

# CITY OF BATTLE CREEK

## RENTAL REHABILITATION PROGRAM

### 2018-19 PROGRAM GUIDELINES



Revised: December 4, 2018



# Rental Rehab Program Guidelines

## About the Program

The City of Battle Creek rental program uses Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) to support the development and rehabilitation of quality rental housing that will increase the housing density and enhance the vibrancy of mixed use neighborhoods, providing housing that is walkably connected to shopping, parks, jobs, schools and other community amenities. Criteria for prioritizing projects proposed for funding will include the following:

- Rental projects will generally be limited to properties located in the downtown area or along a major corridor for which rental housing is the highest and best use. A wide variety of building types will be eligible, but may include small mixed use buildings, duplexes, coach house or other auxiliary structures, etc. The City will not generally fund the development or rehabilitation/construction of single family homes as rental properties.
- The City will prioritize properties where the owner is an occupant in one of the units, such as the rental unit of an owner-occupied duplex or a mixed-use building which includes commercial space housing the building owner's business. The City will not generally fund conversion of single-family homes to 2 or more units.
- The City will prioritize buildings which improve vacant or underutilized space, such as the conversion of an unused second floor into an apartment.

## Availability of Grant Funds

A total of \$300,000 is available for the 2018-19 program year (July 1, 2018 through June 30, 2019).

## Pre-apply

Pre-applications are available at:

City Hall  
10 N Division Street  
Room 117  
Battle Creek, MI 49014

You may also download the [Rental Rehab Application](#) and return it to our office.

## Pre-application Deadline

The City will begin accepting pre-applications for consideration on Monday, November 26, 2018. Pre-applications should be submitted to the Community Development Office at City Hall in Room 117. After the City reviews the pre-application, property owners with viable projects will be given a more comprehensive application to complete.

The City will continue to accept pre-applications on a first come, first considered basis. The status of the program will be updated on the City's website.



## Eligible Applicants

- Building owners of suitable structures, including prospective buyers with site control. Owners may be individuals, corporations, or partnerships, including nonprofit corporations.
- Qualified Community-Based Development Organizations (CBDOs) may propose new construction.

## Application Process

- Property Owner Participation
  - a. Pre-application submitted to City.
  - b. City completes initial screening and sends qualified applicants full application.
  - c. Owner completes and submits full application.
  - d. Notice sent to tenant/s of existing units (if applicable) that Federal funds have been applied for.
  - e. Application reviewed and approved by City.
  - f. Initial inspection by City that could include City inspector.
  - g. Preparation of bid specifications and cost estimates.
  - h. All Lead Based Paint Assessments and Asbestos Surveys will be paid for up front by owner of property. Funds for LBP Assessments will be applied to owner's matching funds.
  - i. Procurement of General Contractor and/or Subcontractors.
  - j. Meeting between City and property owner to finalize project.
  - k. City and property owner execute Mortgage, Note, and Contract.
  - l. Property owner executes Contract with General Contractor and/or Subcontractors.

- Current Resident Participation

Participation of current residents living in units planned for renovation is required for the application process. Consequently, residents (18 years and older) occupying dwelling units under consideration for this Program will be required to submit income verification as part of the property owner's application. Residents with income in excess of the income limits may result in disqualification of the dwelling unit from the Program.

- Resident Notification

Program regulations require notifications be sent to all residents in selected units regarding lead based paint hazards and displacement. It is the intent of this Program that no resident be required to re-locate (displaced) to another dwelling unit during the rehabilitation of their unit, and that such event may result in the disqualification of the unit from the Program. However if all parties involved agree that displacement is necessary, all associated costs shall be in accordance with the Federal Uniform Relocation Act and shall be the sole responsibility of the property owner.

NOTE: Property owners cannot elect to not renew a lease or evict a resident due to upcoming rehabilitation work. This would constitute displacement and resident would be entitled to relocation benefits.



- New Resident Application

The property owner of rehabilitated units will have application packets for distribution to potential new tenants. Completed application packets must be given to the property owner and the property owner will then forward all documents to the City for income verification and approval. Once approved, the City will notify the property owner who will then notify the potential tenant. Owners must comply with Fair Housing regulations and affirmative marketing and leasing. Applicants will be chosen on a first come, first qualified basis.

## Eligible Rehabilitation Costs

The actual cost of rehabilitating housing unit(s), including:

- Costs to meet applicable rehabilitation standards for the housing;
- Energy-related repairs or improvements benefiting the housing;
- Improvements required to facilitate use of the housing by persons with disabilities;
- Abatement or reduction of lead paint hazards to enable the housing to meet applicable federal requirements.

