



# City of Eureka

State of California  
Community Development Block Grant Program  
(CDBG)

## Housing Rehabilitation Program Guidelines

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## CDBG HOUSING REHABILITATION PROGRAM GUIDELINES

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## **CITY OF EUREKA**

### **CDBG HOUSING REHABILITATION PROGRAM GUIDELINES**

**Adopted: November 20, 2012**

#### **1.0. GENERAL**

The City of Eureka, hereinafter referred to as the "City", has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer the CDBG HCD-funded housing rehabilitation program. The rehabilitation program described herein and hereinafter referred to as the "Program" is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program's eligible area, as described in Section 3.0. The Program provides this assistance for the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as "housing unit". Although the CDBG single family rehabilitation programs have a definition of single family unit as one to four units on a single parcel, the City of Eureka has established that the definition of rehabilitation is as one single family unit on a single parcel. Any projects with more than four units on a parcel are now considered a "project" and must be treated as such. The Program will be administered by the City of Eureka, hereinafter referred to as the "Program Operator".

#### **1.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending 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 City will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and Spanish, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.

## 1.1. PROGRAM OUTREACH AND MARKETING (Continued...)

- B. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Sponsor will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

## 1.2. APPLICATION PROCESS AND SELECTION

### A. Waiting List/Homeowner Contact

The Program Operator will utilize a Waiting List, when necessary. In response to a homeowner's inquiry, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by Waiting List Priority on a first-come, first served basis.

The Program Operator will contact homeowners by mail and/or by telephone to notify of funding availability. If there is no established Waiting List, homeowners may be provided an application upon inquiry. Completed and returned applications will be handled on a first come first served basis. If a Waiting List is established, the homeowner has 30 days to complete and return the loan 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, he/she will be placed on the Waiting List at that time.

### B. 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. Verifications are obtained for income, assets, employment, benefits, and mortgage. Title report, credit report, and appraisals are also obtained.

### C. Household Selection

Households selected for participation in the City's CDBG Housing Rehabilitation Program are those determined eligible upon completion of processes described in A. and B. above.

### D. Initial Inspection/Work Write-Up/Estimate

Prospective units are inspected by the Program Operator, a certified housing inspector, or a City representative to determine eligibility and acceptability of properties for participation in the Program.

## 1.2. APPLICATION PROCESS AND SELECTION (Continued...)

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 6.1.E & F) and cleared by a certified LBP inspector/assessor.

Measurements and observations are noted about the property, including special conditions with potential cost consequences (dilapidated outbuildings, 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 who has experience in the building industry reviewing contractor bids and verifying costs with material suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents. All housing rehabilitation work must be carried out using the CDBG adopted Housing Rehabilitation Guidelines using the List of Eligible and In-Eligible Repairs as a guide (See Attachment A).

### E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to add a specific contractor to the City's List of Contractors for bidding for their project, as the Program Operator solicits bids on homeowner's behalf. Program Operator is to keep a list of contractors who must be eligible at the time of the Pre-Construction Conference and before signing construction contracts. City of Eureka and Humboldt County contractors will be encouraged to request placement on the list through an on-going outreach effort provided by the Program Operator annually. Invitations to bid are mailed to all eligible contractors on file and the local Builder's Exchange in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors and the Humboldt Builders' Exchange.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. All Contractors must be checked and cleared with HUD's federal debarred list of contractors and must verify non-debarment in writing with a signature. Contractors must also provide Program Operator with evidence of Workers' Compensation Insurance, Comprehensive General Liability, a City Business License, and Property Damage Insurance with Combined Single Limits of at least \$1,000,000.

## 1.2. APPLICATION PROCESS AND SELECTION (Continued...)

Cost reasonableness is determined by comparing the bids received with the cost estimate prepared by the Program Operator. Bids should be within 10% of the Program Operator's cost estimate, otherwise an explanation must be provided to the file for any bid selected exceeding 10% of the estimate. The homeowner is encouraged to accept the lowest reasonable bid.

The Program Operator determines eligibility of the contractor by contacting the State Contractors License Board and checking the Federal List of Debarred Contractors. The contractor and homeowners are required to provide a self-certification statement stating that he/she is not on the Federal debarred list. Once determined eligible, the contractor is then notified of award of bid, pending loan approval. Notices of non-award are mailed to participating contractors and Humboldt Builders' Exchange.

### F. Loan Request/Approval

A Staff Report describing the loan request is prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction, a contingency fund, Lead Based Paint Reports and mitigation, and other project costs (listed in Section 6.3.). The Housing Advisory Board will review the loan request for approval. Section 1.3 provides additional information on the loan approval process. The Housing Advisory Board reviews and "recommends" final funding approval, approval with conditions, or denial of the loan to the City Manager. The City Manager or Acting City Manager will sign authorization of funding. Once approved, loan documents are executed and the loan is funded.

### G. Pre-Construction Conference

A Pre-Construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, Disclosure to Occupants of Temporary Relocation Benefits, General Tenant Information Notice (Appendix A), Lead Based Paint Requirements, sub-contractor and contractor eligibility, with the homeowner and contractor. The construction contract and Notice to Proceed are executed before the owner purchases the Building Permit. Federal Debarred List Self Certification Statements will be acquired from Borrowers, Contractors, and Sub-Contractors.

### 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

**1.2. APPLICATION PROCESS AND SELECTION** (Continued...)**H. Start-Up/Field Inspections** (Continued...)

confirm 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 funding limits.

The Program Operator reviews the work status with the homeowner and with the contractor in order to remedy any developing problems quickly and to ensure that both are satisfied with the construction process. At the completion of each phase, the Program Operator inspects the work and the homeowner authorizes contractor invoiced payments.

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted.

**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, material and labor breakdown, and total dollar value for the change. The change order must be signed for approval and acceptance by the contractor and homeowner before being submitting to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the City's Housing Advisory Board for recommendation of action to the City Manager or Acting City Manager prior to Program Operator and Building Inspector sign-off on the change order.

**J. Progress Payments**

Ninety percent (90%) of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner in the form of an invoice identifying the item number in the scope of work completed and contractual cost requested for payment. All invoices must be signed by the contractor before submitting to the Program Operator for an inspection to be scheduled. All invoices must be signed by the Contractor, Homeowner, Building Inspector, and Program Operator before payment. The Homeowner is signing acceptance of the Contractor's work, the Building Inspector is signing off that the work has been completed to industry standard and meets building code, and the Program Operator is signing authorization for the release of funds and that the work and costs on the change order meet industry standard. Upon favorable inspection of completed work identified in the invoice, the invoice is processed for payment.

## **1.2. APPLICATION PROCESS AND SELECTION (Continued...)**

### **K. Final Inspections/Notice of Completion/Final Payment**

When the project is completed, the Program Operator inspects the work item by item with the homeowner, the contractor, and Building Inspector. The City's Building Inspector performs a final inspection. Any corrections or deficiencies are noted on a Punch List and corrected by the contractor. Upon favorable final inspections, a Notice of Completion is prepared, signed by the homeowner, and then recorded. The final ten-percent (10%) retention payment is released 35 days after the recording of the Notice of Completion.

## **1.3. LOAN PROCESS**

The City's Housing Advisory Board serves as the Loan Review Committee, which consists of seven members representing various segments of the community, recommends approval, conditional approval, or denial to the City Manager or Acting City Manager who signs for final loan approval and release of funds. While the City has established a standard loan limit of \$40,000.00, not to exceed 95% of after-rehabilitation value for housing rehabilitation loans, or 103% of the after-rehabilitation value as determined by a licensed certified appraiser using the proposed rehabilitation scope of work, when combining rehabilitation with a Homebuyer Program loan. The Housing Advisory Board may recommend assistance with financing exceeding this limit as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed. Exceptions to the loan limit exceeding \$100,000 must be reviewed and approved, conditionally approved, or denied by the City Council. All loan requests will be authorized for funding by the City Manager.

In order to obtain financing, 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, conditional approval, or denial. Any reason for denial will be provided to the applicant in writing and the applicant may appeal as per Section 8.0.

## **1.4. CONFLICT OF INTEREST REQUIREMENTS**

When the City's program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance.

No member of the governing body of the City and no other official, employee or agent of the City government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly be eligible for this program, unless the application for rehabilitation assistance has been reviewed and approved according to applicable California Department of Housing and Community Development

## 1.4. CONFLICT OF INTEREST REQUIREMENTS (Continued...)

(HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the City ends. The City reserves the right to determine if the owner is capable of owner/builder rehabilitation work.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. Owner/builders are reimbursed for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement occurs after the installation is verified by the Program Operator to be part of the scope of work. Owner/builders are not reimbursed for labor.

