

Chatham County
Assistance Policy
For the 2012 Cycle of the
Single-Family Rehabilitation Program

What is the Single-Family Rehabilitation Program?

Chatham County has been granted Membership by the North Carolina Housing Finance Agency (“NCHFA”) under the 2012 cycle of the Single-Family Rehabilitation Program (“SFR12”). This program provides Members with funds via a “loan pool” to assist with the rehabilitation of moderately deteriorated homes that are owned and occupied by lower-income households.

As an SFR12 Member, Chatham County has been allocated an initial set-aside of \$160,000 which it plans to apply toward the rehabilitation of three houses within Chatham County. After the demonstrated successful use of the initial set-aside, the County may access additional funds, depending on availability, on a unit-by-unit basis from the SFR12 loan pool.

This Assistance Policy describes who is eligible for assistance under SFR, how applications for assistance will be rated and ranked, what the terms of assistance are, and how the rehabilitation process will be managed. Chatham County has designed the SFR12 project to be fair, open and consistent with its approved application for funding and with SFR12 Program Guidelines.

The funds provided by NCHFA come from the US Department of Housing and Urban Development’s (HUD) Federal HOME Investment Partnerships Program. Assistance for construction-related costs (hard costs) will be provided as no interest, no payment loans which are forgiven at the rate of \$3,000 per year. Non-construction-related costs (soft costs) will be provided in the form of a grant.

Who is Eligible to Apply?

There are three major requirements to be eligible for SFR12 assistance:

- 1) The housing unit to be rehabilitated with SFR funds must be located in Chatham County, and must be owner-occupied. The household occupying the unit must have an elderly or disabled (see definitions below for elderly, disabled) fulltime household member or a child age 6 or under if there are lead hazards in the home;
- 2) The gross annual household income must not exceed 80% of the statewide median income (see income limit table on the following page) and;
- 3) The cost of rehabilitation including all mandatory, energy-related measures cannot exceed the SFR12 Program Guideline limit of \$45,000. Unfortunately, not all homes can be brought up to the Program-required Rehabilitation Standards with the limited funding available. Some otherwise-eligible households may be deemed ineligible for assistance because their homes fail this test.

What Types Of Houses Are Eligible?

Properties are eligible only if they meet all of the following requirements:

- The property must require at least \$5,000 of improvements in order to meet SFR Rehabilitation Standards.
- The property must be free of environmental hazards and other nuisances as defined by all applicable codes or regulations, or any such hazards or nuisances must be corrected as part of the rehabilitation of the unit. Chatham County's Rehabilitation Specialist will determine whether there are environmental hazards/nuisances present on the site and if they can be removed through rehabilitation.
- Properties cannot be located in the right-of-way of any impending or planned public improvements. Chatham County staff will assist in making this determination.
- The property cannot be located on a site that is endangered by mudslides, landslides or other natural or environmental hazards. If needed, the Rehabilitation Specialist will work with the homeowner to make this determination.
- On site stick built and off frame modular units will be eligible for consideration. Manufactured housing is not eligible for assistance.
- The property may be located in the 100 year flood plain if the lowest finished floor level is above the base flood elevation and the structure is in compliance with Chatham County's Flood Damage Prevention ordinance. The lowest finished floor level must be verified with an elevation certificate provided by the Homeowner and the property must be covered by flood insurance. All things considered equal, properties located outside the 100-year flood plain will be given priority over properties located in the 100-year flood plain. (*Chatham County will verify whether the home is in the flood plain.*)
- The property cannot have been repaired or rehabilitated with public funding of \$5,000 or more within the past 10 years without NCHFA approval.

