



Spencer Housing Rehabilitation Program

Program Guidelines & Application

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Program Overview

The Town of Spencer has been awarded a \$750,000 Community Development Block Grant for Neighborhood Revitalization (CDBG-NR) from the North Carolina Department of Commerce. These funds are being administered by the Town to rehabilitate approximately ten (10) owner-occupied homes in Spencer. (Rental properties are not eligible.) Assistance will be prioritized for lower-income households with significant home repair needs.

This document includes the Program Guidelines & Application Form for Spencer's Housing Rehabilitation Program. Homeowners interested in applying for assistance are encouraged to carefully review the enclosed guidelines, which cover topics including program goals and objectives, eligible rehabilitation projects, application and eligibility requirements, income requirements, terms of financial assistance, etc.

Please note that homeowners must submit a complete application to be considered. An application will be considered incomplete if it does not contain all required forms and documentation on the checklist. Applications will be evaluated and selected based on the overall financial need of the household, the condition of the house, and other criteria as specified in these Program Guidelines.

The Program Administrator is available to answer any questions you may have about the program and the application process. Please contact Kyle Harris, Program Administrator, at 704-638-2231 ext. 20 or kharris@spencernc.gov.

Program Guidelines

Program Goals & Objectives:

The purpose of the Spencer Housing Rehabilitation Program is to rehabilitate owner-occupied homes in Spencer that have significant maintenance needs. In the context of this program, “rehabilitation” means taking an existing home and bringing it up to the required standards set by the U.S. Department of Housing & Urban Development (HUD) and the North Carolina Department of Commerce’s Rural Economic Development Division (REDD).

Quick Summary of Financial Assistance:

Assistance will be provided in the form of a no-cost, zero-percent-interest, deferred forgivable loan of up to \$67,500. This means that most recipients will be expected to pay zero dollars toward the loan, which will typically be forgiven once certain requirements are met. Individual project costs will vary depending on the physical condition of the home and other factors. The Program Administrator will competitively bid construction projects to qualifying contractors and will select contractors to complete the work. For more information about the terms of financial assistance and loan forgiveness, see page 6.

Eligible Rehabilitation Activities:

Funds may be used to finance the rehabilitation of privately-owned single-family homes. Funds can be used for labor, materials, and associated rehabilitation costs for the following projects (including but not necessarily limited to):

- Repairs to address moderate to severe deterioration of building systems caused by deferred maintenance (e.g., foundations, floors, walls, roofs, plumbing, electrical, HVAC, windows/doors, egress, etc.).
- Replacement of principal fixtures and components of the existing structure (e.g., built-in appliances like sinks, toilets, and bathtubs; fans, light fixtures, smoke and carbon monoxide detectors, etc.).
- Installation of security devices, including smoke detectors and dead bolt locks.
- Renovation through alterations, addition to, or enhancements of the home.
- Abatement of asbestos hazards (and other harmful contaminants such as lead).
- Improvements to increase the efficient use of energy in the structure through such as means as installation of storm windows and doors, siding, wall and attic

insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment.

- Improvements to increase the efficient use of water through such means as water saving faucets and shower heads and repair of water leaks.
- Connection of residential structures to water distribution lines or local sewer collection lines.
- Improvements designed to remove material and architectural barriers that restrict mobility and accessibility of elderly or disabled persons.

Because program funds are being used to bring homes up to required standards, rehabilitation projects will be designed to accomplish the following minimum targets. Each home should:

- ✓ Contain a safe, sanitary kitchen for the storage and preparation of food.
- ✓ Contain a bathroom with permanent and properly operating fixtures.
- ✓ Be properly treated for and free of insects and pests.
- ✓ Have structurally sound building systems (foundation, floors, walls, roof, plumbing, electrical, HVAC, windows/doors, egress, etc.).
- ✓ Have doors for proper entry and exit.
- ✓ Have electrical wiring and fixtures that are safe and operating properly.
- ✓ Have plumbing fixtures and piping that are safe and operating properly.
- ✓ Have a properly operating HVAC system.
- ✓ Have a properly operating smoke and carbon monoxide detection system.
- ✓ Be free of lead-based paint hazards and other environmental hazards.
- ✓ Meet the physical needs of disabled or elderly persons through improvements like widened doorways, ramps, level entry and doorways, handicap grab bars, etc.).

Please note that achieving the above minimum standards will take priority in all rehab projects. Given limited funding, purely aesthetic, architectural or design improvements that are not necessarily tied to remediating a problem with a major building system may not receive funding.

Evaluating Housing Condition:

As part of the application review process, the Selection Committee will evaluate the physical condition of the applicant's home and will make a determination on the overall need for assistance. Given limited funding, priority will be given to households with the greatest overall need. Although we wish to help everyone, funding is limited and only a certain number of applicants will be selected for the program.

A house may have a combination of severe and moderate conditions. For a condition to count as either severe or moderate, there must be several occurrences of the condition, or the condition must be overwhelming.

The evaluation will be carried out by a licensed and certified rehabilitation specialist ("rehab specialist"). During the evaluation, the rehab specialist will determine the condition of the following building systems:

- Foundation System**
- Floor System**
- Exterior Wall System**
- Roof System**
- Plumbing System**
- Electrical System**
- HVAC System (Heating/Chimneys)**
- Interior Wall System**
- Windows/Doors System**
- Egress System (Exits/Stairs/Porches/Stoops)**

During the evaluation, the rehab specialist will consider the following key questions to determine the severity of the building's condition:

Foundation System	<ul style="list-style-type: none">✓ Is the foundation incapable of supporting normal use load?✓ Is there major deterioration of wood support members?✓ Are foundation supports unstable and subject to movement?✓ Do any foundation walls need to be repaired or replaced?
Floor System	<ul style="list-style-type: none">✓ Are there holes in the subfloors?✓ Is there buckling in floors and/or severely unlevel floors?✓ Is there noticeable floor movement under walking stress?✓ Is there separation or disfigurement of flooring?✓ Is there damage to subfloor, joists or girders?✓ Is the floor insulated?

Exterior Wall System	<ul style="list-style-type: none"> ✓ Are walls leaning or buckling? ✓ Are there cracks or holes in the walls? ✓ Is the siding deteriorated, loose, or missing? ✓ Are the exterior walls weather-tight?
Roof System	<ul style="list-style-type: none"> ✓ Is the roof sagging or structurally unsound? ✓ Are there cracks or holes in the roof? ✓ Is the roof leaking? ✓ If metal, is the roof rusted? ✓ Are there any loose or damaged shingles? ✓ Is there deteriorated or loose flashing?
Plumbing System	<ul style="list-style-type: none"> ✓ Is there hot and cold running water? ✓ Is there a shower/tub, lavatory, or toilet? ✓ Is the plumbing non-repairable? (i.e., leaking galvanized pipes) ✓ Are existing plumbing fixtures and/or pipes repairable? ✓ Is the hot water heater malfunctioning?
Electrical System	<ul style="list-style-type: none"> ✓ Less than 100 AMP service and lack of main disconnect for house? ✓ Does the entire electrical system need to be changed to meet appropriate code requirements? ✓ Is the existing electrical wiring system unsafe? ✓ Is there an adequate number of outlets in the house? ✓ Are the existing outlets malfunctioning or repairable?
HVAC System	<ul style="list-style-type: none"> ✓ Does the house require installation of new HVAC system? ✓ Is there an adequate heating system in the house? ✓ Is the existing heating system unvented? ✓ Is the heating system unable to heat habitable rooms and bathrooms to 70 degrees Fahrenheit? ✓ Does the chimney need to be removed, repaired, or replaced? ✓ Is the chimney severely leaning? ✓ Are there missing bricks or essential parts in the chimney? ✓ Is there a need to replace or repair component parts of the HVAC system, such as re-hanging of loose ductwork, replacement of supply registers, thermostats, etc.? ✓ Is the existing vented heating system defective but repairable? ✓ Are there excessive leaks in heat duct system?

