

COMMUNITY DEVELOPMENT BLOCK GRANT
COUNTY OF EL DORADO
HOUSING REHABILITATION LOAN PROGRAM GUIDELINES

I. APPLICANT ELIGIBILITY

A. Conflict of Interest

In accordance with title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body of the locality and no other official, employee, or agent of the County government who exercises policy, decision-making functions (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies), or responsibilities in connection with the planning and implementation of the program shall directly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the County of El Dorado ends.

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 Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor.)

B. Income Eligible Property Owners

1. Owner Occupant – To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner(s) will be required to provide income documentation. (Attachment 1 - Annual Household Income Definition/Income Limits). All persons in the residence are considered household members for the purpose of income eligibility.
2. Owner Investor - There are no restrictions on the income of the owner investor. To be eligible, owners of rental property must rent to low-income households with incomes that are equal to, or less than, the applicable HCD income guidelines. All owners will be subject to a rent limitation agreement for a minimum of five years.
 - a. Tenant - If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation. (Attachment 1 - Annual Household Income Definition/Income Limits).

C. Occupancy

No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has been forced to move without cause the previous six months.

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D. Fair Housing

This program will be implemented in ways consistent with the County's commitment to Fair Housing. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.

E. Temporary Relocation

1. Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive increased housing costs, payment for moving and related and appropriate advisory services, as detailed in the County of El Dorado's "Residential Antidisplacement and Relocation Assistance Plan", Attachment 2 to these guidelines.
2. Owner occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the project coordinator/construction supervisor.

II. PROPERTY ELIGIBILITY

A. Location

Units to be rehabilitated must be located within the unincorporated areas of El Dorado County.

B. Rehabilitation Standards

All repair work will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards. Upon completion of rehabilitation work all units must meet, at a minimum, Housing and Urban Development Housing Quality Standards.

C. Property Investments

All improvements must be physically attached to the property and permanent in nature. General property improvements should be limited to 15% of the rehabilitation loan amount. Luxury items are not permitted.

D. Lead-Based Paint

El Dorado County excludes properties constructed prior to 1978 that fall under HUD Lead-Based Paint (LBP) Regulations, unless a grant will provide the funds necessary to do the repairs. Program participants rehabilitating homes constructed prior to January 1, 1978, will receive a copy of "Protect Your Family from Lead in Your Home" as disclosure notification concerning lead-based paint hazards. A visual inspection is required and if necessary a certified lead-based paint inspector will evaluate the unit for defective paint surfaces to ensure that all federal lead-

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based paint procedures, including any abatement, are followed according to Federal LBP regulations as listed in 24 CFR 35. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, if available, and should be considered through program design.

III. FINANCING

A. Owner Occupant

1. Limits – An eligible owner may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance with CDBG funds is \$40,000. Additional funds may be available on a case by case basis upon approval of the County and Loan Review Committee in order to complete required repairs. Total indebtedness against property will not exceed 95 percent of after rehabilitation value. Rehabilitation costs for CDBG-funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the County.
2. Types of Financing and Terms
 - a. Amortized Loans – Interest bearing loan at 3% simple interest per annum for up to 15 years, secured by a deed of trust, with either fully amortized principal and interest payments, interest-only payments or minimum affordable payments with periodic income reviews. Longer amortized loans may be approved by the LRC on a case by cases basis for qualified borrowers who are very-low income (defined as having an income that does not exceed 50% of El Dorado County’s Median Income, adjusted for household size) and show an inability to make higher monthly payments.
 - b. Deferred Payment Loans (DPL) – Interest bearing loan at 3% simple interest per annum secured by a deed of trust, with no payback required until the participant sells or transfers title or discontinues residence in the dwelling, unless sold or transferred to a targeted income group household (see IV A.2). Payments may be made voluntarily on a DPL.

Qualified borrower(s) for DPL must be either a senior (minimum age of 62) or a permanently disabled person who is receiving State and/or Federal benefits as the result of a long-term disability. In addition, borrower must be of low income (defined as having an income that does not exceed 80% of El Dorado County’s Median Income, adjusted for household size) and show an inability to make monthly payments.
 - c. Grants are limited to lead-based paint testing and/or abatement with a maximum \$7,500 per household. The total CDBG program funds distributed as grants shall not exceed \$40,000.

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3. Determining Eligibility
 - a. Applicants will be selected for assistance loans under CDBG on a first come, first served basis. All applicants will have to be approved by the County Loan Review Committee to be determined eligible.

B. Owner/Investor

1. All owner/investor rehabilitation properties will have a fully amortized loan with 5% simple interest per annum for maximum 15-year loan term.
2. Owners will be required to execute a rent limitation agreement (RLA) for five years upon closing of escrow.
 - a. Base Rent --Vacant: If the house is vacant, rent charges shall not exceed 30 percent of 80 percent County median income for the appropriate household size in that unit. In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule, as updated annually, while the RLA is in effect. Rents will be monitored on an annual basis.
 - b. Base Rent -- Occupied Unit: If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where before rehabilitation rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.
3. As specified in the RLA, an owner investor who participates in the program must maintain the property at post-rehabilitation conditions for a minimum of five (5) years. Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be instituted.

