



**CITY OF ELK GROVE  
CITY COUNCIL STAFF REPORT**

**AGENDA TITLE:** Consider resolution approving the Minor Home Repair Program guidelines and authorizing staff to implement the Program in accordance with the terms of the guidelines

**MEETING DATE:** November 14, 2012

**PREPARED BY:** Sarah Bontrager, Housing Program Manager

**DEPARTMENT HEAD:** Taro Echiburú, Planning Director

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**RECOMMENDED ACTION:**

Staff recommends that the City Council adopt a resolution approving the Minor Home Repair Program guidelines and authorizing staff to implement the Program in accordance with the terms of the guidelines.

**BACKGROUND INFORMATION:**

The City receives an annual allocation of Community Development Block Grant (CDBG) funding from the US Department of Housing and Urban Development. These funds must be used primarily to meet the needs of low-income households (those earning up to 80 percent of the area median income). Per the City's five-year Consolidated Plan, housing needs are a priority. In the 2012-13 Action Plan, the City allocated \$40,000 for the Minor Home Repair Program. Additionally, \$19,000 was moved administratively from the unspent balance of the Emergency Repair Program.

Since 2005, the City has offered two housing repair programs:

- The Emergency Repair Loan Program offered loans of up to \$7,500 for single-family homes and \$5,000 for mobile homes to allow homeowners to make health and safety repairs. Homeowners could make no more than 50 percent of the area median income in order to qualify. Loans were forgiven over a 10-year period as long as the

homeowner remained in the home and complied with the terms of the Loan Agreement.

- The Housing Rehabilitation Loan Program made loans of up to \$60,000 for single-family homes. Health and safety repairs were a priority, but some other improvements were allowed. Homeowners had to make less than 80 percent of area median income in order to qualify. The loans were at 3% interest, and were due and payable in 30 years or when the owner no longer occupied the home.

The Housing Rehabilitation Program has faced challenges in the present economy. The applicant pool is limited by the income restrictions; an unwillingness of homeowners to take on new debt, even if payments are deferred; and the requirement that homeowners have equity in order to participate. In the previous three years, the City has received only two viable applications, and one homeowner ultimately decided not to move forward with the program.

The Emergency Repair Program has been more popular, making eight loans in the last fiscal year. Most repairs have focused on roofing, plumbing, HVAC, and water intrusion issues.

### **ANALYSIS:**

The proposed Minor Home Repair Program will combine elements of the Emergency Repair and Housing Rehabilitation Programs to create one new program that is better suited to the housing needs of Elk Grove households. Highlights of the program include the following:

- Homeowners earning up to 80 percent of the area median income will be eligible. Homeowners must not have more than \$15,000 in liquid assets (not including retirement accounts), and must be current on any mortgage and property tax payments. Equity is not required.
- Repairs are limited to those necessary to address health and safety hazards, including accessibility improvements. The guidelines more narrowly define health and safety hazards.
- The maximum loan amount will be \$10,000 for single-family homes, and \$5,000 for mobile homes. The loan will be forgiven over a 10-year period, provided that the homeowner continues to occupy the home and meets the terms of the Loan Agreement.

- The City has the discretion to deny a loan application if the current condition of the property indicates that the homeowner may not be able to maintain the home in a safe and clean manner after the City's investment.
- All loans will be secured by a Loan Agreement, Promissory Note, and Deed of Trust (or equivalent for mobile homes).

The guidelines also contain an amendments section, allowing the City's internal Housing Loan Committee to make administrative updates to the guidelines that do not involve changing the income requirements, maximum loan amount, interest rate, loan forgiveness schedule, or eligible types of repair. This will allow the City to make changes to the implementation process as necessary to ensure funds are expended in a timely manner.

### **ENVIRONMENTAL ANALYSIS:**

No environmental analysis is necessary at this time as this action is the approval of Program guidelines and it is not associated with the approval of any specific project at this time. All future projects implemented with final funding awards will be reviewed for compliance with the National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA).

### **FISCAL IMPACT:**

The City has approximately \$59,000 in CDBG funding for the Minor Home Repair Program. This funding is expected to fund up to nine loans. Administration of the program is also funded by CDBG.

