

# CITY OF POMONA

## Multi-Unit Rental Rehabilitation Deferred Loan Program

# GUIDELINES

Housing Division  
Neighborhood Services Department

505 South Garey Avenue  
Pomona, CA 91766

January 2024

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## **GUIDELINES**

### **I. GENERAL INFORMATION**

#### **A. PURPOSE**

The City of Pomona Multi-Unit Rental Rehabilitation Loan Program is designed to provide financial incentives to eligible owners of rental property with eleven (11) housing units and below, to encourage the maintenance and improvement of rental units that are affordable and available to persons of low- and moderate-income.

Funding for this Program is sourced from the Home Investment Partnerships (HOME) Program and therefore, participation in this Program requires compliance with Federal, State and HOME Program regulations.

#### **B. PROGRAM DESCRIPTION**

##### **1. Maximum Loan Amount**

The City of Pomona ("City") may provide assistance through a multi-family housing rehabilitation loan as evidenced by a Promissory Note ("Note") secured by a deed of trust. The loan amount may only be used for units that are or will be occupied by families with incomes at or below 80% of county median and that meets the HOME affordability requirements, herein after referred to as "HOME-assisted" units. The income and affordability restrictions are further explained in Section II C of this Guidelines.

The maximum principal amount of the Loan from the City may not exceed thirty thousand dollars (\$30,000) per HOME-assisted unit. On a case-by-case basis, the funding amount per unit may be increased beyond this amount, but will require prior City approval. However, in no case shall the City's assistance exceed the maximum subsidy per unit limit per HOME requirement [Section 221(d)(3)] contained in Exhibit A.

##### **2. Term and Rate**

The term of the Loan will be for 10 years at zero percent (0%) interest. The percentage of the original principal will be forgiven starting year six (6) until the Loan is reduced to zero at year 10.

The affordability period may change in the event that a borrower is approved for a Loan amount over the minimum of \$30,000 per HOME-assisted unit. In such cases, please verify with the Loan Coordinator

regarding the loan's affordability period (i.e. a \$40,000 loan per unit will require an affordability period of fifteen years).

### 3. Repayment

Assuming compliance with the Loan requirements during the term of the Loan, the Loan will be 100% forgiven after 10 years depending on the loan amount. If during the term of the Loan, the borrower elects to pay off the City Loan, the Loan will be required to be repaid on a sliding scale. Please refer to Exhibit B for the schedule of repayment. Property owners may opt to prepay the loan in whole or in part. However, the City will not reconvey the loan until the full amount owed is repaid.

In the event that the Property owner receives an exemption on the \$30,000 loan amount per unit and since the affordability period may change, the loan forgiveness schedule will also be subject to change. In such cases, please consult with the loan coordinator on the loan forgiveness schedule.

### 4. Owner Financial/Matching Fund Requirement

The owner is not required to provide match funds to avail of the City Loan. However, if the total development cost is higher than the City's maximum per unit loan, the owner must contribute the amount necessary to cover the entire cost of the rehabilitation project. These funds will be deposited into escrow and will be used towards the cost of repairs for the property. The following is an example of a project consisting of 4 HOME-assisted units:

<b>Example:</b>	Total Project Cost =	\$150,000
	Maximum City Loan =	<u>\$120,000</u>
	<b>Owner's Additional Contribution =</b>	<b>\$30,000</b>

In the same manner, if the Property owner opts to limit the number of HOME-assisted units, the owner must contribute the amount necessary for the rehabilitation costs of the non HOME-assisted units. If the assisted and non-assisted HOME units are not comparable, the City's HOME assistance may be determined on a method of cost allocation. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the cost of the HOME units can be determined by pro-rating the total HOME eligible development costs of the project so that the proportion of the total development costs charged to the program does not exceed the proportion of the HOME-assisted units in the project.

The City of Pomona may provide additional funding in the form of a grant, for the cost of lead testing and lead remediation, when lead based paint hazards are found.

**5. Designation by Property Owner of “Fixed” or “Floating” HOME Assisted Units**

Where a combination of HOME and non-HOME Assisted units are involved, the property owner must designate the “fixed” and “floating” HOME-assisted units. The designated “Fixed” or “Floating” Home-assisted units is subject to City approval. “Fixed” units remain the same throughout the affordability period, while “Floating” units are changed during the affordability period so that the total number of housing units meeting the requirements remain the same, and each substituted unit is comparable in terms of size, features and number of bedrooms to the originally designated HOME-assisted unit.

**6. Default**

In the event of default, the outstanding balance owed to the City will become repayable and will be subject to a 3% interest rate. Default is defined as any of the following:

- a. There is a transfer of the property by any means, instrument or probate proceedings without prior approval of an assumption of the Loan and Covenants approved by the City;
- b. The rents or the incomes of the tenants residing in the HOME-assisted units exceed the affordability requirements established by this Program, as adjusted annually;
- c. The number of tenants occupying the units exceed the standard limits established by HUD for Section 8 occupancy for any one of the units located in the building (i.e. 2 persons per bedroom plus one person);
- d. The rehabilitated building(s), and exterior improvements (fencing, landscaping, lawns, play areas, carports, driveways and walkways, as well as the rental units themselves, etc.) are not maintained in good repair, and/or are not kept clean, sanitary and safe or the property is not kept in compliance with current building codes.
- e. The property owner, or his successors and assigns, is in breach of restrictive covenants, including but not limited to, Maintenance or Criminal Activity Covenants.

- f. Discovery by the City of any fraud or deceit in relation to the Program by Property Owners or his successors and assigns.

Please refer to Exhibit C for a repayment of a loan in default.

## 7. Right to Cure

The Property owner will have 30 days to remedy a default.

## 8. Lien Release

The City Deed of Trust will be released as a lien against the property upon full repayment of the outstanding principal loan and interest, as applicable.

## II. ELIGIBILITY

### A. Eligible Areas

The City will consider loan applications for rental properties that are located within the City of Pomona city boundaries. Preference will be granted to those units located within the City's Low and Moderate-Income census tracts and block groups, Opportunity Zones, and properties referred by the City's Code Enforcement Unit.

Please refer to Exhibit D for maps of the City's low- and mod-income census tracts and Opportunity Zone.

