

HOUSING IMPROVEMENT PROGRAM (HIP) GUIDELINES

A Nashua Neighborhoods Improvement Program



City of Nashua
Community Development Division
Urban Programs Department

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1. GENERAL

- 1.1 SOURCE OF FUNDS** – The City of Nashua uses federal Community Development Block Grant (CDBG) funds to make loans under this program as part of an overall effort by the City to improve older inner-city neighborhoods and preserve the supply of housing.
- 1.2 WHO CAN APPLY** – Because of federal mandate, the program benefits low-income households, including elderly and handicapped persons. Only low-income (by strict HUD definition at or below 80% of median area income) owner-occupants of 1-4 unit buildings shall be eligible to receive assistance (See Exhibit A).
- 1.3 TYPE OF ASSISTANCE** – Funds shall be used to make deferred payment loans to pay part or all of the cost of the eligible improvements. This loan bears no interest and the principal is repaid only when the property is sold or transferred. For example, repayment is due when the property is sold to new owners; this includes any conveyance or sale upon which the owner's name is removed from the deed. If the owner conveys or sells the property to additional persons and his/her name stays on the deed, repayment is not triggered.
- 1.4 LEVEL OF ASSISTANCE** – Owners must reside at the property that is to be improved. The program shall be operated on a "first come, first served" basis until all of the money budgeted for the program is committed. Owners of properties outside the targeted neighborhoods may be eligible to receive assistance on an emergency basis, as funds are available.
- 1.5 OBJECTIVES** – The objectives are as follows:
- a. Eliminate health and safety hazards as called for in the City's housing and safety codes
 - b. Halt the spread of blighted and deteriorated structures
 - c. Encourage private investment in older housing
 - d. Conserve the housing supply by keeping it in good condition
 - e. Conserve energy by promoting energy conserving measures
 - f. Maintain the supply of housing affordable to lower-income families

2. ELIGIBILITY OF PROPERTY

- 2.1 LOCATION OF PROPERTY** – The property to be rehabilitated must be located in one of the areas shown in Exhibit D, attached hereto. The area may be changed from time-to-time to reflect the US Census data and/or City strategies. The City reserves the right to assist properties outside the neighborhood target areas in documented cases of emergency or unusual hardship.
- 2.2 USE OF PROPERTY** – The property to be improved shall be predominately residential. This shall be determined by calculating the floor area used for non-residential purposes and the floor areas used for residential purposes. The residential portion must exceed the non-residential portion for the property to qualify for assistance. Assistance provided under this program shall not be used to improve the non-residential portion of the building.
- 2.3 CONDITION OF PROPERTY** – The City retains the right to refuse assistance if, in its judgment, the improvement costs are excessive in relation to the market value of the

property as determined from the property valuation records, or if serious defects will not be rectified by the proposed improvements. For example, the City could refuse assistance for a property with major structural defects that threaten the safety of the occupants and that cannot be corrected at a reasonable cost, as determined by the Urban Programs Department (UPD) staff.

- 2.4 HAZARD INSURANCE** – Homeowners must have and maintain hazard and liability insurance on the property. Such insurance must cover replacement value of the property. The City shall be named as additional insured.

3. ELIGIBILITY OF OWNER

- 3.1 RESIDENCE** – The owner must reside at the property to be improved.
- 3.2 COMPLIANCE WITH NRO** – The loan approval shall be subject to the provisions of Section 1-11 of the Nashua Revised Ordinances that generally require the owner be current in all tax obligations to the City and not be in violation of any ordinance of the City (See Exhibit C).
- 3.3 NON-DISCRIMINATION** – Owners of rental property must agree not to discriminate against any person on the basis of race, color, religion, national origin, sex, age, non-disqualifying handicap, or receipt of, or eligibility for rental assistance, nor may the owner discriminate in advertising for rental of the units.
- 3.4 CONFLICT OF INTEREST** – Employees of the City of Nashua are not eligible to participate in the program unless the City has applied for, and received, a waiver from HUD.

4. SUBSIDY ASSISTANCE

- 4.1 INCOME QUALIFICATION** – In order to receive a loan, the income of all household members shall be verified by the City. Copies of the most recent federal tax returns must be provided. Gross household income must be less than 80% of the median area income as determined by HUD, adjusted for household use. Exhibit A lists current income limits. An assumed return of 5% on net assets over \$50,000, including home equity, will be included in calculation of annual gross income. Home equity will be determined by assessed or appraised value less all current loans.
- 4.2 SUBSIDY AMOUNT** – Owners may receive a loan of up to 100% of the cost of the work. The minimum subsidy shall be \$5,000. The maximum loan assistance for any one property shall not exceed the following amounts:

Single unit	\$40,000
Two units	\$45,000
Three units	\$50,000
Four units	\$55,000

If a unit in a multi-family dwelling does not benefit substantially from the proposed work, then that unit shall not be counted in the calculation for maximum loan amount. Likewise, if a rental unit is occupied by a household above the income limits, that unit shall be excluded.

5. ELIGIBLE IMPROVEMENTS

5.1 ELIGIBLE IMPROVEMENTS – Eligible improvements for these loans include the following in order of priority:

- a. *First priority:* Repair of conditions that affect the livability of the dwelling unit(s), such as heating, plumbing, electrical, sanitary and structural systems, legal means of egress and other life safety code requirements, weatherproofing of roofs and foundations, measures to eliminate rodents and insects, abatement of lead paint hazards and asbestos, and demolition of deteriorated porches
- b. *Second priority:* Correction of other code violations and installation of energy conservation measures, such as insulation, wood windows, storm doors and windows and weather-stripping
- c. *Third priority:* Cosmetic improvements such as improvement to the exterior appearance including painting, restoration of architectural features, replacement/repair of doors and windows to improve utility, rebuilding/repair of porches, and installation of carpet and vinyl sheet goods

5.2 INELIGIBLE IMPROVEMENTS – Assistance shall not be provided for any of the following:

- a. Subdividing of a building to create additional units
- b. Work that will result in the involuntary displacement of tenants
- c. Construction of accessory buildings, decks or swimming pools
- d. Repair of existing garages and/or accessory buildings
- e. Landscaping and site work

Exterior changes such as installation of vinyl windows and/or siding must be pre-approved by the State Office of Historic Preservation, whether or not the property is a historic building or potentially eligible for designation as such.

5.3 INSURANCE COVERED REPAIRS – In instances where a property has been damaged by fire or where insurance is otherwise likely to be available for the proposed work, insurance proceeds must be documented and must be applied to the work before the use of HIP funds.

6. PROGRAM OPERATION

6.1 APPLICATION – The owner must complete an application and submit certain documentation as required if he/she wishes to participate in the program. Application requirements are listed in Exhibit B.

6.2 INSPECTION – An owner who has submitted an application shall arrange for inspection of the property by the UPD staff. A detailed work specification is prepared in order of priority (See #5.1 – Eligible Improvements).

6.3 WORK SPECIFICATIONS – The UPD staff prepares work specifications and a project manual that is used in obtaining bids or proposals to do the work.

6.4 OBTAINING BIDS – Competitive bidding is required for all projects unless exceptions are made for unusual circumstances. The City will advertise the job for bid and arrange a bid

inspection with the homeowner. Sealed bids shall be submitted to the City by a specified date. Where competitive bids are not obtained, the City may compare single bids to independent cost estimates to determine acceptability. All contractors must meet City qualification standards. No sweat equity projects are permitted, unless the owner is a bona fide contractor and meets City qualification standards. Contractor owners may submit a bid for the job that includes cost for materials, labor and overhead only; no profit is allowed.

- 6.5 BID SELECTION** – Generally, the lowest qualified bid shall be selected. When multiple bids are not received, the City may recommend selection of a bid that is within 10% of an independent cost estimate.
- 6.6 OWNER’S SHARE OF COST** – The City may assist the owner in obtaining a loan for the owner’s share of the cost of the work (if any). If required, staff will send copies of the approved application and other documentation to a lending institution.
- 6.7 LOAN AGREEMENT** – A HUD compliant loan agreement shall be executed before any work is begun. The City will not be obligated to participate in the cost of any work begun prior to execution of the loan agreement. Work performed prior to the execution of the loan agreement will not be reimbursed.
- 6.8 AMENDMENTS** – Amendments to the original agreement may be effected provided the additional work is necessary and approved in advance in writing by the City.
- 6.9 PROGRESS INSPECTIONS** – During the progress of the work, the City shall be provided access to the property to inspect the work and to perform a final inspection after completion.
- 6.10 TIME FOR COMPLETION** – All improvements must be completed within the times specified in the loan agreement.
- 6.11 CHANGE ORDERS** – All change orders generated during the project must be pre-approved by the UPD staff and must be signed off by all parties concerned.

