



The Facts about Downtown Rental Rehab

WHAT IS THE PURPOSE OF THIS PROGRAM?

To provide decent, affordable housing for individuals and families with low incomes in harmony with the City of Owosso's community development, housing and reinvestment objectives.

HOW DO WE ACCOMPLISH THIS?

By providing a forgivable loan at the end of five years, as long as property owner meets terms and conditions of the lien. Owners contribute 25% of the project cost for each rental rehabilitation project. Rehabilitated units must be in compliance with HUD, MSHDA and local building codes.

HOW MUCH MONEY CAN A LANDLORD RECEIVE?

- A maximum of \$25,000 per unit assistance for existing units (occupied as legal residences within the past 5 years).
- A maximum of \$35,000 for the creation of new units (converting office/commercial/storage space into residential units).

WHAT IS THE LANDLORD OBLIGATED TO DO?

- The initial occupant of 51% of the units (1 of 1 unit, 1 of 2 units, 2 of 3, 3 of 4, 3 of 5, etc.) in the project must have income at or below 80% AMI.
- The rent charged to the initial occupant(s) of 51% of the units cannot exceed the HUD Section 8 "Fair Market Rent".
- The landlord may not economically displace the initial low/mod tenant(s). Therefore, any rent increase for those tenants after their first year of occupancy cannot exceed 10% of the previous year's rent.
- All units in the project must be maintained as residential rental property for a period of five years. Additionally, for five years, the units will be maintained up to local property standard or at a minimum HUD Housing Quality Standards (HQS) and marketed to the general public when vacancies occur.
- All Tenants (for all units) must be given a minimum of a one year lease.
- Landlords must market (list) their units on the Michigan Housing Locator web-site (www.MichiganHousingLocator.com) for the five year lien period.
- A Mortgage and Note between the City of Owosso and the property owner will regulate the rental program requirements.
- Failure to comply by the landlord and/or Grantee could result in required repayment of part or all of the CDBG or MSHDA funds to MSHDA.

WHAT KIND OF LIEN IS PLACED AGAINST THE RENTAL PROPERTY?

- A deferred payment mortgage between the City of Owosso and the building owner to be recorded at the register of deeds. There are no interest or mortgage payments due.
- A five-year compliance period enforced by a lien is required. During the compliance period the property must be maintained to property standards and local property maintenance code requirements and continued to be utilized for residential rental use and fairly marketed to the general public.
- All rehabilitation costs including costs attributable to lead base paint hazard reduction or abatement, or landscaping must be included in the lien. Additionally, soft costs such as inspections, work specifications and other soft costs charged to the project must be added to the lien.
- In the event of sale, should a new owner agree to continue to abide by the terms of the CDBG or MSHDA-assistance for the remainder of the lien period, repayment of the CDBG or MSHDA-assistance would not be required. Otherwise, repayment would be required.

WHO WILL REHABILITATE THE RENTAL UNITS?

The program allows the landlord to select any City of Owosso approved, licensed and insured contractor of their choice. The City of Owosso will help owner obtain 3 bids for the property. The lowest responsible bid will be selected. The City of Owosso will maintain a list of contractors interested in doing the projects. If the landlord knows of contractors, they are advised to refer all interested contractors to the City of Owosso office.

When procuring services with federal funds, the City of Owosso is required to check the List of Parties Excluded From Federal Procurement and Non-Procurement Programs. Contractors that are on that list cannot be awarded contracts funded with federal dollars. The City of Owosso must check the federal website, Excluded Parties List System at <http://www.epls.gov/> to review the current list and ensure that contracts are not awarded to debarred or suspended contractors.

WHAT DOES A LANDLORD NEED TO DO TO BE APPROVED FOR THIS PROGRAM?

Complete a Pre-Application required by MSHDA and provided by the Housing Program Office. After we review the pre-application, if the project seems viable the landlord will be requested to complete a full application.

HOW SOON CAN WE START A PROJECT?

As our administration time allows.

This fact sheet is only an overview of the program. Participants must comply with any and all requirements of HUD/MSHDA and of the City of Owosso.