

## I. INTRODUCTION:

The HOME Investment Partnerships Program (HOME) was created under the Title II of the National Affordable Housing Act of 1990. Under the HOME Program, the Department of Housing and Urban Development (HUD) allocates funds to Participating Jurisdiction (PJ) to be used to implement housing strategies in accordance with Federal HOME regulations (24 CFR Part 92). The City of Canton has been designated as a PJ to receive an allocation of HOME funds.

Through the use of HOME funds, the City of Canton strives to encourage and stimulate neighborhood revitalization. As a HUD designated PJ, the City of Canton, operating through the Department of Development, is charged with the proficient administration of HOME funds. In an effort to increase the efficiency in which HOME funds are utilized and the impact of these dollars on our community, the Department of Development has developed the following policies and procedures.

HOME funds may be used for acquisition, new construction or rehabilitation of affordable housing for low-income families. The intent of the HOME program is to:

-  Provide decent, safe, and affordable housing to low-income families;
-  Expand the capacity of nonprofit housing providers;
-  Strengthen the ability of state and local governments to provide housing; and
-  Leverage participation of government and private sector partner and funds.

Priorities for HOME funding are developed during the Consolidated Planning process.

The procedures contained in this manual apply to all projects receiving HOME funds through the Department of Development. Any violation of the requirements of the HOME program or policies contained within could result in the repayment of HOME funds received by the recipient.

## II. GENERAL REQUIREMENTS OF CANTON'S HOME PROGRAM:

### A. **MINIMUM HOME SUBSIDY**

The minimum HOME subsidy for any project is \$1,000.00 per unit in accordance with HOME regulations.

### B. **MAXIMUM HOME SUBSIDY**

HUD establishes a maximum per unit subsidy, known as the 221(d)3 limits.

Homeowner Rehab Program Max: \$27,000

First Time Homebuyer Program Max: \$ 5,000

### C. **USE OF HOME FUNDS**

HOME funds may be used for the construction, purchase, or rehabilitation of single-family (one unit) homes and for developer projects multi-unit rental apartments may be considered. All housing units developed with HOME assistance (homeownership and rental) must be affordable to buyer and renter households earning 80% of Area Median Income (AMI) or below. Construction may be one or a combination of several methods including stick-built, panelized, or modular. Mobile and manufactured homes are NOT eligible for HOME funding assistance. For the purposes of this manual, the following definitions apply:

1. STICK-BUILT: A house that is constructed primarily on-site from raw materials. This construction method may utilize some pre-construction elements such as roof framing.
2. PANELIZED: A house that is brought to the construction site in pre-built panels (wall sections), assembled on-site, and finished. Panelized houses are stick built houses with some of the components constructed off-site.
3. MODULAR: A home which is stick-built in modules (two or more boxes) in a factory, transported to the site by truck, and placed on a permanent basement or crawl space foundation by a crane. The modules are bolted together, finished, and may also involve on-site additions; i.e. porches, garages, and other customization. These houses are essentially the same as stick-built on-site only the majority of the construction is accomplished in a controlled factory environment.
4. MOBILE: A house that is fully constructed in a factory on a steel chassis, brought to the site on wheels, but not permanently affixed to a foundation.
5. MANUFACTURED: A house that is fully constructed as a single unit in a factory, brought to the site by truck, and placed on a fixed foundation.

**D. EQUAL OPPORTUNITY AND FAIR HOUSING**

The Department of Development will not exclude any organization or individual from participation under any program funded in whole or in part by HOME Program Funds on the grounds of age, disability, race, creed, color, national origin, familiar status, religion, or sex. The following Federal requirements as set forth in 24 CFR 5.105(a), *Nondiscrimination and Equal Opportunity*, are applicable to HOME Program developments:

- Fair Housing Act ..... 24 CFR 100
- Executive Order 11063, as amended ..... 24 CFR 107
- Title VI of the Civil Rights Act of 1964. .... 24 CFR 1
- Age Discrimination Act of 1975 ..... 24 CFR 146

**E. ALLOCATION OF FUNDS**

HOME Program allocations for the Homeowner Rehabilitation Program, First Time Homebuyer Down Payment Assistance Program, and allocations to nonprofit entities, and CHDO activities, will be in the form of forgivable deferred loans.

**F. SUBSIDY LAYERING**

Layering is the combining of other federal resources on a HOME-assisted development. Department of Development (DOD) will analyze each application to ensure that only the minimum amount of assistance is allocated to the development. In no case may the amount of HOME Program funds allocated exceed the maximum allocation limit as defined in this manual. The DOD will require a Sources/Uses of Funds Statement as part of the application.

**G. AFFIRMATIVE MARKETING**

Any entity applying for HOME Program funds must utilize the affirmative marketing procedures and requirements developed by the DOD for all HOME-assisted housing. The Affirmative Marketing Plan and Requirements for HOME-assisted housing include:

- Methods for informing the public, owners, and potential tenants about fair housing laws and policies of the local program.
- A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME Program Funds.
- A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach.
- Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness.
- A description of how efforts will be assessed and what corrective actions will be taken when requirements are not met.

#### **H. ENVIRONMENTAL REVIEW**

In implementing the HOME Program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58. HOME Program funds are approved as a conditional commitment until the environmental review process has been completed, with the option to proceed, modify, or cancel the project based upon the results of the review. The City of Canton DOD will be responsible for the Environmental Review.