The number of building systems in your home where there is a moderate or severe condition, and the severity of the condition, will be carefully considered in the evaluation process. For more information on the application review and selection process, see page 10.

Terms of Financial Assistance:

It is vitally important for all applicants to carefully review these Program Guidelines, including the financial terms and conditions for assistance. Although most recipients will be expected to pay zero dollars for receiving assistance, there are some limited circumstances in which repayment of some portion of a loan may be required. Additionally, applicants should be aware that the assistance provided by this program is secured by a lien on the recipient's home. More information is provided below.

What is the form of assistance? Assistance will be provided in the form of a no-cost, zero percent-interest, **deferred loan**, also known as a **deferred forgivable loan**, subject to certain ownership and occupancy conditions. The assistance is secured by a lien on the recipient's home. Recipients will sign loan documents including a Promissory Note and Deed of Trust covering the cost of rehabilitation.

What is a deferred forgivable loan? These are loans in which the entire principal and interest payments are deferred to a future date with terms to forgive the entire repayment amount. The loan is forgiven incrementally, such as forgiving one-fifth of the loan each year over five (5) years until the end of the repayment term. At the end of the repayment term, the repayment amount is reduced to zero, and the recipient has paid a total of zero dollars.

What are the ownership and occupancy conditions? The recipient must maintain the property as their primary residence for the entire repayment term. For example, if a recipient's loan repayment period is eight (8) years, the recipient must continue to live in the home for eight (8) years. If the recipient sells the home within the repayment period, a certain portion of the loan must be repaid. In most cases, selling the home "early" is the only circumstance in which a recipient will be expected to repay a portion of the loan.

What is a lien and how will it impact me? In the context of this program, a contractual lien is a security interest or legal right in one's property by a lender **with the consent of the property owner**. The lien gives the lender the right to collect money from the sale of the property if the property is sold within the repayment period, as explained above. The lien is **mutually agreed** upon between the recipient/homeowner and the lender and is secured through a written agreement, like a mortgage.

This type of contractual lien is not like other types of liens, such as tax liens, which are forced liens acquired by court order because of failure to pay taxes. Instead, a contractual lien is more like a mortgage, where the home is security for a loan. The lien generally stays in effect until the underlying obligation to the lender is satisfied. In the context of this program, the underlying obligation will be satisfied once the repayment period has elapsed and the repayment has been reduced to zero. At that point, the loan has been forgiven and the lien is removed.

In simple terms, a recipient of assistance through this program will be expected to pay zero dollars toward the loan, as long as they maintain the property as their primary residence for the entire repayment period.

Determining Your Eligibility to Apply

Income Requirements:

Please Note: The Program Administrator is available to answer any questions you may have about financial eligibility, income calculation, and income limits. Please contact Kyle Harris, Program Administrator, at 704-638-2231 ext. 20 or kharris@spencernc.gov.

The information in the section below is provided to help you make some basic determinations about whether you might qualify. The Application Form, enclosed with these Program Guidelines, includes a checklist of financial documents that must be submitted with the application. The Program Administrator will help calculate your annual income and determine your income category based on the documentation you submit.

What is the income limit to apply? Only applicants in certain Income Categories are eligible to apply for assistance through this program. Most households earning less than 80% of Median Family Income (MFI) are eligible to apply. For a family of four (4) in Rowan County, NC, 80% MFI is currently calculated at \$55,750 (as of Fiscal Year 2022-23).

However, priority will be given to Very Low (50%) Income and Extremely Low (30%) Income applicants. For a family of four (4) in Rowan County, NC, that's \$34,850 (Very Low) and \$27,750 (Extremely Low), respectively. Your Income Category is based on the number of persons in your family and the household's total annual income.

