HOME ENHANCEMENT LOAN PROGRAM (HELP)

PASADENA
DEPARTMENT OF HOUSING

For more information, please visit
CityOfPasadena.net/RehabHELP

City of Pasadena
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Program Guidelines

1. Purpose of the Program

The City of Pasadena funds the HOME Enhancement Loan Program (HELP) through its HOME Investment Partnership ACT (HOME) entitlement which is provided through the U.S. Department of Housing and Urban Development (HUD). HELP will provide loans to single-family owner-occupied households for necessary repairs and rehabilitation to bring their house up to code, eliminate critical health and safety concerns, and increase efficiency and accessibility thereby enhancing livability and preservation of the home. Each year, the City will set aside funds for this loan program with the anticipation that funds will be paid back at the end of the loan term, re-finance with cash out, transfer of title, or sell of the home.

Program Objectives

- To assist property owners within the city limits of Pasadena in the repair or rehabilitation of their homes to a safe and livable condition.
- To improve energy efficiency and conservation of resources.

2. Loan Terms

Interest Rate: 0% interest rate.

Term: 20 years. Deferred payments during the loan term. Loan is due in full at the end of the term. Loan must be paid in full if the property is transferred, refinanced with cash-out, or sold.

Loan Amount: Up to $100,000 may be borrowed. ($50,000 minimum)

2.1. Non-Assumable

Upon sale or other transfer of the property, whether by operation of the law or otherwise; in the event that the property ceases to be used as the primary residence of the owner; or upon change from a single-family residence, the loan amount will become due and payable.

3. Eligibility Criteria

3.1. Applicant Eligibility

3.1.1. Income

Participation in HELP is limited to applicants whose annual household income does not exceed 80% of the area median income (AMI), based on household size as determined by HUD.

3.1.2. Additional Restrictions

- Applicant(s) debt to income ratio may not exceed 45%
- Combined Loan to Value (CLTV) may not exceed 80%
- Must be current on existing mortgage, reverse mortgages are ineligble
- Applicant cannot have an existing City loan
- All household members must be U.S. citizens or permanent residents

3.2. Property Eligibility

- The property must be located within the Pasadena city limits.
- The property must be owner-occupied single-family structure as the primary residence during the term of the loan.
- Condominiums and historical structures are not eligible.
- Value of property (determined by Zillow at time of application submission) after rehabilitation (determined by appraisal) must not exceed 95% of the median purchase price for the area or $1,294,850.
- A property in need of less than $50,000 in rehabilitation repairs is generally not eligible.

3.3. Eligible Rehabilitation Activities

Priority 1: State and Local Code Violations
Any applicable state or local code violations identified for the property must be addressed and corrected.

Priority 2: Health and Safety Improvements

Items necessary to bring the property into a safe and sanitary condition including, but not limited to:

- Leaking plumbing
- Rotten wood
- Pest-termite control remediation
- Overloaded electrical system
- Broken windows
- Leaking/damaged roof
- Presence of lead-based paint or asbestos

Priority 3: Major Systems Efficiency

Any major system with a useful life of less than 5 years must be replaced and/or repaired. Those systems include heating, structural support, electrical, roofing, and HVAC.

Priority 4: Accessibility Improvements

- Making a space accessible (bathroom, kitchen)
- ADA appliances (stove, refrigerator)
- Wheelchair ramps
- ADA alarm systems
- Hardwood floor installation
- ADA path of travel

Priority 5: Energy Efficiency Improvements

Those items which will appreciably reduce energy use and operating costs to the owner:

- Home energy efficiency assessment (Energy Audit required)
- Wall and attic insulation (must comply with California Quality Standards for Insulating Materials {CCR, Title 24, Part 12, Ch. 12-136})
- Windows replacement (using products rated by the National Fenestration Rating Council)
- HVAC systems (must meet state energy standards)
- Water heater (must meet state energy standards)
- Weatherization
- Furnace (must meet state energy standards)
- Solar panel installation

Priority 6: General Property Improvements

These are improvements needed to increase livability of the structure. For example, exterior painting, new flooring, new counter tops, or new carpeting. Loan funds may be used for Priority 6 only after provisions have been made to complete all Priority 1, 2 and 3 items.

