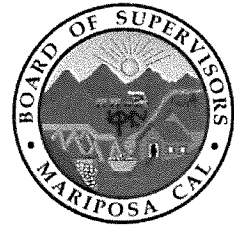




# MARIPOSA COUNTY

Administration/Community Development • 966-3222



## **RESOLUTION - ACTION REQUESTED 2018-16**

MEETING: January 9, 2018

TO: The Board of Supervisors

FROM: Dallin Kimble, County Administrative Officer

RE: PUBLIC HEARING: Revolving Loan Fund Program and Microenterprise Docs

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### **RECOMMENDATION AND JUSTIFICATION:**

PUBLIC HEARING to Rescind Resolution 17-830 and Approve a Corrected Amendment to the Community Development Block Grant Revolving Loan Fund Programs and the Mariposa County Microenterprise Business Assistance and Housing Loan Program Guidelines to Include Financing Numbers that Were Not Included in Documents Approved by Resolution 17-509.

The 2017 Program Income Reuse Plan was adopted by the Board of Supervisors on July 25, 2017 by Resolution 17-509. The adopted plan included guidelines for the Housing Rehabilitation program. Part III, Financing, had fields that were left blank. The blanks were completed and approved with Resolution 17-830 but approval required a public hearing that was not appropriately advertised. Having now advertised the public hearing, staff is requesting approval of the amendment.

The 2017 Program Income Reuse Plan establishes where program income generated by microenterprise business assistance and house rehabilitation loan plans (principal and interest) will be distributed. The 2017 Program Income Reuse Plan allocates 100% of the Program Income from the microenterprise loans to be deposited into the Microenterprise Business Assistance Revolving Loan Fund (ME-RLF) and 100% of the Program Income from the microenterprise business assistance loans to be deposited into the Housing Rehabilitation Loan Account (HR-RLF).

### **BACKGROUND AND HISTORY OF BOARD ACTIONS:**

The previous Program Income Reuse Plan was approved on November 22, 2016, and included two Revolving Loan Fund (RLF) programs, one for Housing and one for Microenterprise Business Assistance.

### **ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

A negative action would leave the existing plan in place with the blank spaces, and HCD would not approve the RLFs, so the County would not be permitted to loan any funds from these accounts.

### **FINANCIAL IMPACT:**

## Resolution - Action Requested 2018-16

**The Program Income Reuse Plan will dictate to which Revolving Loan Account revenue will be allocated.**

**ATTACHMENTS:**

**Housing Guidelines\_revised (PDF)**

**regional data (PDF)**

**Resolution\_2017-509 (PDF)**

**Public Hearing Notice\_Revolving Loan Fund Program\_Housing Rehabilitation (DOC)**

**RESULT: ADOPTED [UNANIMOUS]**

**MOVER:** Kevin Cann, District IV Supervisor

**SECONDER:** Marshall Long, District III Supervisor

**AYES:** Smallcombe, Jones, Long, Cann, Menetrey

Date Approved: \_\_\_\_\_

Rep. Signature: \_\_\_\_\_

(SAMPLE)

## HOUSING REHABILITATION PROGRAM GUIDELINES

### I. APPLICANT ELIGIBILITY

#### Temporary Relocation

Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the City of [XXX]'s "Residential Antidisplacement and Relocation Assistance Plan", ***Please see sample "Residential Antidisplacement and Relocation Plan" in Chapter 4.***

Owner occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the project coordinator/construction supervisor.

#### Conflict of Interest

No member of the governing body of the locality and no other official, employee, or agent of the city government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the city ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. (Owner/builders are reimbursed for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement occurs after the installation is verified by the Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor.) The City/County reserves the right to determine if the owner is capable of owner/builder rehabilitation work.

#### Income

**Owner Occupant** - To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner will be required to provide income documentation. (See attached Annual Household Income Definition/Income Limits).

**Owner Investor** - There are no restrictions on the income of the owner investor unless the owner investor is a member of the Targeted Income Group (TIG) and is interested in qualifying for a Deferred Payment Loan.

**Tenant** - If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation. (See attached Annual Household Income Definition/Income Limits).

