

Upper Floor Residential Rehabilitation Program Guide

2024

Apply at: portal.neighborlysoftware.com/sheboyganwi/participant



ABOUT THE PROGRAM

Thank you for your interest in revitalizing your property through the Upper Floor Residential Rehabilitation program. Designed to assist building owners whose mixed-use properties consist of commercial space on the first story and vacant space above, the program offers funding to renovate underutilized spaces into quality rental housing.

Why renovate? The creation of upper floor residential units provides an opportunity for increased income. Rents from these units often equal or exceed those collected from first floor commercial spaces. With the shortage of available housing, now is a great time to renovate your unused space and get more from your building. The Upper Floor Residential Rehabilitation program can help.

Please don't hesitate to reach out should you have questions, or if you wish to discuss your project prior to submitting an application. Our staff is committed to guiding you through this process and we look forward to working with you.

In partnership,

Diane McGinnis-Casey

Director of Planning & Development

City of Sheboygan

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I. ELIGIBLE USES

Funds made available through the Upper Floor Residential Rehabilitation Program must be used to create new residential space and must result in a habitable dwelling when finished. Project completion is expected within 12 months of executing the loan agreement. Funds only apply towards expenses that directly relate to the renovation of the residential space. Eligible uses include the following:

- Electrical System Upgrades
- Plumbing
- HVAC
- Flooring
- Windows and Doors
- Walls / Plaster / Framing /Paint
- Kitchen and Bath Improvements
- Architectural Renderings

Other uses may be eligible. Please contact the Department of Planning and Development at (920) 459-3378 for more information about whether your project idea qualifies.

II. TERMS AND CONDITIONS

A. GENERAL GUIDELINES

1. Funding is available on a **first-come, first-served** basis.
2. To be eligible for funding consideration, a **complete application**, including all requested documentation, is required.
3. Only projects that **meet the program's requirements** (see sub-section B. Program Requirements) will be reviewed by the Program Oversight Committee.
4. Owners **may submit more than one project**. However, those seeking funding for the first time within the program year will be given priority.

B. PROGRAM REQUIREMENTS

1. APPLICANT QUALIFICATIONS
 - a. The applicant **must own the property** for which the rehabilitation loan is sought; proof of ownership will be required (as recorded by the County's Register of Deeds). Funding awarded prior to purchase of the property will be contingent upon applicant assuming ownership.

- b. Applicants to the Upper Floor Residential Rehabilitation Program, and affiliated persons and/or entities, **must not have made or filed any adverse claim against the City** in the form of settlement demands and/or lawsuits.
- c. Applicant **is current on** any and **all taxes, loans, fines, liens, or other obligations** owed to the City of Sheboygan, with no delinquencies.
- d. Applicant **MUST** be willing to rent to low-to-moderate income tenants for the term of the loan. Applicant will income qualify tenants based on the Part 5 (Section 8) Definition of Income in accordance with the income limits and household size at the Sheboygan County Median Income Level as defined by HUD.
- e. Applicant is **required to disclose any and all Conflict of Interest** relationships in writing. A conflict of interest exists if an applicant is an elected or appointed official, employee, agent, consultant, or officer of the City of Sheboygan, and if the applicant:
 - exercises or has exercised any functions or responsibilities with respect to funds for this program, or
 - participates in the decision-making process related to funds for this program, or
 - is in a position to gain inside information with regard to program activities.
 - *If a conflict of interest exists, the applicant is not eligible for assistance under this program. If there is any doubt related to conflict of interest, a written waiver may be obtained from the City of Sheboygan.*

2. PROPERTY QUALIFICATIONS

- a. Only mixed-use structures are eligible for the Upper Floor Residential Rehabilitation Program.
 - The property's street-front, first floor must be dedicated to current, or proposed, commercial use.
 - Projects that propose street-front, first floor commercial space and residential use in the back of the building may be eligible for funding.
- b. **Only upper floor, non-commercial, interior areas** of the building are eligible for funding through the program.
- c. The property **must meet all state and local codes at completion of rehabilitation**. The City will inspect the property before work commences and when the project is

- completed to ensure compliance with these standards.
- d. **Structures built prior to 1978** should ensure the safe mitigation of any lead paint present. More information on safe lead standards is available at www.epa.gov/lead/protect-your-family-lead-your-home.
 - e. The property must comply with applicable zoning regulations.