Increasing the loan amount from the \$7,500 allowed under the Emergency Repair Program may result in fewer loans being made. However, most applicants will not use the full \$10,000, since the projects are limited to health and safety improvements and must be competitively bid. The \$10,000 maximum will allow for the completion of most repairs requested by applicants, including roof replacement on smaller homes.

### **ATTACHMENTS:**

1. Resolution
2. Minor Home Repair Program Guidelines

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE  
APPROVING THE MINOR HOME REPAIR PROGRAM GUIDELINES AND  
AUTHORIZING STAFF TO IMPLEMENT THE PROGRAM IN ACCORDANCE WITH  
THE TERMS OF THE GUIDELINES**

**WHEREAS**, the City of Elk Grove has applied for and received Community Development Block Grant (CDBG) funds, authorized pursuant to Title 1 of the Housing and Community Development Act of 1974, as amended; and

**WHEREAS**, the Fiscal Year 2012-13 Action Plan that serves as the annual budget for the CDBG funds included funding for the Minor Home Repair Program, and was adopted by the City Council on May 9, 2012; and

**WHEREAS**, staff has drafted guidelines for the Minor Home Repair Program that take into account federal regulations regarding housing rehabilitation programs and the challenges faced by previous housing programs and the present economy; and

**WHEREAS**, Elk Grove has an adequate number of low-income households living in aging housing stock in need of health and safety repairs, and these households may need financial assistance to complete these repairs.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Elk Grove hereby:

- 1) Approves the Minor Home Repair Program guidelines; and
- 2) Authorizes staff, as identified in the Minor Home Repair Program guidelines, to implement the Program in accordance with the terms of the guidelines.

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 14<sup>th</sup> day of November 2012.

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JAMES COOPER, MAYOR of the  
CITY OF ELK GROVE

ATTEST:

APPROVED AS TO FORM:

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JASON LINDGREN, CITY CLERK

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JONATHAN P. HOBBS,  
CITY ATTORNEY



# City of Elk Grove

## Minor Home Repair Program

### Guidelines

Program funded by  
US Department of Housing and Urban Development  
Community Development Block Grant Program

Draft November 14, 2012

# **1 GENERAL POLICIES**

## **1.1 PROGRAM OVERVIEW AND OBJECTIVES**

The Minor Home Repair Program (“Program”) is designed to provide assistance to eligible homeowners to finance health and safety-related repairs to their homes. The Program provides this assistance in the form of deferred payment, forgivable loan. The Program is funded through the US Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program and shall be administered by the City of Elk Grove (“City”) Housing Program Manager.

The goals of the Program are to:

- A. Reduce the number of substandard housing units within the City;
- B. Maintain and extend the life of the existing affordable housing stock; and
- C. Improve quality of life and independence for persons with special needs, including the elderly and the disabled.

## **1.2 PROGRAM OUTREACH AND MARKETING**

All outreach efforts shall be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach, and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender, or sexual orientation be excluded, denied benefits, or subjected to discrimination under the Program. The City shall ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender and Accessibility logos shall be placed on all outreach materials produced by the City. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to local social service agencies.
- B. The City shall track the demographic characteristics of a) all persons requesting assistance and b) all persons receiving assistance. The City shall regularly conduct a characteristic analysis comparison of the Program’s eligible area compared to the demographic characteristics of the population served by the Program and provide an explanation of any underserved segments of the population. Fair housing marketing efforts may be adjusted based on the comparison analysis to ensure protected classes are reasonably represented in the Program.
- C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The City shall take appropriate steps to ensure effective communication with disabled housing applicants, residents, and members of the public.

## **1.3 CONFLICT OF INTEREST**

In accordance with Title 24, Section 570.611 of the Code of Federal Regulations, no employee, agent, consultant, officer, or elected official or appointed official of the City of Elk Grove who is in a position to participate in a decision-making process or gain inside information with regard to CDBG activities shall directly or indirectly be eligible for this Program. This ineligibility extends to those with business or immediate family ties to any individual previously described, and shall continue for one (1) year after an

individual's relationship with the City ends. HUD and the City Council can only make exceptions to this policy after public disclosure and formal approval.

#### **1.4 CONTRACTOR LIST**

The City shall maintain a list of licensed contractors expressing interest in bidding on jobs through the Program. Interested contractors may contact the Housing Program Manager to be added to the list. The City shall make no representations or warranties regarding these contractors or their quality of work. Homeowners may select contractors from outside the list.

