

Town of Brattleboro, Vermont
Rental Housing Improvement Program
Policies and Procedures

A. GENERAL GUIDELINES

The Town will allocate \$100,000 of Program Income or other community development repayment funds to establish the Rental Housing Improvement Program (RHIP) for the purposes laid out below. The Loan Manager and Loan Review Committee will be responsible for management of the program. The Loan Coordinator will have limited access to office equipment and supplies. The Town Finance Department will service the loans by holding and disbursing funds, collecting payments and issuing reports as needed.

B. POLICIES

I. Purpose:

The Rental Housing Improvement Program (RHIP) is a local source of low-interest funds to help upgrade or maintain affordable rental housing. The cost and requirements of conventional credit often make it difficult for property owners to improve existing housing for low-income individuals and families or people with special needs. The result is a housing market that places these groups at risk. The primary goal of the RHIP is to maintain affordable rental housing in Brattleboro.

II. Objectives:

The principal objectives of the RHIP are:

- a. To stimulate investment in the creation, rehabilitation, and preservation of affordable rental housing
- b. To improve its safety and energy efficiency
- c. To stabilize the housing mix and prevent community blight.

III. Eligibility Requirements:

In order to be eligible for assistance, an applicant must meet the following eligibility requirements:

- a. Loans will be made for work on existing rental properties or on homes located in the Town of Brattleboro where accessory apartments are proposed.
- b. The applicant(s) must be the owner(s) of the property.
- c. Properties may be owned by private owners or non-profit organizations.
- d. Tenants in a building to be assisted must have written rental agreements that conform to Vermont State law.
- e. At least 51% of the rental units in the building must be occupied by low or moderate income households as defined at the time the loan is approved by the U.S. Department of Housing and Urban Development (HUD). If Program Income is not being used, a two- or four-unit building will be eligible if 50% of

the tenants meet the income guideline. Tenants' income eligibility will be established at the time an application is filed and when a lease is signed by a new tenant. (If the income of a tenant originally counted as low or moderate income rises beyond that limit during the course of the project, the project's eligibility will not be affected.)

- f. To be eligible, an owner must be current with all taxes on Brattleboro property s/he owns or has an interest in. The entire property must be in compliance with local zoning requirements and either in compliance with applicable building, fire and health codes, or intending to use the RHIP loan to come into compliance. Evidence of ownership must be documented.
- g. All prior Rental Housing Improvement Program loans must be paid off at closing before a new loan is awarded.

IV. Eligible Activities/Expenses:

Activities eligible for assistance through the RHIP are:

- a. Bring the property into compliance with applicable codes (see III. f.)
- b. Create or rehabilitate rental units in an existing building
- c. Repair or improve the structure
- d. Improve infrastructure (electrical, plumbing, septic, etc.)
- e. Improve energy and utility system
- f. Modify accessibility
- g. Reduce lead paint
- h. Abate asbestos
- i. Other activities the Loan Review Committee deems eligible

V. Ineligible Activities/Expenses:

RHIP funds shall not be used for

- a. Acquisition of property
- b. Debt service
- c. Reimbursement for expenses already incurred
- d. Operating expenses, including routine maintenance
- d. Projects which would create a conflict of interest for any person involved in the administration or decision-making process of this program

VI. Lending Documents:

In addition to complying with the eligibility requirements set forth above, applicants must submit:

- a. A detailed description of the proposed work and an established contractor's detailed estimate of costs
- b. A total project budget enumerating and detailing all sources of funding, respective amounts and specific uses
- c. Copies of current rental agreements at the property and an account of the property's income and expenses (including the past two years' Schedule E or Form 8825)

- d. Copies of the owner's federal tax returns for the past two years
- e. Evidence of other funding committed to the project
- f. Personal credit report, no older than six months
- g. An energy audit is required to be performed for any loan funds being used to repair, replace, or upgrade heating, ventilation, or air conditioning (HVAC) equipment. The audit may be performed by SEVCA if the applicant is eligible, or the cost of a private audit may be rolled into the loan amount.

False or misleading information in any part of an application shall be considered grounds for immediate cancellation of a loan agreement.