How do I determine my Income Category? There are three (3) eligible Income Categories:

- Low Income (80% of Median Family Income)**
- Very Low Income (50% of Median Family Income)**
- Extremely Low Income (30% of Median Family Income)**

Step 1. Calculate Annual Income. First, you must calculate your household's **Annual Income**. This is defined as the gross amount of income of all adult (over 18) household members that is expected to be received during the coming 12-month period. It includes all amounts going to the family head or spouse or to any other family member, or which are anticipated to be received from a source outside the family. The official definition of annual income is established in federal regulation 24 CFR 5.609.

Annual income includes, but is not limited to:

- ✓ The full amount, before any payroll or deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- ✓ The net income from the operation of a business or profession.
- ✓ Interests, dividends, and other net income of any kind from real or personal property.
- ✓ The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.
- ✓ Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- ✓ Welfare assistance payments not subject to exclusions. This includes, but is not limited to, periodic and determinable allowances, such as alimony and child support payments, etc.

Annual income does not include the following (see 24 CFR 5.609 for complete list):

- ⊗ Income from the employment of children under 18 years of age.
- ⊗ Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family who are unable to live alone).
- ⊗ Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property loss.
- ⊗ Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
- ⊗ The full amount of student financial assistance paid directly to the student or to the educational institution.
- ⊗ Temporary, nonrecurring or sporadic income (including gifts).
- ⊗ Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse).

Note: It is important to provide an accurate income because knowingly submitting false financial information may disqualify you from receiving assistance. For most households, calculating your annual income should be relatively straightforward. The Program Administrator is available to help you calculate an accurate figure and fix any mistakes.

Step 2. Determine Your Income Category. Once you have calculated your annual income, you can use the chart below to determine your Income Category. Your Income Category is based on your annual income and the number of persons in your household. Find the column with the number of people in your household, then move down the rows until you find the row corresponding to your annual income. This will determine your Income Limit Category (80%, 50%, or 30%). If your income is higher than the top row (Low 80%), then your income is too high to receive assistance under this program.

(The U.S. Department of Housing & Urban Development (HUD) annually publishes income calculations for each county in North Carolina. The chart below is specific to Rowan County.)

FY 2022 Income Limits for Rowan County, NC Based on Median Family Income of \$69,900								
FY 2022 Income Limit Category	Persons in Household							
	1	2	3	4	5	6	7	8
Low (80%)	39,050	44,600	50,200	55,750	60,250	64,700	69,150	73,600
Very Low (50%)	24,400	27,900	31,400	34,850	37,650	40,450	43,250	46,050
Extremely Low (30%)	14,650	18,310	23,030	27,750	32,470	37,190	41,910	46,050

Examples:

- ✓ If your family of four (4) has an annual income of \$49,900, you **are eligible** to apply because you make less than \$55,750, which is the income limit for a family of that size. You are in the Low Income (80%) Category.
- ✓ If your family of two (2) has an annual income of \$23,000, you **are eligible** to apply because you make less than \$44,600, which is the income limit for a family of that size. You are in the Very Low Income (50%) Category.
- ⊗ If your family of four (4) has an annual income of \$65,000, you **are not eligible** to apply because you make more than \$55,750, which is the income limit for a family of that size. Your income is too high to receive assistance under this program.

Other Basic Requirements:

Finally, applicants should check that they meet the other basic eligibility requirements:

- ✓ The applicant must be the owner of the property to be assisted.
- ✓ The applicant must use the property as their primary residence.
 - This program is limited to owner-occupied residences. Rental properties and similar investment properties are not eligible.
- ✓ The applicant must be low-income based on the area median family income as calculated by HUD using the FY 2022 Income Limits Documentation System.