#### **1.5 LOAN APPROVAL**

Loans in full compliance with these Program guidelines may be administratively approved by the Housing Program Manager. Loans requiring an exception to any policy in these Program Guidelines shall be submitted for review to the City's Housing Loan Committee. The Housing Loan Committee shall consist of the Assistant City Manager, Finance Director, and Planning Director, or their designees.

#### **1.6 RELOCATION**

The Program shall not provide assistance to any activities that will require the property owner to vacate the premises on a permanent basis. Participants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Housing Program Manager and/or Rehabilitation Specialist.

### **2 PROGRAM ELIGIBILITY**

Both the applicant and the residential property must be eligible for assistance, as set forth below. These eligibility requirements may be waived by the Housing Loan Committee, unless required by the Program's funding source.

#### **2.1 PROPERTY**

The property shall meet the following conditions:

- A. The property shall be a single-family, duplex, manufactured home, mobile home, or condominium residential dwelling unit that provides complete independent living facilities, including permanent provisions for living, sleeping, cooking, eating, and sanitation. The applicant shall have sole ownership of and responsibility for any system or structure repaired or replaced under the Program.
- B. The property shall be owner-occupied and located within the incorporated limits of the City of Elk Grove. All persons listed on the property title must occupy the home.
- C. The property shall be in need of repair to correct health and safety hazards in order to allow continued safe occupancy of the home.
- D. The property shall not be located in a federally-designated Special Flood Hazard Area (100-year floodplain).

#### **2.2 APPLICANT**

The applicant shall meet the following conditions:

- A. The applicant shall have legal and/or equitable title to the affected property and shall permanently reside in the dwelling in need of emergency repairs. If the affected property is a

mobile home on a rented lot, the home must be owned free and clear, unless an exception is approved by the Housing Loan Committee.

- 1) Applicants meeting all other eligibility criteria who hold a Life Estate on the property and reside on the property are eligible for the Program. Income eligibility shall be determined by the income of the occupant/holder of the Life Estate. The holder of the Fee Simple Estate shall be required to sign all loan documents. The loan conditions shall provide that the loan is due and payable upon sale or transfer of the property and upon termination of the Life Estate of the current occupant.
  - 2) Applicants meeting all other eligibility criteria and who currently reside on a property with a title held by a living trust are eligible for the Program. Income eligibility is determined by the income of the applicant/occupant. Loan conditions are based on the continued occupancy of that specific occupant in the residence.
- B. The applicant's total household income shall be at or below eighty (80) percent of the area median income (AMI), adjusted for household size. The income limits in place at the time of loan approval shall apply when determining applicant income eligibility. Income qualification criteria, as shown in the most recent HUD program-specific guidance, shall be followed to independently determine and certify the household's annual gross income. The City shall use the Part 5 definition of annual income.
  - C. The applicant shall have owned and resided in the dwelling in need of repair no less than one year prior to submitting an application.
  - D. The applicant's liquid assets shall not exceed a cash value of \$15,000. Liquid assets include cash on hand, checking accounts, savings accounts, and stocks and bonds. Retirement savings accounts shall be excluded from the calculation.
  - E. The applicant shall not own or have an interest in any real property other than the subject property.
  - F. The applicant shall not have received aid from any City of Elk Grove housing repair program within the ten (10) years preceding the application.
  - G. The applicant shall be current on all mortgage and property tax payments.
  - H. The applicant shall have a maximum housing debt-to-income ratio of no more than forty (40) percent. Applicants with higher housing debt-to-income ratios may be approved by the Housing Loan Committee on a case-by-case basis.
  - I. The applicant shall be willing and able to maintain the property in a safe and clean manner until the loan term has ended. The City has sole discretion in determining the applicant's ability to maintain the property, and may use the current condition of the property to make this determination.

### **2.3 ELIGIBLE REPAIRS**

Eligible repairs are limited to those necessary for the health and safety of the occupants. The Housing Program Manager and/or Rehabilitation Specialist shall make a determination as to whether a situation constitutes the existence of a health and safety hazard.

Examples of repairs that will generally qualify are roof repair or replacement, heating and cooling system repair or replacement, water heater replacement, and plumbing and electrical repair.



Accessibility improvements, such as door widening, wheelchair ramps, or grab bar installation, will also generally qualify.

Ineligible repairs shall include the following: repairs not directly related to health and safety, routine maintenance (such as gutter or dryer vent cleaning), appliance repairs or replacement, repairs to garages or other spaces not considered living quarters and not required to access living quarters, luxury and/or cosmetic improvements, and landscaping (including tree removal).

### **3 LOAN TERMS**

#### **3.1 MAXIMUM LOAN AMOUNT**

Eligible applicants, with the exception of mobile home owners, may receive a loan of up to \$10,000. Eligible mobile home owners may receive a loan of up to \$5,000.

#### **3.2 INTEREST RATE**

The loan shall bear no interest.

#### **3.3 LOAN FORGIVENESS**

The loan shall be forgivable over a ten (10) year period, with ten (10) percent of the original loan amount forgiven each year that the loan conditions are verified as met. Loan forgiveness shall start at one (1) year from the date of the signing of the Promissory Note. Loan forgiveness shall be done annually, and shall not be further prorated.

#### **3.4 PREPAYMENT**

Homeowners may prepay their loans at any time. There shall be no prepayment penalty.

#### **3.5 LOAN SECURITY**

Each loan shall be secured by a Loan Agreement, Promissory Note, and Deed of Trust. The Loan Agreement and Deed of Trust shall be recorded. All owners listed on the benefiting property's title, whether or not they reside on the property, must sign the loan documents.

#### **3.6 EVENTS OF DEFAULT**

The loan shall become due and immediately payable upon the occurrence of any one of the following events:

- A. Sale or transfer of the property, including, without limitation, lease, exchange or other disposition of the property or any interest therein whether voluntary or involuntary;
- B. Such time if or when participant is no longer an occupant of the property;
- C. The close of a probate estate following the death of participant; or
- D. Any default of any other obligation specified in the Loan Agreement.

#### **3.7 INSURANCE REQUIREMENTS**

Participant shall maintain, during the term of the loan, a policy insuring the property in an amount equal to or greater than the replacement value of the property, as determined by the Housing Program Manager. The policy shall name the City as additional insured and shall contain a statement of obligation on behalf of the carrier to notify the City of any material change, cancellation, or termination of

coverage at least thirty (30) days in advance of the effective date of such material change, cancellation, or termination.

Participant shall annually transmit to City a copy of the certificate of insurance and an additional insured endorsement, signed by an authorized agent of the insurance carrier setting forth the general provisions of coverage.

Any certificate of insurance must be in a form, content, and with companies approved by City.

### **3.8 LOAN TRANSFER**

All loans are non-transferable.

### **3.9 SUBORDINATION**

The City shall evaluate subordination requests on a case-by-case basis. The subordination policy in place for the City's primary downpayment assistance program at the time of the request shall be used to evaluate the request, unless a specific policy is developed for this Program. Requests for subordination may be administratively approved by the Housing Program Manager.

### **3.10 LOAN MONITORING**

Loans shall be monitored on an annual basis to ensure compliance with the terms of the Loan Agreement, including but not limited to, owner-occupancy, insurance requirements, property tax payment, and general maintenance of the home. The City reserves the right to schedule interior and exterior inspections with the homeowner. Homeowners in default of their Loan Agreement terms shall have sixty (60) calendar days from the date of notification to correct the event of default.

## **4 PROGRAM PROCEDURES**

### **4.1 WAITLIST**

The City shall maintain a waitlist for Program assistance. Persons may request to be added to the waitlist at any time by calling the City's Housing Program Manager or other designated staff. As funding allows, City staff will contact households on the waitlist and offer them the opportunity to complete an application. Households shall have 30 days from the date of initial contact to submit a complete application; households failing to submit a complete application in this timeframe will be removed from the waitlist.

The City may close the waitlist at such a time when the number of persons on the waiting list exceeds the number that can reasonably be expected to secure funding through the Program.

### **4.2 APPLICATION**

Each applicant shall complete an application form, which asks for sufficient information concerning income, employment, assets, and property characteristics to establish preliminary eligibility for Program participation. Applications shall be deemed complete only if all information is complete and submitted in the format requested, and the application is signed and dated.

