

RESIDENTIAL RENTAL REHAB PROGRAM GUIDELINES



City of Nashua
Community Development Division
Urban Programs Department

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1. GENERAL

- 1.1 SOURCE OF FUNDS** – This program is funded by the Community Development Block Grant (CDBG) as part of an overall effort by the City to improve and preserve the supply of affordable housing.
- 1.2 WHO CAN APPLY** – CDBG funds are federal and come with certain eligibility requirements. The rental rehab program is designed to assist owners who have low-income tenants (at or below 80% of median area income, as defined by HUD) Investor-owned properties containing no more than 8 units will be considered. Please note that more strict income requirements may apply if combining with other programs we offer, such as the Lead-Paint/Healthy Homes Program. (See Exhibit A).
- 1.3 TYPE OF ASSISTANCE** – Assistance will be in the form of a deferred payment loan toward the cost of the eligible improvements. This loan bears no interest (0%) and the principal is repaid only when the property is sold, refinanced, or transferred. Transfer of property includes any conveyance or sale upon which the owner's name is removed from the deed. If the owner conveys or sells the property to additional persons and his/her name stays on the deed, repayment is not triggered.
- 1.4 LEVEL OF ASSISTANCE** – The program shall be operated on a “first come, first served” basis until all of the money budgeted for the program is committed. Applicants will be placed on a wait-list when funds are depleted. Applicants that demonstrate an emergency/critical repair may be moved ahead of others in queue/on the waitlist.
- 1.5 OBJECTIVES** – The objectives are as follows:
- A. Eliminate health and safety hazards as called for in the City's housing and safety codes
 - B. Halt the spread of blighted and deteriorated structures
 - C. Conserve the housing supply by keeping it in good condition
 - D. Conserve energy by promoting energy conserving measures
 - E. Maintain the supply of housing affordable to lower-income families

2. ELIGIBILITY OF PROPERTY

- 2.1 USE OF PROPERTY** – The property to be improved shall be predominately residential. This shall be determined by calculating the floor area used for non-residential purposes and the floor areas used for residential purposes. The residential portion must exceed the non-residential portion for the property to qualify for assistance. Assistance provided under this program shall not be used to improve the non-residential portion of the building. Common costs shall be pro-rated according to the residential/non-residential ratio.
- 2.2 CONDITION OF PROPERTY** – The City retains the right to refuse assistance, if in its judgment, the improvement costs are excessive in relation to the market value of the property as determined from the property valuation records, or if serious defects will not be rectified by the proposed improvements. For example, the City could refuse assistance for a property with major structural defects that threaten the safety of the occupants and that cannot be corrected at a reasonable cost, as determined by the Urban Programs Department (UPD) staff.

- 2.3 HAZARD INSURANCE** – Homeowners must have and maintain hazard and liability insurance on the property. Such insurance must cover replacement value of the property and be in place throughout the term of the loan. The City shall be named as additional insured.

3. ELIGIBILITY OF OWNER

- 3.1 RESIDENCE** – Owners are not required to reside at the rental property.
- 3.2 COMPLIANCE WITH NRO** – The loan approval shall be subject to the provisions of Section 1-11 of the Nashua Revised Ordinances that generally require the owner be current in all tax obligations to the City (for all real estate in which the Owner has a legal interest) and not be in violation of any ordinance of the City (See Exhibit B).
- 3.3 NON-DISCRIMINATION** – Owners of rental property must agree not to discriminate against any person on the basis of race, color, religion, national origin, sex, age, non-disqualifying handicap, or receipt of, or eligibility for rental assistance, nor may the owner discriminate in advertising for rental of the units.

