



City of Carson Report to Mayor and City Council

June 7, 2011
New Business Consent

**SUBJECT: CONSIDER MODIFICATIONS TO THE NEIGHBORHOOD PRIDE PROGRAM
GUIDELINES**

Submitted by Clifford W. Graves
Economic Development General Manager

Approved by Clifford W. Graves
Interim City Manager

I. SUMMARY

Staff proposes that the City Council approve a number of program modifications to the Neighborhood Pride Program (NPP). Approval of these recommended changes should increase the number of well-maintained and safe residential units as well as improve program compliance in accordance with Housing and Urban Development (HUD) Community Development Block Grant (CDBG) requirements.

II. RECOMMENDATION

APPROVE the revised program guidelines dated June 2011.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

Since 1989, grants and loans to HUD-qualified residents for home improvements and/or repairs have been available through the NPP.

On January 18, 2011, the Economic Development General Manager apprised the Mayor and Councilmembers that the volume of the activity in the NPP was approaching the limits of the budgeted allocations for the current program year and suspended acceptance and/or processing new applications until the next program year beginning July 1, 2011. The current backlog of cases on file and ready for processing in the city is 70, with 20 applications pending review for income qualification. While continuing to complete all open NPP activity cases, staff embarked on a review of the guidelines and operating procedures to ensure compliance with all HUD requirements.

As the City Council is aware, HUD approved the 15% across the board reduction in CDBG funding for the program year beginning July 1, 2011. Therefore, based on the reduced funding entitlement, staff estimates that approximately 27 NPP grant and/or loan assistance activities will be completed during the next program year.

Staff requests that the City Council approve a number of modifications to the NPP Guidelines to continue services with the reduced funding allocation, comply with HUD requirements, and provide an opportunity for residents who have not received NPP assistance to participate in the program. A draft of the revised program guidelines is included as Exhibit No. 1.

The revised guidelines continue to provide for assistance in the form of grants and loans. Grants for mobilehomes will be available in amounts up to \$5,000.00; grants for single-family residential units will be available in amounts up to \$10,000.00; and, the maximum loan amount for a single-family residential unit is \$25,000.00 that includes a deferred 3% interest rate, with no monthly payments as outlined in Section "F." (Δ 7) of the draft guidelines.

The following information highlights the recommended changes to the NPP Guidelines:

1. The maximum total combined loan amounts cannot exceed 90% of the loan to value ratio.
2. Program loans will only be issued to owner-occupants with an acceptable title history and clear title to an eligible property in need of rehabilitation.
3. Priority will be given to code violation items, health and safety items, as well as Americans with Disabilities Act (ADA) improvements/repairs; HUD-required items, lead-based paint repairs and emergency items.
4. Prior program participant applications will not be accepted unless no un-served residents have applications pending for program assistance. Program participation will be limited to a one-time participation in the form of a grant or loan that is tied to the property address.

Should the City Council adopt the revised NPP guidelines, staff will implement the changes effective July 1, 2011.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Draft Neighborhood Pride Program Guidelines dated June 2011. (pgs. 4-14)

Prepared by: Sheilah Thompson, Senior Administrative Specialist
Linda Mann, Principal Administrative Analyst

Reviewed by:

City Clerk	<u>City Treasurer</u>
<u>Administrative Services</u>	<u>Development Services</u>
<u>Economic Development Services</u>	<u>Public Services</u>

Action taken by City Council	
Date _____	Action _____

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**CITY OF CARSON
NEIGHBORHOOD PRIDE PROGRAM**

PROGRAM GUIDELINES

EXHIBIT NO. - 1



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I. PROGRAM DESCRIPTION

Mission Statement

The city of Carson (City) Neighborhood Pride Program (NPP or Program) is designed to promote well-maintained and safe residential communities through the use of U.S. Department of Housing and Urban Development (HUD) funded loans and grants for low-and moderate-income eligible households.

Program Summary

The Neighborhood Pride Program is designed to assist low- and moderate-income owners of single-family detached dwellings and mobilehomes with the preservation of decent, safe and sanitary housing. The NPP corrects hazardous structural conditions, makes improvements considered necessary to eliminate blight, promotes the construction of healthy, sustainable and resource-efficient housing, improves disabled access, and corrects building, and health and safety code violations.

Program funds may be used to complete required and approved housing rehabilitation construction repair activities and addressing lead-based paint hazards, and is inclusive of all Community Development Block Grant (CDBG) eligible project-related soft costs, including but not limited to, hazardous materials testing fees, title fees, and document recordation fees.

II. SOURCE OF FUNDS

NPP projects are funded from the City's annual allocation of Community Development Block Grant (CDBG) funds. The City receives CDBG funds from HUD as authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 et seq. Funds for the NPP are approved by the City Council each fiscal year as part of the City's Annual HUD Action Plan process and in conjunction with the City's annual budgeting process.

III. PROGRAM LOANS AND GRANTS

The NPP will provide three percent (3%) deferred loans which will be made available to eligible households whose income does not exceed the 80% of Area Median Income adjusted for household size as promulgated by HUD. Program loans may not exceed \$25,000. Program funds may not be used for refinancing purposes. The terms applicable to Program loans are described further in Section IV-F of these Program Guidelines. Program loans shall be underwritten by program staff and approved by the Rehabilitation Screening Committee (RSC), comprised of the following: Principal Administrative Analyst, Sr. Administrative Specialist, Housing Analyst, Rehabilitation Finance Counselor, and the Program Consultants.

Alternatively, the NPP can provide a program grant to eligible households whose income does not exceed the 80% of Area Median Income adjusted for household size as promulgated by HUD. A program grant may not exceed \$10,000 for single-family detached residential properties, and a maximum of \$5,000 for mobilehomes. NPP grants shall be approved by the RSC.

Eligible applicants may only receive either a program grant or a program loan, but not both, except as outlined for emergency repairs as found in Section V, Letter E. There is a limit of one (1) Program loan or one (1) Program Grant per eligible applicant. In instances where a NPP loan



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or NPP grant has been provided, and the maximum loan or maximum grant limit has not been utilized, re-application for the balance of the residual program maximum amount is not allowed.

Program loans will be evidenced by a Promissory Note and secured by a Deed of Trust. Program loans may not be in a junior position beyond a third trust deed.

All program loan and grant funding is limited and subject to the availability of program funds.

IV. ELIGIBILITY CRITERIA

A. Eligible Applicants

Eligible applicants are owners of single-family detached residential properties or mobilehomes located within the Carson corporate city limits. Eligible applicant properties must be owner-occupied dwelling units. All title holders must sign all program related documentation to be considered eligible applicants.

Program loans may only be made to owner-occupants with acceptable credit history and clear title to an eligible property in need of rehabilitation. As a prerequisite to eligibility, an applicant must be willing to correct any/all current code violations.

City Councilmembers, and any employee, official or agent of the City who exercises any policy or program decision-making function in connection with the NPP are ineligible for assistance under the Program. This policy extends for a period of one (1) year beyond an individual's disassociation with the City in such capacity.

B. Eligible Household Income

In accordance with CDBG requirements, owner-occupant household income may not exceed 80% of the Los Angeles County Area Median Income adjusted for household size (Moderate Income) as promulgated by the HUD (See Attachment "A"), which is based on annual income guidelines which are provided by HUD in sometime between May and July of each year. New income guidelines are effective July 1st of the next program year.

The determination of annual household income shall be made by NPP staff in accordance with the requirements of the CDBG program utilizing the "IRS Form 1040 Adjusted Gross Income Method" of annual income determination.

C. Eligible Improvements

Program loans and grants may be expended for structural repairs, roof replacement or repair, insulation, rodent and pest extermination, cabinets, counters, plumbing repairs, electrical repairs, windows/window frames, door/door frames, flooring, painting (interior and exterior), energy efficiency improvements, and Americans with Disabilities Act (ADA) improvements. Site work involving the foundation, drainage improvements or any health and safety concerns or code violations may also be eligible. Current building and code violations and health and safety related repairs shall take precedence over all other repairs, including general property improvements. Construction of room additions or the initial construction or repair of luxury items and recreational areas (i.e., bar-b-ques, saunas, hot tubs, patio covers, etc.) are not eligible for NPP funding. In no event shall general property improvements exceed 25% of total NPP funding.

The installation or repair of heating and air conditioning systems are subject to the review and approval of the RSC.



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In the event that illegal construction is determined to be present on the applicant's property, NPP funds may only be used for the removal of the illegal condition. Reconstruction of illegally constructed property improvements is not an eligible activity under the NPP.

Construction materials used for this Program shall conform to the specifications designed by Staff. In the event that the Participant desires to upgrade approved work scope items beyond designated standard grade materials, the Participant may be allowed to fund the difference between standard and upgraded materials, subject to RSC review and approval. If approved by the RSC, an analysis must be performed by NPP staff to determine the reasonableness of the change, and the Participant must provide personal funds to the City for the upgrades, concurrently with the signing of loan or grant documentation. The amounts for any upgraded items shall be clearly designated on the contractor agreement and indicate that the Participant is funding this portion of the construction activity.