### B. Eligible Owners

1. Form and Capacity. Any legally acceptable form of ownership (e.g. partnership, corporation, individual) provided that the applicant has control of the property and the authority to enter into legally binding financial commitment.
2. Fee Simple Title. Property owners must have fee simple title to eligible properties. The property must not have any liens, other than mortgages, against it unless the liens will be removed as the result of the rehabilitation, e.g. lien or notice of pendency recorded by the City for code violations. No more than two mortgages can exist on title before the City's funding is provided. The City will not take less than 3<sup>rd</sup> position on title for the deferred loan. Any liens on the property will have to be cleared before the property owner can receive City funding.

3. Income Requirement. There are no restrictions on the income of the owner who applies for a multi-family loan. The City will require full financial disclosure from any owners of the property. Such disclosure shall include documentation on all forms of income, assets and liabilities, including pending relevant lawsuits, to complete its successful assessment of the applicant's ability to incur more debt to successfully complete all proposed improvements.

However, the tenants occupying the property must qualify by the income guidelines and the owner MUST agree to enter into an Agreement that obligates the Owner to maintain the property or HOME-assisted units as affordable rental property/units during the required 10-year affordability period.

4. No Conflicts. Property owner shall not be a member of, or the spouse, child, or parent of a member of, the City Council/Redevelopment Agency Board and shall not be an employee, official, consultant, or the spouse, or parent of an employee, official, or consultant, who exercises any policy decision-making function in connection with the program.
5. Bankruptcies. Property owner shall not have any bankruptcies that have not been discharged against the property before and during the application and rehabilitation process.

### **C. Tenant Income/Rent Restrictions**

The Property owner and successors and assigns must retain 90% of HOME-assisted units for occupancy by households with incomes at 60% or below of the Los Angeles County Median Income, and the remaining 10% may have incomes up to 80% of the County Median Income. The tenants may not be charged no more than High HOME rents.

In rental projects with five (5) or more units, at least 20% must be retained for occupancy by households with incomes at 50% of county median income and paying rent no greater than Low HOME rents.

**Example for 10 HOME-assisted units:**

<b>No. of Units</b>	<b>Rent</b>	<b>Tenant Income</b>
2 <sup>1</sup>	Low HOME Rent	50% of AMI
7 <sup>2</sup>	High HOME Rent	60% of AMI
1 <sup>3</sup>	High HOME Rent	80% of AMI
<p><sup>1</sup> This figure is determined by multiplying the <b>Total Number of HOME-Assisted Units</b> x 20%. The number shall be rounded <b>up</b> to the next whole number.</p> <p><sup>2</sup> This figure is determined by multiplying the <b>Total Number of HOME-Assisted Units</b> x 90% less <b>Total Number of Home-Assisted Units</b> x 20%. The number shall be rounded <b>up</b> to the next whole number.</p> <p><sup>3</sup> This figure is determined by multiplying the <b>Total Number of HOME-Assisted Units</b> x 10%. The number shall be rounded <b>up</b> to the next whole number.</p>		

Prior to increasing rent on any restricted units, the property owner must submit a written request to the City, for prior review and approval, at least one sixty (60) days before such increase. The household occupying the restricted units shall be given at least thirty (30) days written notice prior to any increase in rent. Rent for restricted units may only be increased one time per year and the rent levels following such increase, or upon new occupancy, shall not exceed the maximum rents as adjusted annually, and the City of Pomona’s Rent Stabilization Ordinance.

The above restrictions are for the duration of the Loan. Exhibit E provides the 2023 Income Limits and the Affordable Rent Limits. These limits are adjusted and are subject to change annually.

**1. Method of Determining Tenant Income**

For purposes of determining Tenants’ Income, the City shall utilize the Part 5 (Section 8) method for income determination as described in the “Technical Guide for Determining Income and Allowances for the HOME Program.”

**2. Increases in Tenant Income**

If the income of a tenant in a Low HOME Rent increases up to 80% of AMI, the property owner:

- May increase rent to High HOME Rent level; AND,
- Must rent the next HOME-assisted (fixed projects) to next available unit (floating projects) at Low HOME rent.

If the income of a tenant of a “fixed” HOME unit exceeds 80% of AMI:

- Tenant may remain in the HOME-assisted unit; BUT,



- Tenant must pay rent equal to 30% of adjusted monthly income (HOME fixed units).

If the income of a tenant in a “floating” HOME unit exceeds assisted 80% of AMI:

- Rent may be increased not to exceed comparable market rent; AND,
- Next available unit must be rented to HOME-eligible tenant.

#### D. Eligible Properties

1. Property Types. Eligible properties must be multifamily residential properties with three (3) or more rental units and not more than eleven (11) units. Properties must be in substandard condition to be considered for rehabilitation assistance. A property is defined as substandard if one or more of the following conditions exist:

- Building code violations are present that are likely to present health, life or safety threats if the violations are not corrected;
- The property fails HUD Housing Quality Standards;
- The property, as constructed, presents barriers to the independent functioning of a disabled household member.

The rehabilitation of 12 or more housing units will trigger the Davis-Bacon/Federal prevailing wage requirements and may require a substantial match amount from the property owner.

2. Rehabilitation Standards. To be eligible for the Program, the subject property must be zoned for appropriate multi-family residential uses. During construction, the property must be constructed with all of the appropriate City Planning and Building Department Permits and the proposed improvements must be allowed by the City’s Code.

After construction, the property rehabilitation must bring the property into compliance with existing City Building and Zoning Codes, and minimum City health and safety standards for property rehabilitation. Upon completion of the rehabilitation work, ALL units within the project must be in compliance with existing City Building and Zoning Codes, and minimum health and safety standards for property rehabilitation.

4. Overcrowding. In order to discourage over-crowded situations and to promote quality of life, the City will not fund units that have more than 2 persons per bedroom plus one (For example, more than 5 persons for a 2-bedroom unit, 7 persons for a 3-bedroom unit, and 9 persons for a 4-bedroom unit.)

5. General Property Condition. The property must be in a condition that allows City staff, contractor and subcontractors to inspect and proceed with work without excessive obstacles. Personal items will be required to be removed and/or stored away during the inspection and rehabilitation process. If the property should reveal environmental hazards, such as mold, the property owner may be required to thoroughly clean or dispose of personal items to prevent further contamination. The property owner must provide access for inspection and rehabilitation upon prior notice of the City staff or contractor.

