

PROPERTY OWNER'S HANDBOOK

THE HOUSING REHABILITATION PROGRAM

Pioneer Valley Planning Commission
Program Administrators

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Introduction

Welcome to the housing rehabilitation program. Your city/town has received state and federal government funds to help its citizens repair their homes. The city/town can now make deferred payment loans to single and multi-family property owners to help cover these repair costs. If you have received this handbook, your housing rehabilitation or septic system repair application has been determined to be income eligible. The next two steps will determine if your application will be approved. These are:

- ◆ To determine if the items in need of repair on your property are eligible activities in accordance with the state and federal policies and regulations that guide the use of these funds.
- ◆ Your willingness to accept the terms of your deferred payment loan (DPL), including all federal, state, and local policies, procedures, and regulations that are conditions of the DPL.

This handbook has been designed to explain the policies, procedures, and regulations that guide the program, as well as explain the roles and responsibilities of all the parties who will carry out the rehabilitation project on your property. The format of the handbook is a series of questions and answers.

Please review the handbook thoroughly. If you need any assistance or have any questions, our staff is available to review the program with you. You may contact the Program Administrator, the Pioneer Valley Planning Commission (PVPC), at (413) 781-6045.

Is this a loan or grant?

A deferred payment loan (DPL) is a no-interest loan that is similar to a second mortgage on your home, with a few important differences:

- ◆ No payments are made during the lifetime of the loan.
- ◆ No payment is required at the end of the loan.
- ◆ Payment of the loan is made *only* if the property is sold or transferred during the lifetime of the loan or when the conditions of the loan agreement are not met.

The loan funds have been made available to your city/town through the Massachusetts Department of Housing and Community Development's (DHCD) Community Development Block Grant Program, which is a federally funded, competitive grant program designed to help small cities and towns meet a broad range of community needs.

The length of the loan is fifteen years, however, the maximum loan amount varies by city/town. A loan agreement is made between you and the city/town administering the funds. The loan agreement outlines the terms of the loan, such as payment, insurance requirements, and regulatory requirements of the funding source.

An attachment to the agreement is an assignment of proceeds, a document that allows the program to record a lien on your property in the amount of the loan. If at any time it is determined that income levels have been falsified payment of the loan will be due

immediately and a permanent lien will remain on the property until the loan amount is paid in full.

The loan agreement requires property owners to maintain homeowners insurance and floodplain insurance if the property is located within the 100-year floodplain. If your property requires floodplain insurance, the DPL requires that you maintain floodplain insurance for the lifetime of the loan. The program will pay for the first year of floodplain insurance.

All clients are evaluated for a financial contribution to the project. Depending on your income level and debt burden, you may be asked to contribute up to 10% of the total project cost. If your property requires repairs and improvements over a certain dollar amount, you may not qualify for a loan. However, we may be able to help you find money from other private or public sources to complete your rehabilitation project.

Investor-owners will be eligible to receive a maximum of 75% of the total project cost per dwelling unit. Investors will be required to provide matching financing at a rate of \$1 in private and/or other financing to each \$1 of program funds. Investor-owners will have to agree to some rent restrictions for fifteen (15) years from the date of the completion of the program. Investor-owners will be required to sign the rent stabilization agreement within the loan contract as well as an Affordable Housing Restriction. The purpose of these two documents is to assure that the premises will be retained as affordable housing for occupancy by low and moderate income persons or families. In addition, these documents specify the limits of monthly rental increases over the 15-year duration of the Affordable Housing Restriction. This information will be included in your loan agreement.

When private funds are being used, the owner contribution will be the first funds used toward the payment. The owner will issue a payment in the form of a certified check, banker's check, or money order. No personal checks are allowed.

There are rare exceptions to the loan limit. If extraordinary conditions exist and no other funding can be found, a waiver of the maximum loan limit may be sought from the city/town, and when necessary, from the Massachusetts DHCD. Waivers of the loan limit are **only** permitted on an exception basis for extraordinary circumstances.

