



ALAMEDA COUNTY MEASURE A1 HOUSING BOND

DRAFT

**HOME PRESERVATION LOAN PROGRAM
IMPLEMENTATION-LEVEL POLICIES**

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Table of Contents

- I. Measure A1 Housing Bond Overview..... 1
- II. Adopted Alameda County Home Preservation Loan Program Framework 1
- III. Purpose of HPLP Implementation Level Policies 2
- IV. Home Preservation Loan Program Implementation Level Policies..... 2
 - A. General Program Purpose and Method 2
 - B. Program Availability 2
 - C. Program Administration..... 2
- V. Eligible Properties..... 2
- VI. Eligible Repairs..... 3
 - E. HPLP Accessory Dwelling Unit (ADU) Specific Requirements 4
 - Definitions 4
 - ADU’s eligibility under HPLP (Eligible Types of ADUs Assisted)..... 4
 - Additional Provisions 5
 - Additional amount of HPLP Assistance Available 5
- VII. Eligible Costs..... 5
- VIII. Eligible Homeowner 5
 - A. Owner-Occupancy Requirement 5
 - B. Household Eligibility 6
 - C. Income Eligibility and Verification..... 6
 - Eligible Income Level 6
 - Income Verification Method 6
- IX. Terms of Financial Assistance..... 6
 - A. Form of Loan..... 6
 - B. Minimum Loan Amount..... 6
 - C. Maximum Loan Amount..... 6
 - D. Interest Rate..... 6
 - E. Combined Loan-to-Value Ratio..... 6
 - F. Loan Term..... 7
 - Loan Term Extension 7
 - G. Loan Payments and Loan Due Date..... 7
 - Permitted Transfers..... 7
 - Loan Assumption..... 7
 - H. Loan Lien Position 7

Exceptions for Homeowners with Existing “Silent Second” Loan Financing	7
I. Loan Subordination/Refinancing	8
J. Insurance Requirements	8
K. Anti-Displacement Provisions	8
X. Contractor Requirements	8
A. Annual Credentials Submittal	8
B. Warranty of Work	9
XI. Marketing and Outreach Plan	9
XII. HPLP Policy and Procedure Manual	9
XIII. Monitoring	9
XIV. APPENDIX A – ALAMEDA COUNTY INCOME LIMITS	10

I. Measure A1 Housing Bond Overview

On June 28, 2016, the Alameda County Board of Supervisors approved the placement of Measure A1 on the November 2016 ballot authorizing \$580 million in general obligation bonds designated for affordable housing activities in Alameda County. The residents of Alameda County approved the Measure A1 Bond by 73% on November 8, 2016. Alameda County Housing and Community Development Department (HCD), a department within the Community Development Agency (CDA), is implementing the programs funded through the Housing Bond. The Housing Bond will fund three programs related to homeownership and two rental housing development programs.

Of the Bond's three programs related to homeownership, one program, the Home Preservation Loan Program (HPLP), is intended to help seniors, people with disabilities, and other low-income homeowners to stay safely in their homes and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions. The target funding allocation for HPLP is a total of \$45 Million over the course of the Bond program. Detailed implementation-level policies have been developed to guide the use of the funds allocated to the Home Preservation Loan Program.

II. Adopted Alameda County Home Preservation Loan Program Framework

When the Alameda County Board of Supervisors approved placing the Measure A1 Housing Bond on the ballot in June 2016, it also separately adopted a program summary, which framed the programs to be funded by the Bond. The adopted Measure A1 Housing Bond Program Summary provides the overarching framework for the Bond-funded programs. For the Home Preservation Loan Program, the program summary stated the following:

“The goal of this component of the bond program is to assist Low-Income Seniors, People with Disabilities, and other low-income homeowners to remain safely in their homes. The target funding allocation is a total of \$45 Million over the course of the bond program.

Program Parameters:

The target population for this component is low income seniors, people with disabilities and other homeowners with incomes at or below 80% of Area Median Income. The program will provide home inspections and technical assistance, along with loans to pay for accessibility improvements, such as grab bars, ramps, and widened doorways, and other housing rehabilitation such as roofs, electrical and plumbing systems improvements, allowing the household to remain safely in the home and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions. The funds will be provided in the form of 0% to low-interest deferred loans. There will be no payments on the loans while the low-income household remains living there, so the loan will not add to the housing cost burden. When the home is sold or transferred to anyone other than an approved, income-eligible buyer, the loan

and interest due are repaid and the funds will be recycled to assist another low-income homeowner.”

