

CONTRA COSTA COUNTY
Department of Conservation and Development
Neighborhood Preservation Program
Policies and Guidelines
(Adopted by the Board of Supervisors on _____, 2018)

I. INTRODUCTION

- A. This document sets forth policies for the Neighborhood Preservation Program (NPP) owner-occupied residential rehabilitation low-interest loan and grant program, as authorized by the Community Development Block Grant (CDBG) program (24 CFR Part 570).
- B. NPP is available throughout the CDBG Urban County, which is all of Contra Costa County, except for the cities of Antioch, Concord, Pittsburg and Walnut Creek.
- C. NPP has several housing rehabilitation target areas that are consistent with the CDBG Consolidated Plan Low Income Areas. The program is marketed to the target areas; however, all eligible households may apply. The current target areas are listed in Appendix A.

II. OBJECTIVES AND PRIORITIES

A. Primary Objective

The primary objective of the Neighborhood Preservation Program (NPP) is to assist in the maintenance of viable communities by providing decent housing and a suitable living environment in the community, for persons of low and moderate income¹, consistent with provisions of the CDBG program.

B. Specific Objectives

- 1. Eliminate slums and blight, and prevent blighting influences that cause the deterioration of property and neighborhoods.
- 2. Eliminate conditions that are detrimental to health, safety and public welfare by rehabilitating housing that does not meet building codes.
- 3. Stabilize and enhance older neighborhoods to encourage future investment from the private sector and from other public funds and programs.
- 4. Develop economically integrated communities to allow low and moderate-income residents to enjoy the benefits of economic revitalization.
- 5. Improve the energy efficiency of homes with improvements such as insulation, doors and windows.

To attain these objectives, the County has developed a financial assistance program consisting of low-interest loans and grants. The loans and grants must be used to

¹ See Appendix B for current income limits by household size. Appendix B will be updated with current annual income limits as they become available.

rehabilitate owner-occupied homes. Eligibility for loans is based on household income, ability to make an additional monthly housing payment, and home equity. The intent of the program is to reach the maximum number of households, while at the same time ensuring a maximum return on loans to make future assistance available to other households. Grants are provided to mobile home owners and eligible households who do not meet the minimum loan eligibility requirements in Section V.

As a condition of receiving a loan or grant, a homeowner must agree to allow the County to enter the premises and inspect the home to determine whether the rehabilitation work complies with building, housing and safety codes.

Once a homeowner receives a loan or grant commitment from NPP, the homeowner enters into a contract with an independent contractor to complete the rehabilitation project. The County is not a party to these contracts.

C. Priorities for Award of Loans and Grants

Applicants are first evaluated for a low-interest loan, and then for a grant. The program maximizes the use of loans in order to maintain its revolving fund for future program years. The origination of a combination low-interest loan and grant is permissive under these policies. An applicant can apply for program assistance one or more times, but the cumulative assistance grant or loan amount cannot exceed the maximum allowed under the current program guidelines.

Applications are evaluated and processed as received, based on the eligibility criteria and requirements stated in the following sections of these guidelines. The evaluation will consist of an initial determination of the eligibility of the applicant followed by a determination of the needed repairs of the structure. Financial assistance is awarded to applicants in the order in which their complete application materials are compiled for eligibility determination.

III. GENERAL PROPERTY REQUIREMENTS AND APPLICANT ELIGIBILITY

A. General Property Requirements

Owner-occupied single family structures, duplexes and some types of manufactured or mobile homes are eligible for rehabilitation loan or grant assistance, if the property

1. is in need of repair to eliminate hazardous conditions and/or other code violations,
2. is not in a FEMA designated flood zone pursuant to the National Environment Policy Act (24 CFR part 58) and Section 202(a) of the Flood Disaster Protection Act of 1973,
3. conforms with State and federal non-discrimination regulations when the second unit in a duplex is a rental property,

B. Applicant Eligibility

An eligible applicant is one who

1. is an owner-occupant of a single-family home, duplex², or manufactured/mobile home in need of the repairs listed in Section IV.B,
2. has owned and occupied the property for a minimum of six months prior to applying for NPP assistance,
3. has finalized/discharged from record any past bankruptcies, and whose court appointed trustee is no longer involved in the decision making process of homeowner transactions.
4. is a member of a household with a low (up to 50% area median income) or moderate income (between 51% and 80% AMI)³,
5. has assets that, for an elderly (age 62 or over) or disabled household, does not exceed \$100,000, and for a non-elderly household, has assets which do not exceed \$50,000. Assets include bank accounts, stocks, bonds, investments, and real estate holdings, but do not include the principal residence, its furnishings, defined retirement accounts for non-senior household, or up to two vehicles. Approved defined retirement accounts must not be accessible without penalty, and
6. if the owner of a duplex, agrees that (a) rents and other charges shall not be increased beyond the greater of actual increases in property taxes and assessments, or the percentage increase in the Bay Area cost of living index issued by the U.S. Department of Commerce; or (b) the second unit in the duplex to be rehabilitated is rented to a household utilizing the federal Section 8 Housing Choice Voucher Program.

