



North Carolina
Department of Commerce
Community Investment and Assistance

Beverly Eaves Perdue Governor
J. Keith Crisco, Secretary

Henry C. McKoy, Assistant Secretary
Vickie L. Miller, Director

BULLETIN: 11-8 (Replaces 11-8 effective November 14, 2011)

SUBJECT: Reconstruction, Rehabilitation, Relocation, Temporary Relocation, Clearance and Substantial Rehabilitation

DATE REVISED: November 18, 2011

EFFECTIVE DATE: December 18, 2011

ATTENTION: All CDBG Recipients

This bulletin is to clarify the following terms to describe an activity and to provide activity guidelines. Activities cannot be used interchangeably. Each term has, at a minimum, a slightly different meaning.

Rehabilitation: The purpose of rehabilitation is to take an existing unit and bring it up to the required standards set by Department of Housing and Urban Development (HUD) and Community Investment and Assistance (CI). To qualify as rehabilitation, parts of the existing dwelling must be used in the process.

Reconstruction: Reconstruction is the replacement of a dwelling on the **same lot** in substantially the same manner. Deviations from the original design are allowed for reasons of safety or if otherwise impractical. Reconstruction will be used when a dwelling is considered not rehabable because of high cost (lead-based paint cost, high building material cost, etc.) or the current structure is deteriorated to the point rehabilitation is not feasible. Reconstruction is a Rehabilitation sub-activity, and therefore the activity is processed as rehabilitation would be. The size and floor plan will be developed, and the reconstruction will be bid in the manner rehabilitation would be or a floor plan if stick built and model if a manufactured or modular home. There is no displacement as the occupant's dwelling is replaced one-for-one on the existing parcel of land. However, if there's a valid reason reconstruction cannot be implemented (lot size, lack of soil perk, septic size, setbacks, easement, etc.), then the activity should change to Relocation.

Clearance: Clearance is an activity that can be used in conjunction with both reconstruction and relocation or as an activity by itself.

Relocation: Relocation is the result of a person (s) being displaced from their present lot and relocated to a **different lot**. Local governments should adopt and submit their Optional Coverage Relocation Plan that explains how the local government plans to handle the relocation activity.

Temporary Relocation: Temporary relocation can be given to person(s) who have voluntarily been displaced on a temporary basis while their unit is being treated on the same site. The activity associated with this is reconstruction or rehabilitation. The local unit of government must follow their adopted Optional Coverage Relocation Plan as to how the local government plans to carry out temporary relocation.

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A budget form reflecting these activities is at

<http://www.nccommerce.com/communitydevelopment/investment-assistance/financial>

Substantial Rehabilitation: Substantial rehabilitation is rehabilitation that has exceeded the following cost estimates based on the following two standards: Total Community Development Block Grant (CDBG) rehabilitation costs for the unit 1) exceed \$40,000 or 2) \$38.00 per square foot of heated, occupiable space. When these guidelines are exceeded, CI approval must be obtained before proceeding. Once approved a new request is not needed as long as change orders do not exceed 10% of the cost.

In order to receive CI approval, justification for substantial rehabilitation must be based on the following two circumstances:

- The estimated cost of rehabilitation is at least 20% less than the estimated cost of purchasing comparable newly constructed housing (including land and identify the land cost) in the locality's jurisdiction; and
- The estimated cost of rehabilitation (excluding demolition, site preparation and temporary relocation) is 11 % less than the fair market value of the reconstructed housing and land.

When requesting substantial rehabilitation approval, include the following information in the request:

- Name of owner and occupant and the mailing address of the dwelling
- Identify whether or not the owner/occupant is Very Low Income (VLI), Low Income (LI) or Moderate Income (MI)
- Identify whether or not there is a lien on the property
- State whether or not rehabilitation has started on the dwelling

Low and moderate-income property owners that also occupy the house to be rehabilitated are not required but **may** contribute to the cost of rehabilitation. In a Community Revitalization Project, property owners with incomes above the low and moderate-income level and who occupy the house **may** participate only **if the project area is qualified as a slum and blighted area**. However, these owner occupants **must** contribute to the cost of rehabilitation at a reasonable and justified level. The higher the owner's income, the higher the level of participation should be.

Rehabilitation and substantial rehabilitation eligibility of a unit owned or occupied by persons above moderate and low income levels is determined by the grant category and guidance contained in the grantees Rehabilitation Financial Design Model that is required by the Grant Application Guidelines.

Applicants that have property liens or judgments or that are in arrears in local, state or federal taxes are not eligible to benefit from CDBG funds.

Please address any questions or need for additional information to your Grants Management Representative.

ISSUED BY:



Vickie L. Miller, Director
Community Investment and Assistance

DATE:

