# Montvale Home Improvement Program

## PROGRAM INFORMATION HANDOUT

## INTRODUCTION

The Montvale Home Improvement Program (HIP) was created by the Borough to provide funds to assist properties occupied by low and moderate-income households to correct existing interior and exterior health, safety and code substandard conditions of major housing systems in conformity with the standards of the New Jersey State Housing Code, N.J.A.C. 5:28 and the Rehabilitation Subcode, N.J.A.C. 5:23-6. The HIP is guided by N.J.A.C. 5:93-5.2 and in accordance with the N.J. Department of Community Affairs (DCA) Council on Affordable Housing (COAH) regulations. The Borough of Montvale has contracted with Community Grants, Planning & Housing LLC (CGP&H), a private consulting firm specializing in the implementation of publicly funded housing rehabilitation programs, to manage and administer the HIP.

## CATEGORIES OF PARTICIPANTS

Both owner-occupied and renter-occupied housing units are eligible to receive funding for rehabilitation provided:

1) the property is their primary residency
2) the occupants of the units are determined to be low- or moderate-income households
3) the units are determined to be substandard

Owners of rental properties do not have to be low- or moderate-income households. If a structure contains two or more units and an owner, who is not income eligible, occupies one of the unit funding may be provided for the rehabilitation of the remainder of the units if income-eligible households occupy those units. Rents must be affordable to low- or moderate-income households.

## FUNDING TERMS FOR OWNER OCCUPIED AND INVESTOR OWNED UNITS

### The Program Funding will be provided on the following terms:

- Up to $20,000.00 for an eligible owner occupied single family home
- Up to $17,000.00 per unit for eligible owner occupied multi-family properties and investor rental units.

**There is no cost to apply and applying for program funds does not affect your credit score.**

All program loans are in the form of a zero percent (0%) 10 Year Forgivable (Pro-Rated) loan. There is no monthly payment, no interest, and no prepayment penalties.

Investor only properties are responsible to pay 25 % of the construction cost at time of the construction contract signing. The remaining portion becomes the investor's forgivable loan.

### Mechanism for Securing the Loan & Affordability Controls

Affordability controls are secured by the following legal instruments:

**Owner-Occupied Single Family Home:** A Mortgage and Mortgage Note

**Owner-Occupied Multi-Family Home and Investor Houses**: A Mortgage, Mortgage Note and Deed Restriction

A mortgage and mortgage note, and deed restriction, when applicable, all deed holders will be executed at the time of the pre-construction conference/loan closing for the value of the rehabilitation work to be done on the unit. The mortgage is then recorded with the county during the construction phase of the process.

Please note ALL deed holders must be available and agree to sign all closing documents as well as the initial Homeowner Agreement forms.

## APPLICATION SELECTION

The program will process new applicants added to the waiting list/applicant pool on a first-come, first served basis, to qualified applicants.

### Eligibility Requirements:

- Household occupants must be within the income limit.
- All deed holders must agree to Program terms and be available to sign any related required documents.
- There must be existing eligible home improvement(s), including at least one code substandard major housing system.
- Property taxes, municipal utilities, and, if applicable, mortgage must be paid current. For applicable developments, Homeowner Association (HOA) fees must also be paid current.
- The owner's equity in the home must be greater than the maximum amount of assistance that could be made available by the Program. For the sake of this rule, the market value of the home will be calculated using the municipality's assessed value divided by the municipal equalization ratio. All existing property liens (mortgage, home equity loan, etc.) are then deducted from the calculated house value to determine the current property equity. If you need assistance in determining equity, please call the number listed at the end of this handout.
- If any living quarters (bedrooms, kitchen or bathroom facilities) exist in the basement or attic and/or if there is any secondary kitchen in any unit, the homeowner will be required to provide evidence (closed out permit, certificate of occupancy, etc.) that it was permitted by the Borough of Montvale, prior to being able to proceed with program assistance.
- If there are any repairs or renovations currently being undertaken on your home by others or yourself, or done within the last few years that require or required municipal permits, the work must be completed and the permits closed out prior to applying to the Program. Contact the municipal construction office if you have questions regarding construction permit requirements.
- **PLEASE NOTE, THE PROGRAM DOES NOT REIMBURSE FOR PREVIOUSLY COMPLETED WORK, OR FOR WORK THAT IS CURRENTLY UNDERWAY.**
- You must have a current homeowner's insurance policy with enough coverage for any current mortgage plus $20,000.00 (the funding limit) to be assisted by the Program.
- There must be existing eligible home improvement(s), including at least one code substandard major housing system.