At a minimum, applicants must submit for all adults living in the household the most recent six months of income documentation (e.g., paystubs, Social Security award letters); most recent three years of federal tax returns; most recent six months of banking/investment statements for all accounts, including retirement accounts; copy of deed or title to property; and the most recent mortgage statement(s).

Applicants may be required to provide additional and/or older documentation to confirm Program eligibility.

The City may conduct employment and/or asset verifications with employers, benefit agencies, banks, etc.

If the City encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that cannot be resolved to the satisfaction of the Housing Program Manager, the City reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

#### 4.3 INCOME QUALIFICATION

A. The applicant's total household income shall be at or below eighty (80) percent of the area median income (AMI), adjusted for household size. The income limits in place at the time of loan approval shall apply when determining applicant income eligibility. Income qualification criteria, as shown in the most recent HUD program-specific guidance, will be followed to independently determine and certify the household's annual gross income. The City shall use the Part 5 definition of annual income.

#### B. Definitions

- 1) **Household.** Means one or more persons who occupy a housing unit. Unborn children do not count in family size determination. Children are counted in family size determination only if they reside in the home at least fifty percent of the time.
- 2) **Annual Income.** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.
- 3) **Household Income.** Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and shall be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

The link to Annual Income Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB\\_AnnualIncomeInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc)

- 4) **Assets.** Income from assets is recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles is not included. (Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.)

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including, for example, penalties or fees for converting financial holdings, and costs for selling real property. The cash value (rather than the market

value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC\\_AnnualIncomeAssetInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc)

- C. Income shall be verified by reviewing and documenting tax returns, copies of pay stubs or other wage receipts, subsidy award letters or checks, banking and investment statements, and third-party verification of employment forms sent to employers. Other documentation necessary to confirm or calculate a household's income or assets may be required if deemed necessary by the Housing Program Manager. All documentation shall be dated within six months prior to loan funding and kept in the applicant file and held in strict confidence.

#### **4.4 PROPERTY INSPECTION**

A brief property inspection will be conducted by the City's Rehabilitation Specialist to determine the need for repairs. The Rehabilitation Specialist will note any structures or systems which need repair or replacement, and will provide a rough estimate of the cost to complete the repair.

The City may order a third-party lead-based paint inspection, pest inspection, and/or asbestos testing if deemed necessary by the Rehabilitation Specialist. The associated costs may be included in the loan amount at the City's sole discretion.

In the event that the necessary repairs are estimated to exceed available funding, the Rehabilitation Specialist will determine the priority of the repairs. If the Rehabilitation Specialist determines that the home cannot be made safe and habitable with the available funding, the property shall be ineligible for assistance.

#### **4.5 SPECIFICATIONS WRITE-UP**

After verifying that all necessary eligibility requirements have been met, the Rehabilitation Specialist shall prepare itemized repair work specifications and an estimate of costs to complete the repairs. The City shall use the Section 8 Housing Quality Standards and any applicable City building codes in determining the scope of work to be completed. A copy of the specifications write-up and estimated cost shall be provided to the homeowner(s).

#### **4.6 BIDDING PROCESS**

The homeowner shall be responsible for securing bids from licensed contractors. The City may provide a list of contractors interested in bidding on work funded by the Program, but the City shall provide no recommendations regarding contractors.

All bids must be submitted on the City's forms. A minimum of three bids is required, unless an exception to this requirement is approved by the Housing Program Manager due to urgent need.

The homeowner shall contact the City once they have obtained a sufficient number of bids. The homeowner is responsible for requesting and checking references.

#### **4.6 CONTRACTOR SELECTION**

The homeowner will indicate to the City which contractor they wish to perform the work. In the event that the selected contractor is not the lowest bidder on the job, the homeowner must provide a

compelling reason (e.g., the low bidder cannot start work for several weeks) and the contractor selection must be approved by the Housing Program Manager.

The City will contact the selected contractor to obtain:

- A. A copy of Certificate of Insurance (i.e. top binder page showing policy limits) meeting the City's requirements.
- B. State of California contractor's license number.
- C. W-9 form.
- D. Copy of business license, if the contractor has a physical location in the City.
- E. At least two (2) references for similar work performed in the past.