#### Occupancy

No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has

CDBG/GMM 04/08

1. Every targeted income group owner occupants who are determined to be eligible for the CDBG program may receive DPL financing.
2. A limited number of \$7,500 grants are available as follows:
  - Senior Citizen - at least 62 years old.
  - Handicapped - only for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed.
  - Lowest Targeted Income Group - with gross annual income less than 50 percent of county median income.

#### Owner Investor

Limits-An owner investor may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance from CDBG funds is to be determined by the local jurisdiction. Two underwriting variables to consider are the loan-to-value ratio (does the property constitute sufficient value compared to the size of the loan the borrower is requesting to adequately secure the debt) and the debt-to-income ratio (the ability of the borrower to repay the debt). Total indebtedness against property will not exceed 100 percent of after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other sources of leverage.

#### Maximum Loan-to-Value

The maximum encumbrance will normally be limited to (100%) of the property's after-rehabilitated value.

When the ratio is at or above (100%) the city/county may require an appraisal.

#### Debt-to-Income Ratio

Applicants whose debt to income ratio exceeds (50%) may be considered ineligible to participate in the program.

#### Types and Terms of Financing

Amortized loan - Below Market Interest Rate (BMIR) loan at 2 percent interest, secured by a deed of trust and with a maximum term of 15 years.

Combined financing - 50% percent of rehabilitation costs as a BMIR loan and 50% percent as a DPL. A DPL is a non-interest bearing loan secured by a deed of trust with no payback required until the owner investor sells or otherwise transfers title to the rehabilitated property, unless sold or transferred to a targeted income group household. Payments may be made voluntarily on a DPL.

DPL for a TIG owner investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. Same terms as described in previous paragraph above.

#### Restrictions

##### Rent Limitation Agreement (RLA)

An owner investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which

CDBG/GMM 04/08

- Statement of unit's continued use as a residence.
- Declaration that other title holders do not reside on the premises.

In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.

If the owner occupant sells or otherwise transfers title of the property to a targeted income group household, the city will consider subordinating the loan and continuing all or part of the lien as a DPL.

If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the City of [XXX], to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.

If the owner occupant dies and the heir is not income eligible, the loan is due and payable.

If the owner occupant dies and the heir is not income eligible, but he or she chooses to rent the unit to TIG households and agrees to comply with owner investor restrictions, the heir may be permitted, upon approval of the City of [XXX], to assume the loan at the same rate and terms offered owner investors under current program guidelines. If the heir/owner investor does not comply with owner investor restrictions, the loan is due and payable.

If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the city in advance. If the city approves the conversion of an owner occupied unit to a rental, the owner will be required to comply with the provisions of the owner investor guidelines, including rent limitation provisions and financing arrangements.

If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

#### Owner Investor

If an owner investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.

An owner investor may convert a rental property to his or her personal residence if all conditions below exist:

- He or she can prove that the previous tenant was not evicted without cause.
- He or she is income eligible.
- He or she requests approval from the city.

If an owner investor converts a rental property, rehabilitated with CDBG funds, to his or her personal residence, but he or she is not income eligible, the loan is due and payable.

If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

#### **XI. CONTRACTING PROCEDURES**

- All housing rehabilitation work must be carried out using the CDBG adopted housing rehabilitation guidelines.
- The city/county will prepare, advertise the bid package and assist the homeowner in negotiating the contract.
- The homeowner will select the contractor.
- All contractors must be checked and cleared with HUD'S federal debarred list of contractors.
- All contractors must be actively licensed and bonded with the State of California.
- All contractors must have public liability insurance to the city/county required limits, Workmen's Compensation Insurance, unemployment and disability insurance.
- All contractors must comply with CDBG federal and state regulations.
- A Notice of Completion must be recorded with the County Recorder.

#### **XII. SWEAT EQUITY**

Participants who wish to perform sweat equity will sign a written commitment itemizing the work they will perform, a time schedule for completion and a dollar value of the contribution.

Owners that contribute sweat equity that involves painting will not participate in activities that include the abatement or mitigation of lead paint hazards without first being trained on Safe Work Practices as required by HUD and provide documentation of such in the project file.

#### **XIII. AMENDMENTS**

Amendments to these guidelines may be made by the city and submitted to HCD for approval.

