



TOWN-WIDE HOUSING REHABILITATION LOAN

(Adopted by the Bennington Select Board September 26, 2016)

Purpose

The Housing Rehabilitation Loan Program is administered by the Office of Economic and Community Development, with funds previously provided to the municipality for housing revitalization efforts. The purpose of this financial assistance is to 1) ensure quality living conditions, 2) maintain or improve housing infrastructure, and 3) guarantee safe, decent, and sanitary housing conditions for all residents within Bennington. All rehabilitation efforts must comply with all locally adopted housing codes, state statutes, the Vermont Energy Code, and in certain cases HUD Housing Quality Standards of the Section 8 Rental Assistance Program. Preferential consideration will be given to projects that provide housing to low and moderate income eligible individuals and families (defined as earning 80% or below the median income for the County).

Interest bearing loans are to be made both to qualified owner occupied and non-owner occupied property owners for projects suitable for rehabilitation and improvement as determined by the Town of Bennington's Office of Economic and Community Development.

SECTION A: Objectives

1. To encourage property owners to reinvest in the long-term sustainability of their property.
2. To encourage landlords to reinvest in their housing units to ensure the safety and quality of life of their tenants.
3. To encourage property owners to make energy efficient upgrades.
4. To encourage home ownership through down payment financing.
5. To minimize blight and deterioration.
6. To provide decent, safe and sanitary dwelling units.
7. To protect and improve neighborhood environments.
8. To reduce fire and safety hazards.
9. To weatherize and make homes more energy efficient.
10. To utilize existing housing stock through rehabilitation as an alternative to new construction.

SECTION B: Eligible Activities

Interior

1. Any/all renovations that comply with the Town's Housing Ordinance and that meet all appropriate state statutes.
2. Any/all activities that bring the building into compliance with the State of Vermont's energy code.
3. Permanent heating solutions that adequately heat all living quarters of the property.
4. Weatherization and energy efficiency upgrades.
5. Certified electrical system improvements.
6. Certified plumbing system improvements.
7. Any/all activities that ensure the property complies with local and state life safety and health regulations.
8. ADA compliant renovations

Exterior

1. Any/all renovations that comply with the Town's Housing Ordinance and that meet all appropriate state statutes.
2. Any/all activities that bring the building into compliance with the State of Vermont's energy code.
3. Any/all activities that ensure the property complies with local and state life safety and health regulations.
4. Roof replacement and/or repair
5. ADA compliant renovations
6. Improvements of foundations, exterior walls, chimneys, porches, septic systems, etc.

Eligibility

To be eligible for the Bennington Town-wide Housing Loan programs, applicants must meet the following criteria.

1. The property must be located in the town of Bennington
2. Be the property owner or have written consent from the property owner for the project
3. Provide sufficient collateral to secure the loan
4. Have no outstanding balance on any town accounts (i.e. taxes, water and sewer, loans, etc.)

Designation

1. The Office of Economic and Community Development of the Town of Bennington shall be the designated authority to administer the revolving loan funds for the Town of Bennington.
2. The Town of Bennington Select Board shall be the body designated as the approving body.

Non-Discrimination

No person shall, on the grounds of race, color, national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under the Town's revolving loan program.

SECTION C: Application Review Process

Application Review

1. A representative will meet with the applicant to discuss the program and to obtain the information necessary to process the application.
2. The owner will work with the Town's Economic and Community Development Director to ensure that the project complies with all local and State building codes. Preferential consideration will be given to those projects that also meet Section 8 Standards and have participate in the Efficiency Vermont Program. (Section 8 refers to a HUD program authorized under Title 1, Section 107 (a) 8 of the Housing and Community Development Act of 1977. Section 8 includes Quality Standards which must be met to receive rent subsidies called Section 8 Certification(s).
3. The owner will obtain a cost estimate of the work to be done. Two (2) written bids or quotes will be required for projects that are not being managed by a professional property manager or general contractor.
4. For owner occupied rehabilitation projects, the contractor bids will be reviewed by the Office of Economic and Community Development.
5. The applicant must submit the following to meet the minimum requirements: a completed application, 3-years tax returns, project budget, cost estimates and photographs.
6. The Office of Economic and Community Development and other Town management staff will review the application and supporting documents.
7. If approved at the staff level, a presentation will be made to the Town of Bennington Select Board.
8. If the Select Board has no objections to the loan request, the loan will be approved and the applicant will be notified within 72 hours of the decision.
9. Once the conditions of funding have been met by the owner, a closing date will be established.
10. The owner will obtain a permit for work to be done from the Town of Bennington's Zoning and Building Department, located in the Town Office Building, 205 South Street, Bennington, Vermont.

Loan Closing

11. When the loan agreement is signed by all parties, funds will be deposited into an escrow account.
12. Once the funds are deposited in the escrow account, the loan payee will begin accruing interest on the entire amount of the loan, and the amortization period will begin.

