



RIVERSIDE HOUSING

REHABILITATION

PROGRAM

GENERAL GUIDELINES



The Riverside Housing Rehabilitation program's basic intent is to eliminate health and safety hazards, and code violations in the City of Riverside's affordable housing stock, and, to conserve, expand, and improve the condition of the affordable housing stock available to low income persons. Therefore, all projects funded through the Housing Rehabilitation Program using CalHome funds, at a minimum must correct all existing code deficiencies and/or health and safety related repairs needed. Code and health/safety threats may be known or found upon inspection.

Any and all existing construction found on-site that was done without City permits (room additions, garage conversions, patio additions, etc.) must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehabilitation project. Once the cost of repairing all existing code deficiencies and health and safety related items are totaled up, any additional program funding utilized by a recipient, up to the program limits, may be used to address general property improvements. *Applicants may NOT receive CalHome funding to repair only a portion of their health and safety hazards and code violations.

*This does not apply to CDBG funds unless CDBG funds are being used in combination with CalHome funds.



Applicant Eligibility

Eligibility for the program is limited to persons and households with incomes at or below 80% of the area median income (AMI), adjusted for household size, per the median income calculations published annually by HUD for the use of CalHome and CDBG Program funds.

Un-reported income is fraudulent and will result in denial of the Rehabilitation Loan.

Each applicant must be a U.S. citizen or other national of the United States or a qualified alien as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and 8 U.S.C. 1611 et. seq. Citizenship can be identified using a U.S. passport, Certificate of Naturalization, Certificate of U.S. Citizenship, or a tribal membership card with photo.

If the aforementioned is not attainable, a State of U.S. issued birth certificate, U.S. Citizenship identification card or a final U.S. adoption decree can be provided concurrently with a current driver's license with photo, State issued identification card with photo, work or school identification card, military identification card with photo or a U.S. American Indian or Alaskan Native tribal document.

A bankruptcy must be discharged for a minimum of four (4) years or two years if an exception from the City is obtained. Keep in mind, exceptions are rarely approved and would need to involve circumstance such as a severe (documented) medical condition.

In addition, applicants must self-certify that the value of all their "liquid assets" (all cash, bank checking and savings accounts, money market accounts, stocks, bonds, mutual funds, etc.), excluding the value of their primary residence, real estate investments (revenue derived from rental property is counted under income), qualified retirement savings (revenue derived from retirements savings is counted under income), household furnishings, clothing, and cars, does not exceed \$50,000.

Finally, applicants must agree to comply with all HUD, State, City, or program requirements regarding lead based paint hazard inspections, lead based paint hazard reduction work, termite inspections, termite control work, City Code compliance issues, health and safety issues, energy efficiency standards, and any other inspections and requirements as necessary.



Property Eligibility

Eligibility for the program is limited to single-family homes, manufactured homes, and mobile homes located within the corporate boundaries of the City of Riverside that are owner occupied. Applicants must have owned the home for at least one year prior to receiving City approval and funding for their project. The exception to the one-year ownership rule is given to applicants that have recently acquired a foreclosed property within a qualified target area. Other exceptions to the minimum one-year ownership requirement can be made by the City's Housing Authority Manager.



Appraisals

Prior to commencement of Rehabilitation work, an appraisal shall be obtained with the following requirements:

1. The appraisal may be prepared by Program Administrator staff using the sales of comparable properties approach to determine value. If comparable sales are not available, the appraisal shall be prepared by a state-licensed, residential property appraiser;
2. The appraisal shall take into consideration the estimated value of the Rehabilitation work to be

completed on the property and shall include the pre-rehabilitated value and the After-Rehabilitated Value; and

3. An appraisal is not required in the case of Rehabilitation work on a manufactured home not on a permanent foundation



Subordination

When a loan is made, it is intended that monies are lent to low income homeowners for special purposes, and at terms not available in the private lending market. The City will subordinate loans to existing financing on a single-family residence if the debt structure on the residence is reasonable, has better terms than the existing lien, and the homeowner is not taking cash out. After a loan is made, the City will subordinate only for refinancing that does not weaken the City's equity position on title for the property (i.e., there must be no additional financing placed ahead of the City Trust Deed). This policy allows for refinancing to lower interest rates. It is acknowledged that special circumstances may exist, and the City Manager may grant waivers based on hardships or extreme extenuating circumstances.



Underwriting Criteria

The program is intended to be a "lender of last resort" to assist low-income homeowners who might otherwise be unable to obtain rehabilitation financing through traditional financial channels due to income and credit related issues. Therefore, the program specifically utilizes loan terms (below market interest rates and deferred payment loans) and underwriting criteria (above market loan-to-value ratios, etc.) that are favorable to the applicant, and are not normally available to low and moderate income persons.

