

CITY OF BATTLE CREEK

RENTAL REHABILITATION PROGRAM

PROGRAM GUIDELINES



Rental Rehab Program Guidelines

About the Program

The City of Battle Creek Rental Rehab Program provides Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) to support the development of quality, affordable rental housing. Priority is given to rehab projects that will enhance the vibrancy of mixed-use neighborhoods by providing housing that is walkable to shopping, parks, jobs, schools, and other community amenities.

A wide variety of building types are eligible, such as mixed-use, duplex, coach house or other auxiliary structure, etc. Single-family rehab or conversion of single-family to multi-unit is generally not eligible for this program.

Criteria for prioritizing funding:

- Unit development in the downtown/central business district or along major corridors for which rental housing is the highest and best use.
- Conversion of vacant or underutilized space within buildings, such as second floor storage or vacant office space.

Availability of Grant Funds

Up to \$60,000 per new unit or \$25,000 per existing unit is available for the current program year. Additional funding may be available for building improvements required by the State of MI Building Code, such as fire suppression and elevator installation. Lead based paint and asbestos assessment expenses related to the project and paid by the property owner may be reimbursed upon project approval.

Eligible Applicants

Building owners of suitable structures, including prospective buyers with site control are eligible to apply. Owners may be individuals, corporations, nonprofit corporations, or partnerships. New construction will be considered only when proposed by a qualified Community-Based Development Organization (CBDO).

Pre-Application Process

Pre-applications are available from the Community Development Division:

City Hall
Community Development Division
10 N Division St
Room 104
Battle Creek, MI 49014

(269) 966-3315



Community Development staff will review pre-applications on a first-come-first-considered basis. Pre-applications shall be submitted to the Community Development Office at City Hall in Room 104. Staff will evaluate the pre-application for eligibility and fit with program priorities, which may include a scheduled site visit to the property. If the proposal meets eligibility and priority criteria, the City will invite the applicant to complete a more comprehensive application.

Application Process

Upon pre-application approval, the City will notify the applicant with a letter of interest (LOI) and invitation to apply. If the applicant accepts the terms of the letter, the applicant must sign and return the LOI by the date noted. Upon acceptance of the LOI:

- The property owner must refrain from incurring costs and making commitments relevant to the project, including, but not limited to leasing, acquisition, disposition, construction, rehabilitation, and demolition.
- Notices sent to tenants of existing residential and/or commercial units to inform them of property owner applying for Federal funding.
 - 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.
 - Property owners cannot deny lease renewal or evict a tenant due to upcoming rehabilitation work. This would constitute displacement and resident would be entitled to relocation benefits.
- Applicant works with Community Development staff to develop a pro forma and project budget.
- Applicant commissions third party cost estimate, bid specifications, plans, etc.
- Matching funds verified.
- Applicant procures lead inspection/risk assessment and asbestos survey (these expenses may be reimbursed if project approved).
- City staff perform federally required environmental review.
 - During this process, the applicant may be required to procure Phase I and II environmental assessments.
- Procurement of General Contractor and/or subcontractors: requires multiple bids.
- Applicant and Community Development staff meet to finalize project approval.
 - City and property owner execute mortgage, note, and contract.
 - Property owner executes contract with General Contractor and/or subcontractors.

Eligible Rehabilitation Costs

The cost of rehabilitating or building out residential units, including incidental items, such as roofing, electrical service, fire suppression, and common area improvements are eligible. Construction or rehab costs related to commercial space are not eligible. Eligible costs consist of:



- 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/reduction of lead based paint and other environmental hazards, such as asbestos, radon, etc.

Project Conditions

Matching funds: The building owner must fund at least 25 percent of the total project cost as leverage.

To qualify as leverage:

- Owner funds must be verified prior to construction start.
- The City must approve all rehab measures undertaken (both housing and non-housing) and their reasonable cost prior to the work being done.
- The work must be performed/cost incurred after program funds are committed to the project, but before the final payment of program funds.

Limits of assistance: Amount of program funding is determined during the application underwriting process and is limited to:

- Up to \$60,000 per unit for new unit build out.
- Up to \$25,000 per unit for existing unit rehab.
- Additional funding will be considered for the following improvements when required by State of MI Building Code: fire suppression; elevator installation.
- Expenses paid by property owner for required lead based paint and asbestos assessments may be reimbursed after project approval.

Tenant income limits: Upon completion of the rehab, the required number of dwelling units must be occupied by low or moderate income (LMI) households.

- If the building/development contains two dwelling units, at least one of the units must be occupied by a LMI household upon completion.
- If the building/development contains more than two dwelling units, at least 51 percent of the dwelling units must be occupied by LMI households upon completion.
- LMI is defined as below 80 percent of area median household income, as determined by HUD.

80% Area Median Income - Battle Creek

Household Size	1	2	3	4	5	6
2021 Income Limits	\$36,150	\$41,300	\$46,450	\$51,600	\$55,750	\$59,900



Rent limits: Units occupied by LMI households must be leased for a monthly rent no higher than the HUD Fair Market Rent, adjusted for utilities paid by the tenant. Any tenant-paid utilities must be subtracted from the Fair Market Rent to calculate the affordable rent limit. For the purpose of the calculation, the tenant-paid utility amount is determined by a utility schedule furnished by the City.

2021 HUD Fair Market Rent - Battle Creek (assumes no tenant-paid utilities)						
0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
\$552	\$661	\$837	\$1074	\$1148	\$1320	\$1492

Term of Lease: Lease agreements must be for a one-year term and guarantee the monthly rental charge for the lease term. Only cases of just cause, such as failure to pay rent, causing excessive disturbance to other residents, damaging property, etc. may be considered cause for eviction.

New Resident Application & Affirmative Marketing: The property owner must distribute applications to potential new tenants and affirmatively market the rehabilitated units. Completed applications and supporting documents received by the property owner will be forwarded to the City for income verification and approval. Once approved, the City will notify the property owner who will then notify the potential tenant. Applicants will be chosen on a first-come-first-qualified basis. Marketing and leasing must comply with Fair Housing regulations.

Financing mechanism. The funding is provided in the form of a no interest, no payment, forgivable loan. The City will place a lien on the property for five years in the amount of program funding awarded for the rehab. The loan will be forgiven and the lien will be discharged after the five-year period if there is no instance of default. Instances of default include:

- Uncorrected code violation(s).
- Conflict of interest by the owner, including rental to a family member, employee or other person, which deprives the general public of an opportunity to rent assisted units.

Underwriting/risk management. The City will underwrite the proposal prior to committing funds to the project, which will include evaluating:

- 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 units.
- The financial strength of the owner.
- ROI and the long-term feasibility of the rental units.
- Total debt ratios of building.
- Property taxes, insurance, and utilities paid by property owner must be current.



Contractor Requirements

All contractors interested in participating in the Rental Rehabilitation Program must be deemed eligible by the City. Requirements include:

- Federal debarment clearance.
- State of MI contractor's license.
- State of MI lead abatement certifications.
- Insurance policy certificates.
- Contractor references for similar jobs completed within past 36 months.
- Contractors are responsible for obtaining and paying for all necessary permits on any awarded contract.

Insurance Requirements

Contractor insurance must be validated with a **Certificate of Insurance** furnished to the City prior to commencing construction. Such Certificate shall include a thirty-day notification of cancellation or material change in the policy. Contractors are required to carry the following coverage:

- **Worker's Compensation:** minimum per MI statutory limit (not applicable to Sole Proprietors with a valid Notice of Exclusion from State of MI).
- **Commercial General Liability:** minimum \$1,000,000 Combined Single Limit
- **Auto Liability:** minimum \$500,000 Combined Single Limit
- **Other:** other coverage may be required based on the contractor's line of business i.e. pollution liability insurance for Lead Abatement Contractors.

Contractor List

The City and property owner shall solicit contractors as to their qualifications and interest in participating in the program. The City will maintain a listing of 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.

Contractor Selection

The City will provide a list of qualified contractors for the property owner to review. Property owners may solicit bids from a contractor not on qualified listing as long as the contractor will qualify with the City before the bid walk thru takes place. The property owner is required to solicit a minimum of three bids from qualified contractors. The City may consider fewer than three bids when circumstances arise, such as lack of participation by qualified contractors. When fewer than three bids are obtained, the property owner must procure a third party estimate for the City to use in determining that all proposed rehabilitation costs are reasonable. If a cost reasonableness approach is approved by the City, the following bid process is not required.



Bid Process

Project specifications and bid documents shall be the responsibility of the owner and approved by the City. Bids will be due on a specified date up to 30 days after contractors participate in a project walk thru. Bids must be sealed and submitted to the City. Community Development staff will record the date and time received. Bid opening will be recorded and open to the public.

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

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

Contract & Pre-Construction Meeting

The property owner and selected contractor will be required to execute and provide the City with a Rental Rehabilitation Program Contract. A pre-construction meeting will be held with the contractor, sub-contractors, property owner, and City staff prior to commencement of construction. At this meeting, the parties shall review specifications to be completed, construction procedures, construction standards, payment process, required documentation, and concerns of any party. A list of all sub-contractors must be provided to the City prior to the pre-construction meeting.

Upon completion of the pre-construction meeting and all necessary documentation, the City and property owner shall issue a "Notice to Proceed" to the contractor. No work on the project shall commence until the contract has been signed by all parties and the "Notice to Proceed" has been issued.

Work Performance

The selected contractor shall begin work within thirty 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 and in accordance with HUD regulations prior to any payment.** Once work begins, the contractor is expected to work on the project until all work is completed as scheduled per the Contract. Projects shall be completed within 12 months unless otherwise requested and approved in writing.

If documented complaints are filed against a contractor, the City may use discretion in removing them from the list of eligible contractors. Repeated substandard performance, 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 General Contractor for work completed as specified by written work specifications attached to the Rental Rehabilitation Program Contract. Approval of disbursement requests will include a review of an AIA/Sworn Statement and building/trade permits and will include a site visit to inspect completed work.

The following payment schedule will apply:

- 25% initial payment upon signing contract (provided by property owner matching funds), to be documented with a contractor invoice and AIA/Sworn Statement.
- 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, and Certificate of Occupancy issued by the Building Official.

Property owners are required to provide written approval for all partial payments and the final payment. The contractor must provide signed lien waivers, permits, Certificate of Occupancy, subcontractor and Section 3 information, and Warranty for final payment. All work shall be guaranteed for a minimum of 24 months.

Change Orders

All change orders to the approved work specifications shall be signed by the property owner, contractor, and City prior to implementation. No work, other than what is specified in the program work specifications, shall take place in rental units being rehabilitated during the term of the Rental Rehabilitation Program Contract.

Other Terms and Conditions

Conflict of Interest

No elected City Official or their immediate family member is eligible to benefit directly from CDBG funds. No City employee directly involved in administering the CDBG program or their 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 City staff or the City Commission shall disclose their relationship on their 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 years after the loan closeout date from HUD. Declined or canceled applications shall be destroyed after three years.

Declined Applications

The City shall notify in writing any applicant who submits a written application for CDBG Rental Rehabilitation funds and is declined. The written notice shall advise the applicant of the reason for the decision.

Lead Based Paint

All residential units and associated common areas considered for funding in this program must undergo a lead based paint inspection and risk assessment as required by state and federal regulations. Buildings constructed after 1978 are exempt. All inspection and assessment expenses related to the project and paid by the property owner are eligible for reimbursement by program funds upon project approval. Abatement/reduction of identified lead hazards must be performed by State certified/licensed contractors and will be included in the Rental Rehabilitation Program Contract scope of work and paid for by owner match/program funds.

Asbestos

All residential units and associated common areas considered for funding in this program must undergo an asbestos survey and a National Standards for Hazardous Air Pollutants (NESHAP) asbestos inspection as required by state and federal regulations. Survey and inspection expenses related to the project and paid by the property owner are eligible for reimbursement by program funds upon project approval (only for residential portions of the building). Removal of asbestos materials must be performed by State certified/licensed contractors and will be included in the Rental Rehabilitation Program Contract scope of work and paid for by owner match/CDBG funds.

Historical Property

The State Historic Preservation Office (SHPO) will be notified of all potential projects in which the structure is 50 years of age or older as part of the environmental review performed by the City.

Environmental Review

The City will perform an environmental review in accordance with 24 CFR Part 58 to assess potential environmental impacts before committing any CDBG funds to a proposed project.

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 will comply with City and HUD-approved methods for complaint resolution.

Review Committee

The City shall appoint a Complaint Review Committee consisting of no less than three 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. 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 Orders 11246 and 11063, as amended provide 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 Battle Creek’s Complaint Review Committee, the Michigan Civil Rights Commission, the local Fair Housing Center, or HUD.

Program Administration

City Administration & Implementation

The program is administered by the City of Battle Creek. In addition to City staff, third party consultants or professional service contractors may be hired to assist with this program. Sole approval of a rehabilitation project using CDBG funds shall rest with the City.

Contact

City of Battle Creek Community Development Division
10 N Division St
Room 104
Battle Creek, MI 49014

269-966-3315

Additional Resources

Visit www.battlecreekmi.gov/562 for additional program information and links to local housing studies.

