



CITY OF ANAHEIM

**RESIDENTIAL
REHABILITATION
PROGRAM GUIDELINES**

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I. **General Provisions**

A. Purpose

The City of Anaheim initiated the Residential Rehabilitation Program (RRP or Program) to comply with the regulatory requirements of 24 CFR 570.202(c); improve the quality of life for income-eligible households by assisting with property repairs and improvements necessary to make their homes decent, safe and attractive; to preserve the City's housing stock; to arrest and prevent the development of blighted areas; identify and arrest the decline of deteriorating/deteriorated areas. The following guidelines serve as the minimum administrative requirements for the RRP and are intended to reinforce and not supplant prudent underwriting practices, when considering Program applications.

B. Program Eligibility

Code enforcement activities meet the national objective of benefit to low and moderate income persons on an area basis under § 570.208(a)(1) when carried out in deteriorated or deteriorating areas and when carried out in conjunction with public or private improvements, rehabilitation, or services that may be expected to arrest the deterioration of the area. The City carries out Code Enforcement activities in the deteriorating areas shown in Figure 1 and this RRP will assist in arresting deterioration in those areas. The buildings inspected by Code Enforcement are located in a primarily residential areas where a minimum of 51 percent of the residents in those areas are low- and moderate-income.

C. Program Funding Source

The primary funding source for the Program is Community Development Block Grant (CDBG) funds provided to the City from the US Department of Housing and Urban Development (HUD) as identified in the City's Consolidated Plan.

D. Program Administrator

Habitat for Humanity Orange County has been selected as the Program Administer (PA) for the City's Residential Rehabilitation Program. Application, intake and verification procedures will be in accordance with the established PA's policies and procedures. Program administration fee shall be actual costs incurred but cannot exceed 20% of each Grant/Loan amount.

E. Funds for Improvements

CDBG funds shall be budgeted annually through the City's Consolidated Plan/Annual Plan process and regular budget process. Program funds are not guaranteed and subject to availability.

F. Environmental Clearance

Use of HUD funds requires all programs and activities to be cleared per 24 CFR part 58. The RRP is categorically excluded per 58.35(a)(3)(i) subject to

58.5 and requires a Tiered Environmental Review as follows: First Tier will cover the program on an eligible area basis and will include clearance of coastal zones, environmental justice, air quality, noise, sole source aquifer, endangered species, wild and scenic rivers, farmlands, wetlands, and airport clear zone. The Second Tier will focus on the specific property to be rehabilitated and will cover the historic property, SHPO, floodplain, explosives, and toxic sections. Emergency repairs are not subject to SHPO concurrence.

G. Davis Bacon & Related Acts (DBRA)

Per Section 110 of the Housing and Community Development Act of 1974 – DBRA does not apply to rehabilitation of residential property designed for fewer than 8 families.

H. Section 3

Per the Section 3 Frequently Asked Questions found at <http://portal.hud.gov/hudportal/documents/huddoc?id=11secfaq.pdf> question 11 states “Section 3” does not include contractors or any intended beneficiary under the HUD program to which Section 3 applies, such as a homeowner or a Section 3 resident. As such, the funds used on the Residential Rehabilitation Program are not subject to the Section 3 Requirements.

I. Equal Opportunity

Applicants will not be discriminated against on the basis of race, color, religion, sex, sexual orientation, creed, ancestry, national or ethnic origin, age, family or marital status, handicap or disability, or any other arbitrary basis. In addition, applicants may not discriminate in the use, occupancy, and awarding of contracts with respect to the property to be rehabilitated with the assistance of an RRP loan.

J. Relocation

Relocation is not contemplated as a part of this rehabilitation activity, however if an unanticipated event occurs which requires temporary relocation, such relocation shall be performed in compliance with the provisions of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 and Section 104(d) and may be paid for using program funds.

K. Applicability of Federal State and Local Regulations/ Authority To administer

While all Program funds are subject to the requirements of these Guidelines, there may be additional special provisions and limitations depending on changing requirements of the funding source. Consequently, additional requirements not shown in these Guidelines may apply and, thus, the Community and Economic Development Director (Director) or his/her designee may amend these Guidelines from time to time to reflect changes in

the requirements of the funding source for this Program as required.

II. Program Assistance

Income and location-qualified Applicants shall receive assistance in the following order 1) Emergency 2) Health, Safety, & Accessibility 3) Home Improvement (loans), subsequent to the submittal of a complete application inclusive of all required documentation as provided by the PA.

