

City of Lemoore Redevelopment Agency Multi-Family Rehabilitation Grant Program Guidelines

The Multi-Family Rehabilitation Grant Program has been implemented in an effort to improve and preserve the community's supply of very low to moderate income housing, and hopefully serve as a catalyst for improvements to adjacent properties. The Program provides an opportunity for multi-family property owners where at least 51% of tenants' incomes do not exceed the low income level to perform substantial rehabilitation to their units. The rehabilitation may include code improvements, health and safety repairs, accessibility improvements, energy efficiency upgrades and exterior improvements. Grants are available from \$15,000 - \$25,000 per unit dependent on unit affordability.

How to Qualify:

- The applicant must own the property to be rehabilitated.
- The property must contain at least two units and be located in the City of Lemoore.
- Tenants of assisted units must have a combined annual household income that does not exceed the moderate income limit for Kings County. At least 51% of the units must be occupied by tenants whose income does not exceed 80% of area median income for Kings County. Annual income is defined in 24 CFR, Part 5.
- The property owner(s) must contribute at least 50% of the total approved project costs.
- The property owner(s) must demonstrate credit worthiness by means of a recent credit report with a credit score of 650 or above and review of financial documents.
- The property owner(s) must not have previously used the Multi-Family Rehabilitation Program for the property.

The current income limits, according to the State Department of Housing and Community Development, are as follows:

Household Size	Income Level		
	Very Low (50%)	Low (80%)	Moderate (120%)
1	\$20,050	\$32,050	\$48,050
2	\$22,900	\$36,600	\$54,900
3	\$25,750	\$41,200	\$61,800
4	\$28,600	\$45,750	\$68,650
5	\$30,900	\$49,450	\$74,150
6	\$33,200	\$53,100	\$79,650
7	\$35,500	\$56,750	\$85,150
8	\$37,800	\$60,400	\$90,600

How It Works:

A Notice of Funding Availability (NOFA) will be released. All completed applications received by the NOFA deadline will be reviewed based on the information submitted, the project's current conditions, the grant amount requested and the level of rehabilitation and affordability proposed. Recommended projects will be presented to the Redevelopment Agency Board for approval. Proposals received after the NOFA deadline may still be considered for funding if the project is viable, meets Program guidelines, addresses City/Agency priorities and funds remain available after the first review process or if funds become available due to negotiation or contractual failure of a previously funded project.

Grants will be available based on the level of affordability proposed. The maximum grant amount is \$25,000 per very low income unit, \$20,000 per low income unit and \$15,000 per moderate income unit assisted with the Program. There is a dollar-for-dollar match required from the owner, so the owner will be required to pay for at least 50% of the total project costs.

Funds must first be used to finance repairs necessary to correct any impending safety or health hazards, threats of physical danger or deteriorating structural damage. Then funds can be used to finance accessibility improvements for the disabled, weatherization and energy efficiency updates, exterior improvements to enhance the appearance of the units from the street and general unit improvements. However, each project must be considered substantial rehabilitation by increasing the after rehabilitation value by at least 25% over the pre-rehabilitation as-is value. Rehabilitation must be conducted in accordance with Exhibit A – Rental Property Minimum Construction Standards.

Once applications are reviewed, staff will determine which projects to recommend to the Redevelopment Agency Board for approval. Staff will work with the owners of recommended projects to obtain the following information, which will be included in the final analysis: 1) a preliminary title report; 2) an appraisal that includes the "as-is" and "post-rehabilitation" values; 3) a Rehabilitation Assessment to determine the conditions and remaining useful life of the building's major components, including but not limited to electrical, plumbing, HVAC, foundation and roofing and that the scope of the rehabilitation work identified in the application matches the findings of the Assessment; 4) for projects built before 1979, a lead-based paint report and an asbestos assessment completed within the last 12 months; and 5) a pest report completed within the previous 6 months. If the reports show repairs necessary, these costs must be included in the construction budget and scope, and clearance reports will be required at the conclusion of construction.

Once a project is approved by the Board, staff will work with the applicant for the project to coordinate the procurement process. Rehabilitation contracting will be done on a competitive basis. The property owner will be the responsible party; however, Program staff will prepare and advertise the Request for Bids Package, and assist the property owner in selecting a contractor and executing a construction contract.

Contractors must have both a California State Contractor’s License and a City of Lemoore Business License. In addition, if it is determined that lead or asbestos abatement must be done, the owner must hire a contractor who has been certified by the Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD) as qualified to do this type of abatement. Contractors must have public liability and property damage insurance, worker’s compensation, unemployment and disability insurance, to the extent required by law.

