
State of Rhode Island



Residential Rehabilitation
Thursday – June 28, 2012

Program Design



CDBG Workshop

- Residential Rehabilitation Programs
 - Welcome and Introductions
 - Michael Tondra, Chief
 - June House, Supervisor of Community Dev't
 - Charles Kimes, Senior Planning & Program Development Specialist
 - Caitlin Frumerie, Principal Program Analyst
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Program Design

- Program design may be:
 - Responsive to local need
 - Differ by community
 - Neighborhood focus
 - Comply with all applicable rules/regulations

 - Operating considerations
 - Municipality
 - Consortium
 - Non-profit/CDC
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Program Design

Options for Programs/Assistance

- Grants/Forgivable Loans – with liens
 - Deferred Loans
 - Sale/transfer
 - Family member transfers
 - Standard Loans
 - Interest Rate (if any)
 - Term
 - Other Requirements
 - Rental/Owner – Occupied
 - Populations (elderly, different terms for low- vs. mod-)
 - Eligible Improvements (single or multi focus)
 - Minimum/Maximum Assistance
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Program Design - Liens

| | |
|---------------------|----------|
| Under \$15,000 | 5 years |
| \$15,000 - \$40,000 | 10 years |
| Over \$40,000 | 15 years |

- Deferred Loans – Recapture
- Standard Loans – Loan term should be no less than 5 years, nor greater than 15 years.
- Grants/Forgivable Loans – Lien must be placed on the property in accordance with above minimum period, based upon award.

Lien Options (local decision):

100% repayment if violation during lien term –or- forgive a certain percentage/amount each year.

Program Design - Subordination

- Subordination to other debt
 - Policy: May subordinate when property owner will not be cost-burdened (paying less than 30% of their income on housing costs).
 - Protection of public resources
 - Property owners should be made aware of these requirements and should notify a community early of any need to subordinate.
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Program Design - Conflict

■ Conflict of Interest

- Standard Form (listing policies)
 - With rehabilitation programs:
 - Procurement
 - Beneficiary
 - ALWAYS contact OHCD even if a conflict is only perceived and assure proper documentation is maintained.
 - Violations may result in suspension/termination of program.
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Program Design - Conflict

“Is this a conflict?” Discussion

- ❑ Parents of a Town Planner apply for a housing rehabilitation grant.
 - ❑ Town Building Inspector performs private home inspections for units receiving CDBG downpayment assistance.
 - ❑ A business, of which the Mayor is a co-owner, bids on local plumbing job.
 - ❑ Business owned by the husband of the Town’s School Superintendant bids on a roof project.
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Program Design

- ❑ Formalize Design
 - (case-by-case decisions not acceptable)
 - ❑ Include Design in CDBG Application
 - ❑ Include Contact Information on CDBG Application

 - ❑ Community Responsibility
 - Municipalities without capacity to administer programs in compliance with requirements should contact OHCD, who can assist in identifying alternatives, such as centralized/regional programs.
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Calculating Income



Income Verification

■ National Objective

- Low/Moderate Income Housing
- Failure to document national objective requires that any funds obligated/expended be deobligated/returned.

■ At least 51% of the units in each assisted structure must be occupied by low/moderate income households at completion.

