

**CITY OF MARSHALL  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
RENTAL REHABILITATION PROGRAM**

**PROGRAM GUIDELINES**

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Prepared by

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## **I. GENERAL PROVISIONS**

These PROGRAM GUIDELINES (Guidelines) intend to set forth the policies and identify the priorities of the **City of Marshall's Community Development Block Grant (CDBG) Rental Rehabilitation Program (Program)**. These Guidelines set forth the format that will cover general policies of the Program. However, the **Program Administrator (Administrator)**, with the approval of **The City of Marshall (City) and the Michigan State Development Authority (MSHDA)**, may waive or modify the requirements in individual cases based upon unforeseen circumstances. The City may also revise any of the parameters in this document to further the intent of the Housing and Community Development Act of 1977 as amended. Federal legislation and implementation regulations have been developed and have been integrated into this Program to protect the integrity of such policies.

### **A. GOALS**

The primary emphasis of this Program is to provide safe, decent, sanitary, and affordable rental housing to lower income residents of the City of Marshall within the targeted Downtown Development Area. Financial Assistance will be provided to eligible landlords to upgrade existing rental units or rehabilitate vacant space into rental units by improving energy efficiency, repairing health and safety deficiencies, and improving basic livability standards.

### **B. SOURCES OF FUNDS**

#### **1. MSHDA FUNDS**

MSHDA has supplied CDBG funding that will help facilitate rehabilitation of rental units and second story vacant spaces into rental units in the target area. These funds will be loaned to eligible landlords at 0% interest for 5 years and then forgiven if landlords comply with all MSHDA and City requirements. Maximum MSHDA funding for each dwelling unit being rehabilitated is \$40,000. Apartments which have been rented in the past five (5) years may only receive up to \$25,000.

#### **2. PROPERTY OWNER**

All property owners are required to provide a minimum of 25% of total project cost.

## C. PROPERTY OWNER AND RENTAL UNIT REQUIREMENTS

### 1. PROPERTY OWNER QUALIFICATIONS/INFORMATION

- a. MSHDA funded this program for a downtown targeted area only. Any unit to be considered must lie in designated targeted downtown area.
- b. Proof of Deed or land contract in property owners name (if land contract, a letter from holder that they will sign the mortgage/lien agreement).
- c. Documentation showing that all property taxes on property to be rehabilitated are current and paid in full.
- d. Documentation showing that appropriate (MSHDA approved) levels of property insurance are current and paid.
- e. Documentation of most recent three (3) months owner paid utilities for units to be rehabilitated (if applicable).
- f. Prior to signing mortgage, property owner must submit required matching funds to the City to be utilized on approved project.
- g. Any other documents required by the City, or MSHDA

### 2. NUMBER OF UNITS ELIGIBLE

All units rehabbed will be identified with proof of owner match prior to grant submittal and/or request for grant amendment due to increased interest.

### 3. LEVEL OF IMPROVEMENT

Upon completion of the rehabilitation, the dwelling units 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. **There is no property owner labor or work allowed in rehabilitation process.** All materials, equipment, fixtures, and building supplies utilized in the program will be moderately priced but durable in quality. Rehabbed units will be re-inspected after three years of completion to assure conditions are being maintained to previously mentioned codes.

### 4. FINANCIAL FEASIBILITY

Following rehabilitation the dwelling units must be able to financially support themselves. In addition all debt service, property taxes, insurance and utilities (those paid by property owner) must be current prior to the CDBG Rental Rehabilitation Program mortgage being signed and the rehabilitation commenced.