IV. RESIDENCY REQUIREMENTS

A. Owner Occupant

1. Owner occupants will be required to submit to the County between January 1 and the 15 of each year for the term of the loan:
 - a. Proof of occupancy in the form of a copy of a current utility bill.
 - b. Statement of unit's continued use as a residence.
 - c. Declaration that other titleholders do not reside on the premises.
2. In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.

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- a. If the owner occupant sells or otherwise transfers title of the property to a targeted income group household, the County will consider subordinating the loan and continuing all or part of the lien as a DPL or continuing the loan at the rate and terms the TIG household qualifies for under current participation guidelines.
 - b. If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted upon approval of the County, to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.
 - c. If the owner occupant dies and the heir is not income eligible, the loan is due and payable.
 - d. 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's restrictions, the heir may be permitted upon approval of the County, to assume the loan at the same rate and terms offered owner investors under current program guidelines. If the heir/owner investor does not comply with owner investor restrictions, the loan is due and payable.
3. If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the County in advance. If the County approves the conversion of an owner occupied unit to a rental, the owner will be required to comply with the provisions of the owner investors guidelines, including rent limitation provisions and financing arrangements.
 4. If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

B. Owner-Investor

1. If an owner-investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
2. An owner-investor may convert a rental property to his or her personal residence if all conditions below exist:
 - a. He or she can prove that the previous tenant was not evicted without cause.
 - b. He or she is income eligible.
 - c. He or she requests approval from the County.
3. If an owner investor converts a rental property, rehabilitated with CDBG funds, to his or her personal residence, but he or she is not income eligible, the loan is due and payable.
4. If an owner investor wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

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V. DEFAULT AND 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 County, and attached to these guidelines as Attachment 3. In accordance with County of El Dorado Board of Supervisor's Policy B-4, Collections, Recovery of Public Funds, borrowers in default of an obligation to the County shall cure the default in order to become eligible for further assistance.

VI. INSURANCE

A. Fire Insurance

The applicant shall maintain fire insurance on the property for the duration of the loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the County as Loss Payee for the amount of the loan(s). A binder shall be provided to the County.

In the event the applicant fails to make the fire insurance premium payments in a timely fashion, the County, at its option, may make such payments for a period not to exceed 60 days. The County may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the County make any payments, it may, in its sole discretion, add such payments to the principle amount that the applicant is obligated to repay the County under this program.

B. Flood Insurance

In areas designated by HUD as flood prone, as determined in 24 CFR 58.6(a), the owner is required to maintain flood insurance in an amount adequate to secure the Rehabilitation Loan. This policy must designate the County as Loss Payee. The premium may be paid by the Rehabilitation Loan for one year.

VII. LOAN OR GRANT APPROVAL

The CDBG Loan Review Committee must approve, by simple majority, all loans and grants. In order to obtain CDBG financing, applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to applicant in writing.

VIII. REPAIR CALLBACKS

In the event that a contractor must be called back to make corrections on rehabilitation work items that are not covered by the one-year warranty, the County has the option to cover the costs through the current CDBG construction budget prior to final loan closing. If the cost is not covered through the available construction budget and requires an increase in loan or grant funds, such increase must be approved by the Loan Review Committee.

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IX. PROGRAM COMPLAINT AND APPEAL PROCEDURE

Complaints concerning the CDBG Housing Rehabilitation Program should be made to the HCED Manger. The HCED Manager will then schedule a meeting with the CDBG Loan Review Committee. Their written response will be made within 15 working days. If the applicant is not satisfied with the Committee's decision, a request for an appeal may be filed with the Board of Supervisors. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

Grievances between participants and Program:

Any applicant denied assistance from the Program has the right to appeal this decision. The appeal must be made in writing to the County. The County has 30 days to review the appeal, seek recommendations from the Loan Review Committee or the Board of Supervisors, and respond in writing to the applicant.

Participants will be required to sign a Program Dispute Resolution procedure (Attachment 6) which provides the following steps toward reaching a resolution:

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining your reason for appeal. The appeal must be made in writing to:

El Dorado County
Department of Human Services, HCED Programs
3057 Briw Road, Suite A
Placerville, CA 95667
Attn: HCED Manager

El Dorado County has 30 days to review the appeal, seek recommendations from the Loan Review Committee or the Board of Supervisors, and respond in writing to the applicant.

If you are unable to reach an acceptable resolution with the County, you have a right to submit an appeal to the U.S. Department of Housing and Urban Development and/or to the Department of Fair Employment and Housing. This appeal must be made in writing to:

U.S. Department of Housing and
Urban Development
Assistant Secretary for Fair Housing
and Equal Opportunity
Washington, D.C. 20410

Department of Fair
Employment and Housing
2000 O Street, #120
Sacramento, CA 95814-5212

X. 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:

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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 attorneys' fees and costs of arbitration.

Participants will be required to sign a Dispute Resolution procedure (Attachment 7) which provides the steps toward reaching a resolution.

XI. CONTRACTING PROCEDURES

- All housing rehabilitation work must be carried out using the CDBG adopted housing rehabilitation guidelines.
- The County will prepare the bid package (Work Write-Up) and assist the homeowner in negotiating the contract.
- The homeowner will select the contractor.
- All contractors must be checked and cleared with HUD's federal debarred list of contractors.
- All contractors must be actively licensed and bonded with the State of California.
- All contractors must be actively licensed with the El Dorado County, if applicable.
- All contractors must have public liability insurance to the County's required limits, Worker's Compensation Insurance, unemployment and disability insurance.
- All contractors must comply with CDBG federal and state regulations.
- A Notice of Completion must be recorded with the County Recorder.

