



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



10

June 11, 1991

Budget & Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Proposed Changes to the Single Family Ownership Housing
Rehabilitation Program - Retrofit Grant

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolutions approving the program changes.

Respectfully submitted,

JOHN E. MOLLOY
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



June 18, 1991

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT: Proposed changes to the Single Family Ownership Housing Rehabilitation Program--Retrofit Grant.

SUMMARY:

This staff report recommends: 1) modifying the Single Family Rehabilitation Retrofit Grant Program to an amortized and deferred loan program, 2) authorizing that certain of these loans be approved at the Program Manager level in specific instances, and, 3) authorizing the Executive Director to amend the administrative guidelines to reflect these changes to the Retrofit Program.

BACKGROUND:

The Retrofit Program has existed as a full grant program since 1983. The Retrofit Program was designed to provide a lifetime grant of up to \$5,000 to enable the physically handicapped and disabled to improve the accessibility of their dwellings. Examples of the type of work authorized through this program are: 1) wheelchair access ramps at the front and rear entrances to the home, 2) widening of interior doorways, 3) modifications to the kitchen and bath to provide easier access to cabinets, cooking equipment, tubs and showers, and 4) the installation of assistance hardware such as mechanical lifts and grab bars.

The Redevelopment Agency of the City of Sacramento approved amendment of the program earlier this year, basically restricting the grant program to single-family homeowners at 80% of median income or below, and stipulating that the approval of retrofit work be based upon revised "needs" criteria. These adopted changes to the program have been fully implemented.

In the past, the final approval authority for the Retrofit Grant has rested with the Agency's Loan Approval Committee. The length of time for approval of the grants can take up to several weeks, as the Loan Committee meets twice a month. In a few instances of immediate and pressing need, the Program Manager has authorized construction of access improvements and has provided an explanation of the circumstances to the loan committee after the fact. This arrangement has worked well to serve those occasional clients with very serious and immediate access needs.

(1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
June 18, 1991

The program operates on a first-come, first-served basis until funds are exhausted for the year. No distinction is made between Retrofit Grants and Rehab Loans in the funding of the program. There are no restrictions in the program as to how much of the total funding may be expended on Retrofit Grants versus Rehab Loans.

A significant portion of the total case volume handled by the Rehab Division over the years has been Retrofit Grants. Funding for the Retrofit Grants comes from new CDBG money and Agency revolving CDBG income from our loan portfolio. For example, in 1990, 50.6% of all cases in the City, excluding Emergency Repair, were Retrofit Grants. We expended \$196,605 or 25.7% of our 1990 CDBG City Rehab funding as Retrofit Grants. In 1989 by comparison, 62.5% of all cases were Retrofit Grants and staff expended \$399,151 representing 28.7% of 1989 CDBG funding as Retrofit Grants. Even so, the program does need periodic marketing to make eligible applicants aware that the program exists and that the Agency can provide assistance to improve access to their homes. The typical client for a Retrofit Grant in the City in 1990 was single, white, elderly, and low income.

PROPOSED PROGRAM:

Because of shrinking resources for our rehab programs, staff is recommending converting the Retrofit Grant to an amortizing or deferred loan program. Our analysis of the existing grant program and alternatives indicate that converting the program to an amortized/deferred loan will have little impact on the service offered to handicapped and disabled homeowners. The primary difference between the existing and proposed programs is that the homeowner would agree to repay the loan at some time. Applicant's income would be assessed to determine if the loan was to be deferred or amortized at a specific below market interest rate based upon ability to pay. SHRA would place a deed of trust on the borrower's dwelling to secure the loan until such time as the loan is paid, the real property is sold, or title is transferred to another owner. The due on sale or transfer clause would trigger return of the Agency's interest in the property. The Agency would have the discretion in the instance of further encumbrance on the property to call the loan or take a junior position.

