

CITY OF BANGOR

COMMUNITY DEVELOPMENT

RESIDENTIAL REHABILITATION

LOAN PROGRAM

POLICIES & PROCEDURES

APRIL 8, 2019

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Introduction

The City of Bangor's Community Development Division (CDD) offers a Residential Rehabilitation Loan Program to property owners, both investors and owner-occupied, who are looking to improve their buildings by creating safe, affordable, decent housing for low income residents. The Residential Rehabilitation Loan Program is funded by the Community Development Block Grant Program (CDBG) and is subject to all of the Community Development Program rules.

Program Goal

The goals of the program are as follows:

- to improve the quality of housing by eliminating substandard housing conditions;
- to upgrade properties to meet code requirements for existing buildings;
- for the rehabilitation and general home improvements of residential properties throughout the City;
- to implement and encourage energy efficient improvements;
- to enhance the appearance of the entire city while preventing the decline and deterioration of older neighborhoods;
- to assist property owners to rehabilitate properties in order to offer safe, decent and affordable housing units;
- for the elimination of slum/blighted properties; and
- to assist homeowners with emergency repairs that threaten the life and safety of occupants.

Part 1 Program Summary

1.1 HOUSING REHABILITATION LOAN PROGRAM

Purpose: To provide for the rehabilitation of single family, **owner occupied** residential structures in accordance with the City's building code standards and HUD Housing Quality Standards (HQS).

Eligible Activity: Loans may be made only for work which is necessary to make the residence safe. The rehabilitation tasks may include building exteriors, upgrading building interiors, mechanical systems, energy efficiencies, ADA compliance, removal of hazardous materials (lead paint and asbestos) and structural repairs.

Ineligible Activity: New construction, paving, furnishings, substantial reconstruction, expansion of size or finishing unfinished areas (unless necessary to bring property into code compliance), appliances not required by code and HQS, areas of a nonresidential portion of a mixed use property, rehabilitation of any dwelling units not occupied by or vacant units affordably available to low and moderate income households.

Eligibility Criteria:

- The Applicant must own the property to be improved and have resided in the residence for a minimum of six (6) months prior to the application date.

- After completion, the property must comply with HUD's Housing Quality Standards and applicable codes as determined by the Housing Rehabilitation Coordinator and City's Code Enforcement Officer.

Applicant Eligibility:

- Single Family (one unit)
Owner-occupied: Owner's income must be at or below 80% of the median income for Bangor as determined by HUD.

- Single Family

Deferred Loan: Deferment is available to elderly, handicap or hardship applications. Owner's income must be at or below 50% of the median income for Bangor as determined by HUD to qualify. Loan funds will be repaid with 3% interest. All funds will be recovered by the City upon sale or transfer of property title. Deferred loans shall not be made on mobile homes.

Interest Rate/Terms:

- | | | |
|----------------------------------|----|-----------------|
| ➤ Single Family | 3% | 20 year maximum |
| ➤ Single Family
Deferred Loan | 3% | 20 year maximum |

The interest rates and terms can be changed or adjusted by the BED Committee as necessary for feasibility and affordability.

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Maximum Loans:

- Single Family (one unit): \$50,000 per single family owner-occupied house
- Single Family
Deferred Loan \$50,000 per single family owner-occupied house

1.2 INVESTMENT, NON-PROFIT AND MIXED USE LOAN PROGRAM:

Purpose: To provide residential rehabilitation loans to multi-family (2-7 units) for investors, non-profits and the residential portion only of mixed use properties to benefit LMI tenants.

Eligible Activity: Repairs made to bring the entire property up to Housing Quality Standards established by HUD and the City's Code Enforcement Officer. The rehabilitation task may include building exteriors, upgrading building interiors, mechanical systems, energy efficiencies, ADA compliance, removal of hazardous materials (lead paint and asbestos) and structural repairs.

Ineligible Activity: New construction, paving, furnishings, substantial reconstruction, expansion of size or finished areas (unless necessary to bring property into code compliance), appliances not required by code and HQS, and areas of a nonresidential portion of a mixed use property.

Eligible Criteria:

The applicant must provide proof of ownership of the property to be rehabilitated.