Contractors must meet all insurance requirements set forth by the City and be appropriately licensed by the State of California. Contractors listed as debarred on the Excluded Parties List System (or successor list) by the federal government shall be ineligible.

Participants shall not receive a loan to perform work on their own homes. Participants also shall not contract with any firm employing any person related to any member of the household.

#### **4.7 CONSTRUCTION CONTRACT**

The City shall prepare a Home Improvement Agreement between the selected contractor and the homeowner, in an amount not to exceed the bid plus a ten (10) percent contingency or the loan maximum, whichever is less. A copy of this contract shall be provided to the homeowner and contractor for review.

Participant shall not enter into any other agreement with the contractor (verbal or written) during the active term of the Home Improvement Agreement.

#### **4.8 LOAN DOCUMENTS**

After the Home Improvement Agreement execution, the City shall prepare the necessary loan documents for the homeowner's signature. These shall include:

- A. Loan Agreement
- B. Promissory Note
- C. Deed of Trust
- D. Notice of Right of Rescission
- E. Fair Lending Disclosure
- F. Notice to Proceed

The Loan Agreement and the Deed of Trust shall be recorded in order to secure the loan.

The Notice to Proceed shall be issued after all loan documents are fully executed and recorded, and after the rescission period has ended. Repair work may begin immediately after the Notice to Proceed is issued. The contractor shall have thirty (30) days from the date of the Notice to Proceed to complete the work, except when hazardous conditions exist and the timeframe may be shortened.

#### **4.9 CHANGE ORDERS**

A change order must be executed for any deviation, addition, or deletion made to the original job specification. The change order must be signed by the contractor, the City, and the homeowner prior to the work modification being undertaken. Since change order requests add to the administrative cost of a project, they should be held to a minimum and only those changes necessary for proper job completion should be considered. Even if no money is involved in a change, a change order must be executed. Each change is a modification of the contract and must be documented and approved.

#### **4.10 WORK COMPLETION**

At the completion of the project, the Rehabilitation Specialist shall conduct a final walk-through with the homeowners and contractor to address any outstanding items. Upon completion of work and a final inspection by a City building inspector, if required, a Notice of Completion shall be signed by the building inspector, the rehabilitation specialist, and the homeowner.

#### **4.11 DISBURSEMENT**

The City shall disburse funds to each contractor one (1) time. The disbursement may only take place after all work has been performed, the final inspection completed, an unconditional lien release received from the contractor and any subcontractors, and the lead-based paint clearance achieved, if necessary. Construction disbursements cannot be released without the signatures of the homeowner, contractor, and the City's Housing Program Manager. Every effort shall be made to disburse funds within two (2) weeks of the final inspection, assuming all work is satisfactorily completed.

### **5 HOMEOWNER AND CONTRACTOR RESPONSIBILITIES**

#### **5.1 HOMEOWNER RESPONSIBILITIES**

The homeowner shall be responsible for paying any costs above the loan amount and the ten (10) percent contingency, when a contingency is included.

The homeowner shall be responsible for the day-to-day management of the repair work. This will include providing the contractor with access to all areas of the home where repairs are taking place, removing belongings from work areas, and letting the contractor know if there is a problem with the work. The homeowner shall pay for water, heat, and utilities necessary for the proper execution and completion of the repairs. The homeowner and other household members should expect to be mildly inconvenienced by the work in progress and by the presence of the workers. The homeowner is expected to coordinate various inspections with the Housing Program Manager and/or Rehabilitation Specialist.

#### **5.2 CONTRACTOR RESPONSIBILITIES**

The contractor shall supervise and direct the work using his/her best skill and attention, and shall maintain a professional appearance while completing the work. The contractor is responsible for all means, methods, techniques and construction procedures and for coordinating all portions of the project. The contractor shall also ensure the appropriate conduct of his/her employees, and shall not employ any person unskilled in the task assigned.

The contractor shall provide and pay for all labor, materials, equipment, tools, construction equipment and machinery, transportation and other services or facilities necessary to execute and complete the work unless otherwise noted in the contract documents. The contractor is responsible for giving all

notices and complying with all laws, ordinances, rules, regulations, and orders regarding the work issued by any public authority including all permits, fees, and licenses necessary to complete the work.

