

# **NCRA RENTAL REHAB**

## **(For rental properties that are not owner-occupied)**

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### **I. Basic Criteria for Rental Housing Rehabilitation Loans**

To participate in the Rental Housing Rehabilitation Program, a property owner must submit an application and meet each of the following basic criteria:

- A.** If the applicant is a private individual, the applicant must be a US citizen, a US non-citizen national or a qualified alien.
- B.** The property must be located in the North Clackamas Revitalization Area (NCRA).
- C.** Property taxes must be current.
- D.** The applicant must own or be buying property and must be in title. The preliminary title report must be satisfactory to the County.
- E.** The applicant must have sufficient equity to cover the loan and all existing encumbrances.
- F.** The applicant must have good credit.
- G.** The applicant's income must be sufficient to cover payment(s) on the existing debt on the property and other financial obligations.
- H.** The rental property must be suitable for rehabilitation and the proposed rehabilitation must be economically feasible.
- I.** Preference may be given to rental properties with a greater number of affordable units.
- J.** The Clackamas County Development Agency (Agency) may require a project to display signage indicating the Agency's involvement in the improvements. Any signage will be supplied by the Agency.

### **II. Rental Housing Rehabilitation Loans**

- A. Purpose.** The Rental Housing Rehabilitation Loan Program provides deferred loans to eligible property owners (landlords) with affordable rental units, for needed and critical repairs and improvements.
- B. Fund source:** NCRA urban renewal funds.
- C. Interest Rate.** The Housing Rehabilitation Program sets interest rates that reflect market conditions and community needs. The program charges simple interest on the outstanding principal of the loan.
- D. Affordability Requirements.** In order to qualify for a rental rehabilitation loan, current rental rates for the rental property must meet minimum affordability requirements. See Tables 1 & 2 below for requirements.

<b>Table 1 - Property / Rental Rates</b>		<b>Interest Rate</b>	<b>Loan Type</b>
<b>Property:</b>	<u>Owned by governmental entity or non-profit organization.</u>	0% per annum	Deferred
<b>Affordability:</b>	<p>All single-family, two-family or three family units are restricted to an affordability rate of 65% of MFI or less as set out in Section V.</p> <p>All multi-family rental units are restricted to an affordability rate of 80% of MFI or less, and</p> <p>At least 20% of the units having an affordability rate of 50% of MFI or less, or</p> <p>At least 40% of the units having an affordability rate of 65% of MFI or less.</p>		
<b>Property:</b>	<u>Rental properties containing a single-family, two-family or three-family dwelling (duplex or triplex)</u>	3% per annum	Deferred
<b>Affordability:</b>	All units restricted to an affordability rate of 65% of MFI or less as set out in Section V.		
<b>Property:</b>	<u>Multi-family rental properties.</u>	5.25% per annum	Deferred
<b>Affordability:</b>	<p>All multi-family rental units are restricted to an affordability rate of 100% of MFI or less, and one of the following conditions must apply:</p> <p>At least 20% of the units are restricted to an affordability rate of 50% of MFI or less; <u>or</u></p> <p>At least 40% of the units are restricted to an affordability rate of 65% of MFI or less; <u>or</u></p> <p>At least 60% of the units are restricted to an affordability rate of 80% MFI or less, as set out in Section V.</p>		

### **III. Deferred Payment Loans (DPL) Terms and Conditions**

Term of Loan.

**A.** The Loan shall become due and payable immediately:

1. Upon any actual or attempted sale or transfer of title, voluntary or involuntary, including by operation of law, or upon the death of the original applicant. If there is joint ownership of the property, the term of the loan may be extended until the sale or transfer of the property or the death of the survivor if the survivor had an ownership interest in the property at the date of the loan.
2. If the borrower changes the use of the property or refinances the debt on the property.
3. If funded improvements are not maintained or are altered without the written permission of the Agency.
4. Upon violation of the Affordability Agreement during the Period of Affordability.

**B.** In the event that the loan becomes payable because of the sale, transfer, refinance, change in use or violation of affordability requirements, except as noted in paragraph A.1 above, the loan shall bear an interest rate of 10 percent (10%) per annum from the date of such sale, rent, lease, refinance, change in occupancy or violation of affordability requirements.

**C.** Payments. Loans are deferred. There are no monthly payments on a deferred payment loan.

### **IV. Optional Payments of Principal**

**A.** Borrower may prepay at any time all or part of the principal amount due on the loan without payment of penalties or premiums, provided that Borrower is not in default under the loan, and the payment is identified as prepayment of principal.

**B.** Any prepayment shall be applied first to accrued interest and then to principal. In the case of a partial payment of principal, subsequent interest payments shall be computed on the remaining outstanding principal balance.

### **V. Rent restrictions/Affordability Agreement**

**A.** The owner must agree to maintain the current rental rate of all affordable units listed on the loan application, that are occupied at any time between the date of application submittal and the date of the rehabilitation project completion, for at least 12 months after project completion.