3.4. Ineligible Rehabilitation Activities include but not limited to:

Intercom systems	Kennels	Furniture
Outdoor fireplace	Central vacuum	Portable appliances
Detached greenhouse	Hot tubs or spas	Area rugs
Tools	Detached garage	Pools

3.5. Contractor Eligibility

3.5.1. Selected contractor must submit comprehensive liability insurance (minimum $1,000,000).

3.5.2. Must have City of Pasadena business license.

3.5.3. Must have proper licensing through the State of California.

3.5.4. Must have clearance from SAM.gov

3.5.5. Must execute AIA contract (or similar) with Homeowner, including the HELP program addendum as an attachment.

4. Project Process

4.1. Applicant Pre-screen Workflow

4.1.1. Homeowner(s) will complete pre-screening application at the City of Pasadena's Housing Department website cityofpasadena.net/RehabHELP during the application window period.

4.1.2. City staff will assign a score to eligible applications using the following criteria:

- Open Citation to Address Health and Safety — 4 points
- Property Located in CDBG Census Tract — 3 points
- Senior or Disabled Person Living in Household — 2 points
- Minor under 16 years of Age Living in Household — 1 point
- Tiebreaker Determined by Lowest Household Income

➢ The highest ranked applications will be selected to move forward in the program until funds runs out. The remaining eligible applicants will be added to a waiting list. If a selected applicant falls out of the program prior to the start of construction, the next highest ranked application from the waiting list will be selected. The waiting list will expire six months after the application window period closes.

4.1.3. The selected applicant will meet with City staff to review the program rules, requirements, and sign the HELP program agreement.

4.2. Loan Origination & Closing Workflow

4.2.1. After signing the program agreement, the applicant will complete a full loan application, credit check, and submit required loan verification documentation for certification of eligibility.

- Origination
- Property Feasibility Inspection (performed by City staff)
- Review and Approval by Loan Review Committee & City Council (if loan is over $74,999)
- Document Signing
- Loan Closeout

4.3. Pre-Construction Workflow

4.3.1. After the loan documents have been executed, the homeowner will work with the Project Manager, contracted with the City, to finalize the scope of work and design. Project Manager will maintain homeowner file.

4.3.2. Properties built prior to 1978 have a presumption of lead-based paint on all disturbed surfaces and requires a Risk Assessment Report. Any lead identified

from the report **must** be abated prior to any other work performed. Clearance examinations shall be performed by persons or entities independent of those performing hazard reduction or maintenance activities.

4.3.3. Project Manager will order a Property Condition Assessment (PCA) of the five major systems including plumbing, electrical, heat and air conditioning, structure and roofing along with an assessment of any other current deferred maintenance issues related to exterior or interior features.

4.3.4. According to the program priorities, the Project Manager will prepare a detailed work wire-up and cost estimates based on results from the PCA, Lead Risk Assessment Report and conversations with the homeowner, for approval by the City.

4.3.5. Upon approval of work write-up, Project Manager will obtain an appraisal estimate of property after planned rehabilitation.

4.3.6. City will perform required federal environmental review. If the scope is limited to the interior of the property (not visible from the exterior at all) or if the property is less than 45-50 years old, then the review is exempt from State Historical Preservation Officer (SHPO) consultation, which can take 30 days.

4.3.7. Project Manager will assist homeowner with obtaining consultants for project design (structural, MEP, civil engineer etc.) if needed, selection of general contractor, and submission of permits for approval from the City's Permit Center.

4.4. Construction Management

4.4.1. Project Manager will serve as the general contractor and enter into a construction contract with the homeowner to complete the scope of work.

4.4.2. City will issue notice to proceed once the construction contract is executed with the homeowner.

4.4.3. The Project Manager will act as a liaison between the homeowner and the City and subcontractors and will provide oversight of construction schedule.

4.4.4. Loan draw requests are signed by the subcontractor and Project Manager (with invoices) and submitted to the City for payment.

4.4.5. All change orders must be approved by the Project Manager.

4.5. Construction Closeout

4.5.1. Project Manager will obtain certification of final inspection and submit to

City along with request for final payment.