### **Ineligible Properties**

1. Properties that previously received HOME assistance during the affordability period.
2. Public Housing Projects.

### **E. Eligible Improvements**

Improvements shall remove property deficiencies and safety issues, improve energy efficiency, provide accessibility for persons with disabilities, remediate lead based paint, remove materials containing asbestos and extend the useful life of the property. Examples of eligible items include, but are not limited to: electrical repair or rewiring, plumbing repair, insulation, roof repair or replacement, heating system installation or repair, window and door replacement and repair, repair of structurally damaged wood, floor coverings where they pose a hazard, interior and exterior paint and off-site improvements required by the City.

As previously discussed, the rehabilitation of common areas are subject to the restriction on maximum loanable amount and will be pro-rated between HOME-assisted and non HOME-assisted units.

### **Non-Eligible Improvements**

Luxury items are not permitted. Some examples are swimming pools, landscaping upgrades, etc.

## **III. CONDITIONS FOR ASSISTANCE**

1. Equity. At the time of the application for assistance, the property shall have sufficient equity in the property to cover the value of the loan and total encumbrances, including the City's deferred loan, and shall not exceed 90% of the property's current fair market value for a second position City Loan or 85% for the third position City loan. Current fair market value will be determined by comparable sales data for sales within twelve (12) months prior to the date of application. Alternatively, the City may elect to determine the fair market value

by an appraisal conducted by a City approved appraiser. The cost of the appraisal will be paid by the homeowner in advance.

2. Insurance. Properties must be insured with an all-risk property insurance policy equal to the replacement value of the property. If the property does not have an insurance that equals the replacement value due to the condition of the property and the property is free from any other liens, the City may consider an insurance coverage that is equal to or higher than the loan amount, provided that the loan amount is sufficient to improve the condition of the property and the insurance company guarantees an insurance policy equal to the replacement value to the property after the completion of the rehabilitation work. A guarantee from an insurance company licensed to do business in California shall be a condition for funding.
3. No Tax Delinquency or Recorded Liens. Property taxes and assessments must be paid current and no tax liens or mechanics liens are recorded against the property.
4. No Criminal Activity. Properties that have been the site of repeated or on-going drug-related arrests or other criminal activity as evidenced by police records/reports will not be eligible for assistance unless and until the property owner demonstrates that such activities have been fully abated.
5. Photos. Interior and exterior photos of the property will be taken by the City staff and may be used for publicity and marketing purposes. When published, the City will make all efforts to remove the address if visible on the photos. By accepting the loan, the property owner authorizes the City to use the photos for the purposes mentioned.
6. Relocation. The owner shall avoid permanent displacement of tenants whenever possible. If relocation is required, the owner shall first relocate tenants to comparable vacant units within the project. If a comparable vacant unit is not available, the owner may choose to relocate the tenant to a unit located outside the project but within the city boundaries of the City of Pomona. If a comparable unit is not available within the City, the tenant may be relocated outside the City limits. The owner shall be responsible for any relocation assistance due to displaced tenants under federal or state law.

On a case-by-case basis, temporary relocation of tenants may be required. If the rehabilitation will cause any stoppage to water, gas or electric service for more than four (4) continuous hours between the hours of 7:00 PM and 7:00 AM, or if the bathroom (provided that there is only one bathroom in the property) will not be functional for more than eight continuous hours, the occupants of the property may be required to temporarily relocate until the service or facility resumes function. Reasonable costs incurred related to the temporary relocation may be paid for a grant provided by the City on a

reimbursement basis with the City's prior approval. Eligible costs are, but not limited to, lodging, meals, or transportation. If the kitchen is not functional for more than eight continuous hours, the City may consider reimbursing meals purchased. Maximum allowable costs apply. Please contact Housing Division for more information.

7. Biennial Inspections. The property owner shall permit the City to re-inspect the property for a minimum of every two (2) years from the date of completion of the work. The property owner will be required to make all repairs required to meet health and safety, building code or HUD standards, as identified by the City as a result of the inspection.
8. State and Federal Overlays. Projects funded with HOME funds are required to comply with all applicable federal and state overlay requirements, including but not limited to, compliance with regulations regarding: National Environmental Policy Act (NEPA), lead based paint, procurement, flood insurance, Davis Bacon (for 12 or more HOME-assisted units), State prevailing wage, relocation, replacement, Equal Opportunity and Fair Housing, Section 504 and the Americans with Disabilities Act, Section 3 (Economic Opportunities for Low and Very Low-Income Persons), conflict of interest, OMB Circular A-133 audit and debarred/suspended/ ineligible contractors.

#### **IV. PARTICIPATION PRIORITIES / FUNDING COMMITMENT**

Funding is on a first-come, first-served basis. Due to high demand and fund limitation, some programs may require property owners to be on a waiting list. All complete applications will be date stamped and processed in the order they are received. Incomplete applications will not be processed until all requested information is submitted. Applicants who do not provide all requested information will be given a deadline to provide the information. If the information is not received by City staff by the deadline, the application will be closed and the applicant will be notified of the termination of the application process. Should the applicant be interested in the loan in the future, s/he shall repeat the waiting list process when it is open again.

The City retains the right to deny Program assistance at any time false information is found on the application.

In addition, since funds are limited and all loans are funded on a first-come, first-served basis, the loan is not committed until the loan documents have been signed and recorded. The loan may be canceled before funds are committed for the following reasons:

1. Funds for the program become unavailable; and,
2. The terms found within this Manual or the Property Owner Acknowledgment and Agreement have been violated.

## V. AGREEMENT CONTAINING COVENANTS

An “Agreement Containing Covenants” will be recorded against assisted properties and will include, but not be limited to, the following covenants:

1. Maintenance Requirements. Property owners must maintain assisted properties in good repair and in decent, safe and sanitary condition consistent with community standards. The covenants and restrictions period for this item will be in effect for the life of the loan commencing upon the document execution date.
2. No Criminal Activity/Nuisance. Property owners shall not permit criminal activities to occur on the property or permit property improvements to suffer deterioration or decline, or maintain, or permit to be maintained any public or private nuisance on or about the property. The covenants and restrictions for this item shall be in effect for the life of the loan commencing upon the document execution date.
3. Nondiscrimination. There shall be no discrimination against or segregation or any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, or disability in the selection of contractors to complete the rehabilitation work financed with assistance, or in the sale, transfer, use, occupancy, tenure, or enjoyment of assisted properties. The covenants and restrictions period for this item shall be in effect in perpetuity.
4. Records. Property owners shall keep such records as may be required with respect to the rehabilitation work financed with assistance, including work orders, invoices, and receipts. The covenants and restrictions period for this item shall be in effect until the full repayment of the Loan or Reconveyance of the Deed of Trust.
5. Annual Recertification of Income and Rents. The Property owners must continue to retain the HOME-assisted units for occupancy by households at the specified income limits and at the specified affordable rents. In this regard, the property owner will be required to allow the City to recertify tenant income and rent on an annual basis, at a minimum.

In addition, every sixth (6<sup>th</sup>) year of the affordability period, or during such time as may be requested by City, the Property owner must examine the source documents evidencing annual income of tenants, to include but is not limited to wage statement, interest statement, unemployment compensation statement, for the family and shall submit such document to the City for review and validation for compliance with tenant income restrictions.

In case the tenancy of the unit changes, the Property Owner must inform the City and must submit tenant income documentation to support that the new tenants still meet the income requirements for the HOME-assisted units. In addition, the tenant must inform the Property owner and the Property owner must inform the City and submit documentation regarding changes in household size and income.

This covenants and restrictions period for this item shall be in effect for the life of the loan commencing upon the document execution date, until full repayment of the loan or Reconveyance of the Deed of Trust, whichever occurs sooner. Enclosed as Exhibit D is a Sample Annual Certification of Tenant Occupancy/Tenant Survey Form.

Please review the Agreement Containing Covenants carefully at the time of signing and during the three-day rescission period. The City may conduct inspections or visitations without prior notice to ensure the terms in the Agreement Containing Covenants are enforced and may mail a certification to the tenants at the property addresses for self-certifying that the requirements in the CC&Rs are met. It is the property owner's responsibility to ensure that the tenants respond within the time specified in the certification. If the self-certification is not signed and returned within the time specified or if the mail cannot be delivered provided that the mailing address is the property address that was funded, the City may take legal actions against the property owner. If the property owner is in violation of any terms of the Agreement Containing Covenants, it may also result in legal action taken by the City. The annual self-certification may be mailed to the property owner by an outside, private agency selected by the City.

## **VI. LEAD BASED PAINT, ASBESTOS AND MOLD REQUIREMENTS**

1. Participating properties that were built prior to January 1, 1978 must be inspected for lead based paint, except:
  - a. The property has been found free of lead-based paint by a certified lead-based paint inspector. A copy of the lead hazard evaluation report must be submitted to the City;
  - b. The property has had all lead-based paint removed. A copy of the lead-based paint clearance report must be submitted to the City;
  - c. No painted surface in excess of the federal *de minimus* threshold will be disturbed during any funded improvement projects; or
  - d. Once the test results are available, or should the property owner decide not to proceed with the loan or lead is not abated, it is the property owner's

responsibility to disclose the existence of lead pursuant to State or Federal requirements.

The costs, including testing, remediation, and abatement, will be included at a maximum of 10% of the City's loan amount. If the cost of lead based paint testing and abatement exceeds this amount, the City may provide additional funding as a grant or additional loan. However, this is not guaranteed and is strictly based on funding availability.

2. Participating properties that were built prior to January 1, 1980 must be inspected for asbestos, except:
  - a. The property has been found free of asbestos by a certified asbestos professional and licensed asbestos laboratory. A copy of the asbestos evaluation report must be submitted to the City;
  - b. The property has had all asbestos removed. A copy of the asbestos clearance report must be submitted to the City; or
  - c. No asbestos containing materials will be disturbed during any improvement projects.

The cost, including testing, remediation, and abatement, may be included in the loan or paid through a grant provided by the City. Occasionally, the City may provide additional funding, either as a loan or as a grant, to pay for the cost. However, this is not guaranteed and is strictly based on funding availability.

3. If the property owner indicates the existence of mold, or if the City staff notices any mold in the property, an inspection will be ordered and abatement may be necessary.

The cost, including testing, remediation, and abatement, may be included in the loan or paid through a grant provided by the City. Occasionally, the City may obtain additional funding, either as a loan or as a grant, to pay for the cost. However, this is not guaranteed and is strictly based on funding availability.

4. Lead-based paint, asbestos, and mold inspections must be conducted by certified inspectors designated by the City. Appointments will be scheduled between the property owners and the inspectors.
5. The scope of work will be incorporated into the final Work Write-Up as separate line items. The remediation/abatement work must be conducted by a licensed and certified contractor as part of the bid. If the property tests positive, a copy of the report will be mailed to the property owner via certified mail. If the property tests negative, the report is mailed to the property owner via regular mail.

6. If the total cost of remediation exceeds the total cost of rehabilitation, the property owner must provide additional funding. These funds will be deposited into the same escrow account with the City's assistance to pay for the balance of the work. Upon written notice, the City will allow up to 60 days for the property owner to obtain additional funds. If the property owner cannot provide the additional funds within the timeframe given, the City may terminate the loan and not allow work to commence.
7. A termite report will be ordered should the property reveal any signs of dry rots.

## **VII. LOAN ADMINISTRATIVE FEES AND SERVICING**

1. The fees charged are deducted from the loan amount. These are fees charged by third parties, such as title services. Fees vary depending on the title condition.
2. The City currently services its loans. The City may hire an escrow and loan collecting agency in the future. In this event, the service fee shall be deducted from the loan amount.

## **VIII. REFINANCING/SUBORDINATION**

If the property owner refinances for only the purpose of refinancing the first mortgage in order to obtain better terms, the City may subordinate, without requiring prepayment of the City loan, based on certain city policies which are available upon request. In order to protect property owners from predatory lending practices and protect the City's interest on the property, the City may choose not to subordinate. Should this occur and the property owner still chooses to refinance with the same terms, the City will require repayment of the City loan.

## **IX. SOME COMMON REASONS FOR DENIAL**

1. Tenant's income and rents are over the maximum limits allowed;
2. Property owner has three or more mortgages/loans against the property or does not have enough equity;
3. Property owner has unpaid property taxes and/or unpaid tax liens;
4. Property owner has income tax liens due to unpaid income taxes;
5. Property owner has other liens which may not be resolved by using the loan;
6. Property owner fails to follow the timeline given during the application/bidding process before a loan document is signed;



7. Property owner commits fraud or provides false information;
8. Property has extensive health and safety code violations and the loan amount cannot substantially abate the violations unless the property owner is able to provide additional funds to correct the violations; and,
9. The items requested to be funded do not meet City, State, or Federal requirements, policies or regulations.

**City Hall Hours**

Monday to Thursday: 7:30 a.m. – 6:00 p.m.

