

City of Riverside Housing Rehabilitation Program



Rehabilitation Policy, Procedures, and Guidelines

Staffing and Authority:

Overall program oversight and monitoring is provided by the City of Riverside's Community Development Department staff ("City Staff"). Day to day operation and staffing of the program is provided by Riverside Housing Development Corporation (RHDC or "Program Staff"), a not for profit community housing development organization, under contract with the City of Riverside. RHDC provides all staffing necessary to generate and complete all eligible rehabilitation projects. Upon completion of projects, the City of Riverside's Community Development Department staff provides all loan servicing functions (billing and payment receipts, etc). A summary of the operational functions provided by RHDC are as follows:

- Conduct program marketing and community outreach, to include creating and printing marketing materials
- Application intake
- Underwrite and review applications to determine program eligibility
- Obtain appraisal or compensations to insure the after rehabilitated value does not exceed 95 percent of the U.S. Department of Housing & Urban Development 203(b) property value limit (2014 limit \$266,000)
- Inspect and assess eligible properties for health & safety hazards and code violations
- Obtain all necessary environmental reports and reviews (Lead Based Paint, Historic, Energy efficiency, etc.).
- Test eligible houses for lead-based paint hazards
- Prepare scope of work/bid specifications for all projects
- Maintain list of licensed and insured contractors and assist clients with obtaining contractor bids
- Provide clients with contractor bids and verify their contractor selection
- Verify appropriate funding sources and level of assistance available to project
- Recommend grant amount for City staff to approve an average of 3 or more households per month, with a total of not less than 15 households a year
- Notify contractor of client selection and issue Notice to Proceed
- Conduct a pre-construction meeting with contractor and client, assist client with contract interpretation
- Assess relocation needs for each project and coordinate between client and contractor during construction

- Monitor and provide assistance and coordination between client and contractor during construction
- Verify appropriate permits are obtained and approved for projects
- Inspect rehabilitated projects and obtain client approval for payment draws and provide funds disbursement to contractor
- Complete final inspection, check final permits, and file Notice of Completion
- Reconcile project funds and prepare files for close out
- Forward closed files to Community Development Department staff for storage
- Provide HOME Quarterly Status Reports to Community Development Department staff detailing program activity
- Submit itemized invoices for expenses per the approved budget (Exhibit B)

All the above activities will be conducted in accordance with the HOME Investment Partnerships Act Agreement, including all Exhibits, and in accordance with the Housing Rehabilitation Program Guidelines, which are incorporated herein by reference.

Program Funds:

The City of Riverside will allocate \$200,000 of HOME Investment Partnership Program funds to provide housing rehabilitation grants and loans. Of the \$200,000 program funding, \$26,000 is being set aside to cover RHDC administration costs for the following program funds:

Program Administrator:

The Program Administrator shall oversee all day to day operation of staffing the Program. The Program Administrator shall be the Executive Director of the Riverside Housing Development Corporation (RHDC), or other designated individual.

Program Arbitrator:

The Program Arbitrator shall monitor and oversee the total operation and accomplishments of the Program. The Program Arbitrator shall be the Housing Project Manager of the City of Riverside Community Development Department, or other designated individual. The Program Arbitrator shall be responsible for settling all disputes or appeals regarding program eligibility, permitted program activities, contractor participation, homeowner complaints, etc. The Program Arbitrator shall render all decisions, interpretations, and recommendations in the best interest of the City of Riverside and the Housing Rehab Program, at all times keeping in mind the program's stated goals and policies.

Homeowner Complaints:

In cases where the Homeowner believes the contractor's work is substandard (i.e. the

workmanship is shoddy or the work creates a health and safety hazard) or inconsistent with the signed Scope of Work, they must write a letter to the Program Arbitrator explaining the exact nature of their complaint. If the work in question has already been approved by a City Building Inspector, the Inspector's prior determination will stand.

If a Building Inspector has not approved the work, within 10 working days the Program Arbitrator and a City Building Inspector will inspect the work to verify whether or not it was completed to acceptable building standards, and is consistent with the Contract. If the Inspector and Arbitrator determine that the work is substandard or outside the Contract, payment will be withheld from the Contractor until the work has been completed to an acceptable standard. Costs for repairing substandard work will be borne by the Contractor (or the Program, as a payee of last resort), but not by the Homeowner.

