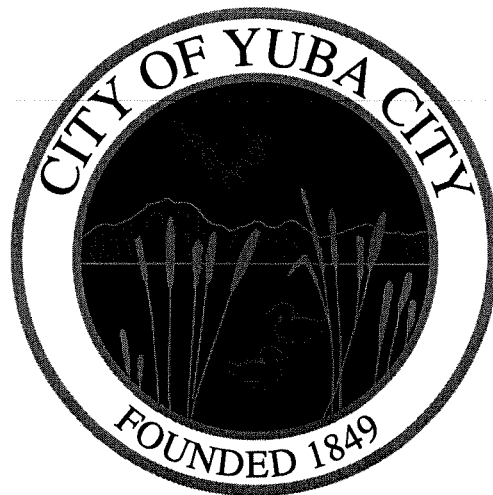


City of Yuba City



Housing Rehabilitation Program Guidelines

**CITY OF YUBA CITY
CDBG HOUSING REHABILITATION PROGRAM GUIDELINES**

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**CITY OF YUBA CITY
CDBG HOUSING REHABILITATION PROGRAM GUIDELINES**

The City of Yuba City Housing Rehabilitation Program, using Community Development Block Grant (CDBG) Program funds, is designed to expand the supply of decent, safe, sanitary and affordable housing, to correct health and safety hazards in deteriorated housing and to extend the useful life of the affordable housing units. Loans are available to achieve cost-effective repairs for low-income owner-occupied and tenant-occupied households in Yuba City.

I. INCOME ELIGIBILITY

A. Income Limits

In order to be eligible for CDBG assistance, the cumulative gross annual income(s) for all persons occupying the residence must not exceed 80% of county median income limits, as published annually by HUD. The income limits in place at the time of loan approval will apply when determining income eligibility. All persons in residence are considered household members for purposes of income eligibility. The current HUD income limits of the City are listed in Attachment A.

B. Determining Income for Owner-occupied property

Eligible owner-occupied households must have title to the property and occupy the home as their principal residence. Annual income is the gross income to be received by all adults in the household during the next 12 months. Annual household income will be used to determine whether or not a particular household is above or below the published low-income limit. All adults, persons 18 years or older, in residence are required to provide documented proof of current income. Income will be verified by reviewing tax returns, copies of wage receipts, subsidy or assistance checks or bank statements or by written verification from the employer/benefit provider and any assets. All documentation will be kept in the participant file and held in strict confidence.

C. Determining Income for Owner-occupied property with Multiple Persons on Title

When a property has multiple owners listed on the grant deed, for the purpose of eligibility for any rehabilitation activity, only the income of persons living within the unit will be used to determine household income.

D. Determining Income for Rental Property

Rental property owners, regardless of income, may qualify for CDBG assistance only if existing and future tenants in assisted properties are low-income (at or

below 80% of median income). The property owner must also agree to rent to eligible (low income) households and limit rents for a minimum of five years as specified in the rent limitation agreement. See Section V. for more information on rent limitation.

In determining household income, all income of persons living in the unit must be added and considered as a total household income even if occupants or tenants are not related.

All owner-investors are required to provide documentation of their tenant's income. A tax return or the previous year's earnings statement will be required from all employed persons. For retired persons or persons receiving from government subsidies who do not file tax returns, copies of benefit checks, benefit award letters or copies of bank statements indicating automatic deposit of benefit checks will be required. All documentation will be kept in the participant file and will be held in strictest confidence.

II. PROPERTY ELIGIBILITY

A. Evidence of Ownership

"Ownership" means any of the following interests in residential real property:

1. fee simple interest
2. ninety-nine (99) year leasehold interest in the property
3. 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.

B. Property Types

Eligible property types include traditional single family housing, multi-family housing, condominiums, mobile homes, and modular units being placed on permanent foundation. The structures may be detached or attached. Mixed-use developments are eligible, but any construction items which address shared space between the commercial and housing units will be prorated and only CDBG funds will be used to pay for housing units' share of repair costs.

C. Property Location

The housing structure must be located within the current incorporated city limits of the City of Yuba City.

D. Rehabilitation Standards

To the extent possible, all units assisted will be brought up to local city building codes¹ and be in compliance with all applicable local ordinances. Local City building codes and ordinances shall make up the Rehabilitation Standards for the rehabilitation program.

1. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows subject to implementation of the Federal Lead Based Paint Regulations by HUD:

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

2. Units constructed prior to 1978 will also be inspected according to the following HUD regulations subject to implementation of the Federal Lead Based Paint Regulations by HUD:

a. 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:

- i. Paint testing or presume LBP;
- ii. Clearance of disturbed work areas; and
- iii. Notifications listed above in 1.a.

b. 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:

- ii. Paint testing or presume LBP;
- iii. Risk assessment; and
- iv. Clearance of unit.

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

¹ Section 92.251 of final rule

- c. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$25,000 the following is required:
 - i. Items i, ii and iii of 2b above;
 - ii. Abatement of all LBP hazards identified or produced;
 - iii. Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in 1 and 2b above.

All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. A State-certified inspector/assessor must perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, certified supervisors and workers must perform all abatement.

III. ELIGIBLE REHABILITATION IMPROVEMENTS

A. Rehabilitation needs will be prioritized and addressed as follows:

1. Health and safety: Examples include correcting plumbing, electrical, structural, mechanical and roof deficiencies, and room additions to resolve overcrowding, and lead-based paint abatement (see below).
2. Energy conservation: Examples include insulation, reducing air infiltration through window and door replacement, weather-stripping and caulking, and replacing inefficient water heaters, refrigerators, ovens, furnaces, and air conditioning appliances, converting clothes dryers to gas.
3. Extension of useful life: Examples include repairing siding and sheet rock, interior and exterior painting, replacing worn flooring, cabinets, interior doors, gutters, foundation upgrades, retaining walls, and other repairs that can extend the useful life of the property.
4. Converting to current Uniform Building Code (UBC) standards: Examples include moving bathroom access to hallways or off of kitchen; stairs and porch upgrades. (Overcrowded conditions will be considered to exist when parents and children must share a bedroom, when children of the opposite sex must share a bedroom, and when a disabled person is required to share a room.)
5. Properties constructed prior to 1978 will be required to comply with current Lead-Based Paint abatement regulations². The basic requirements include, but are not limited to the following:
 - a. Notification regarding the hazards of Lead-Based Paint Poisoning be provided to the occupants of the property, as well as to the property

²24 CFR Part 35

owner³.

- b. Inspection for defective paint surfaces will be required for properties constructed prior to 1978.
- c. If defective paint surfaces are found in properties constructed prior to 1978, current HUD mitigation procedures and policies will be followed.

B. Replacement Housing

In extraordinary circumstances where health and safety repairs are insufficient to remove the most serious deficiencies, and where the cost of new construction is less than rehabilitation to UBC standards, the City may consider replacement housing.

C. Non-eligible Improvements

General property improvements are not eligible. Examples include: landscaping; security systems; television antennas; remodeling (including additions for family rooms, dens), and non-energy efficient improvements.

D. Lead Hazard Evaluation and Reduction Activities

The City will grant costs to perform the required risk assessment and unit clearance. In addition, grants of up to \$7,500 will be provided for the cost of lead hazard reduction and/or abatement activities. Eligible costs under the grant are limited to the additional cost of paint stabilization above the cost of any normal rehabilitation costs. Grants will only be available when proposed paint stabilization measures do not add value to the home.

E. Emergency Repairs

The costs to make emergency repairs are also eligible provided such repairs are in accordance with Subsection III A above. Staff will approve requests for emergency repairs on a case-by-case basis. If approved, the financing terms contained in Section IV would be substituted for the following terms: unsecured loan not to exceed \$7,500 at 0% interest, forgivable after five years from the date of the loan.

IV. FINANCING TERMS

A. Maximum Loan Amount

In all cases, the maximum CDBG loan amount shall be \$75,000 per owner-

³ March 6, 1996 Final Rule, 24 CFR Part 35 subparts H & F

occupied or rental housing unit. Maximum loan amount for mobile homes will be \$7,500.

The loan amount may include: the construction contract (the accepted bid price for the cost of materials and labor); a construction contingency; drafting and engineering fees, if any; appraisal and termite inspection charges; credit report review fees; permit fees and related building fees, site preparation for replacement housing; escrow, closing and recording fees; lead-based paint hazard mitigation; title report and title insurance, title updates and/or related costs.