#### **I. LEAD-BASED PAINT REQUIREMENTS**

The Lead-Based Pain Regulations described in 24 CFR Part 35 require that lead hazard evaluation and reduction activities be carried out for all developments constructed before 1978 and receiving HOME Program assistance. Applications for rehabilitation funds for existing buildings constructed prior to 1978 must include a lead hazard evaluation conducted by the City of Canton Health Department. All HOME Program fund allocations will be contingent upon the applicant agreeing to complete lead hazard reduction, evidenced by a clearance report performed by the City of Canton Health Department.

#### **J. CONTRACTOR REQUIREMENTS**

All general contractors working on HOME-funded developments must have an active license issued by the City of Canton Building Department as well as have a Lead Safe Renovator's Certificate and/or Lead Abatement License. Lead Abatement Contractors must be licensed by the Ohio Department of Health Division of Quality Assurance Lead Poisoning Prevention Program. The DOD also requires your worker's compensation information, bond and/or insurance.

#### **K. LABOR STANDARDS**

Davis-Bacon wage compliance and other federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitation or construction of twelve (12) or more HOME-assisted units in a development. Davis-Bacon and related laws include:

- Davis-Bacon and Related Acts (40 USC 276a-276a-7)
- Contract Work Hours and Safety Standards Act (40 USC 327-333)
- Copeland (Anti-Kickback) Act (18USC 874; 40 USC 276c)
- Fair Labor Standards Act of 1938, as amended (29 USC 201, et seq.)

The construction contract for any HOME-assisted activity must contain the applicable wage provisions and labor standards. DOD will monitor all development subject to Davis-Bacon requirements to ensure compliance with all applicable regulations.

#### L. INSPECTIONS

Inspections are required with all activities that are funded through the HOME Program.

- Pre-construction Meetings - a DOD inspector must attend any pre-construction meetings for multi-family developments.
- Initial Inspections - a DOD inspector will perform an initial inspection on HRP projects.
- Scope of Work - a DOD inspector will write the scope of work based on the initial inspection.
- Periodic Inspections - a DOD inspector will perform periodic inspection to monitor work progression.
- Building Dept. rough/final inspections - The Building Department will inspect pertaining to permits.
- Final Inspections - a DOD inspector will perform final inspection on HRP Project.
- Rehabilitation Projects - when a project is ready for a draw on funds, the property must be inspected to verify that the work has been completed to standard. DOD will only make payments on work included in the scope of work that has been completed, inspected and approved by a DOD inspector.

#### M. CHANGE ORDERS

DOD recognizes that changes in a development occur from time to time. It is important that HOME Program participants submit requests for change orders on the proper DOD form. All change orders **must be** approved by the DOD Staff prior to initiating work. No payment of HOME funds will be made on change orders that have not been approved by DOD. Any changes to the original amounts of HOME Program assistance must be reflected by an Amended and Restate Mortgage and Promissory Note. Each Single-Family HOME Program Agreement will include provisions for possible funding of change orders on a limited basis.

#### N. DEBARMENT

DOD will not enter into contract with a contractor, subcontractor, developer or subrecipient who has been debarred.

#### O. PROCUREMENT

All projects, except for CHDO projects, must be sent out for bid regardless of other funding sources in the project.

All Bids must be sealed when submitted. All bids will be opened by DOD at a pre-designated date and time. DOD staff and all bidders will be notified of date and time of bid opening.

The lowest and best bid will be awarded the contract. Bid must be within 10% of internal estimate to be considered. The DOD has the right to deny any and all bids.

**P. SUBMITTING A HOME PROGRAM APPLICATION**

CHDO & DEVELOPER

Department of Development (CCD) will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes submission of a complete application; proposal of an eligible activity; proposal of a development that, in the opinion of DOD is physically, financially and administratively feasible; provision of written verification in support of the proposed activity from the chief elected official of the area where the activity will be undertaken; and proposal of a development that meets the requirements of 24 CFR, Part 92. Applications will be taken through a request for proposal process.

HOMEOWNER REHAB AND FIRST TIME HOMEBUYER DPA PROGRAM

Applications will be taken on a first come first serve basis until funds are depleted. Refer to program guidelines.

**Q. PERFORMANCE STANDARDS**

Successful applicants must disburse twenty-five percent (25%) of the total HOME Program funds within ninety (90) days of the notice to proceed. Seventy-five percent (75%) of total HOME Program funds allocated must be disbursed on the development within one year from the date of the notice to proceed. If these performance standards are not met, any unspent HOME Program funds may be recaptured and reallocated to fund other affordable housing developments. Applicants approved for funding that do not complete the required number of units will be considered in default of their HOME Agreement and jeopardize future funding through the HOME Program.

For applicants also applying for Low Income Housing Tax Credits (LIHTC), the ninety (90) day performance standard will begin upon the LIHTC reservation. For developments applying for both HOME Program funds and LIHTC, any allocation of HOME Program funds is contingent upon the successful reservation of LIHTC.

If a participant has a HOME project underway at any given time period it is within DOD's discretion to evaluate a participant's capacity in regards to undertaking multiple projects.

**R. CONSTRUCTION CONTINGENCY**

DOD allows up to ten percent (10) of the HOME allocation for construction contingencies. The contingency will only be used for unforeseen circumstances necessary to complete the scope of work and must be approved by management.

**S. FLOOD INSURANCE**

DOD discourages development in flood hazard areas. DOD is willing to assist existing housing located in flood plains but flood insurance must be obtained and maintained for the full period of affordability. DOD will not fund new construction in flood plains.

