

HOMEOWNER ASSISTANCE PROGRAM (HOAP)

PROGRAM GUIDELINES

Effective June 1, 1999

HOAP ELIGIBLE PROJECTS

a. Name of the Program

The name of the program shall be the “Home Owner Assistance Program” hereafter referred to as HOAP.

b. Purpose of HOAP Program

To increase the supply of standard owner occupied buildings in the City of Albany. To provide financial assistance to low income owner-occupied households with annual incomes under 80% of the median for the moderate rehabilitation of owner-occupied buildings with 1 to 4 units, or condominium or cooperative units in any size building and rental units in owner occupied 1-4 unit buildings in order to bring the units up to local housing code.

c. Source of Funds/CDBG and HOME Eligibility

1. Community Development Block Grant (CDBG) funds and Home Investment Partnership Act Program (HOME) funds will be used to fund the HOAP Program, including all financial assistance and funds for the direct delivery of the program. All HOAP projects must meet all requirements of the CDBG and HOME programs. (CDBG Regulations can be found at 24 CFR Part 570 and HOME can be found at 24 CFR Part 92). Eligibility for the HOAP Program can be found at 24 CFR Part 570.202 which is the section on Eligible Rehabilitation and Preservation Activities.
2. To be eligible under HOAP, which is CDBG and HOME funded, the homeowner’s unit must be under 80% of the median income upon completion. For properties with more than one unit, the household income for the rental units must be no more than 60% initially and subsequently 80% of the HUD-Adjusted median income and you agree to structure your rents to be affordable to very low income households. This means that in addition to qualifying under HOAP criteria, the project as a whole must be determined to be CDBG and HOME eligible. Income determination must be taken for all units in the project including the owner occupied units and rental units.

d. Rental Unit Eligibility

1. To be eligible under HOAP, existing and future vacant rental units in a project must meet the CDBG and HOME eligibility requirements in c.2. above.

e. Eligible Costs

1. Eligible Rehabilitation Costs

- (a) Improvements required to bring the unit up to code compliance. All improvements must be attached to the building and must be permanent in nature.

- (b) Repair or replacement of major housing systems in danger of failure.
- (c) Energy conservation improvements that result in substantial cost savings.
- (d) Exterior painting.
- (e) Removal of architectural barriers which limit mobility of a handicapped occupant.
- (f) Related to the rehab soft costs including fees involved in obtaining financing, appraisal, title search, recording and filing fees, building permits, architectural, engineering, legal services, credit reports, etc.
- (g) Initial homeowner warranty premiums.
- (h) Utility connections.
- (i) Lead based paint abatement

2. Ineligible Costs

- (a) property improvements in excess of code compliance requirements or Housing Quality Standards (HQS).
- (b) Room additions other than bedrooms.
- (c) Taxes and water bills.

3. Other Costs

See fact sheet regarding lead based paint requirements.

f. Emergency Assistance Authorization

In order to address situations that constitute an immediate threat to life, health and safety, the HOAP program will include an expedited procedure to provide emergency assistance.

1. ACDA will make an inspection to determine that an emergency situation, defined as one that is sudden and demanding immediate action, exists.
2. ACDA may then authorize contractors to undertake emergency work items and pay for these expenditures prior to approval of the complete HOAP project by the ACDA Board.
3. If emergency items are authorized, the owners must still sign an agreement to complete the rest of the project including bringing the entire structure up to local code and must assume the cost of these other rehabilitation activities. The owner will be liable for repayment to ACDA of all funds that ACDA paid to the contractor prior to Board

approval if the project is determined later to be ineligible, if the ACDA Board does not approve the project, or for any other reason the project is not completed.

4. The following items will be considered for emergency repairs, when they present an immediate threat to the safety and welfare of the occupants and/or the building:
 - (a) Roof (leaking roof).
 - (b) Plumbing (broken sewer line, broken or inoperable fixtures, leaking pipes).
 - (c) Heating (inoperable, unsafe boilers, inoperable radiators or hot water heaters).
 - (d) Electric (bare wire, shorting receptacles or switches, hazardous temporary wiring, lack of and/or defective service ground).
 - (e) Structural Defects.
 - (f) Other items as determined by ACDA to be an emergency.

g. Applicant Income Eligibility

All income and eligibility determinations for HOAP assistance will be conducted by ACDA. Eligible applicants for HOAP assistance must have a gross annual household income at the time of application under 80% of the median.

