

# Home Repair Program Revisions

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Housing Committee  
October 15, 2007



# PURPOSE OF BRIEFING

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- To propose program revisions to the Housing Department's Home Repair and Replacement Programs based on research and analysis of repair costs and "repair cost-to-value" ratios.

# MAYOR'S Affordable Housing Task Force

## Final Report 2002

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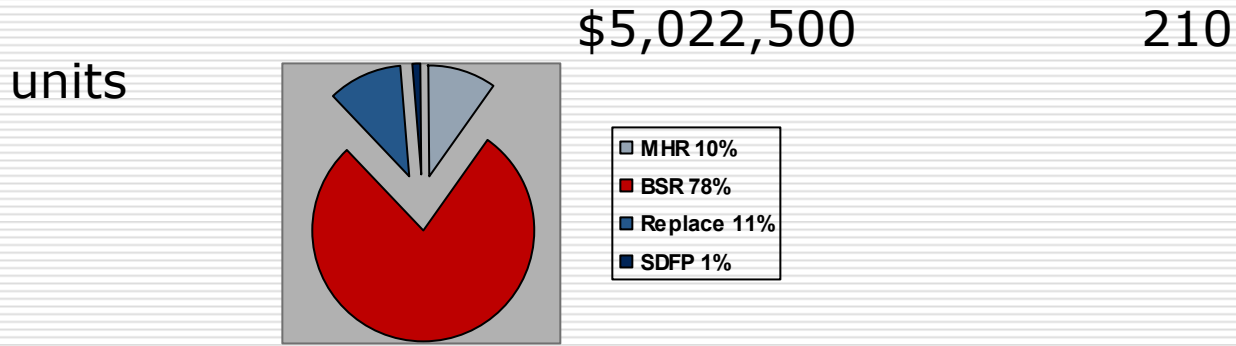
The 2002 Task Force recommended a *restructuring of the Home Repair Program to increase the program's effectiveness by reducing the number of high cost repairs and eliminating uneconomic repairs that do not increase the value of the property.* As a result, the City Council adopted the following programs:

- Minor Home Repair Program (MHR): Grant of up to \$5,000 to repair basic systems
- Basic System Repair (BSR): Loan of up to \$25,000 to repair basic systems and grant to provide lead-based paint hazard reduction
- Replacement: Loan of up to \$55,000 to demolish & replace non-repairable structures
- SHARE: Housing Department loan of up to \$32,500 and Department of Code Compliance assistance of \$22,500 to demolish and replace a home in violation of code

# 2002-2003 Accomplishments

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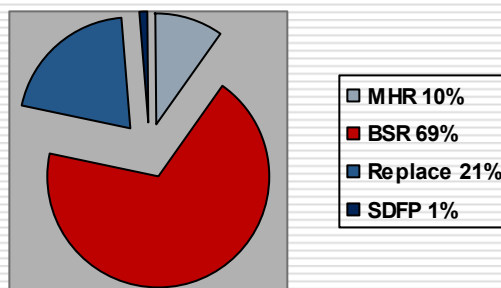
- Basic System Repair: \$4,000,000      Goal: 100  
Units
- Minor Home Repair: \$ 500,000      Goal: 100  
Units
- Replacement/SHARE: \$ 522,500      Goal: 10  
Units



# 2006-2007 PROJECTED ACCOMPLISHMENTS

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BSR:	\$4,091,125	Units: 109
MHR:	\$ 500,000	Units: 40
Replace/SHARE	<u>\$1,190,000</u>	<u>Units 17</u>
	\$5,781,125	Total: 166



# 2007 Program Analysis

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- Programs are not achieving the goal to produce more units of service with less funds per unit
- Although program funds have increased by 16% since 2002 with addition of HOME funds, repair costs continue to exceed property appraisal because of cost increases and lead-based paint removal.
- Average Repair Cost to Appraised Value Ratio: 94%
- Rising construction costs are imposing numerous challenges
  - Serve fewer citizens and continue to spend greater than 50% of value of property on repairs that do not enhance property value
  - Provide fewer repairs to citizens because cost of needed repairs exceed program guidelines

# Rising Construction Cost Challenges Since 2002

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- ❑ The National Home Builders Association reports a 22% increase in construction costs since 2002
- ❑ Amount of federal funding allocated to Home Repair Program has not increased since 2002 to accommodate increase in construction costs
- ❑ 32% of eligible applications are cancelled because the repair cost exceeds the program's maximum grant or loan limits. These homes continue to contribute to the decay of neighborhoods
- ❑ Current Replacement Program maximum of \$70,000 is not enough to build a home for mostly elderly very low-income homeowners (<30% AMFI), and still provide minimum profit and overhead for contractors
- ❑ Replacement Program contractors are declining to participate due to rising costs
- ❑ Without adjustment for cost increases, HUD has limited projects which can be completed without requiring costly lead-based paint removal or abatement, to \$25,000 on non-lead items