The Program Arbitrator will only act when the healthy and safety standard or quality of HOME funded rehabilitation work is in question. Under no circumstances will the City or RHDC arbitrate between the Homeowner and the Contractor on matters of aesthetics. It is incumbent upon the Homeowner and Contractor to negotiate issues of an aesthetic nature.

If the Homeowner believes the substandard work constitutes an immediate health and safety threat, the Program Arbitrator and Building Inspector will endeavor to make an inspection of the work within 72 hours of receiving the Homeowner's letter.

Exceptions to Program Policies

It is acknowledged that no set of rules can fit every individual circumstance. Exceptions to the single family housing policies and procedures are allowable on an individual case-by-case basis. The Program Administrator, or designated Program Staff, may make written requests to the Program Arbitrator detailing the exception(s) being requested and the reason(s) supporting it. Exceptions will only be made in tandem with program guidelines. The Program Arbitrator shall be responsible for considering such exception requests and giving a written decision within ten working days.

Conflicts of Interest

All applicants, contractors, and Program Staff must disclose any direct, or indirect, business or familial relationships they may have with one another. Program Staff may not be assigned or otherwise handle an applicant's file when such a relationship connection exists. Program Staff (RHDC) and City Staff employed by the Community Development Department are NOT eligible to personally participate in the Housing Rehab Program. Also, City Council members are NOT eligible to personally participate in the Housing Rehab Program due to their direct involvement in the allocation and use of the Program's City funding. Conflict of interest standards run for the life of oversight committee membership, and for one year thereafter. These conflict of interest standards are mirrored in federal code Section 24 CFR 570.611.

Types of Funding

Regular Loans – Maximum loan amount of \$50,000. Regular loans bear simple interest at 3% and have fully amortized monthly payments over a 30 year term. All applicants are provided Regular Loans unless they are eligible for a Deferred Loan.

Deferred Loans - Maximum loan amount of \$50,000. Deferred loans accrue simple interest at 3% for 30 years and require NO monthly payments. Deferred loans become due and payable upon the resale, transfer of title, or refinancing of the subject property. Applicants are eligible for Deferred Loans if their total household income is less than 50% of median, OR, if their existing monthly housing related expenses (PITI and new loan amount) exceed 40% of their monthly income.

Disability Access Grants - Funding of up to \$5,000 is available for disability access related work (i.e. - wheelchair ramp, door widening, grab bars, etc).

Senior Grants – Applicants who are at least 62 years old (for HOME funds) and own a single-family residence can apply for a grant of up to \$5,000. For mobile homeowners, eligible applicants can apply and receive up to \$8,000.

Single Family Grants – Applicants who are income eligible and who own a single-family residence can apply for a grant of up to \$5,000 to correct minor code violations or address health and safety hazards. For mobile homeowners, eligible applicants can apply and receive up to \$8,000.

General Guidelines

The program's basic intent is to eliminate health and safety hazards, and code violations in the City of Riverside's affordable housing stock, and, to conserve, expand, and improve the condition of the affordable housing stock available to low to moderate income persons. Therefore, all projects funded through the Housing Rehabilitation Program, at a minimum must correct all existing code deficiencies and/or health & safety related repairs needed. Code and health/safety threats may be known, or found upon inspection.

Any and all existing construction found on-site that was done without City permits (room additions, garage conversions, patio additions, etc) must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehabilitation project. Once the cost of repairing all existing code deficiencies and health & safety related items are totaled up, any additional program funding utilized by a recipient, up to the program limits, may be used to address general property improvements. Applicants may NOT receive funding to repair only a portion of their health and safety hazards and code violations (i.e. – applicants CANNOT utilize only the \$5,000 grant to repair a small portion of the \$15,000 of hazards and violations that exist on their property).

Applicant Eligibility

Eligibility for the program is limited to persons and households with incomes at or below 80% of the area median income (AMI), adjusted for household size, per the median income calculations published annually by HUD for the use of HOME funds.

