City Of Oakland

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

Health and Safety Rehabilitation Loan Program for Subsidized Multifamily Housing Projects

Purpose: to provide loans to cover costs that would prevent or correct noncomplying health and safety conditions in existing multifamily affordable housing projects in Oakland.

I. Definition of "Health and Safety Condition"

A health and safety condition means a condition in which the property owner is required to make immediate repairs to bring the property into compliance with applicable state or local zoning, building or housing standards, including but not limited to standards contained in the Oakland Housing Code, Oakland Municipal Code, and Oakland Planning Code, and/or the Uniform Fire Code as adopted by the City. Assistance is limited to those projects with:

- A. A declaration, notice or order issued by the City's Building Official or other city code enforcement official under the authority of the Oakland Housing Code or other provision of law declaring that a property is substandard, unsafe, and/or a public nuisance;
- B. A notice or order to abate a substandard or noncomplying condition issued by a City code enforcement official in which the condition poses an imminent threat to the quality of life of the tenants;
- C. A condition which may result in a notice and/or order by the City requiring that the project, a project unit, or a room be vacated, either immediately or at some future specified time as a result of a determination that such building, unit or room is substandard, blighted, unsafe, a public nuisance or not in compliance with applicable building, housing, zoning or other code standards; or
- D. An unsafe or substandard condition reported by the Housing and Community Development Department's Asset monitor that requires correction to be in compliance with the City's regulatory agreement.

II. Eligibility requirements

Eligibility for the Health and Safety Rehabilitation Loan Program is restricted to property owners of subsidized multifamily affordable housing rental projects in Oakland. The projects must have all the following characteristics:

- A. It must be currently providing permanent or transitional affordable rental housing;
- B. It must be serving low and moderate income households or individuals at or below 120% of area median income; and
- C. The project must have been completed and in operation for a minimum of 10 years.

To be eligible for a rehabilitation loan under this program, the project owner must be:

- 1. In compliance with an applicable local, state or federal Regulatory Agreement recorded against the property; and
- 2. In good standing with the State of California.

III. Loan Requirements

A. Funding

The following requirements apply to loans awarded under this program:

- 1. The maximum loan amount a project owner may apply for an individual project is \$250,000. The loan, along with other funding sources, must repair the outstanding health and safety condition. The repair must be verified by City inspection. The loan will bear no interest and will have a term of fifty-five (55) years. Payments of principal will be due annually from excess cash flow from operations after payment of project operating costs, senior debt and reserves. To the extent payments are not made from excess cash flow, they will be deferred for the term of the loan. All loans are due on sale, refinancing, transfer (except to a related entity, such as a limited partnership, subject to City approval) or at the end of the 55 year term. City loans will be evidenced by a promissory note secured by a deed of trust on the property. A loan agreement will specify all repair obligations.
- 2. A loan origination fee equal to three percent (3%) of the loan amount will be charged for all loans. Ordinarily, this fee will be collected from loan proceeds at the initial funding.

- 3. Any loan of \$50,000 or more must comply with the City's contract compliance requirements.
- 4. The City retains the right to adjust the amount of the loan up or down, based on the review of the scope of work and the reasonableness of the costs for completing the repairs, and to waive restrictions on eligibility to apply for loan funds, at the discretion of the Director of the Housing and Community Development Department.
- B. Conditions for Assistance

The following conditions will apply to the loan:

- 1. The application for funding must clearly identify the existing health and safety condition and must contain a detailed justification in support of the health and safety repair. Applications must include a scope of work prepared by a licensed contractor; a copy of any declaration, notice or order from a City code enforcement official or order documentation of a health safety condition.
- 2. Funding awarded may be expended only for uses approved by the City.
- 3. The repair must be completed within six months of the initial start of construction. A one-time extension of up to six months may be granted at the Department's discretion for unforeseen circumstances.
- 4. Tenants must be notified in writing about the overall plan to perform the repairs. The notification should include the scope of work, schedule for the work, whether or not temporary relocation is likely to be required, and the length of time of any relocation. It is important that the notice to tenants reassures them that if temporary relocation is required, tenants will be moved to vacant units in the building to the greatest extent possible. Otherwise, the property owner is responsible for providing temporary relocation assistance and benefits at its own expense in accordance with relocation laws for the extent of the tenant's temporary displacement.

C. Eligible Uses of Funds

Loan funds are available only to address health and safety conditions. The project owner must submit a description of the proposed use of funds and demonstrate how the repairs relate to eliminating the immediate health and safety conditions. The repair items must have existed prior to submission of the application in order to obtain loan funds. Funds may be used to repair or replace systems deficiencies which are life hazard or major code violation, including but not limited to:

- 1. Existing building and structural components that are in critical condition; or
- Repairs or replacements of existing mechanical, plumbing, or electrical systems, roof, or boiler to the extent they are necessary for health and safety reasons. The purchase of high efficiency heating and cooling systems for the approved replacement equipment is encouraged to promote energy conservation.

D. Ineligible Uses of Funds

The following are ineligible uses of funds offered through this program:

- 1. Deferred maintenance costs associated with construction items or materials of a luxury nature;
- 2. Developer/ sponsor administrative costs;
- 3. Demolition and reconstruction activities such as conversion of bedroom units;
- 4. Improvements such as installation of sprinkler systems, additional lighting in parking lots; and
- 5. Projects that require permanent relocation of tenants.

IV. Application Requirements

Application for the loan must be made using the City of Oakland Health and Safety Rehabilitation Program application form including all supporting documentation, and shall be sent to:

Department of Housing and Community Development 250 Frank H. Ogawa Plaza, Suite 5313 Oakland, CA 94612 Attn: Housing Development Services Unit

The applicant must attach a written description of the scope of work which clearly identifies the basis for the health and safety declaration and how it

impacts the tenants, as well as what would happen if the repair(s) were not made immediately. It must also identify the repair(s) proposed to abate the emergency for which funding is requested, including a reasonable estimate of the cost of work to be performed.

Other items required

- Tenant notification letter.
- Health and safety repair budget and schedule.
- Preliminary Title Report dated within 90 days of the application deadline.

V. Application Approval Process

The process is non-competitive. Housing Development staff will accept applications on an over-the counter basis until all funds are expended or committed.

- Applications will be reviewed in the order in which they are received.
- Applications will be evaluated by staff for urgency of need, completeness and compliance with all City requirements. If necessary, applicants will be contacted for additional information.
- Successful applicants will be awarded health and safety rehabilitation loan funds until available amounts are expended.
- Housing development staff will reserve the funds for approved applications and notify borrowers by memorandum at the time the assignment of funds has been approved.
- Subsequently, staff will inform borrowers that the execution of the loan agreement is necessary to receive the funds.

For questions or additional information, please contact Ahmed Conde at (510) 238-2934 or <u>aconde@oaklandnet.com</u>.