CITY OF CHARLOTTESVILLE

HOUSING ASSISTANCE PROGRAM
POLICIES, PROCEDURES, PROTOCOLS
& REHABILITATION STANDARDS

Approved by City Council
August 17, 2015
NOTE: These policies, procedures, protocols and rehabilitation standards have existed in some format since June 1980. They have been revised multiple times and policies made to be retroactive based on the following schedule. There is no record of prior approval by the Charlottesville City Council; however, this may be the result of prior administration being handled through the Charlottesville Redevelopment & Housing Authority (CRHA). Copies of prior versions (to the extent that these are available) are on file in the City of Charlottesville Attorney’s Office.

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A. GENERAL

1. Funding Sources

The City of Charlottesville is classified as a U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Entitlement Community. The City also participates in a HOME Investment Partnership (HOME) funded consortium through the Thomas Jefferson Planning District Commission (TJPDC). Both Federal programs can be used to undertake various housing assistance activities that are consistent with programmatic rules and the authorizing statutes which established each program. Decisions regarding use(s) of funds are made on an annual basis by the Charlottesville City Council. In addition, the City can also provide direct funding through set-aside general fund programs consistent with state enabling legislation (e.g., Capital Improvement Program Budget includes the Charlottesville Affordable Housing Fund (CAHF)). All three programs currently provide a viable source of funding for housing assistance programs.

Should additional funding for housing assistance activities become available to the City of Charlottesville, this document will need to be reviewed to determine applicability.

2. Program Description

The Housing Assistance Program (“HAP” and/or “Program”) focuses on providing housing repairs to owner-occupied dwelling units within the City of Charlottesville, although funding may also be used for renter occupied units, under conditions specified herein. While the program is focused on cost effective repair / rehabilitation, funds may also be used for reconstruction / replacement housing when the funding source allows for this type of activity and housing conditions and estimated repair cost dictates that this is the best alternative. While the source of funding may vary, the purpose of the HAP remains the same. Specifically, funds are to be used to address housing deficiencies for qualified applicants as defined herein.

3. Program Focus

Given limited funding, program resources will be targeted toward economical and cost effective approaches that prioritize extending the useful life of the housing structure over more aesthetic and/or strictly quality of life factors; however, a balanced approach is necessary as housing needs and individual circumstances differ.

4. Program Goal

To assist income eligible owners and tenant households, by providing funding for housing repair and rehabilitation within the City of Charlottesville.

5. Program Objectives

a) Extend the life of the housing unit, thus insuring continued viability of the structure to provide basic shelter.

b) Protect residents from fire and other health and safety hazards.

c) Ensure mechanical, plumbing and electrical systems are working properly.

1 Owner occupied dwelling units include both owners in fee simple title and those who have a recorded life estate interest.

2 Funding for mechanical systems is limited to essential items such as water heaters and properly vented heating/cooling appliances. Refrigerators, stoves, ovens, ranges, dishwashers, and garbage disposals are generally not eligible for funding without advance approval from NDS. Mechanical lifts / other devices necessary for accessibility are eligible.
d) Lower housing expenses by providing energy efficiency improvements, where feasible.

e) Provide an improved living environment for residents of the housing unit.

6. Definition of Terms

a. Accessibility – modifications necessary (as per 24 CFR Part 8) to a housing unit to accommodate physical disabilities that limit mobility.

b. Applicant – owner(s) who make(s) application/request to the Grant Recipient for housing repair / rehabilitation assistance. Also see Qualified Applicant.

c. Area Median Income (AMI) – Location specific income limits established annually by the U.S. Department of Housing and Urban Development (HUD) to determine the eligibility of applicants for HUD's assisted housing programs. The statutory basis for HUD's income limit policies is Section 3 of the U.S. Housing Act of 1937, as amended.

d. Borrower – qualified applicant selected to receive housing assistance under the Housing Assistance Program, which requires a signed promissory note and may also require a signed Deed of Trust.

