

CITY OF FRESNO
Targeted Area Rehabilitation Program
Policies and Procedures Manual

PROGRAM OVERVIEW

The Targeted Area Rehabilitation Program (hereinafter referred to as "Program") is funded with the U.S. Department of Housing and Urban Development (HUD), Home Investment Partnership Program (HOME). The program provides eligible homeowners up to \$65,000 of rehabilitation assistance in the form of a grant ~~and deferred forgivable zero percent interest loan.~~ The program is available to eligible owner-occupied homeowners with incomes at or below 80% of area median income. Funds will be used to provide interior and exterior rehabilitation. The program will operate within specific boundaries in southwest, southeast and central areas of Fresno (see Exhibit A: map of target areas) The Housing and Community Development Division staff will administer the application eligibility process, rehabilitation approval and monitor Subrecipient Agreement entered into with Fresno Economic Opportunities Commission (FEOC) (herein referred to as "Subrecipient").

The following are threshold requirements for program eligibility:

1. Single family (1 unit) home or condominium located in one of the designated targeted rehabilitation areas.
2. Qualify as a low-income household, based on gross household income and household size, as established by HUD (24 CFR Part 5)
3. Ownership and Occupancy
4. Credit Review
5. After Rehabilitation Value that does not exceed 95% of area median purchase price as determined by HUD. ~~Loan to Value that does not exceed 90% of the after rehabilitation value. The Housing Manager has the discretion of approving loan to value not to exceed 120% based on the repair needs of the home and the condition of the neighborhood.~~

PROGRAM TERMS

Eligible homeowners may be granted up to \$~~1065,000~~ in the form of a grant ~~for health and safety repairs posing an imminent danger. The maximum loan amount for rehabilitation of homes that contain at least one is up to \$55,000; the minimum loan amount is \$6,000. Homes that do not have~~ imminent health and safety issue. The

~~home must remain owner-occupied for a period of five (5) years following completion of the projects may receive a deferred forgivable loan up to \$65,000.~~

~~The loan shall be provided in the form of zero percent interest deferred forgivable loan. Fifty percent (50%) of the loan will be forgiven after five years from the project completion date. The balance shall be forgiven in fifteen (15) years from the project completion, if the home is still the principal residence and there has been no sale, transfer or change of title.~~

~~****HOME REGS~~

~~◆ There are no long-term affordability or occupancy requirements associated with rehabilitation assistance to owner occupants.~~

ELIGIBLE REPAIRS

Eligible repairs include health and safety, correction of code violations, compliance with local ordinances, weatherization, disabled accessibility, energy efficiency and general property improvements.

INITIAL CONTACT

Staff will identify properties located within targeted rehabilitation areas that have clusters of deficiencies. Properties from the previous rehabilitation waiting list and homes located in the clusters not currently on the waiting list that will enhance revitalization efforts in neighborhoods will be targeted for the program. Persons interested in the program may call the City at (559) 621-8300 to obtain additional information regarding the program.

PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with 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 and Subrecipient will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

SECTION 504

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 and Subrecipient will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

The City and Subrecipient shall not discriminate against any persons on basis of race, color, ancestry, national origin, religion, sex, age, marital status, family status, source of income/rental assistance subsidy, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), sexual orientation, or any other arbitrary basis account of, race, religion, sex, family status, age, handicap, or place of national origin in its performance of this Agreement and the completion of the Project.

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CONFLICT OF INTEREST

No member of the governing body of the locality and no other official, employee, or agent of the local government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable Federal Regulations Title 24 Section 84.42 for HOME funded projects and Title 24 Section 570.611 for CDBG Funded projects.

APPLICATION INTAKE PROCESS

Appointments will be made to determine preliminary eligibility and to complete a program application; staff may deliver applications to interested applicants.

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If the applicant requires special accommodation they must contact the Housing & Community Development Division to request assistance. If necessary, staff may go to applicant's home to obtain application and supporting documentation.

QUALIFICATIONS

Ownership Verification

Program only allows for owner-occupied properties to participate in the program. Units must be the owner's principal place of residence at the time the application is submitted. Applicants will be required to verify ownership interest in the property to be rehabilitated. Eligible ownership interest include: fee simple title, 99-year leasehold interest and equivalent form of ownership approved by HUD.

Owner Occupancy Verification

Applicants will be required to provide documents including, but not limited to, California Driver's License/Identification Card, income documentation, tax returns, and bank statements. If any discrepancies exist, further research and clarification or signed statements are obtained.

Owners on title that do not occupy the home must certify under penalty of perjury that they do not live in the home, do not contribute financially to the home and must provide proper documentation verifying principal residence.