If the rehabilitation project involves more than seven units and is funded with Program Income, the property owner must ensure that Davis-Bacon wage rates are paid in accordance with Vermont Community Development Program guidelines.

Any work in a property or district that is listed on the National Register of Historic Places must follow the Secretary of the Interior's *Standards for the Treatment of Historic Properties*.

The following criteria will then guide the selection of projects for funding:

- h. The scope of improvement that will be accomplished (including for residents with special needs)
- i. The practicality of the project and the capabilities of the applicant and contractor(s)
- j. The applicant's credit history
- k. The applicant's investment in the property (including at least 20% equity)
- l. The number of rental housing units owned by the applicant or, if the applicant is a corporation, by the principal or principals in the corporation (particular consideration will be given to applicants owning seven or fewer units)

VII. Affordability Requirement:

Borrowers will be required, as part of the loan agreement, to commit themselves and any successor to rent some or all of the units in the assisted building at rents affordable to low or moderate income households for five years or the duration of the loan, whichever term is longer. The number of units to be regulated will be determined by the Loan Review Committee, taking into account the size of the loan, the level of rents and the number of units benefiting from the work.

"Affordable" rent is defined by this project as conforming to the following limits for rent and all utilities (adjusted annually from the base year 2006 based on the change during the preceding year in the overall Housing component of the "Consumer Price Index for all Urban Consumers").

<u>Efficiency</u>	<u>1 bedroom</u>	<u>2 bedroom</u>	<u>3 bedroom</u>
626	709	892	1,043

Current limits are listed in the brochure for the program.

VIII. Loan Amount and Terms:

The following criteria govern the loan amount and terms:

- a. Loan amounts will range from \$3,000 to \$25,000
- b. The term of the loan will not exceed ten years. No loan will be written that would have a monthly payment of less than \$75
- c. A Loan and Security Agreement, Corporate Promissory Note, Individual Promissory Note, Personal Guaranty, and Mortgage Deed shall be duly executed and filed, as applicable, on the day of closing. An Individual Promissory Note is required by any person owning 20 percent or more of the property.
- d. The interest rate of the loan shall be set at fifty percent (50%) of the Prime lending rate, as reported in the Wall Street Journal at the time of approval of the loan by the Loan Review Committee, but no less than three (3) percent.
- e. If the property used to secure the loan is refinanced, the Loan Review Committee will review the terms of the loan and the Committee reserves the right to renegotiate the terms of the loan or require its payoff at that time.

IX. Loan Review Committee Membership:

The Committee shall have a maximum of seven members consisting of at least:

- a. One member of the Selectboard
- b. The Town Planning Director
- c. The Finance Director
- d. One representative of the Brattleboro Area Affordable Housing Corporation
- e. One housing underwriter
- f. One landlord

The Town Grants Manager will serve as staff to the Committee. The Loan Review Committee shall review loan applications and make decisions regarding their eligibility and funding. The Committee will then make recommendations to the Selectboard for its action.

A Loan Coordinator shall be appointed for a two-year term by the Selectboard and will not act as a representative of any group. The Loan Coordinator will, on a volunteer basis, coordinate outreach efforts, guide landlords through the application process, conduct a preliminary inspection of the property, and serve as advisor to the Loan Review Committee.

Technical advisors with construction experience may serve as ad-hoc volunteers for the program. They will be available to inspect the site, review the proposed work with the applicant, and advise the Loan Review Committee. Technical advisors must be well versed in all applicable State codes.

X. Loan Review Committee Procedures:

All meetings of the Loan Review Committee will be conducted according to *Robert's Rules of Order*. Voting shall adhere to the following procedural policies, consistent with *Robert's Rules of Order*.

- a. In order for an action to be official, approval must be registered by a majority of the duly appointed members,
- b. Absentee or proxy voting shall not be allowed, as the right to vote is limited to the members actually present at the time the vote is taken in a legal meeting.

XI. Confidentiality:

The applicant's credit references, Personal Financial Statement and individual income tax returns (IRS Form 1040) will be made available only to the Loan Coordinator and the Credit Subcommittee appointed by the Loan Review Committee. The Subcommittee will advise the Committee concerning the applicant's creditworthiness.

