

RESIDENTIAL REHABILITATION LOAN PROGRAM
SLUM-BLIGHT PREVENTION

2005/2006 FACT SHEET

The Residential Rehabilitation Loan Program is administered by the City's Rent Stabilization & Housing Department, with federal Community Development Block Grant funds. The 2005/2006 program provides deferred 20-year loans with simple interest at the rate of 0% per annum. The program is geared to low- and moderate-income owner-occupants; **HOWEVER, THERE ARE LIMITED FUNDS AVAILABLE** for properties that are not specifically designated as serving low and moderate income households. Loan maximums are \$20,000 per building or single-family home.

PROGRAM GOALS

- To preserve and upgrade the City's housing stock.
- To revitalize, stabilize and improve the appearance of the City's residential neighborhoods.

ELIGIBILITY REQUIREMENTS

1. Location - Properties located east of Hayworth Avenue and west of La Brea Avenue (the East Side Redevelopment Project Area).
2. Types of Improvements - Funds may be used for structural repairs, insulation, termite damage, porch repair, painting, stucco, roofs, plumbing and electrical systems, air-conditioning and heating, bathroom and kitchen upgrading, windows and security bars. Code deficiencies must be addressed first. Seismic upgrades and preserving a building's historic character are encouraged.

Funds may not be used for sauna, pools, decks, barbecues, greenhouses, washing machines, draperies and other similar amenities.

LOAN TERMS AND CONDITIONS

- The Program emphasis is to serve properties located in low- and moderate-income neighborhoods.
- The City evaluates the credit history of the applicant and outstanding debt on the property.
- Loans are deferred, meaning that there are no payments of principal and accrued interest until the end of the 20 year term, or sale, transfer or refinance of the property or if program guidelines are violated. Loans bear simple interest at the rate of 0%. A property owner can choose to make partial payments at no penalty.

- Loan fees, escrow charges and such costs as architectural or engineering services are included in the loan amount.
- Loans are secured by a Deed of Trust and backed by a Promissory Note. In addition, Restrictive Covenants are recorded on the property to limit occupancy and rents as follows:
 - a. Rental rates may not exceed the Maximum Allowable Rent as controlled by the Rent Stabilization & Housing Department.

LOAN PROCESS

1. Application - Borrowers submit application forms, including a tenant survey form indicating the incomes of tenants.
2. Property Inspection - The City inspects the property and helps develop a scope of work and to identify any building deficiencies.
3. Scope of Work - The Borrower and City Staff develop a list of work and cost estimates, to determine the approximate loan amount.
4. Contractor Selection - The City produces a work write-up for the Borrower and sends it to our pre-approved list of contractors. The property owner may submit a contractor name to the City for review and if approved, the contractor can bid the job.
5. Loan Documents - When the City completes its analysis of the loan application, loan documents are prepared and executed by the City and Borrower. Bids are received at the same general time and the Borrower selects a Contractor and enters into a Construction Contract with the Contractor. Following the recording of documents, the City issues a Notice to Proceed and work may start.
6. Construction - The City administers payments to contractors through its escrow company. The Borrower and City must approve in writing all requests for payment. The City monitors construction progress. The City retains 10% of the amount due the contractor until 35 days after the completion of construction, to ensure no liens are filed and that the job is finished. On buildings of 8 units and more, the payment of prevailing wages is required in compliance with federal Davis-Bacon legislation.