VERDIGRE SHARED ENERGY SAVINGS PROGRAM

APPENDIX K
Summary of Verdigre Residential Rehabilitation Program
July 20, 1989

$87,380.00 in commercial weatherization loans.

Approximately $40,000.00 repaid to date.

DED had approved residential weatherization program but, due to the income limitations, everyone who was eligible was also eligible for low income weatherization, so interest was not there.

Residential housing rehabilitation program will offer 3% loans.

Priorities are:
- avoid overcrowding (additions are eligible)
- roofs
- foundations
- electrical
- all energy efficiency improvements.

HUD income guidelines apply.

Loans of up to 20 years.

Program income back into residential rehabilitation.

Project administrative cost of $450.00 for each loan ($250.00 for program procedures and $200.00 for work write-up and building inspections). These services will be contracted out by the village.

Anticipate 3% interest charge will defray administrative costs of the program with any balance going into the loan pool.

Loans will be awarded on a point system with emphasis on income, elderly, overcrowding, hazardous conditions, and years in the residence.

On February 6, 1989, the qualifying income for a household of one was $14,650.00 in Knox County.

Residence must be owner occupied.

$15,000.00 will be considered the maximum loan amount, with exceptions allowed if specific circumstances merit.

Program has been approved by DED. Will be announced through news releases.
LOCAL PLAN FOR THE INTENDED USE
OF CDBG PROGRAM INCOME

VERDIGRE'S RESIDENTIAL ENERGY IMPROVEMENT PROGRAM

PART I. INTRODUCTION

Section 1.1 Economic Development Strategy

The financial crisis faced in 1984 by the Village of Verdigre as a result of the Bank of Verdigre's closure and the subsequent FDIC seizures prompted the residents of Verdigre to plan an economic development strategy that would help assure the Village's survival. The Village was assisted in their efforts by DED and NEO.

A "Strategic Choices" meeting held April 2, 1985, allowed participants to identify problems and needs in Verdigre and brainstorm on possible solutions. A priority that surfaced at this meeting was the need to provide relief for the low income residents of Verdigre. A survey conducted in the Village showed that 72% of the residents were low income.

A Task Force was formed to study the ideas generated at the town meeting. The strategy developed to meet this priority was the commercial energy project. This project aided the lower population by 1) increasing energy efficiency in businesses which prevented their overhead costs from rising, so they did not have to increase their prices to consumers; 2) income not spent on energy was spent on consumer goods, which the "multiplier" concept shows has greater economic benefit to the community; 3) the combined effect of lower overhead costs for businesses and more income available for spending in the community allowed the businesses to remain open, providing goods and services to the town's residents so that they did not have to travel great distances to obtain these goods and services; 3) the project generated jobs in the community.

In December 1985 a planning meeting was held at which recommendations were made for the commercial energy project. Included in the discussions were recommendations for reuse of the program income. Listed as a top priority for reuse income was to provide residential energy efficiency improvements which would directly benefit the low income residents of the Village.

The minutes of this planning process are available from the Village Clerk. DED and NEO are familiar with these plans since they assisted during their formulation.

PART II. STRATEGY FOR LOCAL REVOLVING LOAN FUND

Section 2.1 Statement of Purpose
The Village of Verdigris held a public hearing on August 3, 1987 at which time citizens were asked to participate in the formulation of a Statement of Purpose and a reuse plan for a revolving loan fund to be established with program income generated by the Village’s Commercial Energy Improvement Program." (See EXHIBIT 1 for a copy of the public hearing notice and minutes of the meeting.) As a result of the public hearing the following statement of purpose was formulated for the reuse program:

To assist low and moderate income residents of the Village in lowering their energy costs by providing financial assistance for home energy efficiency improvements.

Residents of the community felt that important benefits would occur as a result of this "Residential Energy Improvement Program." Not only will the living conditions for low and moderate income persons improve through lower energy costs, but the program will also provide a major boost to the local economy by 1) providing work for local contractors to make the needed improvements; and 2) making more money available to spend in the community as a result of the energy savings generated by the efficiency improvements. Moreover, these savings are retained within the local economy rather than exported to other states and countries to pay for conventional energy supplies.

Section 2.2 Eligible Activities

Activities eligible under this program include only those energy efficiency improvements that average a ten year payback in energy savings. These will include, but are not limited to, insulation of ceilings and walls, repair or replacement of windows and doors, caulking and weatherstripping, installation of storm windows and doors, removal and installation of roof covering, painting and replacement of siding and trim, replacement of or improvement to water heaters, lighting, and heating and cooling systems, and uses of alternative or renewable forms of energy.

Only those residences that are owner-occupied will be eligible for the program. The applicant's adjusted gross income for the preceding calendar year must be at or below HUD's Section 8 Housing Assistance Income Guidelines. All projects funded must be within the zoning jurisdiction of the Village of Verdigris.