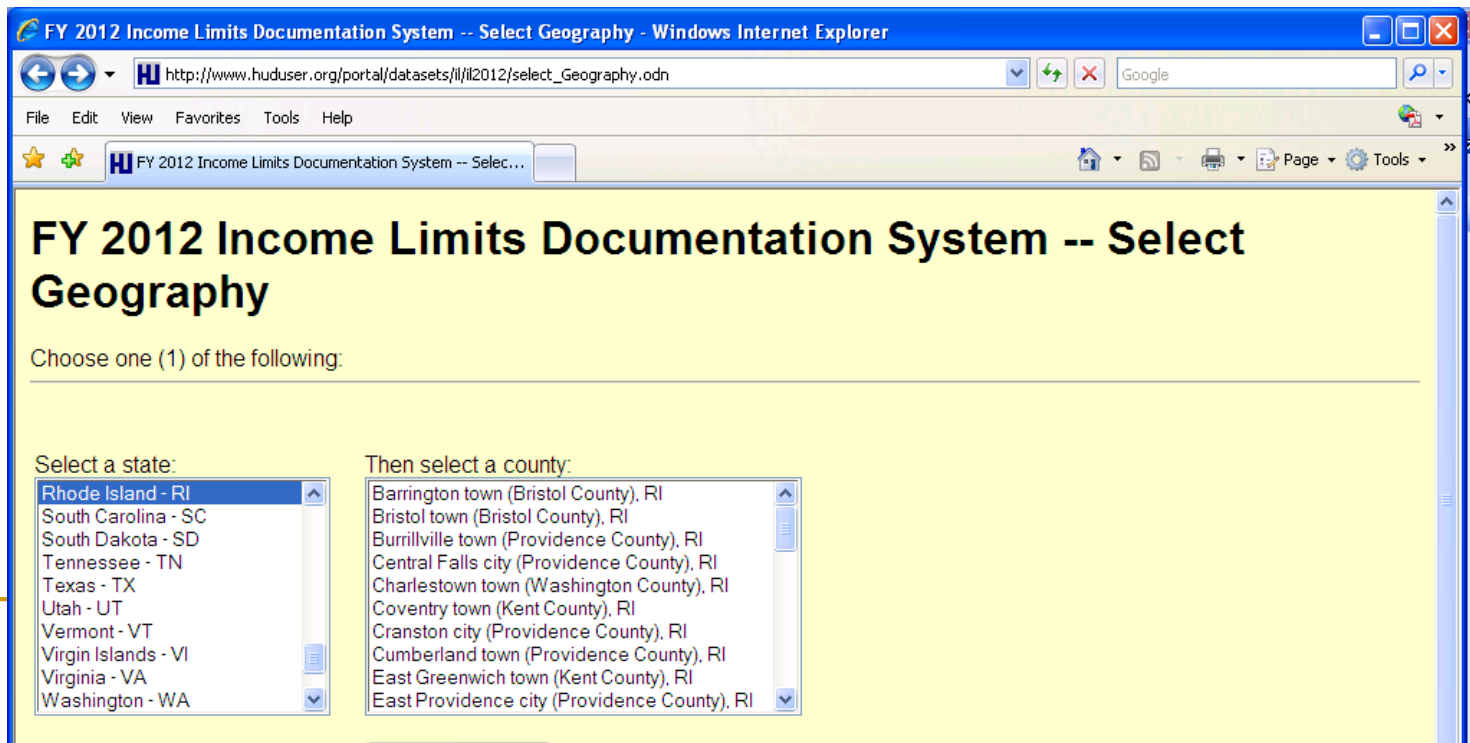
- “Low/Moderate Income (LMI)” is defined as at or below 80% of Area Median Income (AMI) for the subject area.
 - “Household” is all persons who occupy a housing unit, whether or not related.
 - 51% in all instances except 2-unit buildings (1 of 2).
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Income Verification

- Area Median Income

<http://www.huduser.org/portal/datasets/il.html>

Current limits (FY'12) effective 12/1/2011



Income Verification

- Standardized Form
 - 3 Forms of Income in Regulations
 - **Part 5 (Section 8)**, Census Long Form, IRS 1040
 - Use Section 8 (Part 5) Income Policies
 - Gross Amounts of Income (before deductions)
 - Income Inclusions/Exclusions Detailed on Form
 - Limits based upon family (household) size
 - Tax Information may be used as secondary source to verify income, but may not be primary income source.
 - 3rd Party Verification of income (or no income) required in all files, for all adult members of the household (Social Security Statement).

<http://www.ssa.gov/onlineservices/>

Income Verification

- Note requirements for:
 - Adult students living away from home
 - Temporarily absent family members
 - Counting assets – “income from assets”
 - Assets with little/no income – Passbook Rate
 - Business Income
 - Require business statements.
 - As a general rule, communities often use gross profit before income tax deductions as basis for income.

