

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

Housing Opportunity Fund

HOMEOWNER ASSISTANCE PROGRAM

Program Guidelines

10/11/2018

**Housing Opportunity Fund (HOF)
Homeowner Assistance Program (HAP) Guidelines
October 11, 2018**

**URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
DEPARTMENT OF HOUSING**

I. PROGRAM OBJECTIVE

The main objective of the Housing Opportunity Fund Homeowner Assistance Program (HOF HAP) is to provide financial and technical assistance to eligible homeowners for rehabilitating and improving residential owner-occupied properties citywide. Through HOF HAP, the Urban Redevelopment Authority (URA) provides deferred 0% interest loans and grants to assist low income homeowners in bringing their homes into compliance with city codes and to undertake energy efficiency improvements and eligible general property improvements.

The funds will be deployed in one of two ways:

1. The URA will grant/lend the funds directly to the homeowners.
2. The URA will issue a Request for Proposals (RFP) to solicit non-profit Program Administrators to administer a portion of the program. The URA will enter into contracts with the Program Administrators and reimburse them for costs incurred on a per house basis. In such cases where a Program Administrator is involved, the URA still records a mortgage on the property. Program Administrators will need to apply and be awarded a contract for specific geographic areas, which may be neighborhood-based or as large as the whole City. The URA will directly service homeowners who are not in the service areas of Program Administrators or in areas where the need exceeds the capacity of Program Administrators. The HOF HAP Program is only for City residents.

II. PROGRAM FUNDING

The following funding sources may be utilized to stimulate the rehabilitation of single family owner-occupied housing under the HOF HAP:

- A. HOF funds which come from the City of Pittsburgh's annual operating budget.
- B. Federal appropriations such as, but not limited to, the Community Development Block Grant (CDBG) Program and Home Investment Partnership (HOME) Program funds from the U.S. Department of Housing and Urban Development.

- C. Funds received by the Urban Redevelopment Authority from the Commonwealth of Pennsylvania designated for the rehabilitation and improvement of owner-occupied housing.
- D. Funds received from philanthropy and/or other private organizations/companies.
- E. Revolving loan repayments from loans previously funded with any of the above sources.

III. ELIGIBLE BORROWERS

Borrowers receiving loans under HOF HAP must meet the following requirements:

- A. Each Borrower must be an owner occupant of the property to be improved.
- B. The annual gross household income of the Borrower may not exceed 30%, 50%, and/or 80% of the Pittsburgh Area Median Income with adjustments made for family size. Each year an allocation plan will authorize how much funds are available at each income threshold. Please note that Borrowers above 50% AMI but below 80% AMI are eligible for the URA's Pittsburgh Home Rehabilitation Program (PHRP). The HOF HAP funds available at 80% AMI will be used for gas line repair, water line repair, or another emergency that is approved by the URA Appeals Committee.
- C. Determination of the Borrower's annual income shall be based on current income projected from the date of application. Annual income should be based on the gross income from all sources before taxes or withholding from all household members who are not minors or full-time students. The most recent federal income tax form will also be required to verify the applicant's income history. For Borrowers working with a program administrator, the program administrator will underwrite the Borrower's income and send a determination of income eligibility to the URA with appropriate documenting material. For Borrowers working directly with the URA, the URA will underwrite the income.
- D. The Borrower must hold a fee simple or life estate interest in the property. In the case of a Borrower who is a holder of a life estate, both the Borrower and seller must sign a mortgage and note.
- E. The Borrower must not have any outstanding City, School, and County real estate taxes or the Borrower must be on a payment plan for at least six months.

- F. The Borrower must have a current homeowner insurance policy for the property or apply for a program waiver to the URA Appeals Committee.
- G. Loans may be made to a Borrower owning less than a full interest in the property so long as such owner has one-half (1/2) or more interest in the title of the property. In this instance, the signatures of all individuals with an ownership interest in the property will be required on the closing documents.