Each applicant must be a U.S. citizen or other national of the United States or a qualified alien as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and 8 U.S.C. 1611 et. seq. Citizenship can be identified using a U.S. passport, Certificate of Naturalization, Certificate of U.S. Citizenship, or a tribal membership card with photo.

If the aforementioned is not attainable, a State of U.S. issued birth certificate, U.S. Citizenship identification card or a Final U.S. adoption decree can be provided concurrently with a current driver's license with photo, State issued identification card with photo, work or school identification card, military identification card with photo or a U.S. American Indian or Alaskan Native tribal document.

A bankruptcy must be discharged for a minimum of four (4) years (or two years if an exception from the City is obtained. Keep in mind, exceptions are rarely approved and would need to involve circumstance such as a severe (documented) medical condition).

In addition, applicants must self certify that the value of all their "liquid assets" (all cash, bank checking and savings accounts, money market accounts, stocks, bonds, mutual funds, etc.), excluding the value of their primary residence, real estate investments (revenue derived from rental property is counted under income), qualified retirement savings (revenue derived from retirements savings is counted under income), household furnishings, clothing, and cars, does not exceed \$50,000.

Finally, applicants must agree to comply with all HUD, State, City, or program requirements regarding lead based paint hazard inspections, lead based paint hazard reduction work, termite inspections, termite control work, City Code compliance issues, health & safety issues, energy efficiency standards, and any other inspections and requirements as necessary.

Property Eligibility

Eligibility for the program is limited to single-family homes, manufactured homes, and mobile homes located within the corporate boundaries of the City of Riverside that are owner occupied. Applicants must have owned the home for at least one year prior to receiving City approval and funding for their project. The exception to the one-year ownership rule is given to applicants that have recently acquired a foreclosed property within a qualified target area. Other exceptions to the minimum one year ownership requirement can be made by the City's Housing Project Manager.

Subordination

N/A

Underwriting Criteria

N/A

A. *Loan-to-Value Ratio (LTV)* – Loans can be made up to a maximum LTV of 105% of a property's estimated market value. The property's estimated market value is based upon a "desktop" analysis of comparable sales and for sale properties in the subject property's surrounding neighborhood (within a ¼ mile radius), per public information available through the County Recorder's office, local Title companies, the Board of Realtors Multiple Listing Service (MLS), or other similar data sources. If comparables are not available within a ¼ mile radius, the assessment area can be increased to a ½ mile radius.

B. *Borrower's Ratios* – N/A

C. Title Reports – N/A

D. Security Instruments – N/A

Household Composition

Households are comprised of any and all individuals (minor and adult) living within the same home or housing unit. Non-income producing individuals must reside in the house for more than one year. A boarder renting a room within the home is excluded from the “household” composition. In the case of boarders, they do not count in the total number of household occupants, but the amount of their rental payment must be included within the household’s income calculation. Furthermore, joint tenant property owners who are on title (partial owners of the property), but do not live onsite, are not part of the household composition.

Calculation of Household Income

The total gross annual wages, salaries, commissions, fees, bonuses, and all forms of compensation received by all individuals within the household must be calculated and estimated for the next 12 month period. All individuals age 18 and above within the household must execute a “Statement of Benefits” detailing the amount of all types of wages, earnings, and financial benefits they receive. Pensions, Social Security benefits, Public Assistance, interest and dividends, alimony and child support, unemployment insurance, worker’s compensation benefits, and all other types of periodic and determinable income are included. Items NOT included in income calculations are casual or sporadic gifts, reimbursements received for medical expenses, educational scholarships.

Eligible Repairs

A. Code / Health & Safety Repairs – The first priority of the Housing Rehab Program is to eliminate, or otherwise “cure”, any and all pre-existing Code violations and Health & Safety hazards. Therefore, all rehab projects must correct any pre-existing code deficiencies and/or health & safety related repairs needed. This includes pre-existing construction found that was done without City permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehab project. If applicants interrupt or refuse to allow contractors to complete the abatement of Code Violations and/or Health & Safety hazards, their file will be closed and the grant or loan will become due and payable.