Accessing Loan Funds

13. Loan funds can be dispersed in two ways, 1) should the work be performed, or payed for, by the applicant, then reimbursement may be given to the applicant upon proof of purchase, or 2) a contractor invoice may be submitted by the applicant with his/her approval to pay, in which case, payment may be made directly to the contractor for work performed. All invoices must be submitted to the Office of Economic and Community Development for approval and payment. Payment will be processed within three (3) business days from the time the invoices are submitted, if approved by the Economic and Community Development Director. ❌

14. The applicant has 90 days to begin accessing the funds. At which time, if the project has not begun, the Town reserves the right to withdraw its financial support, close the escrow account and terminate the loan
15. Advance payment to the contractor requires permission of the Economic and Community Development Director and cannot exceed 50% of the project cost. An invoice must be submitted explicitly detailing the reason for the advance payment.

Loan Repayment

16. Loan statements are sent to the address of the applicant on file with the Assessor's Office (unless otherwise specified by the loan payee) on the 1st of each month. Payment is due no later than the 15th of each month. The Town reserves the right to charge an additional 4% interest on any late charges.
17. Loans that are delinquent for more than 90 days are reported to the Select Board. In certain cases, the Town may choose to call the loan for non-payment. In this case, the Town will give the loan payee thirty (30) days' notice of termination. At which time the Town will begin the legal termination process.

SECTION D: Qualifications

Eligibility Requirements for Financial Assistance

1. To qualify for the Town-wide Housing Loan Program, the applicant must meet the following criteria:
 - a. Be the "owner of record" as certified by the Bennington Town Clerk's Office; and,
 - b. Have a household income 80% or less of the median income for the county for applicant of an owner-occupied property. All income by any person with an equity interest in the dwelling and who resides in the dwelling unit of the applicant shall be counted as a part of the applicant's income. All income by any other person with an equity interest in the dwelling who may live outside the dwelling shall be counted as part of the applicant's income. To qualify for assistance for a non-owner occupied property, the household income of each tenant family shall not exceed 80% of the median income for the county; or,
 - c. Be a first time home-buyer looking for assistance with closing costs or down-payment for the purchase of the property, earning no more than 100% of the median household income for the county, and be able to show that a down-payment on a reasonably priced home, would put significant burden on the household. Purchaser must be able to demonstrate that but for this funding, that home ownership would not be possible; or,
 - d. Be the property owner of an owner-occupied dwelling intending to make capital improvements to either the structure itself or the services provided in the home (i.e. furnace, electrical, plumbing, etc.) and be able to show limited means to pay for the upgrades.

In cases where housing is provided to low/moderate income individuals and families, rent cannot be increased for a period of two (2) years following the completion of work (except to cover the increases in cost of utilities, or taxes). Should such increases occur, notice must be given to the tenants at least 60 days prior to the increase. A copy of the notice must be sent to the Office of Economic and Community Development. At any time, the Office of Economic and Community Development may audit the financials for the units that have benefited from the Town-wide Loan Program.

2. The property owner must sign a notarized Terms and Conditions Agreement with the Town of Bennington. Included in the Terms and Conditions Agreement is a requirement for owners to purchase liability insurance, and identify the Town of Bennington as additionally insured. The owner must provide a copy of such insurance certificate to the Office of Economic and Community Development.

3. The property owner must also sign a Security Agreement, a Personal Guarantee, an Errors and Omissions Agreement, a Comprehension Certification, and any additional documents required for collateralization of the loan.

SECTION E: Program Details

The Town-wide Housing Loan Program will provide loans up to \$25,000 (not to exceed 10 years) on owner occupied conventional single family dwellings and up to \$10,000 (not to exceed 10 years) on owner occupied mobile homes.

The Town-wide Housing Loan Program will provide loans up to \$25,000 per unit (not to exceed 15 years) to landlords of non-owner occupied conventional apartments and up to \$10,000 (not to exceed 10 years) to landlords of non-owner occupied mobile homes.

Interest on the above loans will be a fixed rate of 50% of the prime interest rate at the time of closing plus two (2) percentage points, but not to exceed 7%.

All terms and conditions are subject to Bennington Select Board approval.

Program Design (Additional Incentive Program)

For applicants who are first time home-buyers and willing to make capital improvements to the property, whether it be structural, or for energy conservation, the following incentives will be available.

- An interest rate that is 1% lower than the standard rate.

Loan Default and Termination

Loans will be in default (unless prior arrangements have been made with the Office of Economic and Community Development due to extenuating circumstances) if:

- a. The mortgagor fails to make three consecutive loan payments as described in the signed Terms and Conditions Agreement.
- b. The mortgagor is more than 90 days late in paying any/all Town service fees or property taxes.
- c. The mortgagor fails to properly maintain improvements made with proceeds from this loan and allows unsafe or unsanitary conditions to reoccur.
- d. The mortgagor fails to maintain necessary insurance on the property in question.
- e. The mortgagor fails to comply with any local, state or federal regulations.
- f. The mortgagor is found to be in violation of any local municipal ordinance.

