



CITY COUNCIL/HOUSING AUTHORITY AGENDA REPORT

MEETING DATE: September 17, 2013

ITEM NUMBER: _____

SUBJECT: MODIFICATION OF SINGLE FAMILY REHABILITATION LOAN AND GRANT PROGRAM POLICIES AND PROCEDURES

DATE: AUGUST 23, 2013

FROM: DEVELOPMENT SERVICES, HOUSING AND COMMUNITY DEVELOPMENT

**PRESENTATION BY: WILLA BOUWENS-KILLEEN, PRINCIPAL PLANNER
JACQUELINE Y. REEVES, MANAGEMENT ANALYST**

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RECOMMENDED ACTION:

CITY COUNCIL:

1. Authorize the City's Chief Executive Officer and the Executive Director of the Costa Mesa Housing Authority ("CMHA") to amend the guidelines of the Costa Mesa Loan and Grant Rehabilitation Programs and the implementing policies, procedures, and guidelines to allow for an increase in the available amount of money for **grants** which will allow for lead based paint assessment through abatement.

2. Due to the increase in materials, supplies, labor and the lost of Redevelopment funds to finance Lead Grants; an **increase** in the available amount of Single Family grants is requested as follows:

- \$10,000 for mobile homes (current amount \$5,000); and
- \$14,000 for single-family homes (current amount \$10,000).

HOUSING AUTHORITY:

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BACKGROUND:

The City of Costa Mesa single-family loan and grant programs were adopted in the mid- 1980's to provide financial assistance to qualified single family and mobile home property owners (who are also occupants of the property). Low-income single family homeowners are eligible to receive up to \$50,000 for a housing rehabilitation loan, (exclusive of the costs of treatment through clearance of lead based paint (LBP). Very low-income single family property owners are eligible to receive up to \$7,000 for single-family grants; or \$5,000 for mobile home grants, (exclusive of the costs of treatment through clearance of LBP).

The programs were originally funded by The Department of Housing and Urban Development (HUD) Community Development Block Grant Funds. In 1997, the City provided and included an additional funding source to expand the program through funds made available pursuant to the federal HOME Investment Partnerships Act and HOME Investment Partnerships Program, 42 U.S.C. Section 12701, *et seq.*, and the implementing regulations thereto set forth in 24 CFR Section 92.1, *et seq.* (together the "HOME Program".)

The City, as a recipient and grantee of federal funds under the HOME Program and the CDBG Program, is required to modify and conform all of its housing programs funded with federal monies, including without limitation this Program, to Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.* (Title X) and the new implementing regulations thereto, which are aimed to take advantage of rehabilitation events as a cost-effective opportunity to reduce lead based paint (LBP) in existing housing.

The new implementing regulations to Title X as set forth in 24 CFR Part 35 (LBP Regulations), were adopted by HUD on September 15, 1999 and became effective for compliance September 15, 2000 (HUD approved the City's application for extension to a later date in 2001.)

HOME funds can only be used for affordable housing projects benefiting those households who are 80% and below the Orange County median income. Based on the Consolidated Plan, roughly 50% of the housing stock is over 50 years old and in need of serious repairs. Additionally, there are 15 mobile home parks in the City which serve as a major source of affordable housing.

In 2011, the City Council voted to make major changes to the HOME single family rehabilitation programs. They limited the number of HOME Rehabilitation grants to no more than one emergency and one non-emergency grant per property during the life of the Program and limited grants to those earning no more than 50% of the median. Current income guidelines are attached (Attachment A).

The primary program objectives are to correct non-conforming uses, remedy code violations, and generally repair and improve deteriorating properties in an effort to provide decent housing and a suitable living environment for low-income persons and families. Eligible improvements must be physically attached to the property and be permanent in nature.

Eligible repairs include, but are not limited to the following:

- Correction of health and safety code violations;
- Repairs, restoration or replacement of building components and mechanical structural systems, such as heating, plumbing, septic tanks, electrical wiring and service;

- Structural and foundation repairs;
- Exterior work to help preserve or protect structures, such as painting, roofing, siding, and property enhancements, such as landscaping, sidewalks, and fences;
- Fumigation and treatment of termites and pest control;
- Access improvements, special safety features, and, any modifications or additions to aid the physically disabled and the elderly; and
- Interior work to make the structure more livable, such as painting, plastering, new flooring, and tile work.

Housing and Community Development Staff (HCD) staff conducted an analysis of Census data regarding Costa Mesa homeowners. Key findings of this analysis include the following:

- Approximately 80% (4,639) of Costa Mesa households age 65 years and older are owner-occupied.
- Over one fifth (1,201) of Costa Mesa’s households age 65 and older are owner-occupied and have an annual income below \$20,000.
- Over 34% (3,489) of seniors in Costa Mesa have a disability.
- Over 32% (1,506) of homeowners above the age of 65 years spent more than 30% of their income on home ownership costs.

While grants do not secure a return of investment, they help address emergency life safety home needs and other housing needs of very low-income homeowners that do not have the ability or resources to repair and maintain their primary residence (especially mobile home owners). The HOME program requires that all Code Enforcement violations be cured prior to any cosmetic improvements being completed.

Over the past five years, grants have been awarded to 99 households. If a homeowner has a “Qualified Emergency Repair”, Housing Rehabilitation staff is vested with discretion to evaluate the situation and give them priority on a waiting list.