Income Verification

Income eligibility is based on gross amount of income of all adult household members that is anticipated to be received during the coming 12 month period as defined by HUD in 24CFR Part 5, and may not exceed 80% of the area median income adjusted for household size. Prior years' tax returns do not establish anticipated income; current pay stubs should be used (2 months). It should be assumed that the current circumstances will continue for the next 12 months even when it is not clear that the type of income received currently will continue in the coming year, unless there is verifiable evidence to the contrary. When collecting income verification documentation, also consider any known or upcoming changes. Gross income from all sources must be used. This includes:

- Overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (before any payroll deductions).
- If an upcoming raise is shown on the Verification of Employment, it must be calculated as current income.
- Wages from a second job.
- The regular amount of periodic payments received from Social Security, Supplemental Security Income (SSI), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. These amounts should not be grossed up.
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
- Interest, dividends, and other net income of any kind from personal property. If the household net assets are in excess of \$5,000, gross income includes the greater of:
 - 1) the actual income derived from all the assets; or

- 2) 2.5% of the value of all such assets.

Income qualification for self-employed persons is based on prior year income tax returns. Net income plus depreciation from the operation of a business or profession will be used. Any withdrawal of cash or assets from the operation of a business will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

Income averaging is allowed **only** when the borrowers are seasonal employees with fluctuating incomes.

Household Size

For qualification purposes, "household size" shall be determined in the following manner:

- The owner will be requested to complete a Household Composition document which will identify persons who currently reside in the home. Income from household members 18 and over will be included as household income. Household members 18 and over must certify they occupy the home and provide income information.
- Separated spouses are counted as household members unless it is possible to properly document that the separation is permanent.

Credit Requirement

Credit review should indicate that the owner is not in danger of losing ownership or is habitually delinquent on mortgage payments;

County Property Taxes must be paid current;

Foreclosure proceedings or late mortgage payments that may appear as a pre-foreclosure status will not be eligible for funding;

Tax liens that encumber the property;

Judgments against the property;

Loan to Value Ratio Limit

~~The loan-to-value ratio for the program, when combined with all indebtedness secured by the property, including rehabilitation loan, cannot exceed 90% of the loan to value. The Housing Manager has the discretion of approving loan to value not to exceed 120% based on the repair needs of the home and the condition of the neighborhood.~~

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Maximum Value Limit

The after rehabilitation value of the home cannot exceed 95% of current median sales price of a single family home as provided by HUD (currently \$~~213457~~,000).

Insurance

Homeowners must have maintain fire insurance on the property in an amount at least equal to the replacement value of the home, ~~and name the City as additional mortgagee for the life of the loan period of affordability.~~****HOME does not require period of affordability.

Homes located in flood zones will not be considered for funding.

Continuation Endorsement

~~A continuation endorsement will be requested at the time loan grant documents are recorded to ensure no changes in title.~~

Relocation

Applicants in the Program agree to voluntarily move out of the home should it become necessary because of construction paid for or in part by the Program. The City will not provide any relocation benefits if such relocation is necessary.

Previous Rehabilitation Program Loans

Applicants who have previously received a rehabilitation loan may not be eligible for the program. Staff will review type of loan program and funding source to determine if eligible for the program. HOME funds may not be provided to a project previously assisted with HOME funds during the period of affordability.

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PROCEDURES

Application Intake

- Schedule appointment to review application and program requirements.
- Sign preliminary disclosures documents (see program checklist).
 - Household Composition
 - Owner Participation Agreement
 - Applicant Certification and Authorization
 - Fair Lending Notice
 - Receipt of The Lead Safe Certified Guide Renovate Right Pamphlet
 - Statement of Information (PIRT), if applicable
- Discuss type of rehabilitation work needed.
- Intake of supporting documents:
 - Source of Income (i.e. employer wages, retirement, social security, unemployment, child support, Cash Aid)
 - Tax Returns
 - Mortgage Statement
 - Bank Statements
 - Property Tax Statement
 - Homeowners Insurance Policy
- Applicant will authorize title search, ~~credit report~~, employment and/or income verification and mortgage verification, if applicable.

If all supporting documents are not received during the initial interview, the Real Estate Finance Specialist will provide a list to applicant of the additional information needed to determine program eligibility. If all supporting documents are not received within the additional 7 day time allotted, the application may be canceled.

Underwriting

Real Estate Finance Specialist will complete the following:

- Verify property is located within a designated targeted area.
- Check the Housing Database for any previous rehabilitation assistance.
- Run address in Front Counter and Metro Scan to determine year built, flood zone and Council District.

