

COUNTY COUNCIL OF PRINCE GEORGE'S COUNTY, MARYLAND
2004 Legislative Session

Resolution No. CR-18-2004

Proposed by The Chairman (by request – County Executive)

Introduced by Council Member Knotts

Co-Sponsors _____

Date of Introduction April 6, 2004

RESOLUTION

1 A RESOLUTION concerning

2 Administrative Regulations for the Prince George’s County

3 Housing Rehabilitation Assistance Program

4 For the purpose of amending the regulations that govern the implementation and administration
5 of the Prince George’s County Housing Rehabilitation Loan Fund established by CB-89-1973,
6 and amended by CB-173-1974 and CR-104-1981, which has been codified as Sections 10-173.1
7 thru 10-173.4 of Subtitle 10 of the Prince George’s County Code.

8 WHEREAS, the County Council and County Executive of Prince George’s County,
9 Maryland, determined in CB-89-1973 that there is a critical need to upgrade the physical
10 condition of the County’s existing single-family housing stock and that private enterprise and
11 investment are not able to provide adequate rehabilitation financing without public assistance
12 and cooperation; and

13 WHEREAS, in response to this important public need, the County Council and County
14 Executive established a Rehabilitation Loan Fund in CB-89-1973 for the purpose of providing
15 financial assistance for the rehabilitation of single-family homes to persons of limited financial
16 means; and

17 WHEREAS, the County Council adopted regulations governing the Rehabilitation Loan
18 Fund in CR-70-1975, and amendments thereto in CR-100-1976, CR-20-1977, and CR-104-1981;
19 and

20 WHEREAS, the County Council and County Executive find it necessary to make additional
21 amendments to the rules and regulations so that the County’s housing rehabilitation activities
22 may be more responsive to the needs of the County’s residents.

1 NOW, THEREFORE, BE IT RESOLVED by the County Council of Prince George's
2 County, Maryland, that the "Administrative Regulations for the Prince George's County Housing
3 Rehabilitation Assistance Program" as set forth in Attachment "A" attached hereto and made a
4 part hereof, be and the same are hereby approved and supercede any prior version.

Adopted this ____ day of _____, 2004

COUNTY COUNCIL OF PRINCE
GEORGE'S COUNTY, MARYLAND

BY: _____
Tony Knotts
Chairman

ATTEST:

Redis C. Floyd
Clerk of the Council

ATTACHMENT A

**ADMINISTRATIVE REGULATIONS
FOR THE PRINCE GEORGE'S COUNTY
HOUSING REHABILITATION ASSISTANCE PROGRAM
DECEMBER 2003**

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1. **Establishment of Program**

The County Council and County Executive of Prince George's County established a Rehabilitation Loan Fund in CB-89-1973 for the purpose of providing financial assistance for the rehabilitation of single-family homes to persons of limited financial means. CB-89-1973, which has been codified as Sections 10.173.1 thru 10.173.4 of the Prince George's County Code, directed the County Executive to prepare regulations governing the implementation and administration of the Rehabilitation Loan Fund and to submit them to the County Council for adoption by resolution. The Administrative Procedures for the Prince George's County Housing Rehabilitation Assistance Program were adopted in CR-104-1981. Section 14 of the administrative procedures authorizes the County Executive or his designee to amend or waive any provision of these regulations if in his judgment they hinder the effective delivery of assistance to low- and moderate-income persons. These amendments, enumerated in Section 15, must be approved by County Council resolution.

Prior to the County Council's adoption of the regulations contained in CR-104-1981, the County provided rehabilitation assistance for general repairs and improvements to the homes of low- and moderate-income persons through the Rehabilitation Loan and Grant Program. The administrative regulations of the Loan and Grant Program were adopted in CR-70-1975, and were amended in CR-100-1976 and CR-20-1977. They established fixed income eligibility criteria and standardized terms and conditions for the form and amount of assistance that beneficiaries could receive. It was found in administering the Loan and Grant Program over a period of several years that the use of predetermined eligibility criteria and standardized terms and conditions could result in the denial of assistance to persons in genuine need or the provision of assistance in an amount insufficient to eliminate all of the major deficiencies existing in a dwelling. This would not only hinder the achievement of the program goal of providing decent, safe and sanitary housing, but also the use of housing rehabilitation as a neighborhood revitalization tool.

The County Executive and County Council of Prince George's County concluded that the conditions and terms of housing rehabilitation assistance for general repairs and improvements should be tailored to the financial means of individual applicants and the scope of rehabilitation necessary to permanently upgrade their dwelling. In order to improve the effectiveness of the County's housing rehabilitation activities, the Prince George's County Housing Rehabilitation Assistance Program was established. This program replaced and superceded the Housing Rehabilitation Loan and Grant Program except as otherwise provided herein. It is the purpose of these regulations to provide guidelines for the consistent and fair administration of the Housing Rehabilitation Assistance Program. The County Executive or his designee is hereby authorized to implement the Housing Rehabilitation Assistance Program described herein and to develop internal operating procedures for the equitable administration of the program that safeguard the interests of the County, program beneficiaries and the general public.

2. Program Objectives

The objectives of the Housing Rehabilitation Assistance Program are:

- (a) The provision of decent, safe and sanitary housing for the County's low- and moderate-income residents who could not otherwise afford it.
- (b) The provision of housing rehabilitation assistance for the purpose of upgrading the quality of deteriorated dwellings to contemporary minimum property standards including the elimination of all housing code violations. Program priorities are the correction of code or potential code deficiencies, structural deficiencies, weatherization, and general improvements. Correction of items reflecting code or potential code requirements must be completed as part of any work on a house. Removal of architectural barriers for handicapped persons are eligible work of this program, even when not done in conjunction with any other housing rehabilitation work.
- (c) The timely response to various emergencies, such as the loss of a heat or cooling source during inclement conditions, plumbing or roof leak, or other emergency situations as defined by the County Executive or his designee in the operating procedures.
- (d) The elimination of conditions of slum and blight which are detrimental to the public health, safety and welfare.
- (e) The rehabilitation of housing as part of a comprehensive program of public activities to physically revitalize declining neighborhoods and communities.
- (f) The creation of a favorable climate for private reinvestment in the County's low and moderate income and declining neighborhoods and communities.

3. Scope of Regulations

These regulations shall apply to the use of all County Community Development Block Grant (CDBG) funds budgeted for housing rehabilitation assistance to homeowners in the County's annual CDBG application and any income derived from the loan repayment proceeds of the program.

4. Forms of Financial Assistance

Three forms of financial assistance may be provided under the program which are defined below. They are amortized loans, deferred payment loans, and grants for the elderly and persons with disabilities. An applicant may receive any of these forms of assistance depending upon financial need.

A. An amortized loan is a loan with a term of not more than twenty years that is repaid in equal monthly installments at a fixed interest rate depending upon ability to repay.

B. A deferred payment loan is a loan which is not repayable until the applicant's dwelling is transferred, leased, sold, or ceases to be the primary residence and may be forgiven at a rate of 20 percent per year for each year of continuous residency for 5 years after completion of the rehabilitation.

C. Grants may be given to the elderly and persons with disabilities for appropriate rehabilitation work to their homes.

5. Basic Eligibility Criteria

In order to be eligible for housing rehabilitation assistance,

A. An applicant must:

1. Be a full-time resident of Prince George's County continuously for at least nine months prior to the date of application. A full-time resident is one who maintains his or her primary living quarters in the County;

2. Be the owner(s) of record continuously for at least nine months prior to the date of application of a single-family home or townhouse that is owner or renter occupied and is located in a geographic area of County designated for housing rehabilitation assistance in the County's annual CDBG application and is not listed as a classified historic resource nor an unclassified historic resource in the County's adopted Historic Sites and Districts Plan;

3. Have a total annual household income that does not exceed the income guidelines described in Section 7 of these procedures. Total household income includes all income contributed to the support of the household by all residents of the housing unit and all persons or entities not members of the household, except children in school under the age of 18;

4. Qualify for housing rehabilitation assistance under Title 24 of the Federal Code of Regulations; and

5. Must not possess substantial assets other than the subject house would enable him or her to obtain the assistance from other sources. This shall be determined by a County Loan Approval Officer.

B. The total cost of rehabilitating an applicant's house shall not exceed \$50,000. The ratio of total mortgage indebtedness to the projected fair market value of land improvements after rehabilitation cannot exceed 97 percent. The property must be otherwise amenable to being brought into compliance with the minimum

property standards of the Prince George's County Housing Code and the housing standards of the HUD Section 8 Existing Program. The rehabilitation must significantly increase the economic life of the house and enable it to serve as a permanent source of readily maintainable decent, safe, and sanitary housing.

- C. Funds may be used to correct existing or potential code deficiencies, structural deficiencies, weatherization, and general improvements. This is not a home maintenance program. All projects must address some code deficiency; homes that just need standard maintenance do not qualify for the program. Exterior work can be included in a project when such deterioration is serious enough to warrant non-compliance with housing and building codes. All lead paint issues are considered "code deficiencies" and must be addressed.
- D. In the event of an emergency situation, as defined in the operating procedures, the homeowner must submit an application for rehabilitation assistance, meet all of the above criteria and agree to all the terms and conditions of these regulations.
- E. Applications are reviewed on a first-come-first-serve basis but, as appropriate, applications will be processed under the following priority system. First priority will be given to emergency assistance. Second priority will be given to very low-income households with a large number of improvements needed to meet housing codes. Third priority will be other qualifying applicants.

6. Limitations on Rehabilitation of Renter Occupied Dwellings

No assistance shall be approved for the rehabilitation of renter occupied dwellings if a Federal or State of Maryland direct loan program is available for such purposes. When an applicant who leases his or her dwelling is eligible to participate in the Housing Rehabilitation Assistance Program, he or she must agree in writing as a condition of assistance to:

- (a) Offer the current residents of the dwelling a two year lease;
- (b) Not increase the monthly rent at the time of application exclusive of utility costs by more than 5 percent a year for a period of two years; and
- (c) Agree in selecting the subsequent occupant for the unit to request and consider referrals from the County or the Housing Authority.

7. Income Eligibility Criteria

An applicant's total household income as defined in Section 5 of these regulations shall not exceed 80 percent of the area median income for areas with "unusually high incomes", as determined by HUD, with adjustments for family size. The

income limits are calculated using the same methodology that HUD uses for calculating the income limits for the Section 8 program, in accordance with Section 3(b)(2) of the U.S. Housing Act of 1937, as amended, and further described in HUD [Notice PDR-2001-01](#).

If there is sufficient funding to meet the demand for assistance from applicants who meet the above income eligibility criteria, the County Executive or his designee may waive the above income eligibility criteria in cases where there is a genuine need for public assistance. However, no assistance shall be provided to any household with an income in excess of 125% of the median income for the Washington metropolitan area. The total amount of funds used for such applicants shall not exceed 10% of the housing rehabilitation budget in the annual CDBG program from which the assistance is provided.

8. Terms and Conditions of Financial Assistance

The following regulations shall be used to determine whether an applicant shall receive an amortized loan, deferred loan, grant or any of these forms of assistance.

A. First, the ability of all applicants to afford an amortized loan and the terms a loan for which they may qualify shall be assessed based upon the guidelines below. The maximum term of an amortized loan shall be twenty years. Interest rates may vary from zero percent to an amount not greater than the “federal long-term rate” published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code depending upon financial need. The rate shall be fixed at the time of application.

1. Applicants shall in general be required to pay at least 25 percent, but not more than 35 percent of their gross monthly household income for housing related principal and interest payments, real property taxes, mortgage insurance and hazard insurance.

2. Total monthly fixed obligations should not exceed 45 percent of gross family income. A fixed obligation is a debt with a term greater than twelve months.

3. Notwithstanding the minimum housing payment guideline in subsection 1 above, the ability of the applicant to afford food, clothing, medical services and materials, utilities, education and meet other basic needs shall be weighed to arrive at a reasonable and affordable monthly rehabilitation loan installment.

B. If an applicant is unable to repay in monthly installment payments all or part of the financial assistance necessary to rehabilitate his/her house, he or she is eligible for a deferred loan for the amount they are unable to afford. Deferred loans made to owner-occupant(s) shall be forgiven at a rate of 20 percent per year for each year of continuous residency for five years after the completion of the rehabilitation. Owner-occupants must repay the entire outstanding balance of a deferred loan when

the property is sold, transferred, leased, or ceases to be the primary residence. The owners of renter-occupied dwellings must repay the entire amount of a deferred loan when the property is sold or transferred, the two year lease described in Section 6 is involuntarily terminated without cause, or the five percent rent increase ceiling described in Section 6 is violated.

9. Use of Proceeds and Rehabilitation Standards

A. The amount of assistance approved must be sufficient to upgrade the dwelling to contemporary minimal living standards which includes the following. All County housing, health and fire code violations existing on the premises and all physical deficiencies not in conformity with Section 8 Existing Housing Quality Standards shall be corrected. General improvement necessary to place the property in readily maintainable and fully habitable condition shall also be made. The proceeds of the assistance may be used for the installation of wells and septic systems, other self-contained water and sewer systems approved by the County Health department, and the installation of public water sewer service from lines directly abutting the subject property. All local, state and federal laws and regulations pertaining to historic preservation must be observed in the conduct of the program. Loan proceeds cannot be used for any purpose other than those stated herein.

B. The County Executive or his designee is authorized to utilize innovative financing techniques not described in these regulations on a demonstrative basis in order to provide rehabilitation assistance to low- and moderate-income persons. Such action shall be taken only after notifying in writing the Chairman of the County Council. The total amount used for such purposes each program year shall not exceed five percent of the housing rehabilitation budget in the annual CDBG plan for the year in which the demonstration is funded. The County Executive shall present the results of these demonstrations to the County Council along with appropriate recommendations for program improvements not later than sixty days after the conclusion of the Program Year in which they are undertaken.

C. The County Executive or his designee is authorized to renegotiate the terms and conditions of financial assistance provided to a program beneficiary if either he or she or their heirs cannot make loan payments when due for justifiable reasons beyond their control. The terms and conditions of such agreements shall be based upon considerations of equity and the ability of the liable parties to repay the loan. This provision shall also apply to assistance provided under the Housing Rehabilitation Assistance Program adopted in CR-104-1981 and the Rehabilitation Loan and Grant Program adopted in CR-70-1975, and amended in CR-100-1976 and CR-20-1977.

10. Secured Loans

All loans made pursuant to these procedures shall be secured by recording a deed of trust or similar security instrument in the amount of the loan made to the property owner. The security documents shall not allow for any subordination or assumption of the loan.

11. Limitations on Assistance

Assistance may be denied to any applicant who is not current in their monthly mortgage payments, pre-paid items or real property taxes or has a personal history that demonstrates a lack of good faith in repaying just and reasonable debts that they can afford. An applicant may not receive assistance under this program more than once. The cumulative amount of any assistance may not exceed the maximum loan included in Section 5.B. An applicant may receive a simultaneous combination of emergency assistance and a rehabilitation loan, or a grant described in Section 4.C and a rehabilitation loan in an amount not to exceed the maximum loan included in Section 5.B. Assistance under this program shall not be provided to any applicant that has defaulted on a County loan.

12. Special Provisions for Historic Preservation Fund

The County Executive or his designee is authorized to approve applications for the rehabilitation of properties that have a historical significance with funds specifically budgeted for this purpose in the County's annual CDBG application. Eligibility for historic preservation funds and the terms and conditions of assistance shall be determined in accordance with the administrative regulations of the Housing Rehabilitation Assistance Program except as otherwise provided in this section.

A. Public Advertising

The County Executive or his designee shall publicly advertise the availability of historic preservation funds and solicit applications in September of the Program Year in which funds have been budgeted for this purpose. The Historic Preservation Fund shall be advertised once a week for three consecutive weeks in two newspapers of local general circulation in accordance with the provisions of Article 25A, Section 5 (b) of the Annotated Code of Maryland. The advertisement shall contain at a minimum a description of program purposes, the basic eligibility criteria, priority ranking factors, the amount of assistance available, application requirements, and a submission deadline. A copy of the advertisement shall be sent to all public and private organizations in the County known to have an interest in historic preservation.

B. Basic Eligibility Criteria

Any single-family residential, commercial or community-use structures located within the County, that meet the following basic eligibility criteria may be considered for assistance.

1. The entire cost of the rehabilitation cannot be accomplished with private resources;
2. The entire cost of the rehabilitation cannot be accomplished with other public resources.

3. The property is listed as a classified historic resource or an unclassified historic resource in the County's adopted Historic Sites and Districts Plan.
4. Although the applicant does not have to meet the income eligibility criteria in Section 7, he must possess insufficient liquid assets or income to accomplish the entire rehabilitation.
5. The applicant is ineligible for the Housing Rehabilitation Assistance Program.

C. Ranking Factors

If there are insufficient resources to fund all the applicants that meet the basic eligibility criteria, applications shall be approved based upon the priority ranking factors below:

1. The property will be demolished by the Department of Licenses and Permits unless outstanding housing code violations are remedied.
2. The relative historic preservation value of the property and the impact of the rehabilitation on the image of the immediate community and the County. This shall be determined by the Prince George's County Planning Board or its designee until such time that a County Historic Preservation Commission is established. Thereafter, the Commission shall make these assessments.
3. The amount of other public or private assistance that would be used to match County funds.
4. The applicant is an owner-occupant of a single-family home or townhouse that meets the income eligibility criteria of Section 6.
5. The structure will serve a community-use after the completion of rehabilitation.

D. Rehabilitation Standards

The standards for rehabilitation shall be those described in Section 9 of these procedures. In addition, the Secretary of Interior's "Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings" shall be observed to the extent economically feasible.

E. Project Planning, Supervision and Seed Grants

All plans and specifications, work write-ups and the supervision of construction work shall be done by private contractors. The proceeds of assistance may be used for this purpose. Seed grants not to exceed \$5,000 may be made for the preparation and restoration plans for projects that will be, in part, financed by an entity other than the County. The County reserves the right to inspect the rehabilitation for the purpose of determining conformity with program requirements and the making of payment.

F. Terms and Conditions of Assistance

The terms and conditions of deferred loans for applicants shall be applicable to commercial and community-use structures assisted by the Historic Preservation Fund.

13. Revolving Loan Funds

All payments of principal and interest received under the former Rehabilitation Loan Program, the Historic Preservation Fund, and the Housing Rehabilitation Assistance Program shall be treated as program income in accordance with 24 CFR Part 570 - Community Development Block Grants, Subpart J - Grant Administration, Section 504 - Program Income.

14. Program Innovation and Flexibility

The County Executive or his designee is authorized to amend or waive any provision of these regulations, if in his judgment they hinder the effective delivery of assistance to low- and moderate-income persons. Such action shall be taken only after notifying in writing the Chairman of the County Council. The waivers or amendments shall have a duration of not more than 60 days after their effective date. Thereafter, the subject waivers or amendments must be approved by County Council resolution.

15. Amendments

In order to improve the effectiveness of the County's housing rehabilitation activities, the following amendments to the Prince George's County Housing Rehabilitation Assistance Program are submitted for approval:

1) Amend Section 1 to incorporate the County Council's resolution (CR-104-1981) to approve the original Administrative Procedures for the Prince George's County Housing Rehabilitation Assistance Program and to include the provisions of these amendments.

2) Amend Section 2 to further define the program priorities and add provisions to handle various emergencies.

- 3) Amend Section 3 so that the regulations cover the use of any proceeds generated by the program.
- 4) Amend Section 4 to add a third form of financial assistance, which includes a provision to provide grants to the elderly and persons with disabilities.
- 5) Amend Section 5 to increase the total cost of rehabilitation from \$30,000 to \$50,000, clarify program priorities, add procedures for emergencies and create a priority system to handle applications.
- 6) No amendments to Section 6.
- 7) Update Section 7 to include current income limitation guidelines.
- 8) Amend Section 8 by reducing the maximum interest rate for amortized loans, reduce the period over which deferred loans are forgiven from 10 years to 5 years, and require repayment of deferred loans when the property ceases to be the primary residence of the borrower. Also, change the definition of a fixed obligation to a debt with a term greater than twelve months instead of nine months.
- 9) Amend Section 9 to incorporate the County Council's resolution (CR-104-1981) to approve the original Administrative Procedures for the Prince George's County Housing Rehabilitation Assistance Program.
- 10) Amend Section 10 by clarifying that security documents may not allow for any subordination or assumption of the loan.
- 11) Amend Section 11 by clarifying that assistance may not be given more than once or in an amount that exceeds the maximum loan amount. A combination of grants and loans that does not exceed the maximum loan amount may be given. Any applicant that has defaulted on a County loan may not receive assistance under this program.
- 12) No amendments to Section 12.
- 13) Amend Section 13 by changing the requirement that all payments of principal and interest received under the former Rehabilitation Loan Program, the Historic Preservation Fund, and the Housing Rehabilitation Assistance Program be treated as program income rather than a required contribution to the Revolving Loan Fund. This allows greater flexibility for the application of the program income for other eligible uses.
- 14) No amendments to Section 14.
- 15) Section 15 is added in order to provide details for current requested amendments to the program.