

**CITY OF OAKLAND
STAFF REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2005 MAR 10 PM 12:41

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: MARCH 22, 2005

RE: A RESOLUTION AUTHORIZING MODIFICATIONS TO THE HOME MAINTENANCE AND IMPROVEMENT PROGRAM (HMIP) REQUIREMENTS TO INCREASE THE MAXIMUM LOAN LIMIT FROM \$40,000 TO \$75,000, TO CHANGE THE INTEREST RATE ON DEFERRED HMIP LOANS FROM 0% TO 3%, AND TO INCREASE THE MAXIMUM ALLOWABLE MINOR HOME REPAIR GRANT FROM \$1,500 TO \$2,499.

SUMMARY

The Community and Economic Development Agency (CEDA) is recommending that the City Council adopt a resolution authorizing modifications to The Home Maintenance and Improvement Program (HMIP) guidelines to increase the loan limit to \$75,000, and increase the interest rate on loans to 3%, increase the minor home repair grant to \$2,499. The proposed modifications are necessary because program loan applications are increasingly being denied due to rehabilitation costs exceeding the program limits and homeowners having to prioritize and pick and choose which health and safety needs are met. Additionally, loan funds made at a 0% interest rate five or more years ago, when repaid, are have a significantly reduced impact on addressing new home owner rehabilitation needs when recaptured and reinvested as current dollars.

FISCAL IMPACTS

These program changes do not impact the budget; no change is being proposed to the annual allocation. The Home Maintenance and Improvement Loan Program relies on Community Development Block Grant funds and HOME Investment Partnership funds that were appropriated in the FY 2004-2005 Adopted Policy Budget. Program funds are budgeted as follows:

| Program | Organization | Fund | Project | 03-05 Budget Amount |
|-------------------|---------------------|-------------|----------------|----------------------------|
| HMIP-CDBG | 88939 | 2108 | G08650 | \$2,213,982 |
| HMIP-HOME | 88939 | 2109 | G155810 | Program Income |
| Minor Home Repair | 88939 | 2108 | G53800 | \$500,000 |

We will continue to fund loans within the amounts allocated for the program.

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BACKGROUND

The Home Maintenance and Improvement Program was established on June 7, 1977, by Ordinance No. 9479. The Ordinance authorizes the City Council to establish program guidelines by resolution. Further, the City Administrator or designee shall approve and disseminate all rules and regulations related to the administration of the program. The current program guidelines were established six (6) years ago.

The primary goal of The Home Maintenance and Improvement Program is to provide the City with a well-organized mechanism for effectively rehabilitating the City's stock of salvageable housing and for preventing neighborhood deterioration by:

- A. Systematic restoration of Community Development Districts of the City by providing residents with the necessary financial and technical assistance to improve their individual properties and the overall environment of their Districts.
- B. Special housing assistance to meet housing needs of elderly and disabled residents and to correct emergency housing problems that are detrimental to the health and safety of residents and the overall welfare and stability of Districts.
- C. Conservation of CD Districts by providing special assistance for self-help efforts among residents; and
- D. Enlisting the active involvement of local lending institutions in housing conservation activities.

In addition to direct financial assistance, the HMIP offers full property inspections, lead hazard risk assessment (through Alameda County Lead Poisoning and Prevention Program), construction management, financial counseling, and home maintenance counseling. Furthermore, the division partners with other local jurisdictions, non-profits, and related organizations to provide homeowner maintenance education, combat blight and substandard property conditions throughout the City.

A large part of Oakland's housing stock is 60 or more years old and often has problems of deterioration coupled with the presence of toxic materials such as lead based paint and asbestos. To address these very pressing housing rehabilitation needs, CEDA-HCD's *Residential Lending & Housing Rehabilitation Services* department offers a variety of programs to assist property owners in maintaining decent, affordable, safe and sanitary homes.