The Town of Bennington reserves the right to terminate any loans for non-payment and will notify the loan payee 30 days prior to termination in order to give the borrower an opportunity to bring the account current. Should no effort be made to rectify the delinquency, the Town may choose to take legal action, which can include the use of a collection agency or the filing of a lawsuit to retrieve the remainder of the amount owed on the loan and all fees associated with the collection.

Definition of Low to Moderate Income

Low to moderate eligibility is herein described as those individuals or families making at or below 80% of the Bennington County median income as identified in the most recent census. In such cases, housing designed for this income group will be considered low to moderate income housing.

SECTION F: Terms and Conditions

A. Purpose of Loan

The borrower(s) agree(s) to use the loan proceeds to accomplish the rehabilitation of his/her property, identified in the application filed by him/her to meet the officially approved standards of the Housing code adopted by the Town of Bennington and the standards of the U.S. Department of Housing and Urban Development (HUD) known as Section 8 Rental Program.

B. Accomplishment of Work

The borrower(s) agree(s) to carry out all rehabilitation work specified in the application and its supporting documentation with all practicable dispatch in a sound, economical and efficient manner, either personally or through written contract let by borrower(s) with the prior concurrence of the Town of Bennington or its designee. In accomplishing such rehabilitation, the borrower(s) will comply with all applicable Housing Code Standards, and to the extent that these are not controlling, with the work write-up submitted with the Loan Application. If the estimated amount of contract for rehabilitation work, or for the purchase of materials, equipment, or supplies to be used in connection with the rehabilitation work, is:

C. Eligible Contractors

The borrower(s) agree(s) to hire only contractors who are experienced, insured and when necessary, licensed in their specific trade, to do the work proposed. The Office of Economic and Community Development has the authority to prohibit the use of any contractor, and in some cases, may require letters of recommendation if the Office is unfamiliar with the contractor.

D. Inspection of Work

The Town of Bennington shall have the right to inspect all rehabilitation work financed, in whole or in part, with the proceeds of this loan, and will inform the borrower(s) of any non-compliance with respect to the contract for rehabilitation.

E. Records

The borrower(s) agree(s) to keep such records as may be required by the Town of Bennington with respect to the rehabilitation work financed, in whole or in part, with the aid of the Town of Bennington's loan, and furthermore, when the rehabilitated property contains rental units, the borrower(s) agree(s) to keep such records as may be required by the Town of Bennington with respect to income received and expenses incurred from this property. The borrower(s) will, at any time during normal business hours, and as often as the Town of Bennington may deem necessary, permit the Town of Bennington to have full and free access to its records with respect to the utilization of the loan, and when applicable, to the income and expenses incurred through rental, and will permit the Town of Bennington to audit, examine, and make excerpts or transcripts from his/her records and to review, inspect, and make audits of all rehabilitation work, contracts, invoices, materials, payrolls, records of personnel, conditions of employment, books of record, and other documentary data pertaining to the loan and the rehabilitation work, and when applicable, to income and expenses incurred through rental of the rehabilitated property.

F. Interest of Members, Officers, or Employees of the Town, Members of Local Governing Body or Other Public Officials

Neither the Town Manager, members of the Community Development Department, members of the Board of Selectors nor their immediate families (mother, father, spouse and child) nor other persons associated with the Town who have any involvement in the policy or decision making process with respect to the Town of Bennington's Housing Rehabilitation Loan Program during his/her tenure, or for one (1) year thereafter, shall have any interest, direct or indirect, in the proceeds of this loan or in any contract or subcontract entered into by the borrower(s) for the performance of work financed in whole or in part with assistance under the Town's Housing Rehabilitation Loan Program.

G. Flood Insurance

In certain cases, the Town of Bennington may require the property owner to acquire and maintain flood insurance on the property in question.

H. Additional Requirements

1. The Town has the authority to place any additional stipulations on the borrower, or the project, as long as those stipulations are expressed at, or before the time of the loan closing.
2. The owner shall permit the contractor to use, at no extra cost, existing utilities, such as lights, heat, power and water necessary to the carrying out and completion of the rehabilitation work.

3. The owner shall cooperate with the contractor to facilitate the performance of the work, including the removal and replacement of rugs, coverings, and furniture as necessary.
4. All work agreed upon and carried out between the contractor and the homeowner which is not part of the Town loan, shall in no way interfere with the timely completion work stipulated under the Town loan.

By signing below, I, _____, certify that I have read and fully understand the Town-wide Housing Loan Program description and all of its provisions as stated above.

Guarantor's Signature:

Date: