

**POLICY**

Subject: **RENTAL PROPERTY REHABILITATION**

Number: **PO600.202**

Effective Date: **5/25/99**

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1. PURPOSE

1.1 To state Commission policy and parameters concerning rental property rehabilitation projects.

2. POLICY

2.1 The Program will be administered in accordance with all pertinent federal, state or local laws.

2.2 For eligible rental property owners the following loan terms will be available:

A. Rehabilitation loans will be offered to for-profit owned rental properties that are in the designated Livable Neighborhoods and Enterprise Community Area in the City of San Diego. A ten year loan will be offered, up to \$15,000 per unit, at no (0%) interest with payments deferred for the term of the loan. The owners will have an option to extend deferment and affordability period for up to ten additional years. Covenants, Conditions and Restrictions will be recorded against the property restricting rents for ten years, with an option to prepay the loan after five years and end the rental restrictions.

B. For nonprofit organizations, a 30 year loan with a three percent simple interest rate will be offered. The loan will be reviewed in 15 years. Payments on the loan will be based on the net cash flow of the project (residual receipts) after payment of expenses and other debt.

Payments on the loan will be charged first to the interest and next to the principal. The affordability period will be for the life of the loan or as required by the HOME Program regulations, whichever is more restrictive.

In designated Livable Neighborhoods or Enterprise Community Areas within the City of San Diego, nonprofit owners have an option to the same terms as for-profit owners as stated in 2.2A above.

2.3 Loans provided for investor-owned rental property will carry a 10 percent interest rate in the event of a default or foreclosure action that results in the rent restrictions on the property being eliminated.

2.4 Rental projects will be eligible for rehabilitation loans only if a positive cash flow exists for the property with rent restrictions in place. Rent restrictions will model those in the HOME Program.

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- 2.5 Rental property owners of five or more units will be required to provide management plans for their projects. All rental property owners shall provide for on site owner representation where full time management is not required by law, as well as the project operating budget for the previous and current years.
- 2.6 Regardless of the project's loan-to-value or debt ratio, the Housing Commission will loan no more than \$10,000 per unit for rehabilitation of rental properties consisting of five or more residential units, with an overall loan maximum of \$500,000. Pursuant to this policy, loans in excess of these amounts may be processed under Policy 600.301.
- 2.7 In addition to the loan conditions mentioned in paragraph 2.6, the following revocable grants may be provided:
- A. A grant equal to the costs of retrofitting a minimum of five percent of the rental units to meet the needs of mobility impaired and two percent for sight and hearing impaired individuals.
  - B. Provide a grant equal to the costs of abating or containing hazardous material.
- 2.8 A Notice of Funding Availability (NOFA) will be utilized to advertise the availability funds for investor and nonprofit owned rental property rehabilitation.

**History**

Adopted: 07/20/87

Revised: 11/14/94

Revised: 12/08/98

Revised: 05/25/99

**[Supersedes Policy 600.202, Issued: 7/20/87, Effective: 7/20/87]**

Approved by:



Elizabeth C. Morris, Chief Executive Officer

6-1-99

Date



Steven Mikelman, Chief Operations Officer

5/28/99

Date