1. ACDA shall determine the income eligibility of a homeowner using HUD Section 8 Income Determination Methodology. (See appendix or separate section on methodology).
2. ACDA shall use the most recently published HUD Section 8 Income Guidelines.
3. HUD Income Guidelines for Annual Household Income under 80% median as of 5-31-11 is as follows:

<u>Household Size</u>	<u>Maximum Income</u>
1	\$43,150
2	\$49,300
3	\$55,450
4	\$61,600
5	\$66,550
6	\$71,500
7	\$76,400
8	\$81,350

4. Applicants with assets (not including a primary residence) totaling more than **\$40,000** shall not be eligible to participate in this program. Assets include: savings, checking accounts, certificates of deposit, IRA, 401(K), stocks, bonds, and the value of any other real estate, etc.

h. Property Ownership

1. The application must be the property owner of record at the time of application.

2. ACDA will evaluate the eligibility for HOAP in case of joint ownership where one of the owners does not reside in the property on a case by case basis.
3. There is no required length of ownership of the property to be rehabbed prior to application for HOAP funding.

i. Owner Occupancy After Rehabilitation

1. The owner must reside in the structure at the time of application and continue to reside in the structure for the length of the mortgage. If the owner is not residing in the structure at time of application because it is not habitable, ACDA will do an inspection of the structure to determine if the project is economically feasible. If the building has been vacant for more than six months, ACDA will require an architectural drawing/structural engineer report. ACDA reserves the right to reject any application.
2. The owner may request a waiver of this provision to allow the owner to sell or transfer title to another eligible household at the discretion of ACDA.

j. Maximum Purchase Price or After Rehabilitation Value Limits

To use HOME Funds, the value of the HOME assisted property after rehabilitation shall not exceed 95 percent of the median purchase price for the area, as published by HUD. As of January 1, 2011 the limits are as follows:

<u>Number of Units</u>	<u>Maximum Purchase Price</u>
One Family	\$178,600
Two Family	\$228,647
Three Family	\$276,380
Four Family	\$343,473

k. Location of Property

The HOAP program shall be available citywide. There are no neighborhood restrictions.

l. Eligible Number of Units in Building

Buildings with 1 to 4 units are eligible for rehabilitation under the HOAP program as long as the owner resides in one of the units, condominiums, or cooperative units in any size building.

m. Zoning

Properties must comply with local zoning ordinances to be eligible. All required variances and conditional use permits must be secured before application to ACDA.

n. Eligible Household Size

There are no restrictions on household size in the HOAP program.

o. Number of Bedrooms

The unit may not be “over-crowded” as defined by HQS. Therefore, a sufficient number of bedrooms are required to provide adequate sleeping spaces for all members of the household. Generally there must be one bedroom for every two family members (children of the opposite sex cannot share a bedroom).

p. Delinquency

No application for assistance will be accepted under the following conditions:

1. When the applicant is in default on any obligations to ACDA (or the Department of Housing and Community Development).
2. When there are any unpaid property taxes, school taxes and water and sewer bills.
3. When the owner has filed personal bankruptcy within the last three years unless credit worthiness has been re-established, as determined by ACDA.

q. Insurance

1. Fire and Hazard Insurance

The owner will be required to obtain and keep current, for the length of the mortgage, fire and hazard insurance to cover the total of all debt secured by the property. The Albany Community Development Agency must be named on the policy as one of the mortgages.

2. Flood Insurance

ACDA will determine if the project is located in a flood hazard area according to the most recent FEMA map. If the building is located in a flood hazard area, the owner must obtain flood insurance and keep the insurance coverage current for the life of the mortgage in accordance with the Flood Disaster Protection Act of 1973.

r. ACDA Right to Reject Application

ACDA reserves the right to reject any application when, in its judgement, rehabilitation of the project is not economically feasible nor in the best interest of current tenants, the owner, or the City.

