

# Fargo Housing Rehabilitation Program Program Policy Statement - 2016

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## I. PROGRAM DESCRIPTION

The goal of the Fargo Housing Rehab Program is to preserve existing housing stock in the City's older neighborhoods by providing assistance to low and moderate income homeowners. With a little financial help, these homeowners can make a big contribution to the overall health of the neighborhood in which they live. Housing rehab helps homeowners maintain their residences as safe, sanitary dwellings that meet local housing codes and helps prevent houses from becoming dilapidated nuisance properties.

The City of Fargo has been funding housing rehab projects since 1975. Local housing rehab is funded with Community Development Block Grant and HOME funds, received by the City of Fargo from the Department of Housing and Urban Development (HUD). As such, all projects are subject to federal regulations and must meet both HUD and local codes by the time the work is completed.

The goals of this program are to:

- Preserve the city's affordable housing stock;
- Provide assistance to lower income homeowners by allowing them to maintain their homes as safe, sanitary dwellings that meet minimum housing codes; and
- Preserve the character of older neighborhoods by preventing houses from becoming dilapidated nuisances in a neighborhood.

Program priorities require that funding must first be used to correct code or potential code deficiencies (including lead paint hazards), structural deficiencies, weatherization and energy efficiencies, as well as general improvements. Correction of items reflecting code or potential code requirements must be completed as part of any work on a house. If a home cannot be rehabilitated to meet housing quality standards (HQS), the homeowner must pay the costs above the maximum grant amount. Removal of architectural barriers for handicapped persons is an eligible activity for this program, even when not done in conjunction with any other housing rehabilitation work.

Exterior work will be included in a project when such deterioration is serious enough to warrant non-compliance with housing and building codes. Housing rehabilitation work shall eliminate blighted conditions on the exterior and preserve the integrity of the house.

## II. ELIGIBLE HOUSEHOLDS

Eligibility for the program is based on income, assets, and family size. Households may qualify for a loan and/or a grant to pay for the cost of rehabilitation. For a household to be eligible for the program, the total combined gross annual income for all household members over age 18 must fall below the limits below. Income is based on projected annual income and is determined using the Part 5 definition of household income. These income limits are adjusted annually.

1 person household = \$41,200	5 person household = \$63,550
2 person household = \$47,050	6 person household = \$68,250
3 person household = \$52,950	7 person household = \$72,950
4 person household = \$58,800	8 person household = \$77,650

Household assets cannot exceed \$30,000. This does not include the property to be rehabilitated. It does include checking accounts, savings accounts, certificates of deposits, stocks, bonds, other real estate, and business assets.

For owner-occupied rental properties, the property owner must qualify for the program, based on the above income and asset guidelines. Property owners cannot own other properties.

**Use of HOME Dollars.** If a property owner has used the City of Fargo Home Buyer Assistance Program HOME funds to acquire the property, they must first meet the required five year affordability period before they can apply for the City of Fargo Housing Rehab Program HOME funds. *An exception to this policy is if the property owner applies for and receives Housing Rehab Program funds within one year of receiving Home Buyer Assistance Program HOME funds.*

### III. ELIGIBLE PROPERTY

To be eligible, a property must be:

- Located in the City of Fargo;
- At least 40 years old;
- Appraised at a value that does not exceed \$175,000, a limit subject to change by HUD;
- In conformance/compliance with all current zoning ordinances, or an agreement must be reached as to when and how conformance and compliance will be achieved; and
- Located outside the 100-year floodplain, unless an environmental review is completed (HOME funds) or approval is granted by the City Engineer and the Planning and Development Department (CDBG funds).

**Owner-occupied residences (no rentals).** Eligible properties can be single family residences, including manufactured homes permanently attached to real property. The property owner must sign an agreement that limits the use of the property to residential use.

**Owner-occupied rental properties.** Eligible properties can also include a two-unit structure where the owner lives in one of the units and rents the other to a tenant. To be eligible, the rental unit must be a legally permitted unit (by the City Building Inspections Department) that has been in existence for at least 10 years. The property owner must sign an agreement that states the property will continue to be the primary residence of the owner.

**Age of property waiver.** Any property that is at least 25 years old can be eligible for the Housing Rehab program if the need is for emergency repairs (ex. furnace, sewer) or to address issues of accessibility for persons with a disability.

### IV. ELIGIBLE REHAB COSTS

Fargo Housing Rehab funds may be used to correct existing or potential code deficiencies, structural deficiencies, weatherization, and general improvements. This is not a home maintenance program. All projects must address some code deficiency; homes that just need standard maintenance do not qualify for the program. Exterior work can be included in a project when such deterioration is serious enough to warrant non-compliance with housing and building codes. All lead paint issues are considered “code deficiencies” and must be addressed.



## V. TYPE OF ASSISTANCE AND TERMS OF REPAYMENT

**Households with income below 80% area median income.** Rehab assistance is in the form of a 0% interest, deferred payment loan. The assistance is limited to \$24,500. Criteria for determining the exact grant amount include family size, level of income, age of house, zoning and neighborhood characteristics, value of property, type of improvements needed, whether the householder is elderly or disabled, etc. The value of the grant should not exceed 70% of the current assessed value of the property.

