



Legislation Text

File #: 12-335, Version: 1

Staff Report for Resolution Approving Owner-Occupied Housing Rehabilitation Program Amendments

SUMMARY AND RECOMMENDATIONS

The City's Owner-Occupied Housing Rehabilitation (Housing Rehab) Program has historically been one of the City's most popular housing programs particularly for the minor home repair grants. In order to enhance the program's effectiveness and efficiency, staff recommends that the City Council approve the amendments (discussed below) to the program.

BACKGROUND

The City's Housing Rehab Program has been in operation since 1989. In recent years, the program was funded through Redevelopment Agency (RDA) Housing Set-Aside Funds. Since 2003, the City has outsourced the administration of the program to Neighborhood Solutions, which is an experienced administrator of municipal rehab programs for cities including Pleasanton and Livermore.

In early 2012, the State eliminated redevelopment in California. For the FY2012-13 budget, the City Council has already approved some key changes to the Housing Rehab Program: 1) elimination of the low interest rehab loan component of the program and 2) funding the program primarily through federal Community Development Block Grant funds.

Analysis

Based on their day to day experiences over the years in working with and processing applications through the existing program rules and guidelines, Neighborhood Solutions and City staff have developed the following recommendations to streamline, clarify and simplify the program while providing staff with sufficient flexibility to operate the program as efficiently as possible while being able to effectively address unforeseen or urgent situations in the future. The last time changes were made to the program was in 2003. Below are the recommended changes to the program:

- **Merge the existing six separate grants into a single minor home repair grant not to exceed \$5,000:** Currently, there are six separate grants available to eligible San Leandro homeowners with varying maximum funding limits: 1) minor home repair (\$2,000 maximum), 2) exterior paint (\$3,000 max), 3) exterior clean-up (\$1,000 max), 4) accessibility (\$5,000 max), 5) seismic strengthening (\$5,000), and 6) mobile home repair (\$5,000 max). Current policy also allows staff to approve combination grants (e.g., accessibility and exterior paint) not to exceed \$5,000. The establishment of a single minor home repair grant category of up to \$5,000 (which includes exterior paint, exterior clean-up, accessibility, seismic improvements and mobile home repairs as eligible activities) will streamline the intake and marketing of the program.

- **Set five years as the grant application eligibility limit:** The existing six grants have varying time limits in which applicants can re-apply for them if necessary. Minor home repair, mobile home repair, and exterior clean-up have five (5) year limits while accessibility, exterior painting and seismic strengthening have 10 year limits. For instance, an applicant may not re-apply for a grant for another five or 10 years based on need. To simplify the program, staff recommends making the eligibility limit for the proposed single minor home repair grant every five years. Staff, though, will continue to give priority to first time grant applicants whenever feasible versus applicants who are re-applying after the five year limit.
- **Increase income eligibility for the single minor home repair grant to low income households (\leq 60% area median income):** The existing six grants have varying income eligibility levels. For example, the seismic strengthening grant has a low income limit while the other five grants have a very low (\leq 50% AMI) income threshold. In recent years, the program has received inquiries from households who are slightly above the very low income limits but are still in need but had to be denied funding. To simplify program administration, staff recommends making the proposed single minor home repair grant eligible to low income households at 60% AMI. See Attachment A for the City's current income limits at 50% and 60% AMI.
- **Allow Community Development Director discretion to approve grants exceeding \$5,000:** To more flexibly and quickly address emergency, hardship or other urgent health/safety situations, the Community Development Director should have the authority on a case-by-case basis to approve grants exceeding the \$5,000 limit. Generally, the Community Development Director will limit his/her approval to exceed the maximum grant limit by the lesser of 25% of the grant request or \$6,000. However, the Community Development Director should also have the authority to go beyond this limit when necessary and based on the urgency of the homeowner's needs.
- **Allow Community Development Director discretion to approve existing Housing Rehab Program loan recipients for cash out refinancing based upon documented need or hardship (e.g., health/safety-related home improvements, critical health/medical costs) :** This change applies only to homeowners with existing rehab loans as the loan program has been discontinued since July 2011. The existing refinancing policy has been that the City will subordinate its rehab loan for no cash out refinancing that will assist a lower income homeowner to achieve a more affordable first mortgage. During the recent economic downturn, there have been occasional inquiries about cash out refinancing for loan recipients facing potential emergency situations or the need to make home improvements. This case-by-case flexibility may be especially helpful for eligible homeowners with more substantial home repair needs beyond the \$5,000 grant now that new rehab loans are no longer available.
- **Allow Community Development Director the discretion to subordinate the homeowner's existing City rehab loan below second position:** This change also applies only to homeowners with existing rehab loans only. While staff will continue to maintain the City's rehab loan at second position when a loan recipient is seeking refinancing and subordination, the Community Development Director should have authority and flexibility to subordinate at a lower position in order to help the homeowner secure the most optimal financing opportunities

to help him/her address documented need or hardship reasons.

Previous Actions

- City Council approved revisions to the Owner-Occupied Housing Rehabilitation Program on September 2, 2003.

Committee Review and Actions

- City staff presented several of the above recommended program changes to the City Council Business and Housing Development Committee on September 9, 2010.

Environmental Review

- Because the City's Housing Rehabilitation receives federal CDBG funds, staff has completed the required National Environmental Protection Act (NEPA) review for the program to begin operation by July 1, 2012.

Fiscal Impacts

The proposed changes to the Housing Rehab Program will have no fiscal impact on the FY12-13 City Budget.

ATTACHMENTS

- Attachment A: 2012 Income Limits for San Leandro

PREPARED BY: Tom Liao, Planning and Housing Manager, Community Development Department