XII. SWEAT EQUITY

Participants who wish to perform sweat equity will sign a written commitment prior to close of escrow itemizing the work they will perform, a time schedule for completion and a dollar value of the contribution. Owners that contribute sweat equity that involves painting will not participate in activities that include the abatement or mitigation of lead paint hazards without first being trained on Safe Work Practices, at owners' expense, as required by HUD and provide documentation of such in the project file. The County reserves the right to determine if the owner is capable of owner/builder rehabilitation work.

Owner/builders are reimbursed for materials purchased which are verified by invoice or receipt and used on the job. Reimbursement occurs after the installation is verified by the Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor.

XIII. AMENDMENTS

Amendments to these guidelines may be made by the County and submitted to HCD for approval.

XIV. EXCEPTIONS

Exceptions to these guidelines will require County and HCD approval.

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XV. ATTACHMENTS

The following documents are attached and form a part of these guidelines:

- (1) Annual Household Income Definition/Income Limits
- (2) Residential Antidisplacement and Relocation Assistance Plan
- (3) CDBG Foreclosure Policy
- (4) CDBG Housing Conditions and Eligible Costs
- (5) Program Management
- (6) Program Grievance Resolution
- (7) Contractor Dispute Resolution

Attachment 1 ANNUAL HOUSEHOLD INCOME DEFINITION

Income eligibility will be subject to the Income Calculation and Determination Guide for Federal Programs published by the California Department of Housing and Community Development (HCD). The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All owner-occupant applicants or owner-investor tenants must have incomes at or below 80% of the County's area median income (AMI), adjusted for household size, as published by HCD. Annual Income, as defined in 24 CFR Part 5, is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. The link to the HCD Income Calculation and Determination Guide for Federal Programs is <http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>.

For the purposes of determining eligibility in accordance with HCD income guidelines, Annual Income will include:

- 1) Gross wages and salary before deductions.
- 2) Net money income from self-employment.
- 3) Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
- 4) Periodic cash benefits from public assistance and other compensation, including AFDC, SSI, Worker's Compensation, State Disability Insurance and Unemployment benefits.
- 5) Interest earned on savings and investments.

Annual Income will not include:

- 1) Noncash income such as food stamps or vouchers received for the purpose of food or housing.
- 2) Capital gains or losses.
- 3) One-time unearned income such as scholarship and fellowship grants; accident, health or causality insurance proceeds; prizes or gifts; inheritances.
- 4) Payments designated specifically for medical or other costs, foster children or their non-disposable income.

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- 5) Income from employment of children under the age of 18.
- 6) Payment for the care of foster children.

This is not meant to be a complete list. The County will make the final decision in situations where the classifications of income are not clear-cut. Any exceptions or other deviations from this definition of annual income will be considered by the County. Income verifications will be obtained through third-party verification where possible. In addition, the County of El Dorado will require, when necessary, certified Federal Income Tax documents for the most recent three years.

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INCOME LIMITS AND ELIGIBILITY

The calculation of income eligibility for owner-occupant applicants will include an evaluation of assets to the extent that such assets produce income (such as interest or rent). The County will also consider assets in its overall evaluation of the applicant's financial need, and may reject an applicant who is income qualified if the County determines the applicant is not financially needy. The County will not consider the value of the applicant's primary residence in making this determination. An evaluation of financial need will be based on the following criteria:

- The extent to which non-income earning assets could be readily converted to income earning assets.
- The liquidity of assets held by the applicant (i.e., the ability of the applicant to convert those assets to cash to finance the rehabilitation work or to borrow against the assets to obtain private financing).
- The extent to which the applicant relies on income from assets to meet basic living expenses (housing, food, clothing, and medical expenses for the applicant and the applicant's household) and whether the loss of income would jeopardize the applicant's ability to meet those basic expenses.
- Whether the applicant could afford to make payments at market interest rates on a privately financed loan secured by the applicant's assets.
- In most cases an applicant's debt-to-income ratio may not exceed 50%. Applicants exceeding 50% debt to income will be considered on a case-by-case basis by the County/Loan Review Committee.

Income will be defined subject to 24 CFR Part 5 as the gross amounts received from all sources for all adult household members, excluding one-time monetary gifts or winnings of \$100 or less. Income from business operations will be calculated as the difference between gross monetary receipts less actual monetary outlays related to business operations (but excluding depreciation or other deductible expenses for tax purposes that do not represent actual cash outlays).

Benefit to Target Income Group (TIG). Only households earning 80% or less of the County median income will be eligible for assistance under the proposed program. The benefit to targeted-income group households will be 100%. To ensure that lowest targeted income group households (households earning 50% or less of the County median income) benefit from the proposed program, the County will give first priority to very low-income loan applicants if there are more applicants than available funds, and will provide the most generous loan terms to very low-income applicants as financially necessary (deferred loans, longer amortization period, etc.).

