



CITY OF WALNUT

Housing Rehabilitation Program Guidelines

Revised July 17, 2019



CITY OF WALNUT

Housing Rehabilitation Program

I. OVERVIEW OF PROGRAM

A. Purpose, Goal, and Objective of Program

The purpose of the Housing Rehabilitation Program (HRP) is to provide grants and loans to homeowners of single family detached dwellings for the preservation of decent safe and sanitary housing; to correct hazardous structural conditions; to make improvements considered necessary to eliminate blight and improve handicapped access; and, to correct allowed building and health code violations through the awarding of grants and loans. Grants and loans shall be given to eligible low- and moderate-income owner occupied homeowners of single-family detached homes to cover the cost of necessary housing repairs. The Program's detailed eligibility criteria are outlined under Section II.

The goal of the Housing Rehabilitation Program is to provide grants of up to \$12,500 and deferred loans, at zero (0%) percent interest up to a maximum of \$30,000. The maximum grant level may be increased to \$15,000 when coupled with a loan (minimum loan is \$5,000). The program objective is to assist eligible low- and moderate-income residential owner-occupants in maintaining the City's existing housing stock by means of home rehabilitation.

B. Source of Funds and Relationship with Grantor

The source of funds for the Housing Rehabilitation Program is the County Development Authority (CDA) of the County of Los Angeles, which acts as an agent for and is the recipient of the Federal Government's Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds. These funds are targeted to benefit low- and moderate-income persons and to eliminate slums and blight.

As a disbursing agent for these funds, the CDA has subcontracted with the City of Walnut to provide administrative services for housing repair activities. As such, the City is responsible for marketing the Program, processing and packaging all repair grants and loans it obtains for the Program, performing on-site inspections, and acting as a quality agent relative to Program activity. The City is obligated to fulfill the terms and conditions of its contract with the CDA, established CDA policies and procedures, and Federal and local rules and regulations.

C. Types of Assistance Available

Assistance shall be available to eligible homeowners in the form of a grant up to \$12,500 and deferred loan of up to \$30,000 per qualified household. The maximum grant level may be increased to \$15,000 when coupled with a loan (minimum loan is \$5,000).

II. APPLICANT ELIGIBILITY REQUIREMENTS

A. Income Eligibility Standards Based on Total Persons in Household

Participation in the Housing Rehabilitation Program is limited to applicants whose annual household income does not exceed the HUD-established income limits for low- and moderate-income households. These income limits provide the criteria for eligibility based on the total amount of annual household income adjusted for household size. The City will require documentation of household size, household income, and property ownership information in order to determine applicant eligibility.

1. Definition of Household: For the purposes of determining Program eligibility, “household” means all persons who occupy a housing unit, whether related or not. The occupants may be a single family, one person living alone, two or more families living together, or any other group of persons who share living arrangements.

Definition of Household Annual Income: For the purposes of determining Program eligibility, annual income is based on the requirement delineated within CDA CDBG Bulletin 16-0006 – “Types of Income To Consider When Determining Applicant Eligibility in CDBG-Funded Programs,” and eligibility documentation shall be received and maintained based on the requirements of CDA CDBG Bulletin 16-0007 – “Guidelines for Documenting Eligibility in CDBG Residential Rehabilitation Programs.” The City retains the discretion to make determinations in instances not addressed by the preceding publications, in conformance with CDBG requirements.

B. Property Ownership

The applicant(s) must be the current owner(s) of the property and live on the property to be rehabilitated as their principal place of residence, in order to be eligible for Program assistance. The existing grant deed must list all current owners of the property. Property owner(s) shall be construed to be any person(s) or legal entity that holds title to the property being rehabilitated. In instances of multiple-ownership, the signature of each title-holder is required on all appropriate documents. The City will verify property ownership and require all persons currently on the title to give written consent to all work proposed to be done on the property prior to contracting or initiating such work.