## 2.0. APPLICANT QUALIFICATIONS

### 2.1. INCOME LIMITS

All homeowners must certify that they meet the low to moderate household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All household income must be equal to or less than 80% of the Humboldt County Area Median Income (AMI), adjusted for household size, as published by HCD each year. **See Attachment B.**

The link to the official HCD-maintained income limits for CDBG Funded activities is: <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>

**Household:** Household is defined as all persons who occupy the housing unit as a place of residence. This means one or more persons who will occupy a housing unit. Unborn children do not count in family size determination.

**Annual Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

#### 2.1.1 OWNER-OCCUPIED REQUIREMENTS

To be eligible, the household gross annual income must be equal to or less than the applicable HCD income limits. Household members will be required to provide income documentation. No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. **See Attachment C.** Refer to 24 CFR Part 5 Annual Income Net Family Asset Inclusions and Exclusions for further guidance to the types of assets to be included or excluded when calculating gross annual income. **See Attachment D.**

It is prudent to review the owner's ability to adequately manage any increases that Program assistance may result (such as higher insurance or tax payments).

### **2.1.1 OWNER-OCCUPIED REQUIREMENTS (Continued...)**

If the owner-occupant has an existing mortgage, the mortgage loan terms and payment terms are verified by a third party Mortgage Verification form to ensure all payments are current and that no late payments have been received in the past twelve months. The Sponsor will obtain credit reports for all applicants, although if a homebuyer program loan is obtained concurrently with rehabilitation, the first mortgage lender's income verification information may be used by the City. In general, the credit report is an indicator of the applicant's willingness to comply with loan terms and repayment. Anyone who cannot meet the exceptions listed below must provide the Program Operator with a written explanation of the derogatory credit items. Acceptable credit guidelines are as follows:

- (a) No bankruptcy in the previous four (4) years
- (b) No foreclosure in the previous seven (7) years
- (c) No more than two (2) late payments on mortgage in last twelve (12) Months
- (d) No more than six (6) late payments on other accounts in the last twelve (12) months
- (e) No Federal, State, or other Tax Liens
- (f) No collection accounts or judgments

Note: For homeowners with derogatory credit items, the homeowner may provide a written explanation and/or documentation to the Housing Advisory Board so they may recommend an informed decision as to the acceptability of the credit issues.

Applicant must be the legal owner and have fee simple interest, a 99 year leasehold interest in the property, or ownership or membership in a condominium, cooperative, or mutual housing project. There cannot be any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest in the subject property as evidence by the Deed of Trust, title report, or other accepted documentation, and occupy the property as a principal residence.

### **2.1.2. LIFE ESTATE**

Applicants meeting all other eligibility criteria who hold a Life Estate on the property and reside on the property are eligible for a rehabilitation loan. Income eligibility will be determined by the income of the occupant/holder of the Life Estate. The holder of the Fee Simple Estate will be required to sign all loan documents.

The loan conditions will provide that the loan is due and payable upon sale or transfer of the property and upon termination of the Life Estate of the current occupant. In making loans to Life Estate Holders, the City will regularly monitor such loans to verify the status of the occupant.

### 2.1.3. LIVING TRUST

Applicants meeting all other eligibility criteria and who currently reside on a property with a title held by a living trust are eligible for a rehabilitation loan. Income eligibility is determined by the income of the applicant/occupant(s). Loan conditions are based on the continued occupancy of that specific occupant in the residence.

The loan conditions will provide that the loan is due and payable upon sale or transfer of the property and upon termination of the Living Trust. In making loans to Living Trusts, the City will regularly monitor such loans to verify the status of the occupant.

## 2.2 INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income qualification criteria, as shown in the most recent HCD program-specific guidance at <http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>, will be followed to independently determine and certify the household's annual gross income. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third-party verification of employment and asset forms. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

### A. HOUSEHOLD INCOME DEFINITION:

Household income is the total annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

The link to Annual Income Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB\\_AnnualIncomeInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc)

**See Attachment C: CDBG 24 CFR Part 5 Annual Income Inclusions and Exclusions**

## 2.2 INCOME QUALIFICATION CRITERIA (Continued...)

### B. ASSETS:

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. *(Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.)*

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: Penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC\\_AnnualIncomeAssetInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc)

**See Attachment D: Part 5 Annual Income Net Family Asset Inclusions and Exclusions**

## 2.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS

The City's CDBG Housing Rehabilitation Program allows for only owner-occupied properties to participate in the Program. Owner-occupied units must be the owner's principal place of residence. A photocopy of a recent utility bill will verify proof of occupancy. No unit to be rehabilitated will receive financial assistance if it is currently occupied by an over low to moderate income household or does not meet the eligibility standards outlined in these guidelines.

### 2.3.1 OWNER-OCCUPIED

- A. Continued residency is monitored annually for the term of the loan. Occupancy will be verified in accordance with the Loan Monitoring Procedures outlined in Section 5.4.
- B. In the event that an homeowner sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable, unless the following conditions are met:

The homeowner who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence. Upon approval of the City, the heir may be permitted to assume the loan at the rate and terms the heir qualifies for under current participation guidelines. If the heir does not meet applicable eligibility requirements or is unable to

### 2.3.1 OWNER-OCCUPIED (Continued...)

- B. complete the transfer of the property from deceased into heir's name on title, the loan is due and payable.
- C. CDBG program policy will allow non-Low-Moderate income households who do not reside on the property on title providing the following criteria are met:
  - (1) The loan is due and payable, or converted to a market rate loan, with amortized monthly payments, or rented under a recorded rent limitation agreement, when the income eligible owner is no longer occupying the unit.
  - (2) The household will be monitored at least annually to identify any change in occupancy and/or use as per Section 5.4.

### 2.3.2 LEAD BASED PAINT

Occupants of structures to be rehabilitated under this Program shall be notified of possible Lead Based Paint (LBP) hazards regardless of the cost of rehabilitation or paint test findings. All housing units built prior to 1978 for which CDBG funding is anticipated are subject to the requirements of this section. Such homes must undergo a Visual Assessment by a person who has taken HUD's online Visual Assessment Course. Deteriorated LBP hazards must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector. CDBG general administrative and activity delivery funds may be used to pay for LBP Visual Assessments, and if Lead mitigation, cleaning, testing, and clearance costs are incurred, this program may incorporate the costs into the calculation of Program assistance as a grant. The CDBG Program allows grants for LBP hazard evaluation and reduction activities (i.e. If the component of the rehabilitation would have been done regardless of the LBP, then it is considered a rehabilitation cost.

Program participants rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint hazards. The following requirements must be met:

- a. **Notification:** Prior to Borrower's execution of loan documents on a pre-1978 home, the Borrower will be given a copy and asked to read the EPA pamphlet "Protect Your Family From Lead in Your Home" (EPA 747-K-99-001, June 2003). A signed receipt of the pamphlet will be kept in the City's loan rehabilitation or homebuyer file; b) A Notice to the residents is required following a Risk Assessment/Inspection using form DHS

**2.3.2. LEAD BASED PAINT** (Continued...)

- a. Notification:** (Continued) 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) A notice to residents is required following LBP mitigation work using Visual Assessment and LBP Notice of Presumption and Hazard Reduction Form, LBP-1.
- b. Inspections:** Program Operator will complete Visual LBP inspection, and order Risk Assessment/Inspection, if necessary, and include the LBP remediation into the scope of work, and order the Risk Assessor's Clearance inspections upon completion by the contractor. The Risk Inspector shall conduct an assessment of the dwelling unit's deteriorated painted surfaces in order to identify LBP hazards. All deteriorated paint which has been identified as containing LBP hazards must be stabilized in accordance with CFR 35, Part J.
- c. Grant:** Whenever pre-1978 houses are rehabilitated under CDBG, refer to Chapter 20 of the CDBG Grants Management Manual, Lead-Based Paint Requirements for guidance. The mitigation costs associated with meeting these requirements are eligible to be paid for with CDBG funds as a grant of up to \$10,000 (i.e. If the component of the rehabilitation would have been done regardless of the LBP, then it is considered a rehabilitation cost.).

**3.0. PROPERTY ELIGIBILITY****3.1. CONDITIONS**

- A. No unit will be eligible if a household's income exceeds the prescribed income limits listed in Attachment B.
- B. Units to be rehabilitated must be located within the City of Eureka city limits.
- C. Property must contain a single (one unit) legal residential structure intended for continued residential occupancy. All improvements must be physically attached to the property and permanent in nature.
- D. All repair work will meet Uniform Local Building Code standards. The priority will be the elimination of health and safety hazards.
- E. General property improvements should be limited to 15% of rehabilitation loan amount. Luxury items are not included.

### 3.1. CONDITIONS (Continued...)

- F. Mobile homes in parks are not eligible, but manufactured homes on permanent foundations (where the owners are on title to the property) are rehabilitation program eligible.