1. If an affordable unit is vacant when an application is submitted and remains vacant until the completion of the rehabilitation project, the owner may adjust the rental rate but in no case may increase the rate above the maximum monthly affordable rental rate as established by HUD (U.S.

Department of Housing & Urban Development). See Table 2 below for the allowable rates for the current year.

B. Affordability Agreement. The rental property owner must agree in writing that the rents for affordable units will remain affordable to lower-income tenants throughout the Period of Affordability. Rents cannot exceed the maximum monthly rental rate in the applicable income range, as set by the Agency, based on HUD standards. See Table 1 in Section II for applicability and affordability standards and Table 2 below for allowable rates for the current year.

C. The owner is required to submit annual rent rolls for all affordable units, accompanied with tenant verification (signature) and leases for those units.

D. The Period of Affordability for rental rehabilitation loans begins on the date of project completion and is one year for every \$3,000 of funding, with a minimum of 5 years and a maximum of 15 years. The Period of Affordability shall run with the property in the event of any sale or transfer of ownership, except in the case of a change of use of the property.

E. The maximum monthly rent for households with a MFI of 50%, 65%, 80% and 100% is listed in Table 2 below. Property owners (landlords) may increase the rental rate on July 1 of each year based on the previous year's increase in the unadjusted Consumer Price Index (CPI-U) for the Portland-Salem Metropolitan area. However, in no case shall the increase in rent result in the monthly rent exceeding the maximum monthly affordable rent (with a housing burden of 30%) based on the MFI published each year by HUD. The Agency will update annual allowable rents no later than April 1<sup>st</sup> of each year.

**Table 2**  
**2012 Housing Affordability: Maximum Monthly Rent Including Utilities**  
**by Median Family Income (MFI) with a Housing Burden of 30%**

Figures are rounded to the nearest \$1.00

# of Bedrooms	Household Size	50% (of MFI)	65%	80%	100%
0	1	\$638	\$830	\$1,022	\$1,277
1	1.5	684	889	1,095	1,368
2	3	821	1,067	1,315	1,642
3	4.5	949	1,234	1,518	1,898
4	6	1,058	1,376	1,693	2,117
5	7.5	1,168	1,519	1,869	2,336

Based on HUD Portland Area Median Income as of December 2011: \$73,000 for a family of four.

## VI. Loan Types & Limits

- A.** The Rental Housing Rehabilitation Program offers the following loans:
1. Single Purpose loans (includes Handicap Accessibility Loans);
  2. Exterior Repair loans; and
  3. Complete Repair loans.
- B.** Loan amounts.
1. Maximum loan amount. The maximum loan amount may not exceed the lowest of:
    - a) The actual cost of rehabilitation;
    - b) The applicant's equity in the property, as determined by subtracting all existing indebtedness from 90% of the present value of the property; or
    - c) For NCRA loans, the amount available **per property** is:
      - (1) \$15,000 for a *Single Purpose* loan for one, two or three-family dwellings and for an *Exterior Single Purpose* loan for multi-family dwellings;
      - (2) \$25,000 for an *Exterior Repair* loan for one, two or three-family dwellings; or
      - (3) \$35,000 for a *Complete Repair* loan for one, two or three-family dwellings.
      - (4) \$50,000 for an *Exterior Repair* loan for multi-family dwellings.
  2. Minimum Loan Amount. The minimum loan amount is \$3,000 and the property must be suitable for rehabilitation.

## VII. Eligible Rental Rehab Dwelling Units

- A.** The following dwelling types are eligible:
1. Single-Family Dwellings are eligible.
  2. Two-Family and Three-Family Dwellings are eligible.
  3. Multifamily Dwellings are eligible for exterior repair loans or single purpose loans for exterior repairs *only*.
  4. A manufactured dwelling unit may be eligible if the applicant owns the unit and the real property on which the unit is located. Manufactured dwelling units in parks or on rented land are not eligible because the loan cannot be secured with a lien on the real property.
- B.** All other dwelling types are ineligible.

C. For rental rehabilitation loans, eligible work items for repairs and upgrades includes items such as:

1. Increased security and crime prevention, including:
  - Installation or replacement of exterior lighting fixtures.
  - Motion sensing light fixtures
  - Secure fencing
  - Secure locks and doors
  - Landscaping that improves visibility and light penetration
  - Physical improvements that increased the security of public and common areas.
  
2. Repairs and upgrades to facades and exterior walls (exterior materials), including:
  - Exterior painting
  - Weatherization
  - Windows/doors
  - Dry rot repairs
  - Foundation repairs
  - Handicap accessibility
  - Roofs/gutters
  
3. Interior repairs will be considered in conjunction with exterior repairs only if deemed a critical repair, such as repairs to: faulty wiring and circuitry, faulty plumbing, inoperable HVAC systems, structural defects, and code violations related to health and safety.

(Only single-family, two-family and three-family dwellings are eligible for loans for interior repairs. The reason for this restriction is potential legal and financial complications that could result from the need to pay relocation benefits to a large number of tenants.)

Note: This is not a complete list. Other types of work may be eligible.