***If you have questions and wish to meet with a Rehabilitation Specialist or a Loan Coordinator, please call to make an appointment – (909) 620-2368.***

## **PROCEDURES**

The following is a step-by-step outline of the procedures when applying for a program loan:

### **1. Submission of Application and Required Documents**

The applicant must submit a complete application to the City. The application includes a signed application and **all** required documents listed. A “Protect Your Family from Lead in Your Home” brochure is provided at the time of distributing the application form. Please contact the Loan Coordinator at (909) 620-2368 for a copy if you have not received one. An incomplete application will not be processed.

The applicant will be given thirty (30) days to submit missing documentation from the date of initial application submittal. If the deadline is not met, the incomplete application package will be returned to the applicant. If an appraisal is required as part of the submittal, the deadline may be extended at the sole discretion of the City.

### **2. Preliminary Determination of Eligibility**

City staff will evaluate the application and all supporting documentation to determine if the applicants meets preliminary requirements for available funding. Preliminary eligibility does not indicate that a project will receive funding. Preliminary eligibility will be based on whether the project meets the goals of the program, income limits of tenants, owner/buyer credit, no overcrowding, the amount of outstanding loans against the property, program underwriting criteria and other requirements.

### **3. Work Write-Up**

Once the project has received preliminary approval, a property inspection is conducted and photographs are taken by the Housing Rehabilitation Specialist to determine eligible repair items and property owner’s desired improvements. Code and Health and Safety requirements must be addressed first, pursuant to Federal Regulations.

At or prior to the property inspection, property owners will be given a copy of the program manual to review.

After the inspection, the Housing Rehabilitation Specialist will prepare a work write-up which describes the work to be included for bidding purpose. Any additional requests for improvements not examined during the inspection and not listed in the work write-up must be brought to the attention of the Housing Rehabilitation Specialist before work write-up is completed and documents are signed.

#### 4. Environmental and Historic Review

The Loan Coordinator will mail a letter to the California State Historic Preservation Office for all properties that were built 50 or more years ago to obtain approval on the rehabilitation. The Housing Rehabilitation Specialist and Loan Coordinator will complete environmental review of the property. If the property is designated historical, specific design standards will apply. To find out if the property is designated historical or to obtain a copy of the Design Guidelines for historic properties, please contact Planning Division at (909) 620-2191.

#### 5. Lead, Asbestos, Mold Tests and Risk Assessment

The Housing Rehabilitation Specialist will order tests to determine remediation needs, methods and cost. A copy of the results will be sent to the Housing Rehabilitation Specialist and to the property owner within 15 days of the inspection/risk assessment. The report will include the scope of work for hazard abatement.

***Note:** Request for Proposals (RFP) is issued for new contractors every 5 years to provide selected services.*

#### 6. Review of Work Write-Up with Property Owner

After the Work Write-Up is drafted by the Housing Rehabilitation Specialist, an appointment will be made with the property owner to review and approve the Work Write-Up. The Housing Rehabilitation Specialist will explain each item and the implications of the lead, asbestos, and mold test results, if any. This will be the last opportunity for the property owner to make any changes to the Work Write-Up. After it is finalized, the Work Write-Up will not be changed unless there are extraordinary circumstances. If considered, all changes must be pre-approved by the Housing Grants Supervisor. The property owner will initial, item-by-item, on the finalized Work Write-Up approved the work to be completed. The Work Write-Up must meet or exceed the applicable specifications in the Rehabilitation Standard Specifications, which is available upon request to the Housing Division.

#### 7. Solicitation of Bids

7.1 A Bid Package, which includes a copy of the work write-up, City of Pomona's insurance and license requirements, a Bid Tracking Sheet, a "courtesy contractor's list" and other pertinent information, will be provided to the property owner.

***Note:** The "courtesy contractors list" is provided as a means to assist the applicant. Contractors requesting to be placed on this list must submit an application and requested application annually to the City. **The City of***

**Pomona does not endorse or warrant the work provided by any contractor on the list.**

- 7.2 The City's Housing Rehabilitation Specialist, together with the property owner, will conduct a pre-bid conference and job walk with interested contractors who wish to bid on the project. In addition to the scope of work, the Pre-Bid Conference will discuss and make the contractors aware of the Federal requirements, to include: Davis-Bacon and Related Acts (for HOME-assisted units of 12 or more) and Section 3 requirements (for construction contracts exceeding \$200,000).
- 7.3 It is the responsibility of the property owner to obtain a minimum of three (3) bids from qualified, licensed, bonded and insured contractors based on the work-write up and to return all bid documents, including bid tracking and bid evaluation forms to the Housing Rehabilitation Specialist within the timeframe indicated in the bid package. The contractor's estimate should include Building & Safety Division permits, if applicable.
- If the bids are not submitted within the timeframe given in the Bid Package, unless otherwise pre-approved by the Program Supervisor, the application/loan will be terminated without further review. Should the property owner be interested in the City's program again, s/he will need to repeat the waiting list process if and when the list is open.
- 7.4 In the awarding of contracts, and when applicable, the property owner will give preference to a Section 3 responsive and most reasonable bid. The selection of contractors must be documented in the Section 3 Bid Evaluation form.
- 7.5 If the amount of the bids exceeds the amount available from the loan and the owner is unable to qualify for any additional funding from the City, the property owner must contribute his/her own funds to cover the difference. The additional funds must be deposited to an escrow account with the City of Pomona. If the property owner is unable to cover additional costs, the property owner may remove line item improvements that are not health/safety code violations in order to meet the funding threshold.
- 7.6 The City requires certain energy efficient items, such as heating and air systems, windows, insulation, water heaters, etc. If the property owner would like to have certain energy efficient items that will qualify for a rebate or a discounted price from the utility agencies, the property owner must verify with those agencies and obtain the make and model of the units and provide those to the Rehabilitation Specialist for approval prior to the completion of the work write-up. Specifications for these items must be included in the work write-up for bid solicitation.

## 8. Contractor Selection

Contractors selected by the Property Owner must provide the following prior to signing an Owner/Contractor Agreement and Receiving a Notice to Proceed:

- California State Contractor's license and bond verified as "Current, Active, and in Good Standing". The information can be verified by contacting the State Contractor's Board: (800) 321-2572 or [www.cslb.gov](http://www.cslb.gov).
- A current and valid City of Pomona business license, which must be obtained before the project can begin. Payment cannot be disbursed until the license is obtained.
- The contractor cannot be on the Excluded Parties List System ("EPLS") published by the Federal Government. This information can be obtained from [www.sams.gov](http://www.sams.gov).
- Proof of liability, automobile insurance and Workers' Compensation insurance in requirement amounts. For General liability, it is \$1,000,000 aggregate limit.

