

# **City of Scranton, Pennsylvania**

## **Rental Rehabilitation Program**

### **Description**

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**Funded by:**  
**The U.S. Department of Housing & Urban Development's Home Investment Partnership Program**  
**Equal Housing Opportunity Affirmative Marketing Procedures Apply**

**City of Scranton**  
**Office of Economic and Community Development (OECD)**  
**Rental Rehabilitation Program**  
*Funded through the United States Department of Housing and Urban  
Development's HOME Investment Partnerships Program (HOME Program)*

**Description**

**I.  
INTRODUCTION**

The Rental Rehabilitation Program (RRP) was initiated by the City of Scranton's Office of Economic and Community Development Department (OECD), in response to the local need for standard rental housing that is affordable to low income tenants. RRP provides owners of substandard residential rental property assistance in the form of deferred payment loan financing for the rehabilitation of these properties. Technical assistance is also provided. Single-family (up to four units) properties are eligible for this Rental Rehabilitation Program. Owners of the rental housing may be private individuals, public agencies, or nonprofit organizations. New construction of multi-family rental housing (5 or more units), group homes, student housing are not eligible for this program at this time.

Funding for the RRP is provided primarily through the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program (HOME Program). The HOME Program provides federal funds to state and local governments to increase the availability of affordable housing nationwide.

The City's Rental Rehabilitation Program is designed to accomplish a two-fold objective:

1. To increase the supply and long-term availability of affordable, standard rental housing for low-income families; and
2. To revitalize and strengthen Scranton's neighborhoods by correcting substandard rental housing conditions within the community.

Specific program provisions such as rent restrictions and occupancy restrictions have been instituted to ensure that this objective is met, as well as ensure compliance with federal HOME Program regulations. Required rent occupancy restrictions can range from five to twenty years, depending on the amount of HOME financing provided and whether the project is a rehabilitation or new construction. The number of units to which these restrictions apply will vary depending on the percent of total project cost provided by the RRP financing. Program provisions are detailed in the following sections.

## II. PROGRAM ACTIVITIES

### FINANCING METHOD

Scranton's Rental Rehabilitation Program provides a subsidy toward the cost of rehabilitation in the form of forgivable loans called Deferred Payment Loan.

Scranton's Rental Rehabilitation Program will provide half of the cost necessary to correct code violations and make other required repairs up to \$10,000 per unit. Project costs in excess of the amount financed by the City would be paid with private financing or cash provided by the owner.

The terms of the City provided financing are as follows:

**Deferred Payment Loan (DPL)** – A Deferred Payment Loan is an interest free, forgivable loan that requires no monthly payments as long as all Program requirements are met. The maximum Deferred Payment Loan is \$10,000 per unit. The balance will be forgiven in full at the end of the Affordability Period as long as all Program Requirements are met to the end of the Affordability Period. (See Page 11 for minimum Affordability Period Chart). In order to protect the City, a mortgage will be placed upon the Property for the length of the Affordability Period.

**Lead Based Paint Grant** - these grants are available to cover additional costs for required lead hazard control measures. The maximum lead based paint grant is an additional \$2,500.00 per unit of the total cost of the lead portion of the rehabilitation. However, if the lead abatement is over the \$2,500.00; the property owner will be responsible for the additional funding.

If the owner sells the property, converts it to a nonresidential use, does not comply with affordability and occupancy restrictions during the affordability period (*see **Rent Restrictions and Occupancy Requirements***), or otherwise defaults according to the terms of the Deferred Payment Loan (DPL); the outstanding balance of the DPL becomes immediately due and payable.

An exception to the due on sale clause may be granted when:

- A subsequent investor/buyer is willing to assume the original terms of the loan according to the City's Subordination/Assumption Policy, or
- The unit is sold for no more than the appraised value to an existing low-income tenant. The loan terms may be restructured and assumed by the tenant-buyer according to the provisions of the City's Subordination/Assumption Policy.

## **ELIGIBLE PROPERTIES**

The property must be owned by the applicant or the applicant must have an option or contract to purchase the property.

- Property must be located within the City of Scranton.
- Single-family homes. Under the HOME Program Single-family homes are defined as 1 – 4 units
- All properties must be structurally and financially feasible for rehabilitation given Program construction standards and financial requirements.
- All property taxes and refuse fees must be current.
- All properties must need a minimum of \$2,000/unit in repairs to be eligible for the Program.
- All properties must be registered with Scranton’s Licensing, Inspections & Permits prior to the application process of this program.
- Properties that are currently condemned by the City of Scranton are eligible for the RRP and must follow the Scranton’s Condemned Property Policy.

## **ELIGIBLE APPLICANTS**

- Applicants must demonstrate successful management and property maintenance of any owned rental properties in Scranton and elsewhere.
- Applicants who own properties with a history of two or more code violations during their ownership may not be eligible for the program in the City’s sole and absolute discretion.
- Applicants must be in good standing with the City of Scranton and have no pending litigation against them with regard to other properties owned.
- Applicants must be current on all property taxes and refuse fees for any additional owned properties owned in Scranton.
- Applicants must document fiscal soundness through last two tax returns and/or financial statements.

## **FUNDING PRIORITIES**

As long as sufficient funds are available, eligible projects will be processed and funded on a first-come, first-serve basis until the program funds have been exhausted.

## **INELIGIBLE PROJECTS**

- Scranton’s Rental Rehabilitation Program (RRP) may not be used for assistance to eligible low income housing under PART 248 (*Repayment of Low Income Housing Mortgages*) of Title II or assistance to a project previously assisted with HOME Program funds during the affordability period or for development of public housing financed under the 1937 Act (*Public Housing Capital and Operating Funds*).
- Properties will not be eligible if the rehabilitation will result in the physical or economic displacement of existing tenants unless it is in conjunction with abatement of Lead Based Paint.

- No project will be funded if the owner displaces tenants prior to submitting an application in order to meet program requirements or funding priorities.
- Property located in areas identified as having special flood hazards by the Federal Emergency Management Agency will not be eligible unless the owner obtains *(and maintains)* flood insurance under the National Flood Insurance Program.
- Properties that are in such poor condition that rehabilitation is not a feasible option.
- HOME funds may not be used for development, operations or modernization of public housing financed under the 1937 Act (Public Housing Capital and Operating Funds).
- Properties previously financed with HOME Program funding.

**ELIGIBLE COSTS**

Eligible project costs include:

**Development Hard Costs** – The actual cost of rehabilitating housing to meet Scranton’s Building and Construction Code and International Property Maintenance Code (IPMC). This is a dollar to dollar match not to exceed \$10,000.00 per unit. Property owners will be responsible for the additional funding over the \$10,000.00 per unit. Funds may also be used for improvements to the project site that are in keeping with improvements to surrounding, standard projects, and costs to make utility connections.

<b>Example:</b>	<i>4 Unit Rental Properties</i>
<i>Total Rehab Cost for Project:</i>	<i>\$65,000.00</i>
<i>Unit One:</i>	<i>\$25,000.00</i>
	<i>Owner: \$15,000.00/City \$10,000.00</i>
<i>Unit Two:</i>	<i>\$20,000.00</i>
	<i>Owner: \$10,000.00/City \$10,000.00</i>
<i>Unit Three</i>	<i>\$15,000.00</i>
	<i>Owner: \$7,500.00/City \$7,500.00</i>
<i>Unit Four</i>	<i>\$ 2,000.00</i>
	<i>Owner: \$1,000.00/City \$1,000,000</i>

*The property must be tested for Lead Based Paint. Scranton’s RRP allows for an additional \$2,500.00 per unit that does not require a match. However, if the lead abatement is over the \$2,500.00; the property owner will be responsible for the additional funding.*

**General Property Improvements** - The scope of work may also include general property improvements. Examples of General Property Improvements are: dishwashers, utility or storage spaces, security systems and rearrangement of interior space to eliminate inefficient design. The scope of work **may not** include luxury items even if financed with private funds.

**Rehabilitation Period-** All rehabilitation work shall be completed within ninety (90) days from the date of the signed agreement between the City and Owner ("Rehabilitation Completion"). If the project is not completed within this time frame, a penalty of ONE HUNDRED DOLLARS (\$100.00) per day shall be assessed against the Owner until the Rehabilitation is completed. Rehabilitation Completion shall mean the date upon which the City of Scranton provides a Certificate of Occupancy for all units where rehabilitation work was performed.

### **INELIGIBLE COSTS**

**Related Soft Costs** – Costs incurred by the owner and associated with the development or financing of the project including:

- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups.
- Lead Based Paint Evaluation of the property.
- Financing costs such as origination fees, credit and title reports, recording fees, building permits, appraisals, private attorney's fees, fees for an independent cost estimate.
- Costs to provide information services such as affirmative marketing and fair housing information to prospective tenants.

**Relocation Costs** – Costs of relocation payments and other relocation assistance for temporary relocation of tenants. (Any projects that would require permanent displacement of tenants are not eligible.)

### **III.**

#### **PROGRAM REQUIREMENTS**

At a minimum, all rehabilitation work must comply with the Scranton's Building and Construction Codes and International Property Maintenance Code (IPMC), existing housing codes related to health and safety, work needed to comply with lead-based paint requirements, and cost effective energy conservation measures.

In addition, property on or eligible for the National Register of Historic Places must comply with the Secretary of Interior's Standards for rehabilitation of Historic Properties.

The City of Scranton requires that all appropriate Housing Inspectors inspect the property to determine that all work performed meet the proper housing codes.

Every unit in the project, even those not assisted with RRP funds, must be rehabilitated to these standards if found to be substandard.

Scranton's Building and Construction Codes and International Property Maintenance Code (IPMC) also provides for, but do not require, correction of incipient violations (*items that are not yet actual code violations, but that are likely to become*

*violations within the next two years if not properly addressed*) and measures that provide for the special needs of tenants, such as adaptations for tenants with disabilities.

All rehabilitation work must be completed by City of Scranton licensed contractors. Procedures for contacting for the rehabilitation work are described in the “*Application Process*” handout.

## **RENT RESTRICTIONS**

Once rehabilitation is complete, each Rental Rehabilitation Program (RRP) assisted unit is subject to the following rent restrictions:

All assisted units in each project must have rents, adjusted for utilities that do not exceed the lesser of HOME Program Fair Market Rents or 30% of the adjusted income for a household earning 60% of the median income for the area.

**The up to date rents including tenant paid utilities allocations is attached to this document.**

The City will discuss with the owner the maximum allowable rents for each assisted unit on an individual basis. This is necessary in order to make adjustments to the rent levels to allow for tenant-paid utilities such as water, sewer, electric, heating, etc. The amount of the adjustment varies depending on the type of building (single-family, duplex, etc.), and the type of utilities provided (gas, electric, etc.). The amount of each deduction will be in accordance with Scranton, Pennsylvania utility allowance schedule for the Section 8 Existing Housing Program (current schedule attached). The rents for each unit’s bedroom-size are computed annually by the U. S. Department of Housing and Urban Development.

To protect existing tenants residing in RRP projects from economic displacement, no rehabilitation project will be undertaken that would result in rent increase such that the total of the after-rehabilitation contract rent plus applicable utility allowances would exceed 30% of the tenant’s gross monthly income for a non Section 8 tenant. This rule applies to all properties occupied prior to rehabilitation regardless of whether occupied (unit(s)) will be assisted with RRP funds.

## **OCCUPANCY REQUIREMENTS**

The occupancy for all Rental Rehabilitation Program assisted units must be restricted to low-income tenants as follows:

All HOME assisted units must be occupied by tenants with adjusted household incomes that do not exceed 60% of the median income for the area adjusted for family size.

No exceptions to the occupancy rules noted above are made for existing tenants who reside in a project prior to rehabilitation. Therefore, occupied units are only eligible for assistance under the Program to the extent that existing tenants will not have to be physically displaced in meeting these occupancy requirements. However, where a project consists of more than one unit, a mixed-income project is allowable as long as private financing is used to rehabilitate the non-income/rent restricted units.

The income limits for all tenants residing in Rental Rehabilitation Program assisted units will be computed annually by the U.S. Department of Housing and Urban Development. The current income limits will be provided to you by Scranton's Office of Economic and Community Development (OECD).

### **MINIMUM AFFORDABILITY PERIOD**

Full rent and occupancy restrictions remain in force for the minimum affordability period, which depends on the type of activity and the amount of HOME Program financing, as follows:

During this time, the owner must lease all HOME assisted units to income eligible tenants for no more than the maximum allowable rents. The maximum allowable rents and utility allowances must be recalculated annually subject to review and approval by the City/OECD.

New rent information will be published annually by the U.S. Department of Housing and Urban Development to help all owners establish new maximum allowable rents for their projects. Should the maximum allowable rent decrease from the previous year's calculation, the rents for assisted units must be decreased accordingly for all new renegotiated leases.

If the maximum allowable rent amount increases, the owner must determine whether to implement a rent increase for any new or renegotiated leases.

Before any annual rent increase may be implemented, tenants must be given at least 30 days written notice of the increase. Increases in rent are also subject to any other governing provision(s) of the lease agreement.

During the affordability period, the owner is also responsible for certifying the initial incomes of all tenants who lease an assisted unit. This income information must be submitted to the City of Scranton's Office of Economic and Community Development for review and approval prior to leasing the unit.

In addition, the owner must provide the City of Scranton's Office of Economic and Community Development with an annual recertification of the incomes of **all** tenants residing in Rental Rehabilitation Program assisted units during the affordability period.

Should an annual income recertification indicate that a tenant's household income exceeds 60% of the median income for the area, he/she may not be asked to move. However, an over-income tenant's rent must be adjusted such that he/she pays

a minimum of the lesser of 30% of the household income for rent and utilities, or the amount payable by the tenant under State or local law. After the over-income tenant vacates the RRP assisted unit, restricted rent levels and occupancy restrictions must be reinstated.

### **POLICIES FOR PROTECTION OF TENANTS/OCCUPANTS**

The owner must adhere to all provisions of the City's **"POLICIES FOR PROTECTION OF TENANT-OCCUPANTS" (PPT)** and must cooperate with the City of Scranton in administering the provisions of the PPT including:

1. Informing all existing tenants of the application for Rental Rehabilitation Program assistance and that a City representative through the Office of Economic and Community Development may be contacting them to discuss the program.
2. Providing the City with initial information regarding existing tenants (such as names, phone numbers, family-size, income, etc., and arranging meetings as necessary) and notify the City of any changes in tenancy;
3. Once the application for Rental Rehabilitation Program assistance has been submitted, the owner must notify all prospective new tenants in writing who apply to move into vacant units of any proposed rent increase that will be implemented following rehabilitation completion. The owner must also notify prospective new tenants that their occupancy may be subsequently terminated in order that the rehabilitation work will be completed or due to the occupancy restrictions that will be imposed following rehabilitation completion.

If the owner does not inform prospective new tenants as noted above, the rehabilitation project will be canceled if the rehabilitation would then result in physical or economic displacement of the new tenant.

If temporary relocation of an existing tenant is required in order to carry out the rehabilitation work, the owner must:

1. Provide a suitable vacant unit to the tenant, if available, for the temporary relocation period at a rent equal to or less than the current rent charged to the tenant; or
2. If the owner does not have a unit available, then he/she must help the tenant locate a suitable replacement unit. The City will not reimburse the tenant for any increase in rent in connection with the move.

## TENANT SELECTION POLICY

An owner of rental housing assisted with RRP (HOME) funds must adopt written tenant selection policies that:

- Are consistent with the purpose of providing housing for very low-income and low-income families;
- Are reasonably related to Program eligibility and the applicant's ability to perform the obligations of the lease;
- Provide for the prompt written notification to any rejected applicant of the grounds for rejection.
- In marketing vacant units, the owner must carry out affirmative marketing efforts as described in the HOME Program Agreement.
- Ensure compliance with the requirements of, inter alia, the Fair Housing Act, 42 U.S.C. §3601 et seq., Age Discrimination act of 1975, 42 U.S.C. §6101 et seq., Title VI of the Civil Rights Act of 1964, 42 U.S.C. §2000d et seq, Section 504 of the Rehabilitation Act of 1973, the Davis Bacon Act, 40 U.S.C. §§276a-276a5, as well as similar federal rules and regulations pertaining to these provisions. A full list of all Federal Rules and Regulations are attached hereto.
- Adherence to the Pennsylvania Landlord Tenant Act, 68 Pa. C. S. §250.101 et seq.

### PROHIBITED LEASE PROVISIONS

A lease must be executed between the property owner and the tenant for all RRP assisted units.

The lease must be for a period of not less than one year, unless a lesser period is mutually agreed upon in writing by the property owner and the tenant. Specific provisions that may not be included in the lease are:

**Agreement to be sued** – Agreement by the tenant to be sued, to admit guilt, or to a Judgement in favor of the owner in a lawsuit brought in connection with the lease;

**Treatment of property** – Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with state law;

**Excusing owner from responsibility** – Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

**Wavier of legal proceedings** – Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the

tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

**Waiver of notice** – Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant.

**Waiver of a jury trial** – Agreement by the tenant to waive any right to a trial by jury;

**Waiver of right to appeal court decision** – Agreement by the tenant to waive the tenant’s right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

**Tenant chargeable with cost of legal actions regardless of outcome** – Agreement by the tenant to pay attorney’s fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant may, however, be obligated to pay costs if the tenant loses.

An owner may not terminate the tenancy, or refuse to renew the lease, of a tenant of rental housing assisted with RRP funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Written notice must be provided at least 30 days in advance of any termination or refusal to renew which specifies the grounds for the action.

### **AFFIRMATIVE MARKETING PROVISIONS**

The owner must affirmatively market vacant units and assisted units which become vacated during the required affordability period. In order to comply with the affirmative marketing requirements and procedures established by the City. The owner of projects must comply with the following:

#### **During the affordability period –**

The owner shall inform and solicit applications from persons not likely to apply for the housing without special outreach by notifying the City of Scranton’s Office of Economic and Community Development immediately when it is known that a vacancy will occur and/or provide the unit as a referral for tenants on Scranton’s Housing Authority existing housing waiting list, and

#### **Keep Data on –**

1. The racial, ethnic, and gender characteristics of:
  - a. Tenants occupying assisted units before rehab.
  - b. Tenants moving from and into assisted units in the project initially after project completion.
  - c. Applicants for tenancy/purchase of assisted units.
2. How the applicants heard about the housing opportunity.

3. Information regarding applicants for initial occupancy of assisted units must be provided to the City within 90 days following rehabilitation completion.
4. The owner shall also keep during the required period of affordability, information on all vacancies of assisted units, and copies of all newspaper advertisements to fill vacancies of assisted units. Copies of these advertisements may be submitted directly to the City.
5. The owner will use the Equal Housing Opportunity logo type or slogan in advertising vacant assisted units during the required affordability period.
6. The owner will advertise assisted unit vacancies in the Scranton Times if more than four such vacancies exist in a project and there is not a sufficient waiting list to fill these vacancies, or to list the property with the Scranton Housing Authority's list of properties available for Rental Assistance Certificate holders during the required affordability period.

### **OTHER PROGRAM REQUIREMENTS**

**Insurance** – The owner must insure the rehabilitation property against loss by fire and other hazards during the term of the City provided financing, in an amount not less than necessary to cover all outstanding debts on the rehabilitated property. The City of Scranton's Office of Economic and Community Development, 340 North Washington Avenue, Municipal Building, Scranton, Pennsylvania 18503 shall be listed as a lien holder and supplied with a copy of the policy.

**Uniform Construction Code** – Owners must maintain the housing in compliance with the Scranton's Building and Construction Code and International Property Maintenance Code (IPMC) for the duration of the affordability period. Should the City adopt a different code during the affordability period, the new code will then apply.

**Religious Organizations** – HOME Program funds may be provided to primarily religious organizations, such as churches, for rehabilitation activities. The completed housing project must be used exclusively for nonspiritual purposes with no religious or membership criteria for tenants of the property.

**Other Federal Requirements** – All assisted property owners must execute an agreement with the City of Scranton's Office of Economic and Community Development ensuring compliance with all requirements of the HOME Program except for environmental and intergovernmental review responsibilities. These requirements include: Equal Opportunity and Fair Housing Affirmative Marketing; Displacement, Relocation and Acquisition; Labor; Lead-Based Paint; Conflict of Interest; Debarment and Suspension; and Flood Insurance.

**Lead Based Paint** – The owner will comply with the U. S. Department of Housing and Urban Development (HUD) regulations covering lead-based paint in federally associated housing, which appear within title 24 of the Federal Regulations as Part 35 (24 CFR). The regulations, "Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing

Receiving Federal Assistance,” include requirements for disclosure and notifications, paint testing, risk assessments, hazard reduction, safe work practices prohibited methods of paint removal, occupant protection, and ongoing maintenance.

**Restrictive Covenant** – In addition to a Promissory Note and Mortgage securing the Rental Rehabilitation Program RRP financing, the Borrower and the City of Scranton’s Office of Economic and Community Development (OECD) will enter into an agreement creating a Restrictive Covenant restricting the occupancy and rents on assisted units for the minimum affordability period and the restrictive covenant shall be recorded in the Lackawanna County Recorder of Deeds Office.

#### **IV PROGRAM MONITORING**

Annually, the City will monitor each RRP assisted project for compliance with program requirements. On-site inspections for compliance with the Scranton’s Building and Construction Code and International Property Maintenance Code (IPMC) will be made at least once every three years for projects containing 1-4 units.

Noncompliance with program requirements will result in default of all RRP financing, and the balances(s) of any City provided financing will become immediately due and payable. The owner remains responsible for submitting all rent and utility allowances, all initial tenant income information, and annual tenant income recertifications to the City of Scranton’s Office of Economic and Community Development (OECD) for review (*see **Rent Restrictions, and Occupancy Recertifications***).

Failure to comply with this requirement will also result in default.

For monitoring purposes, the owner shall maintain all records needed to document compliance with the HOME Program Agreement for at least five years after completion of the minimum affordability period.

**EXHIBIT "A"**