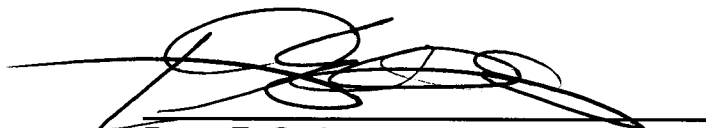


**RESOLUTION BY THE BOARD OF ALDERMEN  
OF THE  
CITY OF NEW BERN**

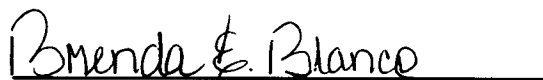
BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF NEW BERN:

That the documents entitled "City of New Bern Community Development Block Grant (CDBG) Minor Rehabilitation Program," a copy of which is attached hereto and incorporated herein by reference, is hereby adopted and approved, and the Mayor is hereby authorized and directed to execute the same for and on behalf of the City.

ADOPTED THIS 24<sup>th</sup> DAY OF FEBRUARY, 2015.



Dana E. Outlaw  
MAYOR



Brenda E. Blanco  
DEPUTY CITY CLERK

# CITY OF NEW BERN COMMUNITY DEVELOPMENT BLOCK GRANT HOUSING MINOR REHABILITATION PROGRAM POLICY AND PROCEDURES

The CDBG Minor Rehabilitation Program provides assistance to low and moderate income homeowners within the City of New Bern for repairs related to health and safety issues and weatherization for qualified homeowners. The program does NOT provide full rehabilitation of the home.

The Minor Rehabilitation Program is funded through the Community Development Block Grant (CDBG) program, administered by the United States Department of Housing and Urban Development (HUD). The City of New Bern receives funds from this program on an annual basis to implement housing and community development activities within the City of New Bern.

The level of assistance is limited solely to the cost required to address the specific repairs necessary to alleviate the immediate livability of the home or for weatherization of the home. The maximum amount of assistance per household is limited to \$10,000. Households receiving assistance under this program will not be eligible to receive future assistance from this program for a period of ten (10) years.

## **Purpose of the Program**

The purpose of the Minor Rehabilitation Program is to provide assistance to eligible households for repairs related to health and safety issues and weatherization. Eligible repairs may include the following areas:

- Roof Repair/Replacement
- Repair/Replace Damaged Windows
- Repair/Replace Insulation
- Repair/Replacement of Heating/Cooling Unit
- Repair/Replace Water Heater
- Repairs to Electrical System
- Minor Floor Repairs
- Plumbing Repairs
- Connection to Existing Public Water/Sewer System
- Replacement/Installation of Smoke Detectors/ Carbon Monoxide/Radon Detectors
- Weatherization and related repairs
- Handicap Accessibility Improvements (ramps, etc.)

**Ineligible** repairs include, but are not limited to, work on buildings other than the primary residence (ex. sheds, detached garages, barns), repair or replacement of non-essential items (swimming pools, hot tubs, painting, etc.), and work that is cosmetic in nature.

If the cost of repairs to bring a house into compliance with the City's Minimum Housing Code exceeds the \$10,000 cost ceiling, the house will be determined to be ineligible.

The program will not provide full rehabilitation of the home and will not provide relocation of a family to another residence.

## **TYPE AND TERMS OF ASSISTANCE**

The program will provide up to \$10,000 in CDBG funds per home for eligible minor repairs. The City reserves the right to exceed \$10,000 per home on a case-by-case basis, upon approval of the City Manager.

Any project for which the cost of repairs does not exceed \$2,000.00 will be processed as an **unsecured**, no-interest loan, forgiven after one (1) year. The loan will be secured by a Promissory Note and a Deed of Trust.

Assistance over \$2,000 will be in the form of a **secured**, no-interest loan, forgiven at a rate of \$2,000 per year. The loan will be secured by a Promissory Note and a Deed of Trust filed as a lien against the property. The Deed of Trust must be signed by **ALL** property owners and will be filed with the Craven County Register of Deeds.

Any change orders that result in a change to the cost of the repairs will necessitate modification to the Promissory Note and Deed of Trust.

