



**CITY OF
TALLAHASSEE**

RENTAL REHABILITATION PROGRAM MANUAL

PROGRAM GUIDELINES

**DEPARTMENT OF HOUSING & COMMUNITY RESILIENCE
HOUSING DIVISION
rev. MARCH 2023**



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I. INTRODUCTION

The City of Tallahassee annually allocates funding to improve the quality of housing occupied by low- and moderate-income residents. Affordable housing is generally defined as one where the monthly mortgage or rent is 30% of the household's monthly income or less. The City defines affordable housing as housing that is affordable for a household earning 80% or less of the Area Median Income (AMI) and below.

As an element of its overall housing strategy, the City of Tallahassee's Rental Rehabilitation Loan Program (RRLP) implemented through the Housing Division is designed to improve the quality of life for residents living in rental properties. The goals of the RRLP are:

- To develop partnerships between the private sector and the City to provide safe, decent, and sanitary rental housing for lower-income tenants.
- To prevent displacement of lower-income tenants to the greatest extent feasible while supporting rental housing rehabilitation and neighborhood revitalization.
- To upgrade and maintain the existing rental housing stock to revitalize the neighborhoods in which they are located.
- To provide higher quality affordable housing for lower-income tenants living in smaller rental properties containing from one to four units.

II. PROGRAM OVERVIEW

The RRLP is designed to provide rental property owners ('landlords', 'applicants') with financial incentives to help cover the cost of rehabilitation of their rental properties to help bring the unit up to Housing Code. In the event program requests exceed funding availability, applications will be prioritized as follows:

- Occupied by a tenant having a recognized health, safety, or accessibility deficiency; or
- A unit which does not meet current City Building Codes; or
- Vacant unit(s) that can obtain a Certificate of Occupancy with a combination of owner and RRLP investment.
- RRLP is a reimbursement program meaning you as owners will pay the contractors directly and submit paid invoices to the Housing Division for reimbursement.
- Project elements already underway or substantially completed are not eligible for reimbursement with RRLP funds.

Landlords/owners may apply for up to \$25,000 per unit in one to four-unit buildings (for a maximum loan amount of \$100,000). The loan will be provided as a zero percent, non-amortizing 100% forgivable loan in exchange for property owners agreeing to rent to or continuing to rent to low- and moderate-income tenants for a period of fifteen (15) years (the 'affordability period'). Funding will be provided for needed repairs to each assisted unit, or the building as a whole such as a roof replacement

III. APPLICANT ELIGIBILITY

To be considered for the program, the applicant must meet the following criteria:

1. Must be a private (for-profit or non-profit) property owner of rental housing located within the City of Tallahassee city limits.

- a. There is no limit on the number of units that can be owned by an owner; however, each application will only cover one project consisting of a one-to-four-unit building which has to be completed before starting another project.
 - b. Non-profit owners of rental properties should submit the long-term leases they use and explanation of how they calculate 30% of household income to determine housing affordability.
 - c. Air B&Bs and short-term rentals are not eligible for the RRLP.
2. If the applicant is not a licensed contractor, the Applicant may coordinate repairs but must have the capacity to carry out rehabilitation by working with licensed and insured contractors.
 3. Owner-occupied units and units with Homestead Exemption status are not eligible for RRLP.
 - a. RRLP-assisted units may not be occupied by property owner relatives or 'significant others'. Units found to be in violation of eligibility guidelines will have the entire RRLP loans immediately due and payable.

IV. APPLICATION SUBMISSION

Housing Division staff will be responsible for the intake of all owner applications submitted through the Department's online Neighborly Software (NS) platform. Each single-unit rental property, or each multiple-unit rental property (no more than four (4) units per building) will require a separate application for each individual structure. There are no limits to the number of applications an individual owner may submit; however, not all will be funded at the same time, therefore applicants must complete an initial project before a subsequent one can move to approval. While the maximum per unit investment is up to \$25,000, it is not a guaranteed per-unit subsidy. Owners/Landlords may submit electronic applications to the City online at any time via www.Talgov.com/housing.

