

Village of Oak Park
Neighborhood Services Department
Oak Park, Illinois

Small Rental Property Rehabilitation Loan Program Policy Guidelines

I. PROJECT FUNDING

The Village of Oak Park intends to use Community Development Block Grant (CDBG) funds for the rehabilitation of affordable rental housing units for rental properties with 7 units or fewer.

II. TYPES OF PROPERTY

The property must be either a single family detached rental dwelling or a multi-family rental property with 7 units or fewer on the same or contiguous site that are under common (1) ownership; (2) management; and (3) financing.

III. Property Eligibility

Properties must be located in the Village of Oak Park. 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.

For each property identified for rehabilitation, Property Owners will be required to complete a pre-application form and be current on all municipal financial obligations. 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 property and must provide a copy of the recorded Warranty Deed establishing ownership of the property.
- **Proof of property insurance** - Applicant must provide proof of adequate 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 Village of Oak Park must be placed on the policy as a lien holder once the project is approved.
- **Proof of paid property taxes** - Neighborhood Services 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 Neighborhood

Services. Any existing mortgages against the subject property must be in good standing.

- **Verification of low-and moderate-income households** – *Applicant will be required and must provide tenant income information. In accordance with HUD requirements, at least 51% of the rental units will need to be occupied by Low- and Moderate-Income (LMI) households. Low-income households are defined as households with income below 80% of the Area Median Income for the Chicago Metropolitan Statistical Area. Rehabilitation costs and the project must demonstrate and prioritize how it meets the income-targeting households.*

IV. PROJECT BUDGET

A. CDBG portion

A minimum CDBG project budget is \$5,000 per rental unit and the maximum is up to and not to exceed \$25,000 per rental unit inclusive of contingency. Priority will be given to applications with units having three or more bedrooms.

B. Owner Contribution

Property Owner(s) will be required to commit (or leverage), at a minimum, 25% of the total project cost. The total project cost includes the hard costs of rehabilitation, inspection fees, recording fees, and other soft costs associated with the project. Any costs exceeding the per unit maximums must be paid by the Owner.

C. Emergency Repairs

Property Owner(s) who require minor repairs that are an emergency, can qualify for an Emergency Loan not to exceed maximum of \$5,000 (see Emergency Loan Program Guidelines for reference). Total project cost must not exceed maximum amount listed for rental unit rehab, in order to be consider for emergency loan. Any projects that exceed the maximum amount, will not be considered and Property owner(s) must instead, apply for a Small Rental Rehabilitation Loan.

D. Lead Hazard Reduction

As part of the inspection phase, all rehab units will undergo lead testing. If any area of the units tests positive for lead-based paint hazards, those items will be added to the project scope. The cost of addressing identified lead hazards funded separately under the Village's Lead Hazard Reduction Grant, however an owner contribution of 25% will be require towards the lead project cost.

Property Owner(s) must provide each Tenant Household a copy of "Fair Housing – It's Your Right" and the Lead Based Paint booklet "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools" prior to the Tenant signing a lease. The Tenant(s) must sign an acknowledgement letter indicating that they have received the booklet.

V. CDBG LOAN TERMS AND CONDITIONS

A. Mortgage and Agreement

The Village will place a lien in the form of a Mortgage against all assisted properties for the amount of CDBG and the Multi-unit Retrofit Improvement loan funds provided to the Property Owner. All loans will require an Affordability Period, as defined in Section VI. The final mortgage/lien amount will include all rehabilitation costs (including the incremental increase in costs associated with lead-based paint, if applicable and related items) and all soft costs charged to the project, up to the maximum amount for which the property is eligible. The mortgage will bear no interest and the lien in the full amount of CDBG assistance provided will be discharged if the owner satisfies all terms and conditions of Mortgage and Agreement for the full length of the Affordability Period. If the Owner does not satisfy the terms and conditions of those documents during the Affordability Period, the Owner will be required to repay the entire lien amount with required interest, subject to the highest amount permitted by law, whichever is less.

B. Transfer of Ownership

The period of Affordability will stay with the building upon change of ownership. If the property is sold prior to the end of the Affordability Period, the lien with the required interest (subject to the highest amount permitted by law, whichever is less) must be repaid to the Village of Oak Park. The Village may waive this requirement if the new Property Owner(s) agrees to continue to abide by the terms of the Affordability Period and the loan. Should under new ownership, the owner decides that they would like to remove the Affordability Period, the loan must be repaid in full. This arrangement must be agreed upon in writing by all interested parties prior to the sale of the property.