2012 North Carolina State-Wide Income Limits for Chatham County's Single-Family Rehabilitation Program

Number in Household	30% of Median Income	50% of Median ("Very Low Income")	80% of Median ("Low Income")
1	\$14,450	\$24,050	\$38,500
2	\$16,500	\$27,500	\$44,000
3	\$18,550	\$30,950	\$49,500
4	\$20,600	\$34,350	\$54,950
5	\$22,250	\$37,100	\$59,350
6	\$23,900	\$39,850	\$63,750
7	\$25,550	\$42,600	\$68,150
8	\$27,200	\$45,350	\$72,550

How are applications ranked?

There are many more SFR-eligible households (with eligible houses) than can be assisted with the available funds. Therefore, Chatham County has devised the following priority system to rank eligible applicants, determine which of them will be selected for assistance and in what order. Under this system applicants will receive points for falling into certain categories. Applications will be ranked according to which receive the most points. If there are more eligible applicants with eligible houses than can be treated with existing funding, Chatham County may be able to treat additional houses with unrestricted pool funds. Pool applicants will come from the original applicant list and be considered according to which received the most points. If alternate pool applicants are not identified on the original applicant list and must be solicited, the solicited, eligible, pool applicants will be selected on a first-come first-served basis.

**Priority Ranking System for Chatham County’s
2012 Single-Family Rehabilitation Program**

<i>Special Needs (for definitions, see below)</i>	<i>Points</i>
Household with a child age 6 or under with lead hazards in the home	4
Elderly Head of Household (<i>62 or older</i>)	4
Disabled Head of Household	4
Disabled or Elderly Household Member (<i>not Head of Household</i>)	2
<i>Income (See Income Table above)</i>	<i>Points</i>
Less than 30% of County Median Income	4
30% to 50% of County Median Income	3
50% to 80% of County Median Income	2

Definitions under SFR12 are:

- *Elderly:* An individual aged 62 or older.
- *Disabled:* A person who has a physical, mental or developmental disability that greatly limits one or more major life activities, has a record of such impairment, or is regarded as having such an impairment.
- *Head of Household:* The person or persons who own(s) the house.
- *Household Member:* Any individual who is an occupant (defined below) of the unit to be rehabilitated shall be considered a “household member” (the number of household members will be used to determine household size and all household members are subject to income verification).
- *Occupant:* An occupant is defined as any immediate family member (mother, father, spouse, son/daughter of the head of household who has resided in the dwelling unit for at least 3 months prior to the submission of the family’s application.

Recipients of assistance under SFR will be chosen by the above criteria without regard to race, creed, sex, color or national origin.

What Are The Terms of Assistance Under SFR12?

The North Carolina Housing Finance Agency will provide assistance to those households selected for the project with a 0% interest, forgivable loan covering the hard costs associated with the rehabilitation of the home, as long as the owner resides in the home. The term of the loan is dependent upon the loan amount and the number of years it takes to bring the balance of the loan to \$0, when forgiven at \$3,000 per year. For example, if the amount of the loan is \$31,452, then the term is 11 years (\$30,000 forgiven over the first 10 years and \$1,452 forgiven at the end of the 11th year).

The form of SFR assistance is a loan for the hard costs and a grant for the soft costs. These will be two separate documents or sets of documents; a Promissory Note and Deed of Trust for the loan portion, covering hard costs only and a Grant Agreement for the grant portion, covering the soft costs.

As long as the borrower lives in the home, no payments on the loan will be required. If the recipient prefers, the loan can be paid off at any time, either in installments or as a lump sum payment. Furthermore, under certain circumstances NCHFA may allow assumption or refinancing of the loan. Should an heir inherit the property and choose to live in the house as their permanent residence, they may assume the loan without being income eligible. However, the lien remains on the property. A buyer who may wish to buy the property to live in may assume the loan so long as they can document that they are income-eligible ($\leq 80\%$ AMI). Default can occur if the property is sold or transferred to another person and/or if the borrower fails to use the home as a principal residence, without prior written approval of the North Carolina Housing Finance Agency.

What Kinds Of Work Will Be Done?

