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**Housing & Community Development**  
**Rental Rehabilitation Program**

The Rental Rehabilitation Program is offered by the City of St. Petersburg (City), Housing and Community Development (HCD) Department to Investors/Owners of rental property within the proposed southside Community Redevelopment Area (CRA) of the City (see attached map for boundaries). The City provides Community Development Block Grant (CDBG) funding to assist such property Investors/Owners to rehabilitate rental housing for low and moderate income families. Funding for this program is allocated to the City from the U.S. Department of Housing and Urban Development (HUD). The mortgaged property will be rent and income restricted for a period of five (5) years.

**The Rental Rehabilitation Program (3 units or more per development) is designed to accomplish three principal goals:**

- To correct housing code violations in rental housing units.
- To provide rehabilitated rental housing units which will be available and affordable to, existing and future low and moderate income tenants.
- To support other housing rehabilitation and economic development activities primarily in targeted neighborhoods.

The City will provide assistance in the form of a direct interest-free amortized payment loan of up to \$20,000 per unit (with a 75% contribution from the Investor/Owner for project rehabilitation hard cost) with a per property maximum loan not to exceed \$60,000. All loans are secured by a mortgage. All mortgages secured by the property may not exceed 90% CLTV of appraised value, after rehabilitation. The loan term is five (5) years, with payments beginning upon construction completion. The loan is not assumable and becomes due and payable at the earlier of the loan maturity date, or when the property does not meet compliance established by the loan terms. Each unit shall have living and dining areas and at least one kitchen and bathroom.

Fifty-one percent (51%) of household units assisted are required to be rented to below 80% of median family income (MFI). All properties assisted under this program must meet Florida Statute/Chapter 553 and St. Petersburg Property Maintenance Codes. All properties must be in compliance with HUD's lead safe guidelines when rehabilitation is complete. All assisted units are subject to housing quality standards and code compliance inspections annually. All tenant households must be recertified annually.

This one time project subsidy is loaned to Investors/Owners to reduce renovation costs to a level supportable by market rents. To qualify for participation in the City's Rental Rehabilitation Program the applicant must first meet with the City's Housing Finance Coordinator and Rehabilitation Officer. Both the Investor/Owner and the Project must meet the following requirements.

A. Investor Qualifications:

1. Investor/Owner must complete an application and provide supporting documentation.
2. Initial evaluation by the HCD on a first come first qualified basis.
3. HCD reviews application.
4. The Investor/Owner shall be credit-worthy.
5. Investor/Owner shall have valid legal title of ownership of the property to be rehabilitated.
6. Investor/Owner must demonstrate successful management of property maintenance of any and all properties they own.
7. The Investor/Owner shall agree to set a rent no more than HUD's High HOME Program rents established for the metropolitan statistical area (MSA) annually. However, a utility allowance will not be required to be included in the total published rent amount. Published High HOME rents may decrease, however the owner is not required to reduce rents below the rents published for the year in which the project assistance was provided.
8. Investor/Owner shall commit the matching funds and the balance of the total eligible project costs prior to closing.
9. The HCD Director approves or denies application for participation in the program, if denied a letter stating reasons for denial shall be provided to Investor/Owner.
10. If approved, bids are obtained and final mortgage documents are completed prior to rehabilitation commencing.

B. Rental Unit Qualification (Projects)

1. Fifty percent (50%) or greater of the gross floor area must be used for rental.
2. Before rehabilitation, the project must have one or more substandard conditions and/or fail to meet Section 8 Housing Quality Standards for Existing Housing. Property must also have an Environmental Review in accordance with federal regulations, which will be conducted by HCD prior to application/loan approval.
3. Rental Rehabilitation Projects shall be located in the proposed CRA of the City.
4. The rental housing units which are to be rehabilitated with Rental Rehabilitation Program funds shall be occupied within 12 months of completion by 51% of tenants whose household income does not exceed HUD moderate income limits (80% MFI). If not, the Investor/Owner must repay the City for funds used to renovate assisted units that remain vacant. Any existing tenant(s) income needs to be certified as meeting the less than 80% MFI at time of application. The intent of the program is not to permanently displace any person/household.