Once the Committee has finished considering the application, copies of those documents will be destroyed. The originals will be retained in the Finance Department files but sealed from public view (as provided by 5 VSA §317 [6] [7]).

XII. Program Modification:

The Loan Review Committee may see the need to adjust elements of the program to reflect current conditions presented by applicants or by the Town. Any changes shall be recommended to the Selectboard for approval.

XIII. Program Evaluation:

The Selectboard will periodically evaluate the RHIP, with recommendations from the Loan Review Committee and Town staff

C. PROCEDURES

I. Application and Application Review Procedures:

The following procedures govern application and review of loan materials:

- a. To initiate a loan request, a prospective applicant must submit a simple preliminary application to the Loan Coordinator.
- b. The Coordinator will decide whether the applicant and project conform generally to the RHIP goals and eligibility criteria. If they do, the applicant will be asked to submit a full application with an application processing fee of \$25.00,
- c. The Loan Coordinator, along with a Technical Advisor, will normally meet the applicant at the site to review the project's plans and budget.
- d. The full application will be checked by the Loan Coordinator for completeness and eligibility. The Coordinator will also check with Town officials regarding the property's status with respect to fire, health and zoning requirements, and Town taxes. The application will then be forwarded to the Loan Review Committee.

II. Loan Review Committee Review of Applications:

The following procedures govern the Loan Review Committee review of the loan materials:

- a. The Loan Review Committee shall meet as needed to review and act on loan applications. A quorum shall consist of a majority of the duly appointed members. It is required that the applicant or its agent attend the meeting,
- b. If the Committee deems that additional information is required before acting on an application, this information shall be requested from the applicant and submitted to the Committee.
- c. During its review, the Committee reserves the right to adjust the loan amount and set the terms of the loan. The applicant will be notified by the Loan Manager of any adjustment.
- d. Upon completion of its review, the Committee will vote whether or not to approve the loan request. If the loan request is approved, the Committee shall submit a recommendation to the Selectboard for its action. If not approved, no recommendation will be forwarded to the Selectboard.
- e. The applicant shall be notified in writing of the Committee's decision.

III. Selectboard Action:

- a. A loan application shall be scheduled for and considered at the next Selectboard meeting following receipt of the Loan Review Committee's recommendation. It is required that the applicant or its agent attend the Selectboard meeting.
- b. The applicant shall be notified in writing by the Loan Manager of the Selectboard's decision.

IV. Closing of the Loan and Disbursement of funds:

- a. If the loan application is approved by the Selectboard, a date for closing shall be set by the Town. No closing shall take place until all conditions contingent to closing have been complied with.
- b. Loan documents to be executed and duly filed at closing shall include a Loan and Security Agreement, Corporate Promissory Note, Individual Promissory Note, Personal Guarantee, and Mortgage Deed.
- c. The Loan Agreement shall include the maximum rent then allowed for each apartment, and deadlines for the full start and completion of the work. These deadlines must be adhered to unless the Loan Manager has agreed in writing to a revised schedule,
- d. Disbursement of loan funds shall be made in two payments subsequent to closing, with at least 15% of the loan amount retained as the second payment. The second check will be issued contingent on final inspection and documentation of project completion. The check will be made out to the applicant.

V. Monitoring of Assisted Projects:

Frequency of monitoring will be determined by the nature and scale of the project. An initial inspection of the project site will be conducted by the Loan Coordinator as part of the application review process. The project must pass a final inspection by the Loan Coordinator before the second loan payment is authorized. Interim inspections may be conducted by Technical Advisors or by the Town Fire Inspector.

VI. Monitoring of Rents:

The borrower will be required to report to the RHIP any change in rent or utility charges. That information may be verified by a questionnaire to tenants.

VII. Right of Appeal:

An applicant whose request for RHIP funds has not been approved by the Loan Review Committee may appeal this decision in writing to the Loan Review Committee no later than one week after notification. Pursuant to the Town Charter, the actions of any Town committee may be appealed to the Selectboard.

Last adopted: September, 2010

Richard DeGray Chair _____

Christopher Chapman, Vice Chair _____

Dora Bouboulis, Clerk _____

Ken Schneck _____

David Gartenstein _____

Adopted by the Brattleboro Selectboard on the _____ day of October 2011.