

**CITY OF CAPITOLA**

**HOUSING REHABILITATION  
ASSISTANCE PROGRAM FOR OWNER-  
OCCUPIED, DEED-RESTRICTED-  
AFFORDABLE UNITS WITH RESALE PRICE  
RESTRICTIONS**

**PROGRAM GUIDELINES**

**CITY OF CAPITOLA**  
**HOUSING REHABILITATION ASSISTANCE PROGRAM**  
**FOR OWNER-OCCUPIED, DEED-RESTRICTED-AFFORDABLE**  
**UNITS WITH RESALE PRICE RESTRICTIONS**

**PROGRAM GUIDELINES**

**Adopted March 27, 2025**

**1.0. GENERAL**

The City of Capitola (“City”) desires to establish a housing rehabilitation program in service of Programs 2.2, 2.7, 3.4, 5.1 and 5.2 of the City’s General Plan 2023-2031 Housing Element. The rehabilitation program described herein and hereinafter referred to as the “Program” is intended to help rehabilitate existing owner-occupied, deed-restricted-affordable units with resale price restrictions in the City to ensure the longevity of the City’s affordable housing stock as well as the correction of health and safety conditions and code violations. The Program will provide this assistance in the form of grants used to pay for repairs that will help provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as a “Housing Unit”. The Program will be funded by the City’s Affordable Housing Trust Fund (“AHTF”) as well as through the City’s seeking of state and federal grants.

The Program will be administered by a qualified nonprofit dedicated to the provision of housing through volunteer work and “sweat equity,” and with significant experience in residential rehabilitation work (the “Program Operator”) to maximize the effectiveness of AHTF funds and the Program.

**1.1. PROGRAM OPERATOR**

- A. The Program Operator shall be a qualified non-profit organization meeting the following criteria:
  - 1. Mission statement includes commitment to the provision of affordable housing.
  - 2. Demonstrated and significant experience in residential rehabilitation work through volunteerism and “sweat equity”.
- B. Program Operator applications shall be considered by the City Community Development Director or designee, with final selection by the City Manager.

- C. Once selected, the Program Operator shall enter into a binding agreement with the City that will reference these Guidelines and further set forth the obligations of the Program Operator and City.

## **1.2 PROGRAM OUTREACH AND MARKETING**

In cooperation with the City, the Program Operator shall be responsible for all outreach efforts, which shall be done in accordance with state and federal fair housing regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, be excluded, denied benefits or subjected to discrimination under the Program. The Program Operator will ensure that all persons, including individuals with qualifying disabilities, have access to the Program.

## **1.3. APPLICATION PROCESS AND SELECTION**

- A. The Program Operator shall be responsible for establishing an application process to ensure selection of qualified owner-occupied deed-restricted-affordable units with resale price restrictions.
- B. Waiting List/Homeowner Contact. The Program Operator will utilize a waiting list. In response to a homeowner's request, the homeowner is placed on the waiting list. Priority shall be given to units requiring emergency repairs for health and safety, seniors and/or individuals with disabilities. Otherwise, homeowners are offered the opportunity to qualify for assistance by waiting list priority (a first-come, first served basis based on date of submission of a complete application and any necessary supporting documentation).

The Program Operator will contact homeowners by mail and/or by telephone to advise of grant availability. The homeowner has 30 days to complete and return a application and supporting documentation. Should a homeowner fail to respond to the initial contact for assistance or to provide any of the required documentation within the 30-day period, the homeowner's name will be removed from the waiting list. If the homeowner desires assistance at a later time, they will be placed on the waiting list at that time.

- C. Application/Interview. An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documentation. An interview is scheduled with the applicant. The program is fully explained; application forms and documentation are reviewed.
- D. Household Selection. Households selected for participation in the Program are those determined eligible upon completion of processes described in A., B., and C. above.

- E. Initial Inspection/Work Write-Up/Estimate. Prospective units are inspected by the Program Operator to determine eligibility and acceptability of properties for participation in the Program.

Measurements and observations are noted about the property, including special conditions with potential cost consequences (dilapidated outbuildings, potential for lead-based paint, absence of curb and gutter when required by code, etc.). A floor plan and site plan, as needed, are drawn for the home and property, including all appurtenances.

Findings are noted on an inspection form, and later used by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator, and in verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into the agreement with the homeowner.

- F. Grant Request/Approval. A report and grant request are prepared on behalf of the homeowner by the Program Operator. The grant request includes the cost of construction and labor, a contingency fund, and other project costs. The City then considers the grant request based on the criteria included herein. If the City approves the grant request, agreement documents are executed between the homeowner, Program Operator and the City, and the grant is funded.

- G. Pre-Construction Conference. A pre-construction conference is scheduled with homeowner and Program Operator. The Program Operator reviews the Owner-Program Operator construction contract, including the work write-up, start date, pay schedule, and date of completion with the homeowner. The construction contract is executed.

- H. Start-Up/Field Inspections. The Program Operator monitors date of start-up and performs field inspections on a regular basis. The Program Operator will visit the job site regularly in order to check the scope of work, inspect materials, and to confirm the job is on schedule and within budget. The Program Operator works with the City's Building Inspector to ensure the work meets building codes, while not exceeding grant funding limits.