Once the contractor selection and the contract price have been approved, a Regulatory Agreement and Declaration of Restrictive Covenants and a Notice of Affordability Restrictions will be executed and recorded against the property. The recorded documents require that the units remain affordable to and occupied by income-qualified applicants for 55 years. Rents will be restricted to the applicable very low to moderate rent limits during the term of affordability. The table below indicates the current affordable rent rates based on income level. All projects must include at least 20% of its units affordable to and occupied by very low income households.

The 2011 Affordable Rents (with deduction for average utility allowances) as outlined for this Program are as follows:

Income Level	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Very Low	\$ 505	\$ 565	\$ 625	\$ 667
Low	\$ 620	\$ 694	\$ 768	\$ 822
Moderate	\$ 963	\$1,080	\$ 1,197	\$ 1,285

In addition, rents may not be increased until a tenant’s current lease expires. A 30-day written notice is required for any rent increase of less than 10%. Rent increases of 10% or more require a 60-day written notice. Written notices of rent increase must be provided to the resident and the City Housing Specialist at 119 Fox Street, Lemoore, CA 93245. Rent increases of more than 10% require the submittal of a documented increase in expenses to substantiate the increase. All rent increases of more than 10% must be approved in writing by the Agency.

In addition to the affordability restrictions, the owner must agree to maintain reserve accounts for the project. Reserve accounts are required for the long term maintenance and sustainability of the units. The required reserves are as follows:

Reserve Type	Rehabilitation
Replacement Reserves	\$300 per unit, per year
Operating Reserves	3 months estimated operating expenses & debt service

The Agency views the replacement reserve account as the source of funding for capital items that occur infrequently and that are too costly to be absorbed by the project's operating account. Examples would be the replacement or substantial repair of a major building system, new roofs, the repainting of the entire building exterior, and costly new items required to protect the residents' health of safety or to prevent building damage, such as a security fences or new drainage systems.

The Agency strongly encourages the owner or property manager to develop and periodically update an analysis of future project needs, the cost of meeting those needs over time, and the amount of funds available each year to cover them. This Replacement Reserve Analysis allows for evaluation of the adequacy of reserve deposits. It also provides a tool for making sure that scarce funds are reserved for critically important items, and for determining whether there are funds available for desirable but not critical improvements as well.

Any withdrawals from the replacement reserve account must be approved by the Agency. The process for requesting a withdrawal from the replacement reserve account is a three step process: 1) analyze what items can be paid for with replacement reserves and what must be paid from the project operating account, as indicated in Exhibit B - Grant Matrix of Capital Expenses vs. Maintenance Expenses, and obtain three bids for items over \$10,000; 2) request the withdrawal of replacement reserve funds within the fiscal year the expenses will be incurred; and 3) once approved, complete the work. It is recommended that all projects maintain a minimum balance in the replacement reserve account of \$1,000 per unit. The Agency may make an exception to this minimum if a plan is established to return the account to the recommended minimum balance.

All projects must maintain compliance with the Agency's reporting, record-keeping and HQS requirements. On an annual basis, Agency staff will conduct compliance reviews of the project. The property owner will be required to certify their tenants' eligibility and that the actual rental rates for the restricted units do not exceed the current affordable rental rates. The property owner will also be required to provide proof of Property Insurance and Reserve Accounts. In addition, the Agency will conduct an inspection to ensure that the property has been maintained as required by the Agreement.

Administrative Requirements:

Assisted units must be spread proportionately across all unit types and sizes. The assisted units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities and access to project facilities as market-rate units. The objective of the

Program is to provide assisted units with lower rents, not to create special “low-income sections” within larger developments.

All projects are required to have qualified property management staff available during normal business hours. It is recommended that all projects over 20 units include live-in on-site professional management.

All projects must participate in the Lemoore Police Department’s Crime Free Multi-Housing Program.

Insurance Requirements:

The Agency requires the insurance coverage listed below. The City of Lemoore Redevelopment Agency shall be named on the policies as an additional insured on comprehensive general liability insurance.

- Comprehensive general liability insurance of at least \$5,000,000 in total coverage and \$1,000,000 per occurrence with a deductible of not more than \$100,000 from a California-admitted insurance carrier
- Worker’s compensation coverage of at least \$1,000,000, as required by State law
- Fire, hazard, and extended coverage insurance for the full insurable value of the property

EXHIBIT A

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

The following is a list of the required construction standards that must be incorporated in to projects participating in the Agency's Multi-Family Rehabilitation Program. All rental units and sites associated with these projects must meet or exceed these standards.