Once the bidder has been selected and approved by the City, property owners and the contractor will enter into a contract. Property owners should not sign any contract with contractors for any improvement projects prior to signing the City authorized Owner/Contractor Agreement and the Owner Participation Agreement. The City is not responsible for the work or provisions contained in non-approved contracts or in contracts signed prior to authorization for work.

## 9. Final Approval and Signing of Documents

Once a valid contractor and a bid have been selected, the title report is reviewed and the entire application is approved, loan documents will be prepared.

The Housing Loan Coordinator will contact the property owner and schedule a loan document signing. All persons on the property title must be present at City Hall to sign required documents. Signatures will be notarized. All signers must bring a current and valid California Driver's License or a current DMV identification card. Other forms of identification may be accepted. Please contact the Loan Coordinator for more information.

The following documents will be signed:

- Loan Agreement
- Promissory Note
- Deed of Trust
- Agreement Containing Covenants
- Request for Notice

A 3-business day cancellation period (three-day rescission period) is enforced after loan documents have been executed. Property owners have this period to review the loan documents and to cancel the loan without incurring additional fees.

Should the property owner choose to cancel the loan within the three (3) day rescission period, please call the Loan Coordinator immediately. A follow-up letter will be sent to the property owner for signature.

## 10. Recordation of Signed Documents

After all loan documents are signed at the end of the 3-day rescission period, the Housing Loan Coordinator will send documents for recording. Once recorded, property owner will be contacted by the Housing Rehabilitation Specialist to schedule a pre-construction meeting.

In addition, the Property owner will submit his/her share of the construction cost, if applicable. The Property Owner's and the City's share will be deposited into an escrow account.

## 11. Construction

### 11.1 Pre-Construction Meeting & "Notice to Proceed"

The Housing Rehabilitation Specialist, selected contractor, and the property owner will hold a pre-construction meeting within five (5) business days from the date the loan documents are recorded. A "Multi-Unit Rental Rehabilitation Deferred Loan Program Agreement Between Owner and Contractor" will be executed. A "Notice to Proceed" is issued to contractor after receipt of all required documentation. Upon receiving this notice, the contractor shall have ten (10) days in which to begin improvements.

### 11.2 Change Orders

Any changes in contractors or contract must be approved ***in advance and in writing***, with a change order form agreed to by both the property owner and the Housing Rehabilitation Specialist. The change order must also indicate the contract amount increase or decrease and who will be responsible for the cost in the case of an increase. Even if there will be no cost involved, a change order must be filled out to document the change or clarification to the original work write-up

The contractor will be responsible for making sure all required permits have been secured, depending on the type of work to be performed. The contractor will also be responsible for submitting the Notice of Completion at the end of the job.

### 11.3 Lead, Asbestos, and/or Mold Hazard Remediation/Abatement

- As required by law, only certified inspectors/contractors may monitor hazard remediation activities. Property owners need to coordinate with

both the hazard remediation professional and the City's designated certified inspectors (same forms as the initial lead-based and asbestos inspections) to ensure the work is done properly.

- After the hazard abatement activities are completed, the City's designated certified inspectors will perform a clearance test and generate a "Notice to Lead Hazard Abatement Activity" report, Asbestos Abatement Report, and/or a Mold Abatement Report which will be provided to the property owner within 15 days, to declare the areas of the property to be disturbed are safe.
- If lead, asbestos, and/or mold is found during the clearance test, the hazard remediation activity must be followed by a second clearance test. Areas of the property to be disturbed must be safe from environmental hazards.

#### **11.4 Property Access**

Property owners must make the property available for inspections and rehabilitation during the regular business hours of City Hall, or from 8:00 AM to 6:00 P.M., Mondays through Thursdays, and 8:00 A.M. to 5:00 P.M. on Fridays. Each contractor may have his/her own business hours and may or may not accommodate property owners' schedule. The property owner shall inquire as to the contractor's working hours before a contract is signed.

#### **11.5 Material Suppliers and Sub-Contractors**

The property owner must maintain a list of subcontractors and material suppliers from the contractor before the work starts, and verify with the workers who appear at the property for improvements if their names have been provided. Unconditional and conditional lien releases must be obtained from all subcontractors and material suppliers who performed work or provided material for the property.

#### **11.6 Schedule and Disbursement of Payments**

Work on the project should proceed in accordance with the schedule provided by the contractor. Once a milestone for payment has been reached, the Contractor shall present a payment request, along with lien releases, to the Property owner for authorization. The signed payment request is then given to the Housing Rehabilitation Specialist. All contractors must use the payment request forms supplied by the City, separating labor from material costs. The City requires submission of material receipts with payment requests.

The Housing Rehabilitation Specialist shall inspect the work in progress to ensure that the work has been completed in journeyman-like fashion and all permits and required inspections have been completed, including sign-off, as necessary, by the City's Building & Safety Division. Once this has been verified, payment will be processed. A 10% retention will be retained until project close-out as defined below. Before the property owner signs off on an escrow disbursement for requesting payment, the property owner must obtain an unconditional lien release from the material suppliers and a conditional lien release from the subcontractors and the general contractor. The escrow disbursement authorization requires signatory approval by the property owner to release funds to the contractor.

## 12. Completion of Improvements

The rehabilitation must be completed no later than one year from the date of the original application. Upon the one year funding deadline, the housing rehabilitation project will be terminated and the escrow account will be closed.

If this occurs, the loan amount will be adjusted to reflect the project cost incurred to the date of termination. No additional work will be allowed, or paid for by the City, if the housing rehabilitation project is terminated. If additional work is initiated after termination, it will be solely at the discretion and cost of the property owner. At least 30 days prior to the funding deadline, the property owner may request a maximum two-month extension. The City may only consider an extension for extraordinary circumstances and it is the City's sole discretion to approve or deny the extension.

Upon completion of the improvement, projects will be inspected and photographed by a Housing Rehabilitation Specialist. The photos may be used for any publication, marketing or record purpose. The property owner will be requested to complete a performance evaluation of the contractor for the job performed.

The property owner must retain all inspection records showing the sign-offs by the City's Building & Safety Inspector for jobs performed. These must be obtained from the Contractor prior to final release of funds.