In the event that an owner-occupant sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable. If the owner-occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the City, to assume the loan at the original rate and terms of the loan. If the owner-occupant dies and the heir is not income eligible, the loan is due and payable.

An applicant may apply for assistance anytime applications are being accepted. An applicant may be awarded assistance through this program only one time in a ten-year period.

## **USE OF CDBG PROGRAM INCOME**

All income received from recapture of CDBG deferred payment loans made by the City of New Bern will be considered as CDBG program income and will be returned to the CDBG fund for use on eligible CDBG activities.

## **ELIGIBILITY STANDARDS**

### **INCOME:**

Assistance is provided to those applicants who meet low and moderate-income standards as mandated by the Department of Housing and Urban Development (HUD). These guidelines are updated by HUD at least annually. The program will use the guidelines in effect at the time of homeowner's application. The guidelines in effect will be attached to the application package.

Income eligibility for the program is based on the total gross annual income for the household size in accordance with HUD's income standards for Craven County (80% of the area median household income).

Income is defined as the gross amount, before any deductions have been taken, of income that is anticipated to be received by all household members during the upcoming twelve (12) months. This is based on the gross income received in the previous 12 months. Income must be verified within six (6) months of the date assistance is provided.

Sources of income used in determining gross annual household income are as follows:

1. All wages and salaries, overtime pay, commission, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions). Employment income must be verified by a third party.
2. Net income from operation of a business. This income is defined as the higher of either current year-to-date net income (proven through bank statements) or the highest net income shown on any of the last three (3) years' Federal Income Tax Returns with all schedules and attachments. Net income is defined as gross income plus depreciation, plus amortization, plus deductions for use of a home, plus deductions.
3. All gross periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump sum payment for the delayed start of a periodic payment. Proof of income must be verified by a third party (the agency issuing the payments).
4. Payment in lieu of earnings, such as unemployment, worker's compensation, severance pay and welfare assistance. Lump sum payments under health and accident insurance such as worker's compensation are excluded. Must be verified by a third party.
5. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling to the extent that such payments are reasonably expected to continue. Must be verified by a third party.
6. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the family, spouse or other person whose dependents are residing in the unit. Must be verified by a third party.

**EXCEPTIONS:**

1. Income of household members, other than the property owner(s), under the age of 18 or full-time students under the age of 25 is not counted.
2. Payments received for the care of foster children. Foster children will not be used in determining the number of persons in the household.

3. Lump-sum additions to family assets, such as inheritance, insurance payments (including lump sum payments under health and accident insurance and worker's compensation), capital gains and settlement for personal and property losses.
4. Payments that are specifically for, or in reimbursement of, the cost of medical expenses.
5. Income from a live-in aide. (A live-in aide will not be used in determining the number of persons in the household.)
6. Amounts of education scholarships paid directly to the student or the educational institution and amounts paid by the government to veterans for use in meeting the costs of tuition, fees, books and equipment. Any amounts not used for these purposes are to be included as income.
7. Special pay for household member serving in the Armed Forces who is exposed to hostile fire.
8. Amounts received under HUD-funded training programs or received under a public assistance program that are specifically for out-of-pocket costs made solely to allow participation in a specific program.
9. Temporary, non-recurring or sporadic income.
10. Lump sum payments of SSI and lump sum payments of Social Security benefits, or the value of the allotment provided under the Food Stamp Act of 1977.

### ***Federal Income Tax Returns***

All household members and all persons shown on the title shall be required to provide a copy of their Federal Income Tax Return for the most recent calendar year. The tax return will be used as a basis to verify gross income as well as household composition. If any individuals are exempt from filing a tax return, they will be required to provide an Exempt Tax Return Verification form (included with the application package.)

### **ADDITIONAL REQUIREMENTS:**

The following additional requirements must be met:

1. The residence must be located within the city limits of the City of New Bern.
2. Own and reside in the home. (The applicant must be listed on the deed.)

**(NOTE:** Property to which there is not a clear title (ex. heir property) may not be eligible for assistance unless ALL heirs can be located and agree to the assistance.)