D. Eligible Costs

In addition to construction costs, Program loan and grant proceeds may also be used for any Program fees, such as, but not limited to, the title report, credit report costs, document recordation costs, escrow costs, hazardous materials testing costs, hazardous materials removal or abatement, and other project-related soft costs that are necessary to implement the project.

E. Relocation

Relocation is not contemplated as a part of this rehabilitation activity, however if relocation is required, 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.

F. Loan Conditions, Rates and Terms

The maximum loan amount obtainable under the NPP is \$25,000, which shall be used to address all applicable work scope items, inclusive of lead-based paint remediation or removal. The minimum NPP loan amount is \$10,000.

The NPP loan is deferred, and will accrue at a rate of three percent (3%) interest and does not require monthly payments. The NPP unpaid principal balance is immediately payable, and any other amounts due under the Note upon the earlier of:

1. The sale, conveyance, transfer, hypothecation of the security, or any part thereof, or any interest therein, or divestment of title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the prior written consent of the City being first had and obtained; or
2. Failure to adhere to the provisions of the Participation Agreement; or
3. Failure to perform any obligation under the Deed of Trust securing the Note, or any other Deed of Trust encumbering the security.

Participant shall be required to maintain owner-occupancy of any property assisted with NPP funds for a minimum period of one year from the date of completion of the repairs as determined by the date of the Notice of Completion, and in conformance with the



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provisions of the Participation Agreement. In the event that owner-occupancy is not maintained for the minimum one-year period, all NPP funds expended on behalf of the property must be returned to the City.

Participant may pre-pay the City Loan at any time without penalty.

The City Loan is not assumable except under the limited circumstances listed below. The following allowable assumptions shall not be construed as a transfer under the provisions of this Policy:

1. The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant;
2. A transfer of the Property where the spouse becomes an owner of the property;
3. A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property;
4. A transfer to an inter vivos trust in which the Borrower(s) is/are and remains/remains the beneficiary and occupant of the property.

G. Loan Subordination

If an existing loan is being refinanced and City loan subordination is requested, then the refinance cannot increase the amount of the then outstanding debt against the property except to cover the usual and customary fees related to the refinance. All subordination requests are subject to City review and RSC approval.

H. Loan Repayments

All loan payments received under the NPP shall be entered into the NPP Revolving Loan Fund for the funding of future eligible NPP activities.

V. IMPLEMENTATION

A. Administration

The Carson Economic Development Work Group staff or their designees (Staff) shall administer the NPP Program. As used herein, the term "Staff" may include either employees or consultants of the Carson Economic Development Work Group under the direction of the Director. The administration of the NPP including, without limitation, application evaluation procedures, rehabilitation assessments, cost estimation, bid solicitation, contractor selection, construction management, inspection, disbursement of Program funds and processing of the Notice of Completion will be managed in accordance with these approved Guidelines.

The General Manager of the Economic Development Work Group shall be responsible for ensuring that the NPP Implementation Guidelines are maintained and updated periodically to ensure compliance with all U.S. Department of Housing and Urban Development policies and regulations. The Implementation Guidelines shall conform to these approved Guidelines.



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B. Application

Applications for participation in the Program may be obtained from and returned to the City of Carson Economic Development Work Group. Applications will be accepted on a first-come first-served basis from eligible applicants consistent with funding availability. The application must be completed in its entirety and submitted together with the following documentation:

1. Completed Application Form;
2. Copy of applicant(s) valid government-issued photo identification;
3. Verification of all Household Income, which must include, but is not limited to the Applicant's most recent signed Federal Income Tax Return, three (3) most recent consecutive pay stubs, three (3) most recent bank statements, and statements or other acceptable documentation of all other income sources and asset accounts;
4. Proof of ownership of the eligible property such as a copy of the Deed of Trust, or Grant Deed;
5. Proof of occupancy at the residence by providing a copy of a utility bill (however not a water or trash bill);
6. A prioritized and itemized list of the construction work requested to be done;
7. Acknowledgement form for receipt of the lead based paint brochure;
8. Copy of the latest property tax bill; and
9. Copy of the homeowner's insurance policy.

Only when the program application is complete, submitted, and Staff has confirmed income eligibility and the owner-occupant status, shall the Applicant be placed on a list of eligible projects in the order of the date of the eligibility determination approval. Therefore, those eligible applicants who submit all requested documents with the Application in the shortest time frame will have the highest priority for assistance under the Program. For the purpose of determining actual funding, completion of all program requirements must be achieved, inclusive of the timely procurement of bids, and execution of all related program documentation.