The Program Operator reviews the work status with the homeowner in order to remedy any developing problems quickly. The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted. Homeowner's "sweat equity" commitment will also be checked, if any.

- I. Change Orders. Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by the homeowner and submitted to the Program Operator for approval. If the change order exceeds the approved grant amount, the homeowner will be asked to provide additional funds prior to Program Operator signing-off on the change order.

- J. Final Inspections/Notice of Completion. When the project is completed, the Program Operator inspects the work item by item with the homeowner and/or the City. If the project is subject to a building permit, the City's Building Inspector performs a final inspection. Any corrections or deficiencies are noted and corrected by the Project Operator. Upon favorable final inspections and the return of any unused contingency funds by the Program Operator, a Notice of Completion is prepared, signed by the homeowner, and then recorded.

#### **1.4. GRANT PROCESS**

The City must approve all grants. Grants shall be awarded on a first come, first serve basis to qualifying owner-occupied households. In order to obtain grant funds, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

#### **1.5. CONFLICT OF INTEREST REQUIREMENTS**

No member of the governing body of the City and no other official, employee, or agent of the City who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program. This ineligibility shall continue for one year after an individual's relationship with the City ends.

#### **2.0. PROGRAM**

##### **2.1. ELIGIBILITY**

Program grants are available only to the following owner-occupied, deed-restricted-affordable units with resale price restrictions in the City of Capitola:

- 1616 & 1615 Heritage Lane
- Capitola Beach Villas – 1066 41<sup>st</sup> Avenue Unit Nos. B101, B102, C104, D105, G202, G203, G204, G205
- 4150 Pearson Court
- 1506 Tera Court
- 2155 Wharf Road, Unit Nos. 35 & 36
- Turner Lane Mobile Home Park – 920 Capitola Avenue Unit Nos. 6, 7, 12, 38, 43, 65, & 76
- 3740, 3750, 3760 Brommer Street
- 1335, 1345, 1355 38<sup>th</sup> Avenue

##### **2.3. PRIORITY**

Program Operator shall prioritize the following types of housing units for rehabilitation:

- Housing units requiring emergency work for health and safety
- Housing units for senior households
- Housing units for disabled households

- A. Senior household means a family whose head, co-head, spouse, or sole member is a person who is at least 62 years old.
- B. Disabled household means a household in which a member has an orthopedic disability impairing personal mobility or a physical disability affecting his or her ability to obtain employment, or in which a person requires special care or facilities in the home. Disabled household also includes a household in which a member has a developmental disability specified in subdivision 4512(a) of the Welfare and Institutions Code, or a mental disorder, which would render him or her eligible to participate in programs of rehabilitation or social services conducted by or on behalf of a public agency, or a single person with such a developmental disability or mental disorder.

**3.0. NOTIFICATION AND DISCLOSURES**

Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows:

The Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Product Safety Commission will be given to all owners regardless of the cost of rehabilitation or paint test findings. If lead-based paint is found through testing or if presumed, a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When Lead hazards are present, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided.

**4.0. GRANT**

A one-time grant of up to \$12,650 is available for households approved by the City based on the Program requirements.

**5.0. CONSTRUCTION**

**5.1. STANDARDS**

- A. All repair work will meet City Building Code standards. The priority will be repairs and upgrades that help ensure the longevity of the City’s affordable housing stock and eliminate health and safety hazards. The City may also require elimination of code deficiencies.
- B. Contracting Process
  - 1. Contracting will be done by Program Operator.

2. The City does not warrant any construction work, or provide insurance coverage.

C. Sweat Equity Labor

1. Homeowners may agree to participate in the rehabilitation of their property by providing sweat equity labor as all or part of the project. Program Operator shall prepare a “Homeowner Participation Form,” which will indicate the tasks the owner will complete and completion times, and ensure that the homeowner indemnifies and holds the Program Operator and City harmless from any injury or damage associated with the improvements. The Program Operator reserves the right to determine whether the work is appropriate for sweat equity labor, or if the owner is capable of such labor.
2. If the work is not completed in a timely manner, the Program Operator may complete the work.
3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.

## 5.2. ELIGIBLE CONSTRUCTION COSTS

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements where necessary to correct any health and safety deficiencies, provide for the longevity of the housing unit, provide energy upgrades, and meet any locally-adopted standards. Rehabilitation does not include replacement of personal property or work on non-residential structures or non-dwellings like fifth wheels or recreational vehicles, for example.

Allowable rehabilitation costs include:

- A. Cost of building permits and other related government fees.
- B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
- C. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.
  1. Longevity of Affordable Housing Stock, Health and Safety Issues

Eligible costs include, but are not limited to, energy-related improvements, roof repair, exterior repair or replacement, exterior paint and weatherization, lead-based paint hazard evaluation and reduction activities, improvements for

handicapped accessibility, repair or replacement of major housing systems.

2. General Property Improvements

Eligible costs include, but are not limited to, installation of an energy-efficient stove, refrigerator, and/or dishwasher; and repair or installation of fencing.

All improvements must be physically attached to the property and permanent in nature.

**6.0. AMENDMENTS**

The City may amend these Program Guidelines at any time.