

SPRINGFIELD HOME IMPROVEMENT PROGRAM POLICIES

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SECTION 1

GENERAL PROVISIONS

1.01 Program Goals

The Springfield Home Improvement Program (SHIP) is designed to provide low and very low income Springfield residents the means to perform major repairs to their owner occupied single family and duplex structures. The loans are income based, 0% interest, deferred-payment loans. The Springfield Home Improvement Program goals are:

- A. To conserve the existing stock of affordable housing for low income households through both private and public investment in the rehabilitation of owner occupied single family and duplex structures.
- B. To bring substandard housing into substantial compliance with the City of Springfield Housing Code and HUD Housing Quality Standards;
- C. To improve the appearance and safety of Springfield neighborhoods which, without assistance, may become blighted or continue to deteriorate, making them less appealing to current and future residents and businesses.
- D. To enable low and very low-income owner occupants to remain in their homes.

1.02 Other Funding Sources

Whenever feasible, Program funds should be used in conjunction with other funding sources, public and private.

1.03 Rehabilitation Programs Staff Responsibilities

- A. To implement the provisions of this document.
- B. To verify income claims, review program applications and required documentation including property appraisals, deeds, mortgages, or contracts pertaining to ownership.
- C. To approve or deny the loan application and request for loan subordination (see Section 2.06).
- D. To describe the scope of the project, including required and optional work, evaluate rehabilitation bids, determine cost reasonableness, monitor construction, approve or reject change order requests and to disburse payments.
- E. To administer the Springfield Home Improvement Program and to maintain program files as required by applicable local, State and Federal regulations.
- F. Provide lead paint poisoning notice to tenants and prescribe appropriate abatement activities.

1.04 Conflict of Interest

No member of the City of Springfield Development Services Department or other official, employee or agent of the City of Springfield who, directly or indirectly, exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the Springfield Home Improvement Program shall be eligible for this program. This prohibition shall continue for one year after an individual's relationship with the City of Springfield ends. Furthermore, the provisions of ORS 244.040 shall apply.

SECTION 2**THE REHABILITATION LOAN/SECURITY STANDARDS****2.01 Loan Terms and Conditions**

- A. A Rehabilitation Loan shall not be made unless, upon completion of the work, the property can be brought into substantial compliance with the Rehabilitation Standards as specified in Section 6 of this document. (See Section 9.01 for Policy Exceptions).
- B. The rehabilitation funds shall be provided as a deferred payment, no-interest loan. A one time loan fee totaling 7% of the principal amount will be assessed at the time of loan closing. This fee will be added to the loan principal and will be deferred to the time that the loan is paid off, subject to the minimum periodic payment specified below.

A minimum payment of \$100.00 will be due at five-year increments throughout the life of the loan. The full amount of the payment will be applied to the principle balance of the loan.

Subject to the loan limits specified in Section 2.02 of this document, the maximum Rehabilitation Loan amount shall not exceed \$20,000 which includes loan fee, costs associated with closing and a construction contingency.

- C. The loan and loan fee shall be repaid in full upon any of the following:
1. Sale or transfer of title of the property which includes: actual or attempted sale by contract, assignment, lease, rental or other conveyance of the property to a person other than the borrower, whether by gift or for value. Sale also includes any further voluntary or involuntary encumbrance of the property by the borrower,
 2. Rent or lease of the subject property, except as specified in Subsection 4.01B of this document,
 3. A transfer of the property which would constitute a sale, requiring payment of the Rehabilitation Loan, except in those cases where title to the property is held in tenancy by entirety,
 4. Failure to maintain property as specified in Subsection 8.01B,
 5. Failure of borrower to occupy the subject property, or
 6. A superior lien or encumbrance being placed on the property.
- D. Recipients of rehabilitation loans shall continue to occupy the dwelling that receives rehabilitation assistance until the loan is fully repaid.

2.02 Loan Limits Based Upon Property Value and Indebtedness

The total indebtedness against a property including the proposed amount of the rehabilitation loan shall not exceed 85% of the current real market value of the property, as determined by the Lane County Assessors Office. If the applicant disagrees with the value established by the Lane County Assessors Office, a current State certified appraisal may be used to establish value. The applicant shall be responsible for the cost of the appraisal.

