

Village of Oak Park
Neighborhood Services Department
Oak Park, Illinois

Residential Rehabilitation Loan Program Policy Guidelines

A. ELIGIBLE PROPERTY OWNERS

1. Benefit to Very Low- and Low- Income Owner-Occupants.

The program must benefit very low- and low-income households. Very low-income households are defined as households with income below 50% of the Area Median Income for the Chicago Metropolitan Statistical Area including Cook County as defined by HUD. Low-income households are defined as households with income below 80% of the Area Median Income for the Chicago Metropolitan Statistical Area. The income of all adult (18 years and older) occupants shall be included on the application.

2. Income and Asset Eligibility

Income eligibility will be determined using the annual income definition of 24 C.F.R. Part 5, according to the requirements of 24 C.F.R. Part 570.3 and 24 C.F.R. Part 570.208(A). Rehabilitation costs must exceed 50% of the applicant's liquid assets. If the cost of rehabilitation is 50% or less of assets the applicant is ineligible. (For example, if the liquid assets total \$20,000, the rehabilitation costs must exceed \$10,000). Liquid assets may include but are not limited to any asset such as; stocks, bonds, savings accounts, or checking accounts.

3. Program priority is upgrading of housing/poor credit risk loans

A program priority is the upgrading of Oak Park's housing stock. Therefore, in cases where homeowners are poor credit risks, loans may still be made, at the discretion of Neighborhood Services staff, since the loans are secured by the property, and any arrearages in repayments can be collected at the time of property transfer.

4. Eligibility of Village employees

Eligibility of Village employees for this program will be determined by the Conflict of Interest and Ethics Ordinance. 1993-0-24, adopted 4/4/93 in addition to all other program requirements, including including CDBG conflict of interest requirements of 24 C.F.R. Part 570.611.

5. Unfeasible rehabilitation projects

Rehabilitation projects will be considered unfeasible if:

- the dwelling is substandard,
- there are severe debts,
- back taxes or mechanics liens are owed,
- there are other financial threats to the household affecting retention of title, or
- there is little hope of making the project viable based on previous project budgets.

A substandard dwelling is one where the maximum loan amount available will not be enough money to do the amount of work to improve the property so that the value will be sustained over time to allow repayment of the loan, or the severity of the code deficiencies is too severe to be corrected by the maximum amount of the loan available.

6. Eligibility for subsequent loans

Past loan recipients will be eligible for second or additional loans after five years from the date of Village approval of the previous loan if the applicant meets all program criteria. Owners who have previously received a payback loan must have demonstrated satisfactory performance on their loan before the Village will make any subsequent loans.

B. ELIGIBLE PROPERTY TYPES

1. Owner-occupied dwelling in Oak Park

The property must be an owner-occupied residential home, containing 1-4 dwelling units in Oak Park. As defined by HUD, a single-family home is a residence consisting of one to four dwelling units. This includes detached houses, townhomes, and individual units in such as condos. Thus, all condos and townhomes are defined as a single-family dwelling. For condominium and townhome units, the improvements can only be made for those areas, within a unit, which the owner of the unit has authority to change, alter or improve, as defined by the condominium or townhomes declaration, by-laws, and/or other rules and

regulations as issued and adopted by the association or board. Improvements to common elements and limited common elements are not within the scope of this program.

2. Clear title

The Owner(s) must have clear title to the property without any cloud on the title, not include any prior recorded consensual liens such as mortgage or deed of trust. The Owner(s) must be the sole title holder of the dwelling which will undergo project rehabilitation, unless an acceptable release is obtained from any person on the title agreeing to the additional encumbrance.

3. Contract sales

The Village will not make Residential Rehabilitation loans to properties undergoing a contract sale unless both the seller with legal title to the property and the buyer with equitable title enter into the loan transaction.

4. Equity ratio

There must be 10% post-rehab equity in the property. If there is a question about post-rehab equity during the initial screening process, Neighborhood Services staff will inspect the property, develop a probable scope of work and cost estimate for the project, and order a short form post-rehab appraisal from a qualified appraiser. The cost of the appraisal shall be covered by the loan proceeds if the loan is approved, or by the Village if the loan is denied. Owners can provide an appraisal if necessary to the Village that is less than two years old and determined by staff it to be valid. Otherwise, information from the Cook County Assessor's Office will be used to calculate the equity in the property.

5. Hazard Insurance

Before a project can begin, hazard insurance on the dwelling must be at least 80 percent of the property and dwelling's approximate current market value.

6. Poor property maintenance

In cases of poor property maintenance, Neighborhood Services staff may delay taking an application until the homeowner has done exterior and interior clean-up, and correction of minor code violations where possible.

7. Water and Property Tax Bills

Water and property tax bills must be current. No portion of the loan shall be used by the owner to pay either water or property tax bills.

c. SCOPE OF WORK

1. Loans will be prioritized to address the following work items:

Category A: Code violations and residential rehabilitation standards

These items are included in the Village of Oak Park's Property Maintenance Code and Rehabilitation standards.