The contractor shall keep the worksite free from any accumulation of waste materials or rubbish. At the completion of the work, the contractor shall remove all waste materials from the worksite, along with all of his/her tools, construction equipment, machinery, and surplus materials.

The contractor shall warrant that all materials and equipment incorporated in the work will be new, unless otherwise noted in the contract documents. Additionally, the contractor shall warrant that all work will be of good quality, free from faults and defects, and in conformance with the specifications in the contract. Any work not meeting these standards shall be deemed defective, and it will be the contractor's responsibility to remedy any problems arising from poor workmanship.

## **6 LEAD-BASED PAINT**

Federal regulations require recipients of rehabilitation assistance to abide by a lead-based paint policy, which has varying requirements based on the cost of the repairs. The policy applies only to homes built prior to 1978, and only in cases where a painted surface is disturbed by the repair work.

### **6.1 EMERGENCY ACTIONS**

As per 24 CFR 35.115, emergency actions immediately necessary to safeguard against imminent danger to human life, health or safety, or to protect property from further structural damage (such as when a property has been damaged by a natural disaster, fire, or structural collapse), are exempted from lead-based paint requirements. However, occupants shall be protected from exposure to lead in dust and debris generated by such emergency actions to the extent practicable. This exemption applies only to repairs necessary to respond to the emergency. Lead-based paint requirements shall apply to any work undertaken subsequent to, or above and beyond, such emergency actions.

### **6.2 NOTICING**

Occupants of housing units constructed prior to 1978 shall receive the following notifications:

- A. The Lead-Based Paint Hazard Information Pamphlet published by the EPA (Environmental Protection Agency)/HUD/Consumer Safety Commission, entitled "Protect Your Family from Lead in Your Home." The homeowner shall be required to sign a document stating that he/she has received the pamphlet.
- B. If lead-based paint hazards are found through testing or if presumption is used, a pamphlet entitled "A Notice of Lead Hazard Evaluation or Presumption" shall be provided to the loan recipient no later than fifteen (15) days after a lead hazard evaluation report has been received and lead-based paint or lead-based paint hazards have been found.
- C. If lead-based paint hazards are found through testing or if presumption is used, occupants shall be notified of any lead hazard evaluation results and of the hazard reduction activities and clearance. A pamphlet entitled "Abatement of Lead Hazards Notification" shall be provided at least five (5) days prior to starting work.

### **6.3 SAFE WORK PRACTICES**

In general, safe work practices minimize the spread of leaded dust, paint chips, soil, and debris.

Safe work practices must be observed by all contractors when the area of disturbed paint exceeds twenty (20) square feet on exterior surfaces, two (2) square feet in any one interior room or space, or

ten (10) percent of the total surface area on a type of component with a small surface area (e.g. window sill, baseboard). These levels are considered the de minimis levels.

Safe work practices include using accepted methods of paint removal, observing appropriate occupant protection and worksite preparation methods, and employing specialized cleaning methods.

#### **6.4 CLEARANCE**

If a painted surface exceeding the de minimis level is disturbed, worksite clearance is required. The clearance examination must be performed by a certified risk assessor or a certified lead-based paint inspector. Clearance examinations must include a visual assessment, dust sampling, submission of samples for analysis for lead, interpretation of sampling results, and preparation of a report.

If clearance is not achieved, all surfaces with a failed clearance sample shall be re-cleaned or treated by hazard reduction, and retested, until the applicable clearance level is met. Final payment shall not be disbursed until clearance of all worksite areas is achieved.

The Rehabilitation Specialist shall take before and after photographs of the area where lead-based paint work is taking place.

#### **6.5 PROPERTIES RECEIVING NO MORE THAN \$5,000**

Homes built prior to 1978 may be tested for or presumed to have lead-based paint, and proper noticing is required. Before work begins, the homeowner shall receive two (2) pamphlets, one entitled "Protect Your Family from Lead in Your Home" and the other entitled "A Notice of Lead Hazard Evaluation or Presumption." Both pamphlets are available from the Environmental Protection Agency. The homeowner shall sign a document stating that he/she received these pamphlets.

Lead-based paint practices shall include repairing surfaces disturbed during rehabilitation, observing safe work practices, and obtaining clearance of the work site.