The assistance must be repaid if the property is sold within 10 years of the mortgage date. The mortgage is forgiven as follows: 10% at the end of 4th year after the mortgage date and 15% per year at the end of the 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> years with the final 15% being forgiven at the end of the 10<sup>th</sup> year.

Any amounts due under the promissory note and second mortgage will be determined by the City of Fargo at the time a release of mortgage is requested. If the homeowner needs to sell the property before the 10-year repayment period has expired, the City will consider full or partial forgiveness of the rehab mortgage if the homeowner demonstrates a hardship need for the sale of the home and if the net proceeds of the sale are not sufficient to repay the City's rehab mortgage. City staff will review all requests for forgiveness and will make recommendation to the City Commission for final determination.

**Owner-occupied rental property (up to 2 units total).** Assistance available to owners of eligible properties includes rehab activities to the "owner occupied residence" available to single family owner occupied homes. In the "non-owner occupied residence"; minimal code, health, safety and lead hazard reduction work will be eligible. Assistance to the "owner occupied residence" will be in the form of a 0% interest, deferred payment loan, based on income eligibility, as in the case of family owner occupied homes.

## VI. SUBORDINATION POLICY

The City of Fargo will *consider* subordinating its housing rehab mortgage to a position lower than a second in the following circumstances:

- If the homeowner is refinancing the original mortgage in order to obtain a lower interest rate and/or overall mortgage cost. To be eligible for subordination, refinancing cannot result in any cash out to the homeowner.
- If the homeowner is borrowing money to make additional improvements to the property. Documentation must be provided to identify the type and cost of the improvements to be made.
- If the homeowner is securing a loan that includes funds for home improvements and for reasons other than home improvement (ex. debt consolidation, medical expenses, vehicle purchase, etc.), the City will only consider subordination if the city assessor's valuation of the property shows that the equity in the home is sufficient to cover the value of all mortgages against the property, and if the homeowner has been in the home for at least three years.
- The City will not subordinate if the loan only covers non-home improvement related items.

In all cases, the value of the liens against the property (including the city's mortgage) must not exceed 110% of the property's value, as determined by the City Assessor.



## VII. APPLICANT PRIORITIZING

Applications are reviewed on a first-come-first-serve basis but, as appropriate, applications will be processed under the following priority system. First priority will be given to emergency assistance.

## VIII. APPLICATION REVIEW PROCESS

The Housing Rehabilitation Specialist will target the correction of code deficient and potential code deficient items. All code deficient items must be corrected. Lead paint hazards will be considered as "code" items and must be addressed. Weatherization items will be encouraged and other general improvements may be allowed.

This program is not a house maintenance program; homes that need standard maintenance items do not qualify for the program. Houses which cannot be brought to minimum code standards within the funding limits or those in which the rehabilitation costs exceed the value of the home after rehabilitation will generally not be approved for the program.

## IX. OTHER PROGRAM REQUIREMENTS

**Lead Paint.** The City of Fargo complies with federal regulations regarding lead-based paint. The City agrees to hire only certified inspectors, contractors and risk assessors to work with and assess lead-based paint/hazards. Any work that must be completed to address lead-based paint hazards will be considered a "code deficiency" and will be given priority over non-code items. All homes built prior to 1978 will be subject to a lead paint inspection and further lead paint testing, if determined to be necessary. Lead hazards that are identified must be corrected and the contractor completing the corrections must employ workers that are trained in safe work practices, relating to lead. The rehab office will provide a list of qualified contractors.

**Volunteer Labor.** Volunteer labor is not utilized.

**Conflict of Interest.** This program will comply with City policies on conflicts of interest for City employees. Homeowners and relatives of the homeowner cannot bid on housing rehabilitation work.

**Responsibilities.** The *Fargo Housing Rehabilitation Specialist* is responsible for an initial inspection, developing job plans and specifications, reviewing proposed change orders, developing contracts, inspecting work to make sure it is completed in compliance with the building code and the contract specifications, and approving payments to the contractor.

The *homeowner* is responsible for selecting three contractors to bid on the work. The homeowner selects the contractor, which must be the low bidder, unless the homeowner is willing to pay the additional cost of a different contractor.

The *contractor* is responsible for completing the rehabilitation work and obtaining approval from the homeowner and the Housing Rehabilitation Specialist for payment requests.

**Contractor Requirements.** Contractors bidding on these projects must provide the City of Fargo with a copy of their North Dakota contractor's license, a copy of workers compensation and liability insurance, and three references. All contractors must be registered with Sam.gov in order to bid on these projects.



**Grievance Procedure.** Grievance resolution is first the responsibility between the homeowner and the contractor. If it cannot be resolved between those two parties, the Housing Rehabilitation Specialist will attempt to resolve the grievance. Grievances with the Housing Rehabilitation Specialist are to be resolved by the Community Development Administrator.

**Federal and State Requirements.** This program will comply with all applicable federal and state grant requirements.

**Equal Opportunity.** The City of Fargo Housing Rehab Program prohibits discrimination in housing on the basis of race, color, religion, sex, national origin, disability, sexual orientation, and familial status.

**FOR MORE INFORMATION:**

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