

# Residential Rehabilitation Program Guide

## INTRODUCTION

Residential repair is one of the most common community development programs administered nation-wide. The goal of these programs is to allow homeowners, and possibly landlords, who might not otherwise be able to afford necessary repairs to bring properties up to code and maintain a safe and healthy living environment. Many lower-income homeowners rely on this assistance to complete emergency maintenance and address the structural repairs needed for their homes so they can continue to live in their homes.

Residential repair programs can be tailored to meet a community’s unique needs. Residential repair programs in the San Diego region provide a range of zero-interest, deferred, or low-interest below-market rate loans to homeowners to fix up their properties. Some jurisdictions also offer grants for low-income owner-occupants of mobile or manufactured homes. **Table 1** highlights examples of programs in the San Diego region.

This guide is intended to provide best practices and outline pertinent planning considerations for a local agency intending to implement a residential repair program. It also provides an outline of the general stages and steps for developing a local home repair program, describes potential affiliate partners, and offers tools and resources.



## PLANNING CONSIDERATIONS

When setting up a home repair program, there are several factors to consider that can influence the structure and success of the program.

- 1 **How is the program funded?**
- 2 **What activities can the program support?**
- 3 **What is the financing mechanism?**
- 4 **Who is eligible?**

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**Table 1 - Examples of Home Repair Programs in the San Diego Region**

	<b>City of El Cajon</b>	<b>City of Oceanside</b>	<b>County of San Diego</b>
<b>Program Title</b>	<a href="#">Housing Rehabilitation Loan Program</a>	<a href="#">Residential Rehabilitation and Manufactured Home Improvement Programs</a>	<a href="#">Housing Repair Loans and Grants Program</a>
<b>Grant/Loan Description</b>	Zero interest, deferred loans up to \$50,000 for a single-family residence and up to \$20,000 for mobile homes. <sup>6</sup>	Below-market rate loans for single-family home repairs. Matching grants (\$1 to \$1) and full grants (no match required) are also available for owner-occupants of mobile or manufactured homes.	Low interest deferred loans up to \$25,000 for single-family homeowners. <sup>7</sup> Grants up to \$20,000 are available for eligible mobile-home owners.
<b>Who is Eligible?</b>	Homeowners below 80% AMI are eligible. In addition to income restrictions, maximum property value restrictions apply, and the homeowner must have owned the property for at least one year.	Homeowners below 80% AMI are eligible for loans. Mobile homeowners between 50-80% AMI are eligible for a matching grant (homeowner pays half of repair costs). Mobile homeowners below 50% of AMI are eligible for non-matching grant.	Homeowners below 80% AMI are eligible.
<b>Eligible/Most Common Repairs</b>	Lead-based paint hazards, plumbing, roofing, doors and windows, heating, rewiring and electrical, paint, termite damage, insulation and weatherization, health or safety items, siding repair, new gutters and downspouts, smoke detectors, fumigation, furnace or water heater replacement, installation of garbage disposals, repair of damaged flooring, and exterior awnings.	Leaking roofs, faulty plumbing, inadequate electrical wiring, heating problems, etc.	General health and safety items, including roof repair and heating, electrical, or plumbing systems

AMI = Area Median Income

<sup>6</sup> Loan bears no interest if Borrower is not in default. Repayment is deferred and each loan becomes due and payable if the property is sold, rented, refinanced, transferred, or is no longer owner-occupied.

<sup>7</sup> Deferred loans have a 3 percent simple interest term calculated annually. The total amount borrowed must be repaid when the property changes hands or the recipient moves from the property, or in 30 years, whichever comes first.

## Funding Sources

Many communities use federal and/or state funds to support residential repair programs. The most frequently used funding sources are the Community Development Block Grant program (CDBG) and the HOME Investment Partnerships Program (HOME). Based on an established formula by the U.S. Department of Housing and Urban Development (HUD), CDBG and HOME are distributed annually to eligible cities, counties, and states. Communities that do not qualify may apply for this funding through the State. The California Permanent Local Housing Allocation (PLHA) program is another funding source available to fund residential repair programs. **Table 2** displays a comparison of these funding sources.

**CDBG** funds are awarded annually to principal cities of metropolitan statistical areas (MSAs), other metropolitan cities with populations over 50,000, and counties with populations over 200,000. Each state then receives CDBG funding to distribute to its smaller jurisdictions and rural towns (non-entitlement communities<sup>1</sup>). Non-entitlement communities must demonstrate their needs and compete for available funds. The CDBG program has the greatest flexibility, allowing communities to decide how best to use their funding to serve low- and moderate-income individuals and families.

**HOME** program funds are also awarded annually to states and eligible local governments. Eligibility is determined by a formula developed by HUD that evaluates relative housing needs based on housing supply issues and poverty levels, among other factors. If a local government does not qualify on their own, they may form a consortium to qualify for a direct allocation of HOME funds. Notably, when HOME funds are used for a local home rehabilitation program, the house must be brought up to local code. For this reason, communities that use HOME funding tend to use it to support programs with higher funding limits per home.

**CalHOME** is the state administered HOME program that provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation assistance, homebuyer counseling and technical assistance activities. To be eligible to apply for CalHome assistance for an owner-occupied rehabilitation program, an applicant must have successfully administered a local owner-occupied rehabilitation program for a minimum of two years within the four years immediately preceding the application.

**PLHA** provides funding to local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. Entitlement and non-entitlement local governments are eligible for PLHA funds. Under PLHA, formula grants are available to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for CDBG and competitive grants are available to non-entitlement jurisdictions. Eligible activities under PLHA include acquisition, rehabilitation, and preservation of affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI, or 150-percent of AMI in high-cost areas.

<sup>1</sup> Non-entitlement communities are cities with populations under 50,000 and counties with populations under 200,000 in unincorporated areas that do not participate in the HUD CDBG entitlement program; non-federally recognized Native American communities; and, Colonias as defined by the National Affordable Housing Act of 1990.

**Table 2 - Residential Repair Funding Sources**

	<b>CDBG</b>	<b>HOME</b>	<b>CalHOME<sup>2</sup></b>	<b>PLHA</b>
<b>Eligible Borrowers</b>	Up to 80% of AMI	Up to 80% of AMI	Up to 80% of AMI	Up to 120% of AMI, or 150% in high-cost areas
<b>Tenure and Eligible Property</b>	Rental and ownership housing citywide	Citywide; owner-occupied housing <sup>3</sup>	Citywide; owner-occupied housing	Rental and ownership housing citywide, including accessory dwelling units (ADUs) <sup>4</sup>
<b>Eligible Activities</b>	<ul style="list-style-type: none"> <li>• General programs aimed at rehabilitation</li> <li>• Energy efficiency programs</li> <li>• Handicapped accessibility programs</li> <li>• Emergency repair programs</li> <li>• Weatherization</li> </ul>	<ul style="list-style-type: none"> <li>• Weatherization programs</li> <li>• Emergency repair programs</li> <li>• Handicapped accessibility programs</li> </ul>	<ul style="list-style-type: none"> <li>• General programs aimed at rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• General programs aimed at rehabilitation</li> <li>• Accessibility modifications for lower-income households</li> </ul>

<sup>2</sup> CalHome Recipients shall develop and employ Owner-Occupied Rehabilitation Program Guidelines submitted to and approved by the California Department of Housing and Community Development (HCD).

<sup>3</sup> If HOME funds are used to assist the rental units in a two- to-four-unit residence, the HOME rental requirements apply -- including provisions regarding tenant occupancy, initial rent levels and long-term affordability.

<sup>4</sup> Accessory dwelling unit (ADU) means a dwelling unit which is attached, detached or located within the living area of the existing dwelling or residential dwelling unit and which provides complete independent living facilities for one or more persons pursuant to Government Code (GC) Section 65852.2 and 65852.22. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling. An Accessory dwelling unit also includes the following: an efficiency unit, as defined in Section 17958.1 of the HSC, or a manufactured home, as defined in Section 18007 of the HSC





## Repair Activities

Programs generally target electricity or plumbing issues, repairs to the roof and floor, energy efficiency upgrades, or accessibility improvements. Some of these programs address major health and safety hazards, some fix specific environmental hazards like lead paint or radon, while others focus on major home components and systems like roofs and HVAC; all approaches have a huge, direct impact on the health of the home. The four general categories of repair types are outlined below.

- **Home Preservation.** Exterior work that could include painting, patching, minor repair, and replacement of exterior building materials for maintaining good or sound condition.
- **Weatherization.** Repairs done to improve the energy efficiency and indoor air quality of a structure.
- **Critical or Emergency Home Repair.** Extensive interior or exterior work performed to address health and safety issues or code violations. Critical home repair includes activities such as changing or repairing materials or components of the structure (e.g., foundations, roofs, ceilings, windows); a reconfiguration of space; modifications for accessibility; or installation or extension of plumbing, mechanical, or electrical systems on an existing structure.
- **Aging in Place.** Aging in place projects improve the accessibility of the home, and might include building wheelchair ramps or other accessible entrances, adding grab bars and railings, or making lighting improvements to name a few.



## Financing Mechanism

Programs typically distribute funding through either grants or loans or both. Terms and conditions vary, but all programs aim to provide funds to homeowners who would not qualify for a traditional loan. The amount of funding is generally at the discretion of the local jurisdiction and/or dependent on the total amount of funding available. Programs in the San Diego region offer funding between \$20,000 and \$50,000 per household. Grants are funds provided directly to the homeowner to make repairs with no expectation that the funds will be repaid. Loans are provided as either no-interest or low-interest (usually 3 percent or less) repayment plans. Sometimes loans are provided with an expectation that the funds are paid back in part or in full while most programs defer payment of the loan to 30 years or when the property is sold or otherwise transferred between owners. Other programs may forgive loans after a period of time.

## Resident Eligibility

While the most common eligibility restriction is income level, other common eligibility restrictions could include:

- Occupying the home as a primary residence,
- Having lived in the home for a specified period of time,
- Providing a clear title to the property and home insurance coverage,<sup>5</sup>
- Being current on any mortgage, utility, or property tax payments, and
- Not having any other liens on the house.

Finally, some programs limit their programs to other target populations, such as certain neighborhoods with a greater concentration of needs, older adults, or people with a disability. It is typical that loan programs (as opposed to grants) have more eligibility requirements.

## Application and Accessibility

Programs can and should streamline the application process and requirements as much as possible to facilitate equitable access to the program. It may be easier and more efficient to create an accessible application that is posted online. A streamlined application can be challenging if the program is using a funding stream that imposes specific eligibility requirements; in these cases, programs should consider limiting application requirements only to those that come with the funding source. Here are two sample applications from the City of Lancaster and Clovis:

- City of Lancaster - [MDG Associates, Inc. \(cityoflancasterca.org\)](https://www.cityoflancasterca.org/)
- City of Clovis - [CalHome Application City of Clovis](#)

## Staffing Capacity

When establishing a home repair program, it is important to consider and identify the right agency/organization for program administration in terms of organizational, legal, and staff capacity. There are many moving parts in a home repair program, including intake of applications, case management/assistance to help clients complete their applications, conducting home inspections, project and budget management, contractor recruitment and relationship building, and administration of funds. Staffing needs will vary considerably depending on program volume and organizational and individual capabilities.