## Project Conditions

- **Owner participation.** The building owner must provide at least 25 percent as leverage for the total project cost, including improvements to the non-housing portions of the building. To count toward this leverage requirement:
  - Owner funds must be documented prior to construction start;
  - The City must approve all rehab measures undertaken (both housing and non-housing) and their reasonable cost prior the work being done;
  - Improvements must be done and paid after City funds are committed to the project and before the final payment of CDBG funds for housing improvements.
- **Limits of assistance.** City funding will be limited to the lesser of (a) \$40,000 toward the creation of a new or \$25,000 per existing units or (b) 100 percent of the cost of improvements to the housing.
- **Tenant income limits.** A minimum of 51 percent of the housing units (1 unit in a building with 2 rental units) must initially be occupied by households with incomes less than 80 percent of the area median income adjusted for family size, as determined by HUD. The City may, at its discretion, impose longer or more stringent income requirements as a condition for undertaking the project.
- **Term of Lease.** A one-year lease that guarantees the monthly rental charge for one year and only calls for eviction in cases of just cause is required. Just causes are generally, failure to pay rent, cause excessive disturbance to other residents, damage, etc.

**80% Area Median Income - Battle Creek**

Household Size	1	2	3	4	5	6	7	8
2018 Income Limits	\$ 32,900	\$37,600	\$42,300	\$46,950	\$50,750	\$54,500	\$58,250	\$62,000



- **Rent limits.** Units initially occupied by households with incomes under 80 percent of median income must be rented for a monthly rent no higher than the HUD Fair Market Rent. The City may, at its discretion, impose longer or more stringent rent restrictions as a condition for undertaking the project.

2017 Fair Market Rent - Battle Creek, MI						
0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
\$514	\$642	\$806	\$1051	\$1,139	\$1,310	\$1,481

- **Financing mechanism.** The City will place a lien on the property for five years in the amount of the total City assistance provided. No monthly payment will be required and no interest will be charged. The lien will be discharged and the amount of assistance forgiven after 5 years, if there has been no instance of default. The following will be instances of default:
  - Uncorrected code violation(s);
  - Conflict of interest by the owner, including rental to a family member, employee or other person depriving the general public of an opportunity for rent assisted units.
- **Underwriting/risk management.** The City will conduct an underwriting/risk assessment prior to committing funds to the project. The City will review:
  - The adequacy and appropriateness of the rehabilitation;
  - The completeness of the plans and specifications;
  - The reasonableness of the rehab cost;
  - The rental market for the unit(s);
  - The financial strength of the owner;
  - The long-term feasibility of the rental unit.
  - Total debt ratios of building.
  - Property taxes, insurance and utilities (those paid by property owner) must be current.

## Contractors

### Contractor Requirements

All contractors interested in participating in the Rental Rehabilitation Program must be determined eligible by the City. Required items include: current State of Michigan contractor’s license, active property/liability/workman’s compensation insurance, proper lead abatement certification if applicable and list of current references (similar jobs completed within past 12 months). Contractors are also responsible for obtaining and paying for all necessary permits on any project they are selected for.

### Insurance Requirements

Proof of insurance must be submitted to the City for validation. Contractors will be required to carry the following insurance coverage:



- a. **Workers Compensation** equivalent to Compensation Law of the State of Michigan.
- b. **Comprehensive General Liability Insurance** for contracts under \$40,000 a minimum of \$500,000 per occurrence Combined Single Limits (Bodily Injury/Property Damage), and for contracts over \$35,000 a minimum limit of \$1,000,000 Combined Single Limits (Bodily Injury/Property Damage).
- c. **Comprehensive Automobile Liability Insurance** for contracts under \$40,000. A minimum of \$300,000 per occurrence Combined Single Limits (Bodily Injury/Property Damage, and for contracts over \$40,000 a minimum limit of \$1,000,000 Combined Single Limits (Bodily Injury/Property Damage).
- d. Contractor shall furnish a **Certificate of Insurance** to the City prior to commencing construction. Such Certificate shall include a thirty (30) day notification of cancellation or material change in the policy.

## Contractor List

The City and participating property owner shall solicit contractors as to their qualifications and interest in participating in the Program. The City will maintain a listing of interested contractors, which shall be available for review. Women Business Enterprise (WBE) and Minority Business Enterprise (MBE) contractors are encouraged to participate. The State of Michigan maintains a directory of woman- and minority-owned businesses that can be found at: [http://www.michigan.gov/mshda/0,4641,7-141-5564\\_46919-363575--,00.html](http://www.michigan.gov/mshda/0,4641,7-141-5564_46919-363575--,00.html).

## Contractor Selection

The City shall make available qualified contractor listing for property owner review. Property owners may solicit bids from a contractor not on qualified listing as long as contractor will qualify with the City before the bid walk thru takes place. Property owner is required to solicit a minimum of three (3) bids from qualified contractors. With City approval two (2) bids may be allowed if unforeseen circumstances exist (lack of participation by qualified contractors, etc.). One bid may be allowed if the City determines all proposed rehabilitation costs are reasonable.