Upon issuance of a Notice of Completion, receipt of the final lien releases, signatory approval from the property owner to release funds to the contractor, the final retention payment shall be released to the Contractor. If the project is subject to Section 3 requirements, the release of the the retention payment is also subject to fulfillment of Section 3 requirements and receipt of Section Compliance Report.

If there is any balance remaining and the property owner wishes to use the balance for eligible items, the remaining funds must be used in accordance with the policies and procedures set forth in this manual and must be expended within



15 calendar days upon the final sign-off of the work included in the original work write-up by the Building & Safety Inspector.

The housing rehabilitation project and escrow account is then formally closed.

The City staff will make any and all effort to inspect the work conducted in order to ensure a journeyman-like end-result. However, the City is not responsible for any issues that may arise after the work has been completed. In general, the City requires a one-year warranty for most items and 3-year for roofs. All warranty, if provided by the contractor, must be indicated in the contract. The property owner must contact the contractor directly for any items that are deficient and are within the warranty period and notify the City if the contractor fails to honor the warranty. The City will record the performance deficiency and may not accept future jobs conducted by the same contractor.

### **13. Grievances Against Contractors**

Contracts signed by the contractor and the participant include the following clause, which provides a procedure for the resolution of grievances:

“Any controversy arising out of or relating to this Contact, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et. seq. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration”.

If there is any reason that the property owner refuses to approve a payment to the contractor and/or refuses to sign a certificate of completion, the City staff will mediate between the property and the contractor. If the issue cannot be resolved, the complaint regarding the contractor or construction work will be handled in accordance with the grievance policy above.

**EXHIBIT A**

**HOME PROGRAM  
MAXIMUM SUBSIDY LIMITS PER UNIT – LOS ANGELES  
2023**

<b>COUNTY NAME</b>	<b>0-BDR</b>	<b>1-BDR</b>	<b>2-BDR</b>	<b>3-BDR</b>	<b>4-BDR</b>
Los Angeles	\$173,011	\$198,331	\$241,176	\$312,005	\$342,482

\* These limits are subject to change annually by the Department of Housing and Urban Development-Los Angeles Field Office. Please contact the Loan Coordinator for updates on the subsidy limits per unit.

**EXHIBIT B**

**SAMPLE LOAN REPAYMENT SCHEDULE**

The following represents an example of the loan pay off amount based on the number of FULL years the owner has complied with the City Loan conditions.

This assumes a City Loan amount of \$120,000 at \$30,000 per unit with four (4) HOME-assisted units:

No. of Full Years Completed	Original Loan Amount (\$)	% Forgiven	Amount Forgiven (\$)	Total Amount Due (\$)
1	\$120,000	0%	\$ 0	\$ 120,000
2	\$120,000	0%	\$ 0	\$ 120,000
3	\$120,000	0%	\$ 0	\$ 120,000
4	\$120,000	0%	\$ 0	\$ 120,000
5	\$120,000	0%	\$ 0	\$ 120,000
6	\$120,000	20%	\$ 24,000	\$ 96,000
7	\$120,000	40%	\$ 48,000	\$ 72,000
8	\$120,000	60%	\$ 72,000	\$ 48,000
9	\$120,000	80%	\$ 96,000	\$ 24,000
10	\$120,000	100%	\$ 100,000	\$ 0

**EXHIBIT C**

**SAMPLE LOAN REPAYMENT SCHEDULE – w/ DEFAULT**

Given the same scenario above, this assumes that the owner sold the property without assumption of the covenant after **6 full years**.

No. of Years	Original Loan Amount (\$)	% Forgiven	Amount Forgiven (\$)	Total Amount Due (\$)	3% Default Rate
1	\$120,000	0%	\$ 0	\$ 120,000	\$3,600
2	\$120,000	0%	\$ 0	\$ 120,000	\$3,600
3	\$120,000	0%	\$ 0	\$ 120,000	\$3,600
4	\$120,000	0%	\$ 0	\$ 120,000	\$3,600
5	\$120,000	0%	\$ 0	\$ 120,000	\$3,600
6	\$120,000	20%	\$ 24,000	\$ 96,000	\$2,880
Remaining Principal and Accrued Interest				\$ 96,000	\$ 20,880
<b>Pay Off Amount</b>					<b>\$116,880</b>