HOAP FINANCIAL ASSISTANCE

a. Maximum Assistance

Maximum assistance will be \$25,000.00 per building.

b. Terms of Assistance

1. The first \$5,000 of assistance per building shall be provided in the form of a pro-rated grant, repayable upon failure to remain an owner-occupant for 5 years.
2. All additional HOAP assistance will be in the form of a loan, secured by a mortgage. The mortgage may be subordinated to any other mortgage approved by ACDA which is presently, or which may be, placed on the property.
 - (a) The maximum repayment period is 20 years with the actual term to be determined by ACDA based on the chart shown below and a full financial analysis of the homeowner's ability to repay.

<u>LOAN AMOUNT</u>	<u>LOAN TERM</u>
Up to -- \$ 5,000.00	Up to 5 years
\$ 5,000.00 -- \$10,000.00	Up to 10 years
\$10,000.00 -- \$15,000.00	Up to 15 years
Over -- \$15,000.00	20 years

(b) Interest rate on the loan shall be as shown below:

- (1) Initial Income Under 50% median: 0%
- (2) Initial Income 50% to 80% median: 4%

- (c) All or a portion of the loan amount may be deferred if necessary to render the loan affordable to the homeowner. ACDA shall offer a 10 year pro-rated deferred loan based on the assessment of the financial analysis showing the homeowner's existing housing expenses to be at or above 35% of their gross monthly income.
 - (d) The loan repayment formula shall be based on the percentage of housing expense to total income. Total monthly, after-rehab, housing expenses shall not exceed 35% of gross monthly income.
3. The remaining balance of the loan, and portions of the grant not forgiven to this date, shall be due and payable if the following conditions occur before the end of the prepayment period or at any time in the case of a deferred loan:
 - (a) the sale of the property, or
 - (b) transfer of title to the property, or
 - (c) death of the borrower, or

(d) failure of the borrower to maintain residency in the property receiving assistance.

4. The obligation may be transferred to another eligible borrower/occupant as determined by ACDA.

c. Repeat or Additional Financial Assistance

1. Additional HOAP Assistance

If during the course of the rehabilitation, additional work items are found to be necessary, additional funds may be applied for, provided the maximum assistance under HOAP has not been approved.

2. Repeat HOAP Assistance

After rehabilitation has been completed, a HOAP program participant may apply for additional HOAP funds only for “emergency repairs” as defined in the Emergency Assistance Authorization section of these guidelines, provided the maximum assistance under HOAP has not been approved. Such additional HOAP assistance will be in the form of an amortized loan (repaid on a monthly basis). The interest shall be determined by the homeowner’s current income.

3. Previous Subsidies

A criterion for a HOAP application is failure of property to meet building code requirements regardless of previous subsidies in the project.

d. Combining HOAP with Other Programs

1. An application will be evaluated on a case by case basis to determine the compatibility of the various program guidelines and regulations of the funding sources.

2. Single Application

An application for a HOAP project, which will be combined with other funding sources, shall be submitted as one application so that it can be evaluated as one complete project for eligibility with the various program guidelines and with the various funding sources.

e. Property Owners Personal Funds

1. The total cost of the project may exceed the assistance to be provided by ACDA, which is secured from financial institutions, or other funding sources.
2. In this case the owner of the property must provide his or her own funds from another source towards the project.

(a) The owner’s funds must be expended first, before ACDA funds.

- (b) The owner’s funds must be submitted to ACDA at the closing and placed in an interest bearing escrow account held by ACDA. ACDA will distribute the funds per payment schedule.

