



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: February 4, 2004

Approved

Date

COUNCIL DISTRICT: Citywide
SNI Area: All

SUBJECT: APPROVAL OF CHANGES TO THE HOUSING REHABILITATION PROGRAM

RECOMMENDATION

Adoption of a resolution modifying the Housing Rehabilitation Programs as follows:

1. Target all housing rehabilitation program funds to low-income households, currently defined as those households earning below 77% of Area Median as annually adjusted by the Department of Housing and Urban Development.
2. Target owner-occupied properties only, with the exception of specific rental demonstration projects currently in progress.
3. Authorize the use of SNI Exterior Grant funds for critical health and safety conditions and/or handicap accessibility projects.
4. Authorize the Director of Housing to negotiate and execute loans for the replacement of substandard mobilehomes, trailers and recreational vehicles for lower-income households. The unit must be used as a principal residence and be located in a mobilehome park in the City of San Jose.

BACKGROUND

The City offers a number of programs to San José residents and property owners seeking to maintain and/or improve the condition of their properties. These programs currently provide low-interest or interest-free loans or grants to homeowners with incomes up to the area median (currently \$105,500 for a family comprised of four people) to perform repairs and improvements from replacing substandard systems, such as bathrooms, kitchens, roofs and hot water systems, to removing lead-based paint and providing new exterior paint. These programs also provide funds to mobilehome owners to address conditions that pose a health or safety risk or park

mandated repairs. In addition, the Department has made available loans of up to \$55,000 per unit, or \$100,000 for single-family homes, to landlords who rent to low income tenants.

On August 27, 2002, the City Council approved the Strong Neighborhood Initiative (SNI) Exterior Grant Program providing grants of up to \$25,000 for properties in SNI areas for exterior improvements such as roof and gutter replacement, exterior painting, driveway and walkway replacement, fencing and front yard landscaping and irrigation improvements. The Redevelopment Agency provided the Housing Department a total of \$4.7 million for the SNI Exterior Grant Program during Fiscal Years 2002-2003 and 2003-2004 to fund a total of 170 grant requests. Due to the reduction of tax increment and the continued threat of State recapture of redevelopment funds, the Redevelopment Agency has not budgeted additional funds for the Exterior Grant program in its 2004-2008 Capital Improvement Program Budget.

ANALYSIS

A safe, healthy, attractive and vital community is one of the outcomes of the Economic and Neighborhood Development City Service Area. The loans and grants offered to qualified homeowners, mobilehome owners and rental property owners to implement this strategic CSA objective has become an important tool to ensure decent, safe and attractive housing.

In addition, the SNI Exterior Grant Program has been a critical component of the partnership between the City and SNI community leaders to revitalize neighborhoods. The Exterior Grant program has several goals:

- Make an immediate and positive impact in the SNI areas, including highly visible demonstration projects where appropriate.
- Implement a simplified, seamless application process.
- Work with specific multi-family rental projects to develop exterior improvement guidelines for use by current and future property owners.

The demand for the program by some of our most needy residents remains high. In FY 2002-03, the program achieved significant service objectives:

- A total of 403 units rehabilitated.
- A total of 579 units painted.
- A total of 93% of all applications approved were to households in the lower-income categories, with senior citizens accounting for 37% of the approvals for assistance.
- A total of 67% of the funds were spent in the targeted SNI area.

However, due to the expected reduction in tax increment funds in the next few years, the Housing Department has proposed a funding strategy that will replace all but \$1.0 million of 20% Low and Moderate Income Housing funds currently used to fund the rehabilitation programs with HOME Investment Partnership funds. Under the HOME program, funds for rehabilitation can only be used for assistance that benefits low-income households. In addition,

to ensure that the Housing Department's limited Low and Moderate Income Housing funds can be used to maximize the capacity to issue tax anticipation bonds (TABs), the Housing Department will cap the amount of 20% funds going to the rehabilitation program and will also increase reliance on outside grants for housing rehabilitation efforts, including CalHOME grants funded by Proposition 46 and administered by the California State Department of Housing and Community Development (HCD).

As a result, the Housing Department is recommending a number of program revisions to ensure that the limited funds available for housing rehabilitation are used as efficiently as possible, assisting residents with the greatest needs, and responding to the priorities identified by the Neighborhood Advisory Committees to assist in the revitalization of rental properties. The program revisions proposed by the Housing Department are as follows:

1. Target all housing rehabilitation resources to lower-income households, currently defined as 77% of area median income or less.
2. Target owner occupied properties only, with the exception of specific rental demonstration projects currently underway. The rental demonstration projects currently underway are in the Hoffman Via Monte, Blackford, Winchester, Burbank Del Monte and Five Wounds SNI areas.
3. Modify the SNI Exterior Grant Program to allow funds approved for a project to be used for critical health and safety and/or handicap accessibility items.
4. Authorize the Director of Housing to issue loans for the replacement of substandard mobilehomes, trailers and recreational vehicles. This change will allow the Department to respond, on a limited basis, to specific health and safety needs where repairs may not be cost-effective. A replacement mobilehome must be used as a principal residence and must be located in a mobilehome park.

Effective Date

It is proposed that the recommended changes be applicable upon City Council approval of this memorandum. Such action is consistent with the stricter needs-based approach and is recommended given the current environment of fiscal uncertainty, limited resources and a high customer demand for the rehabilitation programs.

COST IMPLICATIONS

No additional funds are required to implement these recommendations.

PUBLIC OUTREACH

On September 24, 2003, Housing Department staff presented a status report and program update to the Project Area Committee (PAC). Staff reported on plans to make changes to the program to ensure that the limited amount of funds for housing rehabilitation would be allocated to address the most critical needs of our lower-income residents.

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COORDINATION

The preparation of this report has been coordinated with the Office of the City Attorney and the Redevelopment Agency.

CEQA

Not applicable. Not a project.

LESLYE CORSIGLIA
Director of Housing