e. Charlottesville Affordable Housing Fund (CAHF) – non-federal housing assistance program funded locally through annual appropriations to the Capital Improvement Program by the Charlottesville City Council. The CAHF includes, without limitation, cash contributions made by developers pursuant to City Code §34-12(d) and (e) of the City’s zoning regulations.

f. Community Development Block Grant (CDBG) – entitlement grant program from U.S. Department of Housing and Urban Development that allocates funding annually to the City for use on eligible activities that meet a national objective.

g. Conflict of Interest – situation where an individual (with a vested property interest) could potentially receive assistance from the Housing Assistance Program, while involved with policy decision making or other responsibilities in connection with the planning and implementation of Housing Assistance Program funds.

h. Deed of Trust – a legal instrument that identifies: the names of all involved parties; legal description of the property being used as security for the note; inception and maturity date of the note; provisions of the note and requirements; fees (if any); legal procedures; recitals; covenants; clauses; riders and / or other terms. Involves three parties: 1) Borrower; 2) trustee who holds the title; and 3) lender.

i. Deferred Payment Loan – a loan that will have no monthly payments, and become payable in full whenever the property is sold, transferred, devised or otherwise vacated by the applicant. The maximum term for a Deferred Payment Loan shall be 30 years.

j. Documentation of Ownership – any information that proves clear ownership of the property proposed to be assisted with Housing Assistance Program funding.

k. Eligible Property – a dwelling unit within the City of Charlottesville used for residential occupancy by a qualified applicant. Each of the following terms, when used in this policy, shall be deemed to have the same meaning as Eligible Property: dwelling, residential structure, housing unit, housing, house, home, structure, building, etc.

l. Emergency Repairs – home maintenance, repair and construction work undertaken to correct dangerous deficiencies to address issues of health and safety. Such repairs are typically isolated to correct specific deficiencies, are less comprehensive in scope and cost than
housing rehabilitation, and are funded by the City separately from rehabilitation.

i. Grant Recipient – organization(s) that receive grant funding from the City of Charlottesville to undertake and administer the Housing Assistance Program.

m. Hard Costs of Rehabilitation – include all hard costs, regardless of source of funds, except for costs related to lead-based paint hazard evaluation and hazard reduction activities. Costs of site preparation, occupant protection, relocation, interim controls, abatement, clearance, and waste handling attributable to compliance with the requirements are not included in the hard costs of rehabilitation.

n. HOME Investment Partnership (HOME) – HUD-funded entitlement program that provides a formula grant to the TJPDC Consortium to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people (i.e., defined as those making 80% AMI or less).

o. Housing Assistance Program (HAP) – a program focused on cost effective repair / rehabilitation of housing in the City of Charlottesville with provision for reconstruction / replacement housing when the funding source allows for this type of activity and housing conditions and estimated repair cost dictate that this is the best alternative. Advance approval for reconstruction / replacement housing is required. The HAP program will subordinate its policies, procedures and protocols if found to be in conflict with HUD program rules specific to the use of CDBG and/or HOME funds.

p. Housing Development Specialist (HDS) – the NDS employee who has responsibility for administering this policy.

q. Housing Rehabilitation – home maintenance, repair and construction work undertaken to rehabilitate a portion of a residential structure or the entire structure. The terms rehab or rehabilitation may be used interchangeably.

r. Lead-Based Paint Regulations – refers to HUD Federal Regulations found at Subpart J of 24 CFR Part 35.900 – 35.940, which deal with housing rehabilitation specifically and to EPA’s Lead-Based Paint Renovation, Repair and Painting Program per 40 CFR Part 745, which is mandated by 54.1-501 of the Code of Virginia.

s. Neighborhood Development Services (NDS) – City of Charlottesville department that handles administration and oversight of CDBG, HOME and CAHF funds.