A. Residential Rehabilitation Program Assistance

The PA provides single family (up to two units) homeowners at or below 80% of the Area Median Income (AMI) with home improvement grants or loans at a zero interest rate with repayment deferred until sale, transfer of title or refinancing. Because market interest rates fluctuate over time, the City reserves the right to increase its below-market interest rate up to three percent (3%) simple interest. If interest rates are increased only new loans will be affected.

B. Terms and Obligations

(i) Health, Safety and Emergency Grants

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|---|--|
| Target Income Group: | < 80% of area median income |
| Maximum Amount: | \$25,000 |
| Project Location: | CDBG eligible areas |
| Repayment: | Grants do not get repaid unless owner sells, transfers title, ceases to reside in property as principal residence, refinances property for cash-out or equity line of credit, within 10 years of grant receipt. Any repayments will be recorded as Program Income. |
| Eligible Improvements include but not limited to: | Emergency repairs; lead hazard abatement; removal of architectural barriers; and the correction of code violations. See Section VII for a more detailed explanation of eligible and ineligible improvements. |

(ii) Home Improvement Loans

| | |
|------------------------|---|
| Target Income Group: | < 80% of area median income |
| Maximum Amount: | \$25,000 |
| Interest Rate: | Zero to three percent (0%-3%) Simple Interest |
| Project Location: | CDBG eligible areas |
| Repayment: | <p>No monthly payments. Loan due in full on twentieth (20th) anniversary of the recordation of the City's Deed of Trust, or the loan shall be repaid to the City upon the earliest occurrence of the following: 1) sale, 2) transfer of title of the property, 3) Applicant ceases to reside in the Principal Residence, 4) the Applicant refinances the property for cash-out or equity line of credit. 5) The property owner does not maintain property improvements up to City code, 6) Adequate property insurance is not maintained.</p> <p>There is no prepayment penalty, and the owner may make periodic payments to reduce the loan balance at the discretion of the Program Administrator.</p> |
| Security: | The City's assistance will be in the form of a secured mortgage recorded no lower than a second Deed of Trust; however, the City may agree to a third position for the Deed of Trust only if the Beneficiary in the second position is the City. |
| Eligible Improvements: | Exterior work to help preserve or protect structures; Interior work to make a structure more livable; and Weatherization and energy conservation items. See Section VII for a more detailed explanation of eligible and ineligible improvements. |

III. Eligibility Requirements

A. Ownership

The Applicant must be listed on the Grant Deed.

B. Property Title

The property title shall be free of all liens or encumbrances as determined by the Program Administrator that may be detrimental to the security of the City's Grant or Loan.

C. Principal Residence

Single-family homes, condominiums and townhomes are eligible for RRP assistance.

D. Location

The dwelling unit must be located within a Deteriorated/Deteriorated Area as identified in Figure 1.

E. Homeowners Insurance

The homeowner shall maintain fire insurance coverage on the property and flood insurance if the property is within a floodplain. The minimum insurance coverage must be equal to the value of the indebtedness on the property. The owner is also to keep property taxes current during the term of the loan.

F. Household Income

Family gross annual income may not exceed the moderate-income limits defined as up to 80 percent of the Orange County area median income (AMI) adjusted for household size and determined annually by the U.S. Department of Housing and Urban Development (HUD).

G. Improvements

In order to qualify and to be eligible, no work shall commence prior to:

- I. Application approval;
- II. Full execution of RRP Agreement;
- III. Full execution of a Construction Agreement for work to be done on the Principal Residence and;
- IV. Issuance of a Notice to Proceed by the Program Administrator.

H. Conflict of Interest

No member of the governing body of the Program Administrator or the City and any other official, employee, or agent of the City Government who exercises policy, decision-making functions or responsibilities in connection with planning and implementation of the program shall be directly or indirectly eligible for RRP assistance. This restriction shall continue for two (2)

years after an individual's relation with the Program Administrator or City ends.