**T. RELOCATION**

HOME projects must comply with the Uniform Relocation Act (URA) whenever displacement occurs as a direct result of HOME-assisted rehabilitation, demolition or acquisition, including acquisition for homebuyer activities. If the DOD proposed project is occupied at the time of application, contact the DOD for detailed regulations. Failure to do so may result in disqualification of your application as you may be required to submit notifications as part of your application. It is the expressed policy of DOD to strictly comply with the URA and to minimize displacement.

**U. SITE AND NEIGHBORHOOD STANDARDS**

New construction projects must ensure that the project conforms to the "Site and Neighborhood Standards" as described in 24CFR 983.6(b).

**V. AFFORDABILITY PERIOD**

CHDO's and Developers are required to maintain HOME funded properties as affordable for a minimum affordability period based on the amount of HOME funds spent on the project. The guidelines are as follows:

- Under \$15,000 per unit . . . . . 5 years
- \$15,000 - \$40,000 per unit . . . . . 10 years
- Over \$40,000 per unit . . . . . 15 years
- New construction or acquisition within one Year of construction (for rental projects) . . . . . 20 years

A HOME Written Agreement will be prepared and must be signed by the owner/buyer. This agreement establishes the occupancy and affordability requirements for the property as well as the owner's obligations to the City of Canton Department of Development. In signing the agreement, the owner agrees to the restrictions on the use of the property set forth in the document.

HOMEOWNER REHABILITATION PROGRAM

The DOD does require an owner residency period of 5-10 years depending on the funds invested.

FIRST TIME HOMEBUYER DPA

If a homebuyer sells the home before the HOME affordability period has expired, the owner must repay HOME funds. Refer to Program Guidelines.

**W. INCOME DETERMINATION**

DOD insures that HOME Funds are targeted to low-income households by using the Part 5 Definition of Income to determine eligibility. This definition was formerly commonly referred to as the Section 8 definition.

DOD determines the income eligibility of applicants for Homeowner Rehabilitation and First-Time Homebuyer Down Payment Assistance.

CHDO's & Developers in charge of HOME assisted units are responsible for determining income and re-evaluations annually during the affordability period of the project. An income calculator is available at the HUD website to provide assistance with calculating income.  
*<http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculatoroff.cfm>*

**X. PAYMENT/RELEASE OF FUNDS**

Project Funds are disbursed on a reimbursement basis.

Final payment will not be disbursed until the final inspection is approved, permits have been finalized and the contractor's signed release of liens has been received.

Down Payment Assistance Funds will be released at the closing.

**Y. MONITORING**

During the period of affordability, the Department of Development must perform on-site compliance and monitoring inspections of all rehabilitation and new construction of single-family and multi-family developments utilizing HOME Program Funds to determine compliance with the Final Rule.  
*<http://hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/finalrule.pdf>*

**Z. AUDIT**

DOD requires that recipients have an audit conducted of Federal Funds received in accordance with the Single Audit Act Amendments of 1996 (U.S.C. 7501-7507) and revised OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations" as required in 24CFR, Part 84 and 85 respectively. This does not apply to Homeowner Rehab or First Time Homebuyer Programs.

### III. HOUSING REHABILITATION PROGRAM:

#### A. PROGRAM PURPOSE

The City of Canton Homeowner Rehabilitation Program is designed to assist low-and-moderate income homeowners, located within the City of Canton CDBG area, upgrade housing conditions into compliance to correct code violations and deficiencies with local building codes, improve exterior appearance, increase energy efficiency, and contribute to revitalization of owner-occupied properties to rejuvenate neighborhoods.

The Program provides this assistance in the form of a deferred loan. The deferred loan limits are a minimum of \$1,000 and a maximum of \$27,000 per unit, established by actual repairs needed to meet the Residential Rehabilitation Standards.

Work can include upgrading of major mechanical systems, structural elements which pose an immediate threat to the integrity of the structure, electric, plumbing, roofs, windows, furnaces, siding, flooring, wall repairs, etc. to make a house decent, safe and sanitary. The work will be determined by an initial inspection utilizing a pass/fail standard.

Participants may only receive one Homeowner Rehabilitation Loan per lifetime and must occupy the property as their principal residence.

#### B. PROGRAM ADMINISTRATION

The Homeowner Rehabilitation Program is funded by HOME funds awarded through the U.S. Department of Housing and Urban Development (HUD). The Program is administered by the Department of Development who is responsible for executing all program activities in compliance with 24 CFR Part 92 policies, as well as allocating HOME funds, policy development, and community relations associated with the Program. The Housing Program Manager shall be responsible for daily oversight of the program to include but not limited to:

- Application approval;
- Oversight of initial inspections and project feasibility;
- Preparing bid requests, bid openings and bid awards;
- Processing contracts between eligible property owners and contractors;
- Preparing security documents including mortgages and notes;
- Oversight of work and inspections during construction;
- Payment processing;
- Oversight of mortgage subordination agreements

These guidelines may be amended based upon any changes in federal, state, or local regulations or administrative requirements.

### C. APPLICATION PROCESS

Community Development will accept applications for owner-occupied rehabilitation on a first come, first served basis until all funds are committed.

