are situations in which a homeowner is experiencing financial hardship and a refinancing provides relief so that a foreclosure is avoided. The Policy is necessary in case such a request is made.

City Administration is suggesting some minor modifications to the Administrative Plan (*see Section 15 on pages 7-8*) in order to better address requests for loan subordination. First, the Loan Subordination Policy (Policy) will be a separate document from the Administrative Plan. This will further clarify the process for considering such requests and allow City Administration to adjust the Policy as needed.

The Policy (*attached*) establishes a timeframe for submission of a subordination request and details the information to be submitted. Generally, the Policy indicates that loan subordination requests will be reviewed on a case by case basis and that the total

indebtedness cannot exceed the property's appraised value, as established by Riley County or a qualified appraiser. If the request meets the requirements of the Policy, City Administration will execute the agreement.

FINANCING

Not applicable.

ALTERNATIVES

It appears the Commission has the following alternatives concerning the issue at hand. The Commission may:

1. Amend and authorize the Mayor and City Clerk to execute the Administrative Plan for the Manhattan Housing Rehabilitation Program.
2. Do not amend the Administrative Plan for the Manhattan Housing Rehabilitation Program.
3. Modify the Plan to meet the needs of the Commission.
4. Table the issue and provide further direction to City Administration.

RECOMMENDATION

City Administration recommends that the City Commission amend and authorize the Mayor and City Clerk to execute the Administrative Plan for the Manhattan Housing Rehabilitation Program. The proposed modifications will allow the City to better serve the interests of Program recipients and the City.

POSSIBLE MOTION

Amend and authorize the Mayor and City Clerk to execute the Administrative Plan for the Manhattan CDBG Housing Rehabilitation Program.

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Enclosures:

1. Administrative Plan, Manhattan Housing Rehabilitation Program – CDBG
2. Loan Subordination Policy

**ADMINISTRATIVE PLAN
MANHATTAN HOUSING REHABILITATION PROGRAM (CDBG)
City of Manhattan, Kansas**

Section 1. INTRODUCTION AND PURPOSE

Decent, safe and sanitary housing is critical to the physical and emotional health of the residents of the City of Manhattan. The Manhattan Housing Rehabilitation Program, hereinafter called “the Program,” is funded by and subject to the requirements set forth by the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program. The Program is administered by the Community Development Department of the City of Manhattan. The purpose of the Program is to provide low and moderate income persons with assistance in the rehabilitation of their homes and to complete repairs necessary to meet local building codes, HUD’s Section 8 Housing Quality Standards and the General Specifications for the City of Manhattan Housing Rehabilitation Program. Additionally, the Program aims to conserve the City’s existing housing stock.

Section 2. GENERAL REQUIREMENTS

- The primary beneficiaries of the Program shall be low and moderate income applicants, as defined by HUD, based on the Manhattan, Kansas, Metropolitan Statistical Area.
- City building codes, HUD Housing Quality Standards, the General Specifications for the City of Manhattan Housing Rehabilitation Program and all applicable federal, state and local laws shall be followed in all work performed.
- Qualified and licensed contractors shall perform and complete all work.
- The City shall select the contractor(s) required for the project, pursuant to its ordinances and policies.
- Before payment is remitted to the contractor(s), the City shall inspect construction work to ensure that the contractor(s) fulfilled the requirements of the Program.
- City Commission members, City employees and other City officials shall not be eligible for grant assistance or have any personal interest, direct or indirect, in any contract under the Program, unless granted a waiver from HUD.
- No Comprehensive Housing Rehabilitation funding will be made available for the repair of mobile homes; however, applicants may apply for emergency repairs and/or accessibility modifications to owner-occupied mobile homes.
- The current appraised value of the property, as reflected in a recent professional independent appraisal or the current Riley County Appraisal Valuation Notice, plus the cost of the rehabilitation project, shall not exceed the HUD Purchase Price Limits for single-family property.
- The total indebtedness on the property, including any indebtedness resulting from the proposed rehabilitation project, shall not exceed the total of the current appraised value of the property.
- The requested work must be an eligible rehabilitation activity, pursuant to this plan.