The application requests preliminary documentation that must be submitted along with the application, including, but not limited to:

- Proof of Ownership (clear title, taxes up-to-date including redemption of tax certificates)
- Any existing Liens on the Proposed Property(ies) other than mortgages
- Most recent two years' tax returns including Schedule E or Profit/Loss Statement(s)
- Preliminary list of repairs to be requested with written estimates, if available. The program can provide applicants with a fillable budget form to submit with your application.
- Copy of lease to be used, or Section 8 lease if applicable.
- Homestead Exemption if living in a single unit within a multiple unit building on which requesting repairs. RRLP can only be used in rental portion of property for units occupied by LMI households.
- Proof of property insurance if not included in mortgage payments.
- Any known citations from Section 8 HQS or COT code enforcement.
- Documentation of any previous inspections such as radon, lead based paint, etc.
- Description of the unit(s) or building such as location, year built, number of floors, unique features, handicap accessibility, etc.

Additional Requirements for Non-Profit RRLP Applicants

- Submit a copy of your non-profit's 501(c)(3) designation
- A copy of the lease your organization uses for your housing units
- Policies and procedures regarding setting rent based on household income

Note: Short-term rental properties and Air B&Bs are not eligible for RRLP.

Additional documents may be requested by City staff in order to complete the review of the application. If at any time the requested documents are not received, the City may deny the application. The RRLP manager may also assist applicants with completion of their applications prior to submission.

V. APPLICATION REVIEW AND SELECTION

The Housing Division will review applications as they are submitted. In the event an application review is delayed, or no funds are available, the application will be placed on hold in the order it was received and reconsidered pending available funding. The City may process applications in the order in which they are received or prioritized until program funds are exhausted.

The RRLP manager will conduct a preliminary review of each application. This includes a review of ownership information, if the property is located in a flood plain, that property taxes are current, if the property has Homestead Exemption designation, if there are any current housing code violations, and verify the unit's legal status as a rental property to determine if the application is eligible to move forward.

Staff will review the preliminary Scopes of Work for each rental unit, assisting the applicant with prioritization of project elements including the need to correct deficiencies or make structural or system improvements to help the unit meet City Building Codes or Section 8 Housing Quality Standards (HQS). Staff will conduct a site visit to ensure eligibility of the unit and that the Scope of Work is sufficient.

Because there are limited funds available for RRLP, staff will review each application as submitted and send to the Housing Manager for final review and approval. Proposed projects will be prioritized based on:

- Rental rehabilitation projects where units are vacant may be given first priority for award in order to complete those units where tenants will not be disturbed or displaced. Owners may move tenants (with their consent) within a building from a rental unit scheduled for rehabilitation to another unit where rehabilitation has been completed. Units where a single housing code violation or a unit with housing code issues can be efficiently corrected such as a hot water tank or roof replacement, window replacements, or similar projects with three or fewer project elements that can bring a unit into code compliance and/or meet HUD HQS.
- Selection may be guided in part by unit rehabilitations at the lowest costs, least amount of tenant disruption or displacement, the greatest numbers of tenants impacted by improved living conditions, and code compliance achieved within maximum budget. Example: a four-unit structure housing 16 tenants, requiring a roof replacement at \$40,000 would not displace anyone, cost the program only \$40,000 with no relocation costs, not disturb surfaces where LBP might be present, and bring the building into code compliance.
- HCR staff will formalize a RRLP project approval with the property owner through the issuance of a letter of Loan Approval issued by the Housing Division and transmitted via email.
- The approval letter will list the total amount of funding awarded and the terms and conditions of the loan, next steps including scheduling a pre-construction site visit, and information regarding LBP compliance if the property was constructed prior to 1978.

[Review of Project Scope of Work \(SOW\) and Pre-construction Site Visit](#)

- HCR staff will inspect the building with the owner or the owner's agent to ensure the SOW includes only eligible costs (see eligible and ineligible costs below), and document any code violation or HQS deficiency observed.

- The RRLP Manager will also observe the appearance and condition of the property as it relates to 'community standards'. Trash, accumulations of belongings on porches or in the yard, tires, broken furniture and other debris will need to be cleared as a condition of receiving a RRLP loan.
- The RRLP manager will meet with the landlord/owner sharing HCR priorities and projected costs and together they will negotiate a final SOW and projected project budget.
- After approval by HCR staff, the owner should submit project elements to at least three (3) licensed contractors requesting responses within three weeks. If contractors have not been chosen at the time of application approval the owner will need to demonstrate a competitive process for securing bids and contractors.
- In the event an owner has a maintenance crew with the ability to complete the work, they must submit proper credentials and experience in doing the same type of work along with a detailed and cost-reasonable project budget.
- Owners and contractors or work crews are responsible for pulling proper permits which will be submitted to HCR staff as part of the documentation for payment.
- All owners/landlords will be required to register with the City and be issued a Vendor ID number prior to issuance of payments, which can be done through a link in the NS RRLP application.

Project Underwriting

Before making a final funding commitment for funds for rental rehabilitation, the RRLP Program Manager is responsible for evaluating whether the rental rehabilitation project is financially viable. The Program Manager must evaluate each project in accordance with the underwriting requirements the City has adopted.

1. Examine the sources and uses of funds for the project and determine that the costs meet the criteria established in the RRLP's underwriting policy, and that the owner's or landlord's budget proposal is cost-reasonable for the Scope of Work proposed.
2. The RRLP requires that by investing funds of up to \$25,000 per unit in CDBG or American Rescue Plan funds, alone or in combination with Owner funds, that the project will result in a habitable, affordable, and stable housing for the duration of the 15-year affordability period. Applications for housing units that are in such poor condition that the investment of City RRLP funds will not produce a safe, sanitary, and habitable housing unit will not be funded.
3. Proposed rental rehabilitation costs must be CDBG-eligible, reasonable, and necessary.
4. There must be sufficient sources to pay for the proposed costs, and the landlord/owner must demonstrate the financial capacity to cover costs in excess of the RRLP loan including soft costs of permitting, professional services (if any), Lead-Based Paint mitigation and potential relocation costs for tenants occupying an assisted unit.
5. The Program Manager must evaluate the landlord/owner's experience in acting as a General Contractor and their financial capacity, or that of their licensed and insured contractors, to undertake the project.
6. Clear title and ownership must be established prior to the award of any funds.

NOTE: If the project is funded with CDBG funding, no work may commence until the HUD 24 CFR Part 58 Environmental Review Report is completed. A Notice to Proceed will be issued to the Owner when all reviews have been completed and the Loan Agreement and lien documents have

been executed. Until this occurs, no funds may be expended and no choice limiting actions may be undertaken. Doing so may cause the costs to be ineligible and the application denied.

VI. ELIGIBLE COSTS

A Rehabilitation Standard shall be defined as being in compliance with the City Building Codes. Once the rehabilitation is completed, the unit must meet all current City Building Codes. The RRLP is not intended to help owners remodel their units and/or make cosmetic improvements. Costs eligible under the program include, but are not limited to:

- Major systems* such as:
 - Roof Structure
 - Foundation
 - Plumbing
 - Sewer
 - Electrical System
 - Heating/Air Conditioning (HVAC)
 - Ceiling, Wall or Floor Structures that are damaged or worn,
- Installation of energy-efficient water heaters
- Accessibility upgrades including bathrooms, doorways, entryway ramps, etc.
- Installation of safety or energy saving equipment such as smoke detectors, carbon monoxide detectors, low-flow shower heads, programmable thermostats, etc.
- Sewer repair or sewer line replacement
- Repair/replacement of substandard porches, steps, entryways
- Limited Lead-Based Paint remediation (more information below)
- Siding repair/replacement if damaged such as vinyl siding or other exterior finish or repair.
- Kitchen cabinets, countertops and bathroom vanities are generally not eligible for replacement unless they are damaged and deteriorated or have lived their useful life and need to be replaced as part of a larger project.
- Appliances are generally not an eligible expense. Replacement stoves and refrigerators with Energy Star designation may be eligible if the current stove and refrigerator are inoperable or missing.

**Up to four (4) rental units in a single structure with shared major systems that are failing with the costs divided equally among the units following the program's per unit cost limits. For example, a \$40,000 roof replacement on a four-unit building would attribute \$10,000 for each of the four units project budgets.*

For rental properties built prior to 1978, the presence of Lead-Based Paint will be presumed, meaning no testing will take place and all Lead Paint regulations will apply and protocols followed. Lead Based Paint (LBP) was eliminated in paint in 1978 because the Lead was considered a toxin capable of poisoning humans, especially young children or children in utero. Pre-1978 units that visually show peeling, flaking and chipping Lead-Based Paint must have those hazards corrected to meet HUD HQS. Work to remediate LBP must be done by certified LBP contractors and usually involves stabilizing painted surfaces or encapsulating areas where loose paint is found. LBP present in other areas of the rental unit that are not part of the repairs will not be addressed. Depending on the location of the unit, additional funding may be available to address LBP hazards. Housing staff will assess and make the referral if applicable. In all cases of work done in pre-1978 rental units where a painted surface(s) have been disturbed, a 'Clearance test' must be completed to ensure no Lead paint dust remains in the unit. The RRL program will pay for the first clearance test, but if the unit fails the test, subsequent clearance test costs will be borne by the Owner or their contractor before the release of the 10% retainage.