- A. Loan-to-Value Ratio (LTV)** – Loans can be made up to a maximum LTV of 105% of a property's estimated market value. The property's estimated market value is based upon a "desktop" analysis of comparable sales and for sale properties in the subject property's surrounding neighborhood (within a ¼ mile radius), per public information available through the County Recorder's office, local Title companies, the Board of Realtors Multiple Listing Service (MLS), or other similar data sources.

If comparables are not available within a ¼ mile radius, the assessment area can be increased to a ½ mile radius.

- B. Borrower's Ratios** – The program's emphasis is to make rehabilitation funding available to low income households to the maximum extent possible. Therefore, the program focuses upon "collateral based" lending, per the LTV ratios stated above. "Credit based" lending criteria is intentionally de-emphasized because the program's target population often has a problem receiving credit. Thus, the strict application of typical "credit based" lending criteria would likely exclude large segments of the target population the program is specifically trying to assist.

A homeowner cannot obtain funding approval if they are behind in any debt obligations, which is verified through a credit report.

- C. Title and Escrow** – Due to cost considerations, no escrow or title policies are required. Title reports, at the cost of the applicant, will be obtained to verify if there are any existing liens or indebtedness recorded against a property. Applicants must self-certify the amount of existing debt already on the property by signing the Deferred Payment Agreement. This document provides the City of Riverside the documentation necessary to pursue legal remedies against an applicant if they try to place another undisclosed lien ahead of the City's loan, or otherwise misrepresent or fail to disclose all liens and debts recorded against their property.

- D. Security Instruments** – Applicants receiving loans must execute a Promissory Note, a Deed of Trust, and a Regular or Deferred Payment Agreement. Additional documentation is provided in the form of a Loan Disclosure, Fair Lending Notice, and an Amortization Schedule.

Property taxes, if applicable, mobile home registration fees, space rent, and property insurance must be current in order for an applicant to be considered for a Rehabilitation Loan and all of these must be paid when due during the term of the Rehabilitation Loan. Property insurance, including fire and flood if applicable, will be required during the life of the Rehabilitation Loan. Borrowers are required to maintain insurance on the property in an amount at least equal to the replacement value of the improvements. The City of Riverside must be named as an additional loss payee on the policy.

Household Composition

Households are comprised of any and all individuals (minor and adult) living within the same home or housing unit. Non-income producing individuals must reside in the house for more than one year. A boarder renting a room within the home is excluded from the “household” composition. In the case of boarders, they do not count in the total number of household occupants, but the amount of their rental payment must be included within the household’s income calculation. Furthermore, joint tenant property owners who are on title (partial owners of the property), but do not live on-site, are not part of the household composition.

Calculation of Household Income

The total gross annual wages, salaries, commissions, fees, bonuses, and all forms of compensation received by all individuals within the household must be calculated and estimated for the next 12-month period. All individuals age 18 and above within the household must execute a “Statement of Benefits” detailing the amount of all types of wages, earnings, and financial benefits they receive. Pensions, Social Security benefits, Public Assistance, interest and dividends, alimony and child support, unemployment insurance, worker's compensation benefits, and all other types of periodic and determinable income are included. Items NOT included in income calculations are casual or sporadic gifts, reimbursements received for medical expenses, educational scholarships.

Eligible Repairs

A. Code / Health and Safety Repairs – The first priority of the Housing Rehabilitation Program is to eliminate, or otherwise “cure”, any and all pre-existing Code violations and Health and Safety hazards. Therefore, all rehabilitation projects must correct any pre-existing code deficiencies and/or health & safety related repairs needed. This includes pre-existing construction found that was done without City permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehabilitation project. If applicants interrupt or refuse to allow contractors to

complete the abatement of code violations and/or health and safety hazards, their file will be closed and the grant or loan will become due and payable.

- B. Lead Based Paint Hazards** – An additional priority of the Housing Rehabilitation Program is to reduce any lead based paint hazards present in homes. Therefore, a Lead Based Paint test (XRF testing) and a Risk Assessment are required on houses built prior to 1978 to identify the existence and scope of any lead based paint hazards in the home. When the physical scope of the rehabilitation project will disturb very little painted surfaces then the Lead Based Paint test (XRF testing) and Risk Assessment are not required provided the contractor is notified to presume that lead based paint is present and to utilize “Safe Work Practices” during the disturbance of any painted surfaces.
- C. Termite Repairs** – The Program requires a Termite Inspection Report be prepared for every home by a licensed inspector. The owner may receive a copy of the termite inspection report at no cost. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. The program requires that any termite or dry rot damaged wood members in the home be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation, or other treatments recommended to eliminate any active termite infestations are required.
- D. General Property Improvements** – Once the cost of repairing all code deficiencies, health and safety items, lead based paint hazards, and termite repairs are totaled up, then any additional program funding utilized by a recipient, up to the program limits, may be used to address general property improvements. General property improvements may include a wide variety of items such as painting, replacement of fixtures, replacement of cabinets and vanities, replacement of flooring, etc. General property improvements may NOT include any materials or items that are of a type and quality which exceeds the standards for similar properties in the area, or that far exceed the basic standards of “decent, safe, and sanitary”.