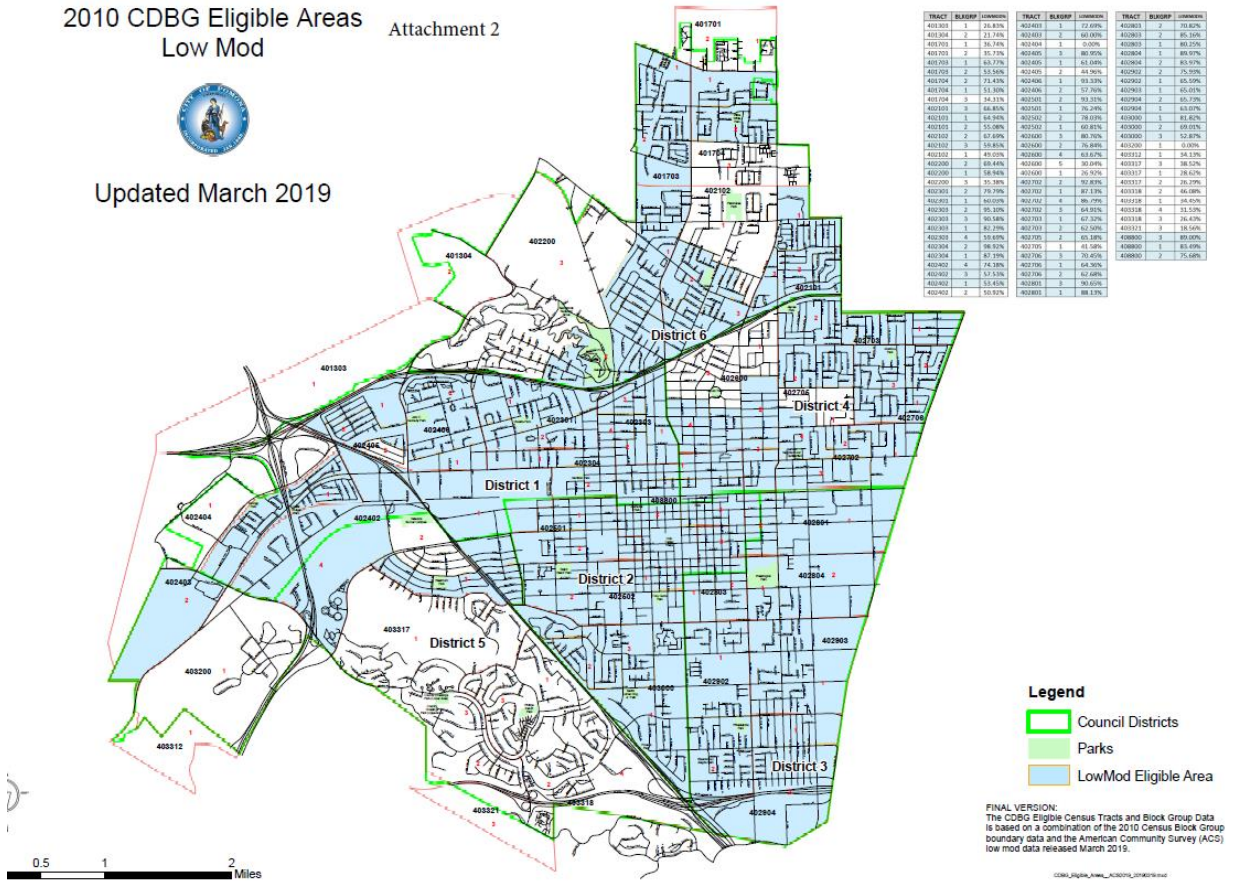
**EXHIBIT D**

**LOW & MODERATE CENSUS TRACT MAP**

2010 CDBG Eligible Areas  
Low Mod Attachment 2



Updated March 2019



**EXHIBIT D (Cont'd)**

**POMONA OPPORTUNITY ZONES**

**EXHIBIT E**

**2023 HOME INCOME LIMITS**  
(Effective June 15, 2023)

No. of Persons in Household	50% Limit	60% Limit	80% Limit
1	\$ 44,150	\$ 52,980	\$ 70,650
2	\$ 50,450	\$ 60,540	\$ 80,750
3	\$ 56,750	\$ 68,100	\$ 90,850
4	\$ 63,050	\$ 75,660	\$ 100,900
5	\$ 68,100	\$ 81,720	\$ 109,000
6	\$ 73,150	\$ 87,780	\$ 117,050
7	\$ 78,200	\$ 93,840	\$ 125,150
8	\$ 83,250	\$ 99,900	\$ 133,200

**HOME RENTAL HOUSING  
RENT DETERMINATION CHART  
LOW AND HIGH HOME RENTS**  
(2023 HOME Program Rents)

Rent Level <sup>1</sup>	Unit Size					
	0 BDR	1 BDR	2 BDR	3 BDR	4 BDR	5 BDR
Low HOME Rent <sup>2</sup>	\$1,103	\$1,182	\$1,418	\$1,639	\$1,828	\$2,018
High HOME Rent	\$1,415	\$1,518	\$1,823	\$2,097	\$2,320	\$2,541

<sup>1</sup> These are the rents which are determined by comparing fair market rents with 50% and 65% rent limits provided by HUD. **Remember, these rents include utilities, and must be reduced if the tenant pays utilities. For adjustments for utilities, please contact your loan coordinator. Utility allowances must be approved by the City.**

<sup>2</sup> The Low HOME Rent applies to a minimum of 20% of the units in projects with five or more HOME-assisted units.

**EXHIBIT D**

**CITY OF POMONA  
 MULTI-UNIT RENTAL REHABILITATION LOAN PROGRAM  
 TENANT SURVEY**

This form is to be completed by each tenant household living in your property. You may duplicate this form as necessary. This form must be submitted when tenants residing in the units change or whenever there are changes in existing tenants' household size and/or income. In addition, the City reserves the right to request that this form be submitted at any time.

Documentation must be submitted to support the stated monthly income, to include: two (2) most recent pay stubs, most recent savings and checking account statements, most recent Income Tax Return with W2, and most recent statement of other assets. Along with copies of Social Security cards, Proof of citizenship (i.e. birth certificate, green card, passport) for all household members, and copies of Drivers License/ ID card for household members 18 and over.

**A. TENANT GENERAL INFORMATION**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone/Home:\_(\_\_\_\_\_)\_\_\_\_\_ Work: \_(\_\_\_\_\_)\_\_\_\_\_

Date First Occupied Unit: \_\_\_\_\_

Head of Household is:  Male  Female  Elderly  Handicapped

No. of Occupants: Total: \_\_\_\_\_ No. of Adults: \_\_\_\_\_ No. Children \_\_\_\_\_  
 (under 18):

**Names of all Household Members:**

NAME	Sex	Age	Monthly Income	Source

**City of Pomona  
Multi-Family Housing Rehabilitation Loan Program Guidelines**

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**B. MONTHLY HOUSING COSTS:**

Current Monthly Rent: \$ \_\_\_\_\_  
Average Monthly Utility Cost (i.e., electric, gas, trash): \$ \_\_\_\_\_  
Total Monthly Housing Cost: \$ \_\_\_\_\_

**C. NUMBER OF BEDROOMS:**       Efficiency    1    2    3    4

**D. PLEASE CHECK THE RACE WHICH DESCRIBES YOUR HOUSEHOLD:**

- White
- Black / African American
- Asian
- American Indian/Alaska Native
- Native Hawaiian / Other Pacific Islander
- Other Multi-racial: \_\_\_\_\_

**PLEASE CHECK THE ETHNICITY WHICH DESCRIBES YOUR HOUSEHOLD:**

Head of Household is:  
 Hispanic or Latino                       Not Hispanic or Latino

**TENANT’S AFFIDAVIT – Multi-Unit Rental Rehabilitation Loan Program Application**

This Affidavit is made with the knowledge that it will be relied upon by the City of Pomona and our landlord, the owner of our apartment building, to determine maximum income for eligibility. I (we) warrant that all information set forth in this document is true, correct and complete and based on information I (we) deem reliable and based upon such investigation as I (we) deemed necessary.

I (we) acknowledge that I (we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the property owner to rent the unit and will additionally enable the property owner and/or City of Pomona to initiate and pursue all applicable legal and equitable remedies with respect to the units and to me/us.

I (we) do hereby swear under penalty of perjury that the foregoing statements are true and correct and that this declaration was executed on \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Tenant Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Tenant Signature

\_\_\_\_\_  
Date