IV. LOAN PROGRAM ELIGIBLE IMPROVEMENTS

Work and items of repair eligible under the program are completed as available funds allow, in the following order of priority:

- A. To make repairs and improvements necessary to the structure to correct health and safety hazards;
- B. To make other repairs and improvements as necessary, including the following:
 1. exterior painting
 2. physical modifications designed to improve the mobility of handicapped or elderly persons;
 3. improvements to conform to code standards applicable to existing residential structure to ensure safe, decent, and sanitary housing;

² For the purposes of NPP, duplex is defined as one structure with two living units or two single-family structures on one parcel.

³ Income levels are defined as a percentage of the area median income (AMI) for the Oakland Primary Metropolitan Statistical Area as adjusted for household size and defined by the U.S. Department of Housing and Urban Development (HUD).

- C. To correct any incipient deficiencies which would make it difficult for a structure to be brought to and readily maintained at code standards;
- D. To replace built-in cooking appliances when required for safety reasons;
- E. To enlarge a room or finish an attic or basement in order to alleviate a condition of overcrowding, as specified in Chapter 5 of the Uniform Housing Code;
- F. To remove unrepairable secondary buildings, structures, and other blighting influences located on the property; which may include the repair or replacements of dilapidated fencing;
- G. To make other general property repairs and/or improvements if funds are available and when the amount spent does not exceed 40 percent of the loan amount up to a maximum of \$20,000. General repairs or improvements are not allowed under the grant program described in Section V, below.

V. REHABILITATION LOAN AMOUNTS, TERM, AND SECURITY

A. Loan Amounts

- 1. The maximum amount for a rehabilitation loan shall not exceed \$70,000 for a single-family dwelling. The maximum rehabilitation loan amount may be exceeded up to \$85,000 on a case-by-case basis to correct extremely serious health and safety issues, address unforeseen issues that arise during construction, and make accessibility improvements, as recommended by the NPP Principal Building Inspector, and approved by the Director of the Department of Conservation and Development, a Deputy Director, or Assistant Deputy Director.
- 2. The loan maximums specified above are subject to the following allowances and limitations:
 - a. General property repairs or improvements as allowed under Section IV.G cannot exceed 40 percent of the loan amount up to a maximum \$20,000.
 - b. The rehabilitation loan plus existing indebtedness against the property shall not exceed 90 percent of the appraised after-improvement value of the property at the time the loan is approved.
 - c. The County loan must be first or second lien position, with the exception of government issued purchase assistance or home preservation loans (i.e. down payment assistance loans from a city or state homebuyer or homeowner assistance program) and Property Assessed Clean Energy (PACE) program liens.
 - d. The County loan may not be subordinate to a reverse mortgage.
 - e. The County may subordinate an existing NPP loan to a new first mortgage loan when the homeowner is refinancing the loan for a more affordable mortgage. The County does not allow a 'cash-out' refinancing unless the NPP loan is being repaid.

B. Low-Interest Loans

- a. Low-Interest Loans are subject to one percent simple interest rate.

- b. If the homeowner can afford a monthly payment that will not cause total housing costs (principal, interest, taxes, and insurance) to exceed 35 percent of their monthly income, the Low Interest Loan will be amortized over the term with monthly payments due to the County.
- c. If the homeowner cannot afford monthly payments and/or are very-low income (50% AMI or less), the Low-Interest Loans will be deferred for the term of the loan.

C. Security Requirements

Loans must be secured by a Deed of Trust.

