

HOMEACRES HOUSING REHABILITATION PROGRAM 2002-2003 Grand Jury Report

I. Reason for Investigation

The Grand Jury elected to reopen the investigation into the Homeacres Housing Rehabilitation Program. Some responses to the Grand Jury 2001-2002 Final Report were incomplete and the complainant's property damage was still uncorrected.

II. Procedure

The Grand Jury:

- Reviewed the Grand Jury 2001-2002 Final Report and Responses of the subject investigation
- Inspected properties in Homeacres
- Interviewed residents of Homeacres

Interviewed staff members of:

- Solano County Board of Supervisors
- Solano County - County Counsel
- Solano County District Attorney's Office
- Solano County Department of Environmental Management
- Mercy Housing
- Contractors State License Board

III. Background

1. The Homeacres and Starr unincorporated areas, surrounded by the City of Vallejo, have been the recipients of several rehabilitation programs to correct blighted conditions declared officially in 1983. Federal and State funded Community Development Block Grants (CDBG) benefited 26 homeowners of low income in the 1980s with low interest loans (sometimes becoming grants). Additional CDBG grants were obtained with 1999 and 2000 funding which have been applied to 11 projects.

2. In November 1995 Solano County, in partnership with the Southeast Redevelopment Agency, authorized a two-year contract with Rural California Housing Corporation, subsequently renamed as Mercy Housing, to administer a \$1.8 million rehabilitation program for Homeacres. The funding source was redevelopment funds. The program has been extended incrementally through June 2003. It provides deferred and low interest loans to low and moderate income homeowners and to other landlord owners who agree to rent only to low and moderate income tenants. Since 1995, 32 homes have been rehabilitated under this program.

3. Funds for the above programs have been nearly expended and, due to lack of community interest and participation in recent years, additional funding is not being sought at this time.

4. The investigation of these programs by the 2001-2002 Grand Jury was initiated because of a citizen complaint. The current investigation focused on the progress into resolving incomplete responses to the 2001-2002 investigation. The 2002-2003 Grand Jury investigation was restricted because the original complainant case had been adjudicated by court action – an area outside the Grand Jury’s jurisdiction.

5. The findings and recommendations of the 2001-2002 Grand Jury Final Report were applied as a guide for this investigation and to measure progress.

6. Finding #1 of the 2001-2002 Final Report identified that the Mercy Housing inspector had provided little or no assistance to homeowners during interim and final inspections of contractor work under the rehabilitation project. It recommended that the contractor provide the homeowner and inspector with a list of all work to be inspected and that the inspector accompany and assist the owner in completing his inspection. Testimony to the 2002-2003 Grand Jury confirms that the inspector has been removed from working Solano County projects and the contract procedures have been amended to require the Mercy Housing inspector to pre-inspect both progressive and final inspections prior to the homeowner’s inspections.

7. Finding #3 noted that Mercy Housing failed to demand the contractor correct workmanship and materials specified in the contract. The original scope of the work by Mercy Housing did not address inspecting for industry standards as a measure of workmanship and material quality. The contract between the owner and the general contractor, as required by Contractors State License Board (CSLB), specified compliance with industry standards and numerous specific scope-of-work items that were not met. The recommendation was that Mercy Housing management take appropriate action to ensure correction of all inferior workmanship and materials in the complainant’s home. Mercy Housing has now implemented appropriate changes to the scope-of-work document to include industry standards. Court directed mediation partially resolved the issue of inferior workmanship and materials for the complainant. Inspection by the 2002-2003 Grand Jury found shoddy workmanship that was never corrected and some materials now have been replaced by the owner at his expense. No further action of the contractor or other parties can be required by the owner because of the finality of the mediation process.

8. The recommendation to finding #4 stated that the Board of Supervisors (BOS) ensure that its agents and contractors meet all contract requirements. The review and change to the contract administrator’s procedures are attempts to prevent recurrence of this problem for future homeowner participants. The following mistakes, made by all parties, including the owner, were not addressed in that response and could recur in this or future programs.

