

**MINUTES OF THE CHESHIRE TOWN COUNCIL PUBLIC HEARING HELD ON
TUESDAY, FEBRUARY 23, 2016 AT 7:00 P.M. IN ROOM 207, TOWN HALL, 84
SOUTH MAIN STREET, CHESHIRE CT 06410.**

Present

Chairman Robert J. Oris; Vice Chairman Paul A. Bowman; Council Members Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Thomas Ruocco, Timothy Slocum, and Peter Talbot. Absent: Michael Ecke.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director, Louis Zullo, Personnel Director, Michelle Piccerillo, Human Services Director; Robert Ceccolini, Director Parks and Rec Department; Sheila Adams, Pool Coordinator.

Guest: Lisa Low, Ph.D. Consultant.

PUBLIC HEARING SUBJECT MATTER

**CONSIDERATION OF THE FISCAL YEAR 2016
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

1. ROLL CALL

The clerk called the roll and a quorum was determined to be present.

2. EXPLANATION OF HEARING PROCEDURE AND AGENDA

Chairman Oris explained the procedure for a public hearing of the Town Council.

3. READING OF LEGAL NOTICE

The clerk read the legal notice into the record.

4. PRESENTATION ON HEARING SUBJECT

Town Manager Milone informed the Council that there were two applications for the grant program, and under the grant guidelines a town can submit only one application each year. Therefore, Cheshire Housing Authority (CHA) has deferred its grant submission until next year, is still interested in the Boulder Knoll property and is working on its transfer to CHA.

Director Piccerillo explained that the process for the grant application is moving forward. There have been ads in newspapers for eligible people to come forward for the grant, and to date there are 10 to 12 interested residents. These people are living in unsafe conditions, need a new furnace/burner, or possibly handicapped accessibility.

Ms. Piccerillo and her staff looked at the elderly tax relief statistics and found 300 residents eligible for the program. Mike Votto, Interfaith Housing Chairman, will assist in coordination of the program.

Ms. Low expressed appreciation for her invitation to the meeting to explain her firm's role in the grant program. Under the program the award is \$400,000, with 10 to 12

homeowners serviced at about \$30,000 each. The loan is to the homeowner; it is not due back to the town until title of the home changes; and the town develops a revolving loan fund with money used going forward to serve other lower to moderate homeowners. The people served under the program are, usually, those on tax relief.

Over the next five (5) months, Mr. Milone advised seniors will be signing up for the tax credit and relief programs. Notification will be placed in the Assessor's Office about the grant program.

Ms. Low suggested sending out a mailing to homeowners about the program. The town is looking for interested people, to show the need in the community, and to date 10 homeowners have expressed interest. People can contact Ms. Piccerillo. The program needs people who can benefit from the program.

5. QUESTIONS AT THE DISCRETION OF THE CHAIR.

Mr. Slocum asked about the payback after title to the house changes, and how a \$30,000 loan is paid back to the town.

It was explained by Ms. Low that part of the process is a contract signed by the homeowner and contractor. There is a closing, mortgage documents are filed and recorded with the Town Clerk. Through the probate process this loan would be discovered, and a check is written for loan payoff. The loans are at 0% interest. The homeowner has a \$30,000 loan; title to the house changes 20 years later; the homeowner's payback is the \$30,000...0% interest.

Ms. Flynn-Harris commented on support of Cheshire Interfaith Housing and their involvement with this program. It is understood that many of the improvements are \$25,000 for a furnace or burner, and renovations for people in need are not major ones, i.e. range of \$100,000. CIH improvements are lower cost, i.e. handicapped access and replacement of furnaces.

Ms. Low noted the cap on the loans is \$30,000 per the State, so more money cannot be put into a home. For a multi-family house, the property owner must make a 50% investment in the project, at 3% interest, over a set period of time.

The issue of the return of the money, and going through probate, was raised by Ms. Nichols. After death of a homeowner, she asked about the property not realizing enough assets to pay the loan.

Stating she has no experience in this issue, Ms. Low has had a few foreclosures, and the town got a reduced payback. The State requires the homeowner have 10% equity in the home, and most elderly residents have this equity.

In response to Ms. Linehan's question regarding a homeowner with a reverse mortgage, Ms. Low stated the program cannot service a reverse mortgage home, as the value of the home continuously is reduced and is not protected.

The grant application is due April 11th.

Ms. Piccerillo stated that the 10 to 12 interested homeowners will proceed with their applications for the program.

Ms. Low reported that in the program last year the awards were announced in July, with funding out in October. Next year the CHA can apply with the loan program.

The issue of "priority applications" was raised by Mr. Bowman, and he asked how qualified or unqualified homeowners are determined.

The State is firm about this issue, and Ms. Low said it is on first come, first served, basis, and the town does not pick and choose...it is a fair and open process. There will be advertisements, publicity in newspapers about the date the program opens.

During the application process, the Town Clerk accepts the application, stamps the applications with date and time. For an emergency situation, a home could be moved forward to the top of the list, i.e. a broken furnace, leaking roof in the winter.