IV. ELIGIBLE PROPERTIES

- A. Each property must be a permanent structure used primarily for year-round residential use. If the property to be improved is vacant, the Borrower must certify in writing prior to closing their intent to occupy the property within thirty (30) days of work completion.
- B. Eligible properties cannot contain more than two (2) connected dwelling units.
- C. Properties financed under HOF HAP must be the principal residence of the Borrower.
- D. Each property must comply with Environmental Review regulations and procedures required by the federal government and the Commonwealth of Pennsylvania. Reference HUD Environmental Review Procedures (24 CFR Part 58).

V. ELIGIBLE AREAS

Properties must be located within the City of Pittsburgh.

VI. LOAN TYPES AND REPAYMENT

- A. For construction work equal to or less than \$5,000, the funds will be in the form of a grant.
- B. For construction work greater than \$5,000 but equal to or less than \$30,000, the funds above \$5,000 will be in the form of a deferred loan.
- C. The deferred loan may be in the form of a first or second mortgage loan recorded by the URA.

- D. The deferred mortgage loan is payable on the earlier of 30 years from the date of closing or on sale or other transfer of the property from the Net Proceeds of sale. Net Proceeds will be determined by deducting the following items from the gross sales price of the property:
- E. Prior to closing the loan, the URA and/or the Program Administrator commissions an As-Is Appraisal, or another written estimate of value, to determine the current Market Value of the House.
- F. In the event of the sale or other transfer of the Mortgaged Property prior to the expiration of 30 years from the date on the Note, 100% of the Net Proceeds from the sale or transfer shall be paid to the Authority until the Note is paid in full. "Net Proceeds" shall be calculated by deducting the following amounts from the gross sales price or fair market value of the Mortgaged Property:
 - 1. Real estate sales commission, realty transfer taxes, financing fees and ordinary closing costs payable by Borrower on sale of the Mortgaged Property; and
 - 2. The outstanding principal balance of the loan of the first mortgage loan (if applicable);
 - 3. Borrower's equity in the house which is defined as the difference between the As-Is Appraised Value (commissioned at the Loan Closing) and the first mortgage outstanding principal balance at transfer.
- G. The total amount payable by Borrower under the preceding paragraphs shall never exceed the face amount of this Note.
- H. To the extent that the Net Proceeds are less than the outstanding principal balance of this Note, the remainder shall be forgiven.
- I. If allowable under the terms of the funding source, the URA may approve on a case by case basis the sale or transfer from the Borrower to an income eligible purchaser underneath 80% AMI who agrees to reside in the property and assume the deferred loan.

VII. FUNDING TERMS, LIMITS AND OTHER REQUIREMENTS

- A. URA and/or Program Administrators will underwrite all loans and grants.
- B. All loan closings will be performed by URA staff and/or Program

Administrators. The loan agreement, note, and mortgage will be recorded in the name of the Urban Redevelopment Authority.

- C. In the event the Borrower vacates the property, the unpaid balance of the loan, will be due in full.
- D. The maximum total project cost for construction is \$30,000. Grants will be awarded up to \$5,000. Loans will be given from \$1,000 to \$25,000 for work above \$5,000.
- E. There is a \$500.00 URA Inspection Services fee for each property. The owner can finance the fee as part of the loan and/or grant.
- F. The maximum loan term is thirty (30) years.
- G. A loan may be assumed with the prior written permission of the URA. Proposed assumptions will be reviewed and approved by a URA Committee on a case by case basis.
- H. When the loan becomes due in 30 years, if a low-income homeowner still lives in the house, the loan may be forgiven at that time.
- I. Each loan will be secured by a mortgage on the property being rehabilitated and will be originated in the name of the URA as mortgagee.
- J. In the event of a default on the loan by the Borrower, the URA reserves the right to foreclose.
- K. All taxes and city assessments, within reason, against the Borrower's property are either due and payable prior to the closing of the loan or the Borrower must be on a payment plan for at least six months without defaulting.