III. Purpose of HPLP Implementation Level Policies

These Implementation-Level Policies (Implementation Policies) for the Home Preservation Loan Program (HPLP), once adopted by the Board of Supervisors, will provide the parameters for how the HPLP will operate. It is anticipated that the initial Implementation Policies may evolve over time as the HPLP is implemented. HCD will track the implementation of the HPLP and report on its implementation annually, including recommendations for modifications to policies to ensure achievement of Measure A1 goals or for legal compliance. To facilitate program operations and management by HCD and the Program Administrator, a more detailed “Policy and Procedure Manual” will be developed and periodically updated in conjunction with these Implementation Policies.

IV. Home Preservation Loan Program Implementation-Level Policies

A. General Program Purpose and Method

The Alameda County Home Preservation Loan Program (the “HPLP”) will assist low-income homeowners in Alameda County through the provision of loan financing to rehabilitate their homes and make necessary accessibility improvements so that they may remain safely in their homes and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions.

B. Program Availability

The HPLP is available County-wide throughout Alameda County on a “first-come, first-served” basis to eligible low-income homeowners pursuant to the income and other eligibility guidelines outlined in these Implementation Policies.

C. Program Administration

Under Alameda County Housing and Community Development Department supervision, the HPLP implementation will be undertaken by a Program Administrator which shall be a single Community-based organization or firm (the “Program Administrator”) with a successful track record in efficiently and effectively administering home preservation loan programs on behalf of local governments in the Bay Area.

V. Eligible Properties

HPLP funds may be used to assist the following types of properties, so long as the dwelling to be assisted is owner-occupied:

- A. Single Family Detached Homes
- B. Townhomes
- C. Condominiums (unit interior only)
- D. Two to four properties where all units are owner-occupied.

Mobile homes are not eligible for HPLP assistance.

VI. Eligible Repairs

- A. Health and safety hazards must be corrected as a condition of the HPLP loan.
- B. Developing code violations must be addressed as a condition of the HPLP loan.
- C. System-wide/structure-wide rehabilitation improvements (e.g. roof, seismic, foundation, property drainage, exterior painting), are allowed.
- D. Subject to the above stipulations, eligible rehabilitation and repair items include, but are not necessarily limited to, the following areas
 - i. Correction of immediate health and safety deficiencies
 - ii. Correction of developing code violations
 - iii. Re-roofing and gutter replacement
 - iv. Seismic Strengthening, foundation repairs, and other structural issues
 - v. Property Drainage Improvements
 - vi. Repair or replacement of private sewer lateral
 - vii. Termite and Dry Rot Repair
 - viii. Exterior Wall Repair and Exterior Painting
 - ix. Electrical and plumbing system improvements
 - x. Re-piping and water heater replacement
 - xi. Carpentry needs such as repair or replacement of broken stairs for safety of ascent/descent
 - xii. Replacement of unsafe flooring
 - xiii. Insulation and Weatherization (e.g., windows, doors, insulation, ducting, thermostats, weather-stripping, etc.)
 - xiv. Energy Efficiency Improvements
 - xv. Water Heater repair or replacement
 - xvi. Repair or replacement of Furnace/Home Heating and Cooling Equipment and Ducts
 - xvii. Kitchen and Bath Health and Safety Repairs (e.g. hot/cold running water, appropriate ventilation, adequate lighting, removal of mold and water damage, ensuring complete bathing/sanitary facilities within each dwelling unit, replacement of inoperable stove or refrigerator in kitchen)
 - xviii. Removal of unwanted clutter/debris
 - xix. Lead-Based Paint Hazard Reduction
 - xx. Creation of an Accessory Dwelling Unit (ADU) within an Existing Residence or within an Existing Accessory Structure or Creation of a Junior-ADU (JADU) within existing living space of the home, or conversion of illegal unit to a legal ADU/JADU (See Subsection A below for specific requirements).
 - xxi. Accessibility Improvements (e.g. conversion of bathtubs to accessible shower units, widened doorways, ramps, lever handle knobs, handrails, etc.)
 - xxii. Amenities and General Property Improvements/Non Essential Repairs are allowed only after immediate health and safety repairs and developing code violations have been addressed, to enable the homeowner to remain safely in their home and not become displaced, and only based on HPLP loan availability. These improvements relate to the comfort of the occupants and general property improvements. Such amenity and general property improvements include, but are not necessarily limited to, the following areas:

- a. Replacement of kitchen and/or bathroom fixtures, cabinets, and built-in appliances
- b. Installation of new carpet or flooring
- c. Interior Wall Repair and Interior Painting
- d. Site improvements on the property such as replacement of deteriorated walkways (beyond repair of an incipient nature or one which may pose a threat to health and safety of the occupants, which shall be otherwise allowed as eligible repair)
- e. Removal of overgrowth of landscaping and/or replacement of water-intensive plantings with drought-tolerant landscaping
- f. Fencing repair if dilapidated
- g. Standard upgrades to home

E. HPLP Accessory Dwelling Unit (ADU) Specific Requirements

Definitions

An Accessory Dwelling Unit (ADU) is a secondary dwelling unit with complete independent living facilities for one or more persons and generally takes one of three forms:

- i. Detached (the unit is separated from the primary structure);
- ii. Attached (the unit is attached to the primary structure); or
- iii. Repurposed Existing Space (space within the primary residence converted into an independent living unit).

A Junior ADU (JADU) is similar to repurposed existing space with various streamlining measures, including that it cannot exceed 500 square feet, must be completely contained within the space of an existing residential structure, have its own separate entrance, and have an efficiency kitchen (it can have shared bath with the primary residence).

ADU's Eligibility under HPLP (Eligible Types of ADUs Assisted)

*a) To help reduce a low-income homeowner's housing cost burden through additional rental income, and/or to provide additional living space that will enable the homeowner to continue living safely in his/her home (such as creating a unit for an in-home care provider), HPLP assistance may be used by low-income homeowners for the creation of the following types of ADUs and JADUs:
Conversion of Existing Space within the Dwelling Unit to an ADU or JADU*

This includes conversion of existing space within the dwelling unit to an ADU or JADU such as the following: conversion of a room(s) in the home, conversion of existing space within the home like an attic or basement, or conversion of an attached garage space.

b) *Conversion of Existing Accessory Structure to an ADU*

This includes conversion of an existing accessory structure (e.g. a detached free-standing structure, such as a backyard cottage or detached garage) to an ADU.

c) *New Construction of a detached ADU is not an eligible use of the HPLP funds.*

Additional Provisions

As a condition of HPLP assistance for the creation of an ADU/JADU, any health and safety deficiencies and/or incipient code violations within the homeowner’s own dwelling unit must also be corrected.

The homeowner is required to comply with local jurisdictional requirements and State of California Accessory Dwelling Unit law as codified in the California Government Code.

The income of prospective tenants of the JADUs will not be counted during the income verification process for a homeowner applying for JADU assistance through the HPLP.

Additional amount of HPLP Assistance Available

Up to \$75,000 of the maximum loan amount that a homeowner qualifies for may be used for the creation of an ADU or JADU (see Section IX.C-Maximum Loan Amount).

VII. Eligible Costs

Eligible costs paid with the HPLP loan shall include, but are not necessarily limited to, the following:

- A. Cost of rehabilitation of the property, including materials and labor for the eligible repairs noted in Section VI;
- B. Cost of building permits and other related government fees;
- C. Cost of an appraisal, architectural, engineering, termite report, and other consulting services that are directly related to the rehabilitation of the property;
- D. Loan processing fees, title search, and credit report; and
- E. Non-recurring loan closing costs.

VIII. Eligible Homeowner

A. Owner-Occupancy Requirement

The homeowner must certify that he/she is an owner-occupant of the property to be assisted with HPLP funds. The homeowner must continue to occupy the property to be assisted as their primary residence during the life of the loan. If the homeowner moves out, repayment of the loan may be triggered.

B. Household Eligibility

The household must be low-income as defined in Subsection C below. A household includes all the people who occupy a housing unit. The household may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

C. Income Eligibility and Verification

Eligible Income Level

The household must be low-income, with a maximum annual household gross income that is at or below eighty percent (80%) of the Area Median Income (AMI) for Alameda County, adjusted for household size, as defined the State of California Department of Housing and Community Development (“State HCD”). Current 2018 income limits may be found in Appendix A to these Implementation Policies; these are revised annually by State HCD.