The property may be an owner-occupied or investor-owned year round residential structure or mixed use structure with a residential component.

51% of units must be occupied by tenants, including the owner's unit, who are at or below 80% of the median income for Bangor as determined by HUD.

After completion, the property must comply with HUD's Housing Quality Standards and applicable codes as determined by the Housing Rehabilitation Coordinator and City's Code Enforcement Officer.

Applicants are to be willing to have Code inspections on ALL properties owned by the applicant that are located in the City of Bangor. If violations in other buildings are found, the applicant will execute a workout agreement with the Code Department prior to the loan approval.

Investors with more than one property agree to maintain ALL buildings that are located in the City of Bangor so they are free of Code violations.

INTEREST RATE/TERMS:

Owner Occupied (2-7 units), Investor, Prime (at time of closing) 20year maximum
Non Profit and Mixed Use

The interest rates and terms can be changed or adjusted by the BED Committee as necessary for feasibility and affordability.

Matching Funds: investor applicants must provide or secure a matching amount from a participating lending institution, owner equity and/or insurance company. This will be a 75/25 match for all investor properties.

Maximum Loans:

Multi-Unit Properties: \$25,000 for the first unit and \$20,000 for each additional unit

1.3 Emergency Loan Program:

Purpose: To provide immediate assistance to owner-occupied building (1-4) units for emergency situations that present life safety issues

Eligible Activity: Life safety issues as determined by the City's electrical, building and plumbing inspectors, water and sewer department and fire inspectors. (Malfunctioning furnaces, water leaks etc.) Income may not exceed 80% of median income levels established by HUD.

Interest Rate/Term: 3% interest rate, 10 year maximum term

Matching Funds: None Required

Maximum Loan: \$10,000.00

1.4 HOMEOWNERSHIP ASSISTANCE PROGRAM:

Purpose: To assist income eligible first time homebuyers with closing cost and down payment assistance.

Applicant Eligibility: Income eligibility will be determined according to the current HUD CDBG income limit guidelines at the time of application. The maximum income allowed shall be 80% of the Area Median Income.

Property Eligibility:

Eligible properties shall be located within the City of Bangor and shall be single family homes and owner occupied two unit homes only. **Manufactured homes are not eligible.**

Purchase price shall not exceed FHA 203(B) Mortgage Limits which are \$271,050 for single family homes and \$347,000 for owner occupied two unit homes.

The homes being purchased must currently be owner occupied or vacant. **Program funds shall not be used to displace any tenants.** If the recipient is purchasing the home they currently rent, the property is eligible for the program.

Terms and Conditions:

Assistance shall be provided in the form of an unsecured grant.

The amount of assistance available to a recipient shall be equal to the smaller amount of the actual cost of covered services or a Three Thousand Dollar (\$3,000) cap. The cost of covered services shall be clearly stated on the HUD Settlement Statement.

The amount of assistance available to a recipient shall be equal to 50% of the required down payment, not to exceed Five Thousand Dollars (\$5,000). The required down payment amount required shall be clearly stated on both the Purchase and Sales Agreement and HUD Settlement Sheet.

Part 2 Definitions

Deferred loan:

A loan with no monthly payments but upon the sale or transfer of the property, loan proceeds plus interest will be due to the City. Interest shall be computed as if each full calendar year consisted of 360 days and each full calendar month consisted of 30 days, for actual number of days elapsed until the home is sold or twenty years, whichever is first. **Deferred loans shall not be made on mobile homes.**

Fair Market Rent:

An annually published rent level prescribed by the US Department of Housing and Urban Development based on a specified number of bedrooms.

Household Income:

- A. For the purpose of computing income to determine eligibility, Community Development staff will calculate income by estimating the annual income of a family or household by projecting the prevailing rate of income of each person at the time of assistance is requested. Estimated annual income shall include income from all family or household members.
- B. A household shall be defined as all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together or any other group of related or unrelated persons who share living arrangements.
 - 1. Exception – An exception to calculating household income will be for boarders of the applicant. A boarder is an adult who pays the market rate to rent a room and shares kitchen facilities with the applicant. The applicant must produce verification of rental income such as canceled checks and rental income on a federal income tax form. The gross income of the boarder will not be included in calculating the applicant's household income. Instead, staff will add to household income the amount of rent paid by the boarder or the HUD Fair Market Rent for a 0 bedroom unit, whichever is greater. The boarder will not be counted as a household member when calculating family size.
- C. Income of all adult members of the household is considered for computing total household income. This may include wages, salaries, overtime, bonuses, fees, tips, commissions, interest and dividend income, net rental income, child support, alimony, Social Security

benefits, SSI retirement, pension or annuity, TANF, unemployment benefits, worker's compensation and disability or benefits from any source.

