



**Sacramento
Housing &
Redevelopment
Agency**

September 6, 2000

5.2



City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: LEAD-BASED PAINT ASSISTANCE PROGRAM

LOCATION & COUNCIL DISTRICT - City

RECOMMENDATION

Staff recommends adoption of the attached resolution which authorizes the Executive Director or her designee to:

- Adopt the attached Lead-Based Paint Assistance Program;
- Transfer \$254,000 within the Single Family Rehabilitation City CDBG Revolving Loan Funds to the Lead-Based Paint Assistance Program and lead inspection services;
- Modify the First Time Homebuyer Program (FTHB) and the Homebuyer Assistance Program (HAP) to include the cost of a Lead-Based paint clearance inspection by up to \$350 per applicant when necessary; and
- Modify the Small Multifamily Lending Program (1-10 units) to allow for the Agency to provide a grant of up to \$5,000 not to exceed \$40,000 per project, for lead based paint assistance.

CONTACT PERSONS

Carla Christian, Program Manager, Loan Processing, 264-1524
Richard Nelson, Director of Program Operations, 440-1338

FOR COUNCIL MEETING OF - October 10, 2000

SUMMARY

This staff report authorizes the creation of the Lead-Based Paint Assistance Program which will provide assistance to applicants under the Agency's single family rehabilitation and small

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multifamily loan programs for costs associated with lead hazard reduction as required under the new Department of Housing and Urban Development (HUD) lead regulation.

This report also requests reallocation of the Single Family Rehabilitation City CDBG Revolving Loan Fund to pay for these costs.

This report modifies the First-Time Homebuyer Program and the Homebuyer Assistance Program to increase the amount of the assistance to include the cost of a clearance report when necessary.

COMMISSION ACTION

At its meeting September 6, 2000, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Castello, Cespedes, Dobbins, Harland, Holloway, Newsome, Simon

NOES: None

ABSENT: Amundson, Rotz

BACKGROUND

The New Regulation

On September 15, 1999 HUD issued a new regulation to protect children from lead-based paint hazards. This new regulation applies to programs administered by HUD's Office of Community Planning and Development (CPD) and affect the following activities:

- Rehabilitation
- Tenant-Based rental assistance; and
- Acquisition, leasing, support services, and operations.

The new regulation will become effective on September 15, 2000 and emphasizes the evaluation of dwellings, the reduction of lead-based paint hazards, and the notification of occupants. The regulation focuses on the nature of the activity, the amount of federal funding and the duration of the relationship with the recipient when establishing the requirements to address lead-based paint. This staff report will address the implementation of the new regulations by focusing on single family rehabilitation, small multifamily rehabilitation and homebuyer activities using CDBG and HOME funds. The chart below describes the identification and reduction methods required based upon the level of funding and the activity:

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Rehabilitation Programs			Homebuyer Programs
<\$5,000	\$5,000-\$25,000	>\$25,000	
Paint Testing	Paint Testing/Risk Assessment	Paint Testing/Risk Assessment	Visual Assessment
Repair surfaces	Interim Controls	Abatement	Paint Stabilization

The lead-based paint hazard reduction methods range from paint stabilization of defective surfaces, interim controls, to full abatement which is a permanent measure. It is anticipated that all these measures will add substantial costs to a rehabilitation project. Preliminary estimates for interim controls or abatement on a single-family structure run from \$3,000 to \$7,000 or more.

The Lead-Based Paint Assistance Program

The proposed Lead-Based Paint Assistance Program will assist low-income homeowners and tenants with grants to offset additional costs due to the lead reduction activities. The lead program would offer grant assistance in conjunction with the various CDBG or HOME funded single family rehabilitation programs as follows:

Program Name	Program Limits	Lead Assistance Grant
Emergency Repair Program	\$3,500	\$1,000
Retrofit Program	\$5,000	\$2,000
Senior Loan/Flexible Loan	\$35,000- \$50,000	\$5,000

The Lead Assistance Grant would be applied first to the lead reduction work costs. If this grant is not sufficient to pay for the cost of lead reduction, then proceeds from the single family program loan or grant may be used to cover the additional costs to the extent there are funds available within the program limits. To pay for the cost of this program, this staff report is requesting the transfer of \$200,000 within the Single Family City CDBG Revolving Loan Fund to the Lead-Based Paint Assistance Program. It is expected that this amount would assist approximately 69 ERPs, 21 Retrofits, and 18 rehabilitation loans on an annual basis. Please refer to Attachment I for more information.

Inspection Services

The new regulation requires lead hazard inspections which range from paint testing to risk assessment of the structure and clearance inspections at the end of the job. In California, a certified and licensed Risk Assessor may perform all of these activities. The cost of the inspections will be paid as part of the program costs for the Emergency Repair and Retrofit Programs. The cost of the risk assessment required on the single family rehabilitation projects will be recovered as a soft cost of the loan. It is anticipated that these inspections will cost about \$54,000 annually for the three programs. This staff report requests reallocation of \$54,000 within the Single Family City Rehabilitation Revolving Loan Fund to pay these costs.

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First-Time Homebuyer Program and Homebuyer Assistance Program

The regulation also applies to homebuyer programs using HOME and CDBG funds such as the Agency's First-Time Homebuyer and Homebuyer Assistance Programs. The regulation requires:

- visual assessment;
- paint stabilization using safe work practices; and
- clearance of unit.

Prior regulations required a visual assessment along with correction of any defective paint. The new regulation adds the requirement of paint stabilization using safe work practices and a clearance upon completion of the work. The cost of the paint stabilization would be paid by the buyer or seller. The cost of the clearance inspection is estimated to be \$350. To help low-income homebuyers pay for this added cost, this staff report is recommending that the amount of assistance offered by both the FTHB and HAP Programs be increased to include the amount of the clearance inspection up to \$350.

Small Multifamily Rehabilitation Program (1-10 units)

For this program, the Agency will allow a grant of up to \$5,000 per unit not to exceed \$40,000 per project to be used for addressing lead issues. The Agency's total financing limit of \$15,000 per unit in non target areas or \$20,000 per unit in target areas will not change. The applicant will be expected to cover the cost of inspection and would be reimbursed as part of the grant if a loan is made by the Agency to finance the project.

Paint Programs

The new lead requirements also apply to neighborhood and volunteer paint programs which are classified as housing rehabilitation under CDBG. When federal funds pay for paint or supplies, the new requirements include notification, paint testing of surfaces to be disturbed, safe work practices, and clearance. Certified personnel for paint testing and clearance and homeowner/volunteer training and oversight required under the regulations could add significant costs to delivering these programs. The Agency is presently conferring with the nonprofit subrecipients to identify options for implementing the regulations and to assess cost implications. A recommendation for the paint and volunteer programs will be included in the 2001 One-Year Action Plan.

Large Multifamily Rehabilitation Program (over 10 units)

At this time the Agency is not recommending changes to the existing Large Multifamily Lending Program. The Agency currently requires as part of the application process that lead testing and a report be completed for any properties older than 1978. If an application for funding demonstrates that the project cannot support the cost to rehabilitate and address the lead containment or abatement requirements, the Agency consider bringing the project forward to the City Council for possible approval of grant funding to address the lead issues. There is an

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opportunity to request a deferment of the rule for six months by submitting a letter to HUD. The Agency wishes to request this deferment specifically for multifamily projects based on the excessive cost to abate lead in these units.

FINANCIAL CONSIDERATIONS

This staff report requests the transfer within the Single Family City CDBG Revolving Loan Fund in the amount of \$254,000: \$200,000 for the lead work and \$54,000 for inspection services. It is estimated that this amount will fund the program for twelve months. Currently, there is sufficient program income so that this reallocation does not negatively impact funding for the single family rehabilitation programs.

POLICY CONSIDERATIONS

The adoption of the Lead-Based Paint Assistance Program will provide financial assistance to homeowners and tenants to help pay for the increased costs associated with lead-based paint hazard reduction activities. Modifying the First-Time Homebuyer and Homebuyer Assistance Programs to include the cost of the clearance inspection will help low-income homebuyers pay for this added cost of the home purchase.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b) (3). The Lead-Based Assistance Program is exempt from NEPA per 24 CFR Part 58.34 (a)(5) and (a)(10).

M/WBE CONSIDERATIONS

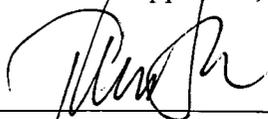
The items discussed in this report have no M/WBE impact, therefore M/WBE considerations do not apply.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

RESOLUTION NO. 2000-594

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

APPROVED
OCT 10 2000
OFFICE OF THE
CITY CLERK

CREATION OF THE LEAD-BASED PAINT ASSISTANCE PROGRAM;
MODIFICATION OF FIRST-TIME HOMEBUYER, HOMEBUYER ASSISTANCE AND
SMALL MULTIFAMILY LENDING PROGRAM S (1-10 UNITS)
TO ALLOW FOR LEAD BASED PAINT ASSISTANCE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director or her designee is authorized to create the Lead-Based Paint Assistance Program to be administered by the Sacramento Housing and Redevelopment Agency as described in Attachment I.

Section 2. The Executive Director or her designee is authorized to amend the Agency budget by transferring \$254,000 from the Single Family Rehabilitation City CDBG Revolving Loan Fund to fund the Lead-Based Assistance Program for lead reduction and inspection services costs.

Section 3. The Executive Director or her designee is authorized to modify the First-Time Homebuyer Program and Homebuyer Assistance Program, administered by the Sacramento Housing and Redevelopment Agency, to include the cost of a lead-based paint clearance inspections for single family dwellings by up to \$350 per applicant when necessary.

Section 4. The Executive Director or her designee is authorized to modify the Small Multifamily Lending Program (1-10 units), administered by the Sacramento Housing and Redevelopment Agency, to allow the Agency to provide a grant of up to \$5,000 per unit but not to exceed \$40,000 per project, for lead based paint assistance.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



Lead-Based Paint Assistance Program Single Family Rehabilitation Programs

I. Program Description and Goal

The Lead-Based Paint Assistance Program is a program designed to assist low-income homeowners and tenants with grants to help pay for the cost of lead-based paint hazard reduction activities. The goal is to minimize the impact of the additional cost of lead-based paint hazard reduction by offering a program to be used in conjunction with single family property rehabilitation programs.

II. Program Terms and Conditions

This program is available to applicants under the various single family rehabilitation programs using CDBG and HOME funds. The program is not a stand-alone program but may be used only in conjunction with an Agency rehabilitation loan or grant program.

III. Assistance Levels

The program is structured to offer different levels of assistance depending upon the program and the required lead reduction activities:

<u>Program Name</u>	<u>Program Limits</u>	<u>Lead Assistance Grant</u>
Emergency Repair Program	\$3,500	\$1,000
Retrofit Program	\$5,000	\$2,000
Senior Loan/Flexible Loan	\$35,000-\$50,000	\$5,000

The Lead Assistance Grant may be applied first to the lead reduction costs. If this grant is not sufficient to pay for the cost of the activity, then the additional cost may come from the program limits to the extent that there is available funding within the loan program guidelines.

IV. There is no repayment of the Lead Assistance Grant.

V. Property Eligibility - To be eligible for the Lead Assistance Grant, the property must have been built prior to 1978 and tests have shown the presence of lead and/or lead hazards as defined in HUD Regulation, 24 CFR Part 35.