C. Other Documentation Required

The applicant(s) must also submit the following documents in order to determine eligibility:

- 1) City Application;
- 2) Copy of Federal Income Tax forms for the previous year (*2 years if applicant is self-employed*);
- 3) Copy of recent property tax bill;
- 4) Copy of recorded Grant Deed or Deed of Trust
- 5) Copy of recent payroll check stubs, Social Security checks, Social Security SSI checks, AFDC checks or pension and retirement checks, or other appropriate and acceptable income and asset verifications;
- 6) Copy of insurance policy for the property; and
- 7) Copy of identification with photograph. (*i.e., drivers license, passport, etc.*)

D. Re-Application Period

In order to give as many persons the opportunity to participate in the Housing Rehabilitation Program as possible, any applicant(s) who have previously participated in the program are not permitted to participate for a 2 year period, unless no other applicants are awaiting assistance under the program. After this period those applicants who have already received a grant will only be eligible for the loan assuming any prior program loan has been paid off.

III. PROPERTY ELIGIBILITY REQUIREMENTS

A. Target Areas Eligible Under Program

To be eligible for the Housing Rehabilitation Program, the property to be repaired must be zoned and used for single family residential purposes and located within the city limits of the City of Walnut.

B. Minimum Property Rehabilitation Standards

All work performed under the Housing Rehabilitation Program shall meet all applicable standards contained in the City's adopted Zoning Ordinance, local building and safety codes, the Uniform Building Code, and such other codes as designated by the Community Development Director.

C. Eligible Structures

Buildings or structures eligible for rehabilitation under this Program are owner-occupied detached single-family dwellings. The applicant must permit interior inspections of the property by the City staff and consultants. If a loan is requested, the City must hold the first (1st) or second (2nd) lien on the property. Exceptions will be reviewed on a case by case basis. The total indebtedness of all recorded liens, including the City's Housing Rehabilitation Program loan, may not exceed seventy-five (75%) of the fair market value of the home after rehabilitation. For the purpose of this calculation, encumbrances must include the proposed principal amount of the Program loan requested by the eligible owner.

D. Rehabilitation Needs which Warrant Priority Repair

For each eligible property, the following health and safety items and allowed code violations will be given priority for rehabilitation and must be considered prior to all other home repairs:

1. Roof;

2. Foundation;
3. Electrical wiring;
4. Plumbing;
5. Heating/Cooling System;
6. Termite/Rodent elimination;
7. Home Protection Measures and Home Security Devices; and
8. The elimination of specific conditions detrimental to public health and safety, which have been identified by the City.

E. Eligible and Ineligible Renovation

Repairs that may be eligible through the Housing Rehabilitation Program are:

1. Correction of code violations as allowed by CDA;
2. Correction of incipient violations of the Uniform Building Codes;
3. Cost effective energy conservation measures, including solar heating, cooling and water systems permanently affixed to dwelling;
4. Testing and treatment/removal of lead-base paint/asbestos hazards;
5. Removal of barriers to the handicapped;
6. Removal of rodents and roaches (*pest control*), but may not be a stand-alone cost;
7. Removal of termites;
8. Repair/replace roofing;
9. Repair/replace HVAC systems;
10. Repair/replace plumbing/sewer pipes/fixtures;
11. Repair/replace screens;
12. Install new smoke alarms;
13. Install new insulation;
14. Repair/replace kitchen and bath flooring;
15. Repair/replace water heaters;
16. Repair/replace bath fixtures;
17. Repair/replace countertops;
18. Repair/replace electrical system;
19. Installation of ground-fault circuit interrupters;
20. Repair/replace windows;
21. Repair/replace plaster, siding and stucco;
22. Painting (*inside and outside*);
23. Install new deadbolt locks;
24. Handicapped Improvements;
25. Repair/replace carpet;
26. Repair/replace kitchen or bath cabinets;
27. Repair/replace garage doors;
28. Structural repairs/modifications (only to correct existing structural code deficiencies or to provide accessibility to disabled persons);
29. Any items determined eligible by Screening Committee; and
30. The elimination of specific conditions detrimental to public health and safety, which have been identified by the City.

The following improvements are **not eligible** for financing through the Housing Rehabilitation Program.