t. Owner – An individual (or, for rental property only, a legal entity) who holds a title interest, in full or in part, with respect to the property that is the subject of an application. Such title interest may include an individual who holds a life estate in the subject property.

u. Property Standards – the standards used to assess the physical condition of a housing unit and to determine the minimum scope of rehabilitation necessary to address identified deficiencies. The Property Standards for the Charlottesville Housing Assistance Program shall be the currently enforced Virginia Maintenance Code (Part III of the USBC) and the administrative requirements of the currently enforced Virginia Uniform Statewide Building Code (“USBC”) for reconstruction, alteration or repair.

v. Qualified Applicant – an owner occupant (including mobile home owners as well as those with a recorded life estate interest) whose household income is 80% or less of the current HUD Area Median Income for Charlottesville, Virginia. Note that the housing unit to be assisted must be the principal place of occupancy for the owner / applicant and proof of

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3 Determination of income will be based on HUD’s Part 5 definition found at 24 CFR Part 5.
ownership and occupancy must be provided. A qualified applicant can also be an owner of a rental property located in the City of Charlottesville that is either currently occupied by an income-qualified tenant or is vacant and will be occupied by an income qualified tenant within 90 days of rehab completion.

w. Rehabilitation Contractor – State licensed and insured contractor that is not listed on the List of Excluded Parties as maintained by the U.S. Government Accounting Office and has the capability of undertaking all housing rehabilitation activities as required by the scope of work and specified Property Standards. When specialty work is required, separate certification/licensing requirements may also apply (e.g., plumbing, electrical, removal of lead based paint, mold, asbestos, etc.) The rehabilitation contractor may also be the Grant Recipient and/or a subcontractor of the Grant Recipient.

x. Rehabilitation Standards – locally adopted standards for all housing rehabilitation work that will bring substandard housing into compliance with the adopted Property Standards (see definition of Property Standards also).

y. Work Write-Up – written details regarding all work to be undertaken under the Housing Assistance Program.

B. CRITERIA FOR SELECTION

1. Selection of Qualified Applicant

Applicants for assistance through the HAP will be required to meet specific income and tenure criteria for eligibility. These criteria are based on income as well as ownership (control) of the real estate. All structures will be reviewed for feasibility for rehabilitation (which includes financial and structural considerations) and in the instance where rehabilitation is deemed infeasible, the construction of a replacement home and financial assistance for the project will be reviewed and considered. Qualified applicants must voluntarily agree to participate in this program and any contractual documents between the Grant Recipient and the qualified applicant shall reflect the voluntary nature of the agreement.

1.1 Qualified Applicant

A Qualified Applicant must: (a) meet income guidelines set forth in paragraph B.1.2 and (b) own the dwelling unit proposed for assistance. In the case of a rental unit, the owner must apply, but the tenant will be required to meet the requisite income criteria. All property taxes, fees, fines, interest and outstanding liens owed to the City must be paid in full or a payment plan established with evidence of satisfactory on-time payments. Adequate fire/hazard insurance coverage must be maintained on the property throughout the term of the deferred payment loan.

1.2 Income Criteria

Any household (defined as all persons residing in the housing unit at the time of the application), whose income is 80% or less of the current Area Median Income (AMI) as defined by HUD. Income calculations will be based on 24 CFR Part 5.

1.3 Rental Rehabilitation Occupancy Requirements

For rental properties, occupancy requirements for income-qualified tenants remain in effect for the term of the loan; however, it is recognized that occupancy may change from time to time based on tenant preference and/or lease enforcement. No existing tenants can be displaced to gain access to HAP financial assistance and any temporary displacement necessitated by rehabilitation efforts will be the responsibility of the owner. The owner of assisted rental property
must agree that rent and tenant-paid utilities\(^4\) will not exceed the allowed maximum monthly rents during the term of the Deferred Payment Loan on the property. The maximum monthly rent will be established based on the household income level for each qualified tenant. If household income is 50% or less of Area Median Income, adjusted for household size, the low HOME rent limits must be used. If household income is between 51% and 80% of Area Median Income, adjusted for household size, the lesser of the high HOME rent limits, the HUD Fair Market Rent, or 30% of the imputed household income will apply.\(^5\)

