

## **RESOLUTION NO. 32-2007**

Adopted April 17, 2007

### **AUTHORIZING THE MODEL BLOCK HOME IMPROVEMENT LOAN PROGRAM IN AN AMOUNT NOT TO EXCEED \$1,000,000, BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREA; CITYWIDE TAX INCREMENT HOUSING PROGRAM**

#### **BASIS FOR RESOLUTION**

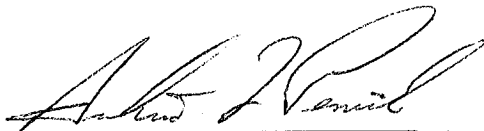
1. The Redevelopment Agency of the City and County of San Francisco (the "Agency") desires to establish the Model Block Home Improvement Loan Program to improve the quality of life for existing homeowners and residents of the Bayview Hunters Point Redevelopment Project Area (the "Project Area") and to preserve the existing housing stock in the Project Area.
2. On June 1, 2006, the San Francisco Board of Supervisors adopted the Bayview Hunters Point Redevelopment Plan (the "Redevelopment Plan"). The Model Block Home Improvement Loan Program is listed as a housing activity in the five year Implementation Plan for the Redevelopment Plan.
3. On June 21, 2005, by Resolution No. 112-2005, the Agency Commission authorized the Executive Director to designate the 1700 Block of Newcomb Avenue as a Pilot Block for participation in the Model Block Home Improvement Loan Program.
4. On July 20, 2006, the draft Model Block Home Improvement Loan Program was endorsed to the Bayview Hunters Point Project Area Committee.
5. Section 33763.5 of the California Community Redevelopment Law (the "Law") requires that the Agency adopt standards, qualifications and criteria for making and approving loans.
6. To assist the residents of designated model blocks preserve and rehabilitate their private property, staff requests that the Agency Commission: (1) adopt the standards, qualifications and criteria for making and approving Model Block loans; (2) authorize and approve the Model Block Home Improvement Loan Program; (3) authorize the Executive Director to execute individual loans and ancillary documents in accordance with the Model Block Home Improvement Loan Program; and (4) authorize the expenditure of an amount not to exceed One Million Dollars (\$1,000,000) to implement the Model Block Home Improvement Loan Program, substantially as outlined in the budget attached hereto as Attachment B.

## RESOLUTION

**ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that:

1. Pursuant to the Law, the Agency Commission hereby adopts the standards, qualifications and criteria for making and approving Model Block loans, as set forth in the Model Block Home Improvement Loan Program attached as Attachment A.
2. The Model Block Home Improvement Loan Program attached as Attachment A is authorized and approved.
3. The Executive Director is authorized to execute individual Model Block loans and to modify or waive, on a case by case basis, any condition, obligation or requirement under the Model Block Home Improvement Loan Program, if the strict enforcement of the condition, obligation or requirement would cause undue hardship on the borrower or would be inconsistent with the goals and objectives of the Model Block Home Improvement Loan Program. However, the Executive Director shall not increase the maximum individual loan amount, extend the term beyond thirty (30) years or waive the security obligation (Agency Deed of Trust) without the Agency Commission's express authorization.
4. The Executive Director is authorized to enter into any all ancillary documents or take any additional actions necessary to consummate the transactions authorized by the Model Block Home Improvement Loan Program, in forms to be approved by the Agency General Counsel.
5. The Executive Director is authorized to expend an amount not to exceed One Million Dollars (\$1,000,000) to fund the Model Block Home Improvement Loan Program, substantially as outlined in the budget attached hereto as Attachment B.

**APPROVED AS TO FORM:**



James B. Morales  
Agency General Counsel

Attachment A - Model Block Home Improvement Loan Program

Attachment B - Model Block Home Improvement Loan Program Budget

**ATTACHMENT A**

**MODEL BLOCK  
HOME IMPROVEMENT  
LOAN PROGRAM**

**ADOPTED  
April \_\_, 2007  
By Resolution \_\_-2007**

**Printed: April \_\_, 2007**



## **I. Model Block Program - Introduction**

The Bayview Hunters Point Model Block Program (the “**Model Block Program**”) is specifically designed to improve the quality of life for existing homeowners and residents of the Bayview Hunters Point Redevelopment Project Area (the “**Project Area**”). The Model Block Program aims to improve both privately-owned residential property and the adjacent streetscape, while also addressing other physical and social issues raised by participating residents. The Agency Commission hereby establishes the Model Block Home Improvement Loan Program (the “**Loan Program**”) to assist homeowners in the repair and upgrade of privately-owned homes on a participating block.

On June 21, 2005, the Redevelopment Agency of the City and County of San Francisco (“**Agency**”) designated the 1700 block of Newcomb Avenue as the first block (the “**Model Block**”) to participate in the Model Block Program. The 1700 block of Newcomb was selected based on the overall condition of the residential properties and the strong desire demonstrated by the Newcomb Street residents and homeowners to work together to address these issues. Many of the homes on the Model Block require code and life safety upgrades, as well as cosmetic work. Many of the residents lack the income or access to resources to make these improvements on their own. As a result of the discussions with the Model Block residents, staff has developed a framework for the Model Block Program consisting of a public and private menu. The public menu includes streetscape work that will help the Model Block by increasing plantings, minimizing storm runoff, and traffic calming. The private menu is this Loan Program which will provide financial assistance to income eligible borrowers to make improvements to their properties with a related contracting and workforce program to promote economic opportunities for neighborhood businesses and residents.

If the program is a success on the 1700 block of Newcomb Avenue, staff anticipates that the Agency Commission will designate additional blocks within the Project Area as Model Blocks and this loan program will extend to the eligible homeowners in those blocks under the same underwriting criteria. Through community empowerment, Agency investment, cooperation with departments of the City and County of San Francisco (“**City**”), and resources from private institutions, the overall health and vitality of specific blocks in the Project Area will be improved.

## **II. Model Block Home Improvement Loan Program - Underwriting Criteria**

The Agency has budgeted \$1,000,000 of its Citywide tax increment housing funds to provide low-interest, deferred loans to eligible Borrowers participating in the Loan Program. Pursuant to Health and Safety Code Section 33763.5, the Agency has established the following standards, qualifications and criteria for loans under the Loan Program:

- **Eligible Improvements:** Loan proceeds are available to rehabilitate privately owned, residential properties on the Model Block in the following areas: electrical, plumbing and heating upgrades, roofing, window repair or replacement, exterior painting, accessibility modifications or seismic upgrades.

## Model Block Home Improvement Loan Program

- Engineering Costs: The costs of any engineering or structural reports will be included in the scope of work for each rehabilitation project and will be paid from loan proceeds. Work on secondary units is disallowed under the Program.
- The property does not have to be owner-occupied; however, the Agency's loan agreement must be with the homeowner.
- The maximum loan amount is \$75,000.
- The maximum loan-to-value ratio for a debt on the property including the Agency loan can not exceed 95%.
- Income Eligibility: To be income eligible the Borrower's household income must not exceed 100% of area median income ("AMI") adjusted for household size.
- 1% Interest Rate: The interest rate is 1% for households earning no more than 80% of AMI, adjusted for household size.
- 3% Interest Rate: The interest rate is 3% for households earning more than 80% of AMI but not more than 100% of AMI, adjusted for household size.
- Term: 15 years with a one-time extension of an additional 15 years, at the option of the Borrower, provided the loan is in good standing. The Loan is not assignable and is due on sale of the property.
- Extension of Term for Seniors or Disabled: Loans to households headed by seniors (persons 60 years of age or older) or the disabled are automatically deferred until resale. If the Borrower becomes a senior or disabled during the loan term, a deferral can be obtained with a request in writing to the Agency's Executive Director.
- Early Termination: The loan agreement may terminate early in the event of a sale, transfer or uncured event of default.
- Repayment Provision: Repayment of principal and accrued interest will be deferred until the end of the Term (including any extensions) or early termination of the loan agreement.
- Prepayment: The loan plus accrued interest may be prepaid in full or in part without penalty.
- Promissory Note and Deed of Trust: Each loan will be evidenced by a promissory note and secured by a deed of trust and assignment of rents, which will be recorded as subordinate debt. Upon repayment, the Agency will issue a Deed of Full Reconveyance to the Borrower.
- Subordination: The Agency will subordinate to other new debt on the property during the loan term as long as a 95% loan-to-value ratio is maintained, and as long as homeowners are current in mortgage payments and real estate taxes. If a home is delinquent in mortgage or tax payments, the Agency may subordinate in its sole discretion, on a case-by-case basis.
- Loan Applications will be considered on a rolling basis. Completed applications will be funded on a "first come, first served" basis, subject to availability of funds.

- First priority for the loans will be given to Agency Certificate of Preference Holders<sup>1</sup>.
- Points: The Agency will not charge fees or points on these loans.
- Non-recurring Costs: The Borrower will be required to pay non-recurring costs (such as preliminary title report and closing costs), if any, which may be paid from loan proceeds.
- Borrower's Insurance: The Borrower shall maintain, through the Term, property insurance in an all-risk form, excluding earthquake and flood, for one hundred percent (100%) of the replacement value of all improvements located on the property, with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the Agency as a named insured as mortgagee.

### **III. Model Block Home Improvement Loan Program – Borrower Must Utilize Services of Construction Manager**

The Borrower will be required to consult with and accept the assistance of a Construction Manager. The Agency, through a separate request for proposals, will contract with a construction manager who will assist Borrowers with such things as: (i) preparing the Scope of Services; (ii) preparing an invitation(s) to bid; (iii) reviewing bid proposals; (iv) reviewing Disbursement Requests; and (v) acting as an informal liaison between the Borrower and the contractor(s) as needed. The Borrower will make the final decisions regarding the selection of contractor and scope of services. However, the Agency will only approve loans for projects and contractors that meet all of the Model Block Loan Program requirements.

### **IV. Model Block Home Improvement Loan Program - Contracting and Workforce Requirements**

In addition to providing financial assistance for income-qualified homeowners on the Block, the Loan Program is structured to help create business development opportunities for small, local contractors. Under California Labor Code Part 7, Chapter 1, Article 2 sections 1770, 1773 and 1773.1, single family rehabilitation programs are exempt from State prevailing wage requirements. Due to the administrative and financial requirements of prevailing wage programs, this exemption would allow homeowners to contract with small, local contractors that typically would be unable to participate in the Loan Program. The Loan Program can therefore serve as a vehicle for small, local contractors to enhance their track record, providing an extra benefit to this investment of housing tax increment funds in the Bayview community.

- **Model Block Small Business Enterprise Contractors**

All work funded with Loan Program proceeds must be performed by a licensed contractor who is registered with the Agency as a Small Business Enterprise ("SBE"). The Agency will create a list of SBE contractors eligible for the program. To generate this list, the Agency will publish a "Notification of Contracting Opportunities" ("NCO") in the *Chronicle*, the *Bid and Contract*

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<sup>1</sup> Certificate of Preference Holders were displaced by redevelopment activity in the Western Addition and Hunters Point between 1963 and 1980 and have been certified by the Redevelopment Agency to have been so displaced.

*Opportunities* Newsletter, the *Small Business Exchange* and local trade association publications. Staff will also use the Agency's SBE directory to notify "B" contractors with business addresses in the 94124 zip code of the Program, as well as follow up on contractor referrals from Young Community Developers ("YCD") and the Carpenters Union (Local 22). Interested contractors will then be required to attend a pre-solicitation meeting in which they will be given an overview of the Loan Program.

- **SBE Contractor Selection Process**

Each Borrower will be required to secure at least three bids for the work to be done on his or her home from Agency certified SBEs, at least one of which must be from a Bayview SBE contractor located in the 94124 zip code. Each homeowner will contract directly with the contractor selected through the bid process.

- **Insurance Requirements for Borrower's Contractor**

The Borrower must require all contractors performing rehabilitation work under the Loan Program obtain and maintain the following insurance:

(a) General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this Project or the general aggregate limit shall be twice the required occurrence limit.

(b) Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage.

(c) Workers Compensation and Employers Liability: Workers compensation limits as required by the California Labor Code and Employers Liability limits of \$1,000,000 per accident.

(d) Professional Liability Insurance: \$1,000,000 per occurrence. (Only required if an architect, engineer or other professional consultants are hired by Borrower.)

- **Bonding Requirements for Borrower's Contractors**

Borrower must require that each contractor secure a payment and performance bond equivalent to the amount of the contract between Borrower and contractor. If a contractor has difficulty securing a bond, the contractor may elect, but is not required to, apply to participate in the Agency's Surety Bond Program which is administered by Merriwether and Williams. The Borrower's eligibility for a loan will not be affected by whether or not the contractor utilizes the Agency's Surety Bond Program, so long as the contractor satisfies the bonding requirement. One Hundred and Fifty Thousand Dollars (\$150,000) of the funds budgeted for the Loan Program will be used to provide collateral for securing bonds as needed. Agency staff will provide additional information to Borrowers and contractors regarding the Agency's Surety Bond Program.

- **Model Block Home Improvement Loan Program - Workforce Program**

If the scope of the rehabilitation requires that that one or more casual laborers be hired, the general contractor will be required to contract with Young Community Developers, Inc. ("YCD") to meet this need. YCD currently operates pre-apprenticeship programs in the plumbing, electrical and carpentry trades and will maintain a list of trainees interested in being included in the Model Block Workforce Program (MBWP). YCD will be responsible for ensuring that the workers are job ready and willing to perform a range of entry level tasks.

- **Minimum Compensation.**

Under California Labor Code Sections 1770, 1773 and 1773.1, single family rehabilitation work is exempt from State prevailing wage requirements. Each contractor will be required to pay its workers the City's minimum wage currently \$10.77 per hour. There would be a 35% mark-up on the payroll costs which would reimburse YCD for administrative costs, including the costs of worker's compensation insurance, making the total hourly cost for each casual laborer approximately \$14.54 or \$116.32 per day.

- **Goal for Local Suppliers Participation.**

Each contract selected by Borrower must agree to make a good faith effort to purchase 40% of his/her materials from suppliers located in the 94124 area code. At the completion of each contract, the contractors will be required to report to the Agency his/her performance with respect to meeting this goal. A database of overall support to local suppliers under the Loan Program will be maintained by Agency staff.

**V. Model Block Home Improvement Loan Program – Borrower Must Attach Addendum to Construction Contracts**

The Borrower must attach or incorporate by reference into each contract between the Borrower and a contractor, a binding addendum, in a form satisfactory to the Agency, which contains the above contracting and workforce requirements and such additional requirements as the Agency's Executive Director or his/her designee shall reasonably require.

**VI. Model Block Home Improvement Loan Program Establishment and Exemption from Certain Agency Programs**

Due to the small loan size of the Loan Program, the limited resources of the borrowers, and the Agency's economic development goals of creating opportunities for local small businesses and workers, the Agency Commission hereby establishes the above Loan Program contracting and workforce requirements and exempts the Loan Program and elements of the streetscape improvement program from compliance with the following Agency programs and policies: Nondiscrimination and Equal Benefits Policy, Minimum Compensation Policy, Healthcare Accountability Policy, Small Business Enterprise Policy, Agency's Prevailing Wage Policy, Agency's Construction Workforce Policy and the Agency's Permanent Workforce Policy.

**VII. Model Block Home Improvement Loan Program – Executive Director’s Authority to Execute Loans and Waivers**

The Agency’s Executive Director or his/her designee shall have the authority to execute loans that are in compliance with the Loan Program. The Executive Director is also authorized to waive, in his/her sole discretion, any condition, obligation or requirement under this Loan Program, if the strict enforcement of the condition, obligation or requirement would cause undue hardship on the Borrower or would be inconsistent with the goals and objectives of the Loan Program. The Executive Director is authorized to amend the Loan Program. The foregoing notwithstanding, the Executive Director may not increase the Loan Amount, extend the Term or waive the security obligation (Agency Deed of Trust) without the Agency Commission’s express authorization.

## **Attachment B**

### **Model Block Home Improvement Loan Program Budget**

#### **Use Funds**

|                                  |           |                  |
|----------------------------------|-----------|------------------|
| Construction Management Service  | \$        | 100,000          |
| Revolving Collateral Fund        | \$        | 150,000          |
| Third Party Funds Administration | \$        | 10,000           |
| Letter of Credit Fees            | \$        | 5,000            |
| Loan Funds                       | \$        | 735,000          |
| <b>Total</b>                     | <b>\$</b> | <b>1,000,000</b> |