In order to fully rehabilitate properties with expensive rehabilitation needs, the loan committee will approve, on a case by case basis, exceptions to exceed the maximum loan amount when the proposed rehabilitation project has expensive repairs such as: 1) Bedroom addition/relocation; 2) Bathroom addition/relocation; 3) Repair/Replace of perimeter foundation; 4) historic preservation measures; 5) or other high cost items.

B. Maximum Loan to Value Ratio

The maximum loan amount will be limited to one hundred percent (110%) of the property after-rehabilitated value. When the ratio is at or above 100% the City may require an appraisal and may choose to have the participant make a payment to better secure the loan. All loans over the maximum loan amount will be considered on a case by case basis.

C. Loan Security

Loans will be secured by a Deed of Trust and Promissory Note. All persons listed on the title to the property must sign the Promissory Note, Deed of Trust and other documentation pertinent to the loan transaction. In addition, for rental properties only, a Rent Limitation and Tenancy Schedule Agreement (RLA) will be recorded against the property that will be binding to the property. All loans which are not in first position on title will require a Request for Notice of Default be recorded as part of the transaction.

Mobile homes will be secured with a Rehabilitation Loan Agreement recorded at the County Records office. The City will not be listed on the title as lien holder.

D. Financing Terms for eligible Owner-occupied property

To the extent that an amortized loan payment will not cause housing costs to exceed 30% of annual income, rehabilitation costs will be financed as a five percent (5%) interest amortized loan. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out

to thirty (30) years. A forty dollar (\$40) minimum payment is required for a family to qualify for an amortized loan.

In the event the household is already spending more than 30% of their income on housing expenses and cannot afford a fully amortized payment, interest-only payment terms or deferred payment terms may be offered subject to City review of household income every five years to determine the borrower's eligibility for continued interest-only or deferred payment terms. Minimum payment is established at \$40. At the end of five (5) years the City will request income and housing cost documentation from the household. If, at the conclusion of any five year review, the City determines the borrower is no longer eligible for interest-only or deferred payments, the loan may become fully amortized, at the original interest rate for a term to be determined that will keep housing costs affordable. This five year review process will continue indefinitely or until the loan is paid in full.

The City may choose to require the Borrower exceed the 30% housing cost limit and require them to make monthly payments. Such cases may arise when the loan costs are over the maximum allowed, the loan to value ratio is high, or where the family requests to have all or some of the loan balanced amortized.

E. Financing Terms: Owner-Investor Properties

Owner-Investors will be offered five percent (5%) fixed rate loans amortized for fifteen (15) years. In order to maintain maximum housing affordability and financial flexibility, the amortization period can be extended out to thirty (30) years, or monthly payments deferred or a portion thereof at the discretion of the Loan Committee. To ensure that the rental units renovated with CDBG funds continue to benefit targeted income households for a designated period of time, owner-investors will be required to sign Rent Limitation Agreements (RLA's). In addition, owner-investors who own 3 or more rental units will be required to use a property manager to maintain those units.

F. Rates and Terms for Mobile Home Loans

Simple interest at a rate of zero percent (0%) will accrue from the time of rehabilitation. The loan will be a deferred payment and be fully due and payable upon sale of the unit, transfer of title, upon change in tenure from owner-occupant to rental, upon relocation of unit out of the city limits. After a period of five years from the date of recordation of the Rehabilitation Loan Agreement, the loan shall be forgiven.

G. Loan Default Policy

Loans are in default and due and payable: upon sale of property, transfer of title or when borrower no longer occupies the home as his/her principal residence.

Loans are also in default when the property taxes or insurance are not current. For all amortized loans, the City will comply with current lending practices in cases of non-payment. Because the CDBG Housing Rehabilitation Program is a loan program, the issue of defaults must be addressed. The program must seek to reconcile two sometimes conflicting goals: that of benefiting targeted income households and that of securing taxpayer money to recycle program funds.

While the policies outlined above state the conditions of default, the City can on a case by case basis accommodate crises that restrict a borrower's repayment ability. However, 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 current Loan Portfolio Policy and Procedures will be pursued.