1. New construction;
2. Reimbursement for an owner's personal labor;

3. Appliances (*except built-in stove, cook top, or garbage disposal*);
4. Purchase, installation, or repair of furniture;
5. Demolition that does not improve the existing structure;
6. Repairs that are interim in nature;
7. Wrought iron security devices;
8. Recreational equipment, facilities, or repairs;
9. Kennels;
10. Bath houses, swimming pools, saunas, hot tubs, Jacuzzis;
11. Photomurals, stands, television antennas, valances, cornice boards;
12. Burglar alarm;
13. Greenhouses;
14. Drapes;
15. Barbecue pits;
16. Repair/replace fencing;
17. Trimming/removal of overgrown/dead vegetation (except when (1) necessary to perform other eligible rehabilitation work activities to the dwelling; (2) incidental to the overall CDBG eligible rehabilitation work scope; and (3) afforded to the income eligible household on a one-time basis only; and

Any items considered to be luxury items as determined by the Screening Committee.

NOTE: THIS LIST OF ELIGIBLE AND INELIGIBLE IMPROVEMENTS IS NOT EXHAUSIVE. THE CITY WILL MAINTAIN THE DISCRETION TO DETERMINE WHETHER A PARTICULAR IMPROVEMENT IS ELIGIBLE OR NOT.

- F. Additionally, all proposed repairs shall be in compliance with the requirements delineated within CDA – CDBG Bulletin 16-0008 – CDBG Funded Residential Rehabilitation Programs.

In addition to the eligible direct construction costs, grant and loan funds may be used to pay for financing fees associated with the program including title evidence, recording fees, escrow fees, and project related architectural and engineering costs.

IV. PROGRAM PROCEDURES`

A. Applicant Intake and Eligibility Determination

1. Pre-Screening. To the extent feasible, prospective applicants shall be pre-screened for basic eligibility requirements in person or over the telephone by calling the City of Walnut. A log of such calls shall be maintained by the City.
2. Application. Persons may apply for Housing Rehabilitation Program funds by completing application forms available at the City and submitting such materials to the City of Walnut, attention Housing Rehabilitation Program. Completed applications are processed on a first-come, first served basis. If a waiting list exists submitted applications are placed on said waiting list. Once funds become available applications will be activated from the waiting list and reviewed in the order in which they are received. If an emergency condition exists, the applicant may be advanced before other applicants, at the discretion of the Community Development Director. The determination of an emergency will be made on a case-by-case basis by the Community Development Director when immediate rehabilitation is necessary to address emergency situations such as natural disasters and life safety emergencies such as non-functioning hot water heaters,

furnaces, leaky roof, etc. The amount of the grant funding that the applicant will receive will cover the cost to eliminate the emergency condition only. The applicant then will return to his/her original place on the priority list and when the applicant reaches the top of the list he/she will be eligible for the remaining amount of the original request.

3. Verification and Eligibility Determination. The City shall verify all sources of household income in accordance with guidelines established by the CDA. Household income must be verified before applicant eligibility can be established. Income verification information shall be updated, and applicant eligibility re-determined if such information is more than six months old prior to the beginning of rehabilitation work. Applicants will be notified in writing regarding eligibility status.
 4. Rehabilitation Feasibility Determination. Once an applicant is determined to meet eligibility requirements, an initial inspection of the property will be made by the Housing Rehabilitation Inspector to determine the extent of any repairs that may be performed through the Housing Rehabilitation Program. All required lead-based paint and asbestos testing shall be performed in conformance with Federal, State, and CDA requirements. Any required lead or asbestos remediation shall be incorporated into the proposed scope of work for the property. A Work Write-up and cost estimate will be prepared by the Program Inspector for presentation to the Housing Rehabilitation Program Screening Committee.
 5. Processing. As a goal, the processing time from the date the application is activated = and deemed eligible for assistance under the Program until a grant and/or loan is approved or denied shall be approximately thirty (30) days.
 6. Approval and Notifications. Grants and loans shall be approved by a Screening Committee comprised of the appropriate City staff. In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time of funding approval. Applicants will be provided written notification of approval or denial. Reasons for project denial will be provided to the applicant in writing.
 7. Historical Preservation. In order to comply with Section 106, National Historic Preservation Act of 1966 as amended (16 U.S.C.470) and in conformance with the CDA's rehabilitation guidelines, the City shall submit the appropriate property data into the CDA's on-line rehabilitation panel for review and approval by the CDA.
 8. Processing of Loan. Copies of Work Write-up and other pertinent documents will be reviewed for title verification prior to issuance of any loan.
- B. Procurement and Contractor Selection
1. Procurement. The property owner(s) shall be responsible for obtaining a minimum of three (3) bids for the proposed work. In order to assist the property owner(s) the City shall maintain a list of pre-qualified contractors who have expressed interest in bidding on housing rehabilitation work and have been cleared through the Office of Affirmative Action Compliance. The list should not be considered a recommendation on behalf of the City. Owners should screen any contractors who are providing bids on the work. The City will coordinate