Each house selected for assistance must be rehabilitated to meet SFR Rehabilitation Standards. That means every house must, upon completion of the rehabilitation:

- meet the US Department of Housing and Urban Development (“HUD”) Section 8 Housing Quality Standards including applicable Lead-Based Paint regulations 24 CFR part 35. (These are so-called “habitability standards” which set minimum standards for decent, safe and sanitary living conditions.)
- meet or exceed NCHFA Energy-Efficiency Standards. (These are standards designed to save energy and save you money on your monthly utility bills. They also result in healthier and more comfortable homes.)
- retain no “imminent threats” to the health and safety of the home’s occupants or to the home’s “structural integrity”. (An example of an imminent threat to occupants as well as to the home’s structural integrity is a crawlspace that is too damp. In time the dampness may provide an invitation for the growth of mold and mildew as well as promote damage to the framing from termites and fungi).

These requirements are spelled out in full in the SFR12 Administrator’s Manual which you may view, at reasonable times, upon request, at the Planning Department office of Chatham County.

In addition to the above items that must be done to satisfy NCHFA requirements, the scope of work may also include certain items meant to enhance or protect neighborhood and unit property values and/or home modifications designed to enable frail or disabled household members to function more independently.

It is anticipated that each home rehabilitated with SFR12 funds will, with reasonable maintenance, be capable of lasting another 30 or 40 years.

Of course, contractors performing work funded under SFR12 are responsible for meeting all local requirements for permits and inspections. All work done under the program must be performed to NC State Residential Building Code standards. (This does not mean, however, that the whole house must be brought up to Building Code Standards.)

What About Lead-based Paint?

Until it was discovered to be a health hazard, lead was used for centuries to make house paints. Now we know that lead exposure is a serious problem for everyone and especially small children. Selling lead paint was outlawed in 1978, but many older buildings still contain lead paint and children are still being poisoned.

Under SFR12, a lead hazard evaluation must be performed on every home selected for rehabilitation that was built before 1978. The specific type of evaluation and the appropriate lead hazard reduction work performed will depend on the total amount of Federal funds used to rehabilitate the home, as per 24 CFR part 35. If required, lead-based paint hazard reduction and/or abatement will be performed by contractors who are trained and certified to perform such work.

It may be necessary for the household to temporarily relocate during the construction process for protection against lead poisoning. If temporary relocation is required, it shall be the responsibility of the homeowner to pay for the relocation.

Who Will Do The Work On The Homes?

Chatham County is obligated under SFR12 to ensure that quality work is done at reasonable prices and that all work is contracted through a fair, open and competitive process. To meet these requirements, Chatham County will accept bids only from licensed general contractors, and the lowest responsive and responsible bidder will be selected for the contract. "Responsive and responsible" means the contractor (1) is deemed able to complete the work in a timely fashion and (2) that the bid is within 15% (in either direction) of Chatham County's cost estimate. All contractors working on pre-1978 units must be Renovate, Repair and Paint Rule (RR&P) Certified Renovators working for Certified Renovation firms.

What Are The Steps In The Process, From Application To Completion?

You now have information about how to apply for the Single-Family Rehabilitation Program and what type of work can be done through the Program. Let's go through the steps for getting the work done:

- 1. Completing a pre-application form:** Homeowners who wish to apply for assistance must do so by October 1, 2012. Pre-application forms can be obtained by contacting Jason Sullivan, Planning Director, at (919) 542-8233, or at the locations listed under "How do I request an application" on page 9 of this policy. Proof of ownership and income will be required. Those who have applied for housing assistance from Chatham County in the past will not automatically be reconsidered. A new pre-application must be submitted.
- 2. Screening and preliminary inspection:** Applications will be reviewed for completeness and to ensure that applicants appear to be eligible for the program. Applications that pass this initial screening will be rated and ranked based on the priority system outlined on page 3. Chatham County's Rehabilitation Specialist will visit the homes of the ten to fifteen households whose application received the highest ranking to determine the need and feasibility of the home for rehabilitation.
- 3. Selection of households to be offered assistance:** Household income will be verified for program purposes only (information will be kept confidential) and ownership of property will be verified by conducting a title search. From this review, three applicants will be chosen who have been verified as eligible for the program, received the highest ranking according to the priority system described above and based on the feasibility of rehabilitating the house. There will also be a list of two (2) alternates. Chatham County will then submit to NCHFA a SFR12 Loan Application and Reservation Request form for each potential borrower for approval of SFR funding. Households to be offered assistance will be selected by October 30, 2012. Applicants not selected for SFR assistance will be notified in writing.
- 4. Written agreement:** A written agreement, the Homeowner Agreement, between the homeowner and Chatham County will be executed as part of the Loan Application procedure and formally commits funds to a dwelling unit. This agreement will certify that the property is the principal residence of the owner, that the post-rehab value of the property will not exceed 95% of the 203(b) limits established by HUD and define the SFR maximum amount and form of assistance being provided to the homeowner by Chatham County, the scope of work to be performed, the date of completion and the rehabilitation standards to be met.
- 5. Pre-rehab inspection & unit evaluation:** Chatham County's Rehabilitation Specialist will visit the home again for a more thorough inspection. All parts of the home must be made accessible for inspection, including the attic and crawlspace. Any pets in the yard or in the house should be secured. The owner should report any known problems such as electrical short circuits, blinking lights, roof leaks, etc. Each unit will be evaluated for energy-saving opportunities such as air-sealing and duct-sealing as well as for environmental concerns, such as lead based paint hazards.
- 6. Work write-up:** The Rehabilitation Specialist will prepare complete and detailed work specifications (known as the "work write-up"). A final cost estimate will also

be prepared by the Rehabilitation Specialist and held in confidence until bids are received from contractors.

7. **Lead Testing:** Chatham County will arrange for a certified firm to inspect all the pre-1978 constructed homes for potential lead hazards. The owner will receive information covering the results of the tests and any corrective actions that will be needed as part of the rehabilitation.
8. **Bidding:** A mandatory pre-bid conference will be held. Any contractor who intends to submit a bid must attend this conference. A copy of the work write-up and bid documents will be available for each interested contractor. A critical part of the mandatory pre-bid conference is the site visit. All contractors who intend to bid on a house must accompany Chatham County's Rehabilitation Specialist to that house, at which time the group will need access to all parts of the house. Following the mandatory pre-bid conference, contractors will be given no less than seven days to prepare bid proposals. A bid opening will be conducted in the Dunlap Building, 80 East Street, Pittsboro, NC at a specified date and time, with all bidders invited to attend.
9. **Contractor selection:** Within 2 weeks of the bid opening, after review of bid breakdowns and construction schedules, the winning bidders will be selected. All bidders and the homeowner will be notified of 1) the selection of the winning bid, 2) the amount of the winning bid, 3) the amount of the County's cost estimate, and 4) the specific reasons for the selection, if other than the lowest bidder was selected.
10. **Loan closing and contract execution:** Loan documents will be prepared by NCHFA and executed by the homeowner. By law, homeowner's have the right to hire legal representation of their choosing at loan closing. If homeowner does not have "representation" at the closing, the borrower must sign a NCHFA, "Unrepresented Borrower Affidavit". Construction contract documents will be executed by the homeowner and contractor with Chatham County signing on as an interested third party.

Loan documents (Promissory Note and Deed of Trust) will be drawn up by NCHFA, with NCHFA as the lender. Chatham County will facilitate with the loan closing and recordation of these documents and forward the recorded documents to NCHFA.