Staff has found over the years that there is usually more than sufficient equity value in most properties to secure a deed of trust for a \$5,000 loan. Even in cases where the homeowner has applied for both a Rehab Loan and a Retrofit Grant there usually has been adequate equity to secure the Rehab Loan plus an

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
June 18, 1991

additional \$5,000. The Rehab Program is authorized to indebted to 100% of loan-to-value ratio on deferred loans and to 90% on amortized loans when lending for rehab purposes.

The Retrofit Loan would be structured in such a way that the handicapped or disabled homeowner would be qualified to borrow up to \$5,000 for retrofit services. The actual amount of the loan would depend upon the borrowers situation. An individual who did not use the full \$5,000 would be eligible to use the balance of the funds for future authorized work. The Agency would simply increase the payoff amount on the loan at that point by recording an amended trust deed. An individual who moved and paid off a Retrofit Loan could reapply for another loan to modify their new home. Under the current program, once a Retrofit Grant has been made for \$5,000, no further handicapped or disabled assistance is provided to that individual.

The qualification process for the Retrofit Loan would be similar to applying for our other loans. Staff would check the individual's credit, verify the title and other liens filed against the property, and prepare loan documents for signature. The loans would go to the Agency Loan Committee for final approval.

A proposed change in the program would authorize the Program Manager to approve commitment of funds and construction in a very limited number of cases where there was evidence of critical or immediate access need, i.e., a patient returning from the hospital in a wheelchair and the wheelchair will not fit through the bathroom door. Appropriate Agency loan documents would be executed before commencing work in these instances and the Agency Loan Committee would be advised of these cases and the circumstances at its next regularly scheduled meeting.

Staff proposes that the Retrofit Loans be structured in three ways. Having several alternatives will give the program more flexibility to tailor the loans to individual situations of need and ability to repay the loan. All loans would be due on sale or transfer of title.

1. The first alternative is a 1 to 5% below market rate loan that would be fully amortized over a 10 to 15 year period. The rate and term would vary depending on the applicant's income and housing expense to income ratio. At a \$5,000 loan value, the monthly payment would be \$53.03. This loan would be offered to those under 80% of median income who have the ability to carry the monthly payments. The same loan over a 15 year period would cost \$39.74 per month.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
June 18, 1991

2. The second alternative is a 1% to 3% interest bearing, fully deferred loan for a period of up to 15 years. A reverification of income and ability to pay would occur after five years, which is currently done under the regular Rehab Loan program. The accumulated principal and interest on a loan principal amount of \$5,000 at 3% interest after 15 years would be \$7,837. If the property was not sold or transferred at the 15 year point the loan could be extended until the property changed hands.
3. The third alternative is an interest free, fully deferred loan that would be due upon the sale or transfer of the property. This loan would be offered to those individuals who could not otherwise qualify for an interest bearing loan.

The Agency would have the authority to forgive these loans if it is determined at the time of sale or transfer that the secured debt on the property exceeds its value. Provisions would also be made to subordinate our Retrofit Loan position if loans were needed later for medical or other emergency purposes. In cases where the title to the home is clouded or the property is over encumbered with debt the Agency Loan Committee would have the discretion of approving the loan knowing full well that repayment of the loan is doubtful.

It is proposed that these loans be made in most cases without expending additional funds for title insurance. If the homeowner can produce a Grant Deed showing ownership, we would simply record our Deed of Trust. If the applicant cannot produce the Grant Deed we would then purchase the title policy to protect our interest.

FINANCIAL:

Converting the Retrofit Grant to a Loan Program will result in the money now expended as grants returning to the Agency over time in the form of portfolio interest income and return of capital. With the funding levels of new CDBG program money uncertain, increased portfolio income will help sustain the program and permit us to continue to offer Retrofit assistance in future years. Over a number of years, the income and return of capital from a Retrofit Loan program would be substantial considering our current level of grant expenditure.