Investor:

An absentee owner who may receive rehabilitation assistance in order to improve housing conditions for low/moderate income tenants.

Mixed-Use:

A property used in some part for residential purposes and in some part for non-residential purposes.

Owner-Occupied:

An applicant who holds the entire ownership interest of a property and lives in one unit of the property as a primary residence.

Rehabilitation Costs:

The total of contractor estimates from eligible contractors, self-help expenses and the contingency determined to be reasonable by the Housing Rehabilitation Coordinator.

Residential Property:

A property used entirely for residential purposes (household living space).

Single-Family Property:

A property which has one residential unit.

BED Committee:

City of Bangor's Business & Economic Development Committee.

Part 3 Program Administration

3.1 Purpose:

The purpose of these loan programs is to provide permanent financing loans in conjunction with other Federal, State and/or City Programs or other lending institutions. The total investment of City funds cannot exceed 75% of the project cost for any investor property or the maximum loan amount described in Section 3.5 (C) (1).

The above is contingent upon approved rehabilitation activities being completed in accordance with applicable municipal and HUD codes.

No monies will be disbursed to reimburse the borrower for improvements made to the property which were not approved by the CDD. No monies will be disbursed to pay for the labor of the

borrower or any member of the borrower's family in performance of the above mentioned Eligible Activities.

Prior to loan closing, the borrower and any outside participating lenders are required by the City to enter into an agreement to permit disbursement upon certification by the City that the work for which payment is requested has been performed in accordance with the terms of the loan.

3.2 Non-Discrimination:

The City of Bangor prohibits discrimination. No person shall on the ground of race, color, national origin, sex, age, religion, familial status, physical or mental disability be excluded from participation in, be denied the benefits of or subjected to discrimination under this program.

3.3 Loan Approval:

Approval of the loan will be contingent upon:

- a. the BED Committee's affirmative vote;
- b. the applicant's ability to secure and/or provide a matching source from an institutional lender, owner financing, owner equity, insurance company and/or any other form acceptable by CDD, if an investor property;
- c. the applicant having good credit and demonstrating the ability to repay the loan;
- d. an agreement to repay the interest bearing loan; and
- e. verification that all property taxes, water/sewer fees and all other city assessments are paid.

3.4 Eligibility:

A. General:

A loan will be made for the rehabilitation of eligible activities as outlined within these guidelines.

In order to qualify for a loan, both the applicant and the property to be assisted must meet the minimum eligibility criteria as set forth in these guidelines.

Mixed use properties are eligible, as long as the residential portion only is to be rehabilitated. However, only exterior portions of the building and those portions which are used for residential purposes are eligible for improvements.

The loan programs are funded through the Community Development Block Grant (CDBG) Program. Because of this, projects must meet the CDBG objectives of benefitting low/moderate income persons or the prevention and/or elimination of slum and blight or increasing handicap access.

B. Applicant Eligibility:

To qualify for a loan an applicant must:

1. provide proof of ownership of the property;
2. have lived in the property for six (6) months prior to application date;
3. meet income eligibility guidelines (Appendix A);
4. have paid in full all City property taxes, water/sewer fees, and /or any other assessed fees;