## Bid Process

If a cost reasonableness approach is approved by the City, the following bid process is not required.

If the bid process is being used, project specifications and bid documents shall be the responsibility of the owner and approved by the City. Bids will be taken on a specified date usually 14-21 days after contractors participate in project walk thru. All Bids must be submitted to the City, sealed, date and time recorded. Bids will be opened publicly and recorded.

The property owner shall select the contractor. In the event the property owner awards the contract other than to the lowest responsible bidder (as determined by the City), the property owner must pay the difference between the selected bidder and the low bidder.

The property owner and the contractor shall execute a Rental Rehabilitation Program Contract



acceptable to the City and furnish a signed copy to the City. No CDBG funds will be expended on a project until a signed contract has been furnished to the City.

All Bidders will be notified of the results of the bid by letter indicating whether their bid was accepted or not accepted. If the contractor's bid was not accepted, the letter will indicate which bidder received the award.

## Pre-Construction Meeting

A pre-construction meeting shall be held between the contractor, property owner, and City staff prior to commencement of construction. At this meeting, the parties shall review specifications to be completed, construction procedures, expected construction standards, payment process and required documentation, and concerns of any party.

Upon completion of all necessary documentation and all construction issues have been addressed, the City and property owner shall issue a "Notice to Proceed" to the contractor. No work on the project shall commence until the "Notice to Proceed" has been issued.

## Work Performance

The selected contractor shall begin work within thirty (30) days after signing the contract. The contractor and/or the property owner shall notify the City of any difficulties during the performance of the work; however **the contract is between the property owner and the contractor and they are responsible for resolving any issues to the satisfaction of the City in accordance with HUD regulations prior to any payment.** Once work on a project begins the contractor is expected to work on project until all work is completed as scheduled with property owner and City. Projects should be completed within 90-120 days, unless otherwise specified.

If documented complaints are filed against a contractor, the City may use discretion in removing the contractor from the list of eligible contractors. Repeated sub-standard performance of work by a contractor which is documented by the City, Building Inspectors, Bureau of Occupational and Professional Regulation, or Michigan Department of Licensing and Regulatory Affairs may result in the contractor's ineligibility to participate in the Program. The City shall notify the contractor of this action in writing.

## Payments to Contractors

The City will disburse funds to the Developer as reimbursement based on actual expenses incurred, actual work, and activities completed. Approval of disbursement requests will include a review of supporting documentation and may include a site visit to inspect completed work.

The following payment schedule shall apply to all program projects:

- 25% initial payment upon signing contract (funding provided by property owner match)
- Payment equal to 50% of the total contract upon completion of 50% of the work as determined by City and property owner.
- Payment equal to 75% of the total contract upon completion of 75% of the work as determined by



- City and property owner.
- 25% balance upon completion of work, final inspections completed and Certificate of Occupancy issued by the Building Official.
  - ✓ Property owner must sign reimbursement draw documentation.
  - ✓ Contractor must provide a signed Final Invoice, Release of Liens, Permits, Occupancy Notice, Subcontractor information form, Section 3 data, and Warranty for final payment.
- All work shall be guaranteed for minimum of 24 months.
- Property owners are required to approve all partial payments and the final payment and the approval needs to be in writing.

## Change Orders

Any and all change orders to the approved bid specifications shall be signed by the property owner, contractor, and City prior to implementation. No work other than what is specified in bid specifications shall take place in rental units being rehabilitated during term of contract between property owner and contractor.

## Other Terms and Conditions

- Conflict of Interest.  
No elected City Official, immediate family member, employee directly involved in administering the CDBG program, or immediate family member is eligible to benefit directly from CDBG funds. Applicants who are employed by the City or who are related to a member of the City staff or the City Council shall disclose their relationship on their application, and the applications shall be submitted to City for final approval. No CDBG funds will be advanced without prior City approval of the application.
- Non-Discrimination.  
No person shall be denied assistance based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, disability, or familial status.
- Confidentiality  
The Program shall comply with City confidentiality practices in its transactions with all applicants and their residents.
- Files  
The City shall be responsible for establishing a permanent file for all approved applications and insuring that all necessary documents are included in the applicant's permanent file. All files will then be given to the City. A permanent file may be destroyed seven (7) years after the loan closeout date from HUD. Applications which are declined or canceled shall be destroyed after three (3) years.
- Declined Applications  
The City shall notify in writing any applicant who submits a written application for CDBG rental rehabilitation funds and is declined, and advise the applicant of the reason for the decision.
- Lead Based Paint



All areas of a building/apartment that are being considered for funding in this Program will be inspected for lead based paint as required by the City, state and federal regulations. All expenses incurred will be added to the cost of the rehabilitation.

- **Asbestos**  
Any structure which contains friable asbestos materials shall only be eligible to receive CDBG funds after an inspection and cost estimate for abatement performed by a licensed asbestos abatement contractor is provided to the City. The cost of the inspection and estimate shall not be paid from CDBG funds. Only the residential portion is eligible to receive the CDBG funding from the grant. Commercial space is not eligible. However, MIOSHA requires an asbestos survey be performed on the entire building, including commercial space, paid by the building owner.
- **Historical Property**  
The State Historic Preservation Office (SHPO) shall be notified of all potential projects in which the structure is 50 years of age or older. This is to assure compliance with all Federal and State regulations concerning rehabilitation of historic properties.
- **Environmental Checklist**  
The City shall be responsible for preparation of an **Environmental Checklist, Historical Significance Response Sheet** (if necessary), and any other document checklists required by HUD, which shall be placed in the applicant's permanent file.
- **Section 3**  
The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low income persons. The contractor awarded the project will be expected to follow Section 3 compliance and will be provided documentation pertaining to Section 3 upon contract signing.

## Complaint Resolution

The Program shall comply with City and HUD approved methods for resolution of complaints and problems.

- **Review Committee**  
The City shall appoint a Complaint Review Committee consisting of no less than three (3) members. One member must have building/construction expertise; one member must be a homeowner; one member must be a representative of the City. Committee members shall be appointed for a period of no less than one year and shall receive no compensation from the Program. The Rental Rehab staff shall not be appointed to the Committee.
- **Complaint Resolution Procedure**  
The following Complaint Resolution Procedure shall be adopted to resolve all complaints by applicants or between parties participating in the Program. The City shall notify the contractor and



property owner of the procedure prior to the commencement of the project should the contractor or owner not be able to resolve a problem.

- a. Any party applying for or participating in a rehabilitation project administered by the Program may file a written complaint to the City giving a detailed description of the complaint. The City shall provide a copy of the complaint to the party against which the complaint is written. If the complaint is against the City, the City shall convene a meeting of the Complaint Review Committee at the earliest date convenient to all parties.
  - b. The City shall investigate the complaint and respond in writing within fifteen (15) working days to both parties of the recommended resolution of the problem.
  - c. Each party shall review the recommendation and respond in writing within fifteen (15) working days to the City of their decision on the resolution recommended.
  - d. The City will attempt to mediate any unresolved issues between the parties.
  - e. If the issue cannot be resolved between the parties and City, the City shall convene a meeting of the Complaint Review Committee at the earliest date convenient to all parties.
  - f. The Complaint Review Committee, consisting of no less than three members in attendance, shall review all written documents and hear verbal arguments by the parties. The complaint Review Committee will make a decision during the meeting on the resolution of the complaint unless it is determined that additional information is required and it is necessary to reconvene the Committee for final decision at a later date. The City shall advise the parties in writing of the Committee's decision.
  - g. If the parties do not accept the decision of the Complaint Review Committee, the City shall advise the parties in writing that they shall be required to participate in a Dispute/Resolution Program. The costs of participation in the Dispute/ Resolution Program shall be at the expense of the parties in the dispute.
  - h. If mediation is unsuccessful and all of the above procedures have been adhered to and properly documented, the issue may be referred to the nearest Dispute Resolution Center and/or HUD Community Development Division staff for final decision.
- Fair Housing  
Executive Order 11063, as amended provides that no person in the United States because of race, color, religion (creed), sex, or national origin, shall be denied equal opportunity in housing and related facilities provided with Federal financial assistance, and that all Federal executive departments and agencies shall take action to promote the abandonment of discriminatory practices with regard to residential property and related facilities provided with Federal financial assistance.
  - Discrimination  
A person claiming discrimination based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, disability, or familial status by the Program may file a



complaint with the City of Petoskey’s Complaint Review Committee, the Michigan Civil Rights Commission, or the local Fair Housing Center or HUD.

## Program Administration

- **City Administration & Implementation**  
The Program will be administered by staff employed by the City of Battle Creek. Third party consultants or professional service contractors may be utilized at the discretion of the City. The City, through the City Council, is responsible to oversee the implementation and administration of the Rental Rehabilitation Program. Long term objectives include assuring City compliance with service to disadvantaged populations, assisting with outreach to groups for disadvantaged citizens, and advocating on behalf of these groups.
- **Approval Authority**  
Sole approval of a rehabilitation project using CDBG funds shall rest with the City. The City may consult with City and State Building inspectors as needed before approval is granted.

## Contact

For more information, contact Chris Lussier, Community Development Specialist at 269-966-3364 or [mdscholte@battlecreekmi.gov](mailto:mdscholte@battlecreekmi.gov).

## Additional Resources

Go to [www.battlecreekmi.gov/562](http://www.battlecreekmi.gov/562) for additional program information and links to local housing studies like the City’s 2015 Target Market Analysis.