Section 2.3 Types of Assistance

Financial assistance will be available to eligible applicants in the form of no interest loans. Terms of the loans will be set by the Residential Energy Review Board. It is expected that the terms of most loans will be the same as the average payback period of the energy improvements with ten years
being the maximum term allowed. Applicants are expected to apply a portion of the energy savings realized through the energy efficiency improvements to the loan repayment.

A subordinated lien will be placed upon the property at the time of signing the promissory note in an amount equal to the loan. This lien in favor of the Village of Verdigré will take a subordinate position to all existing liens.

Section 2.4 Time of Performance

Once the applicant has received notice that his application has been approved for funding, he will be expected to carry out the required procedures as expeditiously as possible. If at any time the program’s staff feels that the applicant is needlessly or purposely delaying the progress of the project, they will file a report of such behavior to the Residential Energy Review Board. It is the Board’s responsibility to investigate and to submit their findings in writing to the applicant stating the specific corrective action that must be taken and the time limits. The Board reserves the right to withhold funding if the requirements are not completed satisfactorily.

PART III. DISTRIBUTION AND MANAGEMENT SYSTEM

Section 3.1 Submission of Applications

Program application forms will be available at the Village Clerk’s office. The application will consist of questions on family size and composition, income, legal description of the property, net worth statement, proof of ownership, and the past year’s energy costs. Completed applications shall be returned to the Village Clerk. The Village Clerk or the Village’s designated agent will be responsible for document verification. Applications will be accepted by the Village as soon as the local plan for the intended use of CDBG program income is approved and adequate funds become available in the repayment fund to finance a project (approximately $3,000).

Once ownership and income have been verified, an energy audit of eligible applicant’s homes will be completed. The audit shall include a review of energy used in the heating, cooling, and lighting of the home. The audit will specify individual actions or improvements that can be made within the home which might reduce energy consumption. Each improvement listed within the audit will be identified by sufficient information necessary to allow the improvement to be written up in a contractor’s bid (e.g., area of walls or roof to be insulated), estimated energy and dollar savings that might be generated by the improvement and a preliminary cost estimate to allow for ranking of improvements according to their respective payback periods. Costs for the audit will be included as part of the loan amount. Should a loan application not be approved for which an energy audit was
conducted, the cost of the energy audit will be charged to administration expenses.

Section 3.2 Selection of Recipients

Results of the audit will be submitted to the Residential Energy Review Board. This Board shall consist of three members which will include one member of the Village Board, one member from the local Housing Authority, and one local citizen with construction background. The purpose of this Board shall be to determine 1) which energy improvements identified as average a payback period of ten years or less and are eligible for this program; and 2) in the event of two or more simultaneous applications, the order in which the applications will be funded. This order will be determined by use of a point system. (See Exhibit 2) Those applications not funded will be placed back in the pool for consideration during the next funding period. These previous applications will not receive priority but will be ranked along with the new applications using the point system to determine those which will be financed.

For those applications which are approved for funding, the Energy Auditor will develop a detailed work write-up for the improvements identified, along with a cost estimate. A copy of the work write-up is sent to the applicant for his/her approval and signature. The applicant signs the work write-up to indicate he/she understands the work the Village is funding and the cost limitations. Applicants will be expected to obtain at least one (preferably two) bids on the contracted work to be performed. For those applicants that intend to do the work themselves, all materials and expenses, except the owner's time and labor, must be submitted as a bid. All work must be performed according to specifications prepared by the Energy Auditor.

The applicant may select any of the contractors from which he/she received bids. However, the Village will fund only the amount of the low bid. Any additional amount must be paid by the homeowner. The Village will enter into the loan agreement with the applicant which will detail the specific improvements to be made, timetables for completion of the contracted and/or self-help work, and a repayment schedule for the loan. No action will be taken by the Village until the recission period has expired. After that time the Village will file all necessary liens, etc. The applicant will then enter into a contract with the contractor and file an original copy with the Village. Contract documents must be formally prepared and approved by the Village's attorney. A Notice to Proceed is issued to the contractor by the Village.

The contractor performs the work and necessary inspections are made by the Energy Auditor. Unscheduled inspections are made frequently as work progresses.

Pay requests by the contractor are submitted to the
 homeowner who signs them and then files them with the Village on or before the 20th of each month. Only one pay request per project may be submitted each month. Payment will be made only for materials installed and labor. No payment will be made for materials stored on site. All payments for work to be done except for the final payment will be made in an amount equal to 90% of the value of such work properly completed. A retainage of 10% will be held until the project has passed final inspection. The Village will issue the check jointly to the contractor (or supplier in the event of self-installed measures) and the homeowner.