Income Verification Method

Household income will be verified by the Program Administrator using the income guidelines found at Title 25, Section 6914 of the California Code of Regulations. Verification of income is required for all household members age 18 and over even if they have no ownership interest in the property to be assisted. If the property contains more than one unit, at least one unit must be owner-occupied if the other units are rented. All income derived by the homeowner from such rental units will be included in the homeowner’s income calculation to qualify for assistance under the HPLP. To qualify for HPLP assistance, a homeowner’s net assets may not exceed \$150,000. Certain items will be excluded from the assets review, including the value of the property to be assisted with HPLP.

IX. Terms of Financial Assistance

A. Form of Loan

The HPLP funds will be provided as a low-interest, deferred payment loan, so that the HPLP loan will not add to the homeowner’s housing cost burden.

B. Minimum Loan Amount

Minimum HPLP Loan amount will be \$15,000.

C. Maximum Loan Amount

Maximum HPLP Loan amount will be \$150,000.

D. Interest Rate

The HPLP loan will accrue simple interest at the rate of one percent (1%) per year. The accrual of interest on deferred payment loans shall not exceed fifty percent (50%) of the principal amount borrowed.

E. Combined Loan-to-Value Ratio

The combined loan-to-value ratio of any first mortgage plus the HPLP loan cannot exceed ninety percent (90%).

F. Loan Term

The HPLP loan will have a term of thirty (30) years (the “Loan Term”) or until sale or transfer, with the possibility of an extension.

- i. **Loan Term Extension:** The HPLP Loan Term may be extended for an additional 30-year period at the end of the Loan Term, so long as the low income homeowner is not in default of any HPLP program requirements or terms including continued owner-occupancy of the home, as determined by the Program Administrator.

G. Loan Payments and Loan Due Date

No payments will be due on the HPLP loan during the Loan Term so long as the low-income homeowner remains living in the home, so that the loan will not add to the homeowner’s housing cost burden. At the end of the Loan Term, the HPLP loan principal balance and accrued interest must be repaid, unless the loan term is extended as outlined in Subsection G.1 above or a “Permitted Transfer” takes place. If, prior to the end of the Loan Term, the property is sold or transferred to a party other than those allowed per the “Permitted Transfers” outlined in Subsection H.1 below, at refinance (subject to the exceptions outlined in Section J-Loan Subordination/Refinancing below), or if the property ceases to be owner-occupied, the HPLP loan principal balance and accrued interest shall be due and payable. The loan is not forgivable. There is no prepayment penalty.

Permitted Transfers

The HPLP loan will not be due and payable if the home is transferred to a surviving joint tenant, when a spouse becomes an owner of the property with the original homeowner, a transfer to a surviving spouse, or a transfer to a spouse as result of a divorce. The remaining owner must continue to owner-occupy the home.

The HPLP loan will not be due and payable if the home is transferred to surviving children of a deceased borrower, so long as the children owner-occupy the home and meet the income requirements of the HPLP. If the children are not income eligible, the loan must be repaid.

Loan Assumption

The HPLP loan is assumable (a) in the case of a permitted transfer as outlined above in Subsection H.1; or (b) to a buyer meeting the homeowner eligibility requirements of the HPLP subject to the prior approval of the Program Administrator.

H. Loan Lien Position

The HPLP loan must be secured by either a First or Second Deed of Trust on the property, subordinate only to the homeowner’s first mortgage on the property.

Exceptions for Homeowners with Existing “Silent Second” Loan Financing

If the homeowner has existing deferred or “silent second” purchase-money loans through a first-time homebuyer or similar Below Market Rate (“BMR”) program, the Program Administrator will evaluate the lien positions of the homeowner’s debt and make a recommendation to the County on subordination of the HPLP loan to existing deferred purchase-money loans. This exception to the above policy shall be done on a case-by-case basis only.