# Local Factors Contributing to Increased Construction Costs since 2002

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- City of Dallas Building Inspection Permit/Tap Fees: 20% Increase
- Mandated Environmental Controls: \$500 - \$1000 added to construction costs
- Demolition costs and land fill fees have increased by a combined 50%
- Materials (copper/concrete/sheetrock/lumber): average 5% increase
- Storage Costs: 88% increase, \$1,500 for 6 months
- Security Costs: \$1000-\$1,500 per job to prevent material theft and vandalism in high-crime areas: 50% increase
- Fuel: 50% increase. Direct cost to General Contractor and indirect delivery surcharges passed along by subcontractors or vendors to General Contractors
- Increased costs for variance for set backs, replats, removal of multiple driveways, demolition of additional structures, lot preparation, etc.



# How Does Cost Increase Impact Program?

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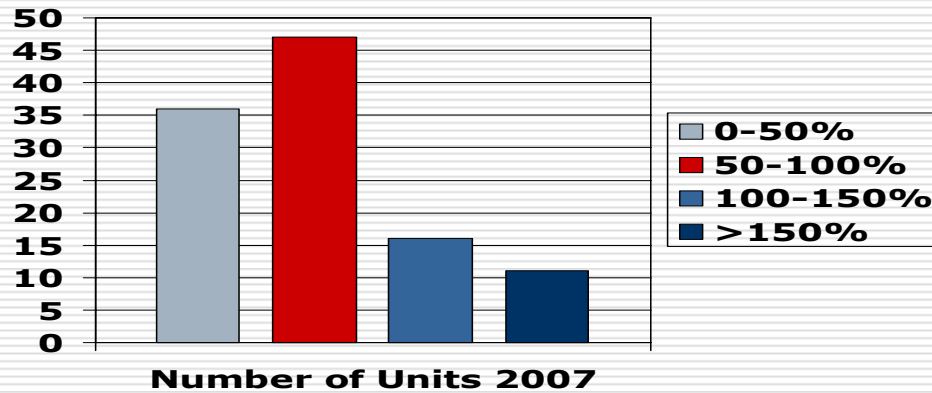
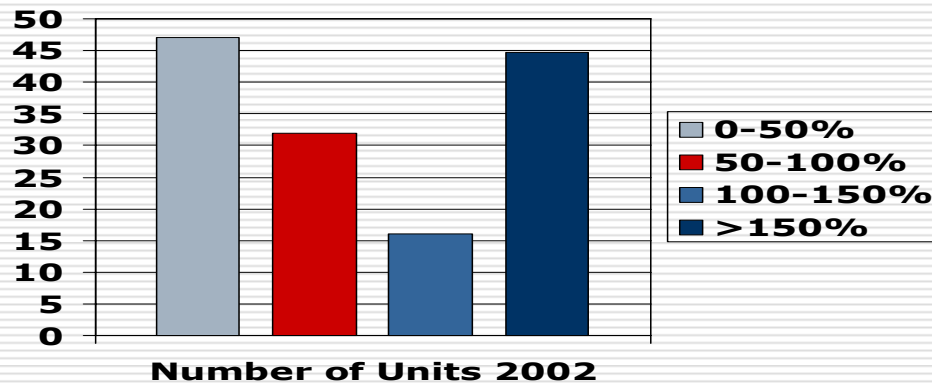
- In 2002, historical appreciation data revealed that low cost repairs created value while value was lost in high dollar repairs
- Since 2002:
  - 94% of repairs exceed 50% of pre-repair appraised value of structure
  - Greater #s of citizens receive NO assistance due to the cost of repairs

The following charts show that program changes in 2002, which lowered the repair project maximum cost from \$47,500 to \$25,000, have resulted in

- Fewer repairs to lower value homes
  - Continued use of funds to repair homes that exceeded 50% of value of homes
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# Repair Cost as % of Pre-Repair Appraised Value Comparisons

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# What Are Other Cities Doing To Address Similar Concerns?

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**Ft. Worth, Arlington, and Irving:** Repairs <\$25,000 / No Replacement Program.

**Houston:** Tiered program to provide for emergencies up to \$5,000 and rehabilitation up to \$25,000. Repair costs above \$25,000 must go to Council for approval. Maximum repair cost is \$40,000. Primary focus is on replacement. Average cost to replace is \$120,000. Seniors only.