### 3.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Homeowners are not eligible for temporary relocation benefits unless the Program Operator determines that health and safety threats exist as a result of the rehabilitation. Homeowners will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of occupants or public danger, or is otherwise undesirable because of the nature of the project. Relocated persons will receive housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the City's "Residential Anti-Displacement and Relocation Assistance Plan" (**Attachment E**). **In cases where relocation is determined to be necessary by the City/Program Operator, assistance may be provided for actual costs incurred from the applicant's loan proceeds or as a grant (see Section 4.4. for allowable grants).**

## 4.0. THE PROGRAM LOAN

### 4.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE

Eligible homeowners may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. The standard rehabilitation loan amount shall not exceed \$40,000 per household per property assisted, without special circumstances. For CDBG Homebuyer Program participants who are eligible for a Housing Rehabilitation loan, with health and safety repairs unable to be negotiated as a condition of sale, the maximum loan assistance of both loans may not exceed 103% of the after-rehabilitation appraised value as determined by a licensed, certified appraiser (see Section 4.5). The Housing Advisory Board may recommend approval, conditional approval, or denial for assistance that exceeds this amount on a case-by-case basis up to \$100,000. Any assistance exceeding the \$100,000 loan maximum will require City Council review and approval, conditional approval, or denial. **In all cases the maximum subsidy per unit may not exceed the limits on Attachment F.** All loan requests must be signed by the City Manager or acting City Manager.

### 4.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS

- A. Total indebtedness against housing rehabilitation properties shall not exceed 95% of after-rehabilitation value as determined by "Estimates of Value" or an appraisal. For CDBG Homebuyer Program participants requesting Housing Rehabilitation loan assistance combined with acquisition, the maximum allowable rehabilitation loan amount is not to exceed 103% of the after rehabilitation value and is strictly to bring non-compliant health and safety issues into compliance which cannot be negotiated through the purchase agreement.

## 4.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS (Continued...)

The Housing Advisory Board may recommend approval, conditional approval, or denial for assistance that exceeds the 95% housing rehabilitation after-rehabilitation value, or the 103% after-rehabilitation value of a Homebuyer Program loan combined with housing rehabilitation, as needed on a case-by-case basis. See Section 1.3. An estimate of After-Rehabilitation Value will be made prior to making a commitment of funds using the method outlined in Section 4.5.

- B. Costs may be supplemented with personal financing and/or with other loan or grant programs which are sources of leverage for the City.
- C. Any bid within 10% of the Program Operator's estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

## 4.3. RATES AND TERMS

### 4.3.1. OWNER OCCUPANTS

- A. Amortized Loans – Amortized loans will bear a simple interest rate of 3% and be secured by a deed of trust on the property unless otherwise approved by the Housing Advisory Board. The term of all amortized loans will be for 30 years. There will not be a prepayment penalty.
- B. Deferred Payment Loans – All CDBG owner-occupant participants with incomes below 50% of area median income (AMI) for Humboldt County are eligible for 3.0% interest Deferred Payment Loan (DPL). On a case-by-case basis, other hardship expenses such as medical costs and housing expenses in excess of 30% of the households' gross monthly income may be considered in determining the need for a deferred loan. The term of all deferred loans will be for 30 years. There will not be a prepayment penalty.

If it is determined by the City that repayment of a loan at the maturity date causes a hardship to the homeowner, the City may opt for the following, subject to approval by the Housing Advisory Board:

1. Amend the Note and Deed of Trust to defer repayment of the amount due at maturity, that is the balance of the original principal plus the accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time;
2. Convert the debt at loan maturity; that is the balance of the original principal plus any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.

#### 4.3.1. OWNER OCCUPANTS (Continued...)

- C. If the homeowner dies, and if the heir(s) to the property lives in the house and is/are income eligible, the heir(s) may be permitted, upon approval of the Housing Advisory Board, to assume the loan at the rate and terms the heir(s) qualifies for under current participation guidelines (See the Loan Servicing Policies and Procedures (**Attachment G**)).
- D. If the homeowner dies and the heir(s) is/are not income eligible, the loan becomes due and payable.
- E. If a homeowner converts the rehabilitated property to any residential-rental, commercial or non-residential use, the loan becomes all due and payable, unless they meet requirements outlined in the Loan Servicing Policies and Procedures, (**Attachment G, Section 5**).
- F. As specified in the Rehabilitation Loan Agreement, all applicants who participate in the Program must maintain the property at post-rehabilitation conditions for the term of the loan. Should the property not be maintained accordingly, the loan shall be considered in default and becomes due and payable, and if necessary, foreclosure proceedings will be instituted.

#### 4.4. GRANTS

- A. Total CDBG program funds distributed as grants shall not exceed \$60,000 per year and will be used in combination with a housing rehabilitation loan. The following grants are described as follows:
  - 1. Handicapped Grant of up to \$3,500 – for handicapped modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed (wheelchair ramp, doorway enlarged, or counter modified); or
  - 2. Actual costs of Lead Based Paint Evaluation (Initial Assessment Report, Clearance Report, and testing), mitigation and reduction, and cleaning activities up to a maximum \$10,000 per project.
  - 3. Relocation Assistance: See Residential Anti-Displacement and Relocation Assistance Plan, Attachment E. Homeowners are not eligible for temporary relocation benefits unless the Program Operator determines that health and safety threats exist as a result of the rehabilitation. Maximum Grant \$500. See Section 3.2.

#### 4.5. APPRAISAL

- A. The After-Rehabilitation Value (ARV) for rehabilitation projects is determined by a licensed appraiser or by the Program Operator's "Estimate of Current Value", increased by the value of the proposed rehabilitation. When the loan to value ratio is at or above 70%, the City may require an appraisal. Staff will use a combination of experience, listings, and/or current sales prices of

**4.5. APPRAISAL** (Continued...)

## A. (Continued...)

comparable residences to establish the current ARV. When using an appraiser, the Program Operator will provide the list of work to be completed (or work write-up) to the appraiser for their evaluation of completed project value. The ARV for reconstruction projects is determined by an appraisal completed of the building plans and specification for the new home. The purpose of the appraisal is to determine that the project does not exceed the ARV per HCD Program regulations (See **Attachment H**). If three comparable properties cannot be found, or if there is any question regarding the ARV, a licensed appraiser, as described in Section 4.5.B., will determine the ARV.

B. A licensed appraiser determines the After-Rehabilitation Value for rehabilitation projects, when the “Estimates of Value” method cannot be used. For rehabilitation projects the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. There will be no out-of-pocket cost to the homeowner for the appraisal. Rather, the cost of the appraisal will be included in their loan. The purpose of the appraisal is to determine that the After-Rehabilitation Value of the housing unit will not exceed the permitted amount per HCD Program regulations (See **Attachment H**), and that the combined loans will not exceed the maximum combined Loan-to-Value limit, as described in Section 4.2.A above.

C. The After-Rehabilitation Value for reconstruction projects is determined by a licensed appraiser. The After-Rehabilitation Value for reconstruction projects is determined by an appraisal completed off the building plans and specifications for the new home. The cost of the appraisal will be paid by the Borrower’s Program loan funds, not “out of pocket” by the homeowner. The purpose of the appraisal is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (See **Attachment H**).

**4.6. INSURANCE****4.6.1. FIRE INSURANCE**

The homeowner shall maintain fire insurance on the property for the duration of the Program loan(s). This insurance must be in an amount adequate to cover all encumbrances on the property or at minimum, the maximum replacement value of the residence. The insurer must identify the Program Operator as Loss Payee for the amount of the Program Loan(s) as listed below and proof of insurance with the City as loss payee shall be provided to the City’s third party loan servicing company.

City of Eureka  
c/o AmeriNational Community Services  
8121 East Florence Avenue  
Downey, CA 90240

**4.6.1. FIRE INSURANCE (Continued...)**

In the event the applicant fails to make the fire insurance premium payments in a timely fashion, the City at their option may make such payments for a period not to exceed 60 days. The City may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the City under this Program as a special repayment upon loan payoff. The premium may be paid by the Program loan for one year.

**4.6.2. FLOOD INSURANCE**

Homes located in a 100-year flood zone are not program eligible.

**4.7. LOAN SECURITY**

- A. Loan security for all owner-occupied rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note, and CDBG Loan Agreement in favor of the City of Eureka.
- B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will not be program eligible. However, a manufactured home on real property with a permanent foundation is program eligible.
- C. Entering a subordinate lien is acceptable. However, the City will not subordinate a first lien position once established, unless special circumstances are authorized by the Housing Advisory Board.

**5.0. PROGRAM LOAN SERVICING AND MAINTENANCE****5.1. PAYMENTS ARE VOLUNTARY FOR DEFERRED-PAYMENT LOANS**

For deferred-payment loans (DPLs), Borrowers may begin making voluntary payments at any time.

**5.2. RECEIVING LOAN REPAYMENTS**

The Sponsor may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program. The Sponsor has entered into an agreement with AmeriNational Community Services (ACS) to:

- 1) Collect and distribute payments (ACS charges Borrower per received payment processing fee of \$9.00 for payments on deferred payment loans).

**5.2. RECEIVING LOAN REPAYMENTS** (Continued...)

- 2) To provide hazard insurance and loan portfolio monitoring (ACS charges Borrower's loan \$125 as a warehousing fee per loan to monitor insurance for term of loan).
- 3) To provide a disbursement fund account for loan fund deposits and disbursements (ACS charges Borrower a one-time disbursement fee of \$130 for establishing construction fund account and disbursements for Borrower).
- 4) To prepare loan payoff calculations (a fee of \$8.50 is collected from Borrower for loan payoff calculation processing, which is to be collected from repayment funds).
- 5) Prepare Loan default and complete foreclosure proceedings (if requested by Sponsor).
- 6) To maintain a financial record-keeping system to record loan activity and monthly portfolio statements, including principal and interest calculations.
- 7) All Program loan payments will be made to:

***AmeriNational Community Services  
Payment Processing  
P.O. Box 1187  
Albert Lea, MN 56007***

Payments shall be deposited and accounted for in the Sponsor's Program Income Account, as required by the CDBG HCD program. The Sponsor's Finance Department Staff will retain financial records of each Borrower's account activity to verify to the third party loan servicer's records. All loan payments are payable to the Sponsor. The Sponsor will provide all additional loan servicing functions.

**5.3. LOAN SERVICING POLICIES AND PROCEDURES**

See **Attachment G** for Loan Servicing Policies and Procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

#### **5.4. LOAN MONITORING PROCEDURES**

Homeowners will be required to submit on an annual declaration, the following information to verify loan compliance for the term of the loan. The Certificate of Occupancy and Annual Declaration is attached as **Attachment I**.

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a residence;
- Declaration that other title holders do not reside on the premises;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

#### **5.5. DEFAULT AND FORECLOSURE**

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Loan Servicing Policies and Procedures, Section 7, and attached to these guidelines as **Attachment G**.

#### **5.6. SUBORDINATIONS**

See **Attachment G**, Section 6: Loan Servicing Policies and Procedures.

#### **6.0. CONSTRUCTION**

##### **6.1. STANDARDS**

- A. All repair work will meet Uniform Building Code in effect at the time of its construction. At a minimum, health and safety hazards must be eliminated. City may also require elimination of code deficiencies.
- B. Contracting Process
  1. Contracting will be done on a competitive basis.
  2. The homeowner will be the responsible agent, but the City and/or its Program Operator will prepare the work write-up, and prepare and distribute the bid package to eligible contractors on file (see Section 1.2.E.), and assist the owner in negotiating the construction contract.
  3. The City does not warrant any construction work, or provide insurance coverage.

**6.1 STANDARDS** (Continued...)**C. Approved Contractors**

1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' State License Board.
2. Contractors will be checked against HUD's federally debarred list of contractors. A Federal Debarment Self-Certification Statement must be signed by each homeowner, contractor, and sub-contractor. No award will be granted to a contractor on this list, nor Program loan provided to the homeowner if they are on this list.
3. Contractors must have public liability and property damage insurance and unemployment and disability insurance (worker's compensation) to the extent required by State law (see Section 1.2.E.). A City Business License will be required as well.
4. Contractor must agree to comply with all federal and state regulations.

**D. Warranties and Guarantees**

1. The contractor must guarantee work for one year where materials or subcontracted work are covered by an extended warranty.
2. Copies of all warranties must be provided to the homeowner during project closeout, before the final 10% Contractor Holdback check is received.
3. Requests for warranty repairs must be made in writing, and submitted directly to contractor.

**E. Sweat Equity Labor**

Sweat equity is not program eligible under the City of Eureka Housing Rehabilitation Programs.

**F. Occupants of units constructed prior to 1978 will receive proper notification of Lead Based Paint (LBP) hazards as identified in Section 2.3.2.**

Units constructed prior to 1978 will also be inspected according to the following HUD regulations. For CDBG funded programs please refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual

1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Clearance of disturbed work areas; and
  - (c) Notifications listed in Section 3.3.A.

## 6.1 STANDARDS (Continued...)

2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Risk assessment; and
  - (c) Clearance of unit.

If LBP hazards are identified, interim controls will be implemented. This level will also require a notice of "Abatement of Lead Hazards Notification" at least five days prior to starting work.

3. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$25,000, the following is required:
  - (a) Items (a), (b), and (c) of 2. above;
  - (b) Abatement of all LBP hazards identified or produced;
  - (c) Use of interim controls on exterior surfaces not disrupted by rehabilitation; and all notices listed above in Sections 3.3.A. and 6.1.F.2.
4. All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-Certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a Certified Supervisor and Workers will perform all abatement.

## 6.2. ELIGIBLE CONSTRUCTION COSTS

"Rehabilitation" means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property. See Eligible and In-Eligible Repair lists (**Attachment A**) to be used as a guide.

Rehabilitation includes reconstruction. Reconstruction is defined as the demolition and construction of a structure. The City and/or Program Operator must document that the reconstruction costs are less than the cost to rehabilitate the existing substandard housing. This will be done using the State's CDBG Test for Reconstruction.

**6.2. ELIGIBLE CONSTRUCTION COSTS** (Continued...)

Additionally, the City must determine that the project's After Rehabilitation Value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the City with only rehabilitation.

The residential structure to be reconstructed must be a structure with cooking, eating, sleeping, and sanitation facilities which has been legally occupied as a residence within the preceding 12 months. Fifth wheels or recreational vehicles, for example, are not considered dwellings and therefore are not eligible under this Program.

"Like for like" requires that the structure being demolished must be replaced with a like structure (replace stick built with stick built, and double hung windows with double hung windows, for example). However, additions may be approved by the HCD Program when required by Codes/Ordinances or to alleviate overcrowding (See **Attachment B**).

Temporary relocation benefits must be planned for and budgeted into the project budget in the form of a grant.

Depending on the outcome of the Statutory Worksheet (Environmental test), a reconstructed project may require Authority from the State before funds are committed to the project.

Allowable rehabilitation\reconstruction 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 or Replacement of a manufactured home on a permanent foundation with the property owner on title to property manufactured home is located on. Rehabilitation of a manufactured home may include the replacement of the unit with a used manufactured and the costs to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction, a new manufactured home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.
- D. Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the City for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g. planning, engineering, construction management, including inspections and work write-ups).

## 6.2. ELIGIBLE CONSTRUCTION COSTS (Continued...)

E. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.

### 1. Health and Safety Issues

Eligible costs include, but are not limited to, energy-related improvements, Lead-Based Paint Hazard evaluation and reduction activities, improvements for handicapped accessibility, repair or replacement of major housing systems. A driveway may be considered part of rehabilitation if it is determined to be a health and safety issue.

### 2. Code and Regulation Compliance

Eligible costs include, but are not limited to, additional work required to rehabilitate and modernize a home, and bring it into compliance with current Uniform Building Codes and regulations. Painting and weatherization are included.

### 3. Demolition

If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

### 4. Upgrades

Eligible costs include additional bedrooms and bathrooms if the need can be demonstrated per CDBG's overcrowding guidelines listed in **Attachment B**. The Program will not fund additions to a home for a den or family room, or for any luxury items.

### 5. General Property Improvements

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping [removing tree branches from electrical wires or walkways], driveway, etc.) will be *limited to 15 percent* of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves, wood stoves, and dishwashers that are not built-in may be replaced only due to incipient failure and must be of moderate quality. (General Property Improvements and the appliances listed may only be included as described and at the end of each project when funding remains available after all health and safety requirements have been completed.)

## **6.2. ELIGIBLE CONSTRUCTION COSTS (Continued...)**

### 6. Rehabilitation Standards

All repair work related to health and safety conditions will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards and code compliance.

## **6.3. ELIGIBLE PROJECT COSTS**

Project costs for all expenses related to the paperwork for processing and insuring a loan application include:

- Appraisal
- Legal Lot Determination
- Property Report/Title Insurance
- Building Plan
- Termite Report
- Lead Paint Testing
- Land Survey
- Grading Plan
- Recording Fees
- Fire/Course of Construction Insurance
- Flood Insurance
- Disposal Bin
- Temporary Onsite Storage
- Building Inspections
- Credit Report

Costs are based on charges currently incurred by the City, or the Program Operator, for these products and/or services. Any cost increases charged to the City/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. In the event that an application is denied, the City shall absorb these costs in its CDBG administrative budget. All fees are subject to change and are driven by the market. Should the applicant withdraw, the applicant cannot be charged for costs incurred.

## **6.4. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet industry standard.

## **6.5. SWEAT EQUITY**

Sweat Equity is not program eligible under the City of Eureka Housing Rehabilitation Programs as per Section 6.1.D.

## **7.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

### **7.1. AMENDMENTS**

The City may make amendments to these Program Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the City's Housing Advisory Board and/or local governing body and submitted to HCD for approval.