Items that are specifically NOT eligible under the program are as follows:

Installation of swimming pools and hot tubs (spas). Pool repairs are eligible only when health and safety concerns exist;

Repair or purchase of furnishings or other non-realty (personal) property;

Repair or purchase of appliances such as stoves, dishwashers, etc. Large appliances can be repaired when they are physically “built-in” to a kitchen, and sanitary issues exist. Note that garbage disposals are considered a plumbing item and are eligible under the program. Refrigerators can be repaired when they are a physically “built-in” to a kitchen, and sanitary issues exist;

Acquisition of land or property;

Tools or raw building materials; and

Any item determined by program staff to far exceed the program’s goals of providing decent, safe, and sanitary living conditions.

Room additions or “garage conversions” to create additional living space are only permitted in cases of overcrowding, where the number of household members exceeds the basic State of California standards of 2 persons per bedroom, plus 2 persons for ambient space. Thus, a three bedroom home must have more than 8 permanent household members to qualify as “overcrowded” (more than 10 permanent household members in a 4 bedroom home, etc.). Furthermore, unless overcrowding is found to exist, a room addition is a low priority and is considered a “general property improvement” which can only be considered after all code, health and safety, lead based paint, and termite required rehabilitation work was funded. In cases where a garage conversion was previously completed without City permits and approvals, it is considered a City code violation, and the program can fund the necessary repairs to bring the conversion into Code Compliance and obtain approved building permits.

The program will not fund repairs to “Granny flats” or separate living units, as a preponderance of these units may become rentals. The program is limited to use by owner-occupied dwellings and is not available for use on rental housing.

E. Timeliness – CDBG Grants endeavor to keep the maximum amount of funds available to assist the great needs of Riverside’s older housing stock. Program recipient’s will be made aware that the time is of the essence and all funds not expended after 12 months (excluding Planning & Permit time) may be reprogrammed at the City’s sole option, and that the grantee’s file will be closed.

NOTE: No program funds can be paid out directly to the homeowner, since the homeowner is not allowed to perform any of the home improvement written in the scope of work. The program funds are to be used solely for payment of housing rehabilitation work (including permits, fees, inspections, plans, engineering, etc.). Therefore, all funds are held in trust for payment to independent, third party contractors or vendors upon presentation, and signed approval by the homeowner, of valid invoices or construction draw requests.



Funding Approval

After the full scope of a rehabilitation project has been determined, contractor bids have been received, and the homeowner has selected their contractor, Program Staff prepares an “Agenda package” that includes a project budget detailing the type of loan or grant funding to be provided, the applicant’s income eligibility, and the scope of work to be done. Housing Staff reviews the “Agenda package” for approval of the rehabilitation work, the Community & Economic Development Fiscal Manager, and the City Manager or designated staff member approves the funding amount and source.



Pre-Project Expenses:

A variety of inspections, tests, and reports are needed before the scope of work for an applicant’s rehabilitation project can be finalized, sent out to bid, then brought forward to the City of Riverside for funding approval. Occasionally, homeowners may cancel their applications due to personal or financial reasons before their file has been brought to the City of Riverside for funding approval, but after expenses have already been incurred for Lead Based Paint inspections, Special Building and Safety inspections, or other miscellaneous items. In these instances, pre-projects expenses can be paid using CDBG grant funds. However, should there be no available grant funds, expenses will be paid by the homeowner. This can be in the form of a CalHome deferred loan as long as the fees are a minimum of \$1,000. A deed of trust and note for expended amount will be recorded with the County of Riverside. Homeowner shall sign an acknowledgment of this during application process.



Historic Review (Section 106)

If public records, from a Title Company Property Profile, City's Building Department, or other official record indicates that the applicant's home is more than 50 years old, then an historical assessment (Section 106 Review), and review of the intended scope of work, must be requested from the City's Planning Division. Approval must be obtained through the Cultural Resources Specialist of the Planning Division. Planning staff will provide their written determination and recommendations and send a copy to both Program Staff and the State Historical Preservation Office (SHPO).



Bidding Process

Competitive bids from at least three contractors are requested on all rehabilitation projects, except health and safety emergencies which are handled on an emergency basis that does not allow time for competitive bidding. When the normal competitive bid process is used, the homeowner is provided copies of all bids received for their consideration and selection. If the homeowner is not satisfied with the bids they receive, then additional bids may be solicited from more contractors until the homeowner finds a contractor bid they want to use.