The Owner(s) and General Contractor(s) will enter into a contracts to complete the work agreed to. Owners may submit **paid invoices** during the term of their project for reimbursement. The RRLP program manager will immediately conduct an inspection to verify the work has been completed and approve a reimbursement payment. A 10% retainage shall be held back from the last draw until all parties agree that the work has been completed and any liens have been released by the Contractor and Sub-contractors.

Change Order Requests

Cost overruns on budgeted repairs should be covered from the contingency line in the budget. Owners may request use of the contingency line for cost overruns or to use any remaining loan balance after budgeted repairs have been made. Owners should request a change order form from the RRLP program manager for additional eligible costs they would like to have done to complete their project. The form should be returned to the program manager with firm cost proposals from a supplier or licensed contractors with a justification of why the additional repairs should be allowed. The program manager will authorize the additional expenditures and issue a Notice To Proceed. Under no circumstances will the program fund expenditures in excess of the RRLP loan amount approved.

VII. INELIGIBLE COSTS

Costs or projects that are ineligible for the program include, but are not limited to:

- Projects where a total per-unit incentive investment of \$25,000 would not make a rental property meet housing codes will not be considered unless the owner will pay the additional funds needed to meet housing codes. In those cases, owner funds would be invested prior to RRLP funds being used.
- Remodeling or cosmetic improvements, decorative repairs
 - Upgrades made without a system/equipment failure
 - Luxury upgrades
 - Outbuildings such as garages and storage units (except in units where the garage is considered 'under roof')
 - Lot upgrades or repairs such as fencing, pools, landscaping, etc. Tree removal may be approved as part of a project when it directly affects another project element such as a foundation repair or roof replacement. Deck repairs may be considered, but only those sections of the deck that present a safety hazard.
 - Used or repurposed materials
 - Replacement of tubs or sinks without accessibility rehab

VIII. OWNER/APPLICANT RESPONSIBILITIES

- The landlord/property managers/owners agree to rent exclusively to low- and moderate-income tenants with household incomes at or below 60% Area Median Income of the initial renter households and 80% of the AMI of subsequent renter households throughout the fifteen-year affordability period. Landlords additionally agree to annually provide to the Housing Division documentation of their initial tenant household's income. For subsequent tenants occupying the same unit documentation may simply include evidence that those tenants are participants in the Section 8 Rental Assistance program, the Supplemental Nutrition Assistance Program (SNAP),

or participation in other income-based government programs. Owners should be aware that Low- and Moderate Income (LMI) standards are for the entire household, based on family size, and those LMI income standards published annually by the U.S. Department of Housing & Urban Development (HUD), typically in the Spring of the year. The Housing Division will provide owners with those income charts annually.

- Failure to provide tenant income documentation annually, or newly leasing the unit to tenants whose incomes exceed the 60% or 80% AMI standards, will make the loan immediately due and payable to the City of Tallahassee.
- Changes in a tenant's circumstances should be brought to the attention of the HCR immediately when a household's composition changes as the result of a birth, death, addition of a new individual in the household, or when a household member moves out. Tenants should notify their landlord if their financial circumstances change due to a raise, award of benefits, a new household member with income, or any increase or decrease in income. HCR will consider a Landlord compliant with program guidelines through the end of an existing lease, or the termination of a Section 8 subsidy. The unit must then be rented to tenant whose household income is at or below 80% AMI or the full loan amount will be due in full.
- In cases of rehab on a major system that benefits more than one unit, the affordability period would apply to each unit supplied by the system (i.e., roof, foundation, siding, etc.).
- Owners might have to temporarily relocate tenants with no cost to the tenants while work is being completed, and specifically if Lead Paint is being disturbed. Once the rehab is complete, the owners must allow the tenants to move back into the unit with no increase in the amount of rent charged to the tenant. More information on temporary relocation is below.
- Owners must provide sufficient notice to tenants of work to be completed. HCR will provide landlords with the appropriate notices. Repairs should be scheduled with the tenants' well-being in mind, taking note of work hours, children present, conditions preventing them from temporarily relocating, etc.

