



Agenda Item Summary

File #: RES 18-921, **Version:** 1

Submitted By

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Reviewed By

LKS

Agenda Item Title

A Resolution Authorizing A Single Family Housing Rehabilitation Loan And A Lead Hazard Reduction Grant (SFR-078)

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 homeowner is requesting a deferred loan of \$7,238.00 and a lead hazard reduction grant of \$7,557.00.

Staff Recommendation

Approve the Resolution Authorizing a Rehabilitation Loan and a Lead Hazard Reduction Grant for this 1-unit residential property.

Fiscal Impact

Funding from the Village loan is from Fund 2020, the Community Development Revolving Loan Fund. This loan will reduce the \$146,006.91 loan balance by \$7,238.00, leaving \$138,768.91 (Account 2020-46206-101-585613).

Funding for the Village lead grant is from Fund 2083, the Community Development Block Grant Fund. This grant will reduce the remaining \$76,640.00 amount for Lead Hazard Reduction grants by \$7,557.00, leaving \$69,083.00 (Account 2083-46201-101-585612).

Background

Using 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 as follows: 1.) The household income must be within HUD

income limits; 2.) There must be adequate equity; and 3.) Rehabilitation work must be primarily Code-related, 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-078 is:

- 1) A \$7,238.00 rehab loan to the low-income owner/occupant household of this property. The owner's income qualifies for a deferred-payment loan. The \$7,238.00 includes the \$6,580.00 rehabilitation cost seen on the Bid Spread Sheet, on file, plus a contingency of \$658.00 to cover unforeseen problems which might arise during construction. The mortgage amount is \$7,238.00. If the entire contingency is not used, an Amended Mortgage will be recorded on title for the exact amount of the loan.
- 2) A \$7,557.00 lead hazard reduction grant. This grant is the \$6,870.00 lead hazard reduction cost plus a contingency of \$687.00. If the entire contingency is not used, the remainder will return to the grant fund balance account.

The sources of funding are the CDBG revolving loan fund (\$7,238.00) and the CDBG Fund (\$7,557.00), totaling \$14,795.00. The \$7,238.00 mortgage is deferred for repayment until transfer of title, or a date 20 years from the date of loan approval (June 4, 2038). (The mortgage and note are written in the amount of \$7,238.00, the \$6,580.00 principal plus the contingency of \$658.00.) 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 Loan Summary Form, that is on file, as well as more detailed information about this project. The owner meets all program eligibility requirements, including the three major criteria as discussed previously, income, equity, and eligible scope of work.

The project was put out to bid one time. Two contractors attended the walk-through and bid on the project. Of the two bids received, one was within the acceptable bid range established by the Village. 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 maintain 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

None.

Citizen Advisory Commission Action

None.

Anticipated Future Actions/Commitments

None.

Intergovernmental Cooperation Opportunities

None.

Performance Management (MAP) Alignment

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