5. provide or secure a matching amount in part or total from a participating lending institution, owner financing, owner equity and/or insurance company, if an investor property;
6. be willing to rehabilitate the property in accordance with the City Building Codes and HUD Housing Quality Standards;
7. be willing to allow a Code Inspection in all properties owned by applicant which are located in the City of Bangor;
8. be willing to enter a work agreement with the Code Department for any violations found during Inspection(s) referenced in Number 8, prior to loan approval;
9. be willing to have the property inspected by a Licensed Lead Inspector and to comply with the Lead Paint regulations in properties built prior to 1978;
10. submit plans (i.e. floor, electrical, plumbing etc.) as requested by CDD;
11. provide personal and business tax returns and personal financial information to determine financial capacity as deemed necessary by CDD; and,
12. not be, nor any member of their family be: (1) an elected City official; (2) Director of any municipal department; (3) an employee of the City's Community and Economic Development Department; (4) a member of the BED Committee, City's Finance Committee, Planning Board or Board of Appeals; and
13. demonstrate a record of compliance with the city of Bangor's codes, ordinance and policies and any other local, state or federal rules and regulation that apply. Isolated violations will not be considered as a failure if addressed in a cooperative manner.
15. Provide and maintain insurance on the property for the duration of the loan.

C. Property Eligibility:

1. The property to be assisted must be located in the City of Bangor.
2. The funds must be used to correct code violations(s) as prescribed by City's Code Enforcement Officer; investors who own more than one property must agree to a code enforcement inspection for all their properties and will agree to maintain all buildings so that they are free of code violations.
3. Emergency repairs are permissible upon determination by the City's Code Enforcement Officer that a life safety issue is present and when property owners prove inability to complete necessary repairs with owner financing and/or an ability to obtain a match from any eligible lending source.
4. If CDD determines that exterior rehabilitation is needed, it must be included in the project. Peeling and chipping paint must be corrected and maintained.
5. Multi-unit housing (2 -7 units) that are improved with CDBG funds shall be available and affordable to low/moderate income tenants and are to be determined in the following manner:
 - a) At the time of the loan application and after completion of the rehabilitation and for the term of the loan, a minimum of fifty-one percent (51%) of the tenants residing in the property must be at or below the low/moderate income limits set by HUD.
 - b) The Applicant will be required to furnish annual rental information to enable CDD staff to evaluate the impact of the project on rent levels. The Applicant will submit the current amount of rental charges for all units in the housing project, utility types, who pays the utilities and the names of the tenants.
 - c) A rent cap shall apply to all units occupied by low/moderate income households. The maximum allowable rent shall be equal to the amount of rent and utility costs being paid by the tenant at the time of loan closing. The period of affordability shall be four years after the loan closing date.

- d) Vacant units at the time of application shall be rented to low/moderate income households. The maximum allowable rent for vacant units shall not exceed the FMR in effect when the rent is calculated with an adjustment for utility allowance based on Section 8 Existing Housing Allowances for Tenant Furnished Utilities and Other Services. The period of affordability shall be four years from the loan closing date.
 - e) Monthly rental charges for each dwelling unit in the property, at the time of application and/or the term of the loan must not exceed the maximum set by HUD. These figures are based on Section 8 Fair Market Rents (Appendix B).
 - f) Rent cannot be raised for four years from the date the loan is closed unless the FMR for the area is adjusted to reflect an increase in rents. If this occurs the property owner may raise the rents to the newly adjusted FMR but no higher.
 - g) The borrower will sign a Rent Agreement stipulating rent limitations at loan closing.
6. Investment loans shall not be made on Mobile Homes.
 7. Investment loan property shall be exempt from having to be previously owned and occupied for six (6) months prior to application.
 8. Investor applicant must show previous rehabilitation history.

D. Contractor Eligibility:

To be an eligible contractor the following standards apply:

1. Insurance – the contractor and all subcontractors shall carry Worker’s Compensation Insurance for all their employees in accordance with the Worker’s Compensation laws of the State of Maine. The contractor and subcontractors shall carry Manufacturer’s and Contractor’s Public Liability Insurance with a minimum aggregate of one million dollars for personal injury or death and for property damage with \$500,000 for each occurrence. The City of Bangor will be listed on all policies as a loss payee. The CDD may require bonding for contracts in excess of \$100,000. The CDD will require evidence of insurance prior to signing a construction contract.
2. License and Qualifications – the contractor shall have in effect a license if required by the City of Bangor or State of Maine. The contractor must have completed a Department of Environmental Protection approved lead-smart renovator’s course, if pertinent to the work being performed.
3. Credit – The City may require a list of credit references, names of suppliers, name of bank where contractor does business and names and addresses of recent home improvement customers.
4. Skill and Equipment – No approval of a contract shall be given unless the construction contractor can satisfactorily demonstrate that he/she and/or their subcontractor(s) have the necessary skills and equipment to perform the work in an efficient and expedient manner.
5. Ineligible Contractors – Where a contractor fails to comply with the eligibility standards set forth above or commits one or more of the following violations, the CDD shall remove the contractor from the list of eligible contractors and shall designate the contractor to be ineligible. The applicant will not award any rehabilitation work, other services, materials, equipment or supplies to be paid for, in whole or in part, with the proceeds of the loan to any contractor or subcontractor whom the CDD has designated as ineligible. The CDD shall designate a contractor to be ineligible if it finds that the contractor has:

- a. Committed one or more material violations of its obligations under a rehabilitation contract and has failed to cure all such violations promptly after 10 days written notice by the applicant or the CDD
- b. Engaged in a pattern of delayed performance or failed to complete the work under a rehabilitation contract and has received written notice of such delay.
- c. Failed to communicate in a courteous, prompt and professional manner and such failure continued after written notice by the applicant or the CDD.
- d. Committed fraud and other illegal acts against the applicant or the City of Bangor, including but not limited to kickbacks and collusion.
- e. Failed to pay subcontractors or suppliers on a timely basis, allowed a lien to be placed on the applicant's property, or otherwise failed to maintain good credit, and such failure continued after written notice by the applicant or the CDD.
- f. Threatened, intimidated or harassed the applicant or City staff.

Once the CDD has designated a contractor to be ineligible, the Contractor shall remain ineligible for a minimum of two years and shall remain ineligible thereafter until the CDD determines, in its sole discretion, that the contractor has taken all necessary steps to ensure that no further violation will occur, provided that in the case of violations of 5(d) or 5(f) above the Contractor shall remain permanently ineligible.

3.5 Limitations of Loan Program:

A. Loans per applicant:

No more than one loan* will be processed at one time on behalf of an applicant in which the same individual(s) or corporation has a substantial interest. For the purpose of this section, loan processing will be considered complete when an application is disapproved or when a project is financed by a properly completed application in accordance with these guidelines.

*The BED Committee reserves the right to review simultaneous multiple properties owned by any one property owner or corporation in which the same individual(s) has a substantial interest. If there are presented economic reasons to justify joint bidding and development, these same properties shall be eligible for the same bid.

B. Loans per property:

The number of loans per property is not restricted, except that portions or components of structures previously rehabilitated are ineligible for assistance.

C. Maximum loan amounts:

The maximum loan for rehabilitation projects involving either interior or exterior rehabilitation will be established in the following manner:

- 1. The least amount which does not exceed:
 - a. Actual cost of rehabilitation;
 - b. Amount when added to any outstanding indebtedness related to the property, creates a total outstanding indebtedness which does not exceed 95% of the sum of the as-is value of the property and **50%** of estimated rehabilitation costs up to and including

\$25,000, 90% of the next \$10,000 and 80% of any balance of the sum that exceeds \$35,000; and

- c. The applicant's ability to repay.
2. If the property contains a mixture of residential units and non-residential space, the maximum allowed for the residential units will be determined according to the number of 1 and 2 bedroom units and the limits as identified below. The match requirement is 25% of the total project cost.
3. If the project involves the rehabilitation of an owner occupied single family building or structure, the maximum loan amount will be \$50,000.
4. For projects that are multi-family (2-7 units) the maximum loan is \$25,000 for the first unit and \$20,000 for each additional unit. The match requirement is 25% of the total project cost, for occupied properties and for investor properties.
5. The matching amount of any investor owned loan must be secured from an institutional lender, owner financing, owner equity or insurance company. Other sources of matching funds are eligible upon acceptance for the CDD staff.

D. Matching Loan:

Residential Rehabilitation Loans made to investors of multi unit properties or mixed use properties must be matched by an amount of monies secured from a lending institution, insurance company, owner financing, home equity and/or sweat equity that is acceptable by the CDD staff. The matching percentages for RR loans will be 75/25.

Emergency Loans do not require a match.