B. Lead Based Paint Hazards – An additional priority of the Housing Rehabilitation Program is to reduce any lead based paint hazards present in homes. Therefore, a Lead Based Paint test (XRF testing) and a Risk Assessment are required on houses built prior to 1978 to identify the existence and scope of any lead based paint hazards in the home. When the physical scope of the rehabilitation project will disturb very little painted surfaces then the Lead Based Paint test (XRF testing) and Risk Assessment are not required provided the contractor is notified to presume that lead based paint is present and to utilize “Safe Work Practices” during the disturbance of any painted surfaces.

C. Termite Repairs – The Program requires a Termite Inspection Report be prepared for every home by a licensed inspector. The owner may receive a copy of the termite inspection report at no cost. The report should identify any termite or dry rot damaged wood members in

the home as well as whether or not there are any active termite infestations in the home. The program requires that any termite or dry rot damaged wood members in the home be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation, or other treatments recommended to eliminate any active termite infestations are required.

D. General Property Improvements– N/A

NOTE: No program funds can be paid out directly to the homeowner, since the homeowner is not allowed to perform any of the home improvement written in the scope of work. The program funds are to be used solely for payment of housing rehabilitation work (including permits, fees, inspections, plans, engineering, etc). Therefore, all funds are held in trust for payment to independent, third party contractors or vendors upon presentation, and signed approval by the homeowner, of valid invoices or construction draw requests.

E. Timeliness – HOME Grants endeavor to keep the maximum amount of funds available to assist the great needs of Riverside's older housing stock. Program recipient's will be made aware that the time is of the essence and all funds not expended after 12 months (excluding Planning & Permit time) may be reprogrammed at the City's sole option, and that the grantee's file will be closed.

Funding Approval

After the full scope of a Rehabilitation project has been determined, contractor bids have been received, and the homeowner has selected their contractor, Program Staff prepares an "Agenda package" that includes a project budget detailing the type of loan or grant funding to be provided, the applicant's income eligibility, and the scope of work to be done. Housing Staff reviews the "Agenda package" for approval of the rehabilitation work, the Community Development Fiscal Manager, and the Community Development Deputy Director approves the funding amount and source.

Pre-Project Expenses

A variety of inspections, tests, and reports are needed before the scope of work for an applicant's rehabilitation project can be finalized, sent out to bid, then brought forward to the City of Riverside for funding approval. Occasionally, homeowners may cancel their applications due to personal or financial reasons before their file has been brought to the City of Riverside for funding approval, but after expenses have already been incurred for Lead Based Paint inspections, Special Building and Safety inspections, or other miscellaneous items. Minor expenditures (up to \$1,000 per individual file) for such necessary "pre-project" items may be authorized for payment, or reimbursement. However, the expended amount becomes due and payable to the City of Riverside.

Historic Review (Section 106)

If public records, from a Title Company Property Profile, City's Building Department, or other official record indicates that the applicant's home is more than 50 years old, then an historical assessment (Section 106 Review), and review of the intended scope of work, must be

requested from the City's Planning Division. Approval must be obtained through the Cultural Resources Specialist of the Planning Division. Planning staff will provide their written determination and recommendations, and send a copy to both Program Staff and the State Historical Preservation Office (SHPO).

Bidding Process

Competitive bids from at least three contractors are requested on all Rehab Projects, except health and safety emergencies which are handled on an emergency basis that does not allow time for competitive bidding. When the normal competitive bid process is used, the homeowner is provided copies of all bids received for their consideration and selection. If the homeowner is not satisfied with the bids they receive, then additional bids may be solicited from more contractors until the homeowner finds a contractor bid they want to use.

Contractor Selection

The homeowner is provided copies of all bids received and may choose any "reasonable" contractor bid they wish, they are not required to select the lowest bidder. However, Program Staff reviews all bids received to verify they are all within a "reasonable" range of typically no more than approximately 25% variation between the high and low bidders. If the homeowner wishes to select a contractor bid that is considered to be above the "reasonable" range of bids received, then they are required to either "negotiate" that contractor's bid down into the "reasonable" range or obtain a written explanation from the contractor that adequately explains, to Program Staff's satisfaction, why their bid is above the range.