When sufficient public and/or private funds are available, all Category A items shall be completed. If there are not sufficient resources to complete all the items in Category A, then the work shall be subject to the following priorities:

- Life threatening conditions
- Health and safety items
- Structural, electrical, mechanical, plumbing, fire prevention code items.
- Other violations.

Category B: Incipient Code Violations

These items include those elements of the structure which are not in violation of the property maintenance code, but appear to be in a condition that will deteriorate into a code violation if left uncorrected.

Should sufficient resources be available to complete all items in category A, then category B items shall be undertaken.

Category C: Accessibility

When sufficient public and/or private funds are available and items from Category A and B have been satisfied or are up to code, any item which can alleviate a physical hardship for disabled applicants shall be considered. These items include egress ramps, plumbing modifications, and accessories, grab rails, etc.

Category D: Energy Conservation

These items are directly related to the conservation of energy by upgrading the dwelling's thermal protection, such as insulation, water saving fixtures, furnances, window replacement and any gas to electric upgrades. Items in this category will be completed if sufficient funds remain after completion of items in categories A & B. These items are to conform to the Department of Housing and Urban Development "Intiative on Energy Efficiency in Housing."

Category E: General Property Improvements

These work items constitute improvements which can be made to the property. Examples include landscaping, sump pumps, etc. Luxury items such as room additions, air conditioning, decks etc. will not be considered.

D. LEVELS OF ASSISTANCE AND TYPES OF LOANS AND GRANT

1. Minimum and maximum project budget

The minimum project budget is \$5,000. The maximum will be up to, and not to exceed \$25,000, inclusive of contingency.

2. Lead Hazard Reduction Grant

As part of the inspection phase, all homes will undergo lead testing. If any area of the home tests positive for lead-based paint hazards, those items will be added to the project scope. The cost of addressing identified lead hazards will be funded separately under the Village's Lead Hazard Reduction Grant.

Owner(s) will be provided with a copy of the Lead Based Paint booklet "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools" prior to the loan signing and project construction. A certificate of acknowledgement must be sign indicating that they have received the booklet.

2. Deferred Title Transfer Loan

Loans will be made at no interest for terms up to 20 years to very low- and low-income owners as defined by HUD. The maximum loan is up to and not to exceed \$25,000 per unit, inclusive of contingency. Loans will be repaid in a lump sum upon the earlier of the following: in 20 years; or upon sale or transfer of title.

3. Contingency

Project budgets shall include a contingency of up to \$5,000. The contingency is intended to pay for work related to the scope of work that was not anticipated at the time the scope of work was prepared. Neighborhood Services Staff shall determine the contingency amount based on the nature of the proposed work, but in no event can the contingency exceed \$5,000 or be less than 10% of the project budget. If the contingency amount is not used, the staff and owner(s) shall mutually decide whether to reduce the loan amount or to spend the amount on other eligible work. The project budget including the contingency amount may not exceed \$25,000.

E. APPROVAL PROCEDURES

1. Confidentiality of Owner's Names and Addresses

Property owner's names and address will not be mentioned during the Housing Programs Advisory Committee (HPAC) and Village Board meetings, but will be recorded in official Village files and be available upon appropriate request.

2. Priorities for applications

Applications will be qualified based on income and asset eligibility and type of work identified. Applications will be handled based on the date of qualification. Staff will develop a priority system (other than date of qualification) if a waiting list develops. The primary criteria for that system will be severity of need (emergency).

3. Approval Process

Neighborhood Services staff will receive applications, verify income and assets, order title searches, request appraisals, obtain credit reports and other necessary verifications. Upon receipt of all necessary documentation, a decision will be made as to the financial eligibility of the applicant(s) and the program category for which they primarily qualify. The Inspector, will then inspect property and prepare a work list and preliminary cost estimate to verify that the work is within the program cost limits. The Inspector will review the work list and preliminary cost estimate with the homeowner. Homeowner must agree with the work list and the preliminary cost estimate before the project is bid.

Upon receipt of bids, inspector will review the bids and detailed cost estimate with the homeowner to assist the homeowner in the contractor selection process per policy guideline number F1. The homeowner will select contractor and additional staff will prepare a loan recommendation packet to present to the (HPAC). HPAC will review the loan recommendation for eligibility and will make a recommendation to the Village. The Village will make the final decision. The applicant will be notified, in writing, of the decision.

After approval by the Village, Neighborhood Services staff will verify continued eligibility of the applicant. The applicant shall sign a note and mortgage, immediately, after approval of the loan. The note and mortgage will reflect the approved loan amount.

If the applicant is deemed ineligible for any reason throughout the process, he/she will be notified, in writing, as to the reason(s) for his/her ineligibility.