### **7.2. EXCEPTIONS**

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class would be an exception.

#### **7.2.1 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The City or its Program Operator may initiate consideration of an exception (emergency loan increase, request for loan modification, etc.) and prepare a staff report. This staff report shall contain a narrative, including the Program Operator's recommended course of action and any written or verbal information supplied by the applicant.
- B. The City's Housing Advisory Board shall make a determination of the exception based on the recommendation of the Program Operator. The Housing Advisory Board may recommend action to the City's governing body (the City Council) for a decision.

## **8.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

Complaints concerning the CDBG Program should be made to the Project Manager first. If unresolved in this manner, the complaint or appeal shall be made in writing, and a \$100 Staff Report fee is collected and filed with the City. The City will then schedule a meeting with the Housing Advisory Board. A written response will be made within fifteen (15) working days. If the applicant is not satisfied with the Housing Advisory Board's decision, a request for an appeal may be filed with the City Council. Final appeal may be filed in writing with HCD within one year after the filing of the Project Notice of Completion.

Any applicant denied assistance from the Program has the right to appeal. The appeal must be made in writing. Sponsor has 30 days to review the appeal, seek recommendations from the Housing Advisory Board. If the applicant is not satisfied with the Board's decision, a request for an appeal may be filed with the City Council. Contact the City of Eureka Clerk's Office at 707-441-4144 for the City Council Appeals process:

**8.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES** (Continued...)

A. Timing and form of appeal. An appeal shall be in writing and shall specifically state the pertinent facts and the bases for appeal.

1. An appeal shall be filed with the Program Operator within 10 business days of the actual date of the final decision and a fee of \$100.00 is to be paid to the City of Eureka by the appealed party at time of appeal request.
2. An appeal of decision shall be limited to issues raised during the Housing Advisory Board meeting, or information that was not known at the time of the decision that is being appealed.
3. When an appeal has been filed, the Program Operator shall prepare a staff report on the appeal, and schedule the appeal with the Housing Advisory Board within 30 working days. The Housing Advisory Board may require the applicant to attend the Appeal. The Appellant is encouraged to present documentation supporting their position.

B. Decision

1. At a Housing Advisory Board Appeal Meeting the Board may consider any issue involving the matter that is the subject of the appeal, in addition to the specific grounds for the appeal.
2. The Housing Advisory Board Appeal may:
  - a. Affirm, affirm in part, or reverse the decision that is the subject of the appeal, based upon findings of fact about the particular case.
  - b. Notification. The Program Operator will provide written notification to the Applicant of approval or denial of the appeal with reasons.

C. Notification. The Program Operator will provide written notification to the Applicant of approval or denial of the appeal with reasons.

D. Final appeal must be filed in writing with HCD within one year after denial.

Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

**8.1. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR**

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

Any controversy arising out of or relating to this Contract, 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., and the Rules of the American Arbitration Association. 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. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

**ATTACHMENT A  
EXAMPLES OF ELIGIBLE REPAIRS**

<p align="center"><b><u>FIRST PRIORITY:</u></b> <i>HEALTH AND SAFETY ITEMS</i></p>	<p align="center"><b><u>SECOND PRIORITY:</u></b> <i>GENERAL IMPROVEMENTS</i></p>
<ul style="list-style-type: none"> <li>· Hazardous code violations</li> <li>· Electrical hazards</li> <li>· Fused circuit boxes</li> <li>· Gas leaks and related hazards</li> <li>· Damaged water heater</li> <li>· Leaky roof</li> <li>· Foundation repair</li> <li>· Floor rot (replace carpet/vinyl)</li> <li>· ADA accessibility and fixtures</li> <li>· Plumbing repair</li> <li>· Heating system repair</li> <li>· Damaged windows and/or doors</li> <li>· Structural Deficiencies</li> <li>· Mechanical Deficiencies</li> <li>· Necessary large appliances</li> <li>· Insulation</li> <li>· Weather Stripping &amp; Caulking</li> <li>· Retaining Walls-Structurally Engineered</li> <li>· Gutters</li> <li>· Sheetrock repair</li> <li>· Other Health and Safety hazards</li> </ul>	<ul style="list-style-type: none"> <li>· Exterior painting</li> <li>· Siding repair</li> <li>· Upgrade windows to double-pane</li> <li>· Window and door screens</li> <li>· House/garage doors</li> <li>· Replacement of existing fences/walls</li> <li>· Sidewalk and driveway repair</li> <li>· Bathroom Additions *</li> <li>· Bedroom Additions **</li> <li>· Countertops and cupboards</li> <li>· Increase quantity/quality of electrical outlets</li> <li>· Replacement of built-in appliances</li> <li>· French Doors (If Replacing Damaged existing)</li> <li>· Wallpaper (If Replacing Damaged existing)</li> <li>· Garbage Disposal</li> <li>· Solar Tubes</li> <li>· Energy Efficient Items To Be Encouraged</li> <li>· Replacement of Built-in Appliances and Stove, Refrigerator, Washer and Dryer</li> </ul>

**EXAMPLES OF ELIGIBLE REPAIRS:** Other allowed rehabilitation might include converting to current Uniform Building Code (UBC) standards: Examples include moving bathroom access to hallways or off of kitchen; stairs and porch upgrades.

## ATTACHMENT A EXAMPLES OF INELIGIBLE REPAIRS

EXAMPLES OF INELIGIBLE REPAIR ITEMS	
<ul style="list-style-type: none"> <li>· Barbecue pits</li> <li>· Hot tubs/spa</li> <li>· Swimming pools</li> <li>· New RV parking area</li> <li>· Designer roof shingles</li> <li>· Designer pavers</li> <li>· Yard maintenance equipment</li> <li>· Additions or detached structures*</li> <li>· Decorative fences, new fences</li> <li>· New outdoor patios</li> <li>· In Home Vacuums</li> <li>· Landscaping</li> <li>· Hard Wired Alarm Systems</li> <li>· Window Tinting for Privacy</li> </ul>	<ul style="list-style-type: none"> <li>· High-end carpet and vinyl flooring</li> <li>· Wood floor installation</li> <li>· Designer fixtures (Chandeliers)</li> <li>· Designer countertops</li> <li>· New ceramic tile or repair</li> <li>· Walk-in closets</li> <li>· Small appliances</li> <li>· Cosmetic painting (interior)</li> <li>· Television cable re-wiring</li> <li>· Ceiling Fans</li> <li>· Window Coverings</li> <li>· Antennas/Satellite Dishes</li> <li>· Fire Exits Not Required by Bldg. Code</li> </ul>

\* Additions are ineligible unless needed for overcrowding relief.

## ATTACHMENT B

**2012 Humboldt County Area Median Family Income by Number of Persons in Household**

<i>Number of Persons in Household</i>								
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>80% of AMI</b>	\$32,450	\$37,050	\$41,700	\$46,300	\$50,050	\$53,750	\$57,450	\$61,150

The Program Operator will insert the limits for the County in which the Program is located, and will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is:

[http://www.hcd.ca.gov/hpd/hrc/rep/state/cdbg\\_home07.pdf](http://www.hcd.ca.gov/hpd/hrc/rep/state/cdbg_home07.pdf)

**Household:** Means one or more persons who will occupy a housing unit.

**Annual Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

Effective: February 1, 2012

<b>CDBG Standards for Room and Bathroom Additions</b>	
<b>Unit Size</b>	<b>Maximum No. of Persons in the Household</b>
<b>SRO</b>	<b>1</b>
<b>0-BR</b>	<b>1</b>
<b>1-BR</b>	<b>2</b>
<b>2-BR</b>	<b>4</b>
<b>3-BR</b>	<b>6</b>
<b>4-BR</b>	<b>8</b>
<b>5-BR</b>	<b>10</b>
<b>6-BR</b>	<b>12</b>

The chart above is used as a guide to overcrowding.

- Opposite sex children under 6 years of age may share a bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom.
- 5 or more people – a second bathroom may be added.
- 10 or more people – a third bathroom may be added.
- Same rules apply to manufactured residential units and mobile homes.
- Contact CDBG Field Representative should you have any questions.

CDBG/GMM 04/08

## ATTACHMENT C

### 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

#### Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> <li>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and</li> <li>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).</li> </ul> <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> <li>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; <b>plus:</b></li> <li>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</li> </ul>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

**Part 5 exclusions**

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances (Third Edition; January 2005).