A DPL may be used for repairs and improvements including but not limited to the correction of building code violations, health or sanitation concerns, or the replacement of failed mechanical or structural systems. The following is a list of some of the types of allowable work:

- ◆ lead paint abatement,
- ◆ electrical repairs and improvements,
- ◆ plumbing repairs and improvements,
- ◆ heating systems and hot water tanks,
- ◆ roof repair or replacement,
- ◆ insulation,

- ◆ masonry repairs to chimney or foundation,
- ◆ replacement of windows and storm windows,
- ◆ septic system repair or replacement, and
- ◆ accessibility modifications.

Aging in Place: If you are receiving assistance through the Aging in Place program, there is no DPL. Owners who qualify for the Aging in Place program will receive this assistance in the form of a grant. All other terms outlined in this document are consistent with both programs.

What are the roles and responsibilities of the City/Town and PVPC?

Your city/town has received public funds from the Commonwealth of Massachusetts and/or the United States Department of Agriculture to establish a loan program for private property rehabilitation for eligible residents. It is the responsibility of the city/town to comply with all federal and state regulations regarding the use of these funds. In order to do this, the city/town has hired the PVPC to administer and coordinate its loan program.

The PVPC is responsible for processing loan applications and making recommendations to the city/town for housing rehabilitation and/or septic system repair loans. In addition, the PVPC coordinates the use of the loan funds in order to comply with various federal and state policies and regulations.

What is the rehabilitation process? What are my responsibilities?

Inspections

The first part of the rehabilitation process consists of a series of inspections of your property:

- ◆ For housing rehabilitation projects, the housing rehabilitation specialist will inspect the property for code violations and general property conditions.
- ◆ For properties that may require lead paint removal, a lead paint inspector will review the property to determine the location of lead paint on the exterior and interior of the house.
- ◆ For septic repair projects, a septic designer will conduct an inspection of your current septic system.
- ◆ Through a site visit or photograph, the historic preservation planner will determine if the house is considered historically significant.

The inspections for lead paint and septic system repair are conducted on a consulting basis. The fee for these services will be included in your DPL. The Program Administrator maintains a list of qualified lead paint inspectors and septic designers will be determined based on the city/town where the property is located.

During each inspection, it is your responsibility to assist the inspector in identifying items in need of repair. The inspector will determine the extent of the condition or problem.

Some of the inspectors will photograph your property. These photographs will become part of the inspection report. Each inspector will create an initial inspection report. These reports will be in written format and will be signed and dated. It is your responsibility to review these reports and assure yourself that your property has been accurately described. All inspection reports are for the use of program staff only and will not be used for any other purpose. It does not take the place of any inspections that may be required for necessary permits.

The results of the inspection report will be the basis for the project work specifications. If the house is historically significant, the project specifications must be in compliance with historic preservation standards. The scope of work for the rehabilitation project or septic repair must be for eligible construction items as per the program guidelines for the CDF or HPG programs. The housing rehabilitation specialist or the septic designer will prepare the project specifications in a Work Write Up (WWU), noting items to be rehabilitated, estimated cost, and justification or reason for the rehabilitation. The WWU will be signed and dated by the housing rehabilitation specialist or septic designer.

It is **your responsibility** to:

- ◆ Review the WWU to make certain that the project specifications address the needs as identified in the initial inspection reports of your property.
- ◆ Approve the work to be performed on your property.

You must approve the specifications by signing the first page of the WWU. Once the specifications are approved, the Program Administrator will prepare the loan agreement between you and the city/town and send it to you for signature, along with the assignment of proceeds.

Hiring the Contractor

General contractors and septic installers are hired through a bidding process conducted by the CDO on your behalf. The Program Administrator mails an invitation to bid to all approved contractors for the city/town where the property is located. Contractors are invited to attend a project walk-through and submit bids for the project. All bids will be reviewed by the Program Administrator and you will receive a Bid Comparison Form to select a contractor to perform the work.

While the contractor submitting the lowest bid is usually chosen, you may choose any contractor who submits a bid. The program, however, will not finance a loan for an amount other than the lowest bid that is qualified and approved by the staff, with the balance to be financed from other sources by the owner. If the bid price is over the loan limit, the project may be able to proceed under the following circumstances:

- ◆ You may make a contribution to the cost of the project for the amount over the loan limit;
- ◆ The specifications may be revised and the project may be re-bid; or
- ◆ Depending on the amount and need, a waiver may be sought from the Massachusetts DHCD.