11. **Pre-construction conference:** A pre-construction conference will be held at a location mutually agreed upon by the applicant and the County's Rehabilitation Specialist – either the selected applicant's home or at a county office. At this time, the homeowner, contractor and program representatives will discuss the details of the work to be done. Starting and ending dates will be finalized, along with any special arrangements such as weekend or evening work hours and disposition of items to be removed from the home (such as old cabinets, etc.). Within one week of the pre-construction conference, Chatham County will issue a

"proceed order" formally instructing the contractor to commence work by the agreed-upon date.

- 12. Construction:** The contractor will be responsible for obtaining a building permit for the project before beginning work. The permit must be posted at the house during the entire period of construction. If applicable, the contractor will obtain a permit for lead hazard related activities. Program staff will closely monitor the contractor during the construction period to make sure that the work is being done according to the work write-up (which is made a part of the rehabilitation contract by reference) and in a timely fashion. Local Code Enforcement Officials will inspect the work for compliance with NC State Building Code. The homeowner will be responsible for working with the contractor toward protecting personal property by clearing work areas as much as practicable.
- 13. Change Orders:** All changes to the scope of work must be approved by the owner, the contractor, Chatham County's Rehabilitation Specialist, and the Chatham County Program Administrator and reduced in writing as a contract amendment ("change order"). The Agency will draw up an estoppel agreement at the time of closeout of the unit to modify the loan amount when there is a need for a change order involving a change in cost.
- 14. Progress payments:** The contractor is entitled to request two partial payments and a final payment. The first partial payment may be requested when the work is 50% complete. The second partial payment may be requested when the work is 85% complete. When a payment is requested, the Rehabilitation Specialist will inspect the work within three days, determine percentage of job completion and calculate a payment based on 90% of the total work completed. Payment will be made within ten business days of the inspection.
- 15. Closeout:** When the contractor declares the work complete, program staff will thoroughly inspect work. If deficiencies are observed, the contractor will be required to correct them. When the Rehabilitation Specialist and the Homeowner are satisfied that the contract has been fulfilled, the Homeowner, Project Administrator and Rehabilitation Specialist will sign off on the work. After receipt of the contractor's final invoice, inspections, certificate of completion and lien releases, the final payment will be ordered. All material and workmanship will be guaranteed by the contractor for a period of one-year from the date of completion of the work.
- 16. Post-construction conference:** Following construction, the contractor and the Rehabilitation Specialist will sit down with the Homeowner one last time. At this conference, the contractor will hand over all owner's manuals and warranties on equipment to the homeowner. The contractor and Rehabilitation Specialist will go over operating and maintenance requirements for the new equipment and appliances and discuss general maintenance of the home with the Homeowner. The Homeowner will have the opportunity to ask any final questions about the work.

17. Final loan amount determination: If, upon completion of all rehabilitation work, the contract price has changed due to the effect of change orders, NCHFA will execute and record the appropriate documents to reflect the resulting increase or decrease in the original loan amount. The loan will remain the property of NCHFA, with original documents remaining there for storage and “servicing”.

18. The warranty period: It is extremely important that any problems with the work that was performed be reported by the homeowner to the Rehabilitation Specialist, as soon as possible. All bona fide defects in materials and workmanship reported within one year of completion of construction will be corrected free of charge by the Contractor.

What are the key dates?

If, after reading this document, you feel that you qualify for this program and wish to apply, please keep the following dates in mind:

- Applications available to the public starting September 3, 2012.
- Applications must be turned in at the Chatham County Planning Office by 5:00 PM on October 1, 2012.
- Selection of units will be made on October 30, 2012.
- All rehabilitation work must be under contract by December 31, 2013.
- All rehabilitation work must be completed by ~~June 30, 2014~~ **December 31, 2014.**

How do I request an application?