2.03 Execution of a Lien

As a condition for receipt of funds under the Springfield Home Improvement Program the borrower shall execute a lien against the property equal to the total amount of the Rehabilitation Loan and loan fee (see Subsection 2.01B, last paragraph). The City of Springfield shall be the Mortgagee/Beneficiary.

2.04 Restraints from Superior Liens

- A. Except as provided for in Subsection 2.04B, and Sections 2.05 and 2.06 the applicant shall agree to refrain from creating or permitting to be created against the property, or any part of it, any lien superior to the lien of the City of Springfield, subsequent to the date of the Rehabilitation Loan.
- B. Property taxes are generally a first lien regardless of other liens which may have been previously recorded on the property, and the following taxes are also exceptions to requirements of Subsections 2.04A and 2.01C(5),

Assessments for roads, sewers, and other municipal benefits paid in the form of taxes on real property become a lien from the time they are due. These assessments and taxes are superior to the Rehabilitation Loan.

- C. While any part of the note secured remains unpaid, the maker/grantor shall pay taxes, assessments and other charges which may be levied or assessed against the subject property when due and payable, and before the same becomes delinquent. Except for the lien granted as prior financing, the mortgagor shall promptly pay and satisfy any and all liens or encumbrances that are or may become liens on the premises or any part thereof, superior to the lien of this mortgage. In the event that the mortgagor fails in this regard, the City of Springfield's right to recover through the foreclosure of the assessment shall not be impaired.

2.05 Senior Citizen Tax Deferral

The City of Springfield may grant a waiver to allow the mortgagor to participate in the Senior Citizen Tax Deferral program as defined in ORS 311.688. The Springfield City Manager (or a designated appointee of the City Manager) shall review requests and may approve a waiver upon a finding that there is sufficient equity in the property to safeguard the City's interest against loss caused by a lien incurred as a result of such a tax deferral. Such waiver may contain conditions necessary to protect the City's interest against loss.

2.06 Subordination

Upon the request of the borrower, the Springfield City Manager (or the designated appointee described in Section 2.05) may subordinate a loan made under this program to a new loan and lien provided all of the following conditions are met:

- A. The agreement to subordinate will not cause the City to have a lesser position than second.
- B. The total encumbrance on the property shall not exceed 85% of current fair market value as determined by the Lane County Assessors Office or as established by a current appraisal conducted by a State licensed appraiser (see Section 2.02). All property tax liens and assessments, including any resulting from tax deferrals, shall be included in the calculation of the total encumbrance.
- C. The total debt superior to the Rehabilitation Loan, including mortgage and other liens, shall not be increased by more than 10%.
- D. The household must still be income eligible, based on current HUD guidelines (see Section 3.02).

The above sections notwithstanding, the City of Springfield retains the right, in its sole discretion, to refuse subordination.

2.07 Insurance

Applicants agree to maintain fire insurance (fire and extended coverage as a minimum) on the rehabilitated property in an amount equal to at least 100% of the value of the improvements, or the total of liens on the property, whichever is greater.

2.08 Borrower Contribution

If the projected cost of the project exceeds the available loan amount, the borrower will be required to contribute personal funds to the project. Prior to loan closing, rehabilitation program staff will evaluate the project and recommend the borrower do one of the following:

- A. Furnish the City of Springfield with evidence that he or she has established an escrow account with sufficient personal funds to cover the cost of the borrower contribution, OR
- B. Furnish the City with evidence that he or she has personal funds available to cover the cost of the borrower contribution. Borrower will disburse his or her personal funds prior to any disbursement of funds by the City. Borrower will furnish the City with paid receipts to document what has been paid.
- C. Borrower contribution of personal funds toward the project shall include an amount for construction contingency as provided in Section 2.01B.

SECTION 3

APPLICANT ELIGIBILITY STANDARDS

3.01 Previous Loans

An applicant who has received a Loan under this Program in the past shall not be eligible for a succeeding loan on the same property until three years have elapsed since payoff of the initial loan.

3.02 Income Standards

- A. The total household income of the applicant cannot exceed the current Eugene/Springfield 80% median income limits for the applicant's household size as determined by HUD. Total income includes but is not limited to the following: wages, interest, dividends, rental income, other investments or business income, Social Security Benefits, pensions, annuity income, alimony, child support, welfare payments, veteran's benefits, and others. To determine the applicant's income for eligibility purposes, the greater of the following shall be used:
 - 1. Twelve times the gross monthly income at the time of loan execution, OR
 - 2. Projected gross income for the calendar year.
- B. Self-employed persons shall provide satisfactory evidence that income and revenues from their enterprises fall within the income limits established. Detailed signed operating statements and other documentation shall be required.
- C. In making a determination on household income, the provisions of 24CFR part 813.106 (Section 8 Housing Assistance) will be used as a guide, however, the equity in the household's principal residence shall be excluded from consideration.

