

Cranford Home Improvement Program

PROGRAM INFORMATION HANDOUT

INTRODUCTION

The Cranford Home Improvement Program (HIP) was created by the Township to provide funds to assist properties occupied by low and moderate income households to correct existing interior and exterior health, safety and code substandard conditions of major housing systems in conformity with the standards of the New Jersey State Housing Code, N.J.A.C. 5:28 and the Rehabilitation Subcode, N.J.A.C. 5:23-6. The HIP is guided by N.J.A.C. 5:93-5.2 and in accordance with the N.J. Department of Community Affairs (DCA) Council on Affordable Housing (COAH) regulations. The Township of Cranford has contracted with Community Grants, Planning & Housing LLC (CGP&H), a private consulting firm specializing in the implementation of publicly-funded housing rehabilitation programs, to manage and administer the HIP.

CATEGORIES OF PARTICIPANTS

Both owner-occupied and renter-occupied housing units are eligible to receive funding for rehabilitation if it is their primary residency, the occupants of the units are determined to be very low, low or moderate-income households, and the units are determined to be substandard. Owners of rental properties do not have to be income eligible. If a structure contains two or more units and an owner, who is not income eligible, occupies one unit, funding may be provided for the rehabilitation of the rest of the units if income-eligible households occupy those units. Rents must be affordable to very low, low- or moderate-income households.

FUNDING TERMS FOR OWNER OCCUPIED AND INVESTOR OWNED UNITS

The Program Funding will be provided on the following terms:

- Up to \$20,000 for an eligible owner occupied single family home
- Up to \$16,000 per unit for eligible owner occupied multi-family properties and investor rental units.

Investor only properties are responsible to pay 25% of the construction cost at time of the construction contract signing. The remaining 75% becomes the investor's forgivable loan.

All program loans are in the form of a zero percent (0%) forgivable loan. There are no monthly payments. The loan is forgiven after 10 years if the property owner complies with the program guidelines.

Mechanism for Securing the Loan & Affordability Controls

Affordability controls are secured by the following legal instruments:

Owner-Occupied Single Family Home: A Mortgage and Mortgage Note

Owner-Occupied Multi-Family Home and Investor Houses: A Mortgage, Mortgage Note and Deed Restriction

The purpose of these documents is to guarantee the continued availability of the unit to low or moderate-income households for the terms of the ten-year lien affordability period.

APPLICATION SELECTION

The program will process new applicants added to the waiting list/applicant pool on a first-come, first served basis, to qualified applicants. Priority will be given to homeowners with less than \$250,000 in liquid assets. Assets in federally recognized retirement accounts do not apply to the liquid asset limit.

Eligibility Requirements:

- Household occupants are within the income limit
- Existing eligible home improvement(s), including at least one code substandard major housing system.

- Property taxes, municipal utilities, and, if applicable, mortgage are paid current. For applicable developments, Homeowner Association fees must be paid current as well.
- The owner's *equity* in the home must be greater than the maximum amount of assistance that could be made available by the Program. For the sake of this rule, the market value of the home will be calculated using the municipality's assessed value divided by the equalization ratio. All existing property liens (mortgage, home equity loan, etc.) are then deducted from the calculated house value to determine the current property equity. If you need assistance in determining equity, please call the number listed at the end of this handout.
- If any living quarters (bedrooms, kitchen or bathroom facilities) exist in the basement or attic and/or if there is any secondary kitchen in any unit, the homeowner will be required to provide evidence (closed out permit, certificate of occupancy, etc) that it was permitted by the Township of Cranford, prior to being able to proceed with program assistance.
- If there are any repairs or renovations currently being undertaken on your home by others or yourself, or done within the last few years that require or required municipal permits, the work must be completed and the permits closed out prior to applying to the Program. Contact the municipal construction office at 908-709-7213 if you have questions regarding construction permit requirements.
- You must have a current homeowner's insurance policy on the house to be assisted by the program.
- There must be existing eligible home improvement(s), including at least one code substandard major housing system. Provide current photo of each work item you are requesting.

INCOME LIMITS

Household income is defined as the combined annual income of all family members 18 years of age and older including wages, Social Security, disability insurance, unemployment insurance, pensions, dividend/interest income, alimony, etc. Each unit's total household income must fall below the New Jersey Department of Community Affairs moderate income limits (updated annually) based on family size as follows:

Household size	1	2	3	4	5	6	7	8
Maximum Income	\$60,265	\$68,874	\$77,483	\$86,092	\$92,980	\$99,867	\$106,574	\$113,642

ELIGIBLE ACTIVITIES

For clarification of eligible work items, be advised that funds may be used only for work and repairs required to make the unit standard and abate interior and exterior violations of the NJ Rehabilitation Code and/or any other applicable housing codes; and remove health and/or safety hazards; and any other work or repairs, including finishing and painting, which are directly related to the above listed objectives.

A. Eligible Improvements

In order to qualify for participation in the program, at least one of the following major systems must be in need of replacement or substantial repair:

- Roof
- Plumbing (including sanitary plumbing)
- Electrical
- Load bearing structural systems
- Heating
- Windows and/or Lead Paint Remediation

B. Ineligible Improvements

Work not eligible for program funding includes but is not limited to luxury improvements (improvements which are strictly cosmetic), carpets, additions, conversions (basement, garage, porch, attic, etc.), repairs to structures separate from the living units (detached garage, shed, barn, etc.), furnishings, pools, landscaping, solar panels and generators. If determined unsafe, stoves may be

replaced. The replacement or repair of other appliances is prohibited. Rehabilitation work performed by property owners shall not be funded under this program. The cost of removing any illegally converted living space (e.g., illegal bedrooms in the basement) are not eligible for assistance.