## **D. APPLICATION PROCESS**

### **1. PROPERTY OWNER PARTICIPATION**

- a. Full application completed.
- b. Notice sent to tenant (s) that Federal funds have been applied for
- c. Application reviewed and approved by Administrator
- d. Initial inspection by Administrator that could include City inspector.
- e. Preparation of bid specifications and cost estimates
- f. All Lead Based Paint Assessments and Asbestos Surveys will be paid for up front by owner of property. Funds for LBP Assessments will be applied to owner's matching funds.
- g. Meeting between Administrator and property owner to finalize project

### **2. RESIDENT PARTICIPATION**

Residents are the central aspect of this Program and their participation is required in completing the application process. Consequently, residents (18 years and older) occupying dwelling units under consideration for this Program will be required to submit a confidential form and written evidence (payroll evidence, etc.) as part of the Program application. Residents with income in excess of the MSHDA guidelines may result in disqualification of the dwelling unit from the Program. Following rehabilitation, resident income will be verified only when rehabilitated unit becomes vacant during 5 year term and new resident is being considered. Property owner is responsible for notifying the City when a rehabilitated unit becomes vacant.

### **3. RESIDENT NOTIFICATION**

Program regulations require notifications be sent to all residents in selected units regarding lead based paint hazards and displacement. It is the intent of this Program that no resident 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 all parties involved agree that displacement is necessary, all associated costs shall be in accordance with the Federal Uniform Relocation Act and shall be the sole responsibility of the property owner.

NOTE: Property owners cannot elect to not renew a lease or evict a resident due to upcoming rehabilitation work. This would constitute displacement and resident would be entitled to relocation benefits.

### **4. RESIDENT APPLICATION**

The property owner of rehabilitated units will have application packets for distribution. Completed application packets must be given to the property owner and the property owner will then forward all documents to the Third Party Administrator for verification and approval. Once approved, the Third Party Administrator will notify the property owner who will then notify the potential tenant. Applicants will be chosen on a first

come, first qualified basis.

## **E. MORTGAGE REQUIREMENTS**

### **1. LEINS ON PROPERTY**

MSHDA requires a lien be placed on any property approved for rehabilitation. A 0% interest mortgage will be signed and if property owner keeps apartments affordable and complies with all other MSHDA and City requirements, the loan will be forgiven after 5 years. If property is sold during the 5 year term, the new property owner may either pay back the *entire* amount of the loan removing the rent restrictions; or, may continue the affordability requirements for the remaining period of time and not repay the assistance.

## **F. AFFORDABILITY REQUIREMENTS**

### **1. PERIOD OF AFFORDABILITY**

For a period of five (5) years following the signing of the mortgage and completion of the rehabilitation project, all units must be utilized as rentals to the general public. 51% of all units rehabilitated (1 of 1, 1 of 2, 2 of 3 etc.) initially must be occupied by residents whose income is at or below 80% of the area median income and rents shall be regulated in accordance with MSHDA Fair Market Rents guidelines and City requirements. These initial occupants must sign a 12 month lease.

### **2. RESIDENT INCOME LIMITS**

The maximum household income for families residing in rental units prior to the unit being rehabilitated or upon vacancy and re-renting shall not exceed the following as determined by MSHDA (limits subject to annual review and adjustment):

#### **Current Income Limits by Household Size**

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
29,600	33,800	38,050	42,250

### **3. RENTAL RATES**

Property Owners may not increase the rent on units in the Program from the pre-rehabilitation rent for a minimum of one year after the rehabilitation has been completed. After one year has passed a maximum 10% per year rental increase is allowed during the affordability period if increase does not cause rental charge to exceed Fair Market Rent for Calhoun County.

### Current Rent Affordability “Guideline”

<u>Number Of Bedrooms</u>	<u>Fair Market Rent (including utilities)</u>
Efficiency	\$418
1	\$547
2	\$689
3	\$869

NOTE: These rates are estimates only. In the event the tenant is responsible for payment of a portion or all of the utilities these rental rates will be lowered in accordance with MSHDA guidelines. The Administrator will accurately calculate rents for each project individually.

#### 4. TERM OF LEASE

To be fair to both landlord and resident, a lease that guarantees the monthly rental charge for 1 year and only calls for eviction in cases of just cause is required. NOTE: Just causes are generally, failure to pay rent, cause excessive disturbance to other residents, damage, etc. Month to month leases are allowed if monthly rental charge is guaranteed for 1 year term.

