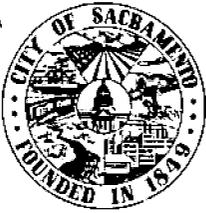


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CITY OF SACRAMENTO

CITY MANAGER'S OFFICE  
**RECEIVED**  
JAN 12 1983

DEPARTMENT OF ENGINEERING  
915 I STREET SACRAMENTO, CALIFORNIA 95814  
CITY HALL ROOM 207 TELEPHONE (916) 449-5281

J.F. VAROZZA  
CITY ENGINEER  
M.H. JOHNSON  
ASSISTANT CITY ENGINEER

January 12, 1983

City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: Sidewalk Repair Financial Assistance

SUMMARY:

Submitted is a report prepared by the Housing and Redevelopment Agency on financing sidewalk repair for "hardship" cases. This report is in response to a request from the Budget and Finance Committee to report to Council on the subject matter. Since the only known hardship cases have been elderly property owners, it is staff's opinion that the State Tax Postponement Program, as recommended in the attached report, be utilized. Staff has instructions on hand and the name of a contact person in the State Controller's Office who can aid the elderly property owners in applying for assistance.

FINANCIAL:

Utilization of the State Tax Postponement Program will not result in any cost to the City. As a matter of fact, since the State will pay the lien for sidewalk repairs, the City's "front" money will probably be reimbursed sooner.

RECOMMENDATION:

It is recommended that staff be directed to advise elderly property owners of the State Property Tax Postponement Program in those cases where the cost of sidewalk repair results in hardship.

Respectfully submitted,

J. F. Varozza  
City Engineer

**APPROVED**  
BY THE CITY COUNCIL

JAN 18 1983

OFFICE OF THE  
CITY CLERK

Recommendation Approved:

  
Walter J. Slipe, City Manager

JFV/MHJ/hma

January 18, 1983  
All Districts

INCOME ELIGIBILITY LIMITS

If there are the following number  
of persons in the family:

Maximum  
yearly income:

	<u>Low income</u>	<u>Very low income</u>
1 .....	\$ 13,850	\$ 8,650
2 .....	15,800	9,900
3 .....	17,750	11,100
4 .....	19,750	12,350
5 .....	21,000	13,350
6 .....	22,200	14,350
7 .....	23,450	15,300
8 or more.....	24,700	16,300

Based on HUD Section 8 limits  
October 1, 1981

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

## SIDEWALK REPAIR FINANCING ALTERNATIVES

### A. BACKGROUND:

The City of Sacramento is charged with the responsibility of insuring that sidewalks are maintained in a relatively hazard free condition to reduce public risk and liability. Historically, the City has identified hazardous (cracked, settled or displaced) sidewalk areas and notified property owners of their responsibility to correct the condition. If timely voluntary compliance with the request does not occur, the City undertakes the improvements and bills the property owner or places a lien against the property which may be paid as part of the property tax.

In some cases, the property owner may be elderly and on a fixed income in which case, the cost of sidewalk repair may place an undue financial burden. Liens against the property and the possibility of future tax delinquencies and financial penalties also pose concern and hardship to elderly or fixed income owners.

As a result of these hardship situations, the City is interested in exploring alternatives for financing sidewalk repair for hardship cases. Funding sources and alternatives are outlined below.

### B. FUNDING SOURCES:

In light of greatly reduced public revenues, it is desirable to structure a financing program which does not involve a direct public subsidy (e.g., grant) but rather, creates flexible payment terms for the owner to privately finance the improvement. Generally, the alternatives discussed below involve either postponement of the payment or flexible payment schedules. Because the sidewalk repair must be initially financed, these programs are in essence a loan. Hence the City would need to provide the "up front" funds for sidewalk repairs for eligible cases.

Based on a review of available public resources to "front" sidewalk repair costs, City General Fund or Gas Tax appear to be the most appropriate source. Sidewalk repair and maintenance is an ineligible use for Federal Community Development Block Grant funds, and Tax Increment funds are restricted to designated Redevelopment areas, and need to be used for the elimination of significant urban blight.

Since the City currently uses its General Fund to undertake repairs for uncooperative property owners, there would presumably be no great increase in the amount of "up front" funds required from the City. The programs discussed below, as a form of loan or deferred payment would however, have an impact on the timeliness in which the City is reimbursed for the costs.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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C. POTENTIAL PROGRAM CLIENTS:

The purpose of investigating this program is primarily to respond to "hardship" owners, who due to their fixed incomes, are unable to provide immediate financing for sidewalk repairs. According to City Engineering, "hardship" cases encountered in the past are predominantly elderly, although non-elderly owners on fixed incomes (disability) may also need assistance.

