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**CITY OF BELLINGHAM**  
**RENTAL REHABILITATION PROGRAM**

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**Program Goal:** The purpose of the City of Bellingham Rental Rehabilitation Program (RRP) is to assist qualified investor owners of rental properties located within the City limits to rehabilitate existing units and to increase the supply of rental housing stock available to low and moderate income families.

**RRP City Subsidy:** The City, using Community Development Block Grant (CDBG) funds, will fund up to 50% of the per unit rehabilitation costs or a maximum of \$7,500, which ever is less. Program funding is dependent upon the availability of CDBG funds for the City.

Terms: Fixed rate loan, no payments and zero (0%) percent interest. Ten year term. Loan is not assumable and is due upon sale, transfer of title, or if the unit(s) cease to be occupied by tenants whose income is at or below 80% of the median income at the time of their initial occupancy. In the event of default, the City, at its option, may increase the interest rate to a maximum of twelve percent (12%).

**Balance of Funds:** The portion of rehabilitation costs not funded by CDBG may be from owner's own cash, borrowed from commercial lenders, or borrowed from Key Bank under an agreement between Key Bank and the City of Bellingham.

Terms: Under the agreement with Key Bank, the maximum loan term is 15 years. The interest rate fixed at three quarters of one percent above the Wall Street prime rate in effect at loan approval. If a loan is not closed within thirty (30) days of loan approval, the interest rate will be adjusted to reflect the current Wall Street Prime Rate in effect at loan closing.

Maximum loan amounts under this agreement are \$12,500 for a detached single family unit or \$7,500 per unit for a multi-family (2-4 family) building. The loan is not assumable and is due upon sale, transfer of title, or if the unit(s) ceases to be occupied by tenants whose income is at or below 80% of the median income at the time of their initial occupancy. All funds necessary to complete rehabilitation must be deposited in the Program's disbursement account prior to the start of construction.

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**Disbursement of Loan**

**Proceeds:** Funds are deposited in a combined checking account and disbursements are made in the ratio of funds (private and Block Grant) deposited. All checks for work completed are issued jointly between the borrower and the contractor.

**Application:** Applicants to the program will be placed on the program waiting list and will be selected on a "first come first served" basis.

The applicant will complete a Rental Rehabilitation application form; submit a profit and loss statement; operating expense statement; personal and business financial statement; hazard insurance and property tax information and provide two years' income tax returns.

**Loan Eligibility:** Existing single family or 2-4 unit rental properties located within the City limits of Bellingham. Property must also meet zoning requirements for the site.

Total property liens including rehabilitation loans may not exceed 80% of the after rehabilitation value of the property. The project must generate sufficient revenues so that net operating income (gross income, minus projected vacancies, minus all operating expenses except debt service) must be at least 110% of all debt service on the property. The project must indicate a positive cash flow and sound management. Applicant must be credit worthy.

Fire and hazard insurance must be maintained in an amount that is adequate to cover all liens against the property.

All taxes, assessments, and insurance premiums currently due on the property must be paid by the owner prior to or at loan losing. All property taxes and insurance must be kept current.

**Scope of Rehab Work:**

Projects must meet Local Housing Standards after the project is complete. All work must be done to code and with city permits when required.

First priority of funds expended will be for health and safety items. Those items which are necessary to bring the property into a safe and sanitary condition (e.g. leaking plumbing, rotten wood, overloaded electrical system, broken windows, lead-based paint, asbestos).

Long term maintenance is the second priority. Items which will appreciably reduce future maintenance and operating costs to

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the owner (e.g. exterior paint, insulation, window replacement, gutters, roofing, heating, etc.)

Remaining funds may be spent on those items where improvements are needed to increase livability of the structure and enable the property to retain its value over a longer period of time.

Ineligible items include, but are not limited to Intercom systems, central vacuum systems, microwave ovens, furniture, hot tubs or spas, area rugs, portable appliances.

Failure to complete construction outlined in the scope of work within one year of funding may, at the City's option, result in the program loans becoming due and payable.

**Inspection/Bids/  
Construction:**

The RRP Housing Rehabilitation Specialist will inspect the property to be rehabilitated and assist with preparation of a scope of work consisting of owner requested repairs and any other repairs necessary to comply with local housing standards and local code requirements. He will also help identify deferred or preventative maintenance items.

During construction the borrower shall permit the Rehabilitation Specialist to inspect the property to determine progress payments and inspect for compliance with necessary codes and standards.

Once an agreement is made on the general scope of work, several contractors are asked to bid. All contractors bidding on the project must have a current business license and be bonded. When work on the project requires building permit(s), they must be obtained at the City of Bellingham Permit Center.

Before construction begins, a contract for rehabilitation work between the borrower and the contractor is completed and signed by both parties.

**Loan Review Board:** The Loan Review Board reviews each Rental Rehabilitation Program loan application based on the eligibility criteria, the borrower's financial situation and credit history, the condition of the structure and the recommendations of the staff members.

**Displacement/Relocation  
Policy:**

Compliance with the City of Bellingham relocation and displacement policies is a requirement of the loan. The relocation policy states that individuals who must be temporarily relocated during the rehabilitation process may be

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eligible to have temporary housing paid with loan funds.

No application will be considered if the rehabilitation will result in the permanent displacement of a tenant. If temporary displacement is unavoidable, the tenant must be relocated before construction begins. Relocation expense, in excess of the tenants' current rental expense is the owner's responsibility, however, the expense can be included in the loan funds.

**Lead Based Paint  
Compliance:**

Under federal regulations, any lead-based paint hazards must be corrected in compliance with Lead-Based Paint Poisoning Act 24 CFR. Applicability will be determined during initial property inspection by the program Rehabilitation Specialist. **Lead-based paint abatement is an eligible expense under the Program.**

The cost of lead assessment and clearance test will be funded as a Grant by the City. Costs associated with lead safe work practices will be included in the **total project cost**.

**Asbestos/Hazardous Waste  
Compliance:**

In the event that asbestos or other hazardous materials are identified at the site, the contractor shall comply with any applicable local, state or federal regulations regarding the removal, handling or disposal of such materials.

**Affirmative Fair  
Housing Marketing:**

The City of Bellingham and property owners, or their agents, shall comply with Affirmative Fair Housing Marketing. The "Equal Housing Opportunity" logo will be displayed in all advertising. Neither the City of Bellingham nor participating property owners will discriminate against protected groups with regard to a RRP project.

**Rent Regulatory  
Agreement:**

Since the funding source for the City subsidy is Community Development Block Grant funds, benefit to low and moderate income households is required. Assurance of this benefit is accomplished through a Rent Regulatory Agreement. The Agreement establishes the maximum income at the time of occupancy that a tenant may have in order to qualify as low or moderate income. The agreement also sets a maximum rent in order for the units to be considered affordable. The Rent Regulatory Agreement is attached as Addendum A.

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**Bellingham Crime  
Free Multi Housing  
Program:**

This program is designed to help owners and managers of rental properties create a crime free living environment for their tenants and the community. The programs three-phase approach to reduce crime consists of Landlord Training, Crime Prevention through Environmental Design and the Block Watch Program.

As a condition of funding projects through the City of Bellingham, Rental Rehabilitation Program, projects with two units or more are required to participate in the Landlord Training phase of the program which consists of an 8-hour training seminar. Single-family projects are not required to attend, however, it is recommended.

Contact Officer Mark Young of the Bellingham Police Department at 778-8815 for more information or to register to attend a Landlord Training seminar.