with the property owner to obtain at least three (3) estimates from qualified contractors for each rehabilitation project. The property owner(s) shall be responsible for obtaining estimates for repairs. Estimates shall be submitted in the form prescribed by the Housing Rehabilitation Program.

2. Selection. In accordance with CDBG regulations, the contractor who is considered to be the lowest responsible bidder and is cleared by both the U. S. Department of Labor (DOL) Excluded Parties List System (EPLS) and the Contractor's State Licensing Board (CSLB) will be awarded the contract.
3. Contractor Insurance/License File. The City shall maintain a file for each contractor performing work pursuant to the terms and conditions of this program. The file shall include the following information:
 - Contractor's social security number or federal tax ID number; Copies of the contractor's current liability and worker's compensation insurance policies;
 - Copies of the contractor's current California Contractor's License;
 - Copy of City Business License;
 - A list of all of the sub-contractors (*including license number*) to be used by the General Contractor; and
 - County Lobbyist Certification.

Any contractor with lapsed insurance or contractor's license shall be removed from the job until he/she is able to provide proof of current insurance and/or license. All contractors shall be required to obtain any required approvals and building permit prior to commencing work.

4. Ineligible Contractors. In accordance with HUD requirements, and the City guidelines, the City and the applicant(s) shall agree not to award any contract for rehabilitation work, to be paid for in whole or in part with proceeds from a Housing Rehabilitation Program loan/grant, to any contractor who is not a California licensed contractor, who cannot produce sufficient evidence of current Workman's Compensation and Liability Insurance coverage, or who is on the DOL Excluded Parties List or on the City's list of unreliable or irresponsible contractors. All owner/builders, or any member of the applicant's family, is considered ineligible regardless of credentials or license. Any ineligible contractor found working at the job site will be removed immediately, without compensation.

C. Award of Contract

1. Notification. The City shall notify the contractor of the award of bid and shall establish a date and time for the pre-construction conference.
2. Rehabilitation Construction Contract. The contract, for the approved rehabilitation work shall be prepared by the City and shall be entered into between the property owner and the selected contractor. The City may require the inclusion of certain contractual terms in accordance with HUD and CDA requirements. In the event of any dispute arising under this program, the injured party shall notify the injuring party in writing of its contentions as specified under the contractor agreement between the property owner and the contractor.

3. Private Arrangements. The City cautions the property owner and the contractor not to enter into “side deals” for additional work or deviations from the approved work write-up. No unauthorized work will be compensated by City to contractor.

D. Pre-Construction Meeting

Prior to construction, the City will arrange a pre-construction meeting which shall be attended by the contractor, subcontractor(s) if applicable, the property owner, and Program staff. The purpose of this meeting is to explain all applicable HUD requirements including Labor Standard Requirements, explain all Program requirements and procedures, perform a job-walk that delineates the scope of work to be performed and to achieve mutual agreement regarding owner selected items, and finished product expectations. The meeting will also coordinate and schedule the work start date, and answer questions related to contract documents and the payment process. The City shall maintain written minutes of this meeting.

E. Start of Construction

No work shall commence until a “Notice to Proceed” has been issued to the contractor, signed by the property owner and the City representative. In addition, no work shall commence until any required permits have been issued by the Building Department. The contractor shall initiate repairs within ten (10) days of the issuance of the “Notice to Proceed.”