The following loan and grant programs are currently offered as part of the HMIP umbrella:

| ACTIVITY NAME LOCATION | DESCRIPTION OF ACTIVITY | CATEGORIES OF RESIDENTS TO BE ASSISTED | 03-05 Budget |
|---|---|---|---|
| Home Maintenance and Improvement Program 7 Community Development Districts | Housing rehabilitation financing (deferred and amortized loans) of up to \$40,000 for rehabilitation of 1-4 unit owner-occupied properties | Extremely low to moderate income homeowners | CDBG \$2,213,982 HOME Program Income |
| Emergency Home Repair Program 7 Community Development Districts | Emergency repair and rehabilitation financing (minimum loan of \$2,500 and maximum of \$7,500) | Extremely low to moderate income homeowners | CDBG \$793,750 |
| Access Improvement Program 7 Community Development Districts | Grants for accessibility modifications to 1-4 unit property where owners have disabilities or disabled tenants. (maximum grant of \$15,000 for ramps; \$24,000 for lifts) | Extremely low to moderate income property owners with special needs | CDBG \$430,717 |
| Lead Safe Housing and Paint Program 7 Community Development Districts | Free exterior paint and painting contractor services given to eligible homeowners | Very low to moderate income homeowners: seniors, disabled or families with children under age 6 years | CDBG: \$446,550 |
| Minor Home Repair Program 7 Community Development Districts | Grants for minor repairs up to \$1500 Direct service administered by Alameda County HCD | Very low homeowners: seniors or disabled only | CDBG: \$500,000 |

KEY ISSUES AND IMPACTS**Home Maintenance and Improvement Program Maximum Loan Limit**

For the past 30 years, the City's Housing Rehabilitation programs have been available to low and moderate income home owners under the Community Development Block Grant Program. These programs have made important contributions to the overall improvement of the City's housing stock. However, the available existing programs are insufficient to meet current housing rehabilitation needs for dilapidated and substandard single-family dwellings and rental units.

In addition to increased material costs, deferred earthquake damage to foundations and chimneys is contributing to the increased construction costs. Stringent lead-based paint hazard regulations and the extremely high incidence of lead hazards in Oakland housing stock are also contributing factors in the cost of residential rehabilitation.

Of the 25 applications approved for housing rehabilitation assistance in the first half of this year, 80% of the applicants were required to take out multiple loans to cover the total cost of rehabilitating their property. In some instances, qualified applicants have been able to complete the rehabilitation of only the most critical items, while leaving many necessary repairs unperformed, due to either high construction costs or unavailability of funds. Increased construction permit fees have also had an impact on program costs.

Minor Home Repair Program (MHRP)

There is a similar problem with the Minor Home Repair program. The current maximum grant for the Minor Home Repair program is \$1,500. Increased construction costs have left many repairs exceeding the cost maximum. Additionally, the current program limits for the Emergency Home Repair loan is from \$2,500 to \$7,500. The gap between the minimum Emergency loan and maximum Minor Home Repair grant has created difficulties serving the very low income homeowners whose repair needs are greater than \$1,500, but less than \$2,500. An increased grant amount to \$2,499 would eliminate the current gap and allow the program to reach very low income homeowners with much needed home repairs.

Council approved the contract for the Minor Home Repair Program (MHRP) in July 2004, Resolution 78710, as part of the program funding allocations under the Community Development Block Grant (CDBG) for FY2004-05.

The primary purpose of this contract is to administer a program (MHRP) that provides financial assistance to correct minor home repairs that are immediate threats to the health and safety of senior and/or disabled homeowners. The program is for very low-income owner-occupants.

The current funding allocations and resulting contract with Alameda County provides repair services to approximately 160 senior and/or disabled homeowners each fiscal year. Increased construction costs have resulted in a number of requests to provide assistance in excess of the

current maximum grant of \$1,500. While the Emergency Home Repair Program deferred loan is available for the same type of repairs, it has a minimum limit of \$2,500. The \$1,000 gap in available assistance will often place elderly and disabled homeowners in a very vulnerable and unsafe position. Minor repairs, when left unattended, can significantly increase the deterioration of a property and compromise the health and safety of our predominately senior, female head-of-household homeowners.

Simple Interest

Over the past ten (10) years, the annual CDBG allocation has decreased, effectively diminishing the amount available for financial assistance to eligible homeowners applying for HMIP loan or grant assistance. Annual HMIP loan repayments totaling \$1,700,000 (04-05 Adopted Budget) are currently expended for Housing and Community Development activities, not directly for homeowner rehabilitation programs. The current 0% interest coupled with the cost of money 5-10 years ago, adds to the effective 'loss' of CDBG allocation dollars each year. The institution of a 3% interest rate on the deferred loans will also increase program income available to the revolving loan fund.