SECTION 4 PROPERTY ELIGIBILITY STANDARDS

4.01 Single Family Dwellings and Duplexes (see Definitions of Common Terms)

- A. Eligible repairs shall be limited to owner-occupied single family dwellings and duplexes within the Springfield city limits.
- B. Rehabilitation shall be permitted for both the owner-occupied and rental portion of a duplex only under the following conditions:
 - 1. The owner shall meet the income limitations of Subsection 3.02 of this document.
 - 2. The Rehabilitation Loan maximum shall not exceed \$20,000 for the entire structure.
 - 3. Duplexes shall be subordinate in "loan" priority to single family dwellings.

4.02 Multi-Family Dwellings

Multi-family dwellings, including boarding houses, shall not be eligible for the Springfield Home Improvement Program.

4.03 Zoning

Site of residence must comply with applicable adopted zoning and plans.

SECTION 5 LOAN PROCESSING

5.01 Application Priorities

Applications will be accepted on a first come first serve basis. All rehabilitation projects shall be undertaken based on available funding.

SECTION 6 REHABILITATION STANDARDS

6.01 HUD's minimum Rehabilitation Standards

Housing Quality Standards have been established by HUD, every participating property shall demonstrate substantial compliance with these standards after rehabilitation. They relate to sanitation, security, thermal environment, illumination and electricity, structure and materials, water supply, access and site conditions.

6.02 Rehabilitation Standards and Inspection Procedures

A complete property inspection of both the interior and exterior of all potential projects will be performed by Rehabilitation Programs Staff and may involve City of Springfield Building Inspectors if required. Allowable repairs or replacement items will be identified as follows:

Category 1: REQUIRED WORK - Conditions which endanger the health, safety or welfare of the occupants and the structural integrity of the property; and any items which are required to meet HUD Housing Standards.

Category 2: OPTIONAL WORK: Work which, in the opinion of the advisor, should be done to prevent further deterioration, preserve the structure, conserve energy or decrease maintenance and operating expense.

All category 1 deficiencies must be repaired. Category 2 items may be included if sufficient funds are available within loan limitations.

A description of the scope of the project will be provided with all property inspections along with established Performance Standards, a Contractor list, and procedures for obtaining competitive bids.

6.03 Ineligible Rehabilitation Activities

Rehabilitation loans shall not be used to finance what are determined to be “enhancements”. Some examples of enhancements are:

- A. New construction, additions, the finishing of unfinished spaces such as an attic or basement; nor expansion, unless household size and space constraints indicate a need for expansion.
- B. Materials, fixtures or equipment of a quality or type which exceeds or differs substantially from that customarily used in properties of the same general type and value as the property being rehabilitated.
- C. Appliances. (Exception: Built-in appliances may be included when they are a replacement for existing built-in units which are defective.)
- D. Purchase, installation or repair of furnishings.
- E. The applicant's labor, or the labor of a member of the applicant's family or household.

SECTION 7

CONTRACTING THE WORK

7.01 Local and Minority Contractors

The use of local contractors shall be encouraged; further, contractors from traditionally disadvantaged groups (i.e. women owned businesses, ethnic or racial minorities, etc.) shall be encouraged to participate.

7.02 Obtaining Bids

- A. Applicants must obtain a minimum of three bids, based on staff's property inspection and scope of project, from State licensed contractors, see section 7.03. All bids must be obtained by the applicant within a 30 day period.
- B. Applicant will work with staff to select one bid which staff will evaluate for cost reasonableness.

7.03 Contractor's Qualifications

Any general contractor selected by the project owner for the rehabilitation work must be licensed and bonded by the State of Oregon for the type of construction planned. The City of Springfield reserves the right to deny the use of any contractor. The owner shall be required to obtain at least three bids. Rehabilitation Programs Staff will review bids for cost reasonableness and accuracy. Rehabilitation Programs Staff may require the borrower to obtain additional bids.