I. Loan Subordination/Refinancing

The HPLP loan principal and accrued interest is due and payable if the existing first mortgage is refinanced. Exceptions to this policy may be considered by the Program Administrator under the following conditions:

- i. If the HPLP loan is subordinated to no less than its then-current lien position.
- ii. If the existing HPLP loan will be subordinated to a refinanced first mortgage for the amount of the outstanding senior loan balance at the time of the refinance request plus reasonable financing fees, and no cash out. Exceptions to the no-cash-out policy will be considered by the Program Administrator only if the homeowner demonstrates in writing that the refinanced cash out will be applied only to his/her home improvements or for an urgent or emergency purpose.
- iii. If the Program Administrator approves of the Borrower's subordination request, the subordinated HPLP loan must remain in the same, or a more senior, lien position than the original HPLP loan. The County will only subordinate to the Borrower's first mortgage.

J. Insurance Requirements

Borrower will be required to provide evidence of homeowner's property insurance for the replacement value of the dwelling in which the County shall be named as an additional loss payee. In addition, Borrower will be required to obtain title insurance, fire insurance and flood insurance (if applicable).

K. Anti-Displacement Provisions

As noted above under General Program Purpose (Section IV.A), the HPLP aims to assist low-income homeowners in Alameda County "so that they may remain safely in their homes and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions."

X. Contractor Requirements

A. Annual Credentials Submittal

All contractors who wish to be on the HPLP's bid list are required to submit their credentials to the Program Administrator on a yearly basis, including:

- i. Proof of Contractor's License (California)
- ii. Proof that the contractor has certified "B" contractor designation
- iii. Business license for city in which project is located (submitted at time of project)
- iv. Certificate of Insurance/workmen's compensation (if applicable)

The Program Administrator will not fund a contract with a contractor who does not fulfill these requirements. The contractor must not be identified on any local, state, or federal contractor debarment lists. The Program Administrator reserves the right to exclude any contractor who has

unresolved complaints with the State Contractor License Board or with the Program Administrator from any of its programs, or with the County and any of the County's programs.

B. Warranty of Work

All contractors are required to provide a two-year warranty on all work performed on rehabilitation activities, as set forth by the California State License Board. The homeowner is responsible for contacting the contractor for any warranty-related problems. If the homeowner does not feel that the contractor has lived up to warrantee obligations, an appeal to the California State License Board may be made, but not to the County or the Program Administrator.

XI. Marketing and Outreach Plan

The Program Administrator will develop and implement a Marketing and Outreach Plan to ensure broad awareness and participation in the program by eligible homeowners, especially under-represented and target groups named in the Board-adopted program framework. On an ongoing basis, the Program Administrator will market the HPLP to a variety of audiences and interested parties, including public agencies within Alameda County, jurisdictional housing and code enforcement departments, nonprofit organizations that serve low-income households, housing counseling agencies, senior and disability organizations, and others. Marketing will include, but is not necessarily limited to, direct mailings, speaking engagements, tabling at events, developing informational materials, holding informational workshops, creating and managing an online presence through an interactive program website with printable marketing handouts, eligibility calculator, interest list sign up form, and FAQs. Applications, marketing materials and/or other materials shall be translated in English, Spanish, Chinese, Vietnamese, Tagalog and other languages as determined by Program Administrator with approval of the County.

XII. HPLP Policy and Procedure Manual

An "HPLP Policy and Procedure Manual" will be developed and updated on at least an annual basis by the Program Administrator, subject to the review and approval of HCD in order to operationalize the program. The adopted HPLP Implementation Policies will be incorporated by reference into the Policy and Procedure Manual. The Manual will include detailed policies and procedures for the application intake through home rehabilitation processes, loan servicing procedures, template application forms, loan documents, outreach/marketing materials, and other program-related materials.

XIII. Monitoring

Annual monitoring of program participants to confirm their continued compliance with the owner-occupancy requirement and other HPLP terms and requirements will be conducted.

XIV. APPENDIX A – ALAMEDA COUNTY INCOME LIMITS

2018 Income Limits for Alameda County 80% of Area Median Income	
Number of Persons in Household	Annual Income Limit Low Income Household
1	\$62,750
2	\$71,700
3	\$80,650
4	\$89,600
5	\$96,800
6	\$103,950
7	\$111,150
8	\$118,300
<i>2018 Income Limits as determined by the State of California Housing and Community Development Department for Alameda County, pursuant to California Health and Safety Code (H&SC) Section 50093. Effective Date: April 26, 2018</i>	