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- Verify owner-occupancy in the single family residence or condominium to be rehabilitated.
- Print map for location of property.
- Determine income: Income eligibility is based on gross anticipated income (24 CFR Part 5) and may not exceed 80% of the area median income adjusted for household size as published by HUD. Review Household Composition form to determine number of household members and complete Worksheet for Computing Income.
- Order a PIRT (Policy of Insurance of Record Title). Owner must be on title. Investigate conflicting information to clear title or request applicant to make the necessary correction. Owners who do not occupy the residence must certify under penalty of perjury and provide verification of residency.
- Order Corelogic RealQuest (realquest.com) report to determine estimated value of home.
- ~~Complete Loan to Value and After Rehabilitation Worksheet to ensure loan to value does not exceed 120% of the after rehabilitation value. The property value of the home and existing liens will determine the loan to value percentage.~~ The after rehabilitation value cannot exceed 95% of the median purchase price for the area, as published by HUD. The current property value information is obtained from RealQuest. ~~One third of the cost for repairs will be added~~ After Rehab appraisal will be used to determine the after rehabilitation value. Rehabilitation to address health and safety and code violations is not likely to add value to a property.
- Determine if insurance replacement value coverage is sufficient (square footage x \$105).

Submit file to Project Manager for review and approval before assignment to Housing Rehabilitation Specialist. Assign project number and input information into Housing Database.

Compile a folder for the Housing Rehabilitation Specialist: Housing Database Input Form, Front Counter, map and Metroscan.

Loan Documents

- ~~After approval of loan, schedule appointment for signing of loan documents.~~
- ~~Loan documents include the following HOME documents:~~
 - ~~Deed of Trust with Assignment of Rents~~

- Note
 - Truth in Lending
 - Notice of Default, if applicable
 - Notice to Customer (Rescission Notice, if applicable)
- Provide to customer a copy of all signed documents and two copies of the Notice to Customer. Notice to Customer provides homeowner with right to cancel transaction within three business days from signing of loan documents. If homeowner does not cancel transaction, staff will record documents with Fresno County Recorder's Office.
 - Deed of Trust and Request for Notice are copied and prepared for courier pick-up by PIRT office along with recording instructions. The PIRT office will review documents for completeness and issue a Continuation Endorsement.
 - At the end of the third day of the rescission period, email the title company requesting courier pick-up of the loan documents to be recorded.
 - The title company records on the next day and confirms recordation with an email.
 - Order Evidence of Insurance, City of Fresno must be named additional insured.
 - After confirmation of recordation, an email is sent to Housing Rehabilitation Specialist to authorize start of construction.
 - Title will issue Continuation Endorsement that has been requested on the recording instructions.
- Complete Finance Checklist and IDIS set-up form.

As progress payments are made, they are put in the file until construction is completed for completion of Cost Control and Lead Based Paint Worksheet.

At project closeout the Real Estate Finance Specialist will complete a Cost Control and Lead Based Paint Form.

Project Approval

Before construction begins the Housing Rehabilitation Specialist will submit a Project Approval Journal including signoff of historical review, Appendix A, Findings and Abatement/Treatment of Defective Lead Based Paint, Scope of Work, Change Orders, Bid and Proposal and Cost Breakdown to the Real Estate Finance Specialist.

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- Real Estate Finance Specialist will complete a Financial Summary, Lead Based Paint form and will submit to ~~the committee for loan~~ Project Manager for review and approval. Housing Manager and Project Manager review Financial Summary and sign for approval of project.

Construction and Bid Process

The Housing Rehabilitation Specialist will work with the Subrecipient on the construction process of the program.

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- Verify property information on Naviline program for information regarding code violations and building permits on the subject property.
- Coordinate property inspection appointment with owner and Subrecipient.
- Inspection of property and interview with property owner. A physical inspection is made to determine areas for health & safety, substandard building conditions, code violations and general property improvements.
- Take pictures of property and items of concern.
- Review and approve scope of work submitted by Subrecipient. Scope must indicate health and safety issues posing an imminent danger. Items repaired posing an imminent threat will be repaired from the grant portion of the program.
- Subrecipient will include findings from the following, when applicable:
 - LBP: Lead Based Paint Assessment on all structures built before 1978. A copy of the LBP Inspection Report is given to the homeowner.

Lead Based Paint Requirements: all units built prior to 1978 assisted with HOME funds must comply with the regulation implementation Title X of the 1992 Housing and Community Development Act (24 CFR Part 35).