4.5.2. City will issue a notice of completion, upon approval of final inspection.

4.5.3. Project Manager shall close out homeowner file and submit to City for record keeping.

4.6. Post Construction

4.6.1. Loan documentation may need to be amended after completion of construction if all loan proceeds have not been expended.

4.6.2. Final amount will be recorded on the property's title as a silent loan with no payments at 0% interest. Loan must be paid back to the City at the end of the 20-year term or upon refinance with cash out or upon title transfer or if the property is sold.

4.6.3. Failure to repay loan upon term end will result in a loan conversion (with 1% conversion fee) to a conventional 30-year loan at prime plus 3%.

5. Special Conditions

5.1. Lead Hazards

If your home was built before 1978, it is presumed to have lead-paint hazards that could pose a particular hazard to children aged six and younger. The City will require completion of a lead-safe housing rule checklist (Attachment B) for your home. Lead paint hazards identified in the risk assessment must be addressed in accordance with the Residential Lead-Based Paint Hazard Reduction Act of 1992—Title X and CFR 24 Part 35, which requires abatement of any lead found at the property.

5.1.1. Lead Stabilization Painting Practices and Procedures

Notification

A Lead-Based Paint Notification shall be provided to all applicants by the City as part of the application process. Such notice shall be signed and dated by the applicant and a copy shall be maintained in the project file. The property is also posted with "Lead-Based Paint Notification" rehab signage in the front of the property where there is public access.

Lead Paint Evaluation

HUD lead-based paint requirements can be found under CFR 24 Part 35 Subpart R Methods and Standards for Lead-Paint Hazard Evaluation and Hazard reduction Activities. 88% of owner-occupied housing was built prior to 1978. For this reason, staff presumes all properties contain lead-based paint. All paintings include the entire exterior surface of the property, which is well above the de-minis amount according to CFR 24 35.350(d). Staff does

not perform abatement of lead, but instead provides paint stabilization.

Risk Assessment (CFR 35.1320)

Preform a risk assessment or paint inspection by a certified risk assessor or certified inspector technician, independent from the PHSFRR Program, to determine pre-existing lead/non-lead contents and condition of the exterior work area to stabilize. Risk assessments and lead-hazard screens shall be performed in accordance with methods and standards established either by a state or tribal program authorized by the EPA, or by the EPA at 40 CFR 745.227(c), (d). Risk assessors shall use standards for determining dust-lead hazards that are at least as protective as those promulgated by the EPA at 40 CFR 745.227(h).

Abatement (CFR 35.1325)

Abatement shall be performed in accordance with methods and standards established either by a State or Indian tribe under a program authorized by EPA, or by EPA at 40 CFR 745.227(e), and shall be completed by achieving clearance in accordance with § 35.1340. If encapsulation or enclosure is used as a method of abatement, ongoing lead-based paint maintenance activities shall be performed as required by the applicable subpart of this part in accordance with § 35.1355. Abatement of an intact, factory-applied prime coating on metal surfaces is not required unless the surface is a friction surface.

Interim Controls (CFR 35.1330)

Paint Film stabilization procedures of exterior painted surfaces, include 6 feet of plastic sheeting is laid around the perimeter of the structures, all painted surfaces are power washed and wet scraped, removing all loose paint, than vacuumed with HEPA Vacuums and disposal of all contaminated material in accordance to EPA Standards. An acrylic latex primer and paint are applied to the prep areas to encapsulate and stabilize all painted surfaces.

1) Interim control treatments of intact, factory applied prime coatings on metal surfaces are not required. Finish coatings on such surfaces shall be treated by interim controls if those coatings contain lead-based paint;
2) Any physical defect in the substrate of a painted surface or component that is causing deterioration of the surface or component shall be repaired before treating the surface or component. Examples of defective substrate conditions include dry-rot, rust, moisture-related defects, crumbling plaster, and missing siding or other components that are not securely fastened;
3) Before applying new paint, all loose paint and other loose material shall be removed from the surface to be treated. Acceptable methods for preparing the surface to be treated include wet scraping, wet sanding, and power sanding performed in conjunction with a HEPA filtered local exhaust attachment operated according to the manufacturer's instructions;

4) Paint stabilization shall include the application of a new protective coating or paint. The surface substrate shall be dry and protected from future moisture damage before applying a new protective coating or paint. All protective coatings and paints shall be applied in accordance with the manufacturer's recommendations; and
5) Paint stabilization shall incorporate the use of safe work practices in accordance with §35.1350.

Clearance (CFR 35.1340)

A. Clearance following abatement. Clearance examinations performed following abatement of lead-based paint or lead-based paint hazards shall be performed in accordance with 40 CFR 745.227(e) and paragraphs (c)–(f) of this section. Such clearances shall be performed by a person certified to perform risk assessments or lead-based paint inspections;

B. Clearance following activities other than abatement. Clearance examinations performed following interim controls, paint stabilization, standard treatments, ongoing lead-based paint maintenance, or rehabilitation shall be performed in accordance with the requirements of this paragraph (b) and paragraphs (c) through (g) of this section. Clearance is not required if the work being cleared does not disturb painted surfaces of a total area more than that set forth in § 35.1350(d).

1) Clearance examinations are performed by:
   i) A certified risk assessor;
   ii) A certified lead-based paint inspector;
   iii) A person who has successfully completed a training course for sampling technicians (or a discipline of similar purpose and title) that is developed or accepted by EPA or a State or tribal program authorized by EPA pursuant to 40 CFR part 745, subpart Q, and that is given by a training provider accredited by EPA or a State or Indian Tribe for training in lead-based paint inspection or risk assessment, provided a certified risk assessor or a certified lead-based paint inspector approves the work of the sampling technician and signs the report of the clearance examination: or
   iv) A technician licensed or certified by EPA or a State or Indian Tribe to perform clearance examinations without the approval of a certified risk assessor or certified lead-based paint inspector, provided that a clearance examination by such a licensed or certified technician shall be performed only for a single-family property or individual dwelling units and associated common areas in a multi-unit property, and provided further that a clearance examination by such a licensed or certified sampling technician shall not be performed using random sampling of dwelling units or common areas in multifamily properties, except that a clearance examination performed by such a licensed or certified sampling technician is

acceptable for any residential property if the clearance examination is approved and the report signed by a certified risk assessor or a certified lead-based paint inspector.

Required Activities
If clearance is being performed after paint stabilization that affected exterior surfaces but did not disturb interior painted surfaces or involve elimination of an interior dust-lead hazard, interior clearance is not required if window, door, ventilation, and other openings are sealed during the exterior work. Clearance examinations shall be performed by persons or entities independent of those performing hazard reduction or maintenance activities, unless the designated party uses qualified in-house staff to conduct clearance. An in-house staff shall not conduct both a hazard reduction or maintenance activity and its clearance examination.

Clearance Report
When clearance is required, City staff shall ensure that a clearance report is prepared that provides documentation of the hazard reduction or maintenance activity as well as the clearance examination.

1) The report shall include the following information:
   - i) The address of the residential property;
   - ii) The date(s) of the clearance examination;
   - iii) The name, address, and signature of each person performing the clearance examination, including certification number;
   - iv) The results of the visual assessment for the presence of deteriorated paint and visible dust, debris, residue or paint chips;
2) The report shall include the following information:
   - i) The start and completion dates of the hazard reduction or maintenance activity;
   - ii) The name and address of each firm or organization conducting the hazard reduction or maintenance activity and the name of each supervisor assigned;
   - iii) A detailed written description of the hazard reduction or maintenance activity, including the methods used, locations of exterior surfaces; and
   - iv) If soil hazards were reduced, a detailed description of the location(s) of the hazard reduction activity and the method(s) used.

5.2 Loan Review Board (LRB)

The LRB reviews each loan application based on the eligibility criteria described in these Guidelines, the applicant's financial situation and credit history, the condition of the structure and the recommendations of the staff members. The LRB may make some exceptions to these guidelines on a case-by-case basis.

After Board approval, a promissory note and deed of trust are signed as security for the loan and recorded at the Los Angeles County Auditor's Office. The borrower only owes those funds disbursed on the project; any undisbursed funds are returned to City.