Document! Document! Document!

Lead Based Paint Hazards



Lead Hazards

When HUD CDBG funds are used to assist housing units, Lead Based Hazards **MUST** be addressed.

- HUD Lead Safe Housing Rule
24 CFR Part 35

Compliance is **MANDATORY**
Compliance should be **DOCUMENTED**

Lead Hazards

Requirements differ based upon activity funded:

- ❑ Rehabilitation
 - ❑ Acquisition, Leasing, Supportive Services
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Lead Hazards

- Three categories for requirements:
 - Notification
 - Disclosure
 - Assessment/Evaluation
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Lead Hazards

- Notification
 - Lead Hazard Information Pamphlet
 - Disclosure
 - Notice of Lead Hazard Evaluation or Presumption
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Lead Hazards

- Exempt from Lead Safe Housing Rule
 - Constructed after 1978
 - Zero Bedroom Units
 - Properties not for human habitation
 - Rehabilitation which does not disturb painted surface
 - Housing EXCLUSIVELY for the elderly/disabled*
 - Emergency Repairs*
 - Vacant Properties*
 - Previous inspection – no lead/removed*

Document exemption clearly in file!

Lead Hazards

- Lead Hazard Evaluation and Reduction activities depend on level of assistance received. Lower of -
 - Per unit rehabilitation hard costs; or
 - Per unit Federal assistance
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Lead Hazards

- Once level determined, projects fall into three main categories
 - Rehabilitation assistance up to \$5,000/unit
 - Rehabilitation assistance between \$5,000-\$25,000
 - Rehabilitation assistance over \$25,000
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Lead Hazards

- Up to \$5,000/unit
 - “Do No Harm” approach
 - “Evaluation”
 - Paint testing of work site area
 - Presumption
 - “Reduction”
 - Repair paint disturbed
 - “Clearance” of work site area
 - Safe Work Practices, Notices
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Lead Hazards

- Rehabilitation between \$5,000 - \$25,000/unit
 - “Identify and Address Lead Hazards”
 - “Evaluation”
 - Risk Assessment
 - Presumption/Lead Hazard Screen
 - “Reduction”
 - Interim Controls
 - “Clearance” of unit (Lead Safe)
 - Safe Work Practices and Notices
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Lead Hazards

- Projects over \$25,000/unit
 - “Identify and Eliminate Lead Hazards”
 - “Evaluation”
 - Risk Assessment
 - Presumption/Lead Hazard Screen
 - “Reduction”
 - Abatement
 - “Clearance” of unit (Lead Safe)
 - Safe Work Practices and Notices
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Lead Hazards

- Inspection
 - Evaluation – Inspection
 - Rehabilitation Activities
 - Clearance – Inspection

 - Notices throughout
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Lead Hazards

- Acquisition, Leasing and Supportive Services
 - Visual inspection
 - Paint Stabilization
 - Safe Work Practices, Clearance and Notices
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BREAK



Program Income



Program Income

- CDBG Program Income Policies
 - Revolving Loan Funds (24 CFR 570)
 - Repayments generated as used to carry out the same type of activities. Often use with housing rehabilitation loan programs.
 - Revolving loan funds do not need to be used before additional funds are drawdown for different types of activities. However, Revolving loan funds must be used before additional funds are drawdown for the same type of activity.
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Program Income

- CDBG Program Income Policies
 - Revolving Loan Funds/PI
 - May be held in interest bearing account. Interest earned must be remitted to the US Treasury no less than annually.
 - Must maintain adequate financial management to maintain accountability.
 - May be grouped (all Program Income) or separated (Program Income PY'2012, PI PY2011)
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Program Income

- CDBG Program Income Policies
 - Amendment
 - Any use other than additional rehabilitation expenditures must be approved by OHCD, in accordance with procedures for CDBG amendment process.
 - Operating – Agencies should not withdraw PI funds for housing operating costs without written authorization from OHCD. Operating costs for such expenditures will be factored in annual awards.
 - Agencies should not use PI to cover expenditures during interim periods or for any other activity not approved.
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Program Income