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- Gas: inspection to determine the integrity of the gas supply, fittings, connections, pressure and safety of system.
- Termite: A complete termite inspection is made on the structure to determine infestation of termites, dry rot, mold and mildew. Garages,

outside structures and fences are also included. A clearance report must be obtained from the original inspecting company with a clearance certification provided.

- **Mold:** Mold and mildew inspections are required when it has been determined through visual inspection and/or determined from the termite findings report indicating need for remediation to areas of concern for health and safety reasons.
- Submit Subrecipient's approved scope of work, pictures of home to Historic Preservation Manager for review and approval. Projects located in the Fulton Lowell area may be reviewed by the Fulton Lowell Committee.
- Complete Appendix A form for Housing Manager's approval, only after Historical Clearance has been obtained. Attach EPA's EnviroMapper (www.epa.gov/enviro/emef), input address; zoom out 1 mile and select toxics, print.
- Subrecipient will set up a competitive bid process and work with owner to complete scope of work and bid process.

• Eligible Repairs:

Electrical

- Unsafe electrical panel/cover
- Unsafe electrical connections
- Exposed loose wiring
- Faulty electrical outlets
- Smoke Detectors/Light Fixtures
- Missing/inadequate GFCI's
- Missing electrical cover plates

Plumbing

- Leaking faucets
- Inoperable/broken/leaking toilets
- Leaking exterior water bibs
- Water heaters/venting/gas supply/seismic straps
- Damaged showers/bath tubs
- Faulty or damaged gas appliance connections

Mechanical

- Inoperable heaters
- HVAC inoperable/lack of heating
- Ducts with mold/mildew
- Exhaust fans Kitchen/Bath/Utility

Code Violations

- Trash/debris in house or on property
- Tires
- Tarp & pole structures
- Inoperable vehicles
- Weeds/overgrown trees & shrubs
- Recreational vehicle storage

Structural & General

- Standing water due to improper grading
- Leaking evaporative coolers
- Broken Windows
- Inoperable windows

Recommended Improvements

- Insulation
- Fluorescent lighting
- Window repair/replacement
- Weatherization improvements

- Sub-standard structures/foundations
- Missing or damaged window screens
- Water damage to floors/ceiling
- Deteriorated/leaky roofs
- Dry rot
- Mold/mildew
- Unsafe damaged/deteriorated fences
- Fence gates that won't open or close properly
- Trip hazards
- Insect infestation/animal droppings
- Blocked access to opening egress in house
- Blocked access to property side yards
- Lack of Off Street Covered Parking
- Structures or Conversions without proper permits
- Operable doors/locks/hardware/thresholds /weather stripping
- Disabled accessibility improvements
- Subrecipient will be required to ensure the following:
 - Sub-contractor will be checked against HUD's federally debarred list of contractors. No award will be granted to a sub-contractor on this list.
 - Sub-contractor must agree to comply with all federal and state regulations.
 - Sub-contractor must disclose any and all actual potential conflicts of interest with Grantee.
- Subrecipient will award bid to the most responsible bidder. If the selected bid is higher than the ~~loan-grant~~ amount the owner may contribute funds to the project to make up the difference or the owner may delete a line item provided it is not Health and Safety. The bid amount must 10% below the maximum ~~loan-grant~~ amount to provide for a contingency for unforeseen repairs. If the bid amount is lower than the maximum amount available for the program, the contingency portion shall not exceed 10% of the balance of the ~~loan-grant~~ funds available. The contingency amount shall only be used for unforeseen items related to the approved scope of work or health and safety items. Housing Rehabilitation Specialist will review bid for cost reasonableness and will provide Subrecipient a Notice to Proceed only after staff receives recording confirmation from PIRT

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office.

- The following information is submitted to the Real Estate Finance Specialist for completion of Application Summary and loan-grant documents:

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- Project Approval Journal
- Appendix A
- Findings and Abatement/Treatment of Defective Lead Based Paint
- Scope of Work
- Change Orders
- Bid and Proposal
- Cost Breakdown with contingency amount.

Real Estate Finance Specialist will ensure the income information has not surpassed the six months from the date loan-grant documents and contract is signed.