Application approval is subject to funding availability. Staff's eligibility determination is not a commitment of funds. Funds shall only be committed upon the approval by the RSC, full execution of the Participation Agreement, signing of the promissory note, and the recordation of the Deed of Trust.

D. Pre-qualification, Evaluation and RSC Review

1. Pre-qualification and Property Evaluation – Each application filed will be dated and processed in the order received. Staff will review applications for completeness and verify Applicant and property eligibility. Incomplete applications will be returned to the Applicant. Staff shall notify all ineligible Applicants of their status by written correspondence.
2. Property Evaluation - Prior to consideration by the RSC, Staff shall schedule an appointment with each pre-qualified applicant at the subject property to review the work requested and to inspect the premises. Based on this on-site review, Staff shall prepare a Current Conditions Assessment Report that will establish the type and level of rehabilitation required, and any potential lead-based paint concerns.



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Subsequent to the inspection, a complete work description shall be prepared with an internal cost estimate.

3. RSC Review – NPP Staff shall prepare an Applicant summary which provides details regarding: the applicant, the property, anticipated repair needs, lead based paint concerns, and estimated repair costs. The RSC shall convene and provide a determination regarding the eligible scope of work, the amount of funds to be conditionally awarded to the project, and any other conditions of approval or denial. In order to proceed, all RSC members must approve all NPP loans and grants. Any determination of the RSC may be appealed to the Director of the Economic Development Work Group, whose decision is final.
4. Owner Approval and Work Scope Changes – The owner shall review and provide an approval signature on the Work Description and Bid Proposal Form prior to the preparation of bid packages by the City. Any major work scope changes which are proposed subsequent to the RSC approval, but prior to construction, require resubmission to the RSC for approval.

D. Bidding and Contractor Selection Procedures

The applicant shall solicit bids (in accordance with the NPP Implementation Guidelines) from contractors for completion of the rehabilitation work. Owners shall solicit bids from general contractors (B-Licensed) for Work Descriptions involving more than one specialty contractor. Bid solicitations can only be made from licensed specialty contractors if the Work Description involves a single specialty (i.e. roofing, electrical, plumbing, etc.). Once the owner has received three (3) or more bids from qualified contractors, the owner shall submit three (3) or more bids to NPP staff for review. The bid evaluation shall result in the contract award to the lowest responsible, responsive bidder. Prior to contract award, between the homeowner and contractor, Staff will confirm contractor eligibility by:

1. Verifying the contractor's license status with the Contractors State License Board (www.cslb.ca.gov);
2. Verifying the contractor's Federal debarment status with the Excluded Parties Listing System (www.epls.gov);
3. Obtaining a copy of the contractor's current City of Carson Business License; and
4. Obtaining an additionally insured General Liability (\$1 million general aggregate coverage) Insurance certificate in a manner approved by the City's risk manager, and a Workers Compensation (statutory coverage) insurance certificate.

E. Emergency Repairs

In the event that an eligible Applicant has an emergency condition on the property that is on the waiting list and requires immediate attention based on a potential health and safety threat, at the request of Applicant, the City will consider the provision of accelerated assistance to address the health and safety concern.

NPP Staff will inspect the property to ascertain the property deficiency, and provide an inspection report to the RSC detailing the need and costs associated with rectifying the immediate health and safety concern.

The RSC will review the Staff inspection report and provide a determination regarding the provision of accelerated funding. Any NPP funding provided under emergency conditions shall only address the specific health and safety concern. Upon completion of the repairs



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to the specific emergency condition, the Applicant will resume their original position on the waiting or funding list.

Applicants must be deemed eligible under the provisions of the NPP Implementation Procedures by NPP Staff prior to the funding of any emergency repairs.

F. Loan Documents

When bid proposals are complete, loan approval has been obtained from the RSC and the bid is ready to be awarded to the lowest responsive and responsible bidder, Staff shall present the applicant with a Participation Agreement and loan documents, which includes the:

1. Promissory Note;
2. Deed of Trust;
3. Itemization of Amount Financed;
4. Right of Rescission; and
5. Request for Notice under Section 2924b of the Civil Code (i.e. Notice to City if senior loans foreclose or upon sale).

The City shall not be committed to fund any loan-funded project prior to the City's and Applicant's execution of the Participation Agreement and recordation of the NPP Deed of Trust. Similarly, the City shall not be committed to fund any grant-funded project prior to the Applicant's and City's execution of the Participation Agreement. Staff shall provide fully executed duplicates of the originals of the Participation Agreement and any loan documents to the Applicant.