5. Rent and income restricted units will be monitored for a period of five (5) years.
6. Total rehabilitation costs of a project selected for the Rental Rehabilitation Program shall not be less than \$1,000.
7. An Investor/Owner must demonstrate ownership with a deed and mortgage of the property.
8. If the project is approved, prior to signing loan agreement and mortgage, proof of required minimum Owner/Investor match (letter from bank or lending institution), plan for providing temporary housing for any existing tenants shall be submitted and approved. Proof that temporary relocation is in compliance with the Federal Uniform Relocation Act and Investor/Owner has sufficient funds to cover all expenses. No tenants shall be permanently displaced as a result of the proposed renovations. The 75% contribution by the Investor/Owner for project rehabilitation hard costs will be held in escrow at a bank or lender. These funds will be used first to pay any contractor reimbursement and payment request.

The Investor/Owner will prepare a scope of work and provide to HCD for approval to address major deficiencies that need to be brought into compliance with the City's housing quality standards and codes. Scope must include all applicable federal requirements such as, but not limited to, Davis-Bacon (applies to 8 or more units), Executive Order 11246 and Section 3. The Investor/Owner is required to advertise and secure three bids for the project. HCD must be included in the bidding process which will include pre-bid and pre-construction conferences. Bids are required to be presented by the Investor/Owner to HCD to ensure compliance with CDBG procurement requirements. Investor/Owner will select the contractor to implement the rehabilitation work with final approval by HCD of chosen contractor.

During the course of the construction, the rehabilitation of the property will be inspected by the City's Building Department. On-going inspections to facilitate the proper draw release procedures will also be conducted by HCD's Rehabilitation Officer.

### **Conflict of Interest**

The City elected officials, employees who have authority or who exercise any responsibility in connection with this program shall be ineligible to participate. Employees of the HCD Department are also ineligible.

### **Review and Modifications**

These program guidelines are subject to review and modification by the City as needed to ensure the implementation and effectiveness of the program.

### **Level of Improvement**

Upon completion of the rehabilitation, the dwelling shall meet local building codes along with federal Housing Quality Standards (HQS) and City rehabilitation standards. This includes plumbing, heating, electrical and all structural components, all of which must be completed by

licensed and insured contractors. Rehabilitated units will be re-inspected annually during the five (5) year affordability period to ensure that Investor/Owner is maintaining the housing as decent, safe, sanitary, and in good repair.

### **Financial Feasibility**

Following rehabilitation to the property the units must be able to financially support itself and reflect positive cash flow. In addition, all debt service, property taxes, insurance and utilities (those paid by the Investor/Owner) must be current before the CDBG Rental Rehabilitation Program mortgage is signed and the rehabilitation commenced.

### **Waiting List**

Those applicants who have submitted an application, which was not acted upon due to insufficient program funding, shall be placed on a waiting list in the order in which they were received by the City. At such time as new funding becomes available during the current grant period, the waiting list applicants will be processed following an updating of the original application.

### **Tenant Eligibility**

Tenants are the central aspect of this program and their participation is required in insuring that units are occupied in compliance with the program. Tenants who occupy the dwelling units for this program will be required to submit evidence of income in the form of pay stubs, child support, social security benefits, TANF, etc. and income certifications as part of the program application. Income needs to be re-certified annually for the five (5) year affordability period. Fifty-one (51%) of units in a development must be occupied by tenants whose incomes are at or below 80% MFI. The remaining 49% will not be income restricted but will be rent restricted to HUD published Fair Market Rents.

### **Tenant Notification**

Program regulations require notifications be sent to all tenants in selected units regarding 1) lead-based paint hazards, and 2) possible voluntary displacement (with specific predetermined amount of time).

### **Tenant Movement**

Investor/Owner must notify the City of any tenant movement from the time an application is submitted until the project is completed and certificate of occupancy is issued. Notification must include the reason the tenant is leaving.

- The Investor/Owner cannot elect to not renew a lease or evict a tenant due to upcoming rehabilitation work to the property. HUD interprets this as a displacement whereby the tenant would be entitled to relocation assistance.

## **Tenant Displacement**

It is the intent of this program that no existing tenant(s) be required to relocate to another dwelling unit during the rehabilitation of their unit, and that such event may result in the disqualification of the unit from the program. However, if the project is included in the program and temporary relocation is necessary due to the extent of the rehabilitation, such displacement and all associated costs shall be in accordance with the Federal Uniform Relocation Act and shall be the sole responsibility of the Investor/Owner.

## **Financing/Mortgage Requirements**

The rehabilitation of each unit may receive up to \$20,000 in assistance (maximum \$60,000/development) in CDBG funding in the form of a five (5) year, 0% interest, amortized payment loan. The Investor/Owner must contribute 75% toward the project costs. Included in the rehabilitation cost for each unit are Asbestos/Lead Based Paint inspection fees, clearance costs and remediation.