C. Subordination

The Village will agree to subordinate its lien only for refinancing of debt from existing mortgages for rate and/or term improvement. The Village will only agree to subordinate its lien if the new mortgage does not include any new debt, with the exception of closing costs and fees. Subordinations must be approved by the Village.

D. Marketing Services Agreement

During the term of the affordability period, property owners are required to make a good faith effort to affirmatively market the units in their building with the cooperation and assistance of the Village of Oak Park, and if applicable, its designated Marketing Agent. The Property Owner must notify the Village or its designee, of all vacancies in the building so that assistance can be provided.

The Owner will remain responsible for credit checks, security deposit procedures, and the final determination of renting to all tenants. All tenant applications will be taken and processed in the order in which they are received consistent with

Federal, State and Local Fair Housing Laws. Any Fair Housing Complaints will be referred to the Neighborhood Programs Manager and the Chief DEI Officer.

VI. DEFINING AND DETERMINING AFFORDABILITY PERIOD

A. What is an Affordability Period?

Under the Mortgage and Agreement, the Affordability Period will be the period in which the owner agrees to rent unit(s) at Fair Market Rate (FMR), as determined by HUD guidelines and income limits. The Owner agrees and must comply to renting out CDBG rehab units to household(s) with income at or below 80% of the Area Median AMI). The Affordability Period will start on the date of final payment of the CDBG contract amount to the contractor.

B. Duration of Affordability.

The Affordability Period will be determined by the Loan amount received, and the duration will be defined by the Village of Oak Park. The following illustrates what the duration of the Affordability Period will be for varies loan amounts:

Loan Amount	Affordability Period
= \$5,000 per unit	2 years
≤ \$10,000 per unit	5 years
≤ \$15,000 per unit	10 years
≤ \$20,000 per unit	15 years
≤ \$25,000 per unit	20 years

VII. APPLICATION PROCESS

A. Packet

If the property meets eligibility requirements listed in Section III above, the Property Owner(s) must complete a full Application packet for assistance. The Property Owner must complete and provide the following documents to Neighborhood Services:

- Property Owner(s) Application for Assistance
- Occupancy Report
- If available, pre-evaluation Disclosure of Lead Based Paint Hazards (as applicable)
- Property Owner(s) Program Agreement
- Letter of commitment from Property Owner(s) or Lender documenting availability of the Property Owner's minimum 25% contribution
- Copies of: Current Profit and Loss statements for occupied units

B. Tenant Notification

At the time that the Property Owner(s) complete(s) the Application for assistance, they must send each Tenant Household currently residing in the subject property a notification, via certified mail, that the Property Owner has applied for Federal rehabilitation dollars. This letter (URA #1) will be provided by the Village and will outline the Tenant Household's pre-construction rights under the Uniform Relocation Act.

As part of the submission of a full Application for assistance, each current Tenant Household will be required to complete the following documents:

- Tenant Profile Form
- General Release of Information form
- Lead Based Paint and Fair Housing Receipt of Information form
- Utility Account Release form, if energy improvement funds are requested.

C. Priority of Processing Applications

Applications will not be considered "complete" by Neighborhood Services, until all of the required Property Owner(s) 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. Priority will be given to applications with units that contain three or more bedrooms.

VIII. DETERMINING SCOPE OF WORK

A. Types of Eligible Property Improvements

All general interior improvements and gas to electric upgrades are eligible. It is expected that all properties, at the conclusion of the project, will have properly insulated walls and ceilings, energy efficient windows and/or storm windows, and energy efficient central heating and cooling systems, and shared or individual laundry facilities, to the extent practicable. Separate utility service for each unit is required.

The scope of work will be determined based upon the initial property inspection by the Neighborhood Services Inspector, local and state building regulations National Standards for the Physical Inspection of Real Estate (NSPIRE), and Property Owner(s) desired improvements.

B. Specification Preparation, Cost Estimate and Bidding

After the Neighborhood Services staff determines that the property meets the initial eligibility criteria listed in Section III above, a National Standards for the Physical Inspection of Real Estate (NSPIRE) and property inspection will be completed by the Inspector. Based upon this information, and any other proposed improvements to the property, the Inspector will complete a Cost Estimate. Photos will be sent to the Historic Preservation Officer for historical compliance. Any architectural features deemed historically significant that must be preserved or repaired in

accordance with Historic Preservation guidelines will be incorporated into the final Work Specifications.