If the bid price is still higher than the total amount of funds available for the project, and no other options are available, it may be determined that your project is outside the scope of the program.

Once the award has been made, a contract between the owner and the contractor will be signed. All the contract forms are prepared by the Program Administrator.

Construction

During construction, the housing rehabilitation specialist or the septic designer makes periodic inspections to ensure the work performed complies with the approved specifications. The housing rehabilitation specialist or the septic designer makes recommendations for approval of payment requests based on their inspections. A progress payment request is made and must be agreed to by the owner, contractor, housing rehabilitation specialist or septic designer, and community development staff.

Progress payments will only be made for completed items from the specifications. Housing rehabilitation progress payments generally are made at 33%, 66%, and 100% intervals and the release of retainage (30 days after completion). Payments for the septic repair program are often made at the completion of the project and the release of retainage. The contractor must provide the Program Administrator with signed copies of permits or a certificate of compliance from the building inspector with their request for the final payment. The program holds back 10% for retainage, except for Aging in Place projects, in which case no retainage is held back.

It is your responsibility to be present at the progress inspections and to be certain that when you authorize payment you are satisfied with the quality of the workmanship and the materials used. The Program Administrator is responsible for ensuring that the work is in compliance with the project specifications. **If you have a concern or issue with the work being performed on your property, it is your responsibility to notify PVPC directly or through the housing rehabilitation specialist.**

To disburse funds, the owner will be required to approve, in written form, all work that has been completed and the payment for same. Once this approval for payment has been made, a check in the approved amount will be made directly to the contractor. If during the application process a determination for an owner contribution was made, the owner contribution will be the first funds used toward the payment. The owner will issue a payment in the form of a certified check, banker's check or money order. No personal checks will be accepted. The owner must submit a copy of their check to the CDO.

The final inspection is conducted to confirm that all work has been properly completed and that all code violations have been corrected. This documentation, as prepared by the Program Administrator, will consist of a final report and/or statement noting that all work as specified has been completed and all items are functional with photographic documentation of the same. For historic housing rehabilitation projects, the report must also contain the final historic inspection conducted by the historic preservation planner. This must be agreed to by the owner, contractor, housing rehabilitation specialist or septic designer, the CDO, and when applicable, the historic preservation planner. Usually there

are a few items that need to be completed. The housing rehabilitation specialist creates a punchlist of these remaining items for the contractor to complete during the retainage period (usually 30 days).

At the release of retainage inspection, you will be asked to sign the owner's statement of completion. As part of the release of retainage, the contractor should provide the property owner with all applicable material and equipment warranty information.

Who provides utilities during construction?

The owner provides the contractor with all necessary utilities, including water and power, at no charge during the construction period. This also includes access to a telephone for receipt of messages and the placing of local calls.

Who gets the permits for the construction?

The contractor is responsible for obtaining all permits for construction. Payments may be withheld during construction if permits are not obtained. The retainage payment may not be issued unless all required local permits have been obtained and approved.

How do I get ready for construction? What kind of things should I expect during construction?

- ◆ Start planning ahead. Plan adequate storage space for contractor tools, equipment, and materials.
- ◆ Make arrangements for the contractor to get into your property if you or your tenants will not be home during the day.
- ◆ Prepare your property and furnishings for remodeling. Put away all breakables and valuable items that may be in the way of the workers.
- ◆ When the work starts, keep your copy of the contract handy and refer to it often. CHECK WITH THE REHABILITATION SPECIALIST or the septic designer if there is anything you do not understand once the work has started.
- ◆ Try to stay out of the construction area, this is especially true for children. This will help prevent injuries and allow the workers room to work.
- ◆ Expect the unexpected— unforeseen problems may be uncovered during the course of the work which may require a plan change. Be prepared if this should happen and discuss changes with the rehabilitation specialist. Changes must be approved by you and the contractor and be authorized by the CDO in writing.
- ◆ Stop problems before they start – if something isn't going the way you feel it should, or if you don't understand it, SPEAK TO THE CONTRACTOR FIRST. IF THE PROBLEM CANNOT BE RESOLVED, CALL THE REHABILITATION SPECIALIST and get an acceptable explanation or correction before it progresses too far.