CDBG PROGRAM INCOME LIMITS

FY 2011 Area Median Income \$ 75,100

<u>1 PERSON</u>	<u>2 PERSONS</u>	<u>3 PERSONS</u>	<u>4 PERSONS</u>
\$42,100	\$48,100	\$54,100	\$60,100
<u>5 PERSONS</u>	<u>6 PERSONS</u>	<u>7 PERSONS</u>	<u>8 PERSONS</u>
\$64,950	\$69,750	\$74,550	\$79,350

The program income limits will be updated annually to reflect current limits.

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Attachment 2

COUNTY OF EL DORADO

RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

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 source. Having been developed in response to both aforesaid federal legislations, this Plan is intended to inform the public of the compliance of the County of El Dorado with the requirements of federal regulations 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 County will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The County's governing body has adopted this plan via a formal resolution.

This Plan will affect rehabilitation 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 with in the unincorporated area of the county.

The County of El Dorado will provide permanent relocation benefits to all eligible "displaced" households either owner occupied or rental occupied units that are permanently displaced by the housing rehabilitation program (see Section E). In addition, the County 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 rehabilitation activities. 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 18, 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 County programs/projects will be implemented in ways consistent with the County's commitment to Fair Housing. Participants will not be discriminated against on the basis of religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.. The County 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 CDBG assisted activities.

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 County will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:

1. Stage rehabilitation of assisted housing to allow owner occupants and/or tenants to remain during rehabilitation.

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2. Encourage temporarily displaced owner occupants to move in with family or friends during the course of rehabilitation, since they are voluntarily participating and not entitled to relocation benefits, unless health and safety threats exist, as explained below.
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 replaced tenants.
4. Require owner investors who participate in assisted rehabilitation to agree to continue to rent to targeted income group tenant and agree to rent limitations, for a period of at least five years.
5. 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 alternate housing in the neighborhood.
6. Work with area landlords, real estate brokers, and/or hotel/motel management to locate vacancies for households facing temporary relocation.
7. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation 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 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 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.

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If temporary relocation benefits are not provided because the County 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 County 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 Residential Tenants: If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenant or the public, or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. The program administrator or construction supervisor will make determination of the need for temporary relocation. The temporary relocation period will not exceed 180 days. All conditions of temporary relocation will be reasonable. Any tenant required to relocate temporarily will be helped to find another place to live which is safe, sanitary and of comparable value. He or she may move in with family and friends and still receive full or partial temporary assistance.

A tenant receiving temporary relocation shall receive the following:

1. Increased 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 County determines that farther relocation is justified;
 - b. Packing, crating, unpacking, and uncrating of personal property;
 - c. Storage of personal property, not to exceed 12 months, unless the County 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 County determines to be reasonable and necessary, except the following ineligible expenses:

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- 1) Interest on a loan to cover moving expenses; or
- 2) Personal injury; or
- 3) Any legal fees or other cost for preparing a claim for a relocation payment or for representing the claimant before the County; or
- 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

D. Temporary Relocation of Owner Occupants: All rehabilitation work for owner occupants is voluntary and an owner occupant may only be eligible for temporary relocation benefits when his or her residential unit is approved for reconstruction or during rehabilitation that would endanger the health and safety of occupants if they remained in the house during rehabilitation. Determination of the need for temporary relocation will be made by the program administrator or construction supervisor. Allowable temporary relocation expenses are the same as those listed above for tenants.

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 to document that the owner occupant understands that they must relocate during the course of construction and what benefits they wish to be reimbursed for as part of their relocation.

E. Rehabilitation Activities Requiring Permanent Displacement: The County rehabilitation program will not typically trigger permanent displacement and permanent displacement activities fall outside of the scope of this plan. If a case of permanent displacement is encountered, then the staff responsible for the rehabilitation program will consult with County legal counsel to decide if they have the capacity to conduct the permanent displacement activity. If local staff does not have the capacity, then a professional relocation consultant will be hired to do the counseling and benefit determination and implementation. If local staff does wish to do the permanent displacement activity then they will consult and follow the HUD Relocation Handbook 1378.

F. Rehabilitation Which Triggers Replacement Housing: If the County rehabilitation program assists a property where one or more units are eliminated then under Section 104 (d) of the Housing and Community Act of 1974, as amended applies and the County 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 County 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 without in loss 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 County to provide funds for an activity that will directly result in such demolition or conversion, the County 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:

1. A description of the proposed assisted activity;

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2. The location on a map and approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than targeted income group dwelling units as a direct result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. The location on a map and approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the County will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as soon as it is available;
5. The source of funding and a time schedule for the provision of replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a targeted income group dwelling unit for at least 10 years from the date of initial occupancy; and
7. Information demonstration that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of targeted income group households in the county.

The County of El Dorado is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The County is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in §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.

- G. Record Keeping and Relocation Disclosures/Notifications: The County 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.

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 language. 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:

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1. General 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 (or another owned by the owner investor) upon completion of rehabilitation. The tenant will be informed that 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 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.
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.
3. Disclosure to Occupants of Temporary Relocation Benefits: This form is completed to document that the County is following its adopted temporary relocation plan for owner occupants and tenants.
4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the County 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.