The Property Owner(s) will provide architectural drawings, including all mechanical, plumbing, electrical, and material schedules from a qualified architect or draftsman when new units will be created from previously unoccupied space, or in the event that substantial rehabilitation of existing units will occur. The Property Owner(s) must make these renderings available to the Inspector, prior to the writing of the Work Specifications. These drawings must also be reviewed and approved by the Village of Oak Park's Development Services: Permits & Development Division.

The Inspector will write Work Specifications outlining the items to be completed (including Local Building Code, Zoning and Ordinance requirements) and submit the specifications to the Property Owner and all other appropriate parties for review and written approval as required.

The Neighborhood Services Staff will review the Cost Estimate with the Property Owner for economic feasibility, and review whether the Property Owner(s) and Tenant Household(s) have met all Small Rental Rehabilitation Program requirements

Upon approval of the Work Specifications and completion of the cost estimate, the Inspector will hold an on-site bid orientation to assist the Property Owner(s) in soliciting bids from approved, licensed/certified General Contractors. The Property Owner(s) may select a Contractor or Sub-Contractor who is not enrolled with Neighborhood Services Rehabilitation programs, 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.

Neighborhood Services staff shall create a Bid Tabulation and provide this information to the Property Owner(s). The lowest, *responsible* bid will establish the cost of the project. If the Property Owner(s) decide(s) to utilize a higher bidder, they will be responsible for the difference in cost. Once the Property Owner(s) has/have selected a Contractor, the Housing Programs Advisory Committee (HPAC) will recommend approval or denial of the request for funds. Recommended approvals will be forwarded to the Village for consideration and final action.

The Property Owner(s) and the selected Contractor, will be required to obtain all appropriate work permits from Development Services: Permits & Development Division. The Village of Oak Park will waive permit fees for work that falls within the approved Scope of Work. Prior to obtaining any permit, the property owner and/or contractor will obtain a certification from Neighborhood Services that the work falls within the approved Scope of Work.

C. Contract

Once an agreement is reached between the Property owner(s) and contractor, a pre-construction meeting between the above parties and Neighborhood Services staff shall be scheduled to review all related construction documents. If both parties agree, the contractor and Property owner(s) shall sign and date the accepted bid, in order to verify that the items were reviewed, discussed and accepted by the parties. If changes are necessary, the contractor shall make the Property owner(s) and Inspector aware of the situation accompanied by the proposed costs to cure. The changes, if any, shall be reviewed by additional staff and if deemed warranted, a change order shall be executed by all parties.

A separate benefit agreement between the Property owner(s) and the Village of Oak Park shall be necessary to clarify and verify the obligations of the Village and the Property owner(s), as the Village is not a party to the Property owner(s)/contractor agreement. The parties, including the Village, shall sign off on an alternative dispute resolution process for deciding all disputes related to the contract and warranties.

D. Inspection

During the construction process, the Inspector shall conduct progress inspections. Staff from the Permits Division will also complete any inspections needed for the permitting process.

E. Payments

For the duration of the project, contractors may make multiple payment requests to Neighborhood Services. The Village will retain 20% of the total amount requested from each interim payment request. The Village 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. Upon completion of the improvements, the Village will inspect the contractor’s work. After the property passes its final inspection and the Village receives the contractor’s signed waiver of lien, the Village will make the final payment to the contractor.

F. Warranty

The Contractor shall warrant that all work performed, including materials and workmanship by all tiers of subcontractors, complies with contract requirements and is free from defects. This warranty remains in effect for one year from the date of final payment approval. During this period, the Contractor must, at no cost to the Owner, correct any nonconforming work or defects and repair any related damage to Owner property. Any repairs or replacements completed under this warranty will be covered for an additional one-year period from the date of correction. Should a dispute between the contractor and owner arise during the contractor’s one-year warranty period, the parties shall utilize the alternative dispute resolution process. There is no obligation or liability of the Village of Oak Park in such circumstances.