### G. CONTRACTORS

#### 1. CONTRACTOR REQUIREMENTS

All contractors interested in participating in the Rental Rehabilitation Program must be determined eligible by the City/Administrator. Required items include, current State of Michigan contractor’s license, active property/liability/workman’s compensation insurance, proper lead abatement certification if applicable and list of current references (similar jobs completed within past 12 months preferably). Proof of insurance must be submitted to the Administrator/City for validation. *Contractors are also responsible for obtaining all necessary permits on any project they are selected for.*

#### 2. INSURANCE

Contractors will be required to carry the following insurance coverage:

- a. **Workers Compensation** equivalent to Compensation Law of the State of Michigan.
- b. **Comprehensive General Liability Insurance** for contracts under \$40,000 a minimum of \$500,000 per occurrence Combined Single Limits (Bodily Injury/Property Damage), and for contracts over \$40,000 a minimum limit of

\$1,000,000 Combined Single Limits (Bodily Injury/Property Damage).

- c. **Comprehensive Automobile Liability Insurance** for contracts under \$40,000 a minimum of \$300,000 per occurrence Combined Single Limits (Bodily Injury/Property Damage, and for contracts over \$40,000 a minimum limit of \$1,000,000 Combined Single Limits (Bodily Injury/Property Damage).
- d. 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.

### 3. CONTRACTOR LIST

The Administrator shall solicit 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.

### 4. CONTRACTOR SELECTION

The Administrator shall make available qualified contractor listing for property owner review. Property owners may solicit bid from a contractor not on qualified listing as long as contractor will qualify with the Administrator/City before bid walk thru takes place. Property Owner is required to solicit a minimum of three (3) bids from qualified contractors. With City approval two (2) bids may be allowed if unforeseen circumstances exist (lack of participation by qualified contractors, etc.).

### 5. BID PROCESS

Bid documents and specifications shall be prepared by the Administrator and approved by property owner. Bids will be taken on specified date usually 14-21 days after contractors participate in project walk thru. All Bids must be sealed, date and time recorded. Bids will be opened publicly and recorded.

The property owner shall select the contractor. In the event the property owner awards the contract other than to the lowest responsible bidder (as determined by the Administrator), the property owner must pay the difference between the selected bidder and the low bidder.

The property owner and the contractor shall execute a Rental Rehabilitation Program Contract acceptable to the Administrator and furnish a signed copy to the Administrator. No CDBG funds will be expended on a project until a signed contract has been furnished to the Administrator.

All Bidders will be notified of the results of the bid by letter indicating whether their bid was accepted or not accepted. If the contractor's bid was not accepted, the letter will indicate which bidder received the award.

## 6. PRE-CONSTRUCTION MEETING

A pre-construction meeting shall be held between the contractor, property owner, and Administrator staff prior to commencement of construction. At this meeting, the parties shall review specifications to be completed, construction procedures, expected construction standards, and concerns of any party.

## 7. NOTICE TO PROCEED

Upon completion of all necessary documentation and all construction issues have been addressed, the Administrator and property owner shall issue a "Notice to Proceed" to the contractor. No work on the project shall commence until the "Notice to Proceed" has been issued.

## 8. WORK PERFORMANCE

The selected contractor shall begin work within thirty (30) days after signing the contract. The contractor and/or the Property Owner shall notify the Administrator of any difficulties during the performance of the work; however **the contract is between the property owner and the contractor and they are responsible for resolving any issues to the satisfaction of the Administrator in accordance with MSHDA regulations prior to any payment.** Once work on a project begins the contractor is expected to work on project until all work is completed as scheduled with Property Owner and City. Projects should be completed within 90-120 days, unless otherwise specified.

## 9. PAYMENTS TO CONTRACTORS

The following payment schedule shall apply to all program projects.

- Payment equal to 25% of the total contract upon completion of 25% of the work
- Payment equal to 50% of the total contract upon completion of 50% of the work as determined by Administrator and Property Owner.
- Payment equal to 75% of the total contract upon completion of 75% of the work as determined by Administrator and Property Owner.
- 25% balance upon completion of work, final inspections completed and Certificate of Occupancy issued by the Building Official.
  - ✓ Property Owner must sign Final Acceptance Form
  - ✓ Contractor must provide a signed Final Invoice, Release of Liens, Permits, Occupancy Notice, Subcontractor information form and Warranty for final payment.
- All work shall be guaranteed for minimum of 24 months.