E. Allowable Improvements:

Allowable improvements are defined as basic and necessary items that improve the basic livability, safety, or utility of the residence. Any violations of state, federal or local codes relating to minimum standards for residential housing must be corrected. Examples of allowable improvements include:

1. Repair or replacement of inadequate heating, electrical or plumbing systems.
2. Insulation, paint, siding, roofing, floors, ceilings, walls and windows.
3. Removal of asbestos, lead paint or other hazardous substances.
4. Accessibility improvements.
5. Improvements to an existing attached garage if the improvements substantially improve the basic livability or energy efficiency of the residential structure.
6. Energy improvements.

F. Unallowable improvements:

These improvements are defined as any unnecessary cosmetic repairs, luxury items or purchase of fixtures that are not permanently affixed to the property. Examples are but not limited to:

1. Appliances not included in HUD Housing Quality Standards, furniture or other personal items
2. New construction of decks, patios, sheds or other out buildings
3. Improvements to detached garages or other detached structures
4. Fences
5. Fireplaces, generators, heating fuel

6. Hot tubs, whirlpool baths or saunas
7. Landscaping

3.6 Application Process and Procedures

A. Applications:

Application forms for the Residential Rehabilitation Loans are available from the Community Development Division, Second Floor, 73 Harlow Street, Bangor, ME. Completed applications are to be submitted to the Community Development Division (CDD) for processing.

Applications shall be processed on a first-come, first-served basis. Except Emergency Loan Applications which will have priority over other rehab applications. Community Development staff shall use the receipt date of a complete application to establish the order of priority.

B. CDD Responsibilities:

The City will make available the services of the Rehabilitation Coordinator who will solicit applications, document eligibility criteria and underwriting, determine the scope of work, prepare job specifications, obtain contractor bids secure approval, prepare loan documents and act as a project manager including authorizing progress payments and inspections.

C. Verifications:

1. Income - copies of all income sources (i.e. check stubs, statements, W-2 forms and State and Federal Income tax returns) shall be provided by the applicant. A certified financial statement or other documentation from an accountant or other acceptable source may be required of a corporation, partnership or other business enterprise. Written verification may be required from income sources.
2. Title – The CDD shall verify title by checking the records at the Penobscot County Registry of Deeds.

D. Inspections:

1. Initial Inspection – If it appears that the applicant and property are eligible for a loan, an initial inspection will be scheduled with the applicant and the Rehab Coordinator. Rehabilitation requirements will be determined during the initial inspection.
2. Inspection Report and Specifications – An inspection report shall be prepared by the Rehab Coordinator and mailed to the applicant. The inspection report shall list the rehabilitation requirements to bring it into compliance. Once the owner has reviewed the inspection report, the Rehab Coordinator creates technical specifications for contractor bidding.
3. Lead – The CDD must consider whether the rehabilitation calls for lead hazard control measures. All homes built prior to 1978 will be addressed by HUD's Lead Safety for renovation, repair and painting. Clearance testing of the construction area will be

performed to confirm the absence of lead hazards after the work is completed. The Contractor, Owner and Rehab Coordinator will work closely to minimize the need to displace occupants of a dwelling unit as well as ensure no residents of the property are affected by lead hazards

4. The CDD shall have the right to inspect all rehabilitation work financed in whole or in part with the proceeds of the loan. The CDD will inform the owner and/or contractor of any noncompliance with respect to the rehabilitation work and the corrective action needed. The CDD will verify that all work has been done according to the specifications. No payment shall be made until the work is acceptable. The owner will take all steps necessary to assure that the CDD is permitted to examine and inspect the rehabilitation work.

E. Loan Review by Business & Economic Development (BED) Committee:

After review, verifications and eligibility determination are completed by the CDD staff; qualifying loans will be presented for review to the BED Committee. The BED Committee will be responsible for approving or denying the loan request. The actions of the Committee shall be governed by the following:

1. A majority of the committee's members must be present to constitute a quorum. At least (3) votes on the prevailing side are required to constitute a valid vote on any loan application.
2. Final Committee approval of loans for rehabilitation will be contingent upon any matching requirements imposed on the applicant.
3. The BED Committee has the authority to adjust the terms, rates and the match requirement ratios in order to make the loan meet national objectives and/or affordability.

F. Review Criteria:

The BED Committee will review all completed qualifying applications for assistance for the Residential Rehabilitation Loan Program to assess the affordability and feasibility of rehabilitation projects and that the National Objectives are met as follows:

1. Ensuring that the applicant is at/or below eighty percent (80%) of median income guidelines established by HUD;
2. That at the time of the application, a minimum of fifty-one percent (51%) of the tenants that reside within the structure are at or below the low/moderate income limits set by HUD;
3. That eighty percent (80%) of all loans are for low/moderate income households;
4. That any deferred loans are being made to applicants at/or below fifty percent of Area Median Income (50% AMI); and
5. Elimination of slum/blight properties.

G. Loan Considerations:

In approving or denying loan requests, the BED Committee shall be guided by the following loan considerations:

1. Underwriting for Owner Occupied Loans:

- i. Cash Flow – ability to repay the debt;
- ii. Credit – good credit history and reputation;
- iii. Payment of taxes and all other City assessments;
- iv. Collateral – Collateral coverage must be adequate as determined by the BED Committee;
- v. Security – other assets;
- vi. Commitment of matching funds.

2. Underwriting for Investor Loans:

The rental property to be rehabilitated under this program must be financially solvent, based on the standard market criteria, without requiring further infusion of public funds. Therefore, the after-rehabilitation rent revenues must be sufficient to support all operating costs, debt service, and reserve accounts, without unduly increasing rent rates, or securing additional public subsidy. To this effect, a complete pro-forma analysis shall be completed for each project. In addition of the program application, an applicant will be required to provide documentation for the following:

- Proof of ownership
- Annual insurance costs
- Annual property tax amount
- Mortgage payment schedule for all existing loans with proof all are current
- Annual utility costs
- Current appraised value
- Recent financial statement
- Recent income statement
- Demonstrated previous rehabilitation work.

The loan underwriting pro-forma analysis will also include a vacancy factor (5-10%), property maintenance costs (8-10%), property management expenses (3-10%), a reserve for replacement (3% minimum) and owner's return on investment (5-15%). The project pro-forma analysis must clearly exhibit uncommitted funds sufficient to fully support the total rehabilitation cost. All operating expenses are to be included in the pro-forma analysis.

3. Assessment of Private/Public Benefit

The BED Committee will also consider the broader implication of private and public benefits.

H. Terms and Conditions:

The Terms and Conditions of the Residential Rehabilitation Loan Program are set forth in the "Rehabilitation Agreement" (see Appendix C). It provides the applicant with an understanding of all requirements by which the applicant must comply to secure and maintain a rehabilitation loan.

I. Bid Process:

The CDD staff shall obtain a minimum of three (3) proposals for the rehabilitation work. Bids shall be obtained from qualified, eligible general contractors. Contractors will provide a detailed cost breakdown on each portion of the work being bid. The CDD may require that information pertinent to materials be submitted for approval.

The bids are presented to the applicant and the applicant chooses the proposal of their choice. The applicant is not bound to contract with the lowest qualified bidder; however, **in the event of choosing a higher bid the applicant must provide private funding for the difference in cost.**

J. Construction Contract:

The owner and contractor will sign a contract at the time of loan closing which is acceptable to the CDD. Assurance will be required of the contractor and owner that the rehabilitation work will be carried out efficiently and within a reasonable period of time. The contractor shall secure all necessary permits prior to the start of work at their own expense. No change to the rehabilitation contract work shall be allowed unless approved by the CDD, owner and contractor. Any changes involving cost will be supported through the execution of a change order between the contractor and owner.

K. Labor Performed by the Owner:

A property owner may complete some or all of the tasks required to rehabilitate his/her property if he/she has the degree of skill required to perform the work involved. Self-help is usually appropriate for the accomplishment of tasks of an unskilled nature such as general clean up, demolition, cartage and disposal of debris and for work that involved minimal use of costly materials and equipment.