To understand what income level constitutes a "fixed low income", staff reviewed the maximum amount of government benefits (e.g., social security, SSI, AFDC) an individual might receive. Based on this review a person on a fixed income, (relying solely on maximum government benefits) would fall into the HUD definition of "very low income". "Very low income" is defined by HUD as a household earning less than 50% of the median income for the area. The HUD "very low income" limits (as adjusted for household size) which are currently in effect are shown in Table A.

A related HUD definition is "low income" which refer to households earning 80% of median income or less. In this income category there may be owners who have greater capability of paying sidewalk expenses; however, if the repair bill is substantial, individual cases could be making the payment at the expenses of other necessary costs of living (food, clothing, etc.)

Either one of the above definitions would be acceptable for establishing income limits for a proposed program. It is suggested however, that further study of income levels of actual "hardship cases" be done prior to choosing an income level.

D. ALTERNATIVES:

1. Tax Postponement Program: The State Controller's Office currently operates a Tax Postponement Plan for eligible elderly homeowners. Under this program the owner's property tax and any other tax liens (e.g., delinquent utilities) may be postponed until sale or transfer of the property or the owner's death. The State collects 7% simple interest on the amount postponed.

To be eligible, an owner must meet the following criteria: (1) be 62 years of age or older, (2) have occupied the property on or before December 31 of the year preceeding application for postponement; (3) have at least 20% unencumbered equity in the property; and (4) earn less than \$33,600 per year.

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This program can be used in conjunction with the Senior Citizen's Tax Assistance program which provides a rebate to seniors earning less than \$12,000 a year. Seniors who pay taxes receive their rebate in the form of a check. Seniors on the tax postponement plan, receive their rebate through a reduction in the amount of taxes plus interest which they owe on the property.

If the cost of sidewalk repair can be placed as a tax lien, then that cost as well as the taxes may be postponed by eligible seniors.

This alternative has the following benefits and disadvantages:

Benefits:

- 1. No cost, easy to administer
- 2. Utilizes existing procedures

Disadvantages

- 1. Available to elderly only. Non-elderly fixed income persons would not be eligible for this assistance.

- 2. Local Deferred Payment Program: A second alternative would be to set up a locally operated deferred loan program for sidewalk repairs. Conceptually, this program could function similarly to the City's Home Rehabilitation program, and would involve making a loan (against the property) as opposed to a tax lien. Setting up such a program would require the following procedures.

1. Establish Program Guidelines:

- A. Identify eligible clients using either HUD definition of low income or very low income (discussed above).
- B. Establishing terms and conditions of the loan including when the loan is due; whether assumable by an heir; and whether an interest rate should be charged.
- C. Identifying a program operator to administer the program.

2. Establish Program Procedures:

- A. Develop income/eligibility verification system. This might be a streamlined verification system relying on tax forms, certifications from social security office, etc. Presumably a title search to verify title to the property for purposes of the loan would also be required.

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Sidewalk Repair Financing Alternatives  
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- B. Develop promissory note and deed of trust to secure loan.
- C. Develop procedures for recording the loan.

This alternative has the following benefits and disadvantages:

Benefits:

- 1. Allows local flexibility in identifying the class of beneficiaries - e.g., non-elderly, fixed income persons could be eligible.
- 2. Would allow the City (as opposed to the State under the Tax Postponement program) to collect interest on funds advanced.

Disadvantages:

- 1. Would require local administrative funds and staffing to set up and operate the program.
- 2. Would involve a longer process for the client in that title search, income verifications, and loan documents would have to be researched and executed.
- 3. The City would have some liabilities in the event of fraud or misuse of the process.

- 3. Local Flexible Payment Program: A third alternative would be to set up a locally operated loan payment program. As with the deferred loan program, program guidelines and procedures would need to be established (income verifications, title reports, loan documents). In addition, if the City decided to provide a payment schedule, collection accounts and enforcement would add to the administrative costs. This offers the following benefits and disadvantages:

Benefits:

Same as deferred payment loan except loan repayment may be more timely due to the option of setting up payment schedules.

Disadvantages:

Same as deferred payment loan except higher administrative costs would result to administer loan collection accounts. Given the small sum of the loans (\$200-\$1500), the administrative costs of operating a flexible payment loan may significantly outweigh the benefits.

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E. PRELIMINARY RECOMMENDATION:

Based on the above analyses, it is recommended that City Engineering review income and age characteristics of actual "hardship" cases. In the event, the preponderance of these cases are elderly owners, it is recommended that the State Tax Postponement program be utilized and no local program set up.

If, on the other hand, a significant portion of the cases are non-elderly, a separate feasibility study of the Local Deferred Loan Program should be conducted as this appears to be the second most logical alternative.