1. PRE-SCREENING INTERVIEW: Potential applicants are provided an overview of the Housing Rehabilitation Program when they first call inquiring about assistance. A Clerk will begin the pre-screening process by completing the Telephone Inquiry Form. The pre-screening process consists of the following questions:
  - Is your house located in the City of Canton?
    - ▶ We do not assist rental units, mobile homes, or duplexes (We can assist an owner occupied duplex, but the abutting tenant occupied side cannot be assisted).
    - ▶ We only assist owner-occupied homes in the CDBG area.
  - Is your name on the Title?
    - ▶ At least one of the owners of title must occupy the property as their primary residence.
  - Have you owned your property for at least one year?
    - ▶ The applicant is required to have owned and lived in the residence for at least one year prior to applying.
  - Are you current on your Mortgage and Real Estate Taxes?
    - ▶ All applicants must be paid and current, or have documentation of payment plan with respect to property taxes in order to be eligible for program. The applicant cannot be delinquent on Mortgage.
  - Have you ever received any assistance from Community Development or SCOPP?
    - ▶ Grants/Loans are only available once in a lifetime.
  - How many people live in the home?
    - ▶ To determine income category.
  - What is the total gross household income of all adults living in the household?
    - ▶ If the household appears to qualify as a lower-income household based on household size and income, the staff will mail an application packet. If the household exceeds the income limit, at this point they will be informed that they do not qualify for assistance (refer to attached income chart).
2. APPLICATION PACKAGE: After prescreening eligible applicants, the Community Development Clerk will mail an Application Package and enter

the applicant information into the Application Tracking System. (Staff will be advised to not mail applications when funding isn't available.)

The Application Package will include a Cover Letter, Application, Data Privacy Notice, and a Homeowner Rehabilitation Fact Sheet giving a general outline of the program.

3. APPLICATION REVIEW: Upon receipt of a completed application, the application will be time stamped and forwarded to the Housing Program Manager to review for completeness and determine a preliminary eligibility based on information received. If eligible, the application will be forwarded to the Loan Processor to request interview and verify eligibility of applicant. If it is apparent the applicant will not qualify for assistance, a denial letter will be mailed.

#### **D. INTAKE INTERVIEW**

Once an applicant has received a preliminary determination of eligibility from the Housing Program Manager, the Loan Processor will contact the applicant and schedule an interview. A letter confirming the appointment will be mailed including a list of documentation required for the financial interview.

During the interview process, the Loan Processor will have the applicant and each adult in the household earning income sign a release form authorizing the city to verify all sources of income and assets. The Loan Processor will explain the rehabilitation process, have the applicant sign a "What To Expect" form outlining the program process and answer any questions the applicant may have. Per HUD and EPA requirements a pamphlet entitled "Protect Your Family from Lead in Your Home" will be given to the homeowner.

#### **E. APPLICATION ELIGIBILITY ANALYSIS**

1. OWNERSHIP: The Housing Rehabilitation Program requires that the applicant has owned and occupied the property as their principal residence for a minimum of one (1) year. Ownership will be verified first through the Stark County Auditor's real estate records and secondly with a title search. No applicant shall be eligible to receive help through Homeowner Rehabilitation if they are in the process of bankruptcy, mortgage default and/or an unsettled divorce.
2. HOUSEHOLD SIZE: To properly determine income eligibility the household size must be determined. The household is comprised of ALL individuals occupying the home at the time of application. The following individuals are not counted as part of the household; foster children, unborn children, children who live with applicant (parent) less than 50% of the time, and children being pursued for legal custody or adoption who are not yet living with the household. Full-time college students over age 18, living away

from home, and who continue to receive over half of their support from the applicant, may be considered a household member. Each adult household member who does not receive income from any source shall be required to submit an Income Affidavit, Letter of Explanation and sign consent for release of information.

3. INCOME DETERMINATION: An eligible owner must be low-income. A low-income owner is defined as an owner whose annual household income does not exceed 80% of the area median income. The city of Canton uses the HUD Part 5 definition of income to determine eligibility. Without exception, HOME Program funds cannot be used on projects where the gross annual household income exceeds the 80% of area median income.

Annual Income of all working adults age 18 years and above in the household will be verified through source documentation and third party verifications to determine the anticipated income projected for the 12-month period from time of application.

At a minimum, the City of Canton requires 3 months worth of pay stubs and the previous years' federal tax return. If self-employed, the city requires the previous 3 years of federal tax returns. If receiving Social Security the current award letter will be required as verification. The following sources of income must be examined: wages, salary, commissions, bonuses and tips from all jobs before deductions for taxes, bonds, dues, self employment income, interest and dividends income received from sources, Social Security, retirement pensions, SSI, public assistance payments, survivor, or disability payments, income from 401(k)s, veterans benefits, unemployment compensation, child support and/or alimony payments.

***Income Determinations are good for six months.*** If more than six months has elapsed at the time HOME assistance is provided the income must be re-verified.

4. ASSETS: *Applicants cannot have more than \$10,000 in assets.* Assets are defined as short term assets such as cash, savings, checking deposits, and investments. Applicants with long term assets are subject to review to determine if applicant meets program income limits.
5. CITY OF CANTON ELIGIBILITY REQUIREMENTS: All applicants must be current in any indebtedness to the city of Canton Per Section 105.07, Grant and Loan Applicant Requirements, of the Codified Ordinances of the city of Canton and Ordinance 205/2010 to qualify for any assistance from the DOD.

6. MORTGAGE PAYMENTS: Applicants must be current on their mortgage loan. The DOD will not invest funds into a home that could be possibly lost through foreclosure.
7. HOMEOWNER'S INSURANCE: A copy of the Insurance Declaration Page is required. The DOD will not invest funds into an uninsured home. Proof of Insurance is required before funds are invested.
8. FLOOD INSURANCE: All properties assisted with HOME funds that are located within a flood plain must be covered by flood insurance in accordance with Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106).

#### **F. APPLICANT ELIGIBILITY**

After verifying the applicant information, the Loan Processor will document the file, database, tracking system, and forward the project file to the Housing Program Manager with a recommendation of approval or denial.