D. Loan Terms

1. The initial term of the loan is 30 years for deferred loans and 15 years for amortizing loans.
2. A borrower with a deferred loan may request an extension of an additional 15 years if they are low or moderate income at the maturity of their loan. The loan may be deferred for another term, or converted to an amortizing loan.
3. An amortizing loan may be converted to a deferred loan if the borrower's income has decreased and the borrower can no longer afford monthly payments.
4. Loans are due and payable with interest upon sale or transfer of the property or if the home should cease to be owner occupied. Transfers that do not require repayment of the loan include the following:
 - a. transfer to an existing spouse or domestic partner who is also an obligor under the note,
 - b. transfer to a spouse or domestic partner where the spouse or domestic partner becomes the co-owner of the Property,
 - c. transfer between spouses as part of a marriage dissolution proceeding,
 - d. transfer to an existing spouse, domestic partner, or income-eligible child of borrower by devise or inheritance following the death of borrower, or
 - e. transfer by borrower into an inter vivos trust in which borrower is the beneficiary

Requests for exemption from a loan payment due to any of the above transfer exclusions must be accompanied with the legal documents that established the change of ownership (i.e. divorce decree, death certificate, quit claim and/or trust).

5. Loans may be pre-paid in part or in whole at any time and without any penalty.

VI. HOUSING REHABILITATION and LEAD-BASED PAINT HAZARD CONTROL GRANTS

A. Introduction

Rehabilitation grants will be provided only to low and moderate income households who do not qualify for a loan due to insufficient equity in their home and owners of mobile homes. Repairs funded by grants are limited to correcting items that pose urgent health and safety threats. Grants may not be used for general repairs or improvements.

Grants up to \$5,000 for lead-based paint hazard control will be made to low and moderate income households who are living in a home built prior to 1978 and receiving a loan or grant through NPP.

B. Eligible Repairs

1. Work and items of repair eligible under the rehabilitation grant program are to be completed as available funds allow, in the following order of priority:
 - a. To make repairs and improvements necessary to the structure to correct health and safety hazards;
 - b. To make other repairs and improvements to correct extreme structural deficiencies, which may include:
 - i. exterior painting
 - ii. physical modifications designed to improve the mobility of handicapped or elderly persons
 - iii. improvements to conform to code standards applicable to existing residential structure to ensure safe, decent, and sanitary housing; and
 - d. To correct any incipient deficiencies which would make it impossible for a structure to be brought to and readily maintained at code standards.
 - e. To improve energy efficiency of the dwelling through additional insulation, new windows and exterior doors, and other similar improvements.
2. Lead-based paint grants may only be used for costs associated with lead-based testing and remediation.

C. Grant Amounts

1. The maximum rehabilitation grant amount is \$10,000 for a mobile home or \$15,000 for a single-family dwelling.
2. The maximum rehabilitation grant amount may be exceeded on a case by case basis to correct serious health and safety issues as determined by the Director of the Department of Conservation and Development, a Deputy Director, or Assistant Deputy Director.
3. The maximum lead-based paint grant amount is \$5,000.

4. An applicant may receive both a rehabilitation grant and a lead-based paint grant.

VII. ADMINISTRATION

Implementation and administration of the NPP is the responsibility of the Contra Costa County Department of Conservation and Development.

VIII. APPEALS

Any persons, firm, partnership, or corporation aggrieved by a decision pursuant to the policies of the NPP shall be afforded an opportunity for review of that decision by the Director of the Department of Conservation and Development, or designee. Upon review of the case a final decision will be rendered by the Director, subject to appeal to the Board of Supervisors, under the appeal procedures in Title 1, Chapter 14-4 in the County Ordinance Code.

APPENDIX A

Target Areas

Cities –

Martinez

Oakley

Pinole

Richmond

San Pablo

Unincorporated County –

Bay Point

Bayview-Montalvin Manor

Byron

Crockett

East Richmond Heights

El Sobrante

Knightsen

Mountain View

North Richmond

Pacheco

Port Costa

Rodeo

Rollingwood

Tara Hills

Vine Hill

APPENDIX B
2018 Income Limits

| | Extremely Low (30%AMI) | Low (50%AMI) | Moderate (80%AMI) |
|----------|-------------------------------|---------------------|--------------------------|
| 1 Person | \$24,400 | \$40,700 | \$62,750 |
| 2 Person | 27,900 | 46,500 | 71,700 |
| 3 Person | 31,400 | 52,300 | 80,650 |
| 4 Person | 34,850 | 58,100 | 89,600 |
| 5 Person | 37,650 | 62,750 | 96,800 |
| 6 Person | 40,450 | 67,400 | 103,950 |
| 7 Person | 43,250 | 72,050 | 111,150 |
| 8 Person | 46,050 | 76,700 | 118,300 |