4. SUBSIDY ASSISTANCE

- 4.1 INCOME QUALIFICATION** – Income of all tenants must be verified. Tenants must complete a “tenant packet” and submit copies of at least one month’s worth of income documentation (i.e. weekly paystubs). Gross household income must be less than 80% of the median area income as determined by HUD. Exhibit A lists current income limits.
- 4.2 SUBSIDY AMOUNT** – Owners may receive a loan of up to 90% of the cost of the work, capped as shown below. Owners must contribute at least 10% of the total cost and in some cases may be expected to cover more when a funding gap exists. The minimum subsidy shall be \$5,000. Each owner may receive only one loan per year, capped at \$20,000 for a single-family, plus \$5,000 for each additional unit (up to eight units)

If a unit in a multi-family dwelling does not benefit substantially from the proposed work, then that unit shall not be counted in the calculation for maximum loan amount. Likewise, if a rental unit is occupied by a household above the income limits, that unit shall be excluded.

5. ELIGIBLE IMPROVEMENTS

- 5.1 ELIGIBLE IMPROVEMENTS** – Eligible improvements include the following in order of priority:
- a. *First priority:* Repair of conditions that affect the livability of the dwelling unit(s), such as heating, plumbing, electrical, sanitary and structural systems, legal means of egress and other life safety code requirements, weatherproofing of roofs and foundations, abatement of lead paint hazards and asbestos, and demolition of deteriorated porches.

- b. *Second priority:* Correction of other code violations, including measures to eliminate rodents and insects, installation of energy conservation measures, such as insulation, wood windows, storm doors and windows and weather-stripping.
- c. *Third priority:* Cosmetic improvements such as improvement to the exterior appearance including painting, restoration of architectural features, replacement/repair of doors and windows to improve utility, rebuilding/repair of porches, and installation of carpet and vinyl sheet goods. Due to limited funding, improvements in this category will not likely be included.

5.2 INELIGIBLE IMPROVEMENTS – Assistance shall not be provided for any of the following:

- a. Subdividing of a building to create additional units
- b. Converting illegal units to legal dwelling units
- c. Work that will result in the involuntary/permanent displacement of tenants
- d. Construction of accessory dwelling units, buildings, decks or swimming pools
- e. Repair of existing garages and/or accessory buildings
- f. Landscaping and site work

Exterior changes such as installation of vinyl windows and/or siding is subject to review by the State Office of Historic Preservation, whether or not the property is a historic building or potentially eligible for designation as such.

5.3 INSURANCE COVERED REPAIRS – In instances where a property has been damaged by fire or where insurance is otherwise likely to be available for the proposed work, insurance proceeds must be documented and must be applied to the work before the use of HIP funds.

6. PROGRAM OPERATION

6.1 APPLICATION – The owner must complete an application and submit certain documentation; tenants are also required to complete a “Tenant Packet” and provide documentation of income.

6.2 INSPECTION – UPD staff will arrange an inspection of the property to determine need/severity of repairs. A detailed work specification is prepared in order of priority (See #5.1 – Eligible Improvements).

6.3 LEAD PAINT – Properties constructed prior to 1978 are subject to HUD’s Lead Safe Housing Rule. Certain rehab work will trigger lead-paint inspections, risk assessments and treatment of lead hazards. The City shall notify the owner about the potential hazards of lead-based paint. The owner shall notify the tenants in accordance with the enclosed EPA/HUD fact sheet, the “Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards”, and provide a copy of the pamphlet “Protect Your Family from Lead in Your Home”. This is required in all properties constructed prior to 1978.

6.4 WORK SPECIFICATIONS – The UPD staff prepares work specifications and a project manual that is used in obtaining bids or proposals to do the work.

6.5 OBTAINING BIDS – Competitive bidding is required for all projects unless exceptions are made for unusual circumstances. The City will advertise the job for bid and arrange a bid inspection with the homeowner. Sealed bids shall be submitted to the City by a specified date. Where competitive bids are not obtained, the City may compare single bids to

independent cost estimates to determine acceptability. All contractors must meet City qualification standards. No sweat equity projects are permitted, unless the owner is a bona fide contractor and meets City qualification standards. Contractor owners may submit a bid for the job that includes cost for materials, labor and overhead only; no profit is allowed.

- 6.6 BID SELECTION** – Generally, the lowest qualified bid shall be selected. When multiple bids are not received, the City may recommend selection of a bid that is within 10% of an independent cost estimate.
- 6.7 OWNER'S SHARE OF COST** – The owner is required to contribute at least 10% of the total project cost. Since the loan is capped (see Section 4.2), the owner may need to contribute more than the 10% minimum. The City may assist the owner in obtaining a loan for the owner's share of the cost of the work (if any). If requested, staff will send copies of the approved application and other documentation to a lending institution.
- 6.8 LEGAL AGREEMENTS** – Prior to the start of work, a Mortgage, Promissory Note, Contract and Program Agreement will be executed. The City will not be obligated to participate in the cost of any work begun prior to execution of the loan agreement. Work performed prior to the execution of the loan agreement will not be reimbursed. The Mortgage will be recorded at the Hillsboro County Registry of Deeds. Contracts will be signed by the homeowner and the contractor selected. The City will prepare the contracts
- 6.9 AMENDMENTS/CHANGE ORDERS** – Amendments to the original agreement may be permitted provided the additional work is necessary and approved in advance in writing by the City. Change orders will only be permitted for unforeseen circumstances and must be executed on a Change Order form, provided by the City and signed by all parties.
- 6.10 PROGRESS INSPECTIONS** – During the progress of the work, the City shall be provided access to the property to inspect the work and to perform a final inspection after completion.
- 6.11 TIME FOR COMPLETION** – All improvements must be completed within the times specified in the loan agreement.

EXHIBIT A

HUD INCOME LIMITS FOR THE CITY OF NASHUA (Based on Household Size)

<i>Income Level</i>	<i>1 person</i>	<i>2 person</i>	<i>3 person</i>	<i>4 person</i>	<i>5 person</i>	<i>6 person</i>	<i>7 person</i>	<i>8 person</i>
Extremely low income (30% of median)	\$21,600	\$24,700	\$27,800	\$30,850	\$33,350	\$35,800	\$38,300	\$40,750
Very low income (50% of median)	\$36,050	\$41,200	\$46,350	\$51,450	\$55,600	\$59,700	\$63,800	\$67,950
Low income (80% of median)	\$52,850	\$60,400	\$67,950	\$75,500	\$81,550	\$87,600	\$93,650	\$99,700

Effective June 29, 2019

EXHIBIT B

EXCERPT FROM THE GENERAL PROVISION OF THE NASHUA REVISED ORDINANCE

Section 1-11. Certain Contracts with City prohibited or restricted

[NRO 1975, T. 16, § 2 (Sec. 1-12 of the 1987 Code); amended 9-13-1974 by Ord. No. O-74-88; 5-11-1982 by Ord. No. O-82-25; 12-22-2009 by Ord. No. O-09-75]

- A. Full payment of outstanding taxes and fees required. The City may reject or terminate any contract or agreement with any person, partnership, corporation or other business entity, who owes any sum of money to the City, or is engaged in any course of conduct which violates any of the laws of the state, or any of the ordinances of the City, or any condition, requirement or decision of any officer, board, agency or department of the City, or any contract or agreement with any such officer, board, agency or department.
- B. Exemption for certain real estate transactions. However, in situations where a seller has transferred property after April first of that year and can substantiate that he has paid his share of taxes to the buyer, either by proration at time of closing or upon receipt of the tax bill after the time of closing, and the buyer has not paid said tax bill in a timely manner, the above provisions shall not apply against the seller by reason of nonpayment of taxes due on such property.
- C. Waiver authorized. The requirements of this section may be waived by the responsible officer, board, agency or department head of the City if it has been determined that such waiver is in the best interest of the City.
[Added 11-22-2005 by Ord. No. O-05-122; 12-22-2009 by Ord. No. O-09-75]