Section 3. TARGET AREA

The project area for the Program is within the City limits of Manhattan, excluding identified areas as shown in the attached map (see Exhibit 1).

Section 4. ELIGIBLE APPLICANTS

This is a voluntary program. To be eligible, applicants must own and reside in the residential dwelling, for at least one year before date of application, for which a Housing Rehabilitation Program Application is submitted. Properties that include a rental unit or rent space to unrelated individuals are not eligible for the Program.

Eligible applicants must submit an application on the form provided by the Program within established timeframes. Applications will be accepted on a first come, first served basis.

To be eligible, an applicant's annual gross household income cannot exceed eighty percent (80%) percent of the median-income limits, based on the Manhattan, Kansas MSA, as published annually by the U.S. Department of Housing and Urban Development (current levels attached as Exhibit 2).

Applicants who have received Comprehensive Rehabilitation Housing assistance from any of the City's Housing Rehabilitation Programs, with a final completion date for such assistance in the past five years, will not be considered for additional Comprehensive Rehabilitation assistance unless the total number of applicants is inadequate to use the total Program funding and the condition of the property has deteriorated since the last rehabilitation project, not due to the actions or negligence of the applicant.

Section 5. ELIGIBLE AND INELIGIBLE ACTIVITIES

Comprehensive Housing Rehabilitation:

Rehabilitation activities must meet the requirements of local building codes, HUD Housing Quality Standards and the General Specifications for the City of Manhattan Housing Rehabilitation Program. Any activity which does not contribute to the rehabilitation of eligible housing by improving the health and safety of the residents, contribute to energy conservation or decrease the blighting influence of the property is considered ineligible.

Emergency Housing Repairs:

Emergency funds will be provided to address activities that correct emergency housing repairs, as enumerated below, provided that the dwelling is suitable for rehabilitation. "Suitable for Rehabilitation" is defined as a dwelling in which the correction of the emergency housing repair is technically and financially feasible under this Program to restore the safety of the dwelling. If a question is raised as to whether a dwelling is suitable for rehabilitation, the Program may consult with the Code Inspection Division of the Manhattan Fire Department, in addition to evaluating the financial constraints of the Program.

Emergency housing repairs include:

1. Furnace repairs and/or replacement.
2. Plumbing repairs and/or replacement.
3. Electrical repairs and/or replacement.
4. Any other improvement deemed necessary by the Program to correct an emergency situation.

Accessibility Modifications:

Accessibility modification funds will be provided to assist eligible homeowners in making improvements needed to remove physical barriers within the home for persons with mobility or other physical impairments.

Accessibility modifications include:

1. Installation of grab bars
2. Wheelchair access ramps and railings
3. Installation of devices for the hearing impaired
4. Any other accessibility improvement deemed necessary by the Program

Section 6. FUNDING LIMITATIONS

Comprehensive Housing Rehabilitation:

The maximum amounts that may be expended per project are \$25,000 on comprehensive rehabilitation, including a maximum of \$5,000 for lead-based paint hazard reduction activities.

Emergency Housing Repairs:

The maximum one-time funding amount for emergency housing repairs will be limited to \$5,000; however, no household shall receive more than \$8,000 over a five-year period.

Accessibility Modifications:

The maximum lifetime funding amount for accessibility modifications will be limited to \$5,000.

These requirements may be waived by the Program under extreme circumstances.

Section 7. APPLICANT SELECTION PROCESS

The availability of funds will be publicized to residents of the City of Manhattan through the local media and other appropriate means. Application forms will be developed by the Program and will be available at City Hall, Riley County Seniors Service Center, the Manhattan Public Library, and other locations accessible to applicants. The City will advertise a time period upon which applications will be accepted for funding requests. Completed applications will be processed and ranked on a first come, first served basis.

