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**Redevelopment
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Staff Report

ITEM
NO. 10

To: Redevelopment Agency Board
From: Brooke Austin, Housing Specialist
Date: April 6, 2011
Subject: Multi-Family Substantial Rehabilitation Program

Discussion:

Members of the Board have mentioned on several occasions their desire to preserve existing multi-family complexes rather than construct new complexes. As you may recall, the Board approved a Multi-Family Rehabilitation Loan Program for complexes of 2 to 10 units in 2010 and that program is now underway (see the attached program guidelines). In an effort to improve the conditions of all multi-family rental units in Lemoore, the Board has recommended that proceeds from the 2011 Tax Allocation Bond be used to implement a Multi-Family Substantial Rehabilitation Program.

The current program for small complexes provides up to \$10,000 per unit with a maximum loan of \$100,000 for repairs and/or improvements. Assistance is only available to owners whose tenants are at or below the low income level. This program is not considered substantial rehabilitation; therefore, units assisted with this program do not count toward our housing production requirement.

According to Health and Safety Code 33413 (b)(2)(iv), "substantial rehabilitation" means rehabilitation, the value of which constitutes 25 percent of the after rehabilitation value of the dwelling, inclusive of the land value. Units that are substantially rehabilitated require that the units remain available at affordable housing cost to, and occupied by, persons and families of low or moderate income for 55 years. In addition, because of the funding used for this program, assistance will be provided in the form of a grant.

Staff has researched similar programs offered by other jurisdictions to design the new program. We have found several cities that have multi-family rehabilitation programs. All of the programs are provided for complexes of two or more units, with assistance ranging from \$7,000 - \$30,000 per unit. Assistance is provided in the form of a loan with terms ranging from five to fifty-five years bearing 0%-5% interest, some with payments deferred and/or forgivable. The required landlord match ranges from 10% to 100%. In addition, staff has spoken with a few landlords of larger complexes that would be interested in this type of program. They have been invited to attend the meeting Tuesday evening to share their thoughts with you.

As stated previously, the assistance would have to be provided in the form of a grant. Grants could be made available for \$20,000 per restricted unit, with the maximum grant amount based on the total number of units in the complex that will be restricted. The landlord would be required to provide a 25% match of the grant amount. In order for a complex to be assisted with this program, the repairs and improvements made must qualify as substantial rehabilitation. Staff proposes restricting 20% of the assisted units to very low income rents and the remaining assisted units to low income rents. This will require annual monitoring of the units to verify that they are remaining affordable to and occupied by low to moderate income families.

Landlords will indicate their desired repairs and improvements on the application. However, once an application is received, staff will inspect the property and each unit. In order for a project to be eligible, all housing quality standards violations must be addressed. Attached is a list of items inspected to insure each unit meets housing quality standards. In addition, Landlords must be participants in the Crime Free Multi-Family Housing Program offered by the Lemoore Police Department.

Due to the fact that staff just recently began accepting applications and obtaining repair estimates for the current loan program, staff has not experienced the average costs of repairs for multi-family complexes. Staff would recommend administering the current program for several months prior to approving the guidelines for the new program to ensure that the amounts proposed are sufficient.

Budget Impact:

None at this time; however, once approved tax allocation bond proceeds will be allocated to this program.

Recommendation:

Discussion Only. Board should direct staff on how they would like the program to be implemented.