H. Funding Source Methodology

The Loan Committee will select the funding source that is most appropriate for the loan under consideration. When selecting a funding source, the Loan Committee will consider, among other factors, the amount of funds available, whether or not the unit is owner-occupied, the total amount of the loan, any special circumstances, and the amount of program income on hand. If it is determined that CDBG would not be the most appropriate funding source, an alternate funding source (HOME or Redevelopment Agency Low-Income Housing Set-aside) will be used in accordance with applicable rules and regulations.

V. RENT LIMITATION AND TENANCY SCHEDULE AGREEMENT

A. CDBG-Assisted Units

Only rental units receiving CDBG funds are considered "CDBG-assisted units". Rent limits, tenant income eligibility, and occupancy rules will apply only to the CDBG-assisted units.

B. Affordability Period

Rental units assisted with CDBG funds are required to remain affordable for a minimum five-year period.

C. Prevailing Wages

Under certain circumstances the payment of State prevailing wages may be required for the rehabilitation of multi-family units (2-4 units). As a result, the following terms will be offered to prospective owner-investors for multi-family units:

1. If the owner-investor signs a five-year rent limitation agreement, prevailing wages will be required. The increased costs due to prevailing wages will be loaned to the borrower.
2. If the owner-investor signs a ten-year rent limitation agreement, prevailing wages will be required. One-half of the increased costs due to prevailing wages will be loaned to the borrower, the other half will be granted by the City.
3. If the owner-investor signs a twenty-year rent limitation agreement, prevailing wages will not be required per State law.

D. Maximum Rents

Under the RLA, owners will be prohibited from increasing rents above the rate established by the CDBG program. CDBG-assisted rental units must have rents not to exceed the lesser of the following:

1. Section 8 Fair Market Rent for comparable units (units with the same number of bedrooms) minus tenant paid utilities; or
2. Rents established at 30% of 80% area median income, minus tenant paid utilities, as determined by HUD.

E. Tenant Income Re-certification

The Rent Limitation Agreement requires that tenant income will be re-certified annually. The household may not be evicted due to income ineligibility.

F. Binding Terms and Conditions

If an owner-investor sells the property, conveys title or pays off the CDBG loan in full before the rent limitation term expires, the conditions in the RLA are still binding. The conditions and restrictions affecting the real property will run with the land and will be binding on all parties having or acquiring any right, title or interest in the property or any part thereof, including agents, personal representatives, mortgagors, heirs, assignors and all successors in interest. The owner-investor must agree that reference to this RLA will be inserted in any subsequent deeds and other legal instruments by which subject real property or any interest therein is conveyed.

VI. LOAN PAYMENT AND ASSUMPTION POLICIES

A. Loan Payments

Loan payments will be made to:

City of Yuba City
Attn: Finance Division
1201 Civic Center Blvd.
Yuba City, CA 95993

The local government will maintain a financial record-keeping system to record payments and file statements on payment status.

Loan payments will be accepted from borrowers prepaying deferred loans, from borrowers making amortized or interest only loan payments, and from borrowers making payments in full upon sale of the property or change in title. All loans are payable to: City of Yuba City

B. Assumption Policies: The Affect of Changes in Title and Occupancy

1. Change of title or occupancy: owner-occupant to owner-occupant
 - a. If the new owner-occupant is not low-income, the loan is not assumable. The loan balance is immediately due and payable.
 - b. If the new owner-occupant is low-income, the City may allow the purchaser to 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 Loan Committee.
2. Change of title or occupancy: owner-occupant to owner-investor
 - a. If an owner-occupant decides to rent his/her property or if the property is sold to an investor, the outstanding balance may be refinanced according to CDBG owner-investor terms and conditions with proper income and occupancy eligibility. Otherwise, the loan is due in full.
3. Change of title or occupancy: owner-investor to owner-occupant
 - a. If the CDBG-assisted rental property is sold to a low-income owner-occupant, the City may elect to restructure the loan according to owner-occupant terms.
 - b. If the CDBG-assisted rental property is sold to a non low-income owner-occupant, the loan is immediately due and payable.
 - c. If the original owner-investor moves into the property and is low-income, the City may elect to restructure the loan according to owner-occupant terms.

- d. If the original owner-investor moves into the property and is not an income eligible household, the loan is due and payable.
4. Change of title or occupancy: owner-investor to owner-investor
- a. If the CDBG-assisted rental property is sold to an owner-investor while the RLA is in force, the terms of the RLA will remain in force. The new owner-investor may pay the loan in full or assume all repayment obligations of the original owner-investor, subject to City approval of the written assumption request. If the new owner-investor chooses to payoff the CDBG loan, the RLA remains in force and all terms and conditions apply to the new owner.
 - b. If the CDBG-assisted rental property is sold to another owner-investor after the RLA has expired, the new owner-investor will pay the loan in full.

C. Conversion to Use other than Residential

If the use of the property is converted to nonresidential use, the CDBG loan balance is due and payable. If an owner-occupant operates a business from his/her CDBG but still lives there as his/her principle residence, loan terms are not affected.

VII. LOAN COMMITTEE

A. Committee Composition

The loan committee shall consist of at least 3 persons, including at least one city staff member.

B. Committee Role

The Loan Committee will review each application and will make decisions on the loan amount and terms to be utilized. Confidentiality of clients shall be maintained at all times and personal financial records will not be public information.

In order to meet the needs of affordable housing in Yuba City, the Loan Committee will review program guidelines annually and make recommendations for future changes.

C. Conflict of Interest Requirements

In accordance with Title 24, Section 570.611 of the code of Federal Regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making

responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the City Council.

VIII. LOAN APPROVAL AND CONSTRUCTION PROCESS

Applications will be accepted year-round until the goals of the program have been met and/or all funds have been committed. Generally, applications will be processed on a first-come, first-served basis. When the number of applications exceeds loan funds, the City will rank them according to rehabilitation and/or income need. Units with the greatest rehab need will be ranked first. Then, among applicants with similar rehab need, priority will be given to the lowest income households. All ranking will be completed in compliance with Fair Housing Act standards.

A. Outreach

Community members are informed of the details of the rehabilitation program and eligibility requirements through advertisements, public meetings, private interviews, program flyers distributed throughout the city, and other fair marketing efforts. Written information is provided in English and the primary language of any significant portion of target area residents. Bilingual personnel will conduct or assist with outreach and community meetings, as needed.

B. Loan Application

The Housing Rehabilitation Specialist holds private interviews with families to explain program requirements, documentation, and the rehabilitation processes, and when necessary, to assist in completing the application form. Required signatures are obtained, and the unit's rehabilitation needs are discussed. Additional documents may be obtained through the mail or follow-up visits.

C. Loan Packaging and Determining Rehabilitation Cost

Income and property eligibility analysis is carried out by the Rehabilitation Specialist. Elements include ordering a preliminary title report to evidence ownership and existing encumbrances, property value documentation (i.e., property profile, comparable market analysis, appraisal), and reviewing income and credit verifications.

The CDBG loan amount cannot cause the property to be encumbered more than 110% of the after-rehabilitated value. Property value will be determined by an appraisal whenever there are senior mortgages which encumber a large

portion of the value. In cases where the property is owned free and clear or encumbrances are small, qualified staff at the City or City's housing consultant may use recent local sales to determine the property's after rehab value.

When the property and income eligibility has been determined, the house is inspected. The Rehabilitation Inspector prepares a detailed work write-up and in-house cost-estimate. A Pre-bid conference Notice is sent out to licensed contractors on the CDBG program's interested contractor list. The Rehabilitation Inspector conducts a bid walk-through, reviews bids for their completeness, and reviews the results with the family. After the borrower selects the contractor, the Housing Rehabilitation Specialist prepares the CDBG loan recommendation.

D. Loan Approval

A loan package will be prepared that: confirms the applicant and property eligibility; documents the equity in and the encumbrances on the property; lists the breakdown of loan costs; and includes any other information particular to the case at hand. The package will then be submitted to the Loan Committee for consideration.

E. Document Signing

Upon notice that the City has approved the loan, the borrower signs the appropriate loan documentation and the deed is recorded. The City may utilize the services of a reputable Title and Escrow Company to assist with the recording of all appropriate legal documents and issuance of title insurance.

F. Work Commencement and Progress Payments

The homeowner and the contractor sign the Rehabilitation Construction Contract. The Housing Rehabilitation Inspector issues a Notice to Proceed, with a copy to the local building inspector. Work begins and a rehabilitation disbursement record is established to record all requests, disbursements and change orders.

