

# **COUNTY OF BUTTE**

## **HOUSING REHABILITATION ASSISTANCE PROGRAM (Community Development Block Grant)**

**PROGRAM GUIDELINES  
Amended September 10, 2019**



**COUNTY OF BUTTE  
OWNER-OCCUPIED HOUSING REHABILITATION  
PROGRAM GUIDELINES**

**TABLE OF CONTENTS**

- 1.0. GENERAL**
  - 1.1. PROGRAM OUTREACH AND MARKETING
  - 1.2. APPLICATION PROCESS AND SELECTION
  - 1.3. LOAN PROCESS
  - 1.4. CONFLICT OF INTEREST REQUIREMENTS
- 2.0. APPLICANT QUALIFICATIONS**
  - 2.1. INCOME LIMITS
  - 2.2. INCOME QUALIFICATION CRITERIA
  - 2.3. HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS
- 3.0. PROPERTY ELIGIBILITY**
  - 3.1. CONDITIONS
  - 3.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
  - 3.3. NOTIFICATIONS AND DISCLOSURES
- 4.0. THE PROGRAM LOAN**
  - 4.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
  - 4.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS
  - 4.3. RATES AND TERMS
  - 4.4. GRANTS
  - 4.5. APPRAISAL
  - 4.6. INSURANCE
  - 4.7. LOAN SECURITY
- 5.0. PROGRAM LOAN SERVICING AND MAINTENANCE**
  - 5.1. PAYMENTS ARE VOLUNTARY FOR DEFERRED-PAYMENT LOANS
  - 5.2. RECEIVING LOAN REPAYMENTS
  - 5.3. LOAN SERVICING POLICIES AND PROCEDURES
  - 5.4. LOAN MONITORING PROCEDURES
  - 5.5. DEFAULT AND FORECLOSURE
  - 5.6. SUBORDINATIONS
- 6.0. CONSTRUCTION**
  - 6.1. STANDARDS
  - 6.2. ELIGIBLE CONSTRUCTION COSTS
  - 6.3. ELIGIBLE PROJECT COSTS
  - 6.4. REPAIR CALLBACKS
  - 6.5. SWEAT EQUITY
- 7.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**
  - 7.1. AMENDMENTS
  - 7.2. EXCEPTIONS
- 8.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**
  - 8.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE
  - 8.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

**COUNTY OF BUTTE  
OWNER-INVESTOR HOUSING REHABILITATION  
PROGRAM GUIDELINES**

**TABLE OF CONTENTS**

**9.0. GENERAL**

- 9.1. PROGRAM OUTREACH AND MARKETING
- 9.2. APPLICATION PROCESS AND SELECTION
- 9.3. LOAN PROCESS
- 9.4. CONFLICT OF INTEREST REQUIREMENTS

**10.0. APPLICANT QUALIFICATIONS**

- 10.1. INCOME LIMITS
- 10.2. INCOME QUALIFICATION CRITERIA
- 10.3. HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS

**11.0. PROPERTY ELIGIBILITY**

- 11.1. CONDITIONS
- 11.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
- 11.3. NOTIFICATIONS AND DISCLOSURES

**12.0. THE PROGRAM LOAN**

- 12.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
- 12.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS
- 12.3. RATES AND TERMS
- 12.4. GRANTS
- 12.5. APPRAISAL
- 12.6. INSURANCE
- 12.7. LOAN SECURITY

**13.0. PROGRAM LOAN SERVICING AND MAINTENANCE**

- 13.1. PAYMENTS ARE VOLUNTARY FOR DEFERRED-PAYMENT LOANS
- 13.2. RECEIVING LOAN REPAYMENTS
- 13.3. LOAN SERVICING POLICIES AND PROCEDURES
- 13.4. LOAN MONITORING PROCEDURES
- 13.5. DEFAULT AND FORECLOSURE
- 13.6. SUBORDINATIONS

**14.0. CONSTRUCTION**

- 14.1. STANDARDS
- 14.2. ELIGIBLE CONSTRUCTION COSTS
- 14.3. ELIGIBLE PROJECT COSTS
- 14.4. REPAIR CALLBACKS
- 14.5. SWEAT EQUITY

**15.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

- 15.1. AMENDMENTS
- 15.2. EXCEPTIONS

**16.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

- 16.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE
- 16.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

**COUNTY OF BUTTE  
OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM GUIDELINES  
DISASTER ADDENDUM**

**TABLE OF CONTENTS**

- 17.0. GENERAL**
  - 17.1. PROGRAM OUTREACH AND MARKETING
  - 17.2. APPLICATION PROCESS AND SELECTION
  - 17.3. LOAN PROCESS
  - 17.4. CONFLICT OF INTEREST REQUIREMENTS
- 18.0. APPLICANT QUALIFICATIONS**
  - 18.1. INCOME LIMITS
  - 18.2. INCOME QUALIFICATION CRITERIA
  - 18.3. HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS
- 19.0. PROPERTY ELIGIBILITY**
  - 19.1. CONDITIONS
  - 19.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
  - 19.3. NOTIFICATIONS AND DISCLOSURES
- 20.0. THE PROGRAM LOAN**
  - 20.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
  - 20.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS
  - 20.3. RATES AND TERMS
  - 20.4. APPRAISAL
  - 20.5. INSURANCE
  - 20.6. LOAN SECURITY
- 21.0. PROGRAM LOAN SERVICING AND MAINTENANCE**
  - 21.1. RECEIVING LOAN REPAYMENTS
  - 21.2. LOAN SERVICING POLICIES AND PROCEDURES
  - 21.3. LOAN MONITORING PROCEDURES
  - 21.4. SUBORDINATIONS
- 22.0. CONSTRUCTION**
  - 22.1. STANDARDS
  - 22.2. ELIGIBLE CONSTRUCTION COSTS
  - 22.3. ELIGIBLE PROJECT COSTS
  - 22.4. REPAIR CALLBACKS
  - 22.5. SWEAT EQUITY
- 23.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**
  - 23.1. AMENDMENTS
  - 23.2. EXCEPTIONS
- 24.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**
  - 24.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE
  - 24.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

**COUNTY OF BUTTE  
OWNER-INVESTOR HOUSING REHABILITATION PROGRAM GUIDELINES  
DISASTER ADDENDUM**

**TABLE OF CONTENTS**

- 25.0. GENERAL**
  - 25.1. PROGRAM OUTREACH AND MARKETING
  - 25.2. APPLICATION PROCESS AND SELECTION
  - 25.3. LOAN PROCESS
  - 25.4. CONFLICT OF INTEREST REQUIREMENTS
- 26.0. APPLICANT QUALIFICATIONS**
  - 26.1. INCOME LIMITS
  - 26.2. INCOME QUALIFICATION CRITERIA
  - 26.3. HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS
- 27.0. PROPERTY ELIGIBILITY**
  - 27.1. CONDITIONS
  - 27.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
  - 27.3. NOTIFICATIONS AND DISCLOSURES
- 28.0. THE PROGRAM LOAN**
  - 28.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
  - 28.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS
  - 28.3. RATES AND TERMS