



Office of the City Manager

RECESS ITEM
CONSENT CALENDAR
September 9, 2003

To: Honorable Mayor and
Members of the City Council
From: *WR* Weldon Rucker, City Manager
Subject: Seniors and Disabled Home Rehabilitation Loan Program

RECOMMENDATION

Adopt a Resolution to increase the combined loan amount that can be extended to senior and disabled households to \$70,000 and authorizing the funding approval of the following rehabilitation projects under the Seniors and Disabled Home Rehabilitation Loan Program (SDHRP) in the total amount of \$170,000:

<u>Project Located At Census Tract</u>	<u>Loan Amount</u>
1. Census Tract Number 4240	\$ 65,000
2. Census Tract Number 4232	35,000
3. Census Tract Number 4239	<u>70,000</u>
Total	\$170,000

NEGATIVE EFFECT IF ACTION IS DELAYED UNTIL AFTER COUNCIL RECESS

The rehabilitation work to modify homes for accessibility, to correct foundation, to replace roof, and to remove lead based paint for the above three projects is expected to begin before the end of August 2003. Any postponement of the rehabilitation work for these projects will jeopardize keeping the owners' preferred licensed contractors, particularly certified lead-based contractors, and will further delay repairs to correct threats to the health and safety of senior and disabled homeowners.

FINANCIAL IMPACTS OF RECOMMENDATION

Currently, there is \$150,000 allocated for the FY 2004 from CDBG for loans. In addition, there is carryover from the previous fiscal year of \$388,734 from CDBG budget code 370-8210-463.99-21 and from the remaining grant from State of California CalHome Program of \$71,500. This will give the program a total of \$610,234 for loans for the current fiscal year. If the three approved projects are funded there will be a remaining balance of \$440,234 for loans under the program. Staff intends to use the remaining grant of \$71,500 from State of California prior to the CDBG funds. There are no additional costs associated with the action.

CURRENT SITUATION AND ITS EFFECTS

Due to the rising costs of construction and the requirement for the removal of lead based paint by qualified contractors, staff went to Housing Advisory Commission (HAC) last year and requested an increase in the CDBG maximum loan amount from \$25,000 to \$35,000 available to homeowners under the Senior and Disabled Loan Program. If additional funds are needed to complete the project, a loan of up to \$35,000 from CalHome program could be added which could bring the loan maximum to \$70,000. In reviewing similar programs around the Bay Area, typical rehabilitation costs for owner occupied property range from \$20,000 to \$70,000. More often, given the age of the housing stock in Berkeley and the rising costs of construction, the \$25,000 loan limit is not adequate to address the total rehabilitation needs of some of the projects. The HAC reviewed and voted unanimously to support the staff proposal.

BACKGROUND

The Seniors and Disabled Home Rehabilitation Loan Program was instituted over thirteen years ago. In January 11, 2002, the City Council revised the interest rate of the program from a 3 ½% deferred interest rate to 0% deferred interest rate and increased the loan amount from \$10,000 to \$25,000. SDHRP will continue to assist very low-income seniors and disabled homeowners in repairing their homes to eliminate conditions that pose threat to their health and safety. The program has been expanded to include HUD mandated removal of lead-based paint when the project is more than \$5,000. This new requirement has substantially increased the time to complete the rehabilitation and the cost of the project. Few housing rehabilitation contractors have been willing or able to take the hours of classes and testing to become certified lead based contractor. Many have concerns related to their liability when removing lead. Since this lead removal requirement has been in effect there have been a limited number of qualified contractors available and their costs are higher because of additional time needed for these projects. As a means to offer additional funding in 2001, staff was successful in applying for and receiving \$250,000 CalHome funds from the State, which allow additional loans available per household.

The level of staff assistance to this program is considerable. Starting with the inquiry by an elderly or disabled homeowner, staff takes in the initial loan information. If the threshold requirements are met, an inspector goes to the home and completes a survey to assess any code violations. The inspector prepares work specs to describe the work that needs to be done and then staff solicits bids from contractors. Bids are typically received within two weeks and are then presented to the owner who selects a preferred contractor. Staff prepares and presents documents to be signed by both the owner and the contractor. The loan then requires completion of the underwriting and in-house approval. After the final approval, an Owner-Contractor Agreement is signed and staff places the money in AmeriNational Services escrow account to ensure the timely payment to the contractor who adheres to the scope of work. Staff continues to monitor construction and facilitates payments until the work is done and inspects the property for a final time after the work is completed to the owner's satisfaction.

RATIONALE FOR RECOMMENDATION

The revision and funding of the three rehabilitation projects will allow the homeowners the opportunity to continue to reside in their homes. The homes would be upgraded and modified for accessibility to improve the quality of life of the occupants and maintain the City's housing stock. Since the homes are owned outright in many cases, allowing the owner to remain in the home provides very affordable housing, and the City's loan is repaid in full when the property is transferred or sold.

CONTACT PERSON

Janet H. Kennedy, Housing Services Manager, 981-5430

Approved:



Stephen Barton, Housing Director

RESOLUTION NO. -N.S.

AUTHORIZING THE INCREASE IN THE COMBINED MAXIMUM LOAN AMOUNT UNDER THE SENIORS AND DISABLED HOME REHABILITATION LOAN PROGRAM (SDHRP) TO \$70,000 AND APPROVING FUNDING TO THREE SPECIFIC SDHRP PROJECTS IN THE AMOUNT OF \$170,000

WHEREAS, on November 27, 1990, the City Council adopted Resolution No. 55,664-N.S. establishing the Seniors and Disabled Home Rehabilitation Loan Program (SDHRP); and

WHEREAS, the City Council continues to support housing rehabilitation loans for seniors and disabled homeowners in the City; and

WHEREAS, due to the rising costs of construction, the Housing Advisory Commission (HAC) unanimously approved the proposal from staff to increase the SDHRP maximum loan from the CDBG funds from \$25,000 to \$35,000 available to senior and disabled homeowners; and

WHEREAS, if additional funds are needed to complete the project, a loan of up to \$35,000 from CalHome program could be added, which could bring the combined loan maximum to \$70,000.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the increase of the maximum loan amount that can be extended to senior and disabled homeowners under SDHRP to \$70,000; and that the following rehabilitation projects are approved for funding under SDHRP.

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