The Rehabilitation Inspector reviews disbursement and change order requests with an inspection of work in place. Construction disbursement or change order funds cannot be released without the signatures of the homeowner and the contractor. Any necessary inspections with the City's building department will be coordinated.

G. Change Orders

All change orders require the approval of the owner, the contractor (if a contractor is involved) and the Rehabilitation Inspector. All three parties must

sign the change order form prior to commencement of the work proposed in the change order.

H. Work Completion

The Rehabilitation Inspector will conduct a final walk through with the homeowner and selected contractor to address any outstanding items. Upon completion of work and a final inspection by the local building inspector, a Notice of Completion is recorded at the County Recorder's Office.

I. Re-application Period

The re-application period applies to applicants whose applications have already been reviewed and decided upon by the Yuba City loan committee, but have not received assistance through the City's housing programs for various reasons. Returning applicants will be eligible to re-apply for the program one year from the date of the loan committee's final decision except in the case where the applicant has received a loan approval but fails to act in a timely manner, in which case the loan approval can be rescinded and the applicant may not be eligible to re-apply to the program. The loan committee will make the final decision in any such case.

IX. EXCEPTIONS/SPECIAL CIRCUMSTANCES

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines. Consideration of an exception/special circumstance may be initiated by the City or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The Loan Committee shall make a determination of the exception/special circumstances request at a regular or special meeting.

X. DISPUTE RESOLUTION/APPEALS PROCEDURE

Any person/family applying for a rehabilitation loan through the CDBG program has the right to appeal if their application is denied. In addition, during pre-construction, construction or post-construction periods, the applicant/borrower has a similar right to have any disputes heard and resolved.

Rehabilitation program representatives are primarily responsible to assure that the program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. Program representatives attend the meeting between the homeowner and the contractor when the contract documents are signed, and facilitate in the clarification and/or corrections of proposed work so a clear understanding is established between both parties.

During and after completion of construction, the contractor's work is monitored for code compliance by the City Building Inspector and for quality by the program representative's inspector.

The contractual obligation for rehabilitation is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:

Stage 1: Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each will give the other an opportunity to respond or correct the problem.

Stage 2: If the Stage 1 attempt fails, the homeowner or contractor may ask the program representative to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as seem appropriate, including such things as the establishment of written working guidelines, or other post-contractual agreement.

Stage 3: Involve the City. If the program representative is unable to satisfactorily resolve the homeowner-contractor differences, the homeowner, contractor, or program representative, will contact the staff person responsible for the program at the City in writing, detailing the problem. In cases of building code compliance or questions of construction quality, the building inspector might also be contacted.

It must be recognized that the homeowner has other options which they may chose to utilize, including the following:

- a. contacting the Contractors State Licensing Board and submitting a complaint;
- b. contacting the State Department of Housing and Community Development;
- c. using professional mediation or binding arbitration services;
- d. taking legal action.

It is hoped that the informal intervention process outlined above will offset other contractor and/or homeowner actions, and that every attempt is made to remedy problems and resolve differences before more drastic options are necessary. Any controversy between the parties that cannot be settled through the informal intervention process outlined above shall be settled by the owner and contractor through other options listed above.

XI. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

This program is subject to the "Relocation", Displacement and Acquisition" Amendment of the Housing and Community Development Act of 1977, URA and Section 104(d) of the Housing and Community Development Act of 1974. CDBG rehabilitation projects will not result in involuntary displacement.

A. Temporary Relocation Assistance: Owner-occupied properties

Owner-occupants participate in the CDBG program on a voluntary basis, and therefore, will not be eligible for relocation assistance under this program. Only if an extreme situation of hardship exists, such as when the owner is elderly, financially destitute, has no friends or family to assist with housing, all alternatives have been exhausted, and the relocation is necessary for medical reasons while substantial rehabilitation is occurring. If they are required to temporarily relocate during rehabilitation of their home, owner-occupants will be eligible for up to \$500.00 per household to help pay for relocation costs. The funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving and storing furniture. Relocation costs would not be part of the loan funds advanced to the borrower, but will be paid from the CDBG loan pool.

B. Temporary Relocation Assistance: Tenant-occupied properties

1. At time of application for assistance:

The first notice will be sent as soon as a loan application is received from the owner-investor. All tenants will receive a certified notice informing them not to move, that they will not be displaced because of the construction, that they may be eligible for temporary relocation benefits, and that if they are relocated then they are entitled to first choice for moving back into their current unit. They will also be informed that their after-rehabilitation rent and utility costs will not exceed the greater of: (a) their current rent/average utility costs, or (b) 30% of their average monthly gross household income.