If the applicant does not meet program requirements the Housing Program Manager will send a denial letter. In a case where there is a delinquency or possibly no insurance the Housing Program Manager will give 30 days to correct the problem. If 30 days pass without a response and/or the problem is not corrected, the applicant will be denied and the file closed. The applicant can reapply when and if funds are available.

If the applicant meets the income eligibility and program requirements, the Housing Program Manager will send a preliminary approval letter explaining the next steps consisting of both a lead inspection and property inspection.

#### **G. PROPERTY ANALYSIS**

The rehab project must be located within the City of Canton CDBG area (exceptions require Council approval). All rehabilitation performed shall comply with the regulations at 24 CFR 92.251 and other Federal regulations along with the DOD Residential Rehabilitation Standards and requirements whether specifically stated or not in the specifications and drawings for the project.

1. PROPERTY INSPECTION: Once the applicant has been determined income eligible the Construction Coordinator will be assigned to inspect the house and determine deficiencies which need addressed to bring the house up to local code and residential rehabilitation standards. The Construction Coordinator will contact the owner for appointment.

An Initial Inspection form will be completed while the Construction Coordinator identifies property deficiencies during the walk through and discussion with the applicant. The Construction Coordinator will take

pictures to document “before” and “after” conditions. The initial inspection date will be entered into the tracking system.

The owner must make the property available for inspection within the two (2) week period after being contacted by the inspector or the file will be closed and the owner will be required to reapply.

2. LEAD-RISK ASSESSMENT: The City of Canton Health Department will perform a Lead Inspection at the same time the DOD Inspector performs the Initial Inspection, to determine evidence of lead conforming to requirements of the Lead Safe Housing Rule 24 CFR Part 35 Subpart J for all houses constructed prior to 1978.

Should lead-based paint be discovered lead-safe work practices, interim controls or abatement of lead-based paint hazards will commence. If a rehab project (minus lead repairs) exceeds \$25,000 in federal rehab assistance abatement is required. Contractors performing abatement activities must possess a lead abatement contractor license. All lead work must pass a clearance test to ensure the site is free of lead based paint. All contractors must possess the EPA Certified Firm and Certified Renovators Certificate.

3. WORK WRITE-UP/SPEC: The Construction Coordinator will incorporate the findings from the Lead Report and the Initial Property Inspection to prepare the Spec and determine cost estimates within 10 days of inspection. The date of the Spec with internal cost estimate will be entered into the tracking system.
4. PROJECT FEASIBILITY: Depending on the extent of the rehabilitation work necessary to bring a dwelling into conformance with local and applicable state codes, a project may be deemed infeasible for rehabilitation. The proposed project will be considered infeasible if the costs to complete the needed repairs equal or exceed the Homeowner Rehabilitation Program’s threshold limit of \$27,000 + DOD managed 15% contingency, unless the owner is willing to contribute the additional funds.

Upon determination that the dwelling is not feasible for rehabilitation, the applicant will be notified in writing of the denial of assistance within 5 business days.

5. SPEC REVIEW WITH OWNER: The Construction Coordinator will make an appointment to review the work write-up with the homeowner to clarify proposed work and answer any questions.

The Construction Coordinator will coordinate with the homeowner and arrange a time for the bidders to walk through the house in order to prepare their bids. The owner must be willing to schedule the walk

through within 10 working days or the case will be closed and the owner will be required to reapply.

6. HISTORIC REVIEW: The Construction Coordinator will complete paperwork for submission to Stark County Regional Planning to conduct the Historical Review. If a home is fifty (50) years or older a notice is provided to the State Historic Preservation Office with a narrative outlining the proposed work specifications, along with a current picture of the home and other supportive documentation for consideration. No work can begin on a property until clearance is received from the Historic Preservation Office.
7. ENVIRONMENTAL REVIEW: The Construction Coordinator will forward a request for Environmental Review to the City's Planning & Development Analyst who will perform the review based on the requirements of 24 CFR Parts 50 and 58 and the National Environmental Policy Act of 1969. Environmental conditions may impact eligibility. No work can begin on a property until the Environmental Review Clearance is received.
8. MAXIMUM PROPERTY VALUE (AFTER REHABILITATION VALUE): To use HOME funds, the value of the HOME assisted property after rehabilitation must not exceed 95% of the median purchase price for the area. To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. The city of Canton will obtain an appraisal to establish the after-rehabilitation value. The appraisal will then be compared to the HUD 203(b) limit to determine the 95% of median purchase price limit to verify eligibility.

#### **H. LOAN QUALIFICATION**

Upon qualification of homeowner and property, a notification of approval will be sent to the homeowner explaining the bid process which will include a copy of the "Invitation to Bid".

#### **I. BIDDING PROCEDURES**

The Housing Program Manager (HPM) shall oversee the bid process.

Once the applicant has been approved for financial assistance, the HPM will mail the "Invitation to Bid" to all approved contractors. The Department of Development will allow ten (10) business days from the date of walk-thru (not including holidays and weekends) in which to prepare and return bids.

All bidders shall contact the Construction Coordinator with any questions regarding the scope of work. All forms are to be typed or completed in ink, signed and dated. All sealed bids are to be physically received in the Department of Development by the stated deadline for submission. Under no circumstances will bids be accepted after the deadline.

Bids shall be opened, read aloud and recorded at the bid opening with the time and location of the bid opening being included in the "Invitation to Bid". Any proposal which is not completed may be rejected. The lowest and best bid will be selected taking into account that all guidelines were followed and bid is within 10% of internal estimate. If the homeowner does not want to use the lowest bidder they have an option to choose from another contractor that submitted a bid, but must pay the difference in price before work can commence.