F. Progress Payments to Contractor and City Inspections

1. Inspections and Complaints. To ensure the integrity of the authorized repair work, the Program Inspector shall conduct site inspections prior to the issuance of progress payments and prepare detailed inspection reports, which identify any deficiencies in a contractor’s materials or workmanship. These reports shall be reviewed and signed by the homeowner. The Program Inspector shall make regular and/or unannounced inspections of work in progress to identify the quality of work and assess satisfaction of the property owner(s). These inspections are in addition to the normal inspections required by the Building Department, which is responsible for all code compliance determinations.
2. Payment Request Packages. The Contractor shall submit payment request packages to the City in the prescribed format. All requests shall be signed by the contractor, homeowner, and Program Inspector, certifying that the work has been satisfactorily completed. All pertinent invoices, mechanics lien releases, certifications, and copies of applicable permits shall be attached to the payment request. Final payment request must also include the owner’s certification of acceptance, Building Department sign off card, warranties for all warranted products installed, and an owner executed Notice of Completion. Payment request packages shall be submitted to the City for approval. A maximum of four (4) progress payments minus a ten percent (10%) retention may be submitted. The final payment for the 10% retention shall be paid 35 days after the Notice of Completion is recorded.

G. Applicant Complaint Resolution Process

Complaints concerning the Program should be made to the Housing Rehabilitation Program Coordinator. If unresolved to the satisfaction of the applicant, an appeal shall be made, in writing, to the Housing Rehabilitation Program Screening Committee of the City of Walnut. The applicant shall be allowed to present all pertinent facts to the Committee that may have a bearing on the particular issue to be resolved. The decision of the Committee shall be final.

H. City and Applicant Responsibilities

1. Property Maintenance. Homeowner(s) are responsible for property maintenance during the rehabilitation work (*contractor is responsible for keeping the property clean of all construction material and debris*) in conformance with the Walnut Municipal Code. The homeowner(s) are also responsible for ensuring that the rehabilitation work is not impeded because of un-maintained property or general sloppiness, and ensuring that items of value, including pets, are secured. The contractor and his/her employees provide adequate protection to the homeowner(s)' property, both interior and exterior, during the rehabilitation process.
2. Property Tax Bills. A copy of current property tax bills for the subject property must be submitted to the City as part of the application process. The property owner(s) is/are responsible for ensuring that the property taxes are current. If an applicant's property tax statement indicates a delinquency at the time of the Program application, the City shall not proceed with grant and/or loan processing until it is supplied with a Certificate of Redemption from Los Angeles County Tax Assessor's Office or other appropriate documentation of proof of payment.
3. Notice of Completion. The property owner(s) are responsible for executing a Notice of Completion within 10 days of the completion of the work.

V. **OTHER PROGRAMMATIC REQUIREMENTS**

A. Bonus, Commission or Fee

The applicant shall not pay any bonus, commission or fee for the purpose of obtaining approval of the grant application, or for any other approval or concurrence as may be required by the CDA or the City, pursuant to the provisions of this Program.

B. Conflict of Interest

No Program grant or loan will be provided to any member of the governing body of the County of Los Angeles, nor any designee of the CDA, the County of Los Angeles, or the City of Walnut, who is in a decision making capacity in connection with the administration of the Program. No member of the above organizations shall have any interest, direct or indirect, in the proceeds from the Program grant or loan or in any contract entered into by the applicant for the performance of the work, financed, in whole or in part, with the proceeds of the grant or loan.

C. Disclosure of Information

The City is a public agency and information or records (*with the exception of financial information which falls under Government Code Section 6250 (c), and Section 7460 et*

seq.) submitted or released to the City by the applicant may be considered public records and subject to disclosure under the Public Records Act, Government Code Section 6250 et seq. All social security and driver's license information is excluded from this disclosure requirement.

D. Housing and Community Development Act of 1974, Equal Opportunity Policy, Age Discrimination, and Section 504 of the Rehabilitation Act of 1973

Section 109, Title I of the Housing and Community Development Act of 1974, provides that no person shall, on the grounds race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this Title.

The City shall not discriminate based upon sex, age, race, creed, color, religion, national origin, marital status, ancestry or physical handicap in either the awarding of a contract for rehabilitation of property assisted by a Program grant, or in accepting applications and processing Program grants.

The City of Walnut complies with the provisions of the Age Discrimination Act of 1975, prohibiting against discrimination on the basis of age, or with respect to an otherwise qualified handicapped individual, as provided in Section 504 of the Rehabilitation Act of 1973.

