

Village of Oak Park Small Rental Rehabilitation Program Guidelines

I. Project Funding

The Village of Oak Park intends to use Community Development Block Grant (CDBG) funds for the rehabilitation of affordable rental housing units for rental properties with fewer than 8 units.

II. Types of Property

The property must be either a single family detached rental dwelling or a multi-family rental property with fewer than 8 units on the same or contiguous site that are under common (1) ownership; (2) management; and (3) financing.

III. Property Eligibility

Properties must be located in the Village of Oak Park. Properties cannot be for sale, in foreclosure, or involved in any legal dispute or court action. All assisted units must be located on the upper level of mixed use buildings.

For each property identified for rehabilitation, Property Owners will be required to complete a Pre-application form and be current on all municipal financial obligations. Along with this completed form, Property Owners will be required to provide and/or complete the following documentation:

- **Proof of property ownership** - Applicant must be an individual or family who has ownership of an eligible property and must provide a copy of the recorded Warranty Deed establishing ownership of the property.
- **Proof of property insurance** - Applicant must provide proof of adequate property insurance at the time of application and will be required to maintain loss payable insurance on the property for the duration of the loan and provide proof annually. The Village of Oak Park must be placed on the policy as a lien holder once the project is approved.
- **Proof of paid property taxes** - Housing Programs Division will verify that all taxes against the identified property are current and the Applicant will be required to keep the tax payments current for the duration of the loan.
- **Verification of existing mortgage (if applicable)** - Applicant must provide mortgage loan account number and lien holder information to the Housing Programs Division. Any existing mortgages against the subject property must be in good standing. Applicants must have a post-rehab equity of at least 15%.

IV. Project Budget

A. CDBG portion

A minimum CDBG project budget is \$2,000 per rental unit and the maximum is up to \$5,000 per rental unit inclusive of contingency. Priority will be given to applications with units having three or more bedrooms.

B. Owner Contribution

Property Owners will be required to commit (or leverage), at a minimum, 25% of the total project cost. The total project cost includes the hard costs of rehabilitation, the incremental increase in costs due to mitigation of Lead Based Paint related hazards, inspection fees, recording fees, and other soft costs associated with the project.

C. Lead Based Paint Testing Fee

A non-refundable fee of \$2,000.00 must accompany each full application for assistance. This fee will be held in escrow to be applied towards the cost of the Lead Based Paint Risk Assessment and Lead Based Paint Clearance Testing, if necessary. Any unspent funds remaining from this fee will be applied to the project as leveraged funds.

V. CDBG Loan Terms and Conditions

A. Mortgage and Agreement

The Village will place a lien in the form of a Mortgage against all assisted properties for the amount of CDBG loan funds provided to the Property Owner. The Property Owner must abide by all terms of the mortgage and the Small Rental Rehabilitation Program Loan Commitment and Agreement (the Agreement), for five (5) years, known as the Affordability Period. The final mortgage/lien amount will include all rehabilitation costs (including the incremental increase in costs associated with lead based paint, if applicable and related items) and all soft costs charged to the project. The mortgage will bear no interest and the lien in the full amount of CDBG assistance provided will be discharged if the owner satisfies all terms and conditions of Mortgage and Agreement for the full length of the Affordability Period. If the Owner does not satisfy the terms and conditions of those documents during the Affordability Period, the Owner will be required to repay the entire lien amount with 12% required interest.

B. Transfer of Ownership

If the property is sold prior to the end of the Affordability Period, the lien with the required 12% interest must be repaid to the Village of Oak Park. The Village may waive this requirement if the new Property Owner agrees to continue to abide by the terms of the Affordability Period. This arrangement must be agreed upon in writing by all interested parties prior to the sale of the property.

C. Subordination

The Village will agree to subordinate the CDBG lien only for refinancing of debt from existing mortgages for rate and/or term improvement. The Village will only agree to

subordinate its lien if the new mortgage does not include any new debt, with the exception of closing costs and fees. Subordinations must be approved by the Village Board of Trustees.

