

City of McPherson 2022 Community Development Block Grant Housing Rehabilitation Plan

The United States Department of Housing & Urban Development (HUD) allocates funds used by the Kansas Department of Commerce for the Community Development Block Grant (CDBG) Housing Rehabilitation program. The City of McPherson has been awarded a CDBG grant from Commerce for the purpose of housing rehabilitation within the target area. The maximum amount of CDBG federal grant funds to be spent on rehabilitation is \$25,000 per unit. Private match is encouraged to fill the gap in financing if a rehabilitation will exceed this threshold. This program is designed to provide housing rehabilitation for low- to-moderate income individuals who own (or rent) a housing unit within the target area.

Applicants will be screened and rated in accordance with eligibility criteria as set out in this Housing Rehabilitation Plan.

1. The target area is defined as: *an area bounded by west Main street to the east, north Avenue A to the south, east Elm street on both sides of the street, and south Avenue F on both sides of the street.*

ELIGIBILITY REQUIREMENTS

Only property located within the target area is eligible for rehabilitation. To qualify, total household income for all individuals 18 years or older living in the home must be less than the low- to moderate income guidelines set by HUD for McPherson County, Kansas. The eligible home must be the primary residence of the applicant for owner-occupied units. For rental units, the renter must be income-qualified. If the owner of the rental unit is income-qualified, the City will pay 85 percent of the rehabilitation and the Owner will be responsible for 15 percent. If the owner is above income guidelines, he/she must contribute 25 percent of the rehabilitation cost. The owner of the unit must also sign a rent-freeze agreement for a three-year period.

The total household income (income from all sources of family members over 18 years of age) must be less than the following income limitations:

No. In Household	LMI Income
1	\$41,200
2	\$47,050
3	\$42,950
4	\$58,800
5	\$63,550
6	\$68,250
7	\$72,950
8	\$77,650

Note: The LMI income limits will always use the most current income requirements as established by HUD.

1. The real property taxes and utilities must be current for all properties.
2. Hazard insurance naming the City as an additional insured in at least the amount of the rehabilitation contract will be required. If repairs are necessary to obtain the hazard insurance, then evidence is required showing that coverage will be provided upon completion of the rehabilitation.
3. The applicant must have owned the unit prior to the grant award, January 27, 2022.

VERIFICATION OF ELIGIBILITY

All income information will be kept confidential. Applicants must qualify as low- to-moderate income (LMI) prior to the time the inspection for rehabilitation is conducted. Re-verification will be required if a new income tax return has been filed prior to inspection. Also, re-verification will be required if 6 months has lapsed and rehabilitation has not yet begun.

Adjusted Gross Income from the latest years IRS 1040 will be used for income verification. All income tax returns will need to be included for anyone in the household over 18 that are not attending school. The most recent tax return must be used – NO EXCEPTIONS.

NET ASSETS

1. Additionally, the household residents cannot have access to net assets exceeding \$100,000, excluding primary residence, personal vehicle, and household goods.
2. Personal financial statements that list the assets and liabilities of each household member over 18 will be required.
3. Net assets will be the difference between the fair market value of the asset and the liabilities against it.
4. The applicant will be responsible for providing loan balances from the lender in writing or grant permission to the City to obtain.
5. Assessed valuation of the property from the real and personal property tax rolls may be used as a comparison for the value listed for real and personal property assets.
6. Livestock and harvested crops will be valued at current market prices.

TYPES OF FINANCIAL ASSISTANCE

1. Households who income-qualify will be awarded CDBG Housing Rehabilitation funds in the form of a soft or deferred loan for the full amount of the rehabilitation costs or the maximum allowed under CDBG guidelines, whichever is less, for a three-year period.