F. REHABILITATION PROCEDURES

1. Contractor Selection and Payment

In recognition that the home being repaired is the property of the applicant, the applicant will be responsible for selecting the contractor that will work on the home. The homeowner is required to obtain at least three (3) bids for the work. All bids must be sealed and addressed to the homeowner. Neighborhood Services will receive the bids on behalf of the homeowner, and the homeowner will open the bids with the Village present. The selected contractor must meet the following requirements:

- a. The general contractor and all subcontractors must be properly licensed to work in the jurisdiction where the work is being done and must submit evidence of program required insurances, licenses, bonding and other credentials.
- b. The proposal from the contractor may not exceed 10% of the cost estimate prepared by the Inspector, to perform the proposed repairs or be lower by more than 15%.
- c. The homeowner may not perform the functions of the general contractor and/or subcontractors.
- d. The general contractor and all subcontractors must not be debarred.
- f. General contractor must be registered on Sam.gov.

2. Contract

Once an agreement is reached between the homeowner 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 homeowner 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 homeowner 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 homeowner and the Village of Oak Park shall be necessary to clarify and verify the obligations of the Village and the

homeowner, as the Village is not a party to the homeowner/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.

3. Inspections

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.

4. Payments

Interim payments to the contractors shall be made according to the contract, upon receipt of sworn statements, pay-out orders, inspection tickets, contractor affidavit(s), and when necessary, paid invoices. Please note that the Village will retain 20% of the total project cost, to be released to the contractor after final inspection, completion of work, and receipt of the final invoice with a Waiver of Lien.

If a dispute arises between the homeowner and contractor, the Village will make interim payments upon notification that the parties have completed the alternative dispute resolution process and an agreement has been reached. If necessary, a amended note and mortgage shall be signed by the homeowner to reflect any changes, such as change orders and contingency funds used and unsued, in the final contract.

5. Completion

Upon completion of the work, the contractor, homeowner and inspector shall inspect the work. If the work has been completed satisfactorily including passing all required inspections, the contractor shall submit a final pay-out order affidavit and all necessary releases of liens and warranties shall be collected for distribution to the homeowner. For work not satisfactorily completed, the Inspector shall issue a “punch list” (statement of incorrect or incomplete items) to the contractor. The items shall have to be completed within a specified time period. Once the “punch list” is completed, the pay-out shall be processed. Additional staff shall officially close-out the case. If a dispute arises between the homeowner and the contractor, the Village will make final payout upon notification that the parties have completed the alternative dispute resolution process and an agreement has been reached.

6. 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.

G. UNIFORM RELOCATION ACT

All Tenant Household(s) in place at the time that the Owner(s) submitted application for funds will be notified that the 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.

H. PERFORMANCE MEASUREMENT AND EVALUATION

The success of the Residential Rehabilitation Loan Program will be evaluated through both qualitative and quantitative performance measures that reflect its **impact, efficiency, equity, and resident satisfaction**. The following **Key Performance Indicators (KPIs)** will be used to monitor, assess, and refine program implementation:

1. Program Impact

- Number of total applications received during the program period.
- % of eligible applications received compared to total applications.
- % of ineligible applications received and an analysis of common reasons for ineligibility.
- % of eligible applications that proceed to project approval and funding.
- % of projects completed within 1 month and 3 months after loan closing.
- % of homes brought into full code compliance upon project completion.

2. Efficiency Metrics

- Average time from application submission to eligibility determination.
- % of projects that met eligibility requirements and completed the approval process within 4 months and 6 months.
- Average type and number of rehabilitation activities completed per project.
- % of projects with warranty claims filed within the contractor's 1-year warranty period.

3. Equity Metrics

- % of low-income homeowners served, disaggregated by income levels:
 - Extremely Low-Income ($\leq 30\%$ AMI)
 - Very Low-Income ($\leq 50\%$ AMI)
 - Low-Income ($\leq 80\%$ AMI)

4. Satisfaction and Quality Assurance

Resident satisfaction rate will be collected through a *post-project survey* assessing experience, communication, timeliness, and project outcomes.

5. Evaluation

These indicators will be tracked regularly through the program database and reviewed quarterly to support ongoing process improvement and equitable access to housing rehabilitation resources.

I. REFINANCING

Refinancing criteria

In cases where former loan recipients wish to refinance mortgage(s), other than the Village's, and request that the Village maintain its subordinate position, the Village will agree to maintain its junior position if:

- a. There is adequate equity in the property to support the total proposed encumbrance, per policy guideline number B4. (if necessary, homeowner(s) will submit an appraisal as proof of equity);
- b. The cost of the refinance is the only allowable equity taken out of the property (see below); and

- c. There has been satisfactory performance over the previous 24 months on the existing loan.
- d. Neighborhood Services staff may also recommend Village approval of subordinations: 1) in cases of extreme emergency, when home equity is the only source of funds, as approved by the Neighborhood Services staff and the Village Manager's office; and 2) in cases when equity is taken out, it is put back into the property in the form of home improvement
- e. Neighborhood Services staff shall review the financing terms for reasonableness to protect the Village's interest.

J. LOAN FORGIVENESS

The Village has established a Loan Forgiveness Policy that allows eligible homeowners who have received a rehabilitation loan to apply for full or partial loan forgiveness. Homeowners may submit a formal request for consideration under this policy. All requests will be reviewed in accordance with the Village's Loan Forgiveness Policy and procedures.