## Geographic Targeting

Programs can be targeted to specific special needs populations, such as the elderly, veterans, or persons with disabilities. Funding can also be targeted geographically where there is a greater predominance of lower-income households, substandard housing conditions, or environmental hazards. There are multiple sources of information that can be used to identify the areas and neighborhoods with the most significant need for rehabilitation. These include:

- Census demographic data;
- Local planning documents, such as the Consolidated Plan or Assessment of Fair Housing in the Housing Element;
- Community advocacy organizations, such as the local Council on Aging, association for persons with mental illness, or Legal Aid; and
- Service providers who have professional knowledge of service demands for special needs groups.

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<sup>5</sup> There are a range of issues that could result in an unclear, or tangled, title; but a specific situation reported by home repair programs involves inheritance of a home from a family member without legal transfer and recordation of the property. In areas where this is a challenge, home repair programs could explore connecting residents with real estate attorneys to provide title/property assistance.

# STEPS TO DESIGNING A PROGRAM

Every jurisdiction's situation is unique, so adapt these steps to fit your specific needs and resources. It's essential to involve the community and homeowners in the decision-making process and to have a clear plan for sustainability beyond the initial launch.

## 1 Planning and Research

- **Needs Assessment:** Identify the areas and neighborhoods with the most significant need for housing rehabilitation.
- **Stakeholder Engagement:** Collaborate with community organizations, non-profits, and housing experts to gather input and support.
- **Budget Planning:** Determine the funding sources and create a budget for the program.

## 2 Program Development

- **Program Design:** Define the scope, objectives, and eligibility criteria for homeowners.
- **Legal and Regulatory Compliance:** Ensure your program adheres to federal, state, and local laws and regulations.
- **Funding Acquisition:** Secure funding through grants, loans, or budget allocations.
- **Build Relationships and Secure Partners:** Identify qualified contractors, nonprofit and/or community organizations, banking institutions, and other providers of subsidies to partner with.

## 3 Program Launch

- **Application Process:** Develop the application forms and guidelines for potential participants.
- **Selection and Approval:** Review applications and select participants based on eligibility criteria.
- **Site Visits and Work Plans:** Set up process to conduct inspections of the property and prepare scope of work of required repairs.

## 4 Administration

- **Staffing and Training:** Recruit and train staff or contractors who will be involved in the program.
- **Monitoring and Reporting:** Set up systems to monitor the progress of rehabilitation projects.
- **Evaluation:** Periodically assess the program's impact and make adjustments as necessary.

## 5 Implementation

- **Outreach and Promotion:** Create a marketing plan to inform the community about the program.
- **Application Intake:** Begin accepting applications from low-income homeowners in need of rehabilitation.
- **Communication:** Maintain open communication with participants and the community about program updates.



## LOCAL ORGANIZATIONS

Many cities and counties choose to contract with nonprofit providers for all or part of their program administration. Some programs partner with or contract to local organizations that have experience providing community services, repairs, and navigating residents through government forms for the intake process. Local governments with limited administrative capacity could consider regional partnerships, or working with regional non-profits that may be able to act as a sub-recipient for federal programs.

**Habitat for Humanity.** Aids qualifying homeowners with a variety of exterior repairs meant to preserve the house.

**Campeños Unidos, Inc.** Acts as both a prime sponsor and subcontractor of numerous Federal, State and Local entitlement programs (Head Start, Child Development, Self-Help Housing, LIHEAP, and Employment-Training projects) serving a three-county area of operation: Imperial, Riverside and San Diego counties.

**Rebuilding Together.** Provides critical repairs and renovations for low-income homeowners across San Diego.



## TOOLS AND RESOURCES

- This [document](#) from HUD describes how HOME funds may be used to assist owners in the rehabilitation of owner-occupied housing.
- This [webinar](#) describes what local governments must do to meet the HOME requirements for committing funds to specific local projects and programs.
- This [document](#) is the guidelines for the CalHome Program, as of 2022.
- This [document](#) describes how CDBG funds may be used toward a home rehabilitation program.
- This [document](#) shares best practices of the CDBG program identified by grantees and stakeholders.
- This is the [guidelines](#) for the PLHA program, as of 2019.
- This is a [list of local resources](#) from the San Diego Network of Care.