2. A soft loan may be forgiven and considered a grant if all contractual agreements are followed.
3. The homeowners are required under CDBG guidelines to enter into a contractual agreement with the City, which will place a lien against the rehabilitated property for a three-year period to meet the guidelines as set out by the Housing Rehabilitation Plan.
4. The agreement will also stipulate that the unit must be the homeowners' primary residence (unless a rental agreement has been signed), kept and maintained in a standard condition.
5. If within the three-year lien period the homeowner should move from the housing unit, it's allowable to sell to a low- to-moderate income person, who will occupy the unit as the primary residence and will assume the balance of the prorated lien. The City must verify the income of the person intending to purchase the home, or if the home is sold to someone other than a low- to-moderate income individual, the cost of the rehabilitation will be prorated and must be paid back into the City's Housing program by the homeowner. Proration example is shown below.
6. If a homeowner dies within the three-year lien period and has no spouse, the home may be sold or rented to a low- to-moderate income household. If sold or rented to a non-LMI family, the homeowner's estate must pay back the prorated amount on the lien. For example, if the home is sold in the 13th month following completion of the rehabilitation, then 12/36 or 1/3 of the loan would be forgiven and the homeowner's estate would repay 2/3 of the original amount.

APPLICATION SELECTION CRITERIA

First-Come/First-Served

A public meeting will be held to review and explain the application and grant program. Applications must be turned in to City Hall during business hours or by mail or will be taken at City Hall Monday through Friday between 8 a.m. and 5 p.m. Applications will be accepted on a first-come/first served basis with priority being given to applications received on or before **January 27, 2022** and applicants who submitted pre-applications. Applications received after this date will be processed only if grant funds are still available and will be selected by the following ranking system. If more applications are received than can be served, they will also be determined by the following ranking system. Individuals having received a Housing Rehabilitation grant in the past are not eligible.

Ranking System

Applicants receiving the highest number of points receive first consideration and then in descending order. In the case of equal points, the earliest application filing date will serve as the tiebreaker. Points will be awarded as follows:

	Household Characteristics	Points
1	Less than 70% of the maximum income limit	5
2	Submitted a Pre-Application	5
3	Handicapped/disabled person in the household	5
4	Elderly, 62 years of age or older person in the household	5
5	Single Head of Household with dependent children	5
6	Each dependent in household under 18	2 each

STANDARDS FOR IMPROVEMENTS

This program does not consist of remodeling or cosmetic repairs. The goal of the Housing Rehabilitation program is to add twenty years to the useful life of the housing unit. Housing rehabilitation activities will include only the repairs necessary to meet the Housing Quality Standards (HQS) defined by the Housing Rehabilitation program as determined by the Housing Inspector. Housing units considered for rehabilitation must meet the definitions of a substandard unit and must be suitable for rehabilitation.

“Substandard” is defined as a housing unit that does not adequately meet Housing Quality Standards criteria set for the following: Building Exterior (foundation, roof, gutters, doors, windows, and insulation), Heating System, Plumbing System, Electrical Systems/Appliances or Building Interior (ceilings, walls, floors, doors, ventilation, smoke detectors)

“Suitable for Rehabilitation” is defined as a substandard house for which it is technically and financially feasible to restore it to a standard condition, given the funding limits of the program.

Emergency repairs and handicapped accessibility items may be addressed on a case-by-case basis at the discretion of the Housing Board and City Council following the CDBG guidelines. Emergency repairs must be verified by the City’s Housing Inspector and must cause an immediate and overwhelming threat to the home’s occupant. The emergency repair must be brought to code standards.

Only one grant per house may be awarded.

LIMITED/INELIGIBLE ACTIVITIES

The following activities are limited to the identified restrictions:

1. **Mobile Homes.**
Mobile homes will not be considered for rehabilitation under this program.
2. **Rental Units.**
Rental units are eligible if:
 - a. Tenant is documented to be LMI.
 - b. If homeowner is documented to be LMI, an 85 percent grant may be allowed.

- c. If homeowner is documented to be non-LMI, homeowner must provide at least 25 percent matching funds.
- d. The homeowner must sign an agreement that all tenants renting this property within the three (3) years from the date of this agreement will have an income that does not exceed the most recently published Department of Housing and Urban Development (HUD) Section 8 LMI guidelines.
- e. The homeowner of the unit must also sign an agreement indicating that the monthly rental payment will not exceed the current monthly, or the Fair Market Rents (FMR) as published annually by HUD or a three-year period after the rehabilitation is complete.
- f. The homeowner of any rental unit receiving CDBG grant funds for rehabilitation also agrees to allow the City of McPherson or its appointed representative access to the property to perform an annual HQS inspection, for a minimum of the 3 years after the rehab work is finished. Any HQS deficiencies discovered during the annual inspection will need to be brought into compliance at the landlord's expense.

