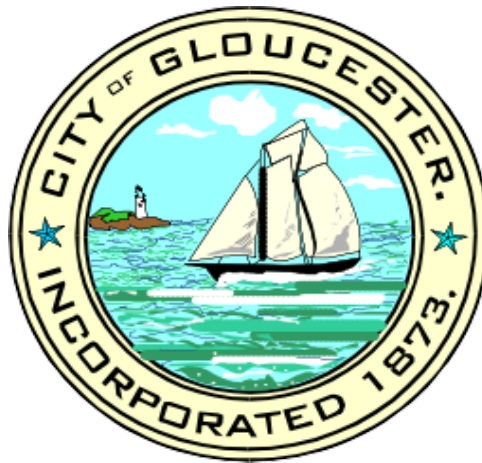


# **CITY OF GLOUCESTER**



## **HOUSING REHABILITATION LOAN PROGRAM**

### **POLICIES AND PROCEDURES**

**Administered by the Grants Division of the Community Development Department**

Updated September 15, 2021

## **A. Introduction:**

The City of Gloucester's Housing Rehabilitation Program is funded through an allocation of federal Community Development Block Grant (CDBG) funds from the U.S.

Department of Housing and Urban Development (HUD). The program seeks to foster and maintain affordable, decent, safe, and sanitary housing in the City. This program is administered by the Grants Division of the Community Development Department under the guidance of the 5-year Consolidated Plan produced as a requirement of CDBG funding. The City of Gloucester's Program is available to both home owners and landlords who meet all eligibility requirements. Funds can be used for repairs to address health and safety issues and/or code violations in homes and rental units. All assistance is in the form of a Deferred Payment Loan at 0% interest with a maximum value of \$25,000 for a single family home, \$40,000 for a two family home, and \$50,000 for buildings with 3 or more units.

## **B. Eligibility Requirements:**

Owner-occupied single or multi-family residential unit eligibility will be determined by the following:

1. Household adjusted gross income cannot exceed HUD income limits for "moderate income" at time of award.
2. Unit must be homeowner's primary residence at time of assistance and for duration of loan.
3. Household members cannot have received assistance from the City of Gloucester's Housing Rehabilitation Loan Program within 5 years of award.

4. Demonstrated need must be a minimum of \$2,500.

Investment or Rental Property eligibility will be determined by the following:

1. A minimum of 51% of rental units must be occupied by households whose adjusted gross income does not exceed HUD income limits for “moderate income” at time of award. Tenant income certification forms are required for each household in a building receiving assistance. Recertification will be required every two years for the length of the loan.
2. Property owner agrees to an affordable housing restriction being placed on all properties assisted for a minimum of 15 years.

### **C. Assistance Available:**

All funding assistance is in the form of a Deferred Payment Loan at 0% interest. This loan becomes due and payable upon sale, change of primary residence, refinance with cash out, or transfer of the property title. Loans are subject to the availability of funds. Additional funds may be allocated in the event lead hazard remediation is required at the property. The determination to allocate additional funds is at the sole discretion of program staff.

### **D. Eligible Work:**

The primary goal of the Gloucester’s Housing Rehabilitation Program is to correct code violations and substandard living conditions to bring local housing up to federal “Housing Quality Standards” as defined in CFR 882.109. The following criteria will be used to determine whether a structure will be eligible for assistance under the City of Gloucester’s Program.

1. Serious deficiencies representing an immediate threat to the health or safety of the occupants;
2. Serious deterioration to individual components of the structure has occurred due to poor design, poor workmanship, or premature failure of materials;
3. Periodic maintenance to individual components of the structure, or the structure as a whole, has been deferred to the extent that if left further unattended, serious conditions will result;
4. The building systems (plumbing, heating, electrical etc.) have reached or exceeded their expected useful lives and may constitute a health or safety hazard.

It is not the intention of the program to eliminate further maintenance costs to a property owner and/or make general property improvements to the structure. Property owners must recognize periodic maintenance as unavoidable.

#### **E. Prioritization of Applications:**

Applications will be prioritized by date of application approval and nature of work to be performed. Program staff will give higher priority to applications which request emergency repairs (see additional definition below). Program staff will determine priority work, and may not be able to assist all eligible applicants in a program year. Eligible applicants who are not served within a program year will be provided with the option to be placed on a waitlist. When new Program funding is received, applicants on the waitlist will be prioritized over new applicants. First-time applicants will receive priority over returning applicants. Applicants seeking assistance within five years of receiving a prior housing rehabilitation loan are ineligible to receive additional services unless the following conditions are met:

1. Work requested is deemed an emergency by program staff
2. No approved applications are currently pending or waitlisted
3. Total of all assistance would not exceed program maximums

Additional criteria for the prioritization of applications follows in order of highest to lowest priority:

- 1. Emergency Work:** Work requests will only be considered an emergency if staff determines that not addressing the issue will adversely impact the health or safety of the property's residents or the structure. Examples of work that can be classified as an emergency include: no hot running water, blocked plumbing due to failed or deteriorated pipes, broken/unusable/leaking furnaces, and documented evidence of elevated lead levels in the blood of a child under age six. Emergencies will be handled on a case-by-case basis, and may take precedence over applicants on the waiting list for funding. Housing Rehabilitation Program Staff and other applicable City departments will determine whether the requested work is an emergency.
- 2. Correction of Code Violations:** Proposed work is considered eligible if not addressing the issue could adversely impact the health or safety of residents. Depending on the circumstances, the correction of some code violations may be considered an emergency. Examples of this type of work could include the replacement of boilers or furnaces, repair or replacement of broken windows and doors posing a security or safety issue, lack of legal egresses, installation of railings, electrical system upgrades, installation of carbon monoxide or smoke detectors, and repair or replacement of deteriorated or leaking roofs.

The program will make its best effort to correct all existing Building or Sanitary code violations. However, it may not be possible to correct all code violations due to funding limitations, program guidelines, or priority status.

- 3. Structural Failure:** Correction of building structural or maintenance deficiencies. Examples of eligible work include repair/replacement of deteriorated stairs, entranceways, egresses, hand railings, chimneys, and ceilings. The application may be denied if the work requires consultation with a structural or civil engineer. Should additional consultation services be required, the Homeowner will be given the option to pay costs in excess of \$1,000 for services. If, after reviewing the engineering reports, Program Staff in their sole discretion, deems significant structural issues or other material factors are beyond the scope of the program, the project may be disqualified at this point.
- 4. Incipient Code Violations:** Correction of deficiencies or conditions of deterioration that, if left unattended, would continue to deteriorate into a code violation. For example, replacement of building components that have exceeded their life expectancy.
- 5. Hazard Abatement:** Remediation of environmental hazards such as lead paint or asbestos. The program cannot provide assistance for radon or mold remediation.
- 6. Removal of Architectural Barriers:** Removal of architectural barriers for persons with disabilities, such as the installation of ramps and stair lifts or

interior modifications, are eligible expenses. However, the City will refer applicants seeking this type of rehabilitation to partner agencies who specialize in home improvements for the elderly and/or disabled. Should these partner organizations be unable to sufficiently address the architectural barriers, Program Staff will reconsider the applicants' eligibility.

- 7. Energy Efficiency/Weatherization Improvements:** Installation of insulation, reduction of air infiltration, window/door replacement, weather-stripping, and replacement of inefficient heating systems are the lowest priority work items. When practical, this work is referred to partner agencies.

#### **F. Ineligible Work:**

The purpose of the City's federally-funded rehabilitation activities is to correct housing code and/or health code violations, perform emergency repairs, or other necessary activities that will make the property safe and livable. Funds will not be used for cosmetic or luxury improvements on the property, repairs to outbuildings, or improvements/installation of porches/decks that are not necessary for access to **legally required** egress. Cosmetic improvements include, but are not limited to: landscaping work, additions, fireplaces, pools, hot tubs, area rugs, steam showers, skylights, kitchen/bath cabinetry and appliances. Other projects may be deemed ineligible as being beyond the scope of the program because of funding limitations or other factors.

## **G. Applicant Eligibility and Underwriting Criteria:**

Any work that will eliminate or address substandard living conditions, incipient or existing code or sanitary violations, remove architectural barriers for the disabled, and/or conserve energy is eligible for assistance, as long as the household meets program income and underwriting guidelines. Current Program income limits are available on the City of Gloucester's website at: <https://gloucester-ma.gov>.

To approve a loan, the City must establish that:

1. The borrower has the ability and willingness to repay the debt.
2. The property is or, after the work is completed, will be sufficient security for the loan.
3. The borrower is unable to secure conventional financing for needed home repairs.

The City determines borrower eligibility by the following guidelines:

- 1. Location:** The residence must be located in the City of Gloucester.
- 2. Beneficiaries:** Eligible applicants must be low- to moderate- income at the time of assistance. Income is determined on a household basis. In the case of multi-family properties, at least 51% of the units must be occupied by income-eligible households. If funds are assisting rental units, at least 51% of the tenant household(s) must be low- to moderate- income, and the owner must sign an Affordable Housing Restriction (AHR) agreement stating that he/she will rent the apartment(s) to income eligible tenants at Fair Market Rent (as determined by



HUD) for a period of fifteen (15) years. This agreement will be recorded, along with the mortgage, at the Southern Essex Registry of Deeds.

- 3. Income Eligibility:** In order to be eligible for assistance, the cumulative adjusted gross household income for all persons occupying a program-assisted unit cannot exceed 80% of area median income as defined by HUD at the time of approval. Program staff will notify applicant of approval in writing. Low- and moderate-income guidelines for the City of Gloucester are defined by HUD and revised annually. Program staff will use the most current income limits to verify eligibility at the time of intake and at the time of assistance. If a household is placed on the waitlist for six months or longer, program staff will require that the household recertify their income and provide updated household and/or tenant income documentation to ensure that the household is still eligible for funding at the time of assistance. If updated documentation is not provided, the City reserves the right to reject the application and remove it from the waitlist.
- 4. Property Condition:** Residential structures may be assisted under the Program if at least one of the following conditions exists: health, safety, or building code violation(s); an emergency situation requiring immediate assistance; a member of the household is disabled and requires accessibility improvements; or abatement of lead or asbestos is required.
- 5. Ownership:** Owner-occupant applicants must be the listed owners on the property title. Applicable deed and/or trust documents must be provided to Program staff. If an applicant holds only a life estate in the property, Program staff will require the holder(s) of the remaining interest to consent to proceed

with a loan. All parties with an interest in the property will be required to sign the Mortgage Document which is recorded at the Registry of Deeds.

- 6. Household Size:** The size of the applicant household will be determined as part of the income eligibility process. Household size refers to all persons occupying the housing unit. Occupants may be a single family, a single person living alone, multiple families living together, a multi-generational single family, or any other group of related or unrelated persons sharing living arrangements. All residents of the housing unit must be reported on the application. In the event that there is a change in the size of a household after the application is submitted, Program staff will review the eligibility of the project in light of the change prior to final loan closing.
- 7. Property Status:** The property must serve as the applicant's principal residence or assisted rental units must be occupied and income determined for all tenants of the property. All mortgages or notes on the property must be in good standing to be eligible to receive a Program loan. It is the responsibility of the applicant to inform Program staff if existing mortgages on the property are in arrears, foreclosure, or default. **The property must not have any federal, state, or municipal tax liens. Applicants in bankruptcy or foreclosure proceedings are not eligible to apply for the Program. *Rehabilitation funds will not be provided if there is an existing reverse mortgage on the property.*** A title search will be performed by Program staff prior to approval of an application.
- 8. Loan-to-Value Ratio:** The total value of all liens on the property may not exceed 100% of the property's assessed value or the value of the property after the rehab

work is completed. The “loan-to-value ratio” cannot exceed 100%. This guideline is in place to ensure the City does not knowingly place a low-to moderate-income homeowner in an “underwater” mortgage situation. If any mandatory lead-based paint hazard reduction is required, the City may provide funds for mandatory hazard reduction as a grant, at its discretion.