Contractor Selection

The homeowner is provided copies of all bids received and may choose any "reasonable" contractor bid they wish, they are not required to select the lowest bidder. However, Program Staff reviews all bids received to verify they are all within a "reasonable" range of typically no more than approximately 25% variation between the high and low bidders. If the homeowner wishes to select a contractor bid that is considered to be above the "reasonable" range of bids received, then they are required to either "negotiate" that contractor's bid down into the "reasonable" range or obtain a written explanation from the contractor that adequately explains, to Program Staff's satisfaction, why their bid is above the range.



The Construction Contract

The Construction Contract is between the homeowner and the contractor. The City of Riverside, and NPHS, Inc. are not signatories to the Contract. The City of Riverside and NPHS, Inc. do not have any enforcement power over the contractual relationship between the homeowner and the contractor. A copy of the contractor's bid is attached to the Construction Contract to specify the scope of repairs and improvements included in the Contract.



Contractor Payments

For contracts less than \$5,000, only one draw payment is permitted to the contractor and no retention money is withheld from the payment. For contracts greater than \$5,000, up to three draw payments are permitted and 10% "retention" is withheld from each payment until 30 days after the project has been satisfactorily completed and a Notice of Completion has been recorded. The homeowner and the contractor must each sign the appropriate Payment Authorization form before any funds will be released. If the homeowner fails to sign the Payment Authorization form for any unreasonable purpose, the City of Riverside reserves the right to release payment to the contractor. In addition, the contractor must provide an invoice, waiver/lien release, and copies of signed off permits as part of any request for payment.



Contractor Qualifications

An important element of a successful home rehabilitation program is good working relationships between the homeowners and the general contractors they select. Since most homeowners have limited prior experience with contractors, the Housing Rehabilitation Program maintains a list of contractors who have provided copies of their appropriate insurance and license. The list is offered to homeowners as an aid in soliciting contractor bids and selecting a contractor.



If you are interested in applying or have any questions,



Disqualification of Contractors

However, the homeowner is responsible for selecting the contractor and may use any contractor that provides the program with copies of their appropriate insurance and license.

Contractors participating in the program must provide evidence of a valid City of Riverside business license, a valid State contractor's license, current worker's compensation insurance coverage, and current \$1,000,000 general liability insurance coverage. Also, their insurance must list the program's administrator, Neighborhood Partnership Housing Services, Inc., as additionally insured. Since NPHS, Inc. has had a policy requesting contractors to carry \$1,000,000 general liability insurance, no claims can be filed against the City of Riverside or NPHS, Inc.

Only general contractor and sub-contractors who have applied and meet program requirements are eligible to enter into Rehabilitation Program construction contracts.

Adding contractors to the list is an ongoing process. Applications from local contractors (including women and minority contractors) are encouraged. Any contractor who meets the licensing and insurance requirements is eligible to apply for inclusion on the list.

Contractors who maintain their business credentials and comply with program guidelines and policies are automatically retained on the list. Contractors may be disqualified from participation in the program at any time for just cause.

1. Contractor Applications – Applications are accepted from contractors at any time. Contractors interested in being included on the Contractor List and bidding for construction contracts must complete a standard application and submit copies of their current worker's compensation insurance, liability insurance and state contractor's license to the Program Staff

2. Contractor Review – Contractor applications are reviewed by program staff. Staff will:

- Call the State Contractor Board, or check their website, to verify that the contractor is currently licensed.
- Verify that the copies of insurance coverages and business licenses are current.

Contractors may be disqualified from participation in the program at any time for just cause. Evidence constituting just cause for contractor disqualification includes:

- Failure to maintain State Contractor's Board license and registration, or failure to maintain required insurance coverage or City business license.
- Insolvency, bankruptcy, or other conduct or conditions causing monetary loss for a homeowner, or the Housing Rehabilitation Program, in connection with construction contracts.
- Activities in conflict with Housing Rehabilitation Program policies or procedures, such as: bid rigging, kickbacks to homeowners, hiring homeowners for pay, failure to complete warranty work in a timely manner, abusive or repeated cost increases and change orders to contracts.
- A history of non-performance in fulfilling construction contracts.
- A history of contract performance judged unacceptable by the Housing Rehabilitation Program due to poor work quality, lack of cooperation, or repeated conflicts with homeowners.
- Abandoning a job or repeated failure to complete contract work according to specified deadlines.
- Conviction of a crime in connection with contract work, contract payments, or any other funding administered by the City of Riverside.
- The decision to disqualify a contractor shall be authorized by the Program Administrator (President, Chief Executive Officer of NPHS, Inc.) upon the recommendation of any Program Staff. Disqualified contractors shall be notified in writing. A disqualified contractor may appeal the decision within ten days of receiving the written notification. Disqualification appeals shall be made to the Program Arbitrator, who shall consider any additional information provided by the contractor and render a final decision within one week.



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