EXHIBIT A

2009 HUD INCOME LIMITS FOR THE CITY OF NASHUA (Based on Household Size)

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Extremely low income (30% of median)	18,900	21,600	24,300	27,000	29,150	31,300	33,500	35,650
Very low income (50% of median)	31,500	36,000	40,500	45,000	48,600	52,200	55,800	59,400
Low income (80% of median)	44,800	51,200	57,600	64,000	69,100	74,250	79,350	84,500

EXHIBIT B

REQUIREMENTS FOR PROJECT COMMITMENT

1. **LOCATION** – Property must be located in a designated area. Check with the City staff to determine the eligibility of your property.
2. **APPLICATION** – Perspective applicants should read City of Nashua’s Housing Improvement Program Guidelines and review application requirements. These include income and asset disclosure, employment verification, mortgage verification and other forms. Applications may be obtained from the Urban Programs Department, City Hall, 2nd floor, 229 Main Street, Nashua, or call 589-3085.
3. **INCOMES** – Income, from all sources and from all household members over 18 years old, is verified to determine eligibility.
4. **OWNERSHIP** – Home ownership is verified. A title search is undertaken by the City’s Legal Department.
5. **TAX** – All tax obligations to the City must be current.
6. **LEAD PAINT** – The City shall notify the owner about the potential hazards of lead-based paint. The owner shall notify the tenants in accordance with the enclosed EPA/HUD fact sheet, the “Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards”, and provide a copy of the pamphlet “Protect Your Family from Lead in Your Home”. This is required in all properties constructed prior to 1978.
7. **INSPECTION** – The UPD staff makes the initial construction inspection of the building at a mutually convenient time.
8. **WORK SPECIFICATIONS** – A detailed work specification for each portion of the job will be developed from the initial inspection report.
9. **BID REQUIREMENTS** – Competitive bidding is required. A copy of the work specification shall be provided to each bidder. Bidders must attend a bid inspection of the property to review the work specified. All bids must be submitted to UPD for review and qualification.
10. **LOAN DOCUMENTS** – A HUD complaint agreement, note, mortgage and truth in lending statement will be signed with the City and the homeowner based on the proposal/bid selected.
11. **CONTRACTS** – Contracts will be signed by the homeowner and the contractor selected. The City will prepare the contracts.

SUBMITTING AN APPLICATION DOES NOT CONSTITUTE APPROVAL.

APPROVAL IS MADE UPON THE SIGNING OF THE AGREEMENT AND THE LOAN DOCUMENTS BETWEEN THE CITY AND THE OWNER.

EXHIBIT C

EXCERPT FROM THE GENERAL PROVISION OF THE NASHUA REVISED ORDINANCE

Section 1-11. Denial of permits, approvals and licenses

[NRO 1975, T. 16, § 2 (Sec. 1-12 of the 1987 Code); amended 9-13-1974 by Ord. No. O-74-88; 5-11-1982 by Ord. No. O-82-25]

- A. *Full payment of outstanding taxes and fees required.* No person, partnership, corporation or other business entity, while such person, partnership, corporation or other business entity, or while any partnership, corporation or other business entity in which such person is an officer or holds 50% or more of the beneficial interest, owes any sum of money to the City, whether in the nature of taxes, fees, or otherwise, or is engaged in any course of conduct which violates any of the laws of the state, or any of the ordinances of the City, or any condition, requirement or decision of any officer, board, agency or department of the City, or any contract or agreement with any such officer, board, agency or department, shall be entitled to any license, permit, approval or other action by any officer, board, agency or department of the City unless and until such time as such sum of money is fully paid, including all interest thereon, and unless and until such course of conduct has ceased for a period of 30 consecutive days.
- B. *Exemption for certain real estate transactions.* However, in situations where a seller has transferred property after April first of that year and can substantiate that he has paid his share of taxes to the buyer, either by proration at time of closing or upon receipt of the tax bill after the time of closing, and the buyer has not paid said tax bill in a timely manner, the above provisions shall not apply against the seller by reason of nonpayment of taxes due on such property.
- C. *Waiver authorized.* The requirements of this section may be waived by the responsible officer, board, agency or department head of the City if it has been determined that such waiver is in the best interest of the public health, safety and/or welfare. [Added 11-22-2005 by Ord. No. O-05-122]