D. Marketing Services Agreement

During the term of the affordability period, property owners are required to make a good faith effort to affirmatively market the units in their building with the cooperation and assistance of the Village of Oak Park and its designated Marketing Agent. Property Owners are required to list all vacancies with the Village's Marketing Agent. The Village's Marketing Agent will waive all fees to the building owner for their marketing services. The Owner will remain responsible for credit checks, security deposit procedures, and the final determination of renting to all tenants. All tenant applications will be taken and processed in the order in which they are received consistent with Federal, State and Local Fair Housing Laws. Any Fair Housing Complaints will be referred to the Housing Programs Manager and the Director of Community Relations.

VI. Application Process

A. Packet

If the property meets eligibility requirements listed in Section III above, the Property Owner must complete a full Application packet for assistance with the Housing Programs Division. The Property Owner must complete and provide the following documents to the Housing Programs Division:

- Property Owner Application for Assistance
- Lead Based Paint Testing Fee
- Occupancy Report
- If available, pre-evaluation Disclosure of Lead Based Paint Hazards
- Property Owner Program Agreement
- Letter of commitment from Property Owner or Lender documenting availability of the Property Owner's minimum 25% contribution
- Copies of: Current Profit and Loss statements for occupied units

B. Tenant Notification

At the time that a Property Owner completes the Pre-application for assistance, the Property Owner must send each Tenant Household currently residing in the subject property a notification, via certified mail, that the Property Owner has applied for Federal rehabilitation dollars. This letter (URA #1) will outline the Tenant Household's pre-construction rights under the Uniform Relocation Act.

As part of the Property Owner's submission of a full Application for assistance, each current Tenant Household will be required to complete the following documents:

- Tenant Profile Form
- General Release of Information form
- Lead Based Paint and Fair Housing Receipt of Information form

C. Priority of Processing Applications

Applications will not be considered “complete” by the Housing Programs Division until all of the required Property Owner and Tenant Household information has been provided. Applications will be processed on a “first qualified – first served” basis and not necessarily in the order in which they are received. Failure to provide the required information and/or documentation in a timely manner may result in the delay or denial of assistance. Priority will be given to applications with units with three or more bedrooms.

VII. Determining Scope of Work

A. Types of Eligible Property Improvements

All general interior improvements are eligible. It is expected that all properties, at the conclusion of the project, will have properly insulated walls and ceilings, energy efficient windows and/or storm windows, and energy efficient central heating and cooling systems, and shared or individual laundry facilities, to the extent practicable. Separate utility service for each unit is required.

The scope of work will be determined based upon the initial property inspection by the Housing Programs Division, local and state building regulations, HUD Housing Quality Standards, and Property Owner desired improvements.

B. Specification Preparation, Cost Estimate and Bidding

After the Housing Programs Division determines that the property meets the initial eligibility criteria listed in Section III above, the Housing Programs Division will complete a Housing Quality Standards and property inspection. Based upon this information, and any other proposed improvements to the property, the Housing Programs Division will complete a Cost Estimate. Photos will be sent to the Historic Preservation Officer for historical compliance. Any architectural features deemed historically significant that must be preserved or repaired in accordance with Historic Preservation guidelines will be incorporated into the final Work Specifications.

The Owner will provide architectural drawings, including all mechanical, plumbing, electrical, and material schedules from a qualified architect or draftsman when new units will be created from previously unoccupied space, or in the event that substantial rehabilitation of existing units will occur. The Owner must make these renderings available to the Housing Programs Division prior to the writing of the Work Specifications. These drawings must also be reviewed and approved by the Village of Oak Park Department of Building & Property Standards.

The Housing Programs Division will write Work Specifications outlining the items to be completed (including Lead Based Paint, Local Building Code, Zoning and Ordinance requirements) and submit the specifications to the Property Owner and all other appropriate parties for review and written approval as required.

The Housing Programs Division will review the Cost Estimate with the Property Owner for economic feasibility, and review whether the Property Owner and Tenant Household(s) have met all Rental Rehabilitation Program requirements. If required, a Lead Based Paint Risk Assessment on the residential portion of the building will be performed by appropriately certified personnel.

Upon approval of the Work Specifications and completion of the cost estimate, the Housing Programs Division or designee will hold an on-site bid orientation to assist the Property Owner in soliciting bids from approved, licensed/certified General Contractors. The Property Owner will select the bidders from a list provided by the Housing Programs Division. The Property Owner may select a Contractor or Sub-Contractor who is not on this list, however, the Contractor or Sub-Contractor must meet all of the standards of the Rental Rehabilitation Program. At least two complete bids must be received per project.

The Housing Programs Division shall create a Bid Tabulation and provide this information to the Property Owner. The lowest, *responsible* bid will establish the cost of the project. If the Property Owner desires to utilize a higher bidder, he/she will be responsible for the difference in cost. Once the Property Owner has selected a Contractor, the Housing Programs Advisory Committee will recommend approval or denial of the request for funds. Recommended approvals will be forwarded to the Board of Trustees for consideration and final action.

The Property Owner and selected Contractor will be required to obtain all appropriate work permits from the Department of Building and Property Standards. The Village of Oak Park will waive permit fees for work that falls within the approved Scope of Work. Prior to obtaining any permit, the property owner and/or contractor will obtain a certification from the Housing Programs Division that the work falls within the approved Scope of Work.

C. Lead Based Paint

If required, any property built prior to 1978 will have a Lead Based Paint Risk Assessment performed to detect any Lead Based Paint hazards. All known hazards will become part of the Work Specifications. The incremental costs in construction due to Lead Based Paint hazards may be paid for out of CDBG loan funds or the owner's portion and will be included as part of the total rehab cost.

The Housing Programs Division will be solely responsible for ordering of all Lead Based Paint testing and Clearance exams. All testing and clearance exams will be paid for from Owner Escrow Funds.

All properties must pass a final Clearance test. Multiple Clearance tests may be required depending on the length and type of Lead Based Paint work being performed. The Housing Programs Division will use the Owner's Escrowed funds to pay for a Risk Assessment if needed and the initial Clearance test. If the escrowed fees are not enough to cover the cost of the testing, the additional costs will be added to the loan. If the initial clearance test on any area fails, then the Contractor

who performed the Lead Based Paint reduction work will be responsible for payment of all subsequent tests until clearance of the area in question is obtained.

If required, Property Owners will receive a copy of the Lead Based Paint Risk Assessment and Clearance report and must post these reports in a conspicuous area of their property for the purpose of notifying Tenant Households as to the presence and remediation of Lead Based Paint hazards.

All work performed on lead-containing surfaces must conform to Lead Based Paint Safe Work Practices and/or lead hazard treatments as indicated in the Work Specifications and must be supervised by an Illinois Licensed Lead Supervisor and performed by Illinois Licensed Lead Workers trained in Lead Based Paint Safe Work Practices and/or Abatement measures, in accordance with HUD regulation (24 CFR 35.1330 (a)(4)) and the Environmental Protection Agency's Renovation Repair and Painting Rule (40 C.F.R Part 745).

In order to ensure compliance with HUD and State of Illinois Lead Based Paint regulations, all participating General Contractors who do not possess the required Lead Based Paint certifications will be required to Sub-Contract with an appropriately Illinois Licensed Lead Supervisor. As part of the bid package, a list of Illinois Licensed Contractors will be provided to all bidders by the Housing Programs Division.

D. Contractor Payment

For the duration of the project, contractors may make multiple payment requests to the Housing Programs Division. The Village will retain 20% of the total amount requested from each interim payment request. The Village of Oak Park will not provide "advance" money or authorize payment for items which are not completed or properly installed with the exception of "rough-in" installations of plumbing, electrical or mechanical systems. Upon completion of the improvements, the Village will inspect the contractor's work. After the property passes its final inspection and the Village receives the contractor's signed waiver of lien, the Village will make the final payment to the contractor.

VIII. Loan Approval Process

Once the project has been reviewed by the Housing Programs Advisory Committee and approved by the Village of Oak Park Board of Trustees, the Property Owner will be notified, in writing, of the approval or denial of the project. If the project has been approved, the Property Owner must deposit their leveraged funds into the Housing Programs Division's escrow account and sign and complete the following CDBG loan documents:

- Loan Commitment and Agreement
- Mortgage Note
- Insurance Change Agreement
- Rent Affordability Checklist (signed by Property Owner)

At, or after loan closing, the Property Owner and Contractor execute the following documents:

- Property Owner/Contractor Agreement
- Occupant Protection Plan for Interim Control or Abatement activities
- Contractor Lead Based Paint Certification form (for Interim Control activities only)
- Notice to Proceed order (issued by Property Owner)
- Notice of Commencement (issued by Property Owner)

IX. Uniform Relocation Act

As stated above, all Tenant Households in place at the time that the Property Owner applies for funds will be notified of the Property Owner’s intent to rehabilitate the property with Federal funds. This letter is referred to as the General Information Notice (URA #1). Once the project has been approved and a construction start date has been established, these same Tenant Households will receive a Notice of Non-Displacement (URA #2).

A third notice (Notice to Prospective Tenant) must be given to all prospective Tenant Households prior to their signing of a lease during the period between project approval and the completion of the rehabilitation activities.

***** Generally, existing Tenant Households are not required to re-locate during rehabilitation activities; however, if re-location is necessary due to these activities, all costs associated with displacement will be the sole responsibility of the Property Owner.**

X. Ongoing Program Compliance

A. Number of Required Restricted Units per Property

During the term of the affordability period described above, the Property Owner agrees that the following number of units based on building size will be rented to tenants with household income at or below 80% of the Area Median Income for Cook County. Property Owners must provide each Tenant Household a copy of “Fair Housing – It’s Your Right” and the Lead Based Paint booklet “Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools” prior to the Tenant signing a lease. The Tenant must sign an acknowledgement letter indicating that they have received the booklet.

Number of Total Units	Number of Restricted Units
One	One
Two	One
Three	Two
Four	Three
Five	Three
Six	Four
Seven	Four

******All documentation pertaining to this program must be maintained by the Property Owner for a minimum of 5 years beginning on the date when all units of a project are occupied.******

B. Maximum Rent For Restricted Units

The maximum contract rent charged cannot exceed the most current HOME rent limits published by HUD for the Chicago-Naperville-Joliet, IL area depending on the income level of the applicant. This applies to units with tenants in place at the time of rehabilitation and for vacant or newly created units at the time of initial occupancy.

For units with Tenant paid utilities (except for telephone and cable television), the maximum contract rent that may be charged will be the applicable HOME rent limit less the cost of all Tenant paid utilities as determined by the Oak Park Housing Authority Annual Utility Schedule.

Property Owners and their immediate families are not eligible to rent the restricted units.

C. For all Units

If rents charged by the Owner prior to the submission of the application were less than maximum allowable rents under the program, the Owner may not increase rents on occupied units, regardless of Tenant Household income, from the pre-rehab rent for a minimum of one year after rehabilitation has been completed.

D. Prospective Tenants

The Property Owner must submit all Village of Oak Park/HUD required documentation, along with a copy of the lease, to the Housing Programs Division for review at least **5 days** prior to entering into a lease agreement with a prospective Tenant Household. This applies only at initial occupancy of units that are newly created or for existing units that were vacant at the time of rehabilitation.

E. Accessibility Modifications

A Property Owner must make reasonable accommodations in rules, policies, practices, or services when accommodations may be necessary to afford a person with a disability equal opportunity to use and enjoy residential real property. The Property Owner shall not refuse to permit, at the expense of the person with a disability, reasonable modifications of existing premises occupied or to be occupied by the person with a disability, if that modification may be necessary to afford that person full enjoyment of the premises. Reasonable modifications may include things such as handrails and raised countertops. The person with the disability may be required to return the premises to its original condition upon vacating the premises.

F. HUD Housing Quality Standards

At project completion, all CDBG assisted and non CDBG assisted units and common areas must comply and to comply at a minimum with Housing Quality Standards guidelines. During the Affordability Period, properties will be inspected at year 2 after project completion and in year 4 after project completion.