7.04 Maximum Contract Period

Contractors are responsible for completing all rehabilitation activity within a reasonable time frame, generally 90 days from the starting date noted in the "Notice to Proceed". If there will be a delay in the progress of the work, the owner and contractor must submit a written request to Rehabilitation Programs Staff for authorization of the extension. If the project is not complete within the reasonable time frame allowed any or all of the following penalties may be assessed:

1. As a provision of the construction contract, Rehabilitation Programs Staff can choose to impose a fee for liquidated damages against the contractor for all work not completed within a reasonable timeframe.
2. The City may consider the delay or failure of completion a breach of contract and cease funding of the project.

7.05 Contractor's Warranty

The contractor shall provide a warranty that all work performed under the contract conforms to the contract requirements and is free of any defect in materials, workmanship and design furnished by the contractor. The warranty shall be for a period of one year from the approval date of the final inspection. The contractor shall guarantee that upon receipt of written notice from the owner, Rehabilitation Programs Staff or the City of Springfield, the contractor shall promptly remedy, repair or replace any defective material, workmanship, or design furnished by contractor, and the remedy, repair or replacement shall be at contractor's sole cost and expense.

7.06 Method and Conditions of Payment

Payment will be by City of Springfield check issued jointly to the owner and contractor.

- A. Partial progress payments may be made for work completed up to 90% of the total contract price. Progress payments will be made only upon demonstration that all required permits were obtained and satisfactory completion of the work and must be approved by the owner and Rehabilitation Programs Staff.
- B. Final payment for work will be made only after:
 1. Written acceptance of the work by the owner; AND
 2. Satisfactory final inspection of the work by Rehabilitation Programs Staff; City of Springfield Building Inspectors (if permit work was done) AND
 3. Written statement by the contractor stating that full payment has been made to all suppliers and subcontractors including a statement waiving the contractor's lien rights.

8.01 The Two-Year and Five-Year Inspections

- A. In order to determine if the program is meeting the goals of Subsection 1.01 of this document, Rehabilitation Programs Staff may periodically conduct follow-up inspections up to five years after the completion of the work.
- B. The inspections shall examine both the work which was completed under this program, the overall maintenance of the property and the structure as a whole. If Rehabilitation Programs Staff determines that the structure fails to meet the rehabilitation standards of Section 6 of this document at either the two-year or five-year follow-up inspection, the total amount of the rehabilitation loan including loan fee shall become due and payable immediately.

8.02 Notification

The follow-up inspection shall be mandatory on the part of all program participants, however, no inspection shall take place without prior written notification.

SECTION 9

APPEALS

9.01 Policy Exceptions

- A. In an extraordinary circumstance, where an exception to a policy or policies would be justified, reasonable and appropriate, Rehabilitation Programs Staff may present the matter to the City Manager, which may allow a policy exception applicable only to the particular case in question.
- B. An exception to the requirement (Section 6.02) that the property be brought into substantial compliance with Rehabilitation Standards can be allowed only upon a specific finding that:
 - 1. Substantial compliance is unfeasible because there is insufficient equity in the property to secure a loan large enough to do all necessary work; AND
 - 2. The work to be performed is necessary to prevent deterioration that would severely limit the usefulness or durability of the structure or to correct hazards, existing or potential, to the health and safety of the occupants; AND
 - 3. Upon completion of the work the property can reasonably be expected to have a continued value that will secure the City's lien; AND
 - 4. No other means of financing the necessary work is available to the property owner.

9.02 Appeals

An appeal process is available to program applicants and participants. Appeals will be reviewed as needed.

- A. For non-technical appeals, e.g., questions of Rehabilitation Programs Staff interpretations of the policies of this document, the Appeals Board shall consist of two members of the Community Development Advisory Committee (CDAC) and the City of Springfield Planning Division Manager or designee.

- B. For technical appeals, e.g., considering whether a foundation wall should or should not be included in the work to be covered by the "loan", the Appeals Board shall consist of two members of the CDAC and a the City of Springfield Building Official or Designee.

9.03 Final Decision

The Appeals Board's decision shall be final unless there is an appeal to the full Community Development Advisory Committee. An appeal to the CDAC shall be in writing and state how the Appeals Board erred in their application of these policies to the subject loan request. The CDAC's decision shall be final.