3. Self-Help.

- a. The City will not allow self-help projects. In the event that the inspector determines the home cannot be rehabilitated for the CDBG Housing Rehabilitation Limits and/or all bids on a home are above the maximum, the applicant would be permitted to accomplish part of the work, and then the property may be re-evaluated/re-bid after the applicant's work was finished if funding is still available;

4. Living Trust

- a. Applicants meeting all other eligible criteria, and who currently reside on a property with a title held by a Living Trust, are eligible for a rehabilitation soft or forgivable loan.
- b. Income eligibility is determined by the income of the person residing at the property.
- c. The holder of the deed will be required to sign all grant documents.
- d. A property held as a Living Trust must be considered as a tenant and handled as such.

The following activities are considered ineligible:

- 5. Homes located in a flood plain are not eligible.
- 6. Homes being purchased under a contract for deed are not eligible.
- 7. Homes held in life estates are not eligible.
- 8. Remodeling or work not required to meet CDBG standards.

“WALK-AWAY” POLICY

If the initial inspection and cost estimate for bringing the home up to Housing Quality Standards indicates that the cost of rehabilitation is expected to exceed the maximum allowable, the homeowner will be notified. The application will be considered a “walk away” until:

1. The homeowner has completed some of the repairs on their own and the estimate of the remaining work would be at or below the maximum allowable. The homeowner is responsible to notify the City when they have the work completed so the property can be re-inspected. All work must be approved by the Housing Inspector.
2. If the homeowner is unable to make repairs they may provide the necessary additional funds within 45 days after they are notified. If the funds have not been deposited at the City within the allotted time, the City will cancel the application, close the file and “walk away” from the property.

If the original cost estimate is below the maximum allowable, the property will be included in the next bidding process. Homeowners will be notified within 15 days after the bid opening if the lowest contractor bid for their home exceeds the maximum allowable. In that event, the applicant will have the option to supply the additional funds. The applicant will be given 45 days to satisfy the requirements for all necessary additional funding. Additional funds must be received in full by the City prior to the execution of the construction contract. If the homeowner cannot provide the additional funds, the City may “walk away” from that home. If the applicant does not respond in 30 days, the City will cancel the application, close the file and “walk away” from the property.

Lead-based paint risk assessment inspections will be completed after the Housing Quality Standards inspection and if the estimated cost for repairs is below \$25,000. If the lead-based paint risk assessment shows lead and repairs cannot be done with containment, which allows a family use of restroom, cooking and sleeping facilities, and the family must relocate to a lead safe housing unit for the duration of the rehabilitation and until the dwelling passes the clearance test. Refusal to relocate will be grounds to “walk away”.

Children, age six or younger, will be required to relocate if lead activity is necessary, even if containment is possible. Refusal to relocate will be grounds to “walk away”.

LEAD-BASED PAINT REQUIREMENTS

The homeowner, contractor, City, Housing Board, Grant Administrator and Housing Inspector will be required to follow all regulations of all state and federal regulations regarding lead-based paint hazards. The appropriate regulations are hereby made a part of this plan.

Participation in the Housing Rehabilitation program is voluntary for all parties. All property proposed for rehabilitation, and built prior to 1978, will be inspected for lead-based paint.

The City will require that children younger than 6 years of age living in a house built prior to 1978 be tested for an elevated blood lead level. If an applicant refuses to allow the child’s blood to be tested, the City may elect not to rehabilitate the home.

The City is not required to pay any expenses for relocation of the household that may be required by lead-based paint activities during construction. However, the City recognizes that if relocation is required, it could produce a degree of hardship on the household. It will be the policy of the program to provide the household with \$ 150 per day relocation expense allowance for a household of two persons, plus \$ 30.00 per day for each additional household member. This allowance will be paid for the actual days the members are required to be out of the home. If a family voluntarily relocates during rehabilitation, when relocation is not required, it will be the policy of the City to not pay any relocation expenses.