Contact:

Jason Sullivan
Chatham County Planning Department
80 East St
P.O. Box 54
Pittsboro, NC 27312
Phone: (919) 542-8233

Or pick up an application at any of the following locations:

- Chatham County Planning Department, 80 East St, Pittsboro
- Chatham County Department of Social Services, 102 Camp Dr, Pittsboro
- Chatham County Dept. of Social Services, 1105 E. Cardinal St, Siler City
- Chatham County Council on Aging, 365 Hwy 87 N, Pittsboro
- Chatham County Council on Aging, 112 Village Lake Rd, Siler City
- Siler City City Hall, 311 N Second Ave, Siler City
- Goldston Library, 9235 Pittsboro- Goldston Rd, Goldston

Is there a procedure for dealing with complaints, disputes and appeals?

Although the application process and rehabilitation guidelines are meant to be as fair as possible, Chatham County realizes that there is still a chance that some applicants or participants may feel that they are not treated fairly. The following procedures are designed to provide an avenue for resolution of complaints and appeals.

During the application process:

1. If an applicant feels that his/her application was not fairly reviewed or rated and would like to appeal the decision made about it, he/she should contact Jason Sullivan within five days of the initial decision and voice their concern. If the applicant remains dissatisfied with the decision, the detailed complaint should be put into writing.
2. A written appeal must be made within 10 business days of the initial decision on an application.
3. Chatham County will respond in writing to any complaints or appeals within 10 business days of receiving written comments.

During the rehabilitation process:

1. If the homeowner feels that construction is not being completed according to the contract, he/she must inform the contractor and the Rehabilitation Specialist.
2. The Rehabilitation Specialist will inspect the work in question. If he finds that the work is not being completed according to the contract, the Rehabilitation Specialist will review the contract with the contractor and ask the contractor to correct the problem.
3. If problems persist, a mediation conference between the homeowner and the contractor may be convened by the Rehabilitation Specialist and facilitated by Chatham County's Planning Director.
4. Should the mediation conference fail to resolve the dispute, the Planning Director will render a written final decision.
5. If the Rehabilitation Specialist finds that the work is being completed according to contract, the complaint will be noted and the Rehabilitation Specialist and the homeowner will discuss the concern and the reason for the Rehabilitation Specialist's decision.

Final Appeal:

After following the above procedures, any applicant or homeowner who remains dissatisfied with Chatham County's final decision may appeal to Michael Handley, NCHFA, PO Box 28066, Raleigh, NC 27611-8066, (919) 877-5627.

Will the personal information provided remain confidential? Yes. All personal information in applicant files will remain confidential. Access to the personal information will be provided only to Chatham County employees who are directly involved in the program, the North Carolina Housing Finance Agency, the US Department of Housing and Urban Development (HUD) and auditors.

What about conflicts of interest? No employee or board member of Chatham County, or entity contracting with Chatham County, who exercises any functions or responsibilities with respect to the SFR12 project shall have any interest, direct or

indirect, in any contract or subcontract for work to be performed with project funding, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. Relatives of Chatham County employees or of Chatham County board members and others closely identified with, may be approved for rehabilitation assistance only upon public disclosure before the Chatham County Board of Commissioners and written permission from NCHFA.

What about favoritism? All activities under SFR12, including rating and ranking applications, inviting bids, selecting contractors and resolving complaints, will be conducted in a fair, open and non-discriminatory manner, entirely without regard to race, creed, sex, color or national origin.

Who can I contact about the SFR12 program? Any questions regarding any part of this application or program should be addressed to:

Jason Sullivan, Planning Director
Chatham County
80 East Street
P.O. Box 54
Pittsboro, NC 27312
Phone: (919) 542-8233

Sandy Ridley, Program Administrator
Housing and Community Dev. Cons.
259 Rankin Lake Road
Ellerbe, NC 28338
Phone: (910) 997-5546

These contacts will do their utmost to answer questions and inquiries in the most efficient and correct manner possible.

This Assistance Policy is adopted this 20th day of August 2012 *and amended this 16th day of June 2014.*

Walter Petty, Chair
Chatham County Board of Commissioners

Attest:

Lindsay Ray, Clerk to the Board
Chatham County Board of Commissioners