IV. Lead Based Paint Requirements

As part of the program application, owners are provided with information about the dangers of lead-based paint. Evidence of receipt of this information is maintained in the project file. The lead-based paint requirements can have a significant impact on the final scope of work. If the housing unit in question was built prior to January 1, 1978, the lead-based paint requirements apply. Based on the amount of subsidy provided to the project, different levels of action are required by the Program Administrator, as shown in the following table:

| | <\$5,000 | \$5,000-\$25,000 | >\$25,000 |
|---|---|--|---|
| Approach to Lead Hazard Evaluation and Reduction | Do no harm | Identify and control Lead hazards | Identify and Abate Lead Hazards |
| Notification | Yes | Yes | Yes |
| Lead Hazard Evaluation | Paint testing of surfaces to be disturbed by rehabilitation | Paint testing of surfaces to be disturbed by rehabilitation AND Risk assessment | Paint testing of surfaces to be disturbed by rehabilitation AND Risk assessment |
| Lead Hazard Reduction | Repair surfaces disturbed during rehabilitation, use lead-safe work practices, clearance test of work site upon completion. | Interim controls, lead-safe work practices, clearance test of unit upon completion | Complete abatement, lead- safe work practices, clearance test of unit upon completion |

Any required lead-based paint inspections (initial and clearance) will be performed by the Program Administrators lead-based paint testing firm. The cost of initial testing and clearance will be included as part of the owner's loan or grant. In the event that an initial clearance test fails, it will be the contractor's responsibility to pay for supplemental clearance tests. The contractor engaged to encapsulate and/or stabilize lead-based paint will not be paid until evidence of a lead-based paint clearance is presented to the City. Lead-based paint inspection reports and risk assessments (as applicable) will be provided to the owner and made available to contractors as an appendix to the Work Description.

V. Required Record Keeping and File Retention

Files will be maintained to document the significant history of RRP activities for all projects. The Program Administrator must maintain these files for a period not less than five (5) years following completion of the work.

Project Files must include at a minimum:

- I. The application and all supporting documentation related to income and owner-occupancy, and property information reports.
- II. Official correspondence and the Rehabilitation Environmental Review.
- III. Inspection reports, lead-based paint reports, before and after photographs, work descriptions, internal estimate, bid evaluation,

- contractor clearances, contractor insurance, contractor business license, contractor W-9, recorded Notice of Completion.
- IV. RRP Agreement, construction contract agreement, all loan/grant disbursement information including invoices, payment releases, lien releases, warranties, and copies of payment checks, signed off City Permits.
 - V. Loan underwriting materials including the appraisal, title report, credit report, and all executed loan documents.
 - VI. Documentation on requests for demand, reconveyance, subordinations, and defaults.

VI. Program Changes

At the discretion of the Director or his/her designee, the Program may be modified to ensure timely expenditures of program funds and to otherwise meet the intent of assisting extremely low- to moderate-income households.

VII. Program Database

For each fiscal year, PA staff will maintain a project database containing the case number, name, address, telephone number, racial/ethnic data, census tract, block group, household size, household income, income level (i.e. very low, low, moderate), housing cost burden percentage, year built, application date, inspection date, Work Description approval date, expected post-rehabilitation value, loan funds awarded, grant funds awarded, project soft costs (i.e. title, credit, asbestos/lead-based paint testing), construction contract amount, contractor payment information, contract award date, final inspection date, recordation of Notice of Completion Date, approval of completed work, and project phase (i.e. pre-construction, construction, complete).

VIII. Exhibits

EXHIBIT A – Rehabilitation Standards

Emergency Repairs

Eligible project work is only considered an emergency if not addressing the issue will adversely impact the health and safety of the residents. Examples of emergency work includes lead paint abatement if a child six or under has documented elevated blood lead levels, no hot running water, blocked plumbing due to deteriorated pipes, and broken or unusable furnace.

Emergencies are handled on a case-by-case basis and can take precedence over applicants on the wait list. The Program Administrator, in conjunction with the Community and Economic Development Department and applicable City departments is responsible for determining if a particular housing problem is an emergency.

Code Correction Repairs

At a minimum, at the completion of each project, all health and safety issues and all code violations shall be corrected. Every grant/loan made under the RRP shall be used to finance rehabilitation standards that address all health and safety issues and code violations, and no grant/loan can be approved which would permit a dwelling unit after rehabilitation to be out of compliance with applicable codes.

Applicable codes include the Anaheim Municipal Code, Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and Chapters 5-10 of the Uniform Housing Code, ADA Section 504, and relevant sections of Title 24 that pertain to disability access.

In addition to requiring that the building be brought into compliance with applicable codes, the Program requires specific additional upgrades in all projects. These include: upgrade of electrical equipment grounding and bonding system; GFCI replacement in kitchen, bathroom and exterior areas; fire extinguishers; smoke detector upgrade to current Uniform Building Code; and installation of carbon monoxide detectors; and exterior painting, if needed. All work performed must comply with the Program's Rehabilitation Standards.

Lead Based Paint Repairs

Control or abatement of defective lead based paint surfaces will be included in the property rehabilitation where applicable. A lead based paint inspection report may be required of any home built before 1978.