Before selecting the contractor the HPM shall check for debarment by verifying with the excluded parties' list system. The HPM shall also verify the contractor is licensed with the city of Canton and has Lead Certification.

All bidders will be notified of the results of the bid by letter indicating the outcome of bid. If Contractor's bid was not accepted, the letter will indicate which bidder received the award.

**J. CONTRACT AWARD**

1. HOMEOWNER WRITTEN AGREEMENT: The homeowner is required to execute a Homeowner Written Agreement with the City of Canton Homeowner Rehabilitation Program. The Agreement outlines the requirements set forth under 24 CFR Part 92. HOME funds will not be disbursed without an executed written agreement. The contractor cannot proceed with work before this agreement is signed.
2. MORTGAGE AND PROMISSORY NOTE: The city of Canton will provide an interest-free, deferred loan. Loans will be payable to the City of Canton. Loans are forgivable upon demonstrated five (5) years of occupancy for rehabilitation costs between \$1,000-\$14,999 or ten (10) years of occupancy for rehabilitation costs exceed \$15,000.

Recipients of HOME funds are required to maintain the unit as their principal residence for the duration of the deferred loan period. Although the HOME Program Final Rule does not impose an affordability period for owner-occupied rehabilitation, the city does require an owner residency period of 5 or 10 years. In the event the property is sold or disposed of in any other manner, the HOME loan shall be immediately due and payable to the city of Canton according to the following terms:

<u>10-Year Mortgage</u>		<u>5-Year Mortgage</u>	
Year 1	100%	Year 1	100%
Year 2	90%	Year 2	80%
Year 3	80%	Year 3	60%
Year 4	70%	Year 4	40%
Year 5	60%	Year 5	20%
Year 6	50%		

Year 7	40%
Year 8	30%
Year 9	20%
Year 10	10%

During the repayment period, Mortgage Subordination Agreements will NOT be authorized.

In the event a homeowner sells, transfers title, converts the home to a rental property, or discontinues residence in the rehabilitated property for any reason during the owner residency period, the loan becomes due and payable unless the homeowner who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence.

3. TRUTH IN LENDING: The Truth in Lending statement will be given to the homeowner showing the total dollar amount of the deferred loan and the annual percentage rate (0%).
4. NOTICE OF RIGHT OF RESCISSION: Notice to homeowner that they are entering into a transaction that will result in a lien on their home and they have three (3) business days to cancel the transaction.
5. NOTICE TO PROCEED: The Contractor will be issued a Notice to Proceed once the three (3) day right of rescission period has passed.
6. HOMEOWNER PACKET: The homeowner shall be given a packet containing:
  - Copy of Signed Contractor Agreement
  - Copy of Signed Homeowner Written Agreement
  - Copy of Mortgage and Promissory Note
  - Truth in Lending Form
  - Right of Rescission Form
7. PRE-CONSTRUCTION CONFERENCE: Upon approval and acceptance of the bid, the applicant and contractor shall enter into a Contractor Rehabilitation Agreement detailing the construction specs and timeline, after which a Notice to Proceed will be issued. The property owner, contractor, HPM, and Construction Coordinator shall attend the conference and all shall sign the Pre-Construction Conference Report.
8. CONTRACTOR PACKET: The contractor shall be given a packet containing:
  - Copy of Signed Contractor Agreement
  - Payment Request Forms
  - Lien Waivers
  - Completion Certificate

## K. CONSTRUCTION MANAGEMENT

The Construction Coordinator shall act as the liaison between the homeowner and the contractor to ensure the work is progressing on schedule. The contractor is required to purchase the appropriate permits for work being performed.

1. PHOTO DOCUMENTATION: The Construction Coordinator shall take photos before, during and after rehabilitation to document progress and completion. Lead documentation is required.
2. INSPECTIONS: The Construction Coordinator shall make periodic inspections to verify the work in progress meets all program standards, contract requirements, and housing code standards. The progress shall be documented on the Progress Inspection Report and where work is not progressing satisfactorily, the Construction Coordinator shall notify the HPM in writing.
3. PAY REQUESTS: The Construction Coordinator shall inspect following submission of each pay request to ensure each line item of work being requested for payment has actually been completed and meets the standard. If an item is not completed, and/or does not meet the standard, the pay request will be adjusted and the amount requested for payment reduced. The Contractor shall be notified of any adjustments to work completed as submitted on the pay request.

Ninety percent (90%) of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner and notifies the construction coordinator that he/she has done so. Upon favorable inspection by the homeowner, Construction Coordinator and City Building Inspectors the payment authorization is signed by the homeowner and submitted for payment.

4. CHANGE ORDERS: Changes to the Scope of Work will only be authorized where necessary and only to the extent that are required to meet the standard of decent, safe and sanitary conditions of the property.

**Written Change Orders are required when the homeowner or contractor requests any changes in the write-ups.** The Change Order must be approved and signed by the contractor and homeowner and submitted to the Housing Program Manager for review and approval. If the Change Order exceeds the approved financing the homeowner must provide additional funds. All contingency requests must be reviewed and approved by the Director of Community Development.

Contractor error in estimating the project or doing the work will not be considered as a change order.

**L. PROJECT COMPLETION**

The Construction Coordinator will review all permits and conduct a final inspection. During the walk through the Construction Coordinator will complete a punch list of items to be completed if any. The final payment will be withheld until the punch list has been completed and all final documentation has been submitted. The HPM will review all files.