Should an owner decide that he/she needs to occupy the unit for his or her own use during the term of the Deed of Trust, he/she will need to either: 1) pay the pro rata share remaining on the Deferred Payment Loan to satisfy conditions or 2) contact the City to see if his or her current household income would qualify under current HUD regulations as being at or below the 80% AMI level. If income qualified, the owner could take occupancy of the unit, but would still be responsible for satisfying the terms of the Deed of Trust if the property is sold or transferred prior to the end date.

To ensure continued compliance during the term associated with the Deed of Trust, owners will be required to provide the City with a copy of lease renewals and/or new leases (as applicable) within 90 days of such an event, as well as documentation of current household income. If there has been a change such that the current tenant no longer qualifies based on income, the tenant can continue to occupy the unit for another full calendar year, or the term of the revised lease (whichever is less). If there has been a change in tenancy, the owner will need to ensure that new/ replacement tenants also meet HUD income guidelines (in effect at that time) and that rent levels meet the occupancy requirements described above. To ensure compliance, owners must verify income and rent levels with the City prior to re-letting. The unit should be consistently occupied by an income qualified tenant during the term associated with the Deed of Trust. Should the unit become vacant or uninhabitable for more than 90 days, the HDS should be notified immediately. All communications with the City should be directed to the attention of the City of Charlottesville, Housing Development Specialist, Neighborhood Development Services, P.O. Box 911, Charlottesville, Virginia 22902.

1.4 Emergency Repairs for Mobile Homes

The owners and tenants of individual mobile homes are eligible to receive funding for emergency repairs, pending advance approval by the HDS. For purposes of eligibility for funding for emergency repairs, mobile home residents may be individuals who own or rent their mobile homes, and each individual who is a mobile home owner or tenant is responsible for applying for assistance. The applicant will be asked to assist with the cost of the emergency repairs, as he/she is able; however, no cost-share will be required for an applicant who is financially unable to contribute.

2. Financing

2.1 Non-CDBG/HOME/CAHF Sources

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\(^4\) Based on Allowances for Tenant Furnished Utility and Other Services, HUD Form 52667 for tenant paid utilities.

\(^5\) Low and high HOME rent levels are established by HUD annually for the Charlottesville, Virginia MSA. These may be accessed at https://www.hudexchange.info/manage-a-program/home-income-limits/. Fair Market Rents are also established by HUD annually for the Charlottesville, Virginia MSA. These may be accessed at http://www.huduser.org/portal/datasets/fmr.html. Rent calculation for households with incomes at 51 to 80% AMI, will utilize the most current HOME High rents and the HUD Fair Market Rents. For the purposes of calculating 30% of the imputed household income - imputed household size for various bedroom units will be used based on 1.5 persons for 1 bedroom, 3 persons for 2 bedrooms, 4.5 persons for 3 bedrooms and 6 persons for 4 bedrooms.
The applicant will be asked to assist with the cost of the housing assistance as he/she is able. The Grant Recipient will explore financing options with the owner/applicant to the maximum extent feasible, in consideration of the individual's financial situation, examining both front and back end ratios.

In the case of rental rehabilitation, applicant owners must provide 50% of the estimated rehab cost, including any contingency and change orders. City funds will provide the remaining 50%. Estimated cost share must be provided/paid before work can begin and again, if additional funds are required for change orders as work progresses, in advance of the commencement of work for which funding is sought.

For the purposes of emergency repairs for an individual who is an owner or a tenant of a dwelling unit, no cost share is required if an applicant is financially unable to contribute; however, each applicant will be asked to assist with the cost of the emergency repairs, as he/she is able.