**San Antonio:** Tiered program to accommodate emergencies up to \$4,500 and rehabilitation up to \$50,000. Primary focus is on replacement with numerous plans & variable amenities to meet owner needs. Replacement price is based on current square foot cost. Average cost of replacement home is \$90,755 with a \$5,000 maximum amenities packet. Demolition of home is contracted out by the city.

**Lubbock:** Tiered emergency/barrier free/minor rehab programs \$2,500 to \$7,500. Major rehab \$42,500 PLUS lead grant (\$55,000 average cost per home) Replacement is major focus. Owner selected plans. \$97,000 to \$113,000 avg. cost.

# Recommended Revisions to Minor & Basic Home Repair

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- Decrease prior year's funding level from \$4,591,125 to \$1,231,225.00
- Combine Minor Home Repair Program and Basic System Repair Program:
  - Allow repair or replacement of up to two (2) major systems:
    - Roof / Plumbing / Electric/ Heating and Cooling
  - Increase Minor Home Repair Limit and Decrease Basic System Repair Limit
    - Maximum \$15,000 per home with a goal of 123 projects at a \$10,000 average
  - Increase Income eligibility from 50% AMFI to 80% AMFI
  - Reduce loan term from 10-year to 5-year lien for 2 system repair
  - Allow a grant for one additional repair or replacement of one (1) system that fails during the loan term that was NOT previously worked on where life, health, or safety hazards exist to the resident(s)
  - Adhere to HUD's lead-based paint regulations based on amount of repairs provided
  - A two-level application review will be conducted and both levels, household eligibility and property eligibility must be approved to qualify an applicant

# Major System Repair Program Eligibility

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- Level I, household eligibility, requires applicants to provide necessary proof to document the following:
  - Identity
  - Citizenship or legal residency
  - Current on all property taxes for the property
  - Ownership and occupancy of property for a minimum of two (2) consecutive years, unless safety and/or health conditions have forced applicant to evacuate within past 24 months of application
  - Income 80% or less of median area family income for Dallas, based on number of persons in household, as defined by the Department of Housing and Urban Development annually
  - Property insurance on home
  - Flood Insurance on homes in 100-year floodplain when repairs meet eligibility requirements
  - May have no more than one lien on the property and the lien may not be in arrears
  
- Level II, property eligibility, requires the following conditions to be met:
  - The scope of system repair or replacement work needed on a property must be limited to no more than two systems
  - The cost estimate of the systems repair or replacement cannot exceed \$15,000
  - Planning and development review to meet city and federal guidelines
  - Environmental reviews to meet city and federal funding guidelines

# Recommended Revisions to Replacement Program

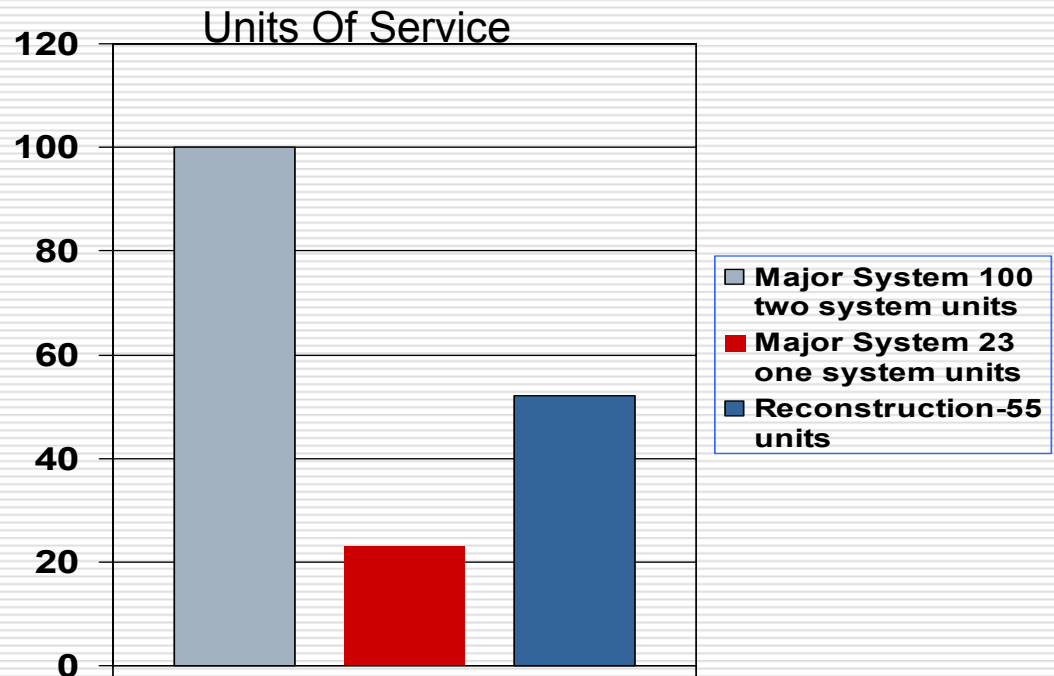
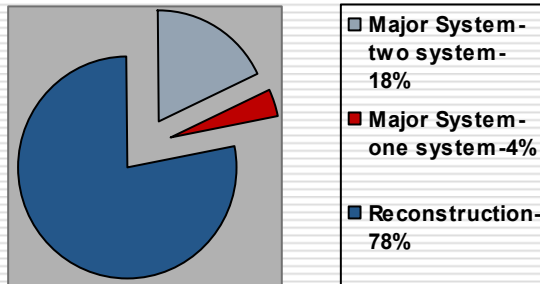
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- Increase prior year's funding level from \$1,190,000 to \$4,877,933
- Serve 55 households @ a maximum cost of \$87,500 per home
- Loan for reconstruction of homes on site may be made when a) foundation and all major systems require replacement, b) the condition of the home creates an imminent danger to the life, health and or safety of the resident(s) or the neighborhood; and c) repair costs are not feasible in that they will not extend the life of the repaired structure beyond 15 years
- Major System Repair Program Level I and Level II eligibility criteria will apply. Additional qualifications to be considered for Replacement include:
  - Title insurance must be obtained
  - No liens or judgments on property
  - Owner agrees to voluntarily move and live elsewhere at their own expense during construction
  - Proof of insurance for new structure is provided by owner before occupancy