3. REHABILITATION PROCESS

- a. Where appropriate, a **copy of certified architectural drawings** must be provided as part of the application process.
- b. All applicable **state and local permits must be acquired** through the City of Sheboygan prior to work commencing. Documentation must be supplied to the Department of Planning and Development.
- c. All **work must be completed by contractors**, unless this requirement is waived by the Department of Planning and Development. All contractors and sub-contractors must be licensed by, and in good standing with, the City of Sheboygan prior to work commencing.
- d. Prior to work beginning, the **City will inspect the property** and identify all code violations, which must be corrected. The City retains the right to inspect the property during construction and at project completion.
- e. **Rehabilitation specifications will be reviewed** by the City of Sheboygan.
- f. All work must be performed in **accordance with historical standards**.

4. TERMS OF FUNDING

- a. Funding in the amount of **\$20,000** is available per project based on fund availability. (Application requests may be considered for additional funds based on the project. Be aware the compliance terms may also be increased).
- b. The property **owner is responsible for matching 25%** of the amount awarded by the City. Match is to be paid to the City at the time of closing and will be held in escrow until used to pay covered project expenses.
- c. Upper Floor Residential Rehabilitation **Program funding is in the form of a 0% interest, deferred payment loan** secured with a mortgage lien on the property. The loan will be forgiven in its entirety if the owner retains ownership

- and maintains compliance for 5 years.
- d. Funds may only be used to **cover expenses which are directly related to the renovation of the residential space.**
 - e. The **project budget will be evaluated by staff** using estimates of expense and comparison to development costs of similar properties to ensure project costs are reasonable.

5. PROGRAM CONSIDERATIONS

- a. **Applicants will be notified** following the Oversight Committee's funding decision. Should funding be approved, a time to complete closing paperwork at City Hall will be determined in conjunction with the applicant.
- b. All contractors must sign a **Property Owner and Contractor's Agreement.**
- c. All **closing paperwork must be executed prior to any work commencing.** Any work started prior to contract signing will be ineligible for funding.
- d. The City will issue **checks directly to contractors** for work performed. In instances where the owner is approved to do work, reimbursement for materials is available following submission of receipt of purchase.
- e. The finished project must **comply with city building codes.** The building inspector maintains the **right to inspect** the project **throughout the rehabilitation process** to ensure satisfactory progress and to monitor the quality of materials and workmanship. City staff will conduct **a final inspection** to ensure compliance with contract specifications **prior to issuing payment.**
- f. If vendor is not currently in the City's payment system, a completed Request for Taxpayer Identification Number and Certification or **W9 form is required** prior to issuance of payment.
- g. **Payment will be made within 30 days** of satisfactory final inspection.
- h. **Property and improvements must be reasonably maintained for 5 years** following the completion of the project.
- i. **If, within the 5-year term, the property changes ownership or the ground floor is no longer dedicated to commercial use,** the loan **will enter repayment status.** The owner will be responsible for equity repayment to the City of Sheboygan on a pro-rated basis as follows:

YEARS IN COMPLIANCE	REQUIRED REPAYMENT
First	100%
Second	80%
Third	60%
Fourth	40%
Fifth	20%
Sixth +	0%

- j. **Following 5 years of compliance** with program terms, the **owner may request satisfaction** of the mortgage note be provided to the Register of Deeds in order to release the City’s lien on the property. Fees for the preparation and recording of title are part of the overall award and paid by the City.

Please note: If loan enters repayment status due to noncompliance, satisfaction will be issued following payment in full of the amount awarded and fees to record satisfaction.