<b>General Category</b>	<b>(Last Modified: January 2005)</b>
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> <li>a. Amounts received under training programs funded by HUD.</li> <li>b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).</li> <li>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</li> <li>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</li> <li>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</li> </ul>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be

published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- ▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- ▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- ▶ Payments received under the Alaskan Native Claims Settlement Act;
- ▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- ▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- ▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
- ▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- ▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).
- ▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;
- ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

**ATTACHMENT D****PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS**

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

**Inclusions**

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

**Exclusions**

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

**ATTACHMENT E**

**CITY OF EUREKA**

**HOUSING REHABILITATION PROGRAM RESIDENTIAL  
ANTI-DISPLACEMENT AND TEMPORARY RELOCATION PLAN**

**(Adopted February 4, 2004 by the City of Eureka Housing Advisory Board)**

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require all grantees of Community Development Block Grant (CDBG) funds or Home Investment Partnership (HOME) funds to follow a written Residential Anti-Displacement and Relocation Assistance Plan (Plan) for any activities which could lead to displacement of occupants whose property is receiving funds from these or other federal funding sources. Having been developed in response to both aforesaid federal legislation, this Plan is intended to inform the public of the compliance of the City of Eureka (City) with the requirements of the Federal Regulations of 24 CFR 570.606 under State Recipient Requirements and Section 104(d) of the Housing and Community Development Act of 1974 and 24 CFR 92 of the HOME Federal Regulations. The Plan will outline reasonable steps, which the City will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements.

This Plan will affect all activities funded by the U.S. Department of Housing and Urban Development (HUD) under the following program titles: HOME, CDBG, Urban Development Action Grant (UDAG), Special Purpose Grants, Section 108 Loan Guarantee Program, and such other grants as HUD may designate as applicable, which take place within the City limits.

The City of Eureka will provide permanent relocation benefits to all eligible "displaced" households either owner occupied or rental occupied units which are permanently displaced by use of federal funds as allowed under the Uniform Relocation Act (URA) and Section 104(d) (See Section E below). In addition, the City will replace all eligible occupied and vacant occupiable low income group dwelling units demolished or converted to a use other than low income group housing as a direct result of use of federal funds. This applies to all units assisted with funds provided under the Housing and Community Development Act of 1974, as amended, and as described in the Federal Regulations 24 CFR 570.496(a), Relocation, Displacement and Acquisition: Final Rule dated July 8, 1990 (Section 104(d)) and 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Regulations Final Rule and Notice (URA) dated March 2, 1989.

All City programs/projects will be implemented in ways consistent with the City's commitment to Fair Housing. Participants will not be discriminated against on the basis of race, color, religion, age, ancestry, national origin, sex, familial status, or handicap. The City will provide equal relocation assistance available 1) to each targeted income group household displaced by the demolition or rehabilitation of housing or by the conversion of a targeted income group dwelling to another use as a direct result of assisted activities; and 2) to each separate class of targeted income group persons temporarily relocated as a direct result of activities funded by HUD programs.

A. Minimizing Permanent Displacement and Temporary Relocation Resulting from Housing Rehabilitation or Reconstruction Activities:

Consistent with the goals and objectives of activities assisted under the ACT, the City will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:

1. Provide proper notices with counseling and referral services to all tenants so that they understand their relocation rights and receive the proper benefits. When necessary, assist permanently displaced persons to find alternative housing in the neighborhood.
2. Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.
3. Encourage owner investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during the course of rehabilitation or pay expenses on behalf of displaced tenants.
4. Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.
5. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities.

B. Lead Based Paint Mitigation Which Causes Temporary Relocation:

On September 15, 2000, the Final Rule for Lead Based Paint Hazard Control (LHC) went into effect. Among other things, it requires that federally-funded rehabilitation must use safe work practices so that occupants and workers can be protected from lead hazards. **At no time should the tenant-occupant(s) be present in work areas or designated adjacent areas while LHC activities are**

**taking place in any dwelling unit interior, common area, or exterior.** As such, occupants may not be allowed to remain in their units during the time that lead-based paint hazards are being created or treated. Once work that causes lead hazards has been completed, and the unit passes clearance, the occupants can return. **The tenant occupants may not reoccupy a work area or adjacent area until post-lead hazard reduction clearance standards have been achieved and verified with laboratory results.** The final rule allows for certain exceptions:

1. The work will not disturb lead-based paint, or create dust-lead or soil-lead hazard; or
2. The work is on the exterior only and openings are sealed to prevent dust from entering the home, the work area is cleaned after the work is completed, and the residents have alternative lead free entry; or
3. The interior work will be completed in one period of less than 8 daytime hours and the work site is contained to prevent the release of dust into other areas of the home; or
4. The interior work will be completed within five (5) calendar days, the work site is contained to prevent the release of dust, the worksite and areas within 10 feet of the worksite are cleaned at the end of each day to remove any visible dust and debris, and the residents have safe access to kitchen and bath and bedrooms.

If temporary relocation benefits are not provided because the City believes that the project meets one of the above criteria, then proper documentation must be provided in the rehabilitation project file to show compliance. It is up to the City to ensure that the owner occupant or tenant in the project does not get impacted by lead paint mitigation efforts. In most cases where lead paint mitigation is taking place, occupants (tenants or owners) will be strongly encouraged to relocate even for just a few days until a final lead clearance can be issued by a certified lead based paint assessor. Occupants who are temporarily relocated because of lead based paint mitigation are entitled to the same relocation benefits as those who are relocated because of substantial rehabilitation or reconstruction activities.

C. Temporary Relocation of Owner Occupants:

Since all rehabilitation work for owner occupants is voluntary and the steps taken in "Section A" would minimize the need for temporary relocation, an owner-occupant may only be eligible for temporary relocation benefits when his or her residential unit is approved for rehabilitation that would endanger the health and

safety of occupants if they remained in the house during the rehabilitation. Determination of the need for temporary relocation will be made by the program administrator and/or construction supervisor. The relocation period would not exceed 90 days and the conditions of temporary relocation will be reasonable and daily per diem dollar limitations may be set by the City.

Owner occupants are not allowed to stay in units which are hazardous environments during lead based paint mitigation. When their home is having lead based paint mitigation work done which will not make it safe to live in, then they are eligible for temporary relocation benefits up to \$500, which will be provided as a grant. In the same way, a unit requiring substantial rehabilitation (with or without lead based paint mitigation) which will not allow the family to access a bath or kitchen facility, or if the unit is being demolished and reconstructed, then the family will be eligible for temporary relocation benefits as described in the previous paragraph. These relocation expenses will be provided as a grant. In no case shall the grant for temporary relocation due to lead, exceed \$500 for any one owner occupied unit.

Owner occupants will be encouraged to move in with family or friends during the course of rehabilitation, since they are voluntarily participating in the program. The housing rehabilitation loan specialist and/or the rehabilitation construction specialist will complete a temporary relocation benefits form (**See Appendix C**) to document that the owner occupant understands that they may be required to relocate during the course of construction.

D. Temporary Relocation of Residential Tenants:

If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenants or the public, or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. All steps will be taken as per Section A above to minimize the need for temporary relocation. Should the program administrator or construction supervisor make a determination of the need for temporary relocation, the temporary relocation period will not exceed 90 days. All conditions of temporary relocation will be reasonable. Any tenant required to relocate temporarily will be assisted in finding another place to live which is safe, sanitary and of comparable value and they have the first right to move back into the original unit being rehabilitated at the same rent or lower. He or she may move in with family and friends and still receive full or partial temporary assistance based on eligible cost incurred.

The housing rehabilitation loan specialist and/or the rehabilitation construction specialist will ensure that each tenant occupied unit under the program will receive a General Information Notice (GIN) (as soon as possible after a loan

application is received) and the tenant will receive a Notice of Non-displacement (after loan approval), and each tenant occupied unit will have a temporary relocation benefits form completed for them. **(See Appendix C)**. These notices will document that each tenant understands what their relocation rights are, and if they must relocate during the course of construction, that they receive the proper counseling and temporary relocation benefits.

A tenant receiving temporary relocation shall receive the following:

1. Increase housing costs (e.g. rent increase, security deposits) and
2. Payment for moving and related expenses, as follows:
  - a. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;
  - b. Packing, crating, unpacking, and uncrating of personal property.
  - c. Storage of person property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;
  - d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;
  - e. Insurance for the replacement value of personal property in connection with the move and necessary storage;
  - f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft, or damage is not reasonably available;
  - g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;
  - h. Any costs of credit checks required to rent the replacement dwelling;
  - i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expense:
    - 1) Interest on a loan to cover moving expenses;  
or
    - 2) Personal injury; or
    - 3) Any legal fee or other cost for preparing a  
  
claim for a relocation payment or for representing the claimant before the Grantee;  
or

- 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

E. Rehabilitation Activities Requiring Permanent Displacement:

If the City rehabilitation program assists a property where one or more units are eliminated under Section 104(d) of the Housing and Community Act of 1974, as amended applies and the City is required to replace those lost units. An example of this would be a duplex unit which is converted into a single family unit. In all cases where rehabilitation activities will reduce the number of housing units in the jurisdiction, then the City must document that any lost units are replaced and any occupants of reduced units are given permanent relocation benefits. (This does not apply to reconstruction or replacement housing done under a rehabilitation program where the existing unit(s) is demolished and replaced with a structure equal in size in size without loss in number of units or bedrooms.)

Replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the City to provide funds for an activity that will directly result in such demolition or conversion, the City will make this activity public (through a noticed public hearing and/or publication in a newspaper of general circulation) and submit to the California Department of Housing and Community Development or the appropriate federal authority the following information in writing:

- A. A description of the proposed assisted activity;
- B. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as targeted income group dwelling units as a direct result of the assisted activity.
- C. A time schedule for the commencement and completion of the demolition or conversion;
- D. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;
- E. The source of funding and a time schedule for the provision of the replacement dwelling units;
- F. The basis for concluding that each replacement dwelling unit will remain a targeted income group dwelling nit for at least 10 years from the date of initial occupancy; and,
- G. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit with two one-bedroom units) is consistent with the housing needs of targeted income group households in the jurisdiction.

The Grant's Coordinator at the City is responsible for tracking replacement housing and ensuring that it is provided within the required period. The City is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in Section 570.606, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

E. Record Keeping and Relocation Disclosures/Notifications:

The City will maintain records of occupants of Federally funded rehabilitated, reconstructed or demolished property from the start to completion of the project to demonstrate compliance with section 104(d), URA and applicable program regulations. Each rehabilitation project, which dictates temporary or permanent or replacement activities, will have a project description and documentation of assistance provided. (See sample forms in HUD Relocation Handbook 1378, Chapter 1, Appendix 11, form HUD-40054.

Appropriate advisory services will include reasonable advance written notice of (a) the date and approximate duration of the temporary relocation; (b) the address of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period; (c) the terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling.

Notices shall be written in plain, understandable primary language of the persons involved. Persons who are unable to read and understand the notice (e.g. illiterate, foreign language, or impaired vision or other disability) will be provided with appropriate translation/communication. Each notice will indicate the name and telephone number of a person who may be contacted for answers to questions or other needed help. The notices and process below is only for temporary relocation. If permanent relocation is involved then other sets of notice and noticing process and relocation benefits must be applied (See HUD relocation handbook 1378 for those forms and procedures). The Temporary Relocation Advisory Notices to be provided are as follows:

1. General Tenant Information Notice: As soon as feasible, when an owner investor is applying for Federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered

a General Information Notice that the project has been proposed and that the tenant will be able to occupy his or her present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not exceed current rent or 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that the rehabilitation

can be completed, suitable housing will be made available and he or she will be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons. **See Appendix A for sample notice to be delivered personally or by certified mail.**

2. Notice of Non-Displacement: As soon as feasible when the rehabilitation application has been approved, the tenant will be informed that they will not be permanently displaced and that they are eligible for temporary relocation benefits because of lead based paint mitigation or substantial rehabilitation, or reconstruction of their unit. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance. **See Appendix B for sample notice to be delivered personally or by certified mail.**
3. Disclosure to Occupants of Temporary Relocation Benefits: This form is completed to document that the City is following its adopted temporary relocation plan for owner occupants and tenants. See Appendix C for a copy of the disclosure form.
4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the City is attempting to provide permanent displacement benefits then there are a number of other forms which are required. Staff will consult HUD's Relocation Handbook 1378 and ensure that all the proper notices are provided for persons who are permanently displaced as a result of housing rehabilitation activities funded by CDBG or other federal programs.

APPENDIX A

**GENERAL TENANT INFORMATION NOTICE**

Dear \_\_\_\_\_,

On     (Date)    ,     (Property owner)    , submitted an application to the City of Eureka for financial assistance to rehabilitate the building which you occupy at     (Address)    .

This notice is to inform you that, if the assistance is provided and the building is rehabilitated, you will not be displaced. Therefore, we urge you not to move anywhere at this time. (If you do elect to move for reasons of your choice, you will not be provided relocation assistance.)

If the application is approved and Federal assistance is provided for the rehabilitation, you will be able to lease and occupy your present apartment (or another suitable, decent, safe and sanitary apartment in the same building) upon completion of the rehabilitation. Of course, you must comply with standard lease terms and conditions.

After the rehabilitation, your initial rent, including the estimated average monthly utility costs, will not exceed the greater of (a) your current rent/average utility costs, or (b) 30 percent of your gross household income. If you must move temporarily so that the rehabilitation can be completed, suitable housing will be made available to you for the temporary period, and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in housing costs.

Again, we urge you not to move. If the project is approved, you can be sure that we will make every effort to accommodate your needs. Because Federal assistance would be involved, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

This letter is important and should be retained. You will be contacted soon. In the meantime, if you have any questions about the City's Anti-Displacement and Temporary Relocation Plan, please contact     (Name)    ,     (Title)    , at     (Telephone number)    ,     (Address)    .

Sincerely,

(Name)

(Title)

cc: Owner

Enc: City Anti-Displacement and Temporary Relocation Plan

## APPENDIX B

### NOTICE OF TENANT NON-DISPLACEMENT

(Date)

Dear \_\_\_\_\_,

On \_\_\_\_ (Date) \_\_\_\_, we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On \_\_\_\_ (Date) \_\_\_\_, the owner's request was approved and the repairs will begin soon.

This is a notice of non-displacement. You will not be required to move permanently as a result of the rehabilitation. This notice guarantees you the following:

1. You will be able to lease and occupy your present apartment (or another suitable, decent, safe and sanitary apartment in the same building/complex, if applicable) upon completion of the rehabilitation. Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the gross income of all adult members of your household. Of course, you must comply with the reasonable terms and conditions of your lease.
2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.
3. Since you will have the opportunity to occupy a new ly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact \_\_\_\_ (Name) \_\_\_\_, \_\_\_\_ (Title) \_\_\_\_, at \_\_\_\_ (Phone #) \_\_\_\_, \_\_\_\_ (Address) \_\_\_\_ Remember, do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

(Name)

(Title)

APPENDIX C

CITY OF EUREKA  
DISCLOSURE TO OCCUPANTS OF TEMPORARY RELOCATION BENEFITS

PROPERTY ADDRESS: \_\_\_\_\_ (Address)  
\_\_\_\_\_ Rental Unit or \_\_\_\_\_ Owner/Occupied Unit

The rehabilitation loan specialist working on behalf of the City of Eureka has explained the temporary relocation services and benefits available under the current City's Anti-Displacement and Temporary Relocation Plan.

I/we have been advised that the City of Eureka rehabilitation construction specialist will inform me if I need to be temporarily relocated and will assist me with scheduling any necessary moves and answer any questions about assistance as needed.

ACKNOWLEDGED:

\_\_\_\_\_  
Occupant Signature Date

*Complete this at time of acceptance of Work Write Up with Initials by Occupants.*

The rehabilitation construction specialist for the City of Eureka has explained the Rehabilitation Scope of Work for our house and I/we agree that it will:

- \_\_\_\_\_ Not require that I/we be relocated. (If initialed then STOP here and sign bottom.)
- \_\_\_\_\_ Yes, I/We need to be temporarily relocated (Complete rest of form if initialed.)

Start date and duration of relocation:

- \_\_\_\_\_ Starting on or about \_\_\_\_\_ we will move for all or part of the rehabilitation project.
- \_\_\_\_\_ Approximate length of temporary relocation: \_\_\_\_\_ Number of days.

For temporary relocation, I/we elect to (check all that apply):

- \_\_\_\_\_ Relocate with friends and family.
- \_\_\_\_\_ Relocate into a suitable temporary housing unit identified by the rehab specialist.
- \_\_\_\_\_ Relocate furnishings only into a temporary storage unit.
- \_\_\_\_\_ I/We have been told what our relocation benefits are and elect **Not** to be reimbursed for any eligible relocation expenses.
- \_\_\_\_\_ I/We have been told what our relocation benefits are and want to be reimbursed for:  
See Relocation Plan for list of eligible expenses. Receipts must be provided to be reimbursed for eligible costs.

BY SIGNING, OCCUPANT(S) ACKNOWLEDGE RECEIPT OF COPY OF THIS FORM.