E. Civil Rights Act of 1964

The City complies with Title VI of the Civil Rights Act of 1964, which provides that no person shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance

F. General Hazards and Flood Insurance Requirements

Applicants are obligated to carry sufficient general hazards, including fire insurance coverage (*and flood insurance where applicable*) on the property to be rehabilitated under the provisions of this Program. Prior to any grant assistance, minimum general hazards insurance coverage shall be provided in an amount, which is equivalent to the value of the dwelling including rehabilitation improvements. Uninsured applicants must obtain coverage in the required amount prior to receiving grant assistance. Applicants in a "Flood Hazard Area" will be required to purchase flood hazard insurance. This requirement may be waived for emergency repairs, at the discretion of the Community Development Director.

G. Lead-Based Paint Notification

The following documents shall be provided to all applicants: "Watch Out for Lead Based Paint Poisoning," "Protect Your Family From Lead in Your Home," and "Asbestos in Your Home." A Lead-Based Paint and Asbestos Notification Confirmation shall be provided to all applicants by the City as part of the application process. Such confirmation shall be signed and dated by the applicant and a copy shall be maintained in the project file.

H. Substitution of Contractor

In the event that the selected contractor shall fail or refuse to complete the work in a professional and workmanlike manner as set forth in the Rehabilitation Construction Contract, including its General Conditions and Standard Specifications, or fails to use due diligence in performing the required work, the property owner(s) may terminate the Rehabilitation Construction Contract, upon providing proper notice to such contractor. The City shall assist the homeowner in completing the necessary termination document as needed. No further rehabilitation is to commence until the Request for Substitution of Contractor and Termination of Contract Form, releasing the original contractor from his/her contractual obligations, is on file at the City, and a new contract is signed between the substitute contractor and the homeowner(s). The City shall advise the CDA of any problems in the resolution of the substitution of contractor.

1. Non-Commencement by Original Contractor. The City shall notify the CDA by means of a Request for Substitution of Contractor and Termination of Contract Form, that the original contractor will not be performing the rehabilitation and the reason(s) for which a substitution of contractor is being requested. Both the homeowner(s) and the original contractor's signatures are required on this document. The property owner shall obtain a substitute contractor willing to perform the rehabilitation, and, to the extent possible, negotiate the total contract price with the new contractor to assure that the new contract does not exceed available grant or loan funding. A new Rehabilitation Construction Contract, Notice to Proceed, and Waiver and Hold Harmless Agreement shall be prepared by the City and appropriately signed.
2. Noncompliance by Original Contractor. The City shall inspect the job and compile a list of incomplete or unacceptable items to determine the extent of work to be completed by the substitute contractor. The City shall notify the CDA in writing that the original contractor has not performed according to the Rehabilitation Construction Contract and list the initial steps taken by the City to resolve the problem. A meeting shall be held between the City, homeowner(s) and the original contractor to establish a method of contractor payment and prepare an official Request for Substitution of Contractor Form signed by both homeowner(s) and the contractor. Funds withheld from the original contractor shall be delineated on the form. Lien releases and invoices from the original contractor and subcontractor(s) must be provided by the contractor. The City shall prepare a revised Work Write-up, based upon the City's inspection findings, which contains only those items necessary to complete the job. The City shall obtain a substitute contractor willing to perform such work, and, to the extent possible, negotiate the total contract price with the new contractor to assure that the new contract does not exceed available grant funding. A new Rehabilitation Construction Contract, Notice to Proceed, and Waiver and Hold Harmless Agreement shall be prepared by the City and appropriately signed.

I. Davis-Bacon Requirements

In accordance with CDBG Program Entitlement Grant Regulations, Davis-Bacon requirements apply to the rehabilitation of residential property if such property contains 8 units or more. As a single-family program which is contracted on an individual basis, this program is exempt from the Davis-Bacon requirements.

VI. AMENDMENTS

Amendments to these guidelines may be made from time to time by the City. Authority to modify minor elements of the guidelines shall rest on the City Manager, with the exception of Federal regulations and CDA procedures, which shall remain unmodified.