Change order, if necessary, may be made if changes in work required are agreed upon subsequent to contract signing. These written change orders require concurrence of the Residential Energy Review Board, the homeowner, and the contractor.

The Energy Auditor will perform a final inspection to insure all energy improvements have been completed according to project specifications before final payment is made. A final pay request is then filed as above. The contractor must file a list of all subcontractors and suppliers with the final pay request. A waiver of lien will be required from each subcontractor and supplier before final payment is made.

Loan repayments will be on a monthly basis. The date of the first payment will be negotiated at the outset of the loan discussion, but will begin no longer than 30 days from the final payment of contractor/supplier for the completed work. When the loan payments are complete, the Village Clerk or the Village's designated agent servicing the loan will close out the applicant's account and complete any necessary recordkeeping.

Conflict of Interest

No member of the governing body of the locality and no other official, employee, or agent of the Village government who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the Residential Energy Improvement program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the Village Government ends. Should any such individual desire to participate in this program, he or she shall be treated no differently than any other individual in Verdigre. The application for funding by any official or agent of the village shall include a statement of disclosure which outlines the interest the applicant may have in the operation of this program.

Grievance Procedure

Should any individual or applicant believe he or she has been treated unfairly in the determination of applicant
eligibility or eligible energy efficiency improvements under the guidelines of this program, he or she may file a written complaint with the Village Clerk setting forth such concerns. Within 15 days of receiving a complaint, the Energy Review Board shall issue a written statement on the matter which states the Board’s conclusion and reasons for reaching such a decision with regard to the complaint. Should the complainant believe his or her concerns have not been adequately addressed, the issue may be brought before the Village Board for review at the next regularly scheduled board meeting. The board’s ruling on the matter, made within one month of a written request for review by the complainant, shall be final.

Program Amendment Procedure

Should the Energy Review Board or the Village Board believe an amendment to this program plan is necessary, such amendment shall be forwarded to DED after formal review and approval by the Village Board. All amendments shall be consistent with the original program intent and with the state’s CDBG guidelines. The amendments will be considered final upon written approval from DED.

Section 3.3 Compliance with CDBG Regulations

The Village Board Chairman is responsible for, but may assign this duty to the Village Clerk or the Village’s designated agent, seeing that all loan recipients comply with:

a. the national CDBG objective;

b. Title I of the Housing and Community Development Act of 1974, as amended, and;

c. the following laws, regulations, and requirements:

2) Environmental Standards and Provisions
4) Fair Housing Standards and Provisions
6) Hatch Act of 1938, as amended.

Any costs associated with the above will be covered in the administrative costs outlined in Part IV of this plan. The Village shall establish a monitoring system to see that all program regulations are met.

PART IV FINANCIAL MANAGEMENT

Section 4.1 Maintenance of Records

The Village Board may either assign administration of this program to local government staff or contract with an individual or organization for this service. This staff person or individual or organization shall be responsible for assuring that all program guidelines and state and federal regulations are met, and that proper records are kept. This reuse program shall
be administered in the same manner and under the same regulations followed for administration of the original CDBG grant. Reimbursements for such services shall be at the rate of 2% of the loan amount. Annual payments to the contracted individual or organization shall be an amount equal to the total reimbursement divided by the number of years of the loan. These payments may be disbursed in equal monthly or quarterly installments.

The individual or organizations designated by the Village Board shall see that all loan payments are deposited in a special escrow account using pre-numbered receipts with copies of the deposit slips and checks presented immediately to the Village Treasurer. The Village Treasurer shall annually audit each loan and send a Statement of Account to each borrower. This Statement will show each payment made and the remaining balance owed. Any discrepancies found by the borrower shall be reported to the Village Treasurer so that corrections can be made.

Section 3.2 Interim Investment

Investments of CDBG program income shall be made in local banks to the degree possible under state regulations in an interest bearing account at the highest rate possible. All interest earned shall remain in the account. Investment decisions shall be made by the Village Board or their designated agent. Public notice will be given that this money is available through a revolving loan fund to low and moderate income homeowners for energy efficiency improvements. The first loan will be made within two years following approval of this plan.
# Residential Energy Improvement Program

## Point System for Selection of Participants

### Owner Income

- Less than $A or under: 15
- $A or above: 10

### Number of Occupants

- 4 points per person (maximum 40 points)

### Previous Year's Energy Costs

- 10% of Income: 0
- 11% to 20% and above: 25
- 21% and above: 10
- 9% and below: 0 (less than 0 is 0)

### Age of Home

- 10 years and under: 0
- Over 10 years: 15
- 10 years and above: 5

### Energy Conservation Improvements To Be Made

- Payback period
  - 0 years or less: 15
  - 7-9 years: 10
  - 10-8 years: 5
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