- a. Materials and Workmanship – The CDD will require information regarding the cost of materials for any self-help work prior to approval of the loan. The CDD may require evidence of workmanship on previous projects before accepting the owner's intentions to do his/her own work. The amount of the loan may include funds to pay for the materials and rental of equipment to be installed by self-help.
- b. Schedule – The Rehab Coordinator and owner will establish a schedule of work items and projected completion date prior to loan closing.
- c. Qualification – The owner must have completed a Department of Environmental Protection approved lead-smart renovator's course, if pertinent to the work being performed.

L. Loan Closing:

A loan closing shall be completed prior to contractors starting work and shall include, but not be limited to a mortgage instrument to be recorded at the Penobscot Registry of Deeds, and a promissory note in the full amount of the City's loan.

M. Amended Loans:

If unforeseen project costs exceed the original rehabilitation estimates plus any project contingency, the CDD may increase the loan by \$2000 without approval of the BED committee. Change orders exceeding the loan amount and the \$2,000 amendment, shall require approval of the BED committee.

N. Cancellation:

A loan approval shall be valid for six (6) months. If there has been no loan closing or commencement of work, it will be necessary for such a loan to be reconsidered by the BED committee with new current financial information and application.

O. Records:

The applicant agrees to keep such records as may be required by the CDD with respect to the rehabilitation work financed in whole or in part by the loan and, furthermore, when the rehabilitated property contains rental units, the applicant agrees to keep such records as may be needed by the CDD with respect to the income received and expenses incurred from this property. The applicant will, at any time during normal business hours, and as often as the CDD may deem necessary, permit the CDD to have full and free access to its records with respect to the property.

P. Escrowing of Funds:

The CDD will act as an escrow agent for the City loan, as well as any supplemental funds required to meet the amount of the construction contracts. The owner permits the CDD to disburse such funds to the contractor and/or the vendor in the manner set forth in the contract between the applicant and the contractor. The CDD may require lien waivers as a condition of payment.

Q. Disbursement of Funds:

After receiving appropriate invoices and inspecting the rehabilitation work, progress payments shall be authorized by the CDD. Unutilized funds may be applied to reduce the principal and interest of the City and private funds to maintain the 75% City and 25 % private participation.

R. Rent Regulatory Agreement:

In structures containing rental units not receiving HUD Section 8 rental assistance, the borrower must enter into a Rent Regulatory Agreement pertaining to those units assisted under the program. The Rent Regulatory Agreement assures the low/moderate income tenant an affordable rent for a period of four years, thus avoiding displacement due to the cost of property improvements. Following are some key provisions of the Agreement:

1. The unit rent shall not increase for one year after loan closing.
2. After the first year an annual increase of a maximum of 5% of the monthly contract rent is permitted. Then, in addition to the 5% increase, rents may be increased for the following reasons:
 - a. Additional debt service incurred as a result of improvements to the property, and
 - b. Increases in property taxes and owner-paid utility costs.

Any increase in rent for (a) or (b) above shall be pro-rated between all of the units.

The Rent Regulatory Agreement is meant to prevent tenants from having to move due to excessive rent increases, but allows reasonable increases for the owners to recover their operating costs. The Fair Market Rents as published in the Federal Register by HUD for the Bangor area are used as rental comparisons. The owners retain all other rights under Maine law pertaining to landlord/tenant relations. This Rent Regulatory Agreement is effective for four years.

APPENDIX A

GROSS INCOME ELIGIBILITY GUIDELINES Low and Moderate Income Limits

Effective: 04.08.2019

# of Persons in Unit	RR Loan (80%)*	RR Deferred Loan (50%)**
1	\$39,350	\$24,600
2	\$44,950	\$28,100
3	\$50,500	\$31,600
4	\$56,150	\$35,100
5	\$60,650	\$37,950
6	\$65,150	\$40,750
7	\$69,650	\$43,550
8	\$74,150	\$46,350

These amounts are updated and changed annually by HUD.

* owners and tenants (low income)

** owner occupied dwellings only, 2 units or less (very low income)

APPENDIX B
FAIR MARKET RENTS

Effective 04.08.2019

Efficiency (Zero BR)	\$690
One Bedroom	\$784
Two Bedroom	\$996
Three Bedroom	\$1248
Four Bedroom	\$1749
Five Bedroom	\$2011
Six Bedroom	\$2274
Seven Bedroom	\$2536

These amounts are updated and changed annually by HUD.