## INCOME LIMITS

Household income is defined as the combined annual earned and unearned income of all family members. Earned income for household members 18 years of age and older including gross wages, net income from a business, etc. Unearned income for all household members include Social Security, disability insurance, unemployment insurance, pensions, dividend/interest income, alimony, child support, etc. Each unit's total household income must fall below the New Jersey Department of Community Affairs moderate income limits (updated annually) based on family size as follows:

| Household Size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Maximum Income | $ 67,431 | $ 77,064 | $ 86,697 | $ 96,329 | $ 104,036 | $ 111,742 | $ 119,449 | $ 127,155 |

## ELIGIBLE ACTIVITIES

For clarification of eligible work items, be advised that funds may **only** be used for work and repairs required to make the unit standard and abate interior and exterior violations of the NJ Rehabilitation Code and/or any other applicable housing codes; and remove health and/or safety hazards; and any other work or repairs, including finishing and painting, which are directly related to the above listed objectives.

### A. Eligible Improvements

In order to qualify for participation in the program, at least one of the following major systems must be in need of replacement or substantial repair:

- Roof
- Electrical
- Heating
- Plumbing (including sanitary plumbing)
- Load bearing structural systems
- Windows and/or Lead Paint Remediation

### B. Ineligible Improvements

Work not eligible for program funding includes but is not limited to luxury improvements (improvements which are strictly cosmetic), carpets, additions, conversions (basement, garage, porch, attic, etc.), repairs to structures separate from the living units (detached garage, shed, barn, etc.), furnishings, pools, landscaping, solar panels and generators. If determined unsafe, stoves may be replaced. The replacement or repair of other appliances is prohibited. Rehabilitation work performed by property owners shall not be funded under this program. The cost of removing any illegally converted living space (e.g., illegal bedrooms in the basement) are not eligible for assistance.

## Overview of Administrative Process

You submit your completed application to the Program. The Housing Rehabilitation Specialist reviews the application package and determines eligibility/ineligibility. Once your eligibility has been established, the Program will conduct a comprehensive house inspection. The purpose of the comprehensive inspection is to detail any health, safety or substandard code items that exist on your property. At least one major system has to be substandard in code for the property to participate in the Program. Please be prepared to have your property survey available for the inspection for the inspector's review, and afterwards for municipal permit application requirements, if needed.

The Program Inspector will create a Work-Write-Up and Cost Estimate for your home's rehabilitation, based upon the comprehensive inspection. A copy of the Work Write-Up, along with a contractor list, will be provided to you for approval.

The Program will solicit bids by circulating bid packages to approved contractors. If you know of a contractor that would like to submit a bid on the job, they must contact the Program to request a bid package. The submitted bids will be reviewed by the Program Inspector and the homeowner. Generally, the lowest responsible bid from a qualified contractor will be chosen. The homeowner may select a contractor with a higher bid but must pay the difference between the contractor chosen and the lowest responsible bid. Your contribution of the cost difference is to be provided at the pre-construction meeting.

The Program is not guaranteeing to rehabilitate all the work listed in the work write-up. Code, safety, and health related work items identified by the program inspector will take precedent over non-code work if elimination of work items is necessary. It is a program requirement to bring your house up to code. The homeowner has the option of contributing personal funds for any work that exceeds the funding limit. A preconstruction conference/loan closing is conducted at which time the construction agreement and all affordability controls are executed. The contractor will obtain the permits (as necessary) and the construction phase will begin. Program personnel will manage the construction process which will include a progress inspection and a final inspection. The Municipality will pay the contractor directly upon program

inspection approval of work completed. Program participants will adhere to the Program's decisions. The contractor will close out construction permits; provide warranty information and case closeout documentation.

### Homeowners' Responsibility:

- All areas of the house must be readily accessible, uncluttered and clean. This is in anticipation of the Program Inspector and contractors' need of proper and sanitary access for inspections and construction work progress. Please note, the Program has a right to decline assistance to houses with excessive unorganized belongings that would impede program inspections and construction progress, as well as decline assistance to houses with unsanitary deferred housekeeping.
- Program work including inspections, program loan closing and construction are conducted during normal weekday business hours. Please be prepared to plan accordingly.
- All household members must be disclosed in your application. If evidence of any additional undisclosed household members is discovered during case processing, the Program has the right to terminate your case for falsifying information and the municipality has the right to penalize you for related case administration cost. It is your responsibility to call the Program if you need clarification on household members.

