

**CITY OF LUDINGTON
RENTAL REHABILITATION PROGRAM**

PROGRAM GUIDELINES 2009

GENERAL

Program Purpose: To provide safe and affordable rental housing to low income tenants at or below 80% of Mason County's Area Median Income (AMI) through the rehabilitation of existing rental units and the creation of new units with the assistance of a Michigan State Housing Development Authority (MSHDA) grant.

Location: An eligible rental unit must be located in Downtown Ludington, in the area bordered by Court Street to the North, Lewis Street to the West, Rowe Street to the East, Loomis Street to the South and James Street from Court Street to the North to Danaher to the South.

Conflict of Interest: City of Ludington elected officials, employees who have authority or who exercises any responsibility in connection with this program shall be ineligible to participate. Employees of MSHDA and the Federal Department of Housing and Urban Development (HUD) are also ineligible. (See MSHDA Policy Bulletin #8)

City of Ludington Community Development Block Grant Steering Committee (CDBG Committee): A five-member Housing Committee is appointed by the City Mayor to act upon applications brought before it by the Community Development Department and to provide overall guidance for the program. The Committee will meet on an "as needed" basis.

Review and Modifications: These Program Guidelines are subject to review and modification by the City and/or the Housing Committee to maintain compliance with MSHDA regulations and to improve the overall effectiveness of the program.

LANDLORD and RENTAL UNIT REQUIREMENTS

Landlord Qualifications: In order to be eligible for this program the following requirements must be met prior to the submission of an application:

Applicant Selection Process: The following process shall be followed in the selection of Program participants.

1. Applicant (landlord) completes a pre-application
2. Initial evaluation by the Community Development Department and the Downtown Ludington Board.
3. If qualified, applicant completes a full application (applications will be processed on a first come, first qualified, first served basis)
4. Notice to tenant(s) in units for which Federal funds have been applied for
5. Housing Administrator reviews application
6. Initial inspection by City Building Inspector and Housing Administrator, basic bid specs and cost estimate prepared, followed by a meeting with the landlord.
7. Housing Administrator approves or denies application for participation in the program
 - a. If denied, letter stating reasons for denial sent to applicant
 - b. If approved bids are obtained and final mortgage documents completed prior to rehab commencing

Information Required From Landlord:

1. **With Application**
Deed or land contract in the landlord's name

Letter from Land Contract holder that they will sign the mortgage/lien, if applicable
Receipts showing that all property taxes on the property are current and paid in full
Proof of paid Property Insurance
Receipts of past three (3) months owner-paid utilities

2. Prior to Signing Mortgage

Proof of required minimum 25% landlord match (letter from bank or lending institution)

If project is approved and temporary housing for tenant is necessary, proof that relocation is in compliance with the Federal Uniform Relocation Act and that landlord has sufficient funds to cover all expenses. The 25% required minimum match by the Landlord will be held in escrow at the City of Ludington and is due to the City prior to the commencement of the project. These funds will be used first to pay any contractor reimbursement and payment requests. The Landlords 25% match will be used as initial payment to the contractor upon signing the contracts.

Level of Improvement: Upon completion of the rehabilitation, the dwelling unit shall meet local building codes along with federal Housing Quality Standards (HQS) and MSHDA Moderate Rehabilitation Standards. This includes plumbing, heating, electrical and structural components, all of which must be completed by licensed and insured contractors. Rehabbed units will be re-inspected based on the following schedule; properties with 1-4 units must be inspected every 3 years; 5-24 units are inspected every 2 years; and properties of more than 24 units must be inspected annually to ensure HQS compliance. All rental units in a project (building) must meet HQS standards even if they are not directly assisted units.

Financial Feasibility: Following rehabilitation the dwelling unit must be able to financially support itself. In addition all debt service, property taxes, insurance and utilities (those paid by the landlord) must be current before the CDBG Rental Rehabilitation Program mortgage is signed and the rehab commenced.

Property Ownership: The applying landlord must demonstrate proprietary ownership of the property. This may be through a fee simple deed or a land contract. In the event the landlord is purchasing the property on land contract, all parties having a legal interest in the property will be required to sign the CDBG Rental Rehabilitation Program (RRP) mortgage. CDBG-RRP funds will not be committed until the mortgage is fully executed. A letter from the land contract holder(s) agreeing to sign the mortgage must accompany the application.

Waiting List: Those applicants who have submitted an application, which was not acted upon due to insufficient program funding, shall be placed on a waiting list in the order in which they were received by the City. At such time as new funding becomes available during the current grant period the waiting list applicants will be processed following an updating of the original application. NO WAITING LISTS ALLOWED WHEN GRANT PERIOD HAS EXPIRED

TENANT PARTICIPATION

Tenant Eligibility: Tenants are the central aspect of this program and their participation is required in completing the application process. Consequently, the tenant(s) occupying dwelling units under consideration for this program will be required to submit evidence of income levels in the form of pay stubs and a Michigan Income Tax Return as part of the program application. Tenants with income in excess of the MSHDA guidelines may result in disqualification of the dwelling unit from the program. 51% of units in a building must meet tenant qualifications and affordability, 49% of the units may be market rate.

Tenant Notification: Program regulations require notifications be sent to all tenants in selected units regarding 1) lead-based paint hazards, and 2) possible voluntary displacement (with specific predetermined amount of time).

Tenant Movement: Landlord must notify the City of any tenant movement from the time an application is submitted until the project is completed and the final report submitted to MSHDA. Notification must include the reason the tenant is leaving.

Note: The landlord cannot elect to not renew a lease or evict a tenant due to upcoming rehab work. HUD interprets this as a displacement whereby the tenant would be entitled to relocation benefits.

Tenant Displacement: It is the intent of this program that no existing tenant(s) be required to re-locate (displaced) to another dwelling unit during the rehabilitation of their unit, and that such event may result in the disqualification of the unit from the program. However, if the project is included in the program and re-location is necessary due to the extent of the rehabilitation, such displacement and all associated costs shall be in accordance with the Federal Uniform Relocation Act and shall be the sole responsibility of the landlord.

FINANCING/MORTGAGE REQUIREMENTS

Project Funding: The rehabilitation of each dwelling unit may receive up to \$25,000 for units used previously as residential units and up to \$35,000 for those units not previously used as residential units, in CDBG funds in the form of a five-year, 0% interest, forgivable loan to the landlord. The landlord must provide a minimum of 25% of the total cost of the project. Included in the rehabilitation cost for each unit are Lead Based Paint inspection fees, clearance costs and remediation.

Lien Period: A lien will be placed on each forgivable loan for a period of five (5) years. If a unit is sold during the lien period the new owner must assume the balance of the forgivable loan. The lien shall be in the form of a recorded written agreement constituting a "covenant running with the land" guaranteeing the affordability period upon sale of the property. There shall be no pay-off provision during the "Period of Affordability." In the event the owner defaults on the compliance guidelines of the contract, legal action may be taken by the City of Ludington, the Michigan State Housing Development Authority and/or the U.S. Federal Department of Housing and Urban Development and the owner will be required to reimburse the program the funding received.

AFFORDABILITY REQUIREMENTS

Period of Affordability: For a period of 1 year following initial occupancy, unit(s) must be occupied by tenants whose income is at or below 80% AMI and rents shall be regulated in accordance with MSHDA requirements. Both tenant income and rental rates will be certified at initial occupancy.

Tenant Income Limits: The maximum household income for families residing in rental units prior to the unit being rehabbed or during the first year of occupancy following rehab shall not exceed the following as determined by MSHDA (limits subject to annual review and adjustment):

Current Income Limits by Household Size

2008 listed total can change annually, and will be updated based on the project completion date. The following chart is set

Unite Size:	1	2	3	4	5	6	7
80% AMI:	\$28,650	\$32,750	\$36,850	\$40,950	\$44,250	\$47,500	\$50,800

Rental Rates: Landlords may not increase the rent on occupied units from the pre-rehab rent for a minimum of one year after the rehabilitation has been completed. At no time during this year may rents exceed Fair Market Rent for Mason County or rent burden the tenant (exceed 30% of gross household income).

Current Rent Affordability “Guideline”

Number of Bedrooms	Fair Market Rent* (including utilities)
Efficiency	\$361
1 Bedroom	\$424
2 Bedroom	\$555
3 Bedroom	\$726
4 Bedroom	\$798
5 Bedroom	\$918
6 Bedroom	\$1037

*(Fair Market Rent is subject to annual change. Current values are from 2008)

Note: These rates are estimates only. In the event the tenant is responsible for payment of a portion or all the utilities these rental rates will be lowered in accordance with MSHDA guidelines. The City will accurately calculate rents for your project individually. (Utility schedule attached.)

Term of Lease: A minimum 12 month lease shall be required during the 1 year Affordability period.

CONTRACTORS

Contractor Requirements: All contractors must possess a current State of Michigan contractor’s license(s) and carry active property/liability/workman’s compensation insurance. Copy of license(s) and proof of insurance shall be filed with the Housing Administrator’s Contractor file. The contractor shall be responsible for obtaining all necessary permits and inspections.

Insurance: Contractors must carry the following insurance coverages:

1. **All Contracts**

Worker’s Compensation-Statutory, if required, in compliance with the Compensation Law of the State of Michigan

2. **Contracts under \$35,000**

a. Comprehensive General Liability Insurance

Minimum limit of liability per occurrence of \$500,000 Combined Single Limits (Bodily Injury/Property Damage)

b. Comprehensive Automobile Liability Insurance

Minimum limit of liability per occurrence of \$300,000 Combined Single Limits (Bodily Injury/Property Damage)

3. **Contracts \$35,000 and above**

a. Comprehensive General Liability Insurance

Minimum limit of liability per occurrence of \$1,000,000 Combined Single Limits (Bodily Injury/Property Damage)

b. Comprehensive Automobile Liability Insurance

Minimum limit of liability per occurrence of \$1,000,000 Combined Single Limits (Bodily Injury/Property Damage)

4. Contractor shall furnish a Certificate of Insurance to the City prior to commencing construction. Such Certificate shall include a thirty (30) day notification of cancellation or material change in the policy.

Contractor List: The City will solicit local contractors as to their qualifications and interest in participating in the program. The City will maintain a listing of interested contractors, which shall be available for review. The City will not recommend a contractor to a landlord.

Contractor Selection:

The landlord shall be responsible for obtaining a minimum of two (2) bids from contractors of his/her choice (contractor may or may not be from the City's list of interested contractors) so long as they meet the "Contractor's Requirements" stated above.

The bid documents including project specifications will be prepared by the City and approved by the landlord. Bids are to be returned to the Program Administrator within 14-21 days of invitation (as specified in the bid documents).

The landlord shall select the contractor. In the event the landlord awards the contract other than to the lowest responsible bidder, the landlord must pay the difference between the selected bidder and the low bidder.

The contract for rehabilitation work shall be between the landlord and the contractor.

Work Performance: The selected contractor shall begin work within sixty (60) days after signing the contract. The contractor and/or the landlord shall notify the City of any problems or difficulties during the performance of the work; however, the contract is between the landlord and the contractor and they are responsible for resolving any issues to the satisfaction of the City in accordance with MSHDA regulations prior to any payment.

Payments to Contractor: The following payment schedule shall apply to all program projects:

1. 25% initial payment upon signing contract (provided by landlord)
2. Payment equal to 50% of the total contract upon completion of 75% of the work approved by both the landlord and the City
3. 25% balance upon completion of the work approved by both the landlord and the City, final inspections completed and Certificate of Occupancy issued by City
4. Landlord must sign Final Acceptance Form
5. Contractor must provide a signed Final Invoice and Release of Liens and Warranty for final payment
6. All work shall be guaranteed for twelve (12) months

Change Orders: Any and all change orders to the bid specifications shall be signed by the landlord, contractor and City prior to implementation.

COMPLAINT RESOLUTION PROCEDURE

The following Complaint Resolution Procedure (Procedure) is established in accordance with *MSHDA-OCD Policy Bulletin #3* and shall be used to resolve all complaints by or between parties participating in the Program. The Community Development Department shall notify the contractor and applicant(s) prior to project commencement of this Procedure.

Filing Complaints

Any party applying for or participating in a rehabilitation project under this Program may file a complaint with the City of Ludington, City Manager. This complaint must be filed, in writing, within fifteen (15) days of the incident that causes the complaint and should contain a detailed description of the complaint. The City Manager shall provide a copy of the complaint to the party against whom the complaint is written. If the complaint is against the Community Development Department, the City Manager shall convene a meeting of the Construction & Property Maintenance Code Appeal Board at the earliest date convenient to all parties.

Response

The City Manager will follow the procedures outlined below:

The City Manager shall investigate the complaint and respond in writing within fifteen (15) days, to both parties, with the recommended resolution of the problem.

Each party shall review the recommendation and respond, in writing, within fifteen (15) days to the City Manager of their decision to accept or reject the recommended resolution. The City Manager will attempt to mediate any unresolved issues between the parties.

If the issue cannot be resolved between the parties and City Manager, the City Manager shall convene a meeting of the Construction & Property Maintenance Code Appeal Board at the earliest date convenient to all parties.

The Construction & Property Maintenance Code Appeal Board shall review all written documents and hear verbal arguments by all parties involved. The Construction & Property Maintenance Code Appeal Board will make a decision during the meeting on the resolution of the complaint unless it is determined that additional information is required and it is necessary to reconvene this Committee for final decision at a later date. The Community Development Department shall place a copy of the Construction & Property Maintenance Codes Appeal Board's decision in the project file.

Dispute Resolution

If the party or parties do not accept the decision of the Construction & Property Maintenance Code Appeal Board, the City Manager shall advise the parties, in writing, in 30 days, that they shall be required to participate in a Dispute Resolution Program. The parties in the dispute will share the costs of mediation.

Westshore Dispute Resolution Center
8 W. Walton Avenue
Muskegon, Michigan 49440
Phone (231) 727-6001 Fax (231) 727-6011

Final Recourse

If all of the above procedures are unsuccessful and have been adhered to and properly documented, the issue may be referred to the MSHDA Office of Community Development for final decision.