FINAL DOCUMENTATION:

Lead Paint Clearance  
Signed Lien Waiver  
Homeowner Statement of Completion  
One-Year Warranty

**M. PROGRAM DISPUTE RESOLUTION**

Complaints concerning the City's Rehabilitation Program should be made to the Housing Program Manager. The complaint or appeal shall be made in writing within one year after denial or the filing of the Project Notice of Completion. Disputes between the contractor and homeowner shall be reviewed by the Construction Coordinator and the Housing Program Manager. Disputes that are not resolved will be turned over to the Community Development Director for resolution.

#### IV. FIRST TIME HOMEBUYER DOWN PAYMENT ASSISTANCE PROGRAM (DPA):

The City of Canton has been designated by the United States Department of Housing and Urban Development (HUD) as a participating jurisdiction for the receipt and use of funds as provided by the HOME Investment Partnerships Program ("HOME") as provided in HUD regulations 24 CFR 92.

The First Time Homebuyer Down Payment Assistance Program may be operated by the City of Canton or in connection with a sub-recipient.

##### A. GENERAL PROGRAM GUIDELINES

The DPA Program may provide 3½% toward down payment and/or closing cost assistance in an amount not to exceed \$5,000 to low-moderate income First Time Homebuyers within the Canton City limits as a forgivable 0% interest rate deferred loan.

Lenders are to provide a thirty (30) year fixed rate mortgage. The city will not participate with lenders practicing predatory lending. Adjustable rate mortgages will not be considered.

HOME funds, without exception, may not be issued as cash owed to the homebuyer at closing. Soft costs such as financing fees, origination fees, credit reports, title binders and insurance, surety fees, recordation fees, transactions taxes, legal and accounting fees and appraisals are eligible closing cost fees. *Back taxes, fees, liens and assessments are not eligible.*

The loan shall be evidenced by a Promissory Note secured by a Mortgage on the property which shall be forgiven at the end of 5 years.

##### B. ELIGIBLE PARTICIPANTS

Prospective homebuyers must meet the following requirements to be eligible to receive assistance:

1. FIRST-TIME HOMEBUYER: Must be a first-time homebuyer as defined by HUD is as follows:
  - Has not owned a home in the last three years.
  - A single parent who has only owned with a former spouse while married.
  - An individual who is a displaced homemaker and has only owned with a spouse.
  - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
  - An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

2. GROSS INCOME: Applicants gross income may not exceed 80% of the area median income based on the “HUD Part 5” definition of income (120% for NSP). Income will be calculated and verified based on HUD Fiscal Year Income Limits which are updated annually.
3. ASSETS: May not have assets of more than \$10,000. Assets are liquid assets such as cash, checking and savings accounts, certificates of deposit, stocks, bonds, mutual funds.
4. PRIOR ASSISTANCE: Applicants who have received prior DPA and/or Rehabilitation Assistance through the HOME program are NOT eligible.
5. HOMEOWNER: Must be the owner of the property and occupy the property as their principal residence after purchase.
6. HOUSING COUNSELING: Will be required to attend a certified housing counseling certificate course.
7. DELINQUENCIES: Must be current and not otherwise delinquent in payment of city utility bills, income tax, real estate tax, personal property taxes and/or outstanding loans or grants received from HUD provided by the city of Canton through the Department of Development.
8. MORTGAGE LOAN PRE-Approval: Must be pre-approved for a mortgage loan with a minimum FICO of 620.

**C. HOME INCOME LIMITS**

The Prospective homebuyer’s household income must have an annual income equal to or less than 80% of the area median income. The HOME Program utilizes the HUD Part 5 income limits. These figures are revised by HUD on an annual basis and currently are as follows:

**HUD 2011 INCOME SCHEDULE**

HOUSEHOLD SIZE	1	2	3	4	5	6	7	8
MAXIMUM INCOME	\$32,550	\$37,200	\$41,850	\$46,500	\$50,250	\$53,590	\$57,700	\$61,400

**D. ELIGIBLE PROPERTY**

Any property that will serve as the prospective homebuyer’s principal residence must meet the following requirements:

1. RESIDENCY: The home must be located within the City of Canton Corporate Limits.

2. SINGLE-FAMILY: Must be a single family unit that will be owned in fee simple title (Land Contract purchases are not eligible).
3. RRS Compliant: Home must be in compliance with Residential Rehabilitation Standards (RRS). An inspection will be performed by a city of Canton Inspector to ensure code violations do not exist and to certify that adverse health or safety conditions do not exist. A visual inspection for defective paint surfaces will be conducted. Where flaking, peeling, chipping or cracking painted surfaces exist, in houses built prior to 1978, remediation will be required utilizing safe work practices as required by the Environmental Protection Agency (EPA) and the Housing and Urban Development (HUD). All deficiencies must be corrected prior to transfer of title.
4. PROPERTY VALUE: The maximum property value of the home may not exceed 95% of the median purchase price for the area.
5. LEAD CLEARANCE: Lead Clearance Testing will be required, prior to closing, on any property where flaking, peeling, chipping or cracking painted surfaces existed at the initial inspection and remediation took place.

#### **E. PROGRAM FINANCING**

1. TERMS AND CONDITIONS: The city will provide an interest-free, deferred loan not to exceed \$5,000. Loans will be payable to the City of Canton upon transfer of property title. Loans are forgivable upon demonstrated five (5) years of successful occupancy from the date of ownership.

