



Agenda Item Summary

File #: RES 23-168, **Version:** 1

Submitted By

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Reviewed By

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Agenda Item Title

A Resolution Authorizing A Single-Family Housing Rehabilitation Loan (SFR-098)

Overview

The purpose of the Single-Family Housing Rehabilitation (SFR) Loan Program is to address and correct deteriorated and blighted homes throughout the village. The eligible homeowners are requesting a deferred loan of \$23,350.00 from the Village.

Recommendation

Adopt the Resolution

Staff Recommendation

Adopt the Resolution

Fiscal Impact

Funding from the Village loan is from Fund 2020, the Community Development Revolving Loan Fund. This loan will reduce the \$77,141.00 loan balance by \$23,350.00, to \$53,791.00 (Account 2020-46206-101-585613).

Background

Using Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD), the Single-Family Housing Rehabilitation (SFR) Program provides loans to low-and-very low-income owners/occupants of single-family properties to correct documented or potential code violations, 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 to 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; 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's 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 a lead risk assessment for each property 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.

As a result of Board action on February 10, 2020, applicants to the Single-Family Housing Rehabilitation Program are eligible to apply for up to \$10,000 as part of the Energy Efficiency Grant Program for energy upgrades that increase building energy efficiency, reduce energy and create savings. An energy assessment is conducted as part of the program by Nicor or ComEd. The Village will reimburse applicants for 1) installation of insulation 2) installation of energy-efficient lighting 3) installation of heating, venting, and air conditioning 4) upgraded water heater 5) air sealing, and 6) installation of solar panels. The funding for this energy program is the Village's Sustainability Fund and has no impact on the Single-Family Housing Rehabilitation Loan and Lead Hazard Reduction Grant.

SFR-098 is:

1) A \$23,350.00 rehab loan to the low-income owner/occupant household of this property. The owner's income qualifies for a deferred-payment loan. The \$23,350.00 includes the \$18,350.00 rehabilitation cost, as seen on the bid spreadsheet on file, plus a contingency of \$5,000.00, to cover unforeseen problems which might arise during construction. The mortgage amount is \$23,350.00. If the entire contingency is not used, an Amended Mortgage will be recorded on the title for the exact amount of the loan.

The funding for this request is the CDBG revolving loan fund totaling \$23,350.00. The CDBG Revolving Loan fund is comprised of re-paid CDBG single-family loans that are paid back when the loan recipient sells their home or transfers the title to another entity. The \$23,350.00 mortgage is deferred for repayment until a transfer of title, or a date 20 years from the date of loan approval (October 17, 2042). (The mortgage and note are written in the amount of \$23,350.00, the \$18,350.00 principal plus the contingency of \$5,000.00.)

The scope of work is detailed on the Loan Summary Form, which 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 three contractors. One attended the first walkthrough and two attended a second walkthrough. All three contractors submitted bids. Two bids were received prior to the deadline and one was received late. Of the three submitted bids, two were within the cost threshold allowed by HUD. The homeowner selected C&J Home Improvements as their contractor.

The post-rehab equity meets the program guideline requiring post-rehab equity of at least 10%. For purposes of determining equity, staff obtained the estimated market value of the property as posted on the Cook County Tax Assessor's website. With total debt of \$274,317.25 (\$249,317.25 first mortgage and \$23,350.00 Village Mortgage for this project), there will be 15.85% in post-rehab equity. The Village's investment is protected.

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

N/A

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 April 25, 2023, and recommended for approval.

Anticipated Future Actions/Commitments

None

Intergovernmental Cooperation Opportunities

None