VIII. ELIGIBLE AND REQUIRED IMPROVEMENTS

- A. As a condition of such loans, the Borrower will be required to undertake all improvements necessary to remedy the conditions presenting a danger to the health and safety of the occupants of the property. The URA (sometimes with a representative of the City's Department of Permits, Licenses, and Inspections) will conduct an inspection of each property identifying code violations and conditions presenting a danger to health and safety. Improvements necessary to remedy these conditions are to be included in the scope of work to be financed with the loan. In the event the scope of work exceeds the \$30,000 maximum program threshold and the homeowner

is unable to finance the remaining portion of the work, the loan may be denied.

- B. The HOF HAP Program may be used to finance any general property improvement eligible for financing under the Federal Housing Administration Title I Program. Limits may be established for general improvement items to be financed including, but not limited to, flooring, kitchen cabinets, bathroom fixtures and decks.
- C. Priority use of loan funds will be initial code violations, energy related improvements and finally general property improvements.
- D. Work started prior to URA approval and inspection will not be eligible for loan funds.
- E. Work proposed for a building listed in the National Register of Historic Places or located in an historic district listed in or eligible for the National Register, or for a building determined by the City's Historic Preservation Planner to be eligible for listing in the National Register, shall be reviewed by the City's Historic Preservation Planner to ensure that it conforms to the Secretary of the Interior's Standards for Rehabilitation. Any exterior work proposed for a building designated by the City as an historic structure, or located in a City-designated historic district, must first be reviewed by the Historic Review Commission of the City of Pittsburgh.

IX. INSPECTION AND BIDDING PROCEDURES

All properties rehabilitated under HOF HAP are subject to inspections by the URA.

- A. The URA Construction Advisor will conduct an initial inspection of the property and a certified Risk Assessor will inspect the home to determine the level of lead hazards in the home. Either the URA construction advisor or a private program administrator will prepare a work write-up which identifies code violations and conditions presenting a danger to the health and safety of the occupants including lead hazards. The work write-up can also include energy efficiency and general property improvements.
- B. The URA will review the work write-up to determine a fair and equitable cost of the proposed improvements.
- C. Approved work write-ups will be subject to a competitive bidding process administered by the URA or subject to the URA review of the private program administrator's proposed construction costs.

- D. The Borrower may elect to forego the URA bidding process by obtaining his or her own contractor meeting the requirements of Section XI of these guidelines. In the event the Borrower waives the bidding process, the chosen contractor(s) is/are bound by all relevant payment and inspection procedures imposed by the URA.
- E. The URA Construction Advisor will conduct on-site stage inspections at the time the contractor and/or the program administrator requests payment for work completed. The URA will make payments directly to the contractor and/or the Program Administrator based on work completed and an approval by the Construction Advisor and the Borrower. If a Program Administrator is being used, the Program Administrator will make payments directly to the contractor and the URA will reimburse the program administrator.
- F. At the time the work is completed, a final inspection is made by the URA Construction Advisor. A Senior Construction Supervisor or Manager may also inspect the property. If necessary, a City Department of Permits, Licenses, and Inspections advisor may also perform an inspection of the completed work.

X. PAYMENT PROCEDURES

Contractors/Program Administrators must request payments on the proper URA form(s), duly signed and approved by the Borrower, for a specified dollar amount. No request for payment will be processed unless the amount of work completed is equal to or greater than the dollar amount applied for according to the URA's contractor payment schedule.

Final payments will not be released until all required permits have been approved.

XI. CONSTRUCTION STANDARDS

All properties rehabilitated under the HOF HAP must comply with all relevant codes of Allegheny County and the City of Pittsburgh, comply with the General Specifications of the URA's Housing Rehabilitation Programs and HUD's Lead Safe Regulation (24 CFR Part 35). All contractors, including construction staff of Program Administrators, shall:

- A. Meet all licensing requirements necessary to perform the construction.
- B. Be of good reputation, financially sound and fully qualified to perform the required work outlined in the work write-up as evidenced by previous professional construction experience.