Overview of Administrative Process

You submit your completed application to the Program. The Case Manager reviews the application package and determines eligibility/ineligibility. Once your eligibility has been established, the Program will conduct a comprehensive house inspection. The purpose of the comprehensive inspection is to detail any health, safety or substandard code items that exist on your property. At least one major system has to be substandard in code for the property to participate in the Program. Please be prepared to have your property survey available for the inspection for the inspector's review, and afterwards for municipal permit application requirements, if needed.

The Program Inspector will create a Work-Write-Up and Cost Estimate for your home's rehabilitation, based upon the comprehensive inspection. A copy of the Work Write-Up, along with a contractor list, will be provided to you for approval.

The Program will solicit bids by circulating bid packages to approved contractors. If you know of a contractor that would like to submit a bid on the job, they must contact the Program to request a bid package. The submitted bids will be reviewed by the Program Inspector and the homeowner. Generally, the lowest responsible bid from a qualified contractor will be chosen. The homeowner may select a contractor with a higher bid, but must pay the difference between the contractor chosen and the lowest responsible bid. Your contribution of the cost difference is to be provided at the pre-construction meeting.

The Program is not guaranteeing to rehabilitate all the work listed in the work write-up. Code, safety, and health related work items identified by the program inspector will take precedent over non code work if elimination of work items is necessary. It is a program requirement to bring your house up to code. The homeowner has the option of contributing personal funds for any work that exceeds the funding limit. A pre-construction conference/loan closing is conducted at which time the construction agreement and all affordability controls are executed. The contractor will obtain the permits (as necessary) and the construction phase will begin. Program personnel will manage the construction process which will include a progress inspection and a final inspection. The Municipality will pay the contractor directly upon program inspection approval of work completed. Program participants will adhere to the Program's decisions. The contractor will close out construction permits; provide warranty information and case closeout documentation.

Homeowners' Responsibility:

- The home is to be "broom clean" and interior fully accessible for the program inspections and contractor work.
- Program work including inspections, program loan closing and construction are conducted during normal weekday business hours. Please be prepared to plan accordingly.
- All household members must be disclosed in your application. If evidence of any additional undisclosed household members is discovered during case processing, the Program has the right to terminate your case for falsifying information and the municipality has the right to penalize you for related case administration cost. It is your responsibility to call the Program if you need clarification on household members.

Owner Occupied Single Family Home Terms:

If the owner decides to sell the property, transfer title, or if the owner should die before the end of the 10 year loan period, the owner, heirs, executors or legal representatives must repay 100% of the original loan principal at title transfer.

Exceptions to Loan Repayment Terms above during the 10 year lien period:

1. If the loan transfers due to inheritance by a Class A beneficiary who will take occupancy upon death of program mortgagee and assume the balance of the lien (income eligibility not a requirement); or if inheritance by a qualified income eligible non-Class A beneficiary, or
2. If the house is sold at an affordable price pursuant to the Uniform Housing Affordability Controls (UHAC) at N.J.A.C. 5-80:26.1 to someone who can be qualified as income eligible, takes occupancy and agrees to assume the program lien for the remaining duration of the lien period, or
3. If the house is sold at an affordable price pursuant to UHAC to an investor who assumes the lien and also signs a deed restriction for the remaining duration of the lien period to rent the dwelling at the affordability controls restricted rental rate and according to the affirmative marketing requirements for re-rentals. When this occurs, the Township's Administrative Agent will be responsible for monitoring compliance over the unit.

Rental Property Terms:

Rental units are subject to the Uniform Housing Affordability Controls (UHAC) at N.J.A.C. 5-80:26.1. In addition to the mortgage and mortgage note, the controls on affordability shall be in the form of a deed restriction which adheres the affordability controls to the property during the 10 year period, even with property title transfer. The affordability controls are as follows for rental properties:

- The assisted rental unit(s) must be occupied by, and affordable to a household(s) that is(are) certified as low or moderate income as per the most currently approved Income Limits.
- If a unit is vacant, upon initial rental subsequent to rehabilitation, or if a renter-occupied unit is re-rented prior to the end of controls on affordability, the deed restriction shall require the unit be rented to a low- or moderate-income household at an affordable rent and affirmatively marketed pursuant to UHAC.
- If a unit is renter-occupied, upon completion of the rehabilitation, the maximum rate of rent shall be the lesser of the current rent or the maximum permitted rent pursuant to UHAC.
- The maximum permitted rent is pursuant to UHAC. Rents in rehabilitated units may increase annually based on the standards in UHAC.
- The affordability terms for the rental units do not expire even in the event that the owner sells the property, transfers title to the property, dies or rents to other than low or moderate income renters before the terms of the lien expires.
- If Program funds were expended on the owner occupied unit, unless ownership is transferred to another low or moderate income homeowner, any Program funds expended on work done on the owner's individual unit along with a pro-rata portion of the shared improvements must be fully repaid to the Township if title transfers within the lien period.

When Repayment Occurs:

When recapture of the loan amount is required due to aforementioned conditions, 100% of the rehabilitation assistance is due and payable in its entirety at zero-percent interest. Cranford will use the returned funds to finance the rehabilitation of another home.

Additional Information:

This is a Fair Housing and Equal Opportunities Program. For more information on discrimination or if anyone feels they are a victim of discrimination, please contact the New Jersey Division on Civil Rights at 1-866-405-3050 or <http://www.state.nj.us/lps/dcr/index.html>.

If you have any further questions, please contact Community Grants, Planning & Housing, LLC, Program Administrators, Monday through Friday between the hours of 8:30 A.M. and 5:00 P.M. at 609-664-2783.