G. Pre-Construction Meeting, Contractor Agreement, Notice to Proceed and Construction Phase

Following the recordation of loan documents or upon execution of the Participation Agreement for a grant transaction, Staff will convene a pre-construction meeting with the owner and selected contractor to review the Contractor Agreement, Work Description and Bid Proposal Form, and to answer site-specific questions. A job-walk will be performed detailing the scope of work to be performed and expectations regarding finished repairs. Three (3) calendar days following the execution of the Contractor Agreement, Staff will issue the Notice to Proceed. Subsequent to obtaining the required permits, the contractor will carry out the required work. Generally, work shall commence no later than ten (10) days from the date of the Proceed Notice and work must be completed no more than 30-60 days after the start date (or as agreed upon by the owner and contractor, subject to City approval). NPP Staff shall regularly inspect work progress upon receipt of a payment request from the contractor. Property owners and Staff shall authorize the release of program funds in accordance with the Participation Agreement between the property owner(s) and the City, as well as the Contract Agreement between the property owner(s) and the construction contractor as further detailed in the NPP Implementation Guidelines.

H. Project Closeout

Individual rehabilitation projects will be financially closed subsequent to Staff approval of the work performed and the property owner's execution of a Notice of Completion. To prevent persons or businesses associated with the project from filing a lien against the property after the City has released all project funds, the City shall withhold ten percent (10%) of the construction contract from the prime contractor until such liens may no



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longer be filed, which, in accordance with California Civil Code Section 3116 is 30 calendar days following the recordation of the Notice of Completion with the County Recorder's Office. To allow for the receipt of mailed notification of any recorded liens, the City shall withhold the ten percent (10%) retention until 35 calendar days following the recordation of the Notice of Completion.

I. Approval of Program Legal Documents

All Program legal documents shall be approved as to form by the City's legal counsel prior to their use.

J. Authority to Administer

The preparation and use of all required Program Implementation Guidelines, manuals, forms, documents and agreements shall be administered by the Director of the Economic Development Work Group, or his/her designee, in accordance with this Policy.

The Principal Administrative Analyst of the Economic Development Work Group may also approve upon RSC review the subordination of the City's Program loan lien in the event that a borrower refinances a prior recorded loan in conformance with the City's subordination policy.

K. Program Guidelines Changes And Modifications

Minor changes to these Program Guidelines involving administrative procedures or accommodations to adapt to regulatory changes may be performed with the approval of the Director of the Economic Development Work Group. All other changes require the approval of the Carson City Council.



Attachment "A"

2010 ELIGIBILITY INCOME LIMITS FOR CDBG FUNDED PROJECTS

Effective May 14, 2010

Household Size	Extremely Low Income 30% of Area Median	Very Low Income 50% of Area Median	Moderate Income 80% of Area Median
1	\$17,400	\$29,000	\$46,400
2	\$19,900	\$33,150	\$53,000
3	\$22,400	\$37,300	\$59,650
4	\$24,850	\$41,400	\$66,250
5	\$26,850	\$44,750	\$71,550
6	\$28,850	\$48,050	\$76,850
7	\$30,850	\$51,350	\$82,150
8	\$32,850	\$54,650	\$87,450

Based on the 2010 Median Family Income for Los Angeles County of \$63,000



IRS Form 1040 Adjusted Gross Income Inclusions and Exclusions

INCLUSIONS	EXCLUSIONS
<ol style="list-style-type: none"> 1. Wages, salaries, tips, etc. 2. Taxable interest. 3. Dividends. 4. Taxable refunds, credits or offsets of state and local income taxes. There are some exceptions – refer to Form 1040 instructions. 5. Alimony (or separate maintenance payments) received. 6. Business income (or loss). 7. Capital gain (or loss). There are some exceptions – refer to Form 1040 instructions. 8. Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold). 9. Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension [SEP] and savings incentive match plan for employees [SIMPLE] IRA.) 10. Taxable amount of pension and annuity payments. 11. Rental real estate, royalties, partnerships, S corporations, trusts, etc. 12. Farm income (or loss). 13. Unemployment compensation payments. 14. Taxable amount of Social Security benefits. 15. Other income, including prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engaged in for profit. 	<ol style="list-style-type: none"> 1. Child support. 2. Money or property that was inherited, willed or given as a gift. 3. Life insurance proceeds received as a result of someone's death.

Source: Technical Guide for Determining Income and Allowances for the HOME Program,
Third Edition, January 2005