- Liquidated damages are clearly defined in the contract. No testimony nor record can be found that indicates the owner was advised to seek liquidation damages from the contractor, even though the contract administrator (Mercy Housing) was required to advise the owner.
- The owner, frustrated at the construction contractor’s poor workmanship and perceived non-support elsewhere, at one time prevented the contractor from entering the property.
- The contractor filed suit against the owner to recover disputed claims in violation of the contract which specified other procedures (the suit was later set aside). The owner then felt it necessary to file a counter suit against the contractor and eventually paid over \$33,800 in legal fees.

- The County failed to take timely action, per contract, against the contract administrator to force contract compliance. There are no legal requirements for the County or its agents to reimburse the damaged party after the court-directed mediation.

9. Finding #5 found procedures were not adequate and not followed with specific regard to both building code requirements and industry standards of workmanship and material quality. The recommendation was that the BOS establish procedures to ensure adherence to building code requirements and industry standards. The 2002-2003 Grand Jury observed that all building code deficiencies have now been corrected by the court-directed mediation. Building code requirements are inspected by both the contract administrator (Mercy Housing) and the County inspector. This has been verified by current Grand Jury inspection of Mercy Housing documents. The contract requirement to meet industry standards and other performance factors, requirements previously overlooked by officials, have now been emphasized in the program requirements of the contract administrator. However, the owner has no enforcement review for industry standards if he/she disputes the first inspector. County enforcement officers are qualified in building code inspections but are not trained in measuring industry standards. An alternate solution is available through CSLB. That agency provides an impartial inspection, at no expense to the owner, when a formal complaint is filed by the owner with CSLB.

IV. Findings and Recommendations

Each finding is referenced to the background paragraph number

Finding #1 - The contract administrator for the Homeacres Rehabilitation Program, Mercy Housing, replaced their inspector and amended written inspection procedures. (6)

Recommendation #1 - None required.

Finding #2 - Mercy Housing has implemented actions to ensure their management requires that contractors correct inferior materials and workmanship. (7)

Recommendation #2 - No additional action required.

Finding #3 - The response to the 2001-2002 Grand Jury Final Report and current testimony does not indicate any action by the County to revise contracting procedures to ensure contract enforcement by County officials. (8)

Recommendation #3 - The Solano County Board of Supervisors take appropriate action to ensure its agents and contractors meet all contract requirements.

Finding #4 - No alternate procedure regarding contract requirements for industry standards is established to provide homeowner assistance if the individual disputes the contract administrator inspector's decision. (9)

Recommendation #4 - The Solano County Board of Supervisors direct an addition to the program contracts that specifies an alternate procedure to resolve contract and industry standards disputes.

V. Comments

The Homeacres Rehabilitation Program will be suspended on June 30, 2003 with 38 projects completed. The original funds have now been nearly depleted over the seven and one-half year period and there is lack of interest by residents to apply for additional projects.

The official belief is that the program was successful because only one formal complaint has been received. County officials concede that the one homeowner was damaged significantly but believe that the one case is not symptomatic. However, the 2002-2003 Grand Jury was approached by a construction contractor and two other homeowners with similar problems. One of the homeowners was subsequently satisfied with corrective action and the other sold the house after making repairs to correct damages created by the rehabilitation project contractor.

The Grand Jury believes that the impact of these cases may have played a significant role in the inability of the contract administrator to solicit more applicants. The Grand Jury believes that the mistakes in three identified cases logically have deterred other residents from applying for rehabilitation projects for their homes. It is important that County officials maintain this case as a reference to ensure, before a similar program is instituted, that the weaknesses of this program are corrected.

The County should be aware of the demographics when promoting future projects. It should recognize that elderly citizens occasionally require or anticipate more assistance and protection than is normally provided. A mistaken assumption about such assistance has caused one elderly citizen to experience three years of disputes, incur a substantial mortgage on a home that is now substandard and expend in excess of \$30,000 in legal fees.

Affected Agencies

- Solano County Board of Supervisors
- Solano County Department of Environmental Management
- Solano County - County Counsel