A completed application is defined as an application in which the applicant provides all information requested in the application form at the time of submission.

Section 8. APPLICANT APPROVAL PROCESS

Once an applicant has been preliminarily qualified for the Program, the City of Manhattan will perform the necessary inspections and obtain a Lead Risk Assessment for the subject property, if needed. If the Lead Risk Assessment meets the criteria for participation, the Program will solicit bids from contractors for the improvements to the Property.

If the Program receives and awards an acceptable contractor bid, a Rehabilitation Agreement will be executed between the applicant and the City that sets forth the

responsibilities of the parties under the Program. Upon execution of the Rehabilitation Agreement, the applicant has been approved for participation in the Program.

Section 9. LEAD-BASED PAINT AND RADON GAS

The use of lead-based paint in Program projects is strictly prohibited. The Program will maintain compliance with Federal Requirements regarding lead-based paint as per 24 CFR Part 35.

Unless an exception can be met, each property selected for comprehensive rehabilitation that was constructed prior to 1978 shall receive a Lead-Based Paint Risk Assessment, performed by a Risk Assessor licensed by the Kansas Department of Health and Environment. Results of the Risk Assessment will be provided to occupants.

Work specifications will include all rehabilitation work needed to perform interim controls and reduce lead hazards. Clearance testing will be required after the completion of the rehabilitation work, or sooner if needed to clear the property prior to re-occupancy by residents. Protections will be taken as per federal requirements to inform and protect occupants. (See Section 10. RELOCATION).

The Program will comply with State and Federal requirements for testing and mitigation of Radon gas.

Section 10. RELOCATION

In accordance with Federal regulations it may be necessary to temporarily relocate occupants to protect them from lead-based paint hazards. The Program will take appropriate actions to protect occupants as per 24 CFR Part 35.1345.

Occupants will be informed of the potential for temporary relocation through personal interviews with representatives of the Program. Occupants shall receive a copy of the EPA pamphlet *Protect Your Family from Lead in your Home*. They will also receive written disclosure of the nature of the work to be performed and whether rehabilitation activities will disturb lead based paint.

Occupants 62 years of age or older may waive their rights to temporary relocation and refuse to relocate. In those cases, the owner must execute a waiver form and agree to not allow small children or pregnant women in the home while rehabilitation lead-based paint related work is being performed.

If temporary relocation is required, occupants will be required to move to lead-safe housing. Prior to moving to the relocation site, representatives of the Program will verify that the relocation site meets the lead-safe requirement. The Program will provide assistance as follows to aid in relocation.

If temporary relocation becomes necessary, residents will receive a per diem as follows:

One Adult	\$85 per day meals and lodging
Two Adults	\$125 per day meals and lodging
Each Child	\$25 per day meals and lodging

If it becomes necessary to remove the occupant's belongings from the dwelling, the occupant will be responsible for packing and moving their property to a safe and secure location of their choosing, until lead clearance has been achieved. A stipend of \$400.00 will be paid to the occupant for moving expenses. During temporary relocation, the property and the rehabilitation worksite shall be secured against unauthorized entry and occupants will not be permitted to enter until lead clearance has been achieved.

Occupants may waive the payment of temporary relocation and moving costs, in which case the owner must execute a waiver form.

Occupants will not be required to temporarily relocate if:

- Treatment will not disturb lead-based paint, dust-lead hazards or soil-lead hazards.
- Only the exterior of the dwelling unit is treated, and windows, doors, ventilation intakes and other openings in or near the rehabilitation worksite are sealed during hazard control work and cleaned afterward, and an entry free of dust-lead hazards, soil-lead hazards, and debris is provided.
- Treatment of the interior will be completed within one period of 8-daytime hours, the worksite is contained so as to prevent the release of leaded dust and debris into other areas, and treatment does not create other safety, health or environmental hazards.
- Treatment of the interior will be completed within 5 calendar days; the worksite is contained so as to prevent the release of leaded dust and debris into other areas; treatment does not create other safety, health or environmental hazards; and, at the end of work on each day, the worksite and the area within at least 10 feet of the containment areas is cleaned to remove any visible dust or debris, and occupants have safe access to sleeping areas, and bathroom and kitchen facilities.