2.2 CDBG/HOME/CAHF Assistance

The maximum CDBG, HOME, or CAHF funds available for housing assistance is $35,000⁶ (limit of $5,000 for emergency repair and $10,000 for small repair). The HDS may make exceptions to this limit, upon finding that some additional funding is necessary to address housing needs which must be undertaken to best accomplish program objectives (e.g., when more substantial rehabilitation is required or reconstruction of housing would be more appropriate).

However, when HUD Lead-Based Paint Regulations apply, the initial contract and combined change orders shall not exceed $25,000 for the "Hard Costs of Rehabilitation" unless specifically approved in advance by NDS and there is evidence of full compliance with applicable lead-based paint regulations.

For special neighborhood or target area projects approved by City Council, the maximum assistance may be different than specified within this paragraph, but will need to be specified in advance and approved by City Council as a condition of funding of those projects.

2.3 Types of CDBG/HOME/CAHF Assistance

CDBG, HOME, or CAHF assistance is provided by the City in the form of a Deferred Payment Loan. Given the level of economic distress of potential Borrowers, it is assumed that the Borrower has limited or no ability to assist with housing repair/rehabilitation costs; however, should financial participation be deemed feasible by the HDS, based on financial information reasonably available, financial participation may be required of a Borrower, including use of an installment loan.

A Deferred Payment Loan is a loan that has no monthly payments, and becomes payable in full whenever the property is sold, transferred, devised or otherwise vacated by the applicant. The maximum term for a Deferred Payment Loan shall be thirty (30) years, but is subject to pro-rata reduction as provided at 2.4(d).

At the expiration of the loan term period, the Deferred Payment Loan shall be forgiven and the Deed of Trust lien released. The Borrower will be responsible for requesting a Certificate of Satisfaction from the City and for recordation of the Certificate of Satisfaction in the Charlottesville Circuit Court Clerk’s Office, as well as all costs associated with the release of the lien.

All CDBG, HOME, CAHF loans will be evidenced by a promissory note and, if the loan amount exceeds $5,000, secured by a recorded Deed of Trust.

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⁶ This amount does not include service delivery costs or costs associated with specialty inspections.
2.4 Terms for Deferred Payment Loans

a) Evaluation of Eligibility throughout Loan Term

During the term of the loan, it is the Borrower’s responsibility to disclose a change in status that would require repayment as outlined in 2.4c.

b) Prepayment

The Deferred Payment Loans may be paid off prior to the expiration of the loan term during the occupancy of the Borrower in order to remove the lien on the property. A loan administration fee equal to 3% of the original loan amount will be due to the City of Charlottesville at the time the loan is paid off.

c) Due in Full

Deferred Payment Loans provided to owner occupants shall become due and payable in full on conveyance or transfer of the property by the Borrower. Should the property be leased, become vacant or undergo a change of occupancy, the Borrower shall immediately repay the loan in full based on the eligible pro-rata reduction. On transfer of the property by inheritance, the loan is due in full and payable by the heirs to the property within six (6) months of the death of the Borrower. If the property is transferred to heirs (who are occupants of the house or become occupants of the house) who qualify under the income guidelines of the program for a deferred payment loan, the heir(s) may assume the loan under the same terms in the sole discretion of the City. In the case of rental rehab assistance, Deferred Payment Loans shall become due and payable in full if occupancy requirements per section 1.3 are not met.

d) Loan Term and Pro Rata Reduction in Deferred Payment Loan

The amount due on a Deferred Payment Loan shall be in accordance with the following schedule (loan term). If a Borrower is in compliance with the policies, procedures and protocols for the HAP program, the amount of the Deferred Payment Loan will be reduced each year of the loan term by an amount equal to the original loan amount divided by the number of years in the loan term.