The Construction Contract

The Construction Contract is between the homeowner and the contractor. The City of Riverside, and RHDC are not signatories to the Contract. The City of Riverside and RHDC do not have any enforcement power over the contractual relationship between the homeowner and the contractor. A copy of the contractor's bid is attached to the Construction Contract to specify the scope of repairs and improvements included in the Contract.

Contractor Payments

For contracts less than \$5,000, only one draw payment is permitted to the contractor and no retention money is withheld from the payment. For contracts greater than \$5,000, up to three draw payments are permitted and 10% "retention" is withheld from each payment until 30 days after the project has been satisfactorily completed and a Notice of Completion has been recorded. The homeowner and the contractor must each sign the appropriate Payment Authorization form before any funds will be released. If the homeowner fails to sign the Payment Authorization form for any unreasonable purpose, the City of Riverside reserves the right to release payment to the contractor. In addition, the contractor must provide an invoice, waiver/lien release, and copies of signed off permits as part of any request for payment.

Contractor Qualifications

An important element of a successful home rehabilitation program is good working relationships between the homeowners and the general contractors they select. Since most homeowners have limited prior experience with contractors, the Housing Rehab Program maintains a list of

contractors who have provided copies of their appropriate insurance and license. The list is offered to homeowners as an aid in soliciting contractor bids and selecting a contractor. However, the homeowner is responsible for selecting the contractor and may use any contractor that provides the program with copies of their appropriate insurance and license.

Contractors participating in the program must provide evidence of a valid City of Riverside business license, a valid State contractor's license, current worker's compensation insurance coverage, and current \$1,000,000 general liability insurance coverage. Also, their insurance must list the program's administrator, Riverside Housing Development Corporation, as additionally insured. Since RHDC has had a policy requesting contractors to carry \$1,000,000 general liability insurance, no claims can be filed against the City of Riverside or RHDC.

Only general contractor and sub-contractors who have applied and meet program requirements are eligible to enter into Rehabilitation Program construction contracts.

Adding contractors to the list is an ongoing process. Applications from local contractors (including women and minority contractors) are encouraged. Any contractor who meets the licensing and insurance requirements is eligible to apply for inclusion on the list.

Contractors who maintain their business credentials and comply with program guidelines and policies are automatically retained on the list. Contractors may be disqualified from participation in the program at any time for just cause.

A. Contractor Applications – Applications are accepted from contractors at any time. Contractors interested in being included on the Contractor List and bidding for construction contracts must complete a standard application and submit copies of their current worker's compensation insurance, liability insurance and state contractor's license.

B. Contractor Review – Contractor applications are reviewed by program staff. Staff will:

- Call the State Contractor Board, or check their website, to verify that the contractor is currently licensed.
- Verify that the copies of insurance coverages and business licenses are current.

Disqualification of Contractors

Contractors may be disqualified from participation in the program at any time for just cause. Evidence constituting just cause for contractor disqualification includes:

- Failure to maintain State Contractor's Board license and registration, or failure to maintain required insurance coverage or City business license.
- Insolvency, bankruptcy, or other conduct or conditions causing monetary loss for a homeowner, or the Housing Rehabilitation Program, in connection with construction contracts.
- Activities in conflict with Housing Rehabilitation Program policies or procedures, such as: bid rigging, kickbacks to homeowners, hiring homeowners for pay, failure to complete

warranty work in a timely manner, abusive or repeated cost increases and change orders to contracts.

- A history of non-performance in fulfilling construction contracts.
- A history of contract performance judged unacceptable by the Housing Rehab Program due to poor work quality, lack of cooperation, or repeated conflicts with homeowners.
- Abandoning a job or repeated failure to complete contract work according to specified deadlines.
- Conviction of a crime in connection with contract work, contract payments, or any other funding administered by the City of Riverside.

The decision to disqualify a contractor shall be authorized by the Program Administrator (Executive Director of RHDC) upon the recommendation of any Program Staff. Disqualified contractors shall be notified in writing. A disqualified contractor may appeal the decision within ten days of receiving the written notification. Disqualification appeals shall be made to the Program Arbitrator, who shall consider any additional information provided by the contractor and render a final decision within one week.