Eligibility of HOAP Rental Units

a. Tenant Income Eligibility

- 1. “Low income” households are defined as having gross annual household incomes under 60% of the median income adjusted for household size.
- 2. “Gross Annual Income” is determined using the Section 8 methodology. (See section on Section 8 Income Methodology).
- 3. Current HUD Income Guidelines for Annual Household Income under 60% of the median as of 5/31/11 is as follows:

<u>Household Size</u>	<u>60% Median Maximum Income</u>
1	\$32,340
2	\$36,960
3	\$41,580
4	\$46,200
5	\$49,920
6	\$53,640
7	\$57,300
8	\$61,020

b. Income Certification

Signed income certification forms will be required as follows:

- 1. All occupants of the building in place at time of application including owner-occupant and tenants must complete a form. The application will not be complete without these forms. ACDA Finance staff will determine the income for these occupants.
- 2. It is the responsibility of the owner to get signed certification forms from initial occupants of vacant units after the project is 100% complete and forward them to ACDA Compliance Monitoring staff.
- 3. All new tenants at turnover of units: It is the responsibility of the owner to get a signed certification form from each new tenant selected and forward it to ACDA Compliance Monitoring staff.
- 4. It is the responsibility of the owner to get a signed certification form from each HOAP assisted unit on the anniversary date of the completion of the project and forward them to ACDA Compliance Monitoring staff for a 10 year period of time.

c. Change of Income After Initial Eligibility

Income will be re-certified on an annual basis. At this time the certified income of tenant household may change.

1. A tenant whose household income increases after initial eligibility determination and exceeds 80% of the median adjusted for the household size will be allowed to remain in the HOAP assisted unit.
2. In no case will the landlord be required to displace a tenant whose income exceeds 80% of the median after the initial ACDA approval.
3. When the unit becomes vacant, it must be rented to an income-qualified household. A Monitoring & Certification Form must be submitted to ACDA Compliance Monitoring staff.

d. Written Agreements

A mortgage will be filed to assure that all HOAP requirements are met including the tenant eligibility provisions. The penalty under the mortgage for default of any provisions will include repayment of the assistance.

HOAP Property Standards

a. Condition Prior to Rehabilitation

Prior to rehabilitation, the unit must have one or more substandard conditions that would cause the building to fail a housing code inspection.

b. Condition at Completion of Rehabilitation

1. Housing Code

No assistance will be provided unless the entire property is brought into code compliance. All other units in buildings that receive ACDA assistance must also meet applicable housing codes after project completion, even if ACDA funds are not used in those units.

2. Energy Standards

All units assisted with ACDA funds must meet the Cost-Effective Energy Conservation and Effectiveness Standards published by HUD at 24 CFR Part 39. The regulations take into account that not all energy efficiency standards can be met with each rehabilitation and allow for them to be eliminated to the extent that they are not practical in rehabilitation situations and considering economic feasibility. (24 CFR Part 39 is in the Appendix).

c. Code Compliance in cases of Emergency Authorizations

1. If the project involves emergency authorized expenditures, the rehabilitation project must be completed to be eligible for ACDA funding.
2. The City Building Department will be notified for a code inspection if participants only complete the emergency items and do not follow through on the rest of the improvements.

d. Certificate of Completion

1. A Certificate of Completion (CC) must be issued prior to closeout of the project with ACDA.

e. Long Term Code Enforcement

1. The owner must agree to long-term property maintenance including keeping the property in good repair and not allowing the property to deteriorate.
2. The property will be subject to inspection by the ACDA staff within two years of rehab completion.
3. The Owner of the property with CDBG/HOME assisted rental units will be required to provide the Compliance Department with a Certificate of Occupancy once every three (3) years for the duration of the Grant and/or Mortgage.

Fair Housing and Equal Employment Opportunity

Section 3” Clause

ACDA complies with the provisions of Section 3 of the HUD Act of 1968, as amended, and as implemented by the regulations set forth in 24 CFR 135, providing that training, employment and other economic opportunities generated by HUD financial assistance shall, to the greatest extent feasible, be directed toward low-income persons, and to business concerns, who provide economic opportunities to low- and very low-income persons. More information regarding compliance with Section 3 can be found in ACDA’s comprehensive Section 3 Plan.

Section 504

ACDA complies with all Federal regulations issued pursuant to compliance with Section 504 Rehabilitation Act of 1973 (29 USC 794), which prohibits discrimination against the individual with disabilities or handicaps in any Federally assisted program. More information regarding compliance with Section 504 can be found in ACDA’s comprehensive Section 504 Plan.