Occupants may choose to relocate from the property during the completion of the rehabilitation work, even though temporary relocation is not required. In these cases, the Program will not review the relocation site to verify a date of construction nor pay any temporary relocation or moving costs.

If the occupants do not comply with the relocation requirements, the Program may terminate the rehabilitation project.

Section 11. WORK WRITE-UPS AND COST ESTIMATES

After the applicant is preliminarily qualified for assistance, an inspection of the property will be provided and a list of work specifications and cost estimates developed to determine the feasibility of the project. Work specifications shall be consistent with HUD Housing Quality Standards, City of Manhattan building codes and the General Specifications for the City of Manhattan Housing Rehabilitation Program.

If cost estimates for rehabilitation projects exceed the maximum limits for expenditure as outlined in *Section 5. ELIGIBLE AND INELIGIBLE ACTIVITIES*, the project may be deemed unfeasible and will be rejected. The Program will notify the owner as soon as possible as to the inability to provide assistance.

Section 12. BID PROCUREMENT

The Program will solicit bids or quotes for the rehabilitation project, pursuant to City ordinances and policies. The Program reserves the right to reject any and all bids, bidders and/or quotes.

Awards shall be made only to responsible contractors that possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. The certification of workers in safe work practices in the area of lead based paint interim controls will be a requirement. Bids will be reviewed by the Program and a recommendation for award of the project will be forwarded to the City Commission for its review and approval. In the event that an insufficient number of bids are received, or the bids are unacceptable, the Program may, at its option, re-bid the project, select an alternative procurement procedure, or terminate the project.

The City will execute a contract with the contractor for the rehabilitation and repairs for the benefit of the property owner. Property owners and contractors shall not make any other agreements outside of the contract between the City and the contractor, and the Program will not be bound by any such agreement. Any agreements contrary to the contracted work description will subject the contract to cancellation, at the discretion of the Program.

The property owner, contractor and the City shall sign a Certificate of Completion to provide final approval of the work.

Section 13. OWNER RESPONSIBILITIES

In order to participate in the Manhattan Housing Rehabilitation Program, property owners must agree to the following conditions:

- Sign a Rehabilitation Agreement with the City regarding the responsibilities of the parties under the Program.
- Complete a Note and Mortgage, if the rehabilitation assistance exceeds \$1,000.
- Provide access to the property for the Contractor to conduct the work.
- Provide access to the property for the City to conduct inspections of the work before, during and after the completion of the repair(s), until the expiration of the Note and Mortgage.
- Approve, in writing, final inspection of the repair work.
- Occupy and continue ownership of the property for five years from the date of completion, without leasing, renting or subletting any portion of the property.
- Provide continuing hazard insurance on the property.
- Pay all real estate taxes when due.
- Comply with all City and state laws regarding maintenance of the property.

- Pay all utility accounts when due. If a payment agreement is in force, payments must be made in compliance with such agreement.
- Notify the Program if requests for rehabilitation assistance have been or are intended to be submitted to other agencies.

Requirements for hazard insurance may be waived for Emergency Housing Repairs if the homeowner is considered to be very low income (30% of median income per the Manhattan, Kansas MSA).

Section 14. REPAYMENT REQUIREMENTS

Rehabilitation assistance which totals five thousand dollars (\$5,000) or more will be provided in the form of a zero percent (0%) interest loan, fifty percent (50%) of which will be forgiven on an annually prorated basis, as long as the recipient complies with the owner responsibilities in Section 13, for five years after the completion of the rehabilitation project. The remaining fifty percent (50%) of the loan is due in full when the recipient does not comply with the owner responsibilities. No repayment of any kind is required so long as the recipient continues to comply with such responsibilities.