POLICY IMPLICATION:

The actions proposed in this staff report are not consistent with previously approved policy concerning Retrofit funds. It is, however, not inconsistent with the practice of loaning and not granting our other Rehab Program funds.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
June 18, 1991

The staff does not anticipate that any eligible homeowner who otherwise would have been served by the existing grant program will be refused assistance under the proposed program modifications. Even in cases of the most dire need and inability to make payments, the program will provide assistance through the fully deferred loan. There is, however, the possibility that some handicapped or disabled homeowners may elect not to accept assistance through the proposed program because they do not wish to encumber their property.

MBE/WBE IMPACT:

The Rehabilitation Program actively pursues MBE/WBE participation in contracting for rehabilitation services and encourages minority and women owned businesses to bid for work through our Division. In 1990, 17.3% of the rehabilitation contracts awards went to MBE/WBE contractors.

ENVIRONMENTAL REVIEW:

Further environmental review is not required for actions in this report. CEQA: Housing Rehabilitation Administration is not a project by definition and, therefore, exempt per Section 15378 (b) (3). Rehabilitation of structures is exempt per Section 15301 (d). NEPA: A finding of No Significant Impact (FONSI) was made in 1983 for Housing Rehabilitation Programs, and is still adequate and complete for Housing Rehabilitation Actions.

VOTE AND RECOMMENDATION OF THE COMMISSION:

At its meeting of June 5, 1991 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Pernell, Simon, Simpson, Williams, Wooley
Yew, Strong

NOES: None

ABSENT: Cespedes, Diepenbrock, Moose

RECOMMENDATION:

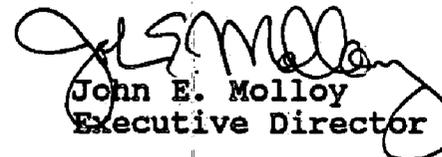
Approve the attached resolution that adopts program changes recorded in this report including:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
June 18, 1991

1. Changes to the Single Family Ownership Rehabilitation Program modifying the Retrofit Program from a full grant to a flexible amortized/deferred loan program with a ceiling on the amount of a Retrofit Loan of \$5,000.
2. Authorization for the Single Family Rehabilitation Program Manager, or that individuals immediate supervisor, to approve construction of improvements and commitment of funds for retrofit work, not to exceed a limit of \$5,000 per loan, in cases of documented immediate and extraordinary need. An explanation of circumstances is to be submitted with the signed loan documents to the established Agency Loan Committee for final approval.
3. Amending the Single Family Ownership Rehabilitation Division's Administrative Guidelines to reflect the changes as adopted in these recommendations.
4. Program changes shall be implemented upon adoption of the resolution and shall apply to retrofit applications received subsequent to the date of adoption.

Respectfully Submitted,


John E. Molloy
Executive Director

TRANSMITTAL TO COUNCIL

WALTER J. SLIPE
City Manager

Contact Person: Gregory H. Wessel
440-1350

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RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

MODIFICATIONS TO THE SINGLE FAMILY OWNERSHIP HOUSING REHABILITATION PROGRAM AND AMENDMENTS TO THE PROGRAM ADMINISTRATIVE GUIDELINES

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO:

Section 1: The proposed changes to the Single Family Rehabilitation Program detailed in the staff report for this Resolution are approved, which changes will terminate the granting of program funding for the purpose of retrofitting single family homes for the handicapped and disabled, and will institute amortized and deferred loan programs with like funding limits to provide an appropriate level of retrofit services.

Section 2: The Single Family Rehabilitation Program Manager, or that individual's immediate supervisor, is hereby authorized to approve individual loans of not more than \$5,000 each in the Rehabilitation Division's Retrofit Program, and to further approve construction of Retrofit modifications in limited and specific instances where a documented immediate and extraordinary need for access militates against delay for routine approval by the Rehab Loan Committee.

Section 3: The program changes approved hereinabove shall be implemented upon adoption of this Resolution and shall apply to retrofit applications received subsequent to the date hereof.

(7)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 4: The Executive Director is hereby authorized to amend the Rehabilitation Division's Administrative Guidelines for the specific purpose of bringing the Administrative Guidelines into conformance with the changes authorized in Sections 1 through 3 hereof.

CHAIR

ATTEST:

SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____