General Requirements

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or installing, maintaining and replacing as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life is determined to be less than 15 years through the Rehabilitation Assessment shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to use.
- E. All work shall comply with ADA accessibility requirements.
- F. For all structures built before 1979, reports of compliance with the initial certified lead-based paint and asbestos assessment reports are required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. Web-based security cameras and the equipment to record events are recommended for primary ingress/egress points to and from the site and for the principal parking areas.
- I. Site lighting is required for all parking and outside public spaces.

Site Work

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the City. All projects shall meet the governing ADA requirements for parking.
- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide on-site drainage system, if necessary.

Building Envelope and Moisture Protection

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

Doors and Windows

- A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane and energy efficient.
- B. All windows must have window coverings in all sleeping rooms.
- C. All doors and doorjambes must be in good condition. No damaged or worn doorjambes or doors are allowed.
- D. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers and 2-inch screws in strike plates.
- E. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- F. All doors and windows must meet current egress standards.

Casework

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

Finishes

- A. Floor coverings must be in good, usable condition – no holes, tears, rips or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

Equipment

- A. All appliances must be new or in very good operating condition.
- B. All kitchens must have adequate cabinet and counter space.

Special Construction

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
- D. In the case of substantial rehabilitation to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

Mechanical and Plumbing

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporative coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks and tubs shall be chip and stain free.

Electrical

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All units must have at least one carbon monoxide device that is designed to detect carbon monoxide and produce a distinct, audible alarm. It may be battery-powered, a plug in, or hard-wired with a battery backup. It may be combined with a smoke detector, but, if it is, it must emit an alarm or voice

warning in a manner that clearly differentiates between a carbon monoxide alarm warning and a smoke detector warning.

D. All bathrooms must have at least one GFCI protected outlet.

E. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

EXHIBIT B

GRANT MATRIX FOR CAPITAL EXPENSES vs. MAINTENANCE EXPENSES

The following table is a guide for differentiating between what should be treated in reserve and operating account processing as a Capital Expense (paid from the replacement reserve) versus a Maintenance Expense (paid from the operating account).

Categories	Capital Expenses Paid from Replacement Reserves	Maintenance Expenses Paid from Project Operating Account
Appliances	Any replacement	Replacing or repairing components
Cabinets & Countertops	Replacement & refinishing	Repairs; component & hardware replacement
Carpet & Flooring	Any replacement	Repairs; patching; shampooing & cleaning
Doors	Any exterior door replacement	Any interior door replacement; any door repair or hardware replacement
Electrical		
Fixtures, including lighting	Replacement of fixtures for an entire building, or as part of project remodel	Replacement of individual fixtures; repairs' parts replacement
Security & Alarm Systems	New or Replacement System	System Repairs
Wiring & Electrical Panels	Major electrical work or rewiring	Repairs
Fire Extinguishers & Smoke Detectors	Ineligible	Replacement, refills, inspections and repairs
HVAC – Heating, Ventilation, Air Conditioning	Replacement or major overhaul	Repairs; replacement of components; changing filters
Landscape, Grounds & Common Areas		
Exterior Walls – Retaining/Enclosure	Major replacement	Patching and repair
Fencing	Major replacement	Patching, repair & board replacement
Irrigation System	Replacement of system or major components	Repairing leaks and broken sprinklers
Landscaping	Major non-routine landscaping	Routine grounds maintenance
On-Site Rental/ Management Office	Ineligible	Computer and business software, copier, fax, etc.
Recreational Areas, Playgrounds & Pool	Replacement of equipment and fixtures; major repairs and resurfacing	Routine repairs and minor repairs
Signs	Replacement of primary project sign	Minor repairs, repainting, lighting and other signage replacement
Painting		
Exterior	Painting an entire building or project	Touch-up painting; graffiti removal

Interior	Entire project only	Upon move-out, touch up
Paving – Asphalt or Concrete Sidewalks, Parking Lots & Driveways	Major repaving, resurfacing, seal coating, striping	Patching and crack sealing

Plumbing		
Fixtures – Bathtubs and Shower Enclosures, Sinks, Water Heaters, Toilets	Any replacement	Repairs; parts replacement
Water & Sewer Pipes, Fire Sprinkler Systems	Replacement or major repair	Fixing leaks
Window Screens and Coverings	Replacement of window screens or coverings for an entire building or project	Replacement of window screens or coverings for less than an entire building; any hardware replacement; fixing screens; caulking & sealing
Structure		
Accessibility Features	Extensive accessibility work, ramps, railings	Minor repair, modifications and hardware
Elevated Walkways & Balconies	Major replacement of components	Minor repairs
Roofing	Major replacement, including gutters, downspouts and eaves	Minor roof, gutter, downspout and eaves repair
Siding/Stucco	Extensive replacement	Patching; panel replacement
Walls – Interior	Major replacement	Repairing holes
Windows	Any replacement	Repairs, hardware replacement