Can I do any of the work myself?

In certain cases, the program may allow for self-help to complete a rehabilitation project. You may perform some or all of the tasks required to rehabilitate the property, as long as you have 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 cleanup; demolition of a small building on the property; removal, cartage, and disposal of debris; and for work that involves minimal use of expensive material and equipment. Work of a skilled nature is appropriate if it is established that you have the necessary ability and experience to do the work. Under the self-help program, you are expected to perform the work in a workman-like and expeditious manner.

The housing rehabilitation specialist will prepare a detailed work write-up and you will prepare an itemized material cost estimate. This cost estimate must be accompanied by a quote from the suppliers.

Materials must be installed before a payment will be issued. No power tools, hand tools, or equipment will be paid for with program funds. Labor performed by you, or a member of your immediate family is not considered an eligible cost. Receipts from other sources must be approved and will be paid on final inspections. Invoices made out by you will not be paid. Finance charges will not be paid. No substitutes or changes will be made without the written consent and approval of the housing rehabilitation specialist in the form of a change order. All checks will be made payable to the supplier and you.

All work must be conducted and completed in an expeditious manner. If there are any delays, you must notify the housing rehabilitation specialist. If at any time the housing rehabilitation specialist finds the material is not being installed correctly and in a good workman-like manner, or you have stopped the work, or are not making reasonable progress, a determination will be made whether or not you will be allowed to continue or if the remainder of the work will be contracted out or the project canceled.

You are responsible for getting all applicable permits when the work is not covered by contractors' permits. You are encouraged to take out adequate liability insurance.

What if my house needs to be vacated during construction?

In the case of construction that includes the removal of lead paint or asbestos, it may be necessary for the property residents to be temporarily relocated. Housing rehabilitation program staff will be available to help residents coordinate their temporary relocation. The following policies guide the relocation process:

- ◆ Tenants will be eligible to receive relocation assistance. The type of assistance offered to tenants includes reasonable moving expenses, reasonable lodging, meals at a rate not to exceed \$25.00 per person per day, transportation (per approval only) and moving and/or storage expenses, and advisory services needed to help in relocating. Only pre-approved expenses will be reimbursed.

Receipts for expenses must be submitted to the housing program manager or representative for reimbursement.

- ◆ Tenants may opt to stay with relatives or friends or otherwise provide for their relocation needs while they are temporarily relocated. This choice does not preclude her/his receipt of other relocation payments or assistance.
- ◆ Under certain circumstances, owner occupants may also receive some assistance if financial hardship can be demonstrated.

What if my house needs more work than the work listed in the specification?

During construction, a situation may be uncovered which requires a change in the specifications. The housing rehabilitation specialist or the septic designer will inspect the suspect area and make a determination of the need for a change order. If the program makes a determination for a change order, that change order must be agreed to in writing by you, the contractor, the housing rehabilitation specialist or the septic designer, the CDO, and when appropriate the historic preservation planner. (NOTE: Emergency circumstances may require verbal authorization followed by written confirmation.)

What if the rehabilitation costs are too high?

In some cases, the rehabilitation costs are beyond the scope of the Housing Rehabilitation Program and therefore the project cannot move forward. However, for projects which are proceeding, yet exceed \$35,000 in cost, prior approval from the Massachusetts DHCD, is required. Projects involving lead, barrier removal, septic, asbestos, and historic preservation can go up to \$40,000 without prior state authorization. All projects that fall within this category of higher cost, must be able to demonstrate need, cost reasonableness, and compliance with applicable state and federal requirements to be considered for construction approval.

What should I do if I am not satisfied with the work or have questions or concerns during construction?

If you have a question or concern regarding the work being done at your property, use the following sequence to determine who to contact:

- ◆ If you have a question or concern about the work being done, speak to the contractor first. Remember that you have a contract with the contractor. Feel free to ask questions or voice any concerns.
- ◆ If your concerns are not addressed by the contractor, please contact the housing rehabilitation specialist who is overseeing the contractor's work.
- ◆ If your questions or concerns cannot be answered by the contractor or rehabilitation specialist, or if you feel that you need to speak to someone in the PVPC office regarding the housing rehabilitation program, please contact the PVPC Director of Community Development.