



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: September 27, 2006

Approved

Deanna Sabra

Date

10/2/06

COUNCIL DISTRICT: 5
SNI AREA: Gateway East

SUBJECT: APPROVAL OF HOUSING REHABILITATION ASSISTANCE UP TO \$147,500 FOR REPAIRS TO THE HOME AT 1564 WHITTON AVENUE

RECOMMENDATION

It is recommended that the City Council:

- a. Adopt a resolution approving housing rehabilitation assistance of up to \$147,500 to Julio Rodriguez for repairs to his home located at 1564 Whitton Avenue.

OUTCOME

Approval of the recommended action will enable the Rodriguez family to live in decent, safe and sanitary housing conditions.

BACKGROUND

Mr. Rodriguez applied for a housing rehabilitation loan to make repairs to his 56-year-old residence located at 1564 Whitton Avenue (map attached). The household consists of a 75-year old disabled male, one adult disabled daughter, and three adult disabled sons. Total household income for the family meets the lower-income requirement of the Housing Rehabilitation Program.

The cost of repairs exceeds the \$100,000 limit imposed on the Director of Housing's delegated authority to make housing rehabilitation loans. Only the City Council can approve rehabilitation loans in excess of this amount.

ANALYSIS

When initially contacted by Mr. Rodriguez in September 2004, Housing Department staff inspected the property. Upon the inspector's verification that repairs were warranted, Mr. Rodriguez filed an application for assistance in February 2005, and funding for up to \$100,000 was approved by the Director of Housing that same month.

Because the inspector believed that the \$100,000 of approved funding might not be adequate to address all of the repair needs at the home, a reduced deficiency list was provided to the client at the end of March 2005 so he could seek contractors' bids. In the Fall of 2005, contractors indicated that even the reduced scope of work could not be covered by the approved funding amount.

In March 2006, a full scope of work was provided to the client to seek contractor bids without any dollar limitation. The scope of work included:

1. Removal of a 450-square-foot illegal addition, and replacement of that square footage with new habitable space in order to accommodate the size of the family.
2. Complete renovation of substandard kitchen and bathroom facilities.
3. Complete replacement of unsafe electrical system.
4. Complete replacement of deteriorated and unsanitary plumbing system.
5. Roof replacement.
6. Furnace replacement.
7. Replacement of interior and exterior doors.
8. Replacement of windows throughout.
9. Replacement of all flooring with vinyl or equivalent grade of carpeting.

The lowest contractor's bid submitted for all work except lead remediation was \$114,575. (The lead remediation was not included in the bid package because that work must be performed by a limited pool of contractors who hold HUD-sanctioned certification for this specialty). With a contingency fund of \$11,490, miscellaneous soft costs of \$810, architectural and engineering costs of \$5,625 and lead remediation up \$15,000, the total project cost is \$147,500.

The proposed funding consists of: (1) a loan of \$117,500 of CalHome funds; (2) a Homeowner Grant of \$15,000 of CDBG funds; and (3) a lead remediation grant of up to \$15,000 of CDBG funds.

The proposed housing rehabilitation assistance does not require the recordation of an affordability restriction. The threshold for such a requirement is currently \$177,500, based on the City Council policy using 25% of average home re-sale value throughout San Jose as the threshold.

This request conforms to all Housing Rehabilitation Program underwriting criteria and program policies.

ALTERNATIVES

Alternative #1: Limit level of financial assistance to the \$100,000 limited delegated to the Director of Housing by the Council.

Pros: This alternative would reduce the cost of this housing rehabilitation project by \$47,500.

Cons: This alternative would leave the Rodriguez family with unmet repair needs and leave them with some unsafe or unsanitary conditions.

Reason for not recommending: It is not appropriate to leave Housing Rehabilitation Program clients with unmet health and safety deficiencies.

Alternative #2: Replace the existing home with a new structure.

Pros: This alternative would involve a construction process with fewer unknowns, result in a home that meets all current codes and has a more positive impact on the neighborhood, and would carry a 45-year affordability restriction in compliance with Housing Rehabilitation Program guidelines.

Cons: Construction of a new home is estimated to cost \$360,000 and would, because of a more complex design process and the need for a Planning permit, take several months longer to complete.

Reason for not recommending: The benefits of a replacement house are not justified on the estimated project cost increase of over \$212,000. With an average Housing Rehabilitation grant of \$15,000, this amount would be better spent assisting 14 other households.

PUBLIC OUTREACH

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
(Required: E-mail and Website Posting)
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although the recommended action does not meet any of the above criteria, this report will be posted on the City's website for the October 17, 2006, City Council agenda.

COORDINATION

The preparation of this report has been coordinated with the City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

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BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Adopted Budget Page	Last Budget Action (Date, Ord. No.)
448	3226	CalHome Program	\$1,750,000	\$117,500	XI - 62	Appropriation Ordinance dated 8/15/06
441	0063	Housing Rehabilitation Loans and Grants	\$2,500,064	\$30,000	XI - 17	Appropriation Ordinance dated 8/15/06

CEQA

Exempt, File No. PP06-153



LESLYE KRUTKO
Director of Housing

Attachment

For further information, please contact Leslye Krutko at 408-535-3851.



Location Map

1564 Whitton Avenue