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Attachment 3

EL DORADO COUNTY FORECLOSURE POLICY

Process for Loan Foreclosure:

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title or use without approval; 5) default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, 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. Lender 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 Lender 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 Lender 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 Lender 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 them selves. As long as there is sufficient value in the property, the Lender 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 Lender 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 Lender 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 Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

Lender As Senior Lien Holder:

When the Lender 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 Lender may consider foreclosure. Lender's staff will consider the following factors before initiating foreclosure:

- A. Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- B. Can the Borrower refinance with a private lender and pay off the Lender?

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- C. Can the Borrower sell the property and pay off the Lender?
- D. Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- E. 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 Lender 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 Lender to prevent foreclosure (such as, funds to bring a delinquent amortized payments current or pay off a DPL).

At the end of thirty days, the Lender 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 Lender 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 Lender 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 Lender 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 Lender could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

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Attachment 4

CDBG HOUSING CONDITIONS AND ELIGIBLE COSTS

ELIGIBLE PROPERTY TYPES

Eligible properties include the following:

- A one-to-four unit property (See 24 CFR Section 92.254 (a)(5)(ii)(A)(6) for special considerations).
- A condominium or cooperative unit.
- A manufactured home, including mobilehomes on single family lot.
- El Dorado County excludes properties constructed prior to 1978 that fall under HUD Lead-Based Paint Regulations, unless a grant will provide the funds necessary to do the repairs. Properties constructed prior to 1978 will be addressed for lead-based paint requirements prior to rehabilitation. Homeowners will receive a copy of “Protect Your Family from Lead in Your Home” and will be required to sign the Lead-Based Paint Disclosure. A certified lead-based paint inspector will evaluate the unit for defective paint surfaces to ensure that all federal lead-based paint procedures, including any abatement are followed.
- Properties located in areas designated as flood zones will not be eligible for rehabilitation if the cost to rehabilitate exceeds 50% of the market value of the structure before rehabilitation.

DEFINITION OF HOUSING CONDITIONS

SOUND – A unit that appears new or well maintained and structurally intact. The foundation should appear structurally undamaged and there should be straight rooflines. Siding, windows, and doors should be in good repair with good exterior paint condition. Minor problems such as small areas of peeling paint and/or other maintenance items are allowable under this category.

MINOR – A unit that shows signs of deferred maintenance, or which needs only one major component such as a roof.

MODERATE – A unit in need of replacement of one or more major components and other repairs, such as roof replacement, painting, and window repairs.

SUBSTANTIAL – A unit that requires replacement of several major systems and possibly other repairs (e.g. complete foundation work, roof structure replacement and re-roofing, as well as painting and window replacement.)

DILAPIDATED – A unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is none-existent, not fit for human habitation in its current condition, may be considered for demolition or at minimum, major rehabilitation will be required.

ELECTRICAL INSPECTION PROCEDURE

1. Number of service entrance conductor sets (two-wire – 120 volts, three wire 120/240 volts. Four-wire is three phase service and is not common in residences.)
2. Determine panel box conditions – missing knockouts, melted insulation, overheated fuses, missing connectors/bushings, rust, obstructed access, overloaded panel, no main service disconnect.
3. Inadequate/antiquated service – under 100 amps.

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ROOF INSPECTION PROCEDURE

1. Observe roof from ground and look for any unusual conditions:
 - a. Unevenness in roof line
 - b. Signs of leaks in eaves, soffits, facias, abnormal condensation.
 - c. Dryrot in facias, rafters or rafter tails
 - d. Flashings and roof drainage systems in good shape
 - e. Shingles missing or curled
 - f. Number of layers of roofing

2. On flat roofs check bubbles, blisters, cracks, spongy areas, and ponding water conditions.

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CDBG HOUSING CONDITION SURVEY

Applicant: _____ ADDRESS _____

Vacant _____ Yes _____ No _____ CITY _____

CONSTRUCTION TYPE

Wood Frame _____
 Masonry _____
 Mobile _____
 Modular _____
 Other _____

STRUCTURE TYPE

Single Family with Detached Garage _____
 Single Family with Attached Garage _____
 Duplex _____
 Other _____

#1 - FOUNDATION:

0 Existing foundation in good condition.
 10 Repairs needed
 15 Needs a partial foundation
 25 No foundation or needs a complete foundation. 10

#4 - WINDOWS/DOORS:

0 No repair needed.
 1 Broken window panes
 5 In need of repair.
 10 In need of replacement.

#2 - ROOFING:

0 Does not need repair
 5 Shingles missing
 5 Chimney needs repair
 10 Needs re-roofing
 25 Roof structure needs replacement and re-roofing. 10

#5 - ELECTRICAL:

0 No repair needed.
 5 Minor repair.
 10 Replace main panel.

#3 - SIDING/STUCCO:

0 Does not need repair.
 1 Needs re-painting.
 5 Needs to be patched and re-painted.
 10 Needs replacement and painting.
 10 Asbestos/Lead-Based.

Sound	9 or less
Minor	10 - 15
Moderate	16 - 39
Substantial	40 - 55
Dilapidated	56 and over

56 Dilapidated-a unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is nonexistent, not fit for human habitation in its current condition, may be considered for demolition or at a minimum, major rehabilitation will be required.

