



Agenda Item Summary

File #: RES 19-94, **Version:** 1

Submitted By

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Reviewed By

LKS

Agenda Item Title

A Resolution Authorizing A Single Family Housing Rehabilitation Loan (SFR-082)

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 only requesting a deferred loan of \$20,350.00 without the need for a lead hazard reduction grant as no lead was found in the risk assessment.

Staff Recommendation

Approve the Resolution Authorizing a Single Family Housing Rehabilitation Loan for this one-unit, single-family residential property.

Fiscal Impact

Funding from the Village loan is from Fund 2020, the Community Development Block Grant (CDBG) Revolving Loan Fund which is comprised of loan repayments from prior applicants. This loan will reduce the \$150,001.00 loan balance, by \$20,350.00, to \$129,651.00 (Account 2020-46206-101-585613).

Funding from the Village lead grant Fund 2083, the Community Development Block Grant (CDBG) Fund, is not being requested as no lead was found in the risk assessment.

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 with 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 in order to identify all lead based paint surfaces. The contracted 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 that they have a lead certified subcontractor that can handle the specified 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-082 is:

1) A \$20,350.00 rehab loan to the low-income owner/occupant household of this property. The owner's income qualifies for a deferred-payment loan. The \$20,350.00 includes the \$15,850.00 rehabilitation cost, as seen on the bid spreadsheet on file, plus a contingency of \$4,500.00, to cover unforeseen problems which might arise during construction. The mortgage amount is \$20,350.00. If the entire contingency is not used, an Amended Mortgage will be recorded on title for the exact amount of the loan.

2) A lead hazard reduction grant is not required on this project as there was no lead found in the required risk assessment as documented in the associated report on file.

The sole source of funding for this request is the CDBG revolving loan fund totaling \$20,350.00. The \$20,350.00 mortgage is deferred for repayment until transfer of title, or a date 20 years from the date of loan approval (March 18, 2039). (The mortgage and note are written in the amount of \$20,350.00, the \$15,850.00 principal plus the contingency of \$4,500.00.)

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 to 20 contractors. Two contractors attended the walk-through. A second walk through was immediately re-scheduled to provide an opportunity to contractors previously expressing an interest in the project, but who were unable to attend due to the Polar Vortex induced weather. Two additional contractors attended this second walk-through. A total of two bids were received. One was within the acceptable bid range established by the Village. The homeowner selected C&J Home Improvement.

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

None

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 February 20, 2019 and recommended for approval.

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.