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- Subrecipient shall provide contract that includes the Owner/Contractor Agreement, General Conditions, Preconstruction Conference Responsibilities, Final Scope, Payment Schedule and Change Orders if applicable. Copies of the signed contract and scope of work are given to the owner and contractor after signing. All owners must sign the contract documents. Payment requests become part of the contract. The Notice of Completion is added at completion of the project.
- Inspections will be done at initial inspection, at time payment requests are made and at project completion. Log inspections dates and pertinent conversations related to the project.
- Indication of Problems at the first sign indicating that a project is not going well and there could be a potential problem; the Housing Rehabilitation Specialist should maintain detailed notes of all conversations and visits to the project site. Immediately bring concerns of discontentment to the attention Management with all available information to develop an immediate resolution.
- Change orders must be approved by City and signed by all parties before the Subrecipient may proceed with construction of any change orders.
- Verification of all permits issued for the project must be checked to ensure that the final inspections have been approved and signed off by the Building and Safety Division before the Notice of Completion is signed by the owner.
- Payments will be made to Subrecipient for eligible expenses. Rehabilitation Invoices must list the line items from the scope of work that are 100% complete with no "punch list" corrections and passed inspection by the Housing Rehabilitation Specialist. Invoices are given to Project Manager for processing

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and tracking. Compare bid with invoice to ensure there are no discrepancies. Project Manager will process payment to proper account, fund and org for PeopleSoft purposes.

- City will monitor Subrecipient's documentation demonstrating compliance with the Davis-Bacon Act.
- LBP Clearance Report is given to homeowner after the project is complete and a final clearance inspection report passes all tests of the line items involved in rehabilitation. If the property does not pass the clearance inspection. The contractor is responsible to correct and pay the costs for an additional inspection.
- Notice of Completion is signed when the project is 100% complete and inspected by the Housing Rehabilitation Specialist.
- All applicable sections pertaining to the project must be filled in on the Project Journal Form and included in the file.
- Rehabilitation work is guaranteed for one year from the date of project completion. Owner is to contact the contractor for items of concern. Manufactured warranties shall be given to the owner by the contractor.
- Rehabilitation file is given to the Real Estate Finance Specialist for closeout.

PURCHASE ORDER SET UP

In the event that a project begins at the end of the fiscal year a Purchase Order is prepared to ensure sufficient funds are available in the following fiscal year to pay for construction costs. Purchase Order is requested by submitting a memo along with copy of the executed contract to Management Analyst who will then submit to Finance Department. Include fund and org for funding source.

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IDIS

At completion of project, Project Manager pulls a PeopleSoft report for staff time charged to specific project and includes as project delivery on IDIS Set Up Form.

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MONITORING

All files shall be monitored by the Housing Manager quarterly. Annually, during the first five years following completion of the project, the Project Manager will ensure that the home is still owner-occupied. ~~Staff will perform annual monitoring procedures on all loans grants~~

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~~provided. The monitoring will consist of a letter that will be sent out once a year asking participants to verify that the rehabilitated home is still their principal place of residence, or other mean of verification as identified by the City. Monitoring will continue for a period of fifteen (15) years. After five years from project completion 50% of the HOME loan will be forgiven. At The period of affordability will end at the end of fifteen (15) years from the project completion the balance will be forgiven. At that time the Finance Department will request certification that the home continues to be the principal residence. When the form is returned to City, the Real Estate Finance Specialist will complete a Reconveyance for the HOME portion of funds and record with the Fresno County Recorder's Office. The original Note and Deed of Trust will be sent to the homeowner.~~

RECAPTURE

~~The amount of the payoff will be the amount of the contract plus applicable change orders. After five years from project completion 50% of the loan will be forgiven, the balance will be forgiven fifteen (15) years from project completion. Payment will be made directly to the City of Fresno. After final payment is received, the cancelled note and Deed of Trust will be sent to the paying agent for processing.~~

~~If any of the following events occur before fifteen (15) years from the date of project completion, the balance of the loan will be due and payable: 1) sale; 2) transfer of ownership; or 3) when the home is no longer the applicant's principal place of residence.~~

APPEALS

If an application is turned down the Real Estate Finance Specialist will mail a cancellation letter to applicant. The applicant may appeal, in writing, within ten (10) days after the occurrence. The appeal must clearly state the reasons for the appeal. The appeal will be filed with the Housing and Community Development Division Manager, who will review the appeal and respond within 15 days. If the appellant is not satisfied with that response, the appeal may be presented to the Development and Resource Management Department Director, or his designee, within thirty (30) days of the Division Manager's response. The Director will attempt to resolve the grievance within fifteen (15) days. The ruling of the Director will be final.

PROGRAM CLOSEOUT

The City reserves the right to close-out the Program once funds have been exhausted. Applicants on the waiting list will be notified in the event the program is closed-out for lack of funds.

AMENDMENTS TO PROGRAM RULES

The Fresno City Manager's office, and his/her designee(s), may change program requirements from time to time to meet program objectives. All changes will be required to meet HOME Program guidelines.