3. Be current on property taxes. Any delinquent property taxes must be paid prior to assistance.

4. Be current on mortgage payments. Any delinquency must be paid prior to assistance.
5. Homeowners with liens against the property which exceed 50% of the value of the property, are **not eligible** to participate in the program. A first mortgage will not be included in this calculation.
6. Must have owned and lived in the home as the primary residence for the preceding year immediately prior to being qualified for participation in the program.
7. Persons who use their homes as rental property, in whole or in part, are **not eligible** to participate in the program.

## **MOBILE HOMES**

Mobile homes listed by the Craven County Tax Office as Personal Property are eligible for the Minor Rehabilitation Program only if the owner-occupant is also the owner of the property on which the mobile home is located. The maximum loan amount may not exceed the tax value of the property on which the mobile home is located.

Mobile homes recognized by the Craven County Tax Office as Real Property are eligible for the program and will be treated as other real property.

## **CONFLICT OF INTEREST**

There are special requirements for City employees, elected officials, and their relatives, which relate to conflicts of interest. These may include making public disclosure, review by the City Attorney, and submitting materials for review by HUD. In all cases where a potential conflict of interest exists, HUD will make a finding regarding the eligibility of the applicant. Assistance will NOT be provided unless approved by HUD. Resolution of a conflict of interest may add additional time to the eligibility process.

## **APPLICATION PROCESS**

Homeowners requesting assistance will request a Minor Rehabilitation Application packet through the City's Community Development Coordinator. The Community Development Coordinator is a member of the Development Services Department which is located at 303 First Street, New Bern. It will also be available for download on the Development Services Department website (<http://www.newbern-nc.org/departments/development/>).

The application packet will include a copy of the policies and procedures explaining the assistance process, an application for assistance and an income questionnaire.

The completed application and income questionnaire must be returned to the Community Development Coordinator with copies of the following information:

- Last three (3) statements of the following documentation for all persons in the household 18 years or older: pay stubs, bonuses, checking and savings accounts,

money market accounts, certificates of deposit dividends from stocks and bonds, IRAs, etc. For those individuals who receive income through Social Security, Veteran's Administration pension, etc., a statement from the office issuing the payments is required.

- Federal Income Tax Return from the most recent calendar year for each member of the household aged 18 and over. Individuals who are exempt from filing must provide the Exempt Tax Return Verification form included with the application.
- Deed to the property showing the applicant is the owner (for Mobile Homes, the applicant must also provide a copy of the title for the mobile home).
- Property tax valuation
- Proof that City taxes are paid and current
- Proof that the mortgage payments are paid and current
- Most current utility statements
- For members of the household who are under the age of 25 and are full time students, a certification from the educational institution will be required.

Assistance will not be considered until ALL required documentation has been provided.

## **PROCESSING OF APPLICATION**

The Community Development Coordinator will review the request for assistance and determine the household's eligibility. Applicants who are determined to not be eligible will be notified in writing.

If desired by the homeowner(s), applicants whose incomes also meet the criteria for assistance under the Weatherization Program offered by Coastal Community Action will be referred to them for possible assistance, so that assistance may be coordinated between the agencies.

Applications will be processed on a first come, first served basis. The administrative process to determine eligibility and release other administrative conditions may take in excess of 30 days.

## **ENVIRONMENTAL REVIEW**

Community Development staff prepares environmental documentation assessing the environmental eligibility of the rehabilitation project. This environmental review may take 30 days or more depending on the requirements for the environmental review.

## **LEAD-BASED PAINT**

For all houses built prior to 1978, steps must be taken to address lead hazards if surfaces containing lead-based paint will be disturbed. The steps to be taken will be determined by the Housing Rehabilitation Specialist and will depend on the level of assistance to be provided.

## **CONTRACTORS**

### ***CONTRACTOR REGISTRY***

The City of New Bern is obligated to ensure that quality work is performed at a reasonable price. We are also required to ensure the work is contracted in a fair, open, transparent, and competitive manner.