- C. Provide insurance coverage for comprehensive public liability, property damage liability and worker's compensation in form and amounts required by the URA.
- D. Perform all work covered by the work write-up and drawings in conformance with the contract and all applicable laws, codes and URA construction standards, and in a competent, workmanlike manner equal to the standards of the General Specifications of the URA.
- E. Comply with all applicable laws, ordinances and regulations relating to the protection and safety of persons and property.
- F. Furnish all labor, materials and equipment and obtain and pay for all licenses, permits and privileges required to rehabilitate the property in accordance with the contract documents.
- G. Agree to complete construction according to the specifications of the work write-up within the completion date stated on the agreement.
- H. Indemnify and hold the URA harmless from all liability and loss due to injury to or death of any person, or damage to any property which may occur or be alleged to occur during performance of the contract as a direct or indirect result of any act or omission, whether intentional, negligent or otherwise by the contractor, subcontractors or their agent, servants and employees. The contractor shall defend all suits or claims involving the above at his or her sole cost and expense.
- I. If the homeowner is required to complete lead hazard reduction work, the work must be performed by a certified Lead Abatement Contractor.

XII. APPEALS COMMITTEE

The URA will establish an Appeals Committee whose purpose is to review HOF HAP Program Guideline(s) waiver requests and loan assumption requests. The Appeals Committee will recommend approval or disapproval of the loan applicant's request to the Director of the Housing Opportunity Fund. The Director of the Housing Opportunity Fund. can choose to accept or reject the recommendation of the Appeals Committee.

XIII. TANGLED-TITLE AND FORCLOSURE PREVENTION SERVICES

In each allocation year, funding may be available for social service providers to apply for funds to help potential Borrower's address tangled-title issues and/or provide foreclosure prevention services. Funding for tangle-title and foreclosure prevention

services will be limited to 15% of the total allocation for the program in any given funding year. Social service providers must respond to a funding Request for Proposals on an annual basis and specify the number of households they will help at both the 30% AMI and 50% AMI thresholds

XIV. PROGRAM ADMINISTRATOR RESPONSIBILITIES AND PROGRAM DELIVERY FEE

- A. Either the URA or the Program Administrator will determine homeowner eligibility based on documentation verifying homeowner income. The URA and Program Administrator will determine who will evaluate the income prior to the Program Administrator entering into a contract with the URA.
- B. The Program Administrator will coordinate property inspections with the URA Construction Advisor and certified Risk Assessor. The Program Administrator will prepare a work write up for URA review with a scope which addresses all health and safety issues, code compliance, and other eligible improvements. Approved work write-ups may be subject to a competitive bidding process or, if renovation will be performed by the Program Administrator, will be subject to the URA review of the Program Administrator's proposed construction costs.
- C. The Program Administrator will facilitate loan closings between homeowners and URA.
- D. The Program Administrator will oversee all contractors, including Program Administrator's construction staff, and insure all licensing, certifications (including lead safe work practices, if applicable), permitting, and insurance requirements are met, and work is performed on a timely basis consistent with contract and drawings.
- E. The Program Administrator will pay the contractor for work complete and request reimbursement from URA.
- F. Program delivery funds may be provided to non-profit Program Administrators for reasonable and necessary program delivery expenses including appraisal fees and other program delivery expenses such as an allocation for staff time.
- G. Program delivery funds must not exceed 10% of the overall loan/grant for each unit.
- H. Program delivery funds will be budgeted per property and paid to the Program Administrator on completion of a property.
- I. If lead-based paint testing and/or asbestos testing needs done, the Program Administrator should work with the URA to have this testing done. Within reason, the URA will pay for the cost associated with the lead-based paint testing, asbestos testing, and/or historic preservation compliance.

XV. CERTIFICATIONS

In accordance with 24 CFR Part 8, the Authority certifies its compliance with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended on June 2, 1988.

XVI. NON-DISCRIMINATION CERTIFICATION

The Urban Redevelopment Authority of Pittsburgh abides by all applicable laws and regulations regarding nondiscrimination and refrains from discriminating on the basis of age, race, color, religious creed, ancestry, national origin, sex, sexual orientation, gender identity, gender expression, political or union affiliation, and/or disability. No person shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination solely on the basis of any of the above factors under the loan and grant programs operated by the Urban Redevelopment Authority of Pittsburgh.