# Advantages of Revisions to Programs:

1. Increase in # of new Affordable Housing Units (17 to 55)
2. Increase in # of Cost Efficient Repairs whereby a two-system repair will extend the viability of home without exceeding value
3. Establish assistance that would allow an owner who had prior assistance to receive one (1) repair on a system whereby non-repair would create an imminent danger to life, health and/or safety of the resident(s)

% of Funding Allocation



# Additions to Replacement Program

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- ❑ Offer variable floor plans and exteriors to fit small urban lot sizes and maintain the character of the neighborhood
- ❑ Upgrade to Energy Star appliances and mechanical equipment to lower homeowner's energy costs
- ❑ Provide water-saving options for landscaping to lower lawn maintenance and save water



# Side-By-Side Analysis

## CURRENT PROGRAMS:

- 3 programs:
  - \*Minor Home Repair-\$5,000
  - \*Basic System Repair-\$25,000 & Lead Grant
  - \*Replacement: \$70,000
- Lead hazard reduction
- AMFI
  - MHR – 50% citywide -80% NIP
  - BSR – 50% citywide -80% NIP
  - Replacement– 50% citywide  
80% NIP
- Accomplishments:

MHR:	40
BSR:	109
Replacements:	<u>17</u>
	166 TOTAL

## RECOMMENDED PROGRAMS:

- 2 programs:
    - \*Major System Repair Program:  
Two System w/ avg. repair of \$10,000
    - \*Reconstruction/SHARE: \$87,500
  - Adhere to HUD lead-based paint regulations as required by repair type and amount
  - AMFI
    - MSRP – 80% citywide
    - Replacement – 50% citywide  
80% NIP
- Goals:
- |               |           |
|---------------|-----------|
| MSRP:         | 123       |
| BSR:          | 0         |
| Replacements: | <u>55</u> |
|               | 178 TOTAL |

# Program Revision Gaps

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- ❑ Homes needing repair(s) but not replacement
- ❑ Homes needing foundation repair
- ❑ Homes receiving repair(s) will not receive interior or exterior improvements (carpet, cabinets, vinyl siding, etc.)

# 2007-2008 Application Status

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- Feb – August 2007 marketing and outreach
  - Flyers & brochures distributed city-wide
  - 19 outreach presentations city-wide
  - Ads posted in 3 local newspapers
  - Local radio PSAs
  - Email blast to City departments and City officials
  
- Aug. 20-24, 2007 Call Center opened
  - Calls taken and packets prepared for mailing
  - 1100 applications distributed
  
- Application Activity
  - 334 applicants requested interviews
  - 240 eligible for interview
  - 178 units of service available

# Next Steps...

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- November 12, 2007: City Council Resolution approving new Program Statements
- November 12, 2007: Preliminary Approval and Call for Public Hearing to reprogram CDBG and HOME funds in the Consolidated Plan budget