Chapter 12 Housing Rehabilitation

Business Oregon will finance low- and moderate-income owner-occupied, single family housing rehabilitation projects through awards granted to city/county applicants. The applicant will sub-grant the funds to eligible non-profits who serve a locally determined regional service area. The department offers two types of housing rehabilitation assistance:

Type 1–Regional Housing Rehabilitation Revolving Loan Fund–A regional revolving loan fund that provides loans to low- and moderate-income homeowners to repair their owner-occupied homes, using construction contractors licensed by the Oregon Construction Contractors Board (CCB) and the Oregon Corporate Division.

Type 2–Regional Housing Rehabilitation Grant Fund–A fund that provides grants to low- and moderate-income homeowners to repair their owner-occupied homes, using construction contractors licensed by the Oregon Construction Contractors Board (CCB) and the Oregon Corporate Division.

Note: A sole proprietor does not have to be registered with the Oregon Corporate Division's Business Registry unless they are using an assumed business name.

General Description
City/County applicants must sub-grant the funds to a 501(c)(3) or (c)(4) nonprofit organization that is eligible under 105(a)(15) of the Housing and Community Development Act (HCDA)to carry-out housing rehabilitation activities.

Under Type 1—The original eligible non-profit that receives the CDBG sub-grant from the local government must own and administer all the loan repayments and interest earnings, associated with the CDBG funded housing rehabilitation revolving loan fund program. Income generated by the CDBG loans originated from the award (repayments and interest earnings) must be repaid to the same original eligible non-profit which met the requirements of 105(a)(15) of the HCDA. The generated income must be used for the continuance of the housing rehabilitation activities or other eligible neighborhood revitalization, community economic development, or energy conservation projects in accordance with 105(a)(15) of the HCDA.

Under Type 2–There will be no income generated to be monitored by Business Oregon since the funding assistance to the low- and moderate-income homeowners will be in the form of a grant, not a loan.

Joint Projects
A combination of cities and counties can be involved in a regional or joint project. However, only one jurisdiction can be the applicant in the given CDBG program year. The jurisdiction that applies and receives an award incurs the responsibility for the CDBG funds. Joint applications submitted for review in which two or more units of local government are equally responsible will not be accepted. Either jurisdiction may take the lead and still allow the funds to be used in all jurisdictions as outlined in the Intergovernmental Agreement (IGA) or other Business Oregon approved form of local government agreement for the region.

Intergovernmental Agreement (IGA)
The service area of the proposed housing rehabilitation project must be clearly defined and acknowledged by all the participating jurisdictions through an IGA or other Business Oregon approved form of local government agreement. The IGA must be signed by all participating jurisdictions.

At a minimum, the applicant must partner with at least two other city/county jurisdictions to form a regional housing rehabilitation program. At a minimum, the agreement must clearly define:
1) The lead applicant;
2) The participating city/county jurisdictions;
3) The eligible 105(a)(15) non-profit organization that will be carrying-out the housing rehabilitation program on behalf of the lead applicant; and
4) A clear description of the area to be served with the requested grant. All activities funded with CDBG funds must be within the defined service area contained in the IGA.

NOTE: The IGA does not apply to any income (repayments and interest earnings) generated by the loans under the Type 1 grants.

Maximum Grant Amount
The maximum CDBG grant in this category is $400,000. A regional housing rehabilitation program area may only apply for one Type 1 or Type 2 award once per year.

Project Timeline
All the initial loans/grants from the CDBG funded housing rehabilitation award must be made within 24 months after execution of the funding contract with Business Oregon. Any unobligated funds, in the CDBG award **will** be recaptured by the state after 24 months.

Matching Funds Requirement
There is no minimum match requirement. Any matching funds necessary to complete the proposed CDBG project, must be in the form of cash or debt service. All project funds necessary to complete the proposed project must be available and committed at the time the application is received by the department. Refer to the “Readiness to Proceed” definition in Chapter 5 for more details.

National Objective
All housing rehabilitation projects must meet the housing/direct benefit federal national objective as identified in 24 CFR 570.483(b)(3). One-hundred percent (100%) of the benefitted owner occupied household occupants must have incomes below the federal low- and moderate-income limit (80% of the median family income as adjusted by family size). Refer to Chapter 3 for more information.

Financial Review
During staff review of the application, if direct and clear evidence is obtained by the department that the CDBG funds are not needed and that the project can or will be carried out by the applicant or non-profit sub-grantee, whether or not the funding is awarded, the application will not be rated and ranked or recommended for an award.

