



Agenda Item Summary

File #: RES 17-533, **Version:** 1

Submitted By

Tammie Grossman, Director of Development Customer Services

Reviewed By

LKS

Agenda Item Title

A Resolution Authorizing A Single Family Housing Rehabilitation Loan And A Lead Hazard Reduction Grant (SFR-073)

Overview

The purpose of the Single Family Rehabilitation Loan Program is to address and to correct deteriorated and blighted homes throughout the village. The eligible homeowners are requesting a deferred loan of \$24,999 and a lead hazard reduction grant of \$21,340 from the Village.

Staff Recommendation

Approve the resolution.

Fiscal Impact

Funding from the Village loan is from Fund 2020, the Community Development Revolving Loan Fund. This loan will reduce the \$144,303.91 fund balance (as of May 23, 2017), by \$24,999 to \$119,304.91 (Account 2020-46206-101-585613).

Background

Using Community Development Block Grant (CDBG) funding, the Single-Family Housing Rehabilitation Program provides loans to low-and-very low-income owner/occupants of single-family properties to correct documented or potential code violations and deficiencies, and to make general property improvements. There are two loan products to accomplish program goals: 1) a Deferred-Payment Loan Program which makes no-interest loans of up to \$25,000, deferred for repayment for 20 years; and 2) an Emergency Loan program which makes no-interest loans of up to \$5,000 per unit, deferred for repayment for 5 years, for correction of single emergencies, code violations of an emergency nature, or life-endangering circumstances. A minimum contingency of 10% is added into the principal on the loan to cover any unforeseen conditions, and is removed from the loan if not used.

The primary eligibility criteria for all loans are: the household income must be within income limits set by the US Department of Housing and Urban Development (HUD); adequate equity; primarily Code-related and basic repair work. For each eligible applicant, the Neighborhood Services Division determines financial eligibility, inspects the property, and prepares a detailed scope of work with a line-by-line item cost estimate. Using the scope of work, the homeowner invites Village pre-qualified contractors to bid on the project. The

homeowner is responsible for selecting the contractor. However, the accepted bid cannot be more than 10% above the cost estimate or more than 15% below the cost estimate.

As of January 10, 2002, lead hazard reduction activities are required on any federally-funded housing rehabilitation project. Three levels of lead hazard procedures exist. For projects under \$5,000, the contractor must not create any hazards, including the creation of lead dust. For projects between \$5,001 and \$25,000, all deteriorated surfaces containing lead in the affected areas must be stabilized, and no new hazards created. For projects over \$25,001, lead hazards in the affected areas must be removed. Since the Village maximum loan amount is up to \$25,000 only interim controls to alleviate deteriorated lead based paint surfaces are required. The Village contracts with an Independent Lead Inspector to perform lead risk assessment for each property to identify all lead based paint surfaces. The Lead Inspector also provides the Village with a list of deteriorated surfaces that must be controlled. Using the Lead Inspection Report, staff develops specifications for the lead hazard reduction work which are incorporated into the scope of work. The successful contractor must either provide documentation that they have certified lead workers on staff or have a lead certified subcontractor that can handle the work. Any subcontractors must meet all Village eligibility requirements. CDBG Funds for the lead work are given to the property owner as a grant, following the model of the Cook County HOME Program.

SFR-073 is:

1) a \$24,999 rehab loan to the low-income owner/occupant household of this property. The owner's income qualifies for a deferred-payment loan. This is the \$21,600 rehabilitation cost seen on the attached Bid Spread Sheet, plus a contingency to cover unforeseen problems which might arise during construction (\$3,399), total \$24,999. The mortgage amount is \$24,999. If the entire contingency is not used, an Amended Mortgage will be recorded on title for the exact amount of the loan.

2) a \$21,340 lead hazard reduction grant. This grant is the \$19,400 lead hazard reduction cost seen on the attached Bid Spread Sheet plus a contingency of \$1,940. If the entire contingency is not used, the remainder will return to the grant fund balance account.

These sources of funding are the CDBG revolving loan fund (\$24,999) and the CDBG Fund (\$21,340), total \$46,339.00. The \$24,999 mortgage is deferred for repayment until transfer of title, or a date 20 years from the date of loan approval (June 5, 2037). (The mortgage and note are written in the amount of \$24,999, the \$21,600 principal plus the contingency of \$3,399.) The lead hazard reduction work is a grant made out of CDBG funds, which does not require repayment.

The scope of work is detailed on the attached Loan Summary Form, as well as more detailed information about this project. The owner meets all program eligibility requirements, including the three major criteria: income, equity, and eligible scope of work.

The project was put out for bid twice. Two contractors submitted bids. The accepted bid was within the approved range of the cost estimate prepared by staff. This meets the guidelines established by HUD.

Alternatives

The program provides benefits to the Village in maintaining and improving our housing stock. If the funds are

not awarded to individual recipients the Village will not meet its goals under these programs as committed to HUD. The alternative is to not approve the Resolution.

Previous Board Action

NA.

Citizen Advisory Commission Action

All loan and grant requests are reviewed by the Housing Program Advisory Committee (HPAC) before they are presented for Board approval. This request was reviewed by HPAC on May 25, 2017 and recommended for approval.

Anticipated Future Actions/Commitments

NA.

Intergovernmental Cooperation Opportunities

NA.

Performance Management (MAP) Alignment

This action aligns with the Development Customer Services Governance Priority 3: Community Diversity, specifically by preserving affordable housing.