## **Lien Period**

A lien will be placed on the development for a period of five (5) years. The loan is not assumable and becomes due and payable upon sale or transfer of ownership. There is no prepayment penalty, therefore the loan can be repaid at anytime; however rent and income restrictions remain in full force and effect for the remaining "Period of Affordability". In the event that owner defaults on the compliance guidelines of the contract, legal action may be taken by the City. The Investor/Owner will be required to reimburse the City for the full funding received.

## **Affordability Requirements**

**Period of Affordability:** For a period of five (5) years following initial occupancy, unit(s) must be occupied by tenants whose income is at or below 80% MFI and rents shall be in compliance with HUD's Section 8 Fair Housing Rents. Both tenant income and rental rates will be certified at initial occupancy and recertified annually through the Affordability Period.

**Tenant Income Limits:** The maximum household income for families residing in rental units prior to the unit being rehabilitated or during the first year of occupancy following rehabilitation shall not exceed the following as determined by HCD (limits subject to annual review and adjustments):

## Current Income Limits by Household Size

The following is the 2015 income limits:

Household Size	1	2	3	4	5	6	7	8
Income Limit*	\$33,050	\$37,800	\$42,500	\$47,200	\$51,000	\$54,800	\$58,550	\$62,350

\*Income limits are subject to change annually

**Rental Rates:** Investor/Owners may not increase the rent on occupied units from the pre-rehabilitated rent for a minimum of one year after the rehabilitation has been completed. At no time during this year may rents for existing tenants exceed the High HOME Rent limits for Tampa-St. Petersburg-Clearwater MSA as published by HUD.

## Current Rent Affordability "Guideline"

UNIT SIZE	0 BR	1 BR	2 BR	3 BR	4 BR
HIGH HOME RENT LIMITS*	\$610	\$721	\$867	\$994	\$1,089
FAIR MARKET RENT LIMITS*	\$610	\$765	\$959	\$1,280	\$1,533

\*Fair Market and HOME rents are subject to change annually

## Term of Lease

A minimum 12 month lease shall be required during the five (5) year affordability period.

## Contractors

All contractors must possess a current State of Florida contractor's license(s) and carry active property/liability/workman's compensation insurance (see insurance requirements below). Copy of license(s) and proof of insurance shall be filed with the HCD Department prior to commencing construction. Certificate of Insurance shall include a thirty (30) day notification of cancellation or material change in the policy. Selected contractor may not be debarred, suspended or placed in ineligibility status under the provisions of 24 CFR Part 24.

The selected contractor shall begin work within sixty (60) days after signing the construction contract. The contractor and/or the Investor/Owner shall notify the City of any problems or difficulties during the performance of the work; however, the contract is between the Investor/Owner and the contractor and they are responsible for resolving any issues to the satisfaction of the City in accordance with the regulations prior to any payment.

## **Insurance Requirements**

1. Commercial General Liability:
  - \$1,00,000 per occurrence
  - \$2,000,000 in aggregateInclude personal injury or death or property damage or destruction and contractual liability
2. Workers' Compensation:
  - \$100,000 each accident
  - \$100,000 per employee
  - \$500,000 for all diseases
3. All policies, except Workers' Compensation, must include the City of St. Petersburg, its officers, agents, employees and volunteers as "Additional Insured" under the liability policies.
4. All required insurance policies shall provide that the City shall be afforded at least thirty (30) days advance written notice in the event of cancellation, reduction or material change of any policy.
5. Certificates of Insurance shall be executed on a standard ACORD form and delivered to the City at least fifteen (15) days prior to loan closing date.
6. All insurance required shall be provided by responsible insurers licensed in the State of Florida and rated at least A and 8 in the current edition of Best's Insurance Guide.

## **Payments to Contractor**

The following payment schedule shall apply to all program projects:

1. Investor/Owner contribution shall be disbursed prior to any disbursement by the City.
2. 50% City portion to be reimbursed or disbursed after final inspections are completed and Certificate of Occupancy issued by City.
3. Investor/Owner must sign final documents.
4. Contractor must provide a signed Final Invoice and Release of Liens and Warranty at final payment.
5. All work shall be guaranteed for twelve (12) months.

## **Change Orders**

Any and all change orders to the bid specifications shall be signed by the Investor/Owner, contractor and City prior to implementation.

## **Complaint Resolution**

Issues revolving non-performance by an Investor/Owner will be resolved by the Director of HCD.