**9. Taxes, water/sewer payments:** At the time of assistance, the property’s real estate taxes, water, and sewer payments must be current and in good standing with the City. Program staff will determine if payments are up to date.

**10. Certificate of Occupancy; 106 Inspection:** Multi-family property applicants (3+ units) must document that a Certificate of Occupancy granted after a 106 Inspection (5-year mandatory inspection) exists on file with the City. If one does not exist, a documented effort must be made to obtain this certificate to demonstrate compliance with 780 CMR. In some circumstances, the Program staff may waive the Certificate requirement if a recent Certificate was documented to be denied due to the code violation(s) for which the applicant is applying for remediation. A letter from the Building Inspector will be required as documentation and this exception will be granted at the sole discretion of Program staff.

**11. Certificate of Rental Dwelling:** The City of Gloucester Certificate of Rental Dwelling Regulation #4 of the Board of Health and Massachusetts State Regulation 105 CMR 410:000: State Sanitary Code Chapter II: Minimum Standards of Fitness for Human Habitation laws require all multi-family rental properties be inspected by the City’s Health Department periodically in order for units to be

legally rented. The legality of all rental units must be documented to be eligible for funding as a multi-family property. In some circumstances, the Program staff may waive the Certificate requirement if a recent Certificate was documented to be denied due to the code violation(s) for which the applicant is applying for remediation. A letter from the Health Inspector will be required as documentation and this exception will be granted at the sole discretion of Program staff.

**12. Flood Insurance:** Evidence of flood insurance coverage will be required if the property is determined to be located in the FEMA-designated Floodplain.

**13. Homeowner's Insurance:** The property owner must have homeowner's insurance on the property to be assisted and must maintain coverage throughout the life of the loan.

#### **H. Additional Program Policies:**

**1. Statutory Compliance:** All dwellings rehabilitated with federal funds must comply with all statutory requirements of the CDBG Program, Federal Lead Safe Housing Rule, and the Massachusetts Lead Law. Applicants must comply with all applicable Federal, State and local regulations. This may include, but is not limited to, Fair Housing and Equal Opportunity, the Uniform Relocation Act, state and local building and sanitary codes, affirmative marketing, environmental review, labor standards, conflict of interest provisions, and refusal to use federally debarred or suspended contractors. Potentially historic properties (those located in a historic

district or over 50 years old) may require additional review for some exterior improvements.

- 2. City Employees and Officials:** Program staff and any other City employees or officials who may have authority with respect to the administration of the program are not eligible to receive Program assistance. City employees or relatives of Program staff may apply, but a Conflict of Interest determination must be made prior to funding approval. All exceptions to a Conflict of Interest determination are granted at the discretion of HUD.
  
- 3. Providing False Information:** If an applicant falsifies or provides misleading, incomplete or inaccurate material information in an application, the applicant may be permanently disqualified from participation in the Program and may be required to repay any Program assistance already received. Examples of this include, but are not limited to, failure to report income from employment or failing to report an accurate account of residents in the household.
  
- 4. Temporary Relocation Policy:** It may be necessary to temporarily relocate residents when undertaking hazard abatement. Every effort will be made to minimize the need for temporary relocation during project work. When necessary, the Program will provide relocation benefits to tenants or residents who require temporary relocation. Tenants and owners will receive reasonable advance, written notification indicating whether or not temporary relocation will be necessary. Forms of assistance available are included in the Grant Division's Temporary Relocation Policy and will be provided to tenants and homeowners at least 15 days prior to the estimated date of relocation.