The Community Development Coordinator will solicit bids from local contractors who are part of a "registry of approved contractors."

To be on this registry, a contractor must complete an application form, listing several references and recent jobs completed. The contractor will then receive "conditional approval" from the City. Once the contractor has successfully completed one job for the City, their status will be upgraded to "approved." This means the contractor will be allowed to bid on a regular rotation as long as they remain in good standing. Contractors who have successfully completed rehabilitation work for the City through other grant programs are automatically on the registry and considered "approved."

A minimum of three (3) approved or conditionally approved contractors will be invited to bid on each job and the lowest responsive and responsible bidder will be selected for the contract. "Responsive and responsible" means the contractor is able to complete the work in a timely fashion, with the quality required by the city, and at a reasonable price (within 15% of the City's estimate of what the job should cost).

If more than three (3) qualified contractors are on the registry, solicitations will be sent to them on a rotating basis, so that all contractors have an opportunity to bid.

***Minority-Owned, Women-Owned and Section 3 businesses are encouraged to apply.***

### ***SECTION 3 CONTRACTORS (BUSINESS CONCERNS)***

Certified Section 3 Business Concerns will be afforded a 10% preference in awarding contracts. Contracts will be awarded to the qualified Section 3 Business Concern with the lowest responsive bid, if it is reasonable and no more than 10 percent higher than the bid of the lowest responsive quote from any qualified source. If no responsive quotation by a qualified Section 3 Business Concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.

For eligibility on becoming a Section 3 Business Concern, please contact the Community Development Coordinator at (252) 639-7586.



## **CONTRACTOR REQUIREMENTS**

Contractors will furnish the Coordinating Agency evidence of comprehensive liability insurance protecting the Owner for not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000) and THREE HUNDRED THOUSAND DOLLARS (\$300,000) in the event of bodily injury, including death, and FIFTY THOUSAND DOLLARS (\$50,000) in the event of property damage arising out of the work performed under the Contract; and evidence of Workmen's Compensation on all employees of himself and any subcontractor. The City of New Bern will be listed as an "additional insured" on all insurance.

Contractors will obtain all permits and licenses necessary for the completion and execution of the work and labor performed. The Contractor shall perform all work in conformance with applicable local codes and requirements whether or not so indicated in the Work Write-up.

Contractors shall pay all sales, consumer use, and other taxes required by law.

Contractors shall not assign this Contract without the prior written consent of the Owner and the City of New Bern.

Contractors will be required to provide a warranty for all work, materials, and labor for a period of one (1) year after the date of the Certificate of Final Inspection (five (5) years for new roofs).

## **REHABILITATION PROCEDURES**

### ***WORK WRITE-UP***

The Housing Rehabilitation Specialist will make an appointment with the homeowner to visit the house to make a detailed inspection and prepare a work write-up. All parts of the home must be made accessible, including the attic and crawlspace, if any. The owner should report any known problems such as electrical or plumbing problems, roof leaks and the like.

The Housing Rehabilitation Specialist will prepare complete and detailed work specifications. The homeowner's repair requests will be accommodated to the extent they are eligible and within the cost limitation, however, the Housing Rehabilitation Specialist, not the homeowner, will determine the eligibility of the repairs. If the homeowner or any other occupant requests the contractor to perform any work that is outside the scope of the work write-up, that additional work will be the financial responsibility of the homeowner.

For pre-1978 houses, a lead-based paint risk assessment will be performed if needed and steps taken to ensure the safety of all personnel as required by 24 CFR 35 and 40 CFR 745.

A final cost estimate will also be prepared and held in confidence until bidding is completed.

### ***BID PROCEDURE AND CONSTRUCTION START-UP***

The work write-up and other bid documents will be provided to a minimum of three contractors on the City's register of approved contractors. A pre-bid walk-through will be scheduled. *This will be mandatory for contractors wishing to bid on the project.* The contractors will have a specified amount of time to inspect the property and prepare their bid proposals. A list of the names of the contractors will be provided to the homeowner. Each contractor will need access

to those areas of the house in which the work is to be performed, so that he/she can prepare an accurate bid.

Bids will be opened in the Development Services Department at a specified time and date. All bidders and the homeowner will be invited to attend.

The bids will be reviewed and, assuming the lowest responsible bid is within 15% of the City's cost estimate, a contractor will be selected. The selected contractor and the homeowner will be notified. In the event the City rejects the bids, the homeowner and contractors will be notified and the work write-up will be reviewed, modified as necessary, and the project will be rebid, following the same procedures.

A pre-construction conference will be scheduled with the homeowner, the selected contractor and project staff. The details of the work to be performed will be discussed so that all parties understand what is to be done. A work schedule will be agreed upon, including starting and ending dates and daily work hours. The City will issue a "Notice to Proceed" to the contractor, informing the contractor to proceed with the work no later than the agreed upon date.

After the bid is awarded, the homeowner will sign a formal agreement that will explain and govern the repair/modification process. This agreement will define the roles of the parties involved throughout the process.

Loan documents (Promissory Note and Deed of Trust) covering the costs of the repairs will be signed. If the repair costs exceed \$2,000, the Deed of Trust will be filed with the Craven County Register of Deeds as a lien against the property

The contractor will obtain any needed building permits prior to starting work. The permit must be posted at the house during the entire repair/modification period. Project staff will monitor the work closely while the repairs/modifications are being made. The contractor will arrange for any required building inspections, as they are needed. The homeowner should ensure that the areas to be worked on are as free of personal property (furniture, decorative items, valuables) as possible to give the contractor adequate work space.

### **CHANGE ORDERS**

Any change orders must be approved by the homeowner, the contractor and the City of New Bern **in writing**, as a contract amendment. The cost of the change order will be noted in the contract amendment. Additionally, loan modification documentation must be properly executed.

***Any change orders initiated by the homeowner and carried out by the contractor without the approval of the City will be the financial responsibility of the homeowner as well as any liability arising from the change order.***

### **POST-CONSTRUCTION CONFERENCE**

After the repairs/modifications are complete, the Housing Rehabilitation Specialist, the contractor, and the Community Development Administrator will meet with the homeowner to review the work and ensure the work has been completed to the homeowner's satisfaction. The homeowner will be provided with any owner's manuals or warranties for equipment or material that was installed. Operation and maintenance of the equipment will be reviewed with the homeowner. The program staff will answer any final questions the homeowner may have. The

job will be closed out when the contractor has fulfilled all obligations and the homeowner has signed the Certificate of Satisfaction.

The contractor will provide a warranty for all work, materials, and labor for a period of one (1) year after the date of the Certificate of Final Inspection (five (5) years for new roofs).

### **CONTRACTOR PAYMENTS**

Payments will be made to the contractor by the City after satisfactory completion of all items on the work write-up. All required building inspections must have been completed and an inspection of the work performed by the Housing Rehabilitation Specialist. The contractor must submit an invoice for the work completed as well as a release of liens, signed by all subcontractors employed on the job and all suppliers from which materials for the job were obtained.

### **COMPLAINT PROCEDURE**

The City of New Bern has tried to make the application and repair/modification process as fair as possible. However, if the applicant, selected homeowner, or contractor feels he/she has not been treated fairly, procedures have been put in place and will be used to discuss the complaint and appeal:

#### ***DURING THE APPLICATION PROCESS:***

1. If an applicant feels that her/his application was not fairly reviewed, she/he should contact the Community Development Coordinator to discuss the matter within ten (10) days of the date of the letter notifying her/him of the decision.
2. If the applicant is still not satisfied with the decision, a written, detailed complaint should be submitted to the Director of Development Services, City of New Bern, P.O. Box 1129, New Bern, NC, 28563-1129. The Director will respond in writing within ten (10) days of receipt of the written complaint.

#### ***DURING THE REPAIR/MODIFICATION PROCESS:***

1. If the homeowner feels the repairs or modifications are not being completed according to the contract, he/she must inform the contractor and the Community Development Coordinator.
2. The Community Development Coordinator and the Housing Rehabilitation Specialist will inspect the work in question, review it with the homeowner and contractor, and resolve the dispute.
3. If problems continue, the Community Development Coordinator will set up a conference with the homeowner and the contractor. The conference will be facilitated by the Director of Development Services.
4. If the problems are still not resolved to the satisfaction of all parties, the Director of Development Services will render a final written decision.

The Community Development Coordinator will keep a written log regarding all complaints, inspections, and outcomes.

### **PROGRAM CHANGES**

At the discretion of the City of New Bern, this program may be modified to ensure maximum efficiency and effectiveness of program funds and to otherwise meet the intent of assisting lower income households in improving their homes through the program.

### **COMMUNITY DEVELOPMENT CONTACT INFORMATION**

For questions or additional information, contact:

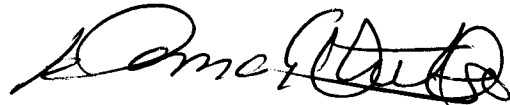
Sue Steinhauser  
Community Development Coordinator  
PO Box 1129  
New Bern, NC 28563-1129  
(252) 639-7586  
[steinhausers@newbern-nc.org](mailto:steinhausers@newbern-nc.org)

The Community Development Coordinator's office is located in the Development Services Department at 303 First Street, New Bern.

This information is available in Spanish or any other language upon request. Please contact Sue Steinhauser at (252) 639-7586 or at the Community Development Office, 303 First Street New Bern, NC for accommodations for this request.

Esta información está disponible en español o en cualquier otro idioma bajo petición. Por favor, póngase en contacto con Sue Steinhauser al (252) 639-7586 o en Development Services Department, 303 First Street, New Bern, NC de alojamiento para esta solicitud.

ADOPTED THIS THE 24<sup>TH</sup> DAY OF FEBRUARY, 2015.



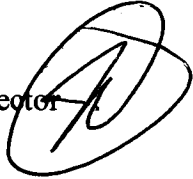
\_\_\_\_\_  
Dana E. Outlaw  
Mayor

ATTEST



\_\_\_\_\_  
Brenda E. Blanco  
Deputy City Clerk

**TO:** Mayor and Board of Aldermen

**FROM:** Jeff Ruggieri, AICP, Development Services Director 

**DATE:** February 17, 2015

**SUBJECT:** Consider Adopting a Resolution Approving Policies and Procedures for the CDBG Housing Minor Rehabilitation Program

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**Background Information:**

Staff has developed proposed policies and procedures for implementation of the CDBG Housing Minor Rehabilitation Program.

Highlights of the program include:

- Assistance will be for low to moderate income homeowners.
- Eligible repairs include those related to health and safety issues and weatherization. It will not provide full rehabilitation of a home and will not cover strictly cosmetic repairs or renovations. We hope to be able to work with Coastal Community Action's Weatherization program. There are many cases in which repairs need to be made to a house before they can begin their weatherization work and which are outside the scope of their program.
- A maximum assistance level of \$10,000. This can be increased on a case by case basis by the City Manager (for additional necessary repairs that become evident only after the rehabilitation work has started.)
- The assistance will be in the form of a no-interest loan, secured by a deed of trust, and forgiven at a rate of \$2,000 per year. For loans up to \$2,000, the loan will be unsecured and forgiven at the end of one (1) year.
- If the homeowner ceases to live in the home, the loan will become due and payable. An heir who meets the eligibility requirements of the program may be permitted assume the loan.
- Mobile homes will be eligible if they are considered by the Craven County Tax Department to be real property or if the owner also owns the property on which it is located. If the mobile home is not considered real property, the maximum loan amount may not exceed the value of the property on which it is located.

- If there are existing liens against the property which exceed 50% of the value of the property, the house will be considered ineligible.
- Special procedures will be required for City employees, elected officials and their relatives.

The attached resolution adopts and approves the attached policies and procedures for the program.

**Recommendation:**

The Development Services Department recommends the Board adopt the attached resolution approving policies and procedures for the CDBG Housing Minor Rehabilitation Program.

If you have any questions or need additional information, please let me know.