The terms of the loan shall be set forth in the Note and Mortgage that is signed by the recipient; and such Note and Mortgage shall include a provision requiring the recipient(s) to comply with the owner requirements for five full years after the completion of the rehabilitation repairs. If the recipient does not do so, the owner must repay the annually prorated portion of the loan (50% of the total), in addition to the full balance of the other 50% of the loan.

Rehabilitation assistance which totals more than one thousand dollars (\$1,000) but less than five thousand dollars (\$5,000) will be provided in the form of a zero percent (0%) interest loan, which will be forgiven on a prorated basis so long as the recipient remains owner and residential occupant of the property for five years after the completion of the rehabilitation repairs. The terms of the loan shall be set forth in the Note and Mortgage that is signed by the recipient; and such Note and Mortgage shall include a provision requiring the recipient to remain the owner and residential occupant for five full years after the completion of the rehabilitation repairs. If the recipient does not remain owner and residential occupant for the full five years, the prorated amount of the assistance must be repaid.

Rehabilitation assistance which totals \$1,000 or less will be considered a grant to the homeowner; therefore, a Note and Mortgage will not be required.

If, after the Rehabilitation Agreement is executed, the recipient breaches the Rehabilitation Agreement, or related documents, the recipient may be responsible for any costs associated with the rehabilitation of the Property that have been incurred following the execution of the Rehabilitation Agreement, both before and after the breach.

Section 15. LOAN SUBORDINATION POLICY

The Program will consider subordination of a Housing Rehabilitation Program Loan (Program Loan) on a case-by-case basis based upon financial hardship and the need to

reduce the homeowner's monthly housing costs, in accordance with the Loan Subordination Policy adopted by the Program in accordance with this Plan.

The Director of Community Development is authorized to execute the documentation necessary to effectuate a loan subordination in accordance with the Loan Subordination Policy.

Section 16. CIVIL RIGHTS

The administration of the Program will be consistent with the civil rights requirements of the Community Development Block Grant Program.

Section 17. APPEAL PROCEDURES

Appeals may be filed in regard to any requirement of the Program and will be initially addressed through the Program's Housing Rehabilitation Inspector. All appeals will be answered in writing within fifteen (15) working days of receipt. Appeals regarding decisions made by the Rehabilitation Inspector will be further addressed by the Director of Community Development, and the City Manager, whose decision is final.

Section 18. AMENDMENTS TO ADMINISTRATIVE PLAN

The provisions of the Manhattan Housing Rehabilitation Program Administrative Plan may be amended by the Manhattan City Commission.

PASSED AND APPROVED by the Governing Body of the City of Manhattan, Kansas, this 7th day of July, 2015.

(SEAL)

ATTEST:

Gary S. Fees, City Clerk

Karen McCulloh, Mayor

Exhibit 1

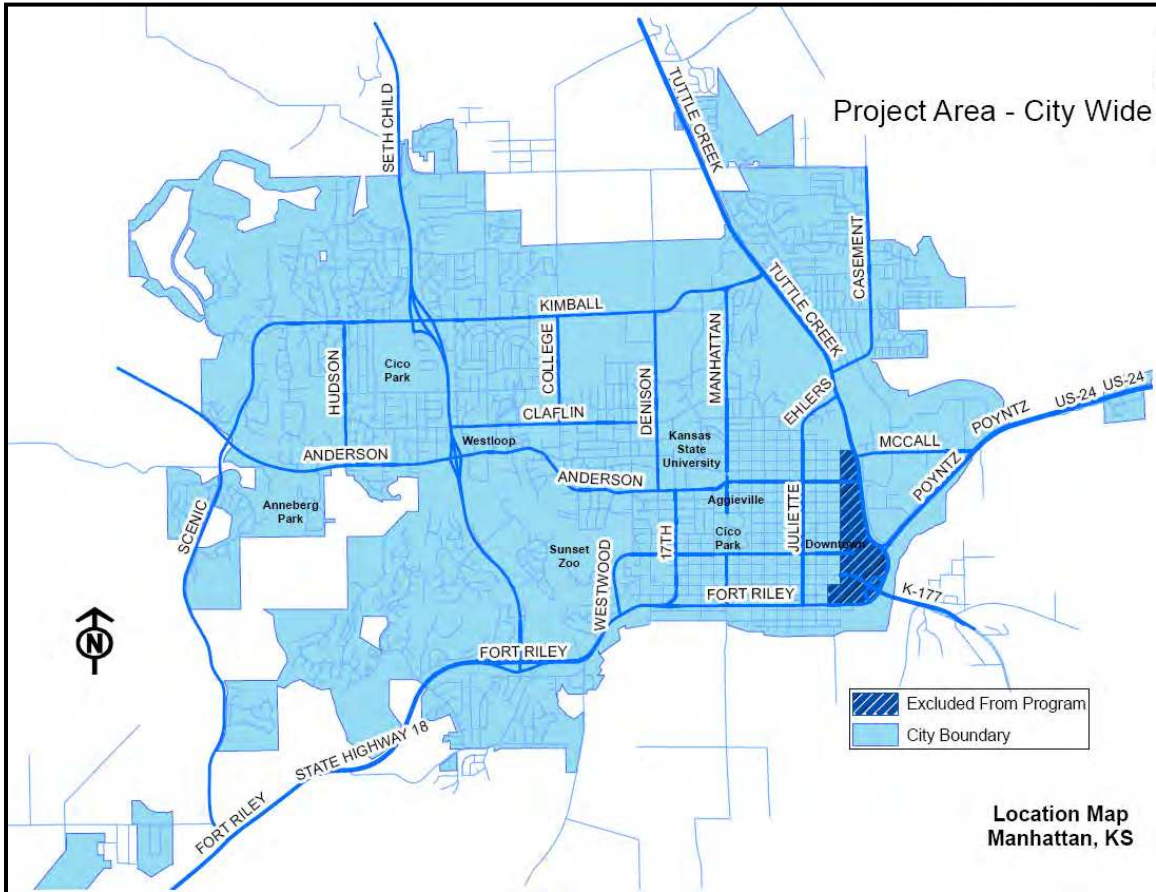


Exhibit 2

INCOME GUIDELINES
Manhattan Housing Rehabilitation Program
Based on Median Income for Manhattan, Kansas

% of Median	30%	50%	80%
1 person	\$13,100	\$21,750	\$34,800
2 person	\$15,930	\$24,850	\$39,800
3 person	\$20,090	\$27,950	\$44,750
4 person	\$24,250	\$31,050	\$49,700
5 person	\$28,410	\$33,550	\$53,700
6 person	\$32,570	\$36,050	\$57,700
7 person	\$36,730	\$38,550	\$61,650
8 person	\$40,890	\$41,000	\$65,650

* Limits are adjusted annually by the Department of Housing and Urban Development.
Current rates effective 3/6/2015.



City of Manhattan Housing Rehab Program (CDBG)

Loan Subordination Policy

The City of Manhattan CDBG Housing Rehabilitation Program (the Program) provides no interest loans to qualified homeowners for home repair. The Program will, on a case-by-case basis, consider loan subordination requests from participants to address a financial hardship and lessen the homeowner's monthly financial obligations for housing costs. Requests for loan subordination must be submitted in writing at least 30 days prior to execution of a subordination document, and include:

- A written explanation of the reason for the request;
- documentation outlining the details of the loan restructuring, including a copy of the proposed loan subordination agreement;
- a copy of the most recent appraisal for the property; and
- a statement detailing the total indebtedness on the property and documentation of the property's value.

The City will review the request in light of the total indebtedness and financial hardship on the homeowner. The total indebtedness on the subject property cannot exceed the appraised value of the property as determined by the Riley County Appraiser's Office or a qualified appraiser.

The Director of Community Development is authorized to execute the documentation necessary to effectuate a loan subordination in accordance with this Policy.

June 24, 2015