Upon approval of the loan, all tenants will receive a second notice by certified mail. The second notice will inform them that they will or will not need to be relocated due to construction. If they do need to be temporarily relocated due to the rehabilitation, CDBG funds will be made available to reimburse for reasonable out-of-pocket relocation expenses. Tenants will be advised of the date and approximate duration of relocation; the addresses of suitable temporary housing; their rights to lease and occupy a suitable unit in the original building/complex after the completion of the rehabilitation project; and the financial assistance available to cover temporary relocation and moving costs.

2. During affordability period:

No tenant will be required to temporarily relocate without 90 days' advance written notice of the earliest date by which he or she may be required to move. And, the specific date for when the property must be vacated will be communicated in writing at least 30 days in advance. Lists of possible rental properties for temporary relocation will be offered.

When a rental property with an un-expired Rent Limitation Agreement is sold, and the existing tenant is required to move permanently, a 90-day notice to vacate must be provided and relocation costs must be paid to the vacating tenant(s) for the remaining period of affordability stipulated in the RLA. Relocation costs are equal to the difference between the tenant's rent under the RLA and what it will cost the tenant to rent a comparable unit in the local area.

(Contents of notices to tenants will adhere to requirements outlined in HUD Handbook, 1378, Tenant Assistance, Relocation and Real Property Acquisition.)

XII. CONTRACTING REQUIREMENTS

A. Role of the Local Government

The City of Yuba City is an equal opportunity, fair housing lender, providing affordable financing for housing rehabilitation performed in accordance with the adopted Program Guidelines. The City does not warrant any construction work, or provide any insurance coverage.

B. Contracting Process

Contracting will be done on a competitive bid basis. The owner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the owner in negotiating the contract. The owner has the right to select the contractor of their choice.

C. Approved Contractors

All contractors will be checked with HUD's federally debarred list of contractors; no award will be granted to a contractor on this list. Contractors are required to be licensed with the State of California and be active and in good standing on the Contractor's License Board list. Contractors must also have public liability insurance and when necessary, public liability insurance. Contractors must agree to comply with all CDBG federal and state regulations.

D. Acceptance of Work

Final payment will be made to the contractor when the building inspector has accepted the work, as evidenced by a final sign-off on the building permit, and items on the final punch list approved by the participant have been completed. At the time of the request for the payment of the final 10% retention, the contractor will provide either: 1) lien releases from all subcontractors, labors, materials and equipment rental; or 2) a copy of Notice of Completion recorded 35 days prior to request.

XIII. SELF-HELP CONSTRUCTION

Property owners may agree to participate in the construction by doing "self-help" rehabilitation to the structure. The "Work write-up" will indicate which tasks will be completed by the owner. Either the contractor's bid or the Rehabilitation Inspector's in-house cost estimate is the basis for determining the value saved by specifically itemized self-help tasks. The loan amount will include all items in the accepted bid (or in-house cost estimate), including self-help tasks. Upon completion of the total job, the labor saved through self-help will be a credit to the loan balance.

In all cases where the owner agrees to do parts of the job himself/herself, a contract will be signed by the owner specifying tasks and completion times. If the work is not completed in a timely manner, then the contractor working on the job may be asked to complete the work.

Value of leverage generated from self-help in the form of sweat equity will be determined using the cost difference between what the contractor would have charged and what the owner paid for in supplies. The cost difference or savings generated will be documented in the construction portion of the file.

XIV. Attachment "A" Current Income Limits

2005 HUD Income Limits
Adjusted for Family Size
SUTTER COUNTY

<i>Number of Persons in Family</i>								
Standard	1	2	3	4	5	6	7	8
80%	27,500	31,400	35,350	39,300	42,400	45,550	48,700	51,850
50%	17,200	19,650	22,100	24,550	26,500	18,500	30,450	32,400
30%	10,300	11,800	13,250	14,750	15,900	17,100	18,250	19,450

2005 Median Family Income: 46,600

XV. Attachment "B" CDBG Target Area Map

Target Area is City Wide. See Planning Division for current map of the City Limits.