Application Review & Selection Process:

- 1. Initial Screening.** Once an application is submitted, the Program Administrator will review it for completeness. **Incomplete applications will not be considered.** An application is considered incomplete if it omits required information and/or documentation, including income information, signed authorizations, current mortgage statement, homeowners' insurance policy, etc.
- 2. Eligibility Review.** Fully completed applications will be reviewed to confirm the applicant's eligibility. If the applicant does not meet one or more requirements, the Program Administrator will notify the applicant in writing. The notice will list the reasons the applicant is ineligible to receive assistance.
- 3. Preliminary Inspection.** Once the application deadline has passed, all applications that passed initial screening and eligibility will be sent to a Rehabilitation Specialist. The Rehabilitation Specialist will visit the homes of eligible households to evaluate the condition of the home and develop a preliminary Scope of Work for rehabilitation.
- 4. Scoring & Ranking of Applications.** Once a preliminary Scope of Work is prepared for all eligible households, the applications will be ranked by the Program Administrator using a predetermining scoring system. As stated in these Program Guidelines, priority will be given to households with the greatest overall need based on the evaluation of the Rehabilitation Specialist. "Overall need" is evaluated in terms of:
 - ✓ **Financial Need (Annual Household Income)**
 - ✓ **Physical Condition of the Home & Severity of Conditions**
 - ✓ **Special Needs or Characteristics of Household Members**

The Program Administrator will rank the top ten (10) applicants and two to three (2-3) alternates based on the scoring system. These selections will then be sent to the Housing Selection Committee.

- 5. Housing Selection Committee.** The Housing Selection Committee is a special committee comprised of Town of Spencer citizen representatives, local elected officials, and other qualified individuals appointed by the Town to ensure transparency and

oversight of the application selection process. The Housing Selection Committee will review the Program Administrator's rankings to ensure that applications were chosen on a fair and just basis. The Housing Selection Committee will make the final decision on which applications will be selected for final approval. Applicants not selected will be notified by the Program Administrator in writing. The notice will list the reasons the applicant was not selected.

Please note that although we wish to help everyone with a need, we only have enough funding to help approximately ten (10) households. If your household is not selected to receive assistance, please understand that the selection process is designed to be fair and impartial and to select those with the greatest overall need.

What happens if my home is selected?

If your application is approved, congratulations! There are several steps remaining before work can get started. Please carefully review the information below.

1. **Signing the Written Agreement.** A written agreement must be signed between the homeowner and the Salisbury Community Development Corporation (CDC), who are administering this project on behalf of the Town of Spencer. This agreement will define the amount of financial assistance being provided, the scope of work to be performed, the date of completion and the rehabilitation standards to be met.
2. **Pre-Rehabilitation Inspection.** The Rehabilitation Specialist will visit the home again to conduct a more comprehensive inspection. All parts of the home must be made accessible for inspection, including the attic and crawlspace. The owner should report any known problems such as electrical short circuits, blinking lights, roof leaks, etc. Each unit will be evaluated for energy-saving opportunities and for any additional environmental concerns, such as lead-based paint hazards, radon and asbestos.
3. **Finalizing the Scope of Work & Cost Estimate.** The Rehabilitation Specialist will prepare a complete and detailed written work specification (known as a "work write-up"). This document will outline the entire Scope of Work of the rehabilitation project. The Rehabilitation Specialist will also prepare a final cost estimate, which will not be disclosed until construction bids are received from contractors.
4. **Lead & Other Testing.** The Program Administrator will arrange for a certified firm to inspect all pre-1978 constructed homes for potential lead and asbestos hazards. All homes will be tested for radon. The owner will receive information covering the results of the tests and any corrective actions that will be needed as part of the rehabilitation.
5. **Competitive Bidding.** The Work Write-Up & Bid Documents will be conveyed to all contractors from the approved contractors registry who will be given no less than seven (7) days in which to inspect the property and prepare a construction bid.

Contractors will need access to all parts of the house in order to prepare a bid. A bid opening will be conducted at a specified date, time, and location, with all bidders invited to attend.