- CDBG Program Income Policies
 - Disposition of Assets Purchased
 - Program Income which loses federal identity
 - Less than \$25,000 on annual basis
 - CDC Program Income
 - OHCD will be assessing balances of locally held Program Income.
 - Reporting of activity under such accounts will be necessary (IDIS).
 - Program Income may be returned to the State if a community is unable to manage requirements.
 - Requirements may differ for CDC-administered revolving loan funds.
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Environmental Review



Environmental Review

- CDBG (24 CFR Part 58)
 - Tier'ed Process
 - Step 1 – Broad review (area assessment)
 - Step 2 – Review individual properties against Tier 1 review (site specific project review)

All compliance requirements satisfactorily resolved in this first level are excluded from any additional examination or consideration (i.e., findings of no impact or impacts resolved through mitigation requirements).

Environmental Review

CDBG (24 CFR Part 58)

- Publicize and Request Release of Funds from State after Tier 1. Process, however, not yet complete.
 - Tier 2 focuses only on the environmental compliance requirements that couldn't be resolved in the Tier 1.
 - Tier 1 review provides written standards to be used during this Tier 2 process for determining if a site is acceptable.
 - Tier 2 must be completed and entered in the record before funds are committed or spent.
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Environmental Review - Historic

Tiered Environmental Review – Historic Properties

- ❑ Governed by the Programmatic Agreement between grantees and the RI State Historic Preservation Officer (Ted Sanderson/Jeff Emidy)
 - ❑ Requires that SHPO review each property to be rehabilitated

 - Activities exempt from further review:
 - ❑ Electrical Work (upgrade or in-kind replacement)
 - ❑ Plumbing Work (upgrade or in-kind replacement)
 - ❑ Installation of a new furnace
 - ❑ Painting in a complimentary color
 - ❑ Caulking
 - ❑ Repair of roofing when repair is done in-kind to match existing materials & form
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Environmental Review - Historic

- Communication with SHPO required unless improvements are exempt from further review
 - Send letter/email to SHPO with property address, plat/lot
 - SHPO reviews information online. If property appears to have historic value, SHPO will request a work write-up
 - If any planned improvements have a potentially adverse affect on the historic property, the SHPO will try to suggest a better solution
 - If property is located in a local historic district, review will be undertaken at the local level (the local HDC). SHPO should still be consulted, however.
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Environmental Review - Floodplain

Tiered Environmental Review – Floodplains (24 CFR Part 55, and EO 11988)

- Part 55 is inapplicable to certain categories of proposed actions, including but not limited to financial assistance for minor repairs or improvements on one-to four-family properties that do not meet the thresholds for “substantial improvement” under Section 55.2(b)(8).
 - Structural repairs, reconstruction or improvements not meeting the definition of “substantial improvement” are considered “minor improvements.”
 - Therefore, regulations requiring flood insurance on properties assisted with federal funds are generally inapplicable to properties located in flood zones assisted by a housing rehabilitation program. However, communities should take necessary steps to assure public funds are protected.
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Environmental Review

- Choice Limiting Actions (58.22)
 - Limitation on activities pending clearance
 - Do not obligate or expend any funds unless environmental review process is complete and Release of Funds has been issued by State.

 - Maintain Review in ERR
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File Management & Reporting



File Management & Reporting

- Assure proper documentation is maintained to show compliance with program requirements.
 - If documentation not readily available, activity/program may be determined in non-compliance with federal requirements – in such instances funds may need to be returned.
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File Management & Reporting

- PI Quarterly Reporting Form Available
 - HUD revised reporting requirements may necessitate changes in the coming year.
- Failure to report may jeopardize continued funding of local initiatives under CDBG.



Concluding Remarks

CDBG Training Website:

<http://www.hrc.ri.gov/CDBGTraining.php>

Webinars, Powerpoints, Forms, Etc.

Office Contact:

**Department of Administration
Division of Planning
Office of Housing and Community Development
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Question & Answer Session