\_\_\_\_\_  
Occupant Signature Date

\_\_\_\_\_  
Occupant Signature Date

ATTACHMENT F  
STATE OF CALIFORNIA HOME PROGRAM  
SUBSIDY LIMITS PER UNIT – SECTION 221(d) (3)

(All limits are effective 8/1/11 except those highlighted, which are effective 1/1/11)

COUNTY NAME	O-BDR	1-BDR	2-BDR	3-BDR	4-BDR
Alpine	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Amador	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Butte	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Calaveras	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Colusa	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Del Norte	\$128,161	\$146,915	\$178,650	\$231,113	\$253,691
El Dorado	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Fresno	\$122,798	\$140,768	\$171,175	\$221,443	\$243,076
Glenn	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Humboldt	\$128,161	\$146,915	\$178,650	\$231,113	\$253,691
Imperial	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Inyo	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Kern	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Kings	\$115,827	\$132,777	\$161,457	\$208,872	\$229,277
Lake	\$122,798	\$140,768	\$171,175	\$221,443	\$243,076
Lassen	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Los Angeles	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Madera	\$112,610	\$129,089	\$156,972	\$203,070	\$222,908
Mariposa	\$116,900	\$134,006	\$162,952	\$210,806	\$231,400
Mendocino	\$115,827	\$132,777	\$161,457	\$208,872	\$229,277
Merced	\$114,755	\$131,547	\$159,962	\$206,938	\$227,154
Modoc	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Mono	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Monterey	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Napa	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Nevada	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Orange	\$128,698	\$147,530	\$179,398	\$232,080	\$254,753
Placer	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753
Plumas	\$128,698	\$147,531	\$179,398	\$232,080	\$254,753

Pursuant to federal HOME requirements discussed at: HOMEfires - Vol. 9 No.4 - Affordable Housing - CPD - July 2008, the 221 (d) (3) limits for most counties will be capped at 240% of the current base limit approved by Congress. The above limits reflect these changes, where applicable.

**ATTACHMENT G****LOAN SERVICING POLICIES AND PROCEDURES  
FOR THE CITY OF EUREKA**

The City of Eureka, hereafter called "City", has adopted these policies and procedures in order to preserve its financial interest in properties, who's "Borrowers" have been assisted with public funds. The City will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The City has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan's principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) requests for subordination; and 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments:

The City will collect monthly payments from those Borrowers who are obligated to do so under Notes which are amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date.

For Notes which are deferred payment loans, the City may accept voluntary payments on the loan. The Borrower may repay the loan balance at any time with no penalty, although a \$9.00 fee will be payable to the third party loan servicing company to process occasional payments on deferred payment loans.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, Borrower must maintain property insurance coverage naming the City of Eureka, c/o AmeriNational Community Services, 8121 East Florence Avenue, Downey, CA 90240 in first position or additional insured if the loan is a junior lien. If Borrower fails to maintain the necessary insurance, the City may take out a forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

A certificate of insurance for standard property insurance will be required at close of escrow. The City may verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the City may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the City encourages Borrower to have an impound account set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower's loan is in second position behind an existing first mortgage, it is the City's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of City's loan. This document requires any senior lien holder listed in the notice to notify the City of initiation of a foreclosure action. The City will then have time to contact the Borrower and assist them in bringing the first loan current. The City can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the City is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

Homeowners will be required to submit each of the following to the City on an annual basis for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a residence;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the City in writing of any change. City and Borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases the Borrower may move and turn the property into a rental unit without notifying the City. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the City's Housing Advisory Board.

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is income eligible and receives clear title to the property. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may be converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on title. All such changes are subject to the requirements of Section 4.3.1.C-E and the review and approval of the City's Housing Advisory Board.

If the owner occupant dies and the heir is not income eligible, but he or she chooses to rent the unit to TIG households and agrees to comply with owner investor restrictions, the heir may be permitted, upon approval of the City, to assume the loan at the interest rate tied to the City's Cost of Funds. If the heir/owner investor does not comply with owner investor restrictions, the loan is due and payable.

If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the City in advance. If the City approves the conversion of an owner occupied unit to a rental, the owner will be required to sign a Rent Limitation Agreement, including rent limitation provisions, annual monitoring, and financing arrangements. In some cases, Borrowers may request that the City allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

#### 6. Requests for Subordinations:

The basic principles in evaluating subordination requests are: 1) To ensure that the program purposes would continue to be served; 2) To ensure that the City will not be worse off after the Subordination than before, in terms of security interest and potential for timely repayment; 3) That there is good justification for the Subordination; and 4) That the borrower has complied with the terms, conditions, and purpose of the loan.

Rental Loan: The Subordination should not adversely affect the cash flow for the property to the extent that there is pressure to raise rents and/or inadequately maintain the property.

Owner Occupied Rehabilitation: The new financing should be affordable to the borrower, and not impair the borrower's ability to maintain the property or pay property taxes, insurance, or any other obligations of the borrower, including the City's loan. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate (fixed) and the total indebtedness on the property should not exceed 95% of the current market value.

Homebuyer Program Loans: See CDBG Homebuyer Program Guidelines.

All Subordination applications will require a \$100.00 processing fee made payable to the City of Eureka. The procedures for administering Subordination requests are as follows:

- 1) The Projects Manager or City Manager, without first going to the Housing Advisory Board, can subordinate a City loan/grant provided the owner does not receive cash out of the new loan. However, the owner can finance in the new loan fees and expenses associated with the new loan as per #2 below.
- 2) The total debt to value for all liens on the property, including the City's loan, cannot exceed 95%. The City will use the appraisal obtained by the new lender to establish this value. Should the lender not provide an appraisal, an licensed certified appraiser will be paid for by the borrower to establish the current market value.
- 3) All exceptions to the Subordination policy will be brought before the Housing Advisory Board for a recommendation before being presented for administrative (City Manager) or Council consideration. Upon approval, the escrow company will provide the proper Subordination and Notice for Request document for execution, and the document will be returned to the escrow company for recording.

#### 7. Process for Loan Foreclosure:

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the CDBG Foreclosure Policy adopted by the City and located in Chapter 19 of the CDBG Grants Management Manual. Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 4) non-owner occupancy, or 5) default on senior loans, the City will send out a letter to the Borrower notifying them of the default situation. If the default situation continues, the City may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the City is notified via a Request for Notice of Default, the City, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. City must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case, then the City may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the City determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the City does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the City

can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the City decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the City fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.

#### City as Senior Lien holder

When the City is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the City may consider foreclosure. City's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the City?
- 3) Can the Borrower sell the property and pay off the City?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the City may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the City to prevent foreclosure (such as, funds to bring a delinquent loan current or pay off a DPL).

At the end of thirty days, the City should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the City of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the City informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the City could sell the home themselves under a homebuyer program or use it for an affordable rental property managed by a local housing authority or use it for transitional housing facility or other eligible use. The City could contract with a local real estate broker to list and sell the home and use those funds for Program income-eligible uses.

## ATTACHMENT H

**State of California HOME Program  
Single-Family Maximum Purchase Price/After-Rehabilitation Value Limits**

**Effective January 1, 2011**

	<b>One-Unit 203 (b) Limit</b>		<b>One-Unit 203 (b) Limit</b>
Alpine County	470,260	San Bernardino County	362,900
Amador County	337,250	San Diego County	408,500
Butte County	304,000	San Joaquin County	362,900
Calaveras County	362,790	San Luis Obispo County	401,850
Colusa County	302,100	Santa Barbara County	539,600
Del Norte County	236,550	Santa Clara County	641,250
El Dorado County	362,790	Santa Cruz County	536,750
Fresno County	289,750	Shasta County	321,955
Glenn County	218,000	Sierra County	213,750
Humboldt County	299,250	Siskiyou County	223,250
Imperial County	234,650	Solano County	362,790
Inyo County	362,790	Sonoma County	363,375
Kern County	280,250	Stanislaus County	362,790
Kings County	237,360	Sutter County	322,757
Lake County	304,950	Tehama County	237,500
Lassen County	216,600	Trinity County	200,160
Los Angeles County	408,500	Tulare County	247,000
Madera County	323,000	Tuolumne County	332,500
Mariposa County	312,895	Ventura County	427,500
Mendocino County	362,790	Yolo County	362,790
Merced County	358,383	Yuba County	322,757
Modoc County	200,160		
Mono County	362,790		
Monterey County	362,790		
Napa County	402,800		
Nevada County	362,790		
Orange County	532,000		
Placer County	362,790		
Plumas County	311,600		
Riverside County	362,790		
Sacramento County	362,790		
San Benito County	362,790		

For the 203(b) limits for buildings containing more than one unit, please contact your HOME Representative.

**ATTACHMENT I**  
**CERTIFICATION OF OCCUPANCY**  
**CITY OF EUREKA**

I/we \_\_\_\_\_ declare as follows:  
(Please Print Occupant's Name(s))

That I/we am/are currently occupying as my/our principal place of residence the real property commonly known as:

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip code)

Daytime Phone Number: \_\_\_\_\_

Certification of Occupancy executed on \_\_\_\_\_, 20\_\_\_\_, at  
(Date)  
\_\_\_\_\_, CA  
(City)

I/we declare under penalty of perjury that the foregoing is true and correct.

Signature(s) of all occupants:

Occupant: \_\_\_\_\_ Occupant: \_\_\_\_\_

Occupant: \_\_\_\_\_ Occupant: \_\_\_\_\_

**PLEASE SUBMIT THE FOLLOWING ALONG WITH THIS CERTIFICATION OF OCCUPANCY:**

- Proof of occupancy in the form of a copy of a **current utility bill**;
- Proof of current **required insurance** policies.
- Signed verification that your current mortgages ahead of the City of Eureka loan are paid current.
- Verification of property taxes paid current.