Asbestos Removal

Removal of materials containing asbestos, if necessary, will be included as part of the property rehabilitation.

Accessibility Improvements

Properties occupied by a disabled household member(s) qualifies for services aimed at removing architectural barriers under this Program. In cases where it is not structurally or financially feasible to bring units into full compliance with Title 24 and Section 504, limited repairs or improvements increasing

overall accessibility may be undertaken provided such repairs are conducted under a plan check, permit, and inspection process by the City's Community Development Department.

Examples of eligible improvements that will alleviate architectural barriers include, but are not limited to:

| | |
|---|---|
| <ul style="list-style-type: none"> • Grab bars • Transitional floor coverings • Bathtubs or showers • Replacement of doorknobs with lever action handles • Plumbing alteration or modifications • Ramps | <ul style="list-style-type: none"> • Sliding doors • Kitchen cabinet modifications • Widening doorways and hallways • Electrical switches and convenience outlet relocation • Toilet alteration or modifications |
|---|---|

ELIGIBLE IMPROVEMENTS

In addition to the above-noted improvements, program funds are available for rehabilitation improvements that are physically attached and permanent in nature as follows:

1. Repairs that remedy existing nonconforming uses such as garage conversions, additions, etc.
2. Exterior work to help preserve or protect structures, roofing, siding (if significantly damaged), re-leveling, bracing (including earthquake bracing), repair/replacement of screens/windows, doors and door locks, structural and/or foundation damage, replacement of deteriorated attached porch and step structures (i.e., Mobile Home porches made of plywood).
3. Interior work to make a structure more livable and repair/replace/restore important parts such as plumbing (i.e., re-pipe and replacement of fixtures), damaged flooring, faulty or inadequate heating/cooling systems, inoperable built-in appliances, damaged ceilings, water heaters, electrical wiring and service, painting (if walls are damaged).
4. Weatherization and energy conservation items such as insulation, caulking, weather-stripping. Fumigation and treatment of termites and pest control.
5. Modifications which aid the mobility of the elderly and physically disabled such as shower units with seats, lever hardware, retrofitting toilets to achieve adequate height, moving power points and light switches, ramping, reconstructing doorways, lowering sinks in kitchens and bathrooms.
6. Testing for the presence of lead-based paint and associated control/abatement, as required.

INELIGIBLE IMPROVEMENTS

1. Installation and/or repair of recreational items such as barbecues, bathhouses, greenhouses, swimming pools, saunas, television antennas, tennis courts.
2. Luxury items such as carpeting (other than water-damaged or carpeting that is not decent, safe or sanitary), burglar alarms, burglar protection bars, dumbwaiters, kennels, murals, flower boxes, awnings, patios, decks and storage sheds/workshops. Any freestanding appliances such as microwave ovens, refrigerators, dishwashers, and fans.
3. Room additions or extensions
4. Other items deemed ineligible by the Director or his/her designee.

PRIORITY OF IMPROVEMENTS

Improvements will be approved and made to the property in the following order of importance:

1. Emergency repairs.
2. All violations related to health and safety standards.
3. All Anaheim Municipal and building code violations.
4. Repair or replacement of major systems including but not limited to roof, electrical, plumbing, and air conditioning/heating systems.
5. Energy efficient items such as new dual glazed windows, insulation, energy efficient light fixtures, low flow toilets.
6. Exterior and interior incipient deficiencies. An incipient deficiency exists if, at the time of inspection, it appears that the physical condition of an element in the structure may fail or deteriorate into an actual deficiency in the near future (within 1-2 years).
7. General property improvements.

STANDARDS FOR REHABILITATION OF HISTORIC PROPERTIES

On historic structures included in the RRP, special requirements must be met under the National Environment Policy Act and the National Historic Preservation Act of 1966, as amended. RRP projects will be submitted for review to the State of California, Office of Historic Preservation, when a unit is within a designated Historic District, identified as a Historically Significant Structure, on the list of Structures Of Historical Interest or is more than 50 years old. In accordance with the 2014 State Historic Preservation Office ("SHPO") guidance to the City of Irvine, all mobile homes and any building less than 50 years in age will not be submitted for review. Under direction from SHPO, historic properties shall be rehabilitated in accordance with the most appropriate standards based on the age and architecture of the structure. The basic principle is to preserve the character of the exterior spaces and surfaces. This generally entails the submission of the Work Description to SHPO for review and comment.

IX. Figures