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Example: on a 20-year loan of $40,500 the loan balance would be reduced by 1/20 of $40,500 (or $2,025) for each full year (12-month period) that the loan is in effect. After five years, if the property is sold or transferred, the loan balance due would be $30,375.

Note that while this schedule extends to $70,001 and over, assistance awarded from the HAP will generally be limited to $35,000 per house, unless otherwise provided within this policy.

e) Subordination of Lien

The City’s secured lien may be subordinated, at the sole discretion of the City, under limited circumstances. Refinancing of the primary mortgage will not be sufficient reason to approve
subordination unless certain criteria are met, including but not limited to, lower mortgage payment, lower mortgage interest rate, and/or reduction of the loan term. If the Borrower is receiving cash back from the refinanced mortgage in excess of $1,000, the subordination request will be denied unless the Borrower can prove to the City’s satisfaction that the cash funds will be spent solely on home repairs or improvements.

f) End of Loan Term
The Borrower will receive a certificate of satisfaction from the City upon request. Borrower is responsible for recordation of the certificate of satisfaction and the cost thereof.

3. Selection of Qualified Housing Structures

All housing structures must be inspected by a NDS inspector to determine the work necessary to bring the property into compliance with the Virginia Property Maintenance Code. Other specialty inspections may also be performed. These inspections may include termite, chimney, roofing, plumbing, electrical, structural, asbestos, mold, lead paint, and others as determined by the HDS to be necessary to verify the financial reasonableness/feasibility of a proposed rehabilitation.

3.1 Verification of Housing Condition
Verification of existing deficiencies shall be made by an NDS inspector and further informed through specialty inspections as deemed necessary.

3.2 Verification of Structural Feasibility for Rehabilitation
A NDS Inspector will inspect the structure (proposed for rehabilitation) in order to determine if the rehabilitation is structurally feasible based on the current conditions.

3.3 Financial Reasonableness for Rehabilitation & Feasibility for Reconstruction

Once NDS Inspectors and other specialty inspectors have identified the Property Standard deficiencies, the Grant Recipient and/or Rehabilitation Contractor will prepare a scope of work and an estimate of costs. The HDS will review and determine general reasonableness of cost and work to be done. In instances where housing reconstruction is being considered, due to the poor structural condition of the property, financial feasibility shall also be considered in the final determination.

As to a determination of the feasibility for reconstruction, the HDS will make the final determination based on the cost estimate and the structural condition of the property. Such cases will be evaluated thoroughly on a case-by-case basis and potential reconstruction will be subject to standardized local review processes (i.e., zoning, historical, entry corridor, etc.) dependent upon property location.

C. REHABILITATION PROCESS

1. Selection of Applicants for Housing Assistance

1.1 Competitive Selection

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7 According to the U.S. Department of Housing and Urban Development a replacement structure can be provided through what is termed “reconstruction” or like for like replacement. Reconstruction is an eligible activity under CDBG regulations and means demolishing and re-building a housing unit on the same lot in substantially the same manner. The number of housing units on the lot may not be increased as part of a reconstruction; however, the number of rooms may be increased or decreased. The number of housing units on the lot may be decreased to reduce density; however decreasing units may trigger the one-for-one replacement of low to moderate income dwelling units at 24 CFR part 42, subpart C
Selection of applicants for assistance under the HAP must be based upon a competitive process.

1.2 Evaluation and Ranking of Applicants

All applications received must be evaluated for eligibility (based on income and tenure criteria set forth herein) by the Grant Recipient and then ranked in accordance with a written methodology acceptable to the HDS.

2. Initiation

2.1 Initiation of Applicant Review

The request for assistance must be made (in accordance with the approved format / procedure provided by the Grant Recipient) by a qualified applicant. In each case, the application for CDBG, HOME, or CAHF assistance will be presented to the Grant Recipient with relevant required data. The recipient shall be responsible for assisting households with all aspects of the application process and for determining potential financial assistance.