Program Structure
Community Development Block Grant funds are regulated by 24 CFR Part 570.489(e)(2)(ii). The city/county grant recipient is required to:
- Enter into a sub-grant agreement with an eligible nonprofit organization meeting the requirements of the Housing and Community Development Act 105 (a) (15) to carry out the housing rehabilitation activities.
- The (sub-grantee) eligible non-profit organization must carry out the housing rehabilitation activities on behalf of the grant recipient. The city/county grant recipient retains ultimate responsibility for compliance with all state and federal program requirements and must ensure the (sub-grantee) eligible non-profit adheres to these requirements.

- The eligible non-profit is in control of all decisions regarding the Community Development Block Grant funds. The nonprofit may undertake all activities or may utilize a professional services agreement to accomplish grant administration and limited program management work.
- **Type 1**—The original (sub-grantee) eligible non-profit organization must be the owner and lender of all loans against the property title, responsible for all loan and program decisions and must comply with all federal and state rules and statutes. All loan repayments must be received and re-conveyed by the original (sub-grantee) eligible non-profit certified under 105(a)(15) of the HCDA. The (sub-grantee) eligible non-profit will use the funds to support housing needs in accordance with the requirements of 105(a)(15) of the HCDA for continuance of the housing rehabilitation activities or neighborhood revitalization, community economic development, or energy conservation projects.
- **Type 2**–The (sub-grantee) eligible non-profit must award all funds in the form of grants to qualified homeowners.

Eligible Homes
All of the single-family owner-occupied housing units must have had a HUD, Section 8, housing quality standards evaluation that resulted in substandard conditions.

Under the Type 2 Regional Housing Rehabilitation Grant Fund, the (sub-grantee) eligible non-profit may award grant funds to low- and moderate-income homeowners who own their manufactured home and reside in mobile home parks (except as noted below for pre-1977 mobile homes).

HUD prohibits the use of CDBG funds to repair or rehabilitate any manufactured home made before June 15, 1976. Therefore, the state CDBG program prohibits the expenditure of any CDBG funds to rehabilitate a pre-1977manufactured home. While replacement or substantial reconstruction of a pre-1977 mobile home is allowed by regulation, it will not be allowed as an eligible activity under the state's CDBG program due to the cost prohibitive nature and complexity of the program. De-federalized funds from previous housing rehabilitation revolving loan fund awards could be used for this purpose.

Eligible Activities
The following table summarizes the eligible activities, the maximum amount allowed for each activity in the original grant from Business Oregon, and the requirements for future loan repayments.

Eligible Activities	Maximum Allowed in Original Grant from Business Oregon	Maximum based on $400,000 grant request	"De-Federalized" Loan Re-payments Requirements (Type 1 projects)
Grant Administration: Work related to overall grant management, coordination, monitoring, and evaluation. Meeting the grant contract requirements and federal requirements. Refer to Chapter 5 for more details.	Maximum allowed 10% of the requested grant, but no more than $25,000.	$25,000	No federal requirements.
Program Management*: Work related to carrying out housing rehabilitation activities, working directly with the LMI clients; such as: screening applicants, processing loans/grants, and loan servicing. Program management is considered direct service to clients. Refer to Chapter 5 for more details.	Up to 20% of the award, plus an additional $10,000 can be used for the combined costs of program management and grant administration. Of this amount, no more than $25,000 can be for grant administration, the remainder must be used for program management.	$65,000 Calculated as follows: 20%x$400,000=$80,000 $80,000+$10,000=$90,000 $90,000-$25,000=$65,000	A maximum of 20% of the annual loan repayments and interest earnings.
Environmental Review—Refer to Chapter 3 of the Grant Management Handbook for more details.	Up to $15,000 per project	$15,000	No federal requirements.
LEP Translation Services—Refer to Chapter 5 for details.	Up to $3,000 per project	$3,000	No federal requirements.
Legal	There is no maximum limit	There is no maximum limit	None

Audit	Refer to page 5-1 for details	Refer to page 5-1 for details	No federal requirements.
Activities • Eligible health and safety activities including lead, septic tanks, and private sewer lines and drainfields, private water lines and wells, and asbestos tests, inspections, and assessments. • Improvements necessary to fulfill reasonable accommodation requests. • Construction, rehabilitation, reconstruction, or the installations of improvements to upgrade substandard electrical, plumbing, roofing, siding, insulation, weatherization, heating systems, hot water heaters, and dry rot repairs. • Purchase and installation of equipment that is an integral structural fixture. (Items not normally removed from the home, light fixtures and built-in appliances.)	Maximum Grant $400,000 less the items listed above.	$295,000, less costs for legal, audit, and LEP	The loan repayments and interest earnings less the allowance for program management can be used for either continuing the HRRLF or they can be used for other community economic development, energy conservation and/or neighborhood revitalization projects, as allowed by 105(a)(15) of the HCDA.