### Owner Occupied Single Family Home Terms:

If the owner decides to sell the property, transfer title, or if the owner should die before the end of the 10 year loan period, the owner, heirs, executors or legal representatives must repay the remaining pro-rated portion of the original loan principal at title transfer. Please refer to Appendix A: Repayment Proration Schedule, the last page of this homeowner handout, for specifics regarding loan repayment if necessary prior to the end of the lien period.

Exceptions to Loan Repayment Terms above during the lien period:

1. If the loan transfers due to inheritance by a Class A beneficiary who has current occupancy or will obtain occupancy upon death of Program mortgagee/Borrower and assume the balance of the lien (income eligibility not a requirement); or if by inheritance by a qualified income eligible non-Class A beneficiary, or

2. If the house is sold at an affordable price pursuant to N.J.A.C. 5:97-9.3 to someone who can be qualified as income eligible, takes occupancy and agrees to assume the program lien for the remaining duration of the lien period, or

3. If the house is sold at an affordable price pursuant to N.J.A.C. 5:97-9.3 to an investor who assumes the lien and also signs a deed restriction for the remaining duration of the lien period to rent the dwelling at the affordability controls restricted rental rate and according to the affirmative marketing requirements for re-rentals. When this occurs, the Borough Administrative Agent will be responsible for monitoring compliance over that unit.

### Rental Property Terms:

Rental units are subject to the Uniform Housing Affordability Controls (UHAC) at N.J.A.C. 5-80:26.1. Deed Restriction guarantees the continued availability of the rental unit to low or moderate-income households for the terms of the ten-year affordability period.

The affordability controls are as follows for rental properties:

- The assisted rental unit(s) must be occupied by, and affordable to a household(s) that is(are) certified as low or moderate income as per the most currently approved State Affordable Housing Income Limits.

- If a unit is vacant, upon initial rental subsequent to rehabilitation, or if a renter-occupied unit is re-rented prior to the end of controls on affordability, the deed restriction shall require the unit be rented to a low- or moderate-income household at an affordable rent and affirmatively marketed pursuant to UHAC.
- If a unit is renter-occupied, upon completion of the rehabilitation, the maximum rate of rent shall be the lesser of the current rent or the maximum permitted rent pursuant to UHAC.
- The maximum permitted rent is pursuant to UHAC. Rents in rehabilitated units may increase annually based on the standards in UHAC.
- The affordability terms for the rental units do not expire even in the event that the owner sells the property, transfers title to the property, dies or rents to other than low or moderate -income renters before the terms of the ten-year affordability period and terms of the lien expires.

Additionally, if Program funds were expended on the owner-occupied unit, unless ownership is transferred to another low or moderate-income homeowner, any Program funds expended on work done on the owner's individual unit along with a pro-rata portion of the shared improvements must be fully repaid to the Borough upon title transfer.

### When Repayment Occurs:

When recapture of the loan amount is required due to aforementioned conditions, 100% of the rehabilitation assistance is due and payable in its entirety at zero-percent interest. Borough of Montvale will use the returned funds to finance the rehabilitation of another home.

### Additional Information:

This is a Fair Housing and Equal Opportunities Program. For more information on discrimination or if anyone feels they are a victim of discrimination, please contact the New Jersey Division on Civil Rights at 1-866-405-3050 or http://www.state.nj.us/lps/dcr/index.html.

If you have any further questions, please contact Community Grants, Planning & Housing, LLC, Program Administrators, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M. at bsanchez@cgph.net.

# APPENDIX A
# REPAYMENT PRORATION SCHEDULE

## When Repayment Occurs:

When recapture of the loan amount is required due to the aforementioned conditions, the loan is repaid according to the following repayment schedule:

| | |
|---|---|
| Until 1st year anniversary | 100% of loan amount |
| Until 2nd year anniversary | 90% of loan amount |
| Until 3rd year anniversary | 80% of loan amount |
| Until 4th year anniversary | 70% of loan amount |
| Until 5th year anniversary | 60% of loan amount |
| Until 6th year anniversary | 50% of loan amount |
| Until 7th year anniversary | 40% of loan amount |
| Until 8th year anniversary | 30% of loan amount |
| Until 9th year anniversary | 20% of loan amount |
| Until 10th year anniversary | 10% of loan amount |
| After 10 years | 0% of loan amount<br>(Fully Forgiven) |

The proceeds from the loan repayments will be placed into the Program's income account. As the account balance permits, funds will be used to rehabilitate additional low- and moderate-income dwellings. When a loan is repaid, the mortgage is canceled, and the lien is removed from the property.