Mr. Bowman asked about who handles legal fees, closing costs etc.

There are no costs to the town other than public notification, and Ms. Low prepares the mortgage documents and files them, with administrative fees paid through the grant funds line items. Architect fees, inspection fees, legal fees, filing...are all covered by the grant. The grant lasts for two (2) years, and by the 2nd year it expires unless there is an extension, and the money should be spent in that time period. The town would have an administration firm on retainer. If a payoff comes in, the money is taken out again with a new project.

The program does require a management team to manage and consult on the program income fund...the program should always have someone managing it due to it being time consuming and complex. The management/administration fee is 20% of the total grant amount, i.e. \$100,000 in the program income account to serve four families, the fee would be \$20,000.

Regarding release of the documents in the future, Mr. Bowman asked how this is done. He cited an example...year 2035, a house is to be purchased; it has this restriction to be cleared; there is a lien against the property...how is this released.

Ms. Low expects there will be a successor management firm involved in 2035 to manage the program. The State can also provide consulting services; there are many federal regulations involved; there is monitoring; it is a complicated process and hard to learn. With a payoff on a loan, the information goes to the town finance officer; it is referred to the consultant; a payoff letter is developed with terms of payoff; the town

attorney works with the consultant to get the payoff done. Then, the mortgage is released.

It was stated by Mr. Milone that in 2035, if the program is defunct, the town has 2 or 3 liens, then the town attorney would handle the process for repayment.

Mr. Bowman spoke about a foundation wanting to fund money into the account for more residents to be eligible for the program.

According to Ms. Low the State encourages town participation in the program, and points are received for town matches. There is considerable need in the community, but the funds cannot be mixed with the \$400,000 grant money. There can be a separate pool of funds and this could be part of the application which would help with receiving the award. Ms. Low cited the Town of Ansonia which has received awards for five (5) years in a row, with all the money on the streets. This is an asset to the town, and will all come back to the town.

Ms. Nichols asked if the reapplication for the grant precludes the CHA from ever applying for the grant.

CHA could do a grant application next year and Ms. Low said there is town eligibility for using rehab dollars. But, the State will not accept two grant applications in one year from the same town. The CHA could apply in alternate years.

With improvements such as a handicapped ramp, Ms. Linehan asked about the town's liability for a contractor installing a faulty ramp, resulting in injury or worse.

Ms. Low advised there must be insurance in place by the homeowner and the contractor, and the town must be an additional insured on these policies.

Ms. Linehan asked about the pool of vetted contractors for the work to be done.

That is correct, and Ms. Low explained there is advertisement for contractors, applications are always being taken, and the State likes multiple contractors and local contractors to be employed for the program. There is a full process for the contractors and they must have all applicable licenses. Once hired, a contractor must perform well, or lose their contract. There is a public bid for the contractors; the Low firm reviews the bids; the town is not involved; and the contractor gets all permits through the Building Department.

With the improvements to the house, Ms. Linehan noted these are low to middle income people, and asked if their taxes increase due to improvements.

Ms. Low said that if the footprint of the house is not increased it is unlikely the taxes will increase. Over 10 years, increased taxes have not been an issue.

The likelihood of the town getting this grant was raised by Mr. Milone, and he asked about the amount of the grant.

Cheshire is a new town to the program, and Ms. Low said the State likes new towns coming into the program. She thinks Cheshire's chances are very good in getting the grant. With regard to the amount of the grant program, Ms. Low said in the last 2 years it has been \$400,000, which allows for about 10 projects.

Chairman Oris raised some questions about the program. The loans are secured by a mortgage, maybe a 2nd mortgage. He asked about due diligence as some 1st mortgages preclude an additional mortgage, without their approval.

A title search is part of the process on every project to insure ownership and to find any restrictions on the home, and status of the home. Ms. Low said the program position is a 2nd lien, and there have been no problems with primary mortgages with the town making a loan. The attorneys would advise if there was an issue with a primary mortgage company.

Mr. Oris' next question was about homeowner default on the loan, and foreclosure rights...there is security by the house, but does it preclude any action in the event of a default...like a foreclosure.

Ms. Low said the program loan is in 2nd position behind the primary mortgage holder. She explained that the homeowner does not make any payments on the program mortgage until title to the property changes. The homeowner must have 10% equity in the home to be served by the loan program.

With regard to the contractors, Ms. Oris asked if the bids have prevailing wage requirement. He also asked about the homeowner saying the bids are too high, and walking away from the program.

Ms. Low reported there is no prevailing wage requirement, and homeowners can walk away from the program and back out. There is a week long right of rescission after signing the documents.

Chairman Oris thanked Ms. Low for her informative presentation, and commented on the program being a good one for the community, with hopes that many people will take advantage of the program.

6. PROPONENTS AND OPPONENTS STATEMENTS ALTERNATELY EXPRESSED.

7. REBUTTAL AT THE DISCRETION OF THE CHAIR.

8. ADJOURNMENT

Chairman Oris adjourned the public hearing at 7:40 p.m.

Attest:

Marilyn W. Milton, Clerk