SECTION 10 AFFIRMATIVE MARKETING
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10.01 Affirmative Marketing

The City of Springfield has a commitment to non-discrimination and equal opportunity in housing. To meet these goals, Rehabilitation Programs Staff will:

- A. Provide program information to local community, ethnic and cultural organizations.
- B. Work with local social service providers to help meet qualified client needs.
- C. Use the HUD Equal Housing logo on program materials such as applications, advertising, etc.

Definitions of Common Terms

Applicant

- A. A person or persons applying for a deferred payment loan.
- B. In Subsection 3.02 of this document, the person applying and all members of the household and all persons sharing title to property.

Beneficiary

A lender or seller who, by use of a trust deed, received the security of the real estate for the performance of the obligation or payment of a debt (in the manner as a mortgagee).

Boarding House

A building or portion thereof where lodging is provided with or without meals for compensation of any kind to more than 5 persons other than members of the family occupying such building.

Building Official

The person designated by the City as being responsible for the administration and enforcement of the Building Safety Codes.

CDAC

Community Development Advisory Committee.

City

The City of Springfield, Oregon.

Duplex

A single building, designed or used exclusively for the occupancy of two families living independently of each other, sharing a common roof, wall and foundation at the garages, carports, living units or a combination thereof. To be eligible, the applicant must own both the duplex and the real property on which it is sited.

Encumbrance

Any cloud against clear, free title to the property which makes it less marketable or freely acceptable to a buyer, and therefore less valuable.

Equity

The surplus of value of real estate which may remain after deduction of taxes, assessments, liens, charges and encumbrances against the property from the market value.

Foreclosure

A legal process initiated by a Mortgagee, a Beneficiary under a trust deed, or other lien creditor, upon default by an owner-debtor, to force sale of the real estate held as security for the debt to satisfy the obligation or payment of the debt.

Grantor

The owner of real estate, who by written instrument grants a security interest in the real estate to secure the performance of an obligation, or payment of a debt (in the same manner as a mortgageor).

Rehabilitation Programs Staff

Personnel who administer the Springfield Home Improvement Program.

HUD

The U.S. Department of Housing and Urban Development.

Lien

The right, enforceable by law, to take and hold or sell the property of a debtor as security for payment of a debt.

Loan Fee

A seven percent one-time fee charged against the total amount of the loan principal which shall be due and payable when the loan becomes due.

Low Income

80% of the Eugene/Springfield median income as determined by HUD

Physical Disabilities

A physiological condition that substantially limits one or more of the major life activities such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing or working.

Mortgage

A security interest in real estate created by the Mortgageor by a written instrument providing security to a Mortgagee for the performance of an obligation or the payment of debt.

Mortgagee

The person who received from the Mortgagor security of real estate for the performance of the Mortgagor's obligation or Mortgagor's payment of a debt.

Mortgagor

The owner of real estate who by a written instrument pledges that real estate to the Mortgagee as security for the performance of the owner's obligation or the owner's payment of a debt.

Scope of the Project

Description of the needs of the project categorized as required work and optional work.

SHIP

Springfield Home Improvement Program.

Single Family Dwelling

A detached building or structure designed or used exclusively for the occupancy of one family. To be eligible, the applicant must own both the dwelling and the real property on which it is sited.

Springfield Code

A building code adopted by the City which establishes minimum Housing requirements for the protection of life, limb, health, property, safety and the welfare of the general public and the owners and occupants of residential buildings.

Tenancy by the Entirety

Ownership of real property by a husband and wife who are regarded as one entity. No disposition of any interest can take place without the consent of both. The property passes to the survivor in the event of the death of one of them.

Trust Deed

Similar to a mortgage; a legal instrument conveying title in real estate from the Grantor (owner/borrower) to a Trustee (a third party which can be an escrow company bank or attorney) to be held as security for a debt owed a beneficiary (a lender or seller).

Trustee

The third party to whom the Grantor, by the trust deed, conveys an interest in the real estate, which enables the Trustee, in the event of default, to conduct a foreclosure sale of the real estate to satisfy the obligation or payment of a debt to the Beneficiary and to convey it to a purchaser at the foreclosure sale.

Value

True cash value or market value as established by an appraisal or the Lane County Department of Assessment and Taxation.

Very Low Income

50% of the Eugene/Springfield median income as determined by HUD.

Warranty

An assurance by the contractor that the work has been completed as stated in the contract.