***Program management services are performed by the sub-grantee for the city or county grant recipient. Sub-grantees typically develop or prepare such items as: application procedures, process applications, verification of program eligibility, notices of loan approvals, filing of trust deeds, construction oversight, owner's certification that improvements were accepted, and other necessary documents.**

Ineligible Activities
- No indirect costs are allowed under the program;
- Costs associated with providing Regional Housing Center services;
- Any equipment that is not fixed and structurally integral to the residence such as: washing machines, clothes dryers, freezers, and window-mounted air conditioners;
- Fees that are considered part of the program management costs already reimbursed with CDBG funds:
  - Application fee
  - Credit Report fee
  - Loan origination fee
  - Loan Servicing fee
  - Grant Processing fee
  - Homeowner training class fees
  - General home inspection fee’s by the eligible sub-grantee
  - Miscellaneous fees that are undefined or are considered program management activities already being paid for with CDBG funds. Consult the department’s RPM about the eligibility of these fees.
  - All fees need to be reviewed and approved by Business Oregon’s RPM for an eligibility determination with the CDBG program requirements and for compliance with the amended program income requirements enacted on May 23, 2012.

Sub-Grant
The city or county grant recipient enters into a sub-grant agreement with an **eligible nonprofit organization** to implement and **carryout** the housing rehabilitation activities. **All federal CDBG compliance requirements assigned to the (sub-grantee) eligible non-profit remain the obligation of the original city/county funding recipient until administrative closeout of the CDBG grant with the state.** No formal procurement process is necessary by the city or county when the funding recipient sub-grants the funds to an eligible non-profit.

Eligible Nonprofit (sub-grantee)
The nonprofit must meet the following requirements of a sub-grantee by the department:
- Documentation from the Internal Revenue Service (IRS) that certifies the nonprofit organization is organized under 501(c)(3) or (c)4 of the IRS Code.

- Documentation that the organization must have as one of its primary purposes (as outlined in its bylaws, article of incorporation or charter) to provide affordable housing that is decent, safe and sanitary for low- and moderate-income Oregonians.
- Documentation that the organization serves the development needs of the communities in the non-entitlement areas of the state and is carrying out a neighborhood revitalization, community economic development, or energy conservation project in accordance with 105(a)(15) of the HCDA.
- Provide a copy of their reasonable accommodation policies.
- The sub-granted nonprofit must comply with all CDBG requirements.
- The eligible nonprofit must approve all loans and be named as the lender of the loans against property titles or be the grantor of all grants and owner of all the grant agreements/contracts.
- All loan repayments must be received and reconveyed by the original eligible non-profit.

Carry-Out (Program Implementation)
The original eligible non-profit must carry-out the housing rehabilitation project.

- The eligible nonprofit is responsible for carrying out (implementing) the housing rehabilitation activities and will be the owner of all program policies and procedures.
- The eligible non-profit will be responsible for these minimum activities:
    - All final loan/grant decisions, owner of all loan portfolios, owner of all grant agreements/contracts, compliance with all CDBG requirements, owner of future loans and repayments, and final accountability for all CDBG funds.
    - Lender of all the loans and grantor of all grants.
    - **Type 1 only**—All loan repayments must be received and owned by the original eligible non-profit. Loans made by the eligible non-profit cannot be sold or transferred.
    - **Type 1 only**—The subsequent loan repayments are not subject to the program income requirements as long as the eligible non-profit uses the funds to continue the housing rehabilitation revolving loan fund program or uses them for other community economic development, energy conservation and/or neighborhood revitalization projects, as allowed by 105(a)(15) of the HCDA.
    - The grants and initial loans must be used for activities that will meet the CDBG low and moderate housing direct national objective CFR 570.483(b)(3).

Non-Competition with Local Financing Institutions
Each sub-grantee's (eligible non-profit) Housing Rehabilitation Revolving Loan Fund (HRRLF) polices must have requirements that loan/grant funds provide gap financing, and will work with local financing institutions to complete the financing package, require letters of rejection from financing institutions, and/or otherwise demonstrate that the loan/grant amount requested is not available from any conventional banking source of funds.

Reasonable Accommodation Policies
As federally required, each sub-grantee (eligible non-profit) must have reasonable accommodation policies. A copy of their reasonable accommodation policies must be submitted with the application.

Lead-Based Paint
All applicants must demonstrate how the rehabilitation work will be conducted in accordance with the Lead Based Paint Poisoning Prevention Act and HUD implementing regulations at 24 CFR 570.487(c) and any subsequent amendments. Effective September 15, 2000, revisions to the Lead Based Paint regulations 24 CFR Part 35 were implemented. More information about these requirements can be found in the Grant Management Handbook.