6. **Contractor Selection.** Within seventy-two (72) hours of the bid opening, the winning bidder will be selected. All bidders and homeowners will be notified in writing of (1) the selection of the winning bid, (2) the amount of the winning bid, (3) the amount of the initial cost estimate, and (4) the specific reasons for the selection, if other than the lowest bidder was selected.
7. **Loan Closing & Contract Execution.** Loan documents (Promissory Note and Deed of Trust) will be prepared by the Town of Spencer as lender and executed by the homeowner. (By law, homeowners have the right to hire legal representation of their choosing at a loan closing. If a homeowner does not have representation at the closing, the borrower must sign an “unrepresented borrower affidavit”.) Rehabilitation contract documents will be executed by the homeowner and contractor with the Salisbury Community Development Corporation (CDC) signing on as an interested third party prior to the commencement of any construction. The Salisbury CDC will facilitate the loan closing and recordation of these documents and forward the recorded documents to the Town of Spencer.
8. **Pre-Construction Conference.** A pre-construction conference will be held at the selected applicant’s home or another predetermined location. At this time, the homeowner, contractor, the Program Administrator, and other appropriate program representatives, will discuss the details of the work to be completed, including material and finish selections. Starting and ending dates for construction will be finalized, along with any special arrangements such as weekend or evening work hours and disposition of items to be removed from the home. Once completed, a “Proceed Order” will be issued, formally instructing the contractor to begin work by the agreed-upon start date.
9. **Construction.** The contractor is responsible for obtaining and posting all permits for the project before beginning work. The Program Administrator will closely monitor the contractor during the construction period and local code enforcement officials will help inspect the work. To protect personal property, the homeowner will be responsible for working with the contractor toward clearing work areas of personal property as needed as much as practicable. The contractor will be responsible for all clearing and cleaning activities necessary due to construction activities.
10. **Change Orders (if needed).** All changes to the Scope of Work must be approved by the owner, the contractor, the Rehabilitation Specialist, and the Program Administrator. The change must be reduced in writing as a contract amendment (“Change Order”). The owner, contractor, and two program representatives must execute any change order agreements to the construction contract.

11. **Progress Payments.** The contractor is entitled to request two partial payments and a final payment. When a payment is requested, the Program Administrator will inspect the work within three (3) days.
12. **Project Completion & Closeout Certifications.** When both the homeowner and Program Administrator are satisfied that the contract has been fulfilled, the homeowner, Program Administrator, and Rehabilitation Specialist will “sign off” on the work. These documents will certify that the project has been completely and satisfactorily completed. All material and workmanship will be guaranteed by the contractor for a period of one (1) year from the date of completion of the work as established by the date on the final pay requisition.
13. **Post-Construction Conference.** Following construction, the contractor and the Program Administrator will sit down with the Homeowner one more time. At this conference, the contractor will hand over all owner’s manuals and warranties on equipment and materials to the homeowner. The contractor and Program Administrator will review operating and maintenance requirements for the new equipment, materials, and appliances and discuss general maintenance of the home with the homeowner. The homeowner will have the opportunity to ask any final questions about the work.
14. **Final Loan Amount Determination.** If, upon completion of all rehabilitation work, the contractor price has changed due to the effect of change orders, the Town of Spencer will prepare an estoppel for a loan reduction or modification agreement for loan increases as necessary at the time of closeout of the unit to modify the loan amount. The loan will remain the property of the Town, with original documents remaining at Spencer Town Hall for storage and servicing. Please note that it is the responsibility of the owner to record an estoppel if they wish this to be reflected in the Deed of Trust.
15. **Warranty Period.** It is very important that any problems with the work that was performed be reported by the homeowner to the Program Administrator or another program representative, as soon as possible in writing. All bona fide defects in materials and workmanship reported within one (1) year of completion of construction will be corrected free of charge by the contractor.

Our top priority is to ensure a successful project. We are committed to providing a high level of customer service and attention to detail so that you feel satisfied with the rehabilitation work completed at your home. If you have any questions, comments, or concerns, please contact the Program Administrator, below.

Program Administrator: Kyle Harris

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