LEAD-BASED PAINT PRECAUTIONS

All occupants of property to be rehabilitated will be notified of the following:

1. All households will receive both the “Protect Your Family from Lead in Your Home” and “Renovation Right” brochures.
2. All households will receive a copy of the risk assessment report to sign within 15 days after the risk assessment is completed.
3. If lead-based paint is discovered in the assessment, households will receive a “Lead Hazard Reduction Notice” within 15 days after work is completed.
4. All households, which have been identified as having lead-based paint, will receive a copy of the “Lead Hazard Clearance Notice”.
5. Require any individual 6 years of age or younger, residing in the home, to have a blood test for elevated levels of lead.
6. Homeowners may sign a waiver to remain in their home if no child six or under lives in the house and the repairs can be completed with self-containment; and restroom, cooking and sleeping facilities are available.
7. Relocation costs to a lead free dwelling may be paid to a homeowner or tenant when the risk assessment shows elevated levels of lead in areas where repairs will be done with or without containment and a restroom, cooking, and sleeping facilities are not available.
8. Participation in the Housing Rehabilitation program is voluntary, therefore, temporary relocation expenses are not required.

ROLES AND RESPONSIBILITIES

Homeowner/Tenant

The homeowner/tenant must agree to abide by all the rules and regulations of the Housing Rehabilitation program and allow the rehabilitation work to be performed on his/her home in accordance with the Housing and Lead Hazard Control Plans, the Material Application Manual, procurement requirements, and/or the CDBG Housing Standards guidelines.

The homeowner/tenant must:

1. Complete a Property Owners' Soft Loan Agreement (Attachment A and, if applicable, Attachment B).
2. Remove all obstacles from inside and outside of the house in order to view and subsequently work on the dwelling. This may include removing any stored items from areas and cutting any weeds or saplings that may obscure the foundation, or hauling away items stacked in or around the house, or homeowner/tenant must agree to allow debris to be removed from the premises by the contractor or City.
3. Grant access to the dwelling for additional inspections, pre-bid conference inspections, rehabilitation work, ongoing inspections of work, and state monitoring visit.
4. Provide electricity and water to the contractor at no cost.
5. Sign a waiver of liability for the property identified in the application.
6. Provide proof of property insurance and must keep the dwelling insured for the three year soft loan period.
7. Shall provide documentation of lead blood level for every child age six (6) and under if the home was constructed prior to 1978, prior to rehabilitation work proceeding.
8. Must agree to relocate should it become necessary in order to perform the lead hazard work.
9. Maintain the rehabilitated property in good condition and repair so it will not become a substandard property.
10. Must fill out an application and supply income documentation for the Weatherization program.
11. **The homeowner will be required to attend the final inspection and sign the final inspection certificate.** If the homeowner has questions or comments on any of the rehabilitation work it should be mentioned at this time and resolution agreed upon, prior to signing the certificate of completion.

12. If requested, the homeowner must make the home available at a CDBG monitoring visit.

GRIEVANCE POLICY

All grievances or concerns regarding civil rights, fair housing, the City Commission, the Grant Administrator, City Administrator, the Housing Inspector, the contractor(s), the contractor's workmanship, the bid procedure(s), the awarding of the contracts etc. shall follow the grievance policy included in this application. All grievances and concerns should first be made in writing to the City Clerk/Assistant City Administrator. The City Clerk/Assistant City Administrator will then observe the following procedure:

Level 1

The City Administrator receives a written complaint.

The City Administrator contacts the Grant Administrator if the controversy is regarding workmanship, client treatment or contractor misunderstandings. The Grant Administrator will contact the Housing Inspector and contractor to meet on site and address the client or contractor concerns. A written resolution will be made to the complainant and a copy of the resolution will be forwarded to the City Administrator.

The City Administrator will immediately advance the complaint to level 2 if the complaint is on fair housing, civil rights, procurement or an environmental issue.

The complainant has the right to appeal the decision and must do so in writing to the City Administrator within five days from the date of the written resolution.

Level 2

The written complaint concerning fair housing, civil rights, procurement, the environment or an appeal of a previous decision will be reviewed by the Mayor, City Administrator and City Clerk, with the assistance of the Grant Administrator and the City Attorney. If the complaint is a fair housing or civil rights concern, the City may submit the complaint to the Kansas Human Rights Commission, 130 South Market, Suite 7050, Wichita, Kansas, 67202, for investigation and resolution. After review, a written decision will be made to the complainant and the City Commission.

The complainant has the right to appeal the decision and must do so in writing to the City Administrator within five days from the date of the written resolution.

Level 3

The City Administrator receives a written appeal from the complainant.

The City Commission will review the appeal with assistance from the City Attorney and Grant Administrator. All written evidence will be made available to the City Commission for their deliberation.

The City Commission shall present a written resolution to the complainant within 15 days of the date the appeal was received.

All grievances/concerns regarding this project should first be made in writing. The letter must be submitted to the City Administrator. The City Administrator will then refer the complaint to the appropriate party(ies) to resolve the dispute.

Written notice will be given to the complainant within 15 days. If the grievance remains unsolved after this action, the Grant Administrator, Housing Inspector, contractor and the homeowner will review the situation. Subsequently, a written recommendation of resolution will be forwarded to the City Commission.

If this problem still cannot be resolved, the City Commission will make disposition of the complaint from documentation that the complainant, Housing Inspector, contractor and/or Grant Administrator have submitted. Any of the involved parties may be called to appear before the City Commission for clarification of the matter.

The City Commission will then review the complaint at the next City Commission meeting. The City Commission will determine at that meeting if the decision is acceptable or unacceptable. If it is unacceptable, the City Commission has the right to overturn the decision. At that time the final disposition will be made in writing to the complainant.

Final responsibility for the Housing Rehabilitation program rests with the City. The City will be involved with the Housing Rehabilitation program, perform duties as necessary and will have the final decision in local matters involving this grant.

CONFLICT OF INTEREST POLICY

The State of Kansas agreed, when it accepted the CDBG program in 1983, to abide by 24 CFR 570.611 of the Federal regulations (conflict of interest) for the program. The Kansas Department of Commerce developed a conflict of interest policy on April 22, 1994, relating to housing. This policy has been broadened to cover all areas of participation in all programs funded by CDBG monies. In an attempt to clarify this issue for the State's program, the State has adopted, as of July 1, 1996, the following position on conflict of interest, incorporating the April 22, 1994, policy and extending the policy further to address other areas as provided in 24 CFR 570.611.

Standard of Conduct Involving Conflict of Interest

- I. Persons Covered: The conflict of interest provision of this policy shall apply to any person who is an employee, elected or appointed official, agent, consultant, officer, or any immediate family member or business partner of the above, of the recipient, or of any designated public agencies, or subrecipients which are receiving funds from the Kansas Community Development block grant Program.
- II. Applicability:
 - A. In the area of procurement of supplies, equipment, construction, and services by recipients, subrecipients, or designated public agencies, the conflict of interest provisions in public Law 103-355 or OMB Circular A- 110, as applicable, shall apply.

B. In all cases not governed by PL 103-355, the provisions of this policy shall apply. Such cases include the acquisition and disposition of real property and the provisions of assistance by the recipient or subrecipients to individuals, businesses and other private entities in the form of grants, loans, or other assistance through eligible activities of the program which authorize assistance.

III. Conflicts Prohibited: Except for approved administrative or personnel cost, no persons described in I. above who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under the State program or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. For the State CDBG Economic Development program, the above restrictions shall apply to all activities that are a part of the funding approval for all projects, and shall cover any such interest or benefit during, or at any time after, such person's tenure.

A. An exception may be considered only after the grant applicant has provided the following:

1. A disclosure of the nature of the conflict accompanied by an assurance that there has been a public disclosure of the conflict and a description of how the public disclosure was made;
2. Whether an opportunity was provided for competitive bidding or negotiation;
3. Whether the person affected is a member of a group or class of low-or moderate- income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
4. Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted activity in question;
5. Whether the interest or benefit was present before the affected person was in a position as described in Section III;
6. Whether undue hardship will result either to the recipient or the person affected when weighted against the public interest served by avoiding the prohibited conflict; and
7. Any other relevant considerations.

If after all considerations, determination is made to grant an exception, the State shall issue a waiver noting such exception and the conditions and the basis for the issuance of the same.

It is the policy of the CDBG program that no waiver will be issued concerning benefit to the chief elected official or governing body members of the grantee, except in dire circumstances affecting performance.