IX. LOAN APPROVAL PROCESS

Once the project has been reviewed by the HPAC and approved by the Village, the Property Owner(s) will be notified, in writing, of the approval or denial of the project. If the project has been approved, the Property Owner must return to Neighborhood Services, sign and complete, the following CDBG loan documents:

- Loan Commitment and Agreement
- Mortgage and Note
- Rent Affordability Checklist (signed by Property Owner(s))

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

- Property Owner(s)/Contractor Agreement
- Occupant Protection Plan for Lead-Based Paint activities
- Contractor Lead Based Paint Certification form (for Interim Control activities only)

X. UNIFORM RELOCATION ACT

As stated above, all Tenant Household(s) in place at the time that the Property Owner(s) submitted application for funds will be notified that the Property Owner(s) may 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 Household(s) will receive a Notice of Non-Displacement (URA #2).

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

***** Generally, existing Tenant Household(s) 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.**

XI. ONGOING PROGRAM COMPLIANCE

A. Number of Required Restricted Units per Property

During the term of the affordability period described above, the Property Owner(s) agree(s) that the following number of units based on building size will be rented to tenants with household income at or below 80% of the Area Median Income for Cook County.

Number of Total Units	Number of Restricted Units
One	One
Two	One
Three	Two

Four	Three
Five	Three
Six	Four
Seven	Four

******All documentation pertaining to this program must be maintained by the Property Owner, throughout the duration of the Affordability Period, beginning on the date when all units of a project are occupied.******

B. Maximum Rent For Restricted Units

The maximum contract rent charged cannot exceed the HUD Fair Market Rents currently in effect. 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. Property Owners and their immediate families are not eligible to rent the restricted units.

C. For all Units

If rents charged by the Property Owner(s) prior to the submission of the application were less than maximum allowable rents under the program, the Property Owner(s) may not increase rents on occupied units, regardless of Tenant Household income, from the pre-rehab rent for a minimum of one year after rehabilitation has been completed.

D. Prospective Tenants

The Property Owner(s) must submit all Village of Oak Park/HUD required documentation, along with a copy of the lease, to Neighborhood Services 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.

E. Accessibility Modifications

A Property Owner(s) 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(s) 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 countertops. The person with the disability may be required to return the premises to its original condition upon vacating the premises.

F. National Standards for the Physical Inspection of Real Estate

At project completion, all CDBG assisted and non CDBG assisted units and common areas must comply and to comply at a minimum with National Standards for the Physical Inspection of Real Estate (NSPIRE) guidelines. During the

Affordability Period, properties will be inspected at year 2 after project completion and or every 2 years until the affordability period ends.

G. Verification for Affordability Period

Property Owners will be required to submitted annual documentation for both current and new occupancy, to ensure and illustrate that they are following the Affordability Period terms

XII. PERFORMANCE MEASUREMENT AND EVALUATION

The success of the Small Rental Rehabilitation Program will be measured using Key Performance Indicators (KPIs) that reflect its impact, operational efficiency, equity outcomes, and resident satisfaction. Regular evaluation of these indicators will support accountability, continuous improvement, and alignment with HUD's CDBG program goals.

I. Program Impact

To assess the overall reach and effectiveness of the program, the Village will track:

- The number of rental units rehabilitated annually, with a target of 10, subject to available funding.
- The share of units affordable to households earning $\leq 80\%$ of the Area Median Income (AMI), with a goal of 100% affordability.
- The proportion of three-bedroom or larger units, with a minimum of 30% of total rehabilitated units addressing the needs of larger families.
- The percentage of projects that meet lead-safe housing standards, targeting 100% compliance upon project completion.

2. Efficiency Metrics

Operational efficiency is critical to maximizing the use of limited resources and minimizing project delays. The program will monitor:

- The average CDBG investment per unit, with a cap of \$25,000 per unit to maintain cost-effectiveness.
- The percentage of projects completed within the approved budget, aiming for at least 90% budget compliance.
- The share of inspections that pass on the first attempt, with a target of 80% or greater, indicating effective contractor performance and code compliance.

3. Equity Metrics

The program is grounded in equitable access to safe, affordable housing. While all units must serve households at or below 80% AMI, the Village will also monitor unit size and affordability distribution to ensure the program serves a cross-section of community needs, including larger families and extremely low-income renters where applicable.

4. Satisfaction and Quality Assurance

To ensure high-quality outcomes and resident-centered service delivery:

- Tenant retention will be tracked at 12 months post-rehabilitation, with a target of at least 85%, helping to minimize displacement and preserve housing stability.

5. Evaluation

Ongoing program monitoring will include quarterly reviews of all performance indicators. The Village will ensure that 100% of participating property owners remain compliant with the affordability period requirements. These reviews will inform any necessary adjustments to program design or implementation strategies to enhance impact, equity, and accountability.