## 10. CHANGE ORDERS

Any and all change orders to the approved bid specifications shall be signed by the Property Owner, contractor, and Administrator prior to implementation.

NOTE: No work other than those specified in bid specifications shall take place in rental units being rehabilitated during term of contract between Property Owner and contractor.

## **H. OTHER TERMS AND CONDITIONS**

### **1. CONFLICT OF INTEREST**

No elected City Official or immediate family member, or employee directly involved in administering the CDBG program, or immediate family member, is eligible to benefit directly from CDBG funds. Applicants who are employed by the City or who are related to a member of the City staff or the City Council shall disclose their relationship on their application, and the applications shall be submitted to MSHDA for final approval. No CDBG funds will be advanced without prior MSHDA approval of the application.

### **2. NON – DISCRIMINATION**

No person shall be denied assistance based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, disability, or familial status.

### **3. CONFIDENTIALITY**

The Program shall comply with MSHDA confidentiality practices in its transactions with all applicants and their residents.

### **4. FILES**

The Administrator shall be responsible for establishing a permanent file for all approved applications and insuring that all necessary documents are included in the applicant's permanent file. All files will then be given to the City. A permanent file may be destroyed three (3) years after the loan closeout date from MSHDA. Applications which are declined or canceled shall be destroyed after three (3) years.

### **5. DECLINED APPLICATIONS**

The Administrator shall notify in writing any applicant who submits a written application for CDBG rental rehabilitation funds and is declined, and advise the applicant of the reason for the decision.

### **6. LEAD BASED PAINT**

All areas of a building/apartment that are being considered for funding in this Program will be inspected for lead based paint as required by MSHDA. All expenses incurred will be added to the cost of the rehabilitation.

## 7. ASBESTOS

Any structure which contains friable asbestos materials shall only be eligible to receive CDBG funds after an inspection and cost estimate for abatement performed by a licensed asbestos abatement contractor is provided to the Administrator. The cost of the inspection and estimate shall not be paid from CDBG funds.

## 8. HISTORICAL PROPERTY

The State Historic Preservation Office (SHPO) shall be notified of all potential projects in which the structure is 50 years of age or older. This is to assure compliance with all Federal and State regulations concerning rehabilitation of historic properties.

## 9. CHECKLISTS

The Administrator shall be responsible for preparation of an **Environmental Checklist, Local Building Code Inspection Form, Historical Significance Response Sheet** (if necessary), **Lead Based Paint Certification Form, Noise Attenuation Checklist**, and any other checklist required by MSHDA, and shall be placed in the applicant's permanent file.

## 10. BID PROPOSAL

The Administrator shall be responsible for preparation of the Bid Proposal and advising the property owner of contractors who have expressed an interest in bidding on the project. The property owner may solicit a licensed contractor who meets Program requirements and ask them to bid once they are approved by Administrator.

## 11. DISABLED, FEMALE, AND MINORITY CONTRACTORS

The Program shall actively solicit participation of disabled, female and minority contractors. The Program shall annually obtain a list of contractors in these categories doing business in the immediate area and invite them by letter to participate in the Program. Advertising will encourage their participation and give notice that the City of Marshall is an Equal Opportunity Employer.

## 12. CONTRACTOR PERFORMANCE

If documented complaints are filed against a contractor, the City may use discretion in removing the contractor from the list of eligible contractors. Repeated sub-standard performance of work by a contractor which is documented by the Administrator, Building Inspectors, Bureau of Occupational and Professional Regulation, or Michigan Department of Licensing and Regulatory Affairs may result in the contractor's ineligibility to participate in the Program. The Administrator shall notify the contractor of this action in writing after Council approval.

### **13. SECTION 3**

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low income persons. The contractor awarded the project will be expected to follow Section 3 compliance and will be provided documentation pertaining to Section 3 upon contract signing.

#### **I. COMPLAINT RESOLUTION**

The Program shall comply with MSHDA approved methods for resolution of complaints and problems.

##### **1. REVIEW COMMITTEE**

The City shall appoint a Complaint Review Committee consisting of no less than three (3) members. One member must have building/construction expertise; one member must be a homeowner; one member must be a representative of the City. Committee members shall be appointed for a period of no less than one year and shall receive no compensation from the Program. The Administrator or Administrator staff shall not be appointed to the Committee.

##### **2. COMPLAINT RESOLUTION PROCEDURE**

The following Complaint Resolution Procedure shall be adopted to resolve all complaints by applicants or between parties participating in the Program. The Administrator shall notify the contractor and property owner of the procedure prior to the commencement of the project should the contractor or owner not be able to resolve a problem.

- a. Any party applying for or participating in a rehabilitation project administered by the Program may file a written complaint to the City giving a detailed description of the complaint. The City shall provide a copy of the complaint to the party against which the complaint is written. If the complaint is against the City, the City shall convene a meeting of the Complaint Review Committee at the earliest date convenient to all parties.
- b. The City shall investigate the complaint and respond in writing within fifteen (15) working days to both parties of the recommended resolution of the problem.
- c. Each party shall review the recommendation and respond in writing within fifteen (15)

working days to the City of their decision on the resolution recommended.  
The City will attempt to mediate any unresolved issues between the parties.

- d. If the issue cannot be resolved between the parties and City, the City shall convene a meeting of the Complaint Review Committee at the earliest date convenient to all parties.
- e. The Complaint Review Committee, consisting of no less than three members in attendance, shall review all written documents and hear verbal arguments by the parties. The complaint Review Committee 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 the Committee for final decision at a later date. The City shall advise the parties in writing of the Committee's decision.
- f. If the parties do not accept the decision of the Complaint Review Committee, the City shall advise the parties in writing that they shall be required to participate in a Dispute/Resolution Program. The costs of participation in the Dispute/Resolution Program shall be at the expense of the parties in the dispute.
- g. If mediation is unsuccessful and all of the above procedures have been adhered to and properly documented, the issue may be referred to the MSHDA Community Development Division staff for final decision.

### **3. DISCRIMINATION**

A person claiming discrimination based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, disability, or familial status by the Program may file a complaint with the City of Marshall's Complaint Review Committee, the Michigan Civil Rights Commission, or the local Fair Housing Center or HUD.

## **J. PROGRAM ADMINISTRATION**

### **1. THIRD PARTY ADMINISTRATOR**

The Program will be administered by a MSHDA approved Third Party Administrator with oversight provided by the City of Marshall. The City through the City Council is responsible to oversee the implementation and administration of the Program. Long term objectives include assuring City compliance with service to disadvantaged populations, assisting with outreach to groups for disadvantaged citizens, and advocating on behalf of these groups.

### **2. APPROVAL AUTHORITY**

Sole approval of a rehabilitation project using CDBG funds shall rest with the City taking into account a recommendation of the Third Party Administrator. The Administrator or

City may consult with MSHDA and/or City and State Building Inspectors as needed before approval is granted.

### **3. GRANT AGREEMENT**

The Program shall comply with all requirements and conditions contained in the Grant Agreement between the City and State of Michigan. If a violation of the Agreement occurs, the Administrator shall immediately notify the City Manager of Marshall, and the MSHDA Community Development Division.

### **4. MSHDA HOME/CDBG COMPLIANCE GUIDE**

The Program shall comply with the procedures and requirements contained in the MSHDA-HOME/CDBG GUIDE (MSHDA Guide) and any subsequent revision received by the Program. The provisions contained in the MSHDA Guide shall be incorporated in the Program Guidelines.

### **5. MSHDA POLICY BULLETINS**

The Program will comply with MSHDA Policy Bulletins. Also, any subsequent policies hereafter implemented by MSHDA.

### **6. MSHDA ENVIRONMENTAL REVIEW PROCEDURAL GUIDE**

The Program shall comply with MSHDA Environmental Review Procedural Guide. Any subsequent revisions hereafter implemented by MSHDA, shall be adopted as required.