#### **6.6 PROPERTIES RECEIVING MORE THAN \$5,000 BUT LESS THAN \$25,000**

Homes built prior to 1978 may be tested for or will be presumed to have lead-based paint, and proper noticing is required. Before work begins, the homeowner shall receive two (2) pamphlets, one entitled "Protect Your Family from Lead in Your Home" and the other entitled "A Notice of Lead Hazard Evaluation or Presumption." Both pamphlets are available from the Environmental Protection Agency. The homeowner shall sign a document stating that he/she received these pamphlets.

Before rehabilitation begins, a risk assessment shall be performed for the interior and the exterior of the home. The risk assessment shall be completed by a certified risk assessor or a certified lead-based paint inspector, and will conform to accepted standards of lead hazard issued by the EPA. The results of the risk assessment shall be provided to the homeowner.

If the results of the risk assessment show a lead hazard, or if presumption is used, interim controls of lead-based paint hazards identified in a risk assessment shall be conducted. Interim control measures include paint stabilization of deteriorated paint, treatments for friction and impact surfaces, dust control, and lead-contaminated soil control. Interim controls may be performed in combination with, or be replaced by, abatement methods.

The person performing the interim controls must have completed a HUD-approved course on lead-based paint abatement or be supervised by a certified lead-based paint abatement supervisor.



Interim controls will cover the following:

- A. Paint stabilization – Any defect in a component (e.g. plaster, siding) will be repaired before paint stabilization controls are carried out. Loose paint and/or loose materials will be removed from the surface and the surface will be prepared using an acceptable method. The surface may then be painted.
- B. Friction and impact surface – Friction and impact surfaces may include window systems, doors, baseboards, drawers and cabinets, and interior floors. The treatment should stop the surface from being further abraded or impacted (e.g. by installing a doorstop, by rehangng a door). Painting an impact or friction surface without first removing the lead-based paint is an insufficient interim control.
- C. Chewable surfaces – Chewable surfaces are required to be treated only if a child under the age of six (6) is known to have chewed the surface, and if lead-based paint is present on the surface.
- D. Dust-lead hazard control – Methods for dealing with dust-lead hazards are covered extensively in HUD manuals, but include covering rough surfaces with a smooth, easily cleanable surface (e.g. linoleum) and vacuuming carpet with a HEPA vacuum.
- E. Soil-lead hazards – Soil-lead hazards may be treated by covering the affected surface with an impermanent covering (e.g. gravel), or, if reasonable, by using land use controls which control access to the affected area (e.g. fencing).

As with all work where lead-based paint is known or presumed to exist, safe work practices must be observed and clearance of all worksites must be obtained.

## **7 GRIEVANCE PROCEDURE**

Any Program applicant has the right to appeal if their application is denied. In addition, during pre-construction, construction, and post-construction periods, the borrower has a similar right to have any disputes heard and resolved.

The contractual obligation for rehabilitation is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:

**Stage 1:** Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each will give the other an opportunity to respond or correct the problem.

**Stage 2:** If the Stage 1 attempt fails, the homeowner or contractor may ask City staff to informally intervene. This intervention might include telephone calls to the contractor or homeowner, meetings at the job site or in the office, or other actions as appropriate, including such things as the establishment of written working guidelines or other post-contractual agreements. It must be recognized that at this point the homeowner may wish to utilize other options, including contacting the Contractor's State Licensing Board and submitting a complaint.

**Stage 3:** Any controversy between the parties that cannot be settled through the informal intervention process outlined above shall be submitted to binding arbitration. Costs of the arbitration will be borne by the party failing to make his case, or subject to the terms of the arbitration agreement.

- The parties shall attempt to agree on a single arbitrator to hear the dispute. If they cannot agree, the Planning Director of the City of Elk Grove shall appoint an arbitrator. The costs of the arbitration shall be subject to the terms of the arbitration agreement.
- The arbitration shall be conducted in accordance with the rules of the American Arbitration Association then in force. The parties expressly agree that the arbitration shall be subject to and governed by the Federal Arbitration Act, Title IX, USC 1 et seq.

## **8 AMENDMENTS**

Minor amendments to these Program guidelines may be approved by the Housing Loan Committee. Amendments changing the income requirements, maximum loan amount, interest rate, loan forgiveness schedule, or eligible types of repair shall be approved by the City Council.