**5. Lead Paint Policy:** A lead paint risk assessment is required for all projects receiving loans over \$5,000 per unit and with more than 20 square feet of loose paint. The risk assessment will identify any lead paint hazards requiring interim control measures. A lead paint inspection and risk assessment must be conducted by a qualified and insured inspector. The costs of this lead inspection will be borne by the Program, not the homeowner. Should the costs of mandatory deleading, triggered through the rehab work, exceed the Program's \$20,000 loan maximum, those costs in excess of the \$20,000 may be covered in part by a grant if funds permit. Grant funding for this purpose is not to exceed \$30,000. Specifications for work will be developed based on applicable state and federal lead paint laws. Contractors will be required to observe lead-safe work practices when performing rehabilitation.

Full abatement is mandatory when rehab costs are over \$25,000 or children under age six are present. ***All homes where children under six years old reside must receive abatement regardless of the overall rehabilitation cost of the project.*** An inspection report will identify the levels of hazard present, prioritize risks, and recommend interim measures of abatement or full abatement if required. All occupants may be temporarily relocated during the deleading process. All deleading projects will be performed by experienced and certified deleading contractors.

All multi-family properties with rental units will be legally required to notify tenants of the presence and associated risks of lead paint. Homes built after 1978 are exempt from Program lead paint requirements.

## **I. Denial of Service:**

The policy of the City of Gloucester is to provide rehabilitation loan services when those services may be delivered safely and effectively, without undue hazards to staff, independent contractors, or applicants. In some circumstances, assistance may be denied due to the magnitude of health, safety issues, or associated costs. It is the policy of the City of Gloucester and HUD to make its best effort within program guidelines to correct all code violations during the rehabilitation of the unit. Refusal by the homeowner to correct code violations or to abide by any other applicable program policies, such as those listed above, may result in denial of assistance.

Program staff and contractors must be able to perform rehab measures without threats to their health or safety and in a non-hostile work environment. Work will not be performed in homes that are structurally unsound, substantially infested with vermin, or homes with electrical or plumbing hazards that cannot be resolved prior to or during the rehab. The dwelling must be free of animal feces, excessive garbage, and illegal controlled substances during the period of rehabilitation.

In all cases of denial, the applicant will be informed in writing when services are denied or withdrawn. The denial notice will include the reasons for the denial and instructions for appeal of the denial or steps that can be taken to allow for rehabilitation services to proceed.

## **J. Questions, Comments, Negative Incidents and Complaints:**

Program staff will accept any questions or general comments, negative or positive, from applicants in writing or orally at any time after the application is filed and during or after the performance of the work.

Comments, questions, and complaints may be submitted in writing to the Community Development Department by mail, email, or in person. When submitting a complaint, citizens shall provide a description of the specific activity or project that is the subject of the complaint, information on the organization responsible for carrying out the activity or project, and a detailed statement of the grievance. Written complaints must be mailed or hand delivered to the Community Development Department at 3 Pond Road, Gloucester, MA 01930 or emailed to [grants@gloucester-ma.gov](mailto:grants@gloucester-ma.gov).

Staff will acknowledge receipt of the complaint in writing within fifteen (15) working days. Thereafter, the staff will investigate the complaint and respond in writing to the complainant within ninety (90) working days of the complaint.

**K. Amendments and Revisions:**

Program guidelines and forms may be revised periodically as deemed necessary by Program staff or HUD. Major revisions to the Program Guidelines will require the approval of the Community Development Director.

**To Apply for Funding Assistance:**

Applications are completed using our web based application software. Information and a link to the application are available online at <https://gloucester-ma.gov/517/Grants-Division>

Applications are accepted and prioritized pursuant to procedures set forth in these policies.



If you require assistance completing the application or have questions, please contact the Community Development Department at (978) 325-5238 or [grants@gloucester-ma.gov](mailto:grants@gloucester-ma.gov).