	#1 Foundation	#2 Roofing	#3 Siding/ Stucco	#4 Windows/ Doors	#5 Electrical	TOTAL
Points						

Comments: _____

Surveyor _____ Date: _____

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STANDARDS FOR ROOM AND BATHROOM ADDITIONS

UNIT SIZE	MAXIMUM # OF PERSONS IN HOUSEHOLD
SRO	1
0-BR	1
1-BR	2
2-BR	4
3-BR	6
4-BR	8
5-BR	10
6-BR	12

- Opposite sex children less than 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 mobile home units.

PROPERTY VALUE

The value of the CDBG-assisted unit after rehabilitation is not a consideration.

ELIGIBLE REHABILITATION COSTS

The following are eligible costs which may be paid or reimbursed with CDBG funds:

Development Hard Costs

- Work necessary to meet local building code requirements
- Work necessary to meet locally-adopted rehabilitation standards
- Energy-related improvements
- Lead-based paint hazard mitigation
- Improvements for handicapped accessibility
- Repair or replacement of major housing systems
- Repairs and general property improvements of a non-luxury nature not to exceed 15% of the total loan. Such repairs could be allowed on a limited basis and would have to be approved by the Loan Review Committee. General property improvements would be of the type that would allow the homeowner increased ability to remain housed. These repairs include carports, pothole repair, grading and graveling, removal of dilapidated storage units and replacement of garage door openers.
- Demolition costs (when part of the reconstruction of affordable housing)

Site Improvements and Utility Connections

- On-site infrastructure costs

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- Off-site utility connections from the property line to an adjacent street

Related Soft Costs (reasonable and necessary only)

- Architectural, engineering, specification writing or related professional services
- Financing costs, such as private lender fees and points, credit and title costs, recordation fees, building permits, legal fees, appraisals
- Relocation costs, if applicable

The following are ineligible costs which *will not* be paid or reimbursed with CDBG funds:

- Luxury improvements or upgrades
- Room additions, unless necessary to address overcrowding
- Reimbursement for repairs completed prior to CDBG funding approval
- Acquisition of land

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Attachment 5

PROGRAM MANAGEMENT

- Preparation of environmental and other documents for needed clearances prior to draw-down of any funds
- Market and outreach to potential applicants (includes notification of funding to waiting list applicants)
- Preparation of interested contractors list (includes Builders Exchange)
- Coordination of servicing agreements with escrow and title companies;
- Application intake, packaging, and processing;
- Credit, income, and employment verifications;
- Submission of staff recommendations to Loan Review Committee
- Escrow set-up
- Initial inspection
- Work write-ups
- Submission to property owner for three contractors bids (may be waived by homeowner upon written request with explanation)
- Construction monitoring – inspections must be done at any draw-down request to confirm work has been completed and in satisfactory condition
- Assurance in writing from contractor that necessary permits have been obtained
- Approval of contractor selection
- Contractor payment authorization
- Contract agreement between owner/contractor
- Change order review/process
- Prepare and obtain signatures on all necessary forms, including lending notices, loan agreements, contractor agreements, rehabilitation assistance agreements, etc.
- Close-out of loans
- Preparation of progress, performance, and financial reports to CDBG program
- Coordination of owner-builder activity
- Approval or denial of loan applications by the Loan Review Committee
- Maintenance of program administrative files for each loan for the life of the loan
- Annual monitoring of homeowner eligibility and insurance
- Loan servicing, including delinquencies and foreclosures
- Administration of program income accounts, including the re-lending of program income for eligible activities
- Coordination of program audits by State

Inspection and Contractor Selection. If the household is found to be eligible using the criteria of the jurisdiction, an inspection of the dwelling will be made by an inspector of the Department of Human Services. The findings from the initial inspection will be used to develop a work write-up, which includes a detailed description of the repair work needed or the type of allowable replacement cost estimate. Upon completion of the work write-up, the inspector will review the scope of repairs with the owner, who may then request modifications to the work write-up, provided that all work is completed in compliance with program guidelines. The County may require applicants to obtain up to three bids to be included with the Loan Review Committee's file prior to its decision on a loan application.

The County will develop a list of contractors who are interested in the program, and will submit contractor's names and license numbers to HCD to verify that licenses are current and in good-standing and that the

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contractors are not on the state/federal list of debarred or suspended contractors. The list of interested contractors considered eligible to participate in the program will be provided to the owner.

Bid packages will be prepared by the County Department of Human Services/inspector and provided to the homeowners. The owner will be given a copy of the list of interested contractors, but will not be limited to that list in the solicitation of bids.

When bids have been received, the County will confer with the owner and the selection will be made by the owner. If the contractor preferred by the owner is not on the list provided by the County, the County will perform the necessary reviews to determine the eligibility of the owner's preferred contractor.

Although the selection of contractors is the responsibility of the homeowner, it is important for program representatives to sufficiently involve themselves in the bidding process to ensure that experienced contractors with the financial ability to complete the projects for which they enter into contracts are selected. To achieve this objective, the County will prepare bid documents and provide them to the homeowner. Once bids are received, the County will review them with the owner and will provide the owner/participant with the benefit of any observations which the County deems relevant.

Upon completion of all rehabilitation work units must meet, at a minimum, Housing and Urban Development Housing Quality Standards based on HUD Housing Quality Standards guidelines. Any rehabilitation work that requires a permit will comply with Uniform Building Code standards and be approved and signed off by a qualified County Building Inspector.