Temporary Relocation: Many rehab projects will not displace tenants who are currently occupying rental units such as roof replacements, foundation repairs, plumbing repairs, or jobs that could be done within a limited amount of time like a toilet or hot water tank replacement or upgrading electrical outlets. Under the RRLP owners are responsible for ensuring their tenants are safely relocated for the duration of the repairs, if necessary. Owners should work with contractors and tenants to coordinate work in the unit or where tenants may have to be temporarily relocated. Tenants may opt to stay with friends or family while work is done or be placed in local motels or hotels until the rehabilitation work has been completed. Tenants will be encouraged to work with contractors if it's necessary to move possessions to rooms that will not be worked on. Tenants should secure valuables elsewhere if they are away from their homes.

The cost of temporary relocation is not an eligible expense under RRLP.

Notices: The rental property owner will be required to provide notices to the tenant if the owner is planning any relocation or displacement within the rehabilitation project after an application has been approved. Housing Division staff will provide owners with sample notices.

- The first notice shall be sent directly to the tenant by the owner immediately upon notice of project selection and approval of the project by HCR. The notice must be sent by mail or hand-delivered to the tenant and a copy of the notice and evidence of its delivery forwarded to HCR staff. This notice is to contain information relative to any assistance available to the tenant with respect to temporary housing assistance or moving assistance. This notice will also contain an approximate date that the rehabilitation work will begin.
- A second notice shall be sent by the owner to the tenant by certified mail with evidence of delivery forwarded to HCR staff. The notice must contain the exact date that the unit must be vacated by

the tenant, and the amount of assistance, if any, the tenant may receive under this plan. The notice must allow the tenant at least thirty (30) days to prepare to have the unit rehabilitated or to vacate the unit.

- Owners and contractors shall work with the tenants to make the temporary relocation of the tenant as convenient and seamless as possible.
- It is the intention of this program that no tenants shall be permanently displaced, and that projects that would result in an existing tenant's permanent displacement will not be approved.

IX. LOAN TERMS AND CONDITIONS

- The City will attach a lien to the property to secure the City's interest in maintaining a 15-year affordability period which begins at the signing of the Loan Agreement. The lien will be between the City and the Owner(s) who will agree to the terms and conditions of the loan.
- The lien will be 100% of the actual funding used for a period of fifteen years. The loan amount shall be completely forgiven at the end of the fifteen-year affordability period.
- Should the property be sold during the affordability period, the full amount of the forgivable loan will be due and payable to the City of Tallahassee at the time of sale closing, or
 - If the new owners sign a new lien agreement to maintain the unit's affordability for the remainder of the 15-year affordability period, then no repayment of the Rental Rehabilitation Loan will be required.
 - If the property is sold to a LMI buyer as a primary residence, the lien will transfer automatically to the new owner-occupant with documentation of AMI status; otherwise, a repayment of the full balance of the RRLP is required.
- In the cases of either proposed sale or refinancing, HCR should be notified in advance to be made aware of the pending transaction. The prospective buyers or borrower's financial institution will most likely discover the lien through the title search process.

X. COMPLIANCE

- Once all repairs are completed, HCR staff will close-out the project, adjust the lien amount to the funds actually expended, and provide a formal acknowledgment of the project's completion.
- Monitoring of tenant's income and will commence one year from project closeout and annually thereafter throughout the 15-year affordability period.
- HCR staff will send a letter to the owner at the end of the affordability period to notify them that their project has met all the terms of the forgivable loan.
- HCR staff will file and record a lien release.
- HCR staff will assist the owner with technical guidance and the forms necessary to carry out its responsibility to annually income qualify tenants.
- Owners of RRLP-assisted units constructed prior to 1978 must provide new tenants with the HUD *Protect Your Family From Lead in Your Home* pamphlet with a signed acknowledgement of receipt by the Head of Household with a copy submitted to the Housing Division every time a new tenant leases the unit.