5.3 Loan Commitment Terms

Upon approval, the City of Pasadena, the Loan Review Board reserves the right to cancel the commitment or terminate the loan under the following conditions:

- After 60 days from signing the promissory note and deed of trust, or 60 days from issuing "notice to proceed" for a contract, the Borrower or contractor fails to commence work on the project, unless the period is extended by the Housing Director.
- The Borrower or the Contractor cease work for more than forty-five (45) days, unless an extension has been approved in writing, or fails or refuses to complete the improvements within a reasonable time, as determined by the Housing & Services Program Manager.
- The Borrower changes or terminates the Rehabilitation Contract or enters into another contract for work on the property, without prior written approval of the Housing Director.
- The Borrower does not follow the dispute resolution procedure provided under the Construction Contract (or to litigation, if applicable) when inspection indicates that the work in dispute was done in accordance with the Construction Contract.
- All Borrowers pass away or become legally incapacitated, or otherwise become legally unable to act prior to the completion of the improvement.
- The Borrower abandons the property or fails to facilitate necessary access to the property.
- Any interest in the property is sold or transferred prior to the completion of the improvements (as evidenced by the Home Rehabilitation execution of a Certification of Final Inspection) without the Housing Program Manager's prior written consent, except for (a) the creation of a lien or encumbrance subordinate to the Mortgage, (b) the creation of a security interest for household appliances.
- The loan review board commitment is subject to completion of an environmental review by the city. The approval letter does not constitute a commitment of funds or site approval. Such commitment of funds or approval may occur only upon satisfactory completion of an environmental review under 24 CFR § 58 and receipt, as appropriate, by the city of a release of funds from the U.S. Department of Housing and Urban Development. The provision of any funds for this project is further conditioned on the city's determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review.

5.4 Displacement

It is the policy of the City of Pasadena not to fund rehabilitation projects that will result in the displacement. The LRB must grant any exception to this policy. If there were an exception made by the LRB, the City of Pasadena will follow the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR § 24.

A displaced person is defined as a person who is required to move permanently and

involuntarily as a direct result of a rehabilitation activity. Further explanation of the displacement policy is available upon request.

5.5. **Definitions**

5.5.1. Household: For the purpose of determining program eligibility, "household" means all persons occupying a housing unit as their principal place of residence. All persons 18 years or older living in the household will be required to provide income documentation.

5.5.2. Income Determination: The City determines annual household income as the adjusted gross income as defined for the purpose of reporting under IRS Form 1040 series for individual Federal annual income tax purposes. Gross income includes all taxable income as defined by the IRS Code, as follows:

- All income in the form of wages, salary, bonuses, and tips;
- The full amount received from social security, pensions, and annuities;
- Payments in lieu of earnings, such as unemployment compensation, other social security benefits, and dismissal wages;
- Benefits in lieu of earnings other than lump sum payments under health and accident insurance;
- Alimony, child support and the like;
- Subsistence allowance or receipts in connection with education or training; and
- Income from earning assets, rental income, and capital gains.

5.5.2.1. Income Documentation: Each person over 18 years old living in the household must submit a complete copy of the previous year's IRS accepted income tax return (signed and dated), unless they are claimed on another person's income tax return within the household. All adults in the household who have no income must sign a *No Income Certification* form.

5.5.3. Verification of Eligibility

5.5.3.1. All applicants must submit proof eligibility which may include but limited to:

5.5.3.1.1. Proof of ownership

- Copy of most recently recorded grant deed; or
- Copy of most recent year's property tax statement

5.5.3.1.2. Proof of Income

- Complete copy of previous year's submitted income tax return
- If not available, consecutive copies of two most recent pay stubs
- Proof of any income from other sources other than wages and salaries

5.5.3.1.3. Proof of Residence

- Most recent copy of Pasadena Water & Power bill and mortgage statement

5.5.3.1.4. Proof of Assets

- Statements from the most recent month's bank accounts, retirement accounts, and other accounts

5.5.3.1.5. Proof of Liabilities

- Statements from the most recent month's credit cards, unsecured loans, and any other debts