Recipients of HOME funds are required to maintain the unit as their principal residence for the duration of the deferred loan period. Annual certification is required during this period. Monitoring efforts shall require a letter be sent by certified mail a minimum of two times requesting current hazard insurance and utility bills evidencing principal residency. If no reply is received, a monitoring person will visit the home as a last resort. In the event the homeowner is no longer the principal resident the loan shall be immediately due and payable to the City of Canton, unless they reoccupy the home. Also, if the property is sold or disposed of in any other manner, the HOME loan shall be immediately due and payable to the City of Canton.

During the 5 year repayment period Mortgage Subordination Agreements will NOT be authorized.

2. SECURITY INSTRUMENTS: The deferred loan shall be secured through a Mortgage and Promissory Note executed by the property owner at closing. The closing agent shall file said documents with the Stark County Clerk's office upon the completion of the first mortgage transaction.
3. HOME WRITTEN AGREEMENT: The homebuyer is required to execute a HOME Program Written Agreement with the city of Canton prior to full commitment of

funding. The Agreement outlines the requirements set forth under 24 CFR Part 92.

The First Time Homebuyer Program *affordability period* is for 5 years from the time of initial ownership.

Federal regulations for the HOME Program specify certain requirements for recapture provisions when HOME funds are used to assist with homeownership purchase. The housing unit must be the principal residence of the household throughout the affordability period. To ensure affordability, the City has imposed the recapture mechanism to collect all of the direct HOME funds when the recipient decides to sell the house within the 5 year affordability period or no longer resides in the home as their principal residence. The following is exercised: (1) the homebuyer may sell the property to any willing buyer; (2) the sale of the property during the affordability period triggers repayment of the direct HOME funds that the buyer received when he/she originally purchased the home.

Full repayment of the HOME funds is required when a resale occurs during the affordability period or the homeowner no longer occupies the home as their principal residence. However, if there are no net proceeds or insufficient proceeds to recapture the full amount of HOME funds invested, the amount subject to recapture will be limited to what is available from net proceeds (net proceeds are the sales price minus superior loan repayments and any closing costs).

Once the HOME funds are repaid, the property is no longer subject to any HOME restrictions. Recaptured funds must be used to carry out HOME eligible activities in accordance with the HOME guidelines and are not considered proceeds.

#### **F. APPLICATIONS**

Community Development will accept applications for First-Time Homebuyers on a first come, first served basis until all funds are committed.

The Application Package will include a cover letter, application and a brochure giving a general outline of the program. Information included in the application includes property data, financial information, household information, tax data, outstanding financial obligations, etc.

1. PRELIMINARY REQUIREMENT: The applicant must have an executed Contract of Sale and loan pre-approval with a FICO Score of at least 620 at the time of application
2. APPLICATION REVIEW: Upon receipt of a completed application, the application will be time stamped and forwarded to the Housing Program Manager to review for completeness and determine a preliminary eligibility based on

information received. If eligible, the application will be forwarded to the Loan Processor to request interview and verify eligibility of applicant. If it is apparent the applicant will not qualify for assistance, a denial letter will be mailed.

#### **G. FINANCIAL INTERVIEW**

The Loan Processor will contact the applicant and schedule an interview. A letter confirming the appointment will be mailed including a list of required documentation.

During the interview process, the Loan Processor will have the applicant and each adult in the household earning income sign a release form authorizing the city to verify all sources of income and assets. Each adult in the household must also supply their social security cards and driver's license. Per HUD and EPA requirements a pamphlet entitled "Protect Your Family from Lead in Your Home" will be given to the homeowner.

Income Eligibility will be determined based on income and household size per the HUD Part 5 Definition of Income, same as previously outlined in the Housing Rehabilitation section of this manual under the Application Eligibility Analysis Section.

If the applicant does not appear to be eligible a denial letter will be sent. If the applicant does appear to be income eligible, he/she will be advised to contact a HUD Certified Housing Counselor to schedule their Housing Counseling Session.

#### **H. LOAN APPROVAL**

Once the Housing Program Manager determines the applicant is eligible, the Loan/Grant Processor will communicate with the potential lender to ensure all program requirements are understood. The applicant will be asked to sign an Information Release form, which will allow the City of Canton to obtain documents third party.

The applicant will be required to be pre-qualified for a mortgage, have received housing counseling, and have executed a Contract of Sale prior to executing a HOME Written Agreement and receiving assistance from the city of Canton.

Funds will be disbursed from the HOME Program account in accordance with City procedures and federal and state regulations. These procedures and regulations are designed to assure that approved funds are properly expended on eligible homebuyer's costs, and are summarized as follows:

1. LIEN: A lien will be placed on the property and recorded with the Stark County Recorder to assure the First Time Homebuyer Program deferred loan is repaid in the event of a default under the loan terms and conditions during the loan's affordability period.

2. PAYMENTS: All payments will be made in accordance with the City's voucher payment procedures and will require proper verification and certification.
3. CLOSING: At the closing, prior to disbursement of the City check, the closing agent must provide a signed HUD-1 form, and a Title Insurance Binder.

The application, loan approval process, and the scheduling of a closing date can be estimated to take 6-8 weeks.

#### **I. LENDER PARTICIPATION**

The City of Canton First Time Homebuyer DPA Program solicits participation from local lenders who have an interest in assisting low income first time homebuyers. The City meets periodically with lenders to explain the program and discuss procedures, requirements, eligibility criteria, as well as the lender's role in the process. The City staff will develop an understanding of the products the lender offers, and how decisions are made.

Lenders are encouraged to provide below market interest rates and are required to provide thirty (30) year fixed rate mortgages. Adjustable rate mortgages will not be considered.

First time homebuyers are not required to utilize a participating lender but all lenders will have to meet all the requirements of the program.