Inspection and Monitoring of Construction Work. The County will perform rehabilitation inspections on a regular basis to ensure that the terms of the contract between the homeowner and the contractor are being followed. Prior to authorizing any progress payments for work of a code-related nature, the County will require that an inspection by the building department take place and that the contractor submits appropriate evidence of County approval of the work that was performed.

All construction contracts will be required to contain a clause obligating the program participant and the contractor to obtain the approval of the County prior to ordering any changes in the work to be performed by the contractor. Contractors will be informed that if they make field changes without approved change orders, payments will not be authorized for the modified work and they will still be required to perform the work specified in the contract.

The County will ensure that notices of completion are completed in a timely manner and recorded. Recorded copies will be maintained on file for each program participant. To ensure that the notice of completion is executed, the County will withhold the final payment to the contractor until the recorded notice of completion is signed by the homeowner and presented to the County.

Loan Terms. The availability of reasonably priced financing is as important in most cases as the specific terms of that financing. The loan terms are based on the premise that providing affordable financing up-front does not necessarily require the County to provide a permanent subsidy to the benefited household in the form of a no-interest-rate loan or grant. The program does not assume that low-income households, as a general rule, cannot afford to make loan payments.

- Loans will carry interest rates of three percent.

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- The typical loan term available to qualified applicants is 15 years. The County will reserve the right to lengthen the amortization period, or to allow interest only payments or other minimum affordable payments, if the Loan Review Committee finds that a household would have to spend a substantially high percentage of income on housing expenses.
- The County/Loan Review Committee shall consider the following criteria in determining whether a household is devoting a substantially high percentage of income to housing:
 - Housing payments, defined as mortgage, utilities allowance (not to exceed Section 8 housing utility allowance schedule), property insurance, property taxes.
 - Housing payments exceed 50% of applicant's income.
 - Housing payments do not leave sufficient income for other necessary living expenses.
 - The housing expense ratio is an important underwriting criterion because this ratio has a direct bearing on the applicants' ability to make payments on existing mortgages. Applicants who spend in excess of 50 percent of their incomes on housing expenses will only be given a loan if they have good credit, a good mortgage payment history, and can show at least 10 percent equity in the property after rehabilitation.

Debt-to-Income Ratio: In most cases an applicant's debt-to-income ratio may not exceed 50%. Applicants exceeding 50% debt to income may be approved on a case-by-case basis by the County/Loan Review Committee.

Loan Security. In all cases, the security for the loan is the property. For this reason, it is important to determine the value of the property so that the jurisdiction will know in advance the security upon which the loan will be based. This value is determined by estimating the actual value of the property, calculating the Loan-to-Value Ratio, and determining in what position the loan will be.

1. Value Determination

The equity position that the jurisdiction would take in any given loan is derived from the property value. This value can be determined by a number of different methods, each of which costs a different amount to obtain. The methods used in this program are as follows.

- **Assessed Value:** The most conservative and inexpensive method is to use the assessed value as indicated in the preliminary title Report. Unfortunately, many properties have not been assessed for years and the values may be far below actual values. To obtain a more realistic estimate of current market value from the assessed value, a 2% per year level of appreciation is added. This is typically conservative, yet allows for at least a minimal level of appreciation. This method is used when the resulting value provides a satisfactory loan-to-value ratio.
- **Market Analysis:** For this method, a real estate agent who is familiar with the local market is asked to provide an after rehabilitation estimate of the market value of the property. This method typically provides a fairly accurate estimate and can be done for a relatively low fee anywhere from \$100-250. This method is used when the assessed value method does not provide a satisfactory loan-to-value ratio.
- **Appraisal:** this is the most reliable and most expensive method. The cost of the appraisal may be added into the loan amount if the loan is approved and closed.
- **Other Method(s):** Other methods as developed and approved by HCD and the County to determine loan security.

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2. Loan-to-Value Ratio

The loan-to-value ratio is the primary method of determining the jurisdiction equity position and is calculated by dividing the total outstanding loans, liens, and judgments by the value of the property after rehabilitation. For example, if an applicant had \$90,000 in outstanding debt and a property value of \$100,000, the property would have a 90 percent loan-to-value ratio.

3. Loan Position

The secondary consideration in determining the jurisdiction's equity position is the number of loans, liens, and judgments, which appear ahead of the jurisdiction's loan. A loan in fourth position in which the owner is left with 20 percent equity is not as secure as a loan in second position with the same amount of equity.

4. Loan-to-Value Guidelines

- **95%.** This typically will be the maximum ratio and will only be allowed when the owner has good credit, good mortgage payment history (no late payments in last 12 months), a clean title report, a housing expense ratio of less than 50%, and the loan must be no lower than third position.
- **90%.** This will be the maximum allowed for the typical applicant with medium risk level (i.e., a fair credit history) with a housing expense ratio of not more than 60%. The loan must not be in a position lower than third.
- **80%.** This will be the maximum allowed for applicants with poor credit, poor mortgage payment history, a housing expense ratio of not more than 75%, and the loan must not be in a position lower than fourth.