#### **XIV. EXCEPTIONS**

Exceptions to these guidelines will require city council and HCD approval.

#### **XIV. HUD INCOME LIMITS 200 ADJUSTED FOR FAMILY SIZE FOR CITY/COUNTY**

#### **XIII. ATTACHMENTS**

The following documents are attached and form a part of these guidelines:

CDBG/GMM 04/08

## **ANNUAL HOUSEHOLD INCOME DEFINITION**

For the purposes of determining eligibility in accordance with HCD income guidelines, Annual Income **will** include, for all members of the household:

1. Gross wages and salary before deductions.
2. Net money income from self-employment.
3. Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
4. Periodic cash benefits from public assistance and other compensation, including AFDC, SSI, Worker's Compensation, State Disability Insurance and Unemployment benefits.
5. Interest earned on savings and investments.

Annual Income will **not** include:

1. Non-cash income such as food stamps or vouchers received for the purpose of food or housing.
2. Capital gains or losses.
3. One time unearned income such as scholarship and fellowship grants; accident, health or casualty insurance proceeds; prizes or gifts; inheritances.
4. Payments designated specifically for medical or other costs, foster children or their non-disposable income.
5. Income from employment of children under the age of 18.
6. Payment for the care of foster children.

This is not meant to be a complete list. Grantee will make the final decision in situations where the classification of income is not clear cut. Any exceptions or other deviations from this definition of annual income will be considered by Grantee.

**(SAMPLE)**  
**CDBG HOUSING CONDITION SURVEY**

MAP # \_\_\_\_\_  
                   Vacant (---Yes/---No)  
                   For Sale (---Yes/---No)

ADDRESS \_\_\_\_\_  
 CITY \_\_\_\_\_

**CONSTRUCTION TYPE**

Wood Frame \_\_\_\_\_  
 Masonry \_\_\_\_\_  
 Mobile \_\_\_\_\_  
 Modular \_\_\_\_\_  
 Other \_\_\_\_\_

**STRUCTURE TYPE**

Single Family with Detached Garage \_\_\_\_\_  
 Single Family with Attached Garage \_\_\_\_\_  
 Duplex \_\_\_\_\_  
 Multi-Family \_\_\_\_\_ # of Units \_\_\_\_\_  
 Other \_\_\_\_\_

**FRONTAGE IMPROVEMENTS IF APPLICABLE:**

_____ CURBS (---Yes/---No)	_____ PAVED STREET (---Yes/---No)
_____ GUTTERS (---Yes/---No)	_____ SIDEWALKS (---Yes/---No)
_____ ADEQUATE SITE DRAINAGE (---Yes/---No)	_____ Driveway (---Yes/---No)

**#1 - FOUNDATION:**

0 Existing foundation in good condition.  
 10 Repairs needed  
 15 Needs a partial foundation  
 25 No foundation or needs a complete foundation.

**#4 - WINDOWS:**

0 No repair needed.  
 1 Broken window panes  
 5 In need of repair.  
 10 In need of replacement.

**#2 - ROOFING:**

0 Does not need repair  
 5 Shingles missing  
 5 Chimney needs repair  
 10 Needs re-roofing  
 25 Roof structure needs replacement and re-roofing.

**#5 - ELECTRICAL:**

0 No repair needed.  
 5 Minor repair.  
 10 Replace main panel.

**#3 - SIDING/STUCCO:**

0 Does not need repair.  
 1 Needs re-painting.  
 5 Needs to be patched and re-painted.  
 10 Needs replacement and painting.  
 10 Asbestos/Lead-Based.

Sound	9 or less
Minor	10 - 15
Moderate	16 - 39
Substantial	40 - 55
Dilapidated	56 and over

56 Dilapidated-a unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is nonexistent, not fit for human habitation in its current condition, may be considered for demolition or at a minimum, major rehabilitation will be required.

	#1 Foundatio n	#2 Roofin g	#3 Siding/ Stucco	#4 Window s	#5 Electrica l	TOTAL
Points						

Comments:

Surveyor \_\_\_\_\_



2. On flat roofs check bubbles, blisters, cracks, spongy areas, and ponding water conditions.