Entitlement Area Review
State Community Development Block Grant resources cannot be used to benefit entitlement counties and cities. If the geographic area served by the non-profit's (sub-grantee's) Housing Rehabilitation Program contains an entitlement county or city (entitlements include the counties of; Multnomah, Washington, and Clackamas, and the cities of Albany, Ashland, Beaverton, Bend, Corvallis, Eugene, Grants Pass,

Gresham, Hillsboro, Medford, Portland, Redmond, Salem, and Springfield) within their service area that applicant must provide documentation to satisfy the following with the application:

1. Documentation of the screening procedures, forms and policies used to determine if the beneficiaries of the Housing Rehabilitation activities are entitlement or non-entitlement residents.
2. Documentation that ensures that CDBG funds are only benefitting non-entitlement residents.

TYPE 1—Additional Requirements

Eligible Non-Profit Asset Reversion
If for some reason the original eligible non-profit dissolves or is re-organized under state law and an asset reversion occurs contact Business Oregon for assistance. An asset reversion could change the federal identity of these funds.

De-Federalization of Loan Repayments
The housing rehabilitation revolving loan fund category is designed under 105(a)(15) of the HCDA so the loan repayments lose their federal identify (de-federalized) as long as the income generated by the loan repayments and interest earnings continue to be used by the original eligible non-profit to continue housing rehabilitation activities, provide neighborhood revitalization, community economic development, or energy conservation projects.

This section is meant as a guide to assist applicants and eligible non-profits in pursuing this outcome. By not following this guide an entity risks failing to de-federalize their repaid funds resulting in the retroactive application of HUD rules on all expenditure of these repaid funds.

- A city/county grant recipient must sub-grant the CDBG funds to a 105(a)(15) HCDA-eligible nonprofit entity.
- The eligible non-profit (sub-grantee) entity will carry out the program with its own staff or, will contract for professional staff (enter into a **professional services agreement**), or a combination of the two.
- A **professional services agreement** between the eligible non-profit (sub-grantee) and the professional services provider for grant administration and limited program management is acceptable to Business Oregon, and must be entered into for any contracted staff. This contract must:
    - Pay for eligible CDBG expenses on a reimbursement basis. This basis may be by the hour, by the number of successfully completed rehabilitation projects, or lump sum,
    - Clearly define the roles and responsibilities of the professional services covered by the agreement,
    - Direct the contracted staff to follow the policies and procedures set by the eligible non-profit (sub-grantee),
    - Clearly define the eligible non-profit (sub-grantee) as the final authority for all decisions pertaining to the housing rehabilitation activities.
- The eligible non-profit (sub-grantee) must retain control of the funds, manage the bank accounts and disbursements through its Secretary/Treasurer, even if it has no employed staff. The non-profit board must retain approval authority for all expenditures.
- The composition of the eligible non-profit (sub-grantee) board must be established as outlined in the By-laws and Articles of Incorporation of the eligible non-profit entity, cannot be comprised substantially of individuals of any one government agency to where it contains a quorum of any one government entity and must be independent and void of any conflict of interest with any government agency.
- The eligible non-profit (sub-grantee) cannot relinquish its responsibility for the oversight and management of the CDBG funds.
- Contracts/agreements must be approved by Business Oregon to determine that the eligible non-profit (sub-grantee) entity is maintaining control and will carry out the activities as the active and responsible party of the CDBG funds.

Loan Portfolio Requirements
The state is requiring that loan portfolios will not be sold or transferred and that all loans must be repaid to the original eligible non-profit under 105(a)(15) of the Housing and Community Development Act.

Defaults
Business Oregon encourages the eligible non-profit (sub-grantee) to set-aside 10 percent of the loan receivables to cover legal remedies in pursuit of default collection.

Outcome and Performance Measures for Both Type 1 and Type 2 projects:
Decent affordable housing as a housing program that meets individual family needs is our objective. Sustainability as a project that promotes livability by improving neighborhoods is our desired outcome. The amount of money leveraged from other sources is also a factor. Each applicant must address how their project meets the objective(s), outcome(s), indicators, and performance measures identified below:

Objective	Outcome (Pick One)	Indicators	Performance Measures
Decent Affordable Housing	Sustainability/ Promoting Livable or Viable Communities	Number of owner occupied units rehabilitated or improved: • Number using lead safe working practices (Pre-1978 units, where $5,000 or more of rehab work is to be completed and any lead safe practices were used.) • Number subsidized by federal, state, or local program • Number occupied by elderly (head of household or spouse age 60 or older) • Number of units made handicapped accessible	Amount of money leveraged from other federal, state, local and private resources)
			Number of persons, households or units assisted (pick the one most appropriate to your project–pick only one)
			Number of low- and moderate-income persons served by the project.
			Number of communities assisted,
			Race, ethnicity, disability (current categories for beneficiary reporting still apply)
			Number of units rehabilitated

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