3. Eligibility

The Grant Recipient shall have responsibility for determining eligibility of each applicant, as required herein.

4. Preliminary Inspection

The Grant Recipient will request that NDS perform the inspection(s) necessary to identify housing needs and structural feasibility. The Grant Recipient will also request specialty inspections subject to approval by the HDS.

5. Work Write-up

The Grant Recipient and/or Rehabilitation Contractor will be responsible to prepare a work write-up, detailing proposed work to be done. Specifications for repairs shall be in compliance with the Virginia Property Maintenance Code. All rehabilitation work shall be done in compliance with all applicable requirements of the USBC in effect at the time of the work, including, without limitation, Part 1 (Section 103.5), which reads, in relevant part, as of the date of adoption of this policy:

Any reconstruction, alteration or repair shall not adversely affect the performance of the building or structure, or cause the building or structure to become unsafe or lower existing levels of health and safety.

Parts of the building or structure not be reconstructed, altered or repaired shall not be required to comply with the requirements of this code applicable to newly constructed buildings or structures.

The installation of material or equipment, or both, that is neither required nor prohibited shall only be required to comply with the provisions of this code relating to the safe installation of such material or equipment of a similar kind or capacity.

Material or equipment, or both, may be replaced in the same location with material or equipment of a similar kind or capacity.

Exceptions:
This section shall not be construed to permit noncompliance with any applicable flood load or flood-resistant construction requirements of this code.

Reconstructed decks, balconies, porches and similar structures located 30 inches or more above grade shall meet the current code provisions for structural loading, connections and structural attachment. This requirement excludes handrails and guardrails.

6. Other Work Items

All work performed shall be designed and constructed to eliminate health and safety hazards, while extending the useful life of the dwelling unit to the maximum extent feasible.

The rehabilitation of any dwelling that is occupied by an individual(s) with disabilities shall provide accommodation(s) to the maximum extent feasible to remove physical barriers as well as provide necessary alterations such as ramps, wider doorways and accessible bathroom facilities. All accessibility modifications shall be designed to provide the most efficient and cost-effective solution to the specific accessibility need. Exterior improvements shall be compatible with the architectural character and scale of the existing streetscape. Design solutions shall, in all cases, attempt to comply with the intent of the guidelines established by the Americans With Disabilities Accessibility Guidelines (ADAAG), but discretion is allowed in achieving acceptable solutions that meet project cost parameters.

As required, lead-based paint will be handled in accordance with 24 CFR Part 35 (specifically subpart J which addresses rehabilitation specifically). Work performed will need to also be consistent with the U.S. Environmental Protection Agency final rule “Lead; Renovation, Repair, and Painting Program,” found at 40 CFR Part 745, which is mandated by 54.1-501 of the Code of Virginia.

Work to be performed on a property located within a design control zoning district (zoning overlay district) will be designed and constructed in accordance with all applicable City guidelines and approvals.

7. Cost Estimates

Either of the following types of cost estimate methods may be used to estimate rehabilitation project costs:

a. Generally accepted estimating procedure (software with adjustment for the Charlottesville area or other practice using the skill and expertise of qualified personnel).

b. Competitive bid method.

All bidding, construction management, and contract administration shall be the responsibility of the Grant Recipient. The Grant Recipient will forward the cost estimation information, and recommendation and rationale for reconstruction (if applicable) to the HDS for review and approval prior to commencing any work.

8. Authorization of Funds / Change Orders Approval

The recipient will need to have approval from the HDS, prior to authorization of any CDBG, HOME, or CAHF funds for any qualified housing assistance project for which there is a qualified applicant. Given that housing conditions are highly variable in older structures, it is recognized that change orders will be required from time to time; however, any change order that exceeds 10% of the estimated cost (and or would exceed the $35,000 funding cap) will need to be approved in advance by the HDS. In order to be considered, a written summary describing the
need for the work and estimated costs (along with photos and other information as may be useful) will be required to be submitted to the HDS.