Requests for Subordinations. When a Borrower wishes to refinance the property, they must request a subordination request to the Lender. The Lender will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the family with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance agency, the request will be considered by the Loan Review Committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

Marketing. The County will market the program through advertisements in local newspapers. Flyers are posted at the local markets and post offices. Flyers are sent to those on the waiting list to provide notice of funding to apply.

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Attachment 6



EL DORADO COUNTY
DEPARTMENT OF HUMAN SERVICES

*Housing, Community and
Economic Development Programs*

Daniel Nielson, M.P.A.
Director

Program Grievance Resolution

Once your completed application has been received it will be reviewed and prepared for submission to the Loan Review Committee. The Committee will determine final applicant eligibility.

Once the Loan Review Committee makes a determination you, the applicant, will be notified in writing of this decision. The notification will include confirmation that your application has been either approved or denied. Should your application be approved, the loan amount and terms will also be included in the notice. A denial notification will include the specific reason for denial.

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining your reason for appeal. The appeal must be made in writing to:

El Dorado County Department
HCED Programs
3057 Briw Road, Suite A
Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Loan Review Committee or Board of Supervisors, and respond in writing to the applicant.

If you are unable to reach an acceptable resolution with the County, you have a right to submit your appeal to the U.S. Department of Housing and Urban Development and/or to the Department of Fair Employment and Housing. This appeal must be made in writing to:

U.S. Department of Housing and
Urban Development
Assistant Secretary for Fair Housing
and Equal Opportunity
Washington, D.C. 20410

Department of Fair Employment
and Housing
2000 O Street, #120
Sacramento, CA 95814-5212

Applicant Signature

Print Name

Date

Co-Applicant Signature

Print Name

Date

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Attachment 7



EL DORADO COUNTY
DEPARTMENT OF HUMAN SERVICES

Daniel Nielson, M.P.A.
Director

*Housing, Community and
Economic Development Programs*

Dispute Resolution

When you sign your loan documents, you will also sign an agreement to follow a process for resolving disputes, should they arise, between you and the contractor(s) you select to perform the rehabilitation work on your house. Please bear in mind that the County of El Dorado, hereafter called “Lender”, facilitates the rehabilitation of your house by providing you with low-cost financing but is not legally responsible for ensuring the performance of the contractor(s) you select or enforcing the terms of your contract. The Lender is not your agent or employee.

You, the homeowner, have the primary responsibility for ensuring that the contractor completes the work in a satisfactory manner according to the specifications of the approved bid and in compliance with applicable building codes. This is an important distinction, because it is possible for rehabilitation work to comply with the minimum requirements of the building code but not comply with the terms of your contract or meet your expectations.

As a consequence, there may arise instances in which a dispute, or difference of opinion, cannot be resolved strictly between you and the contractor. In such instances, a representative of the Lender may assist in resolving the dispute according to the following procedures. This process may be used at any time during or following the completion of construction. It is important that you follow this process, because if you do not, you may be in violation of the Housing Rehabilitation Loan Program Agreement and in default of your loan.

1. Contact your contractor and state your complaint in writing. Before contacting the Lender, you must first communicate your dispute to the contractor and attempt to have the contractor resolve your complaint. It will be helpful if you list your problems with the contractor’s work in writing and give the contractor a copy of this list. We advise you to immediately communicate to your contractor any problems you may have with his or her work, as delay may increase the difficulty or expense involved in correcting the problem. Be sure to send a copy of your written complaint to the Lender.
2. Contact the Lender if the contractor is unwilling to address your complaint. If you are unable to reach an acceptable resolution of your problem with the contractor, contact the Lender so that a representative can visit your house and inspect the disputed work. If your problem involves a question of building code compliance, you must also contact your local building department to bring the problem to their attention. The Lender will then determine whether the contractor’s work is in compliance with the terms of your contract and, in consultation with the local building department, whether the work meets building code requirements.

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If the Lender, in consultation with the local building department, finds that the contractor's work does not comply with your contract or the building code requirements, the Lender will advise the contractor to correct the problem or face cancellation of your contract. If the contractor refuses to correct the problem, you will then be advised to select another contractor to correct the deficiency and complete the remaining work. If, however, the Lender finds that the contractor's work complies with the terms of your contract and the local building codes, the Lender may require that you approve payment to the contractor or face cancellation of your loan. Please be aware that if you fail to approve payment to the contractor, the contractor may place a lien against your property. The Lender reserves the right to pay the contractor for work completed from your loan escrow account.

3. File a written complaint with the Contractors State License Board. Whether or not you agree with the Lender's findings, you may file a written complaint with the California Contractors State License Board and seek to recover monetary damages from the contractor's bond. The Lender will advise you on how to file such a complaint. Remember that if the Lender determines that the contractor's work has been satisfactorily completed, and you still refuse to authorize payments to the contractor, the Lender may cancel your loan.

4. This process covers work approved by the Lender only. Only rehabilitation work approved by the Lender and included in the work write-up and bid package (including any changes to those documents authorized by the Lender), is covered by this dispute resolution process. Any other rehabilitation work you may authorize is not the responsibility of the Lender, and disputes arising from such work will not be covered by the terms of your loan. You will still be responsible for completing rehabilitation work covered by your loan in a timely manner, even if you have a dispute with the contractor involving other rehabilitation work.

Applicant Signature	Print Name	Date
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Co-Applicant Signature	Print Name	Date
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