Qualified emergency repairs are as follows:

- Mechanical:** No heating unit or an inoperative heating unit
- Plumbing:** No hot and/or cold running water
Inoperative water heater
Broken or clogged waste line
Deteriorated interior water lines resulting in damage caused by leakage
Broken gas line
- Electrical:** Systems or wiring which constitutes a fire hazard, are unsafe or are otherwise dangerous to human life
- Security:** Lack of standard operating door locks
- Roofing:** Visible signs of leakage with evidence of extensive interior water damage

Housing Rehab Grant Program Beneficiaries by Income (Past 5 Years)

Income Level	FY 2008- 2009	FY 2009- 2010	FY 2010- 2011	FY 2011- 2012	FY 2012- 2013	TOTAL
Extremely Low-Income (0 - 30% of county median income)	13	10	3	11	4	41
Very Low Income (30% to 50% of county median income)	14	14	3	5	4	40
Low Income (50% to 80% of county median income)	10	3	2	3		18
Total	37	27	8	19	8	99

In connection, with the implementation of the LBP regulatory requirements, the City requires that each property owner cooperate and assist in evidencing compliance with all applicable requirements of Title X and the LBP Regulations, in particular Subpart J relating to rehabilitation of housing in the community.

EPA's 2008 Lead-Based Paint Renovation, Repair and Painting (RRP) Rule (as amended in 2010 and 2011), aims to protect the public from lead-based paint hazards associated with renovation, repair and painting activities. These activities can create hazardous lead dust when surfaces with lead paint, even from many decades ago, are disturbed. The rule requires workers to be certified and trained in the use of lead-safe work practices, and requires renovation, repair, and painting contractors to be Environmental Protection Agency (EPA) certified.

If lead based paint is present for pre-1978 properties, pursuant to HUD guidelines, a lead based paint hazard evaluation must occur. Federal regulations require surfaces be either repaired if \$5,000 or less is spent on the rehabilitation or if \$25,000 or more is spent on rehabilitation, then abatement procedures apply. A summary of lead based paint requirements by activity is attached for your review, (Attachment B). Over the past five years, of the 99 households grants have been given out, 21 of those were lead based grants. Of the 78 non-lead based paint grants disbursed, 45 were given to seniors, 4 to disabled individuals, and 11 to veterans.

The Economic and Development Services Director/Deputy CEO, or his/her designee, may in his/her sole and absolute discretion approve Program grants in excess of the limits set forth above to complete essential rehabilitation of an eligible property. Except as specifically provided below, eligible property owners may qualify for only one grant throughout the life of the Program. Additional grant funds may, however, be made available to previous grant recipients to cover the actual costs of correcting serious code or health and safety defects as determined by the Housing Rehabilitation Coordinator.

ANALYSIS/OPTIONS:

The need to continue offering HOME rehabilitation loans and grants is necessary if the City wishes to continue to receive CDBG funds for Code Enforcement activities, HUD expects a community to have a reasonable housing rehabilitation program in place if it uses CDBG funds to support code enforcement activities. (CDBG funds support two full-time Code Enforcement Officers and one full-time support clerical staff).

Until the dissolution of the City's Redevelopment Agency (RDA), LBP treatment was financed through RDA funds. With the loss of those funds, the cost of LBP treatment is included within the rehabilitation amount. This, in conjunction with rising costs for materials, (see attachments C, D and E) and labor since the program was last amended, has made it impossible to clear both LBP and/or hazards along with correcting all Code violations within the financial limits currently contained within the program. Consequently, staff feels there are two possible options:

Option 1: Retain the Status Quo.

Existing City Policy establishes a maximum of \$5,000 for mobile homes and \$7,000 for single family homes through the grant program, (exclusive of the costs of treatment through clearance of LBP) to qualifying very low-income single family property owners to correct existing local and/or state code violations and correction of health and safety code violations; repairs or replacement of building components and mechanical structural systems, structural and foundation repairs, exterior and interior painting.

With the more stringent LBP remediation requirements and the lack of RDA funds to cover the cost of LBP assessment through abatement, these grant amounts do not cover all of the required work cost.

Option 2: Amend Policy to increase Single family Grant Amounts.

This amendment would allow a maximum of \$10,000 for mobile homes and \$14,000 for single-family homes through the Grant Rehabilitation program. This would cover the cost of the LBP remediation requirements. The Economic and Development Services Director/Deputy CEO, or his designee, may in his sole and absolute discretion approve Program grants in excess of the limits set forth above to complete essential rehabilitation of eligible property.

FISCAL IMPACT:

No fiscal impact; the requests are within the approved Housing and Community Development budget.

LEGAL IMPACT:

There is no legal impact anticipated by the Council's taking the recommended action, based upon documents provided to this office connected with this action.

CONCLUSION:

Staff recommends that Option 2, as detailed above, be adopted as it satisfies HCD requirements for a reasonable rehabilitation program while accommodating current reductions in HCD staffing.

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JACQUELINE Y. REEVES
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[Attachment A: 2013 HUD Income Limits](#)

[Attachment B: Summary of Lead Based Paint Requirements](#)

[Attachment C: NAHB Lumber Cost Analysis](#)

[Attachment D: U.S. Bureau of Labor Stats \(Mid Year\)](#)

[Attachment E: U.S. Bureau of Labor Stats \(Annual\)](#)

[Attachment F: Resolution](#)