PROGRAM DESCRIPTION

Listed below are the recommended program changes:

| Program | Current Detail | Proposed Modification |
|--------------------|-----------------------|------------------------------|
| HMIP Maximum Loan | \$40,000 | \$75,000 |
| HMIP Interest Rate | 0% | 3% |
| MHRP Grant Limit | \$1,500 | \$2,499 |

SUSTAINABLE OPPORTUNITIES

The proposed modifications do not specifically or independently provide any economic or environmental opportunities for sustainable development. However, the rehabilitation programs support the City's affordable and sustainable housing and community development programs, which contribute to sustainable development through smart growth, job creation and economic development, and improvements in housing and community conditions for very low-income people.

The program modifications will increase the availability of program services to disadvantaged areas of the City and improve the quality of life in residential neighborhoods by assisting in the removal of conditions that contribute to neighborhood blight and housing stock deterioration.

DISABILITY AND SENIOR CITIZEN ACCESS

The rehabilitation programs provide financial assistance to very low to moderate income citizens who own and occupy their homes in Oakland. Over 50% of the loans and grants are provided to single, head of household females over the age of 62. All of the programs are available on a first-come, first-served basis, with disabled property owners having immediate priority.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Council adopt the attached resolution. The changes will assist the Agency to further implement the goal of reducing neighborhood blight and housing stock deterioration.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council approve the resolution authorizing modifications to The Home Maintenance Improvement Program (HMIP) requirements to increase the maximum loan limit from \$40,000 to \$75,000, to change the interest rate on deferred HMIP loans from 0% to 3%, and to increase the maximum allowable Minor Home Repair Grant from \$1,500 to \$2,499.

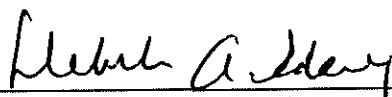
Respectfully submitted,



DANIEL VANDERPRIEM
Director of Redevelopment, Economic Development and
Housing and Community Development:

Reviewed by: Sean Rogan, Deputy Director
Housing and Community Development Division
Prepared by:
Karen McNeal-Luckett, Mortgage Loan Supervisor
Residential Lending and Housing
Rehabilitation Department

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:


Office of the City Administrator

APPROVED AS TO FORM AND LEGALITY:
FILED
OFFICE OF THE CITY CLERK
OAKLAND
2005 MAR 10 PM 12:02
DEPUTY CITY CLERK

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION (1) MODIFYING THE HOME MAINTENANCE AND IMPROVEMENT PROGRAM TO INCREASE THE MAXIMUM LOAN AMOUNT FROM \$40,000 TO \$75,000, AND INCREASE THE INTEREST RATE FROM 0% TO 3%, AND (2) MODIFYING THE MINOR HOME REPAIR PROGRAM TO INCREASE THE MAXIMUM GRANT FROM \$1,500 TO \$2,499.

WHEREAS, Ordinance No. 9479 C.M.S. provided for the City Council to make periodic adjustments to certain guidelines for the implementation of the Home Maintenance and Improvement Program (HMIP); and

WHEREAS, there is now an increased need for financial assistance by property owners to facilitate the repair of blighted and deteriorated, owner-occupied residential properties; and

WHEREAS, loan limit under the HMIP and the grant limit under the Minor Home Repair Program are insufficient to meet the rehabilitation needs of program participants; now, therefore, be it

RESOLVED: That the Council hereby modifies the Home Maintenance and Improvement Program to increase the loan limit (deferred and amortized) from \$40,000 to \$75,000; and be it further

RESOLVED: That the Council hereby modifies the Minor Home Repair Program to increase the grant limit from \$1,500 to \$2,499; and be it further

RESOLVED: That the Council hereby modifies the Home Maintenance and Improvement Program to increase the deferred loan interest rate from 0% to 3%; and be it further

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RESOLVED: That the City Administrator or her designee is hereby authorized to take any action with respect to the programs described above consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES— BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, AND
PRESIDENT DE LA FUENTE

NOES—

ABSENT—

ABSTENTION—

ATTEST: _____
LATONDA SIMMONS
Interim City Clerk and Clerk of the Council
of the City of Oakland, California

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