9. Inspections of Work Performed

NDS will be required to inspect all repairs / rehabilitation work during construction, but only to the extent required by routine permitting procedures. The Grant Recipient will be required to complete all work per the work write up / scope of work and all work should be performed using only high quality materials and workmanship. The City reserves the right for its HDS to undertake additional inspections and/or to request third party inspections.

10. Payment of Funds for Rehabilitation, Soft Costs and Administration

The approved cost for each rehabilitation project shall be paid to the Grant Recipient at intervals of 25%, 50%, 75% and 100% or as otherwise agreed by the HDS in writing. A detailed invoice must be submitted showing approved costs (including change orders), work completed to date, previously billed amounts (if applicable) and total amount due. Final payment will only be made when all of the following conditions are met:

- Signed form acknowledging completion of the scope of work by the qualified applicant / Borrower
- Documentation of any required financial share
- Receipt of the fully executed Promissory Note and Deed of Trust (including required modifications)
- Submission of a Final Request for Payment
- Submission of paperwork related to any final change order(s) as consistent with this policy

In cases where the Borrower refuses to sign applicable invoice and/or completion paperwork (pending evidence of due diligence by the Grant Recipient), the Grant Recipient will cooperate with the City to pursue available legal remedies as deemed appropriate. The HDS may release payment to the Grant Recipient if there is clear documentation that reasonable due diligence has been exercised.

In the case of construction related soft costs (which include service delivery such as preparation of a scope of work, project administration, etc.) the allowable amount that can be charged to each rehabilitation project is 10% of the total housing rehab budget for that project. Administrative costs should be billed separately and will be limited to 10% of the total grant awarded to the Grant Recipient (e.g., given a $100,000 grant, the maximum administrative charge would be $10,000 regardless of the number of rehabilitation projects).

11. Validity / Severability

In the event that any term, provision, or condition of this document, or the application thereof to any person or circumstance shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this document, and the application of any other wording contained herein to any person or circumstance other than those to which it has been held invalid or unenforceable, shall not be affected thereby.

12. Other Issues Not Addressed Herein

Various administrative matters not specified herein, but related to the implementation of the HAP Policies, Procedures, and Protocols and Rehabilitation Standards may be addressed and added as addendum(s) to this document or within other City policies, regulations or ordinances.
12.1 Loan to Value (LTV) Ratio Policy

Deferred loans will only be approved for property owners when there is sufficient value/equity in the home to cover the amount of the promissory note/Deed of Trust for the proposed improvements, based on a LTV Ratio of 110%. Sufficient value/equity of the property will be determined by taking 110% of assessed value less any recorded debt. A third-party appraisal can also be used to establish value for the purposes of determining compliance with this policy; however, this should only be done when assessed value is deemed to be significantly lower (i.e., greater than 10%) than the current market value.

For applicants who cannot otherwise qualify for assistance because the LTV Ratio for a property would exceed 110%, an exception can be granted by the HDS to allow repairs to address immediate health and safety hazards that may exist. In these instances, any additional work to be undertaken would be limited to 110% of LTV and would be based on a reduced scope of work as approved by City staff. All expenditures for such health and safety hazards must be included in the promissory note/Deed of Trust; regardless of repayment potential.

Additionally, the HDS may authorize a deferred loan for a property with a LTV Ratio of not more than 150%, to allow a comprehensive rehab other than immediate health or safety hazards, upon finding that (i) funds are being applied to improve a neighborhood or target area of a neighborhood and success of the overall target-area project will be enhanced by granting an exception, or (ii) when circumstances unique to a particular property justify the additional risk to the City and the HDS finds that the objectives articulated within Section A.5. of this Policy will be served. In all other cases, City Council must approve any request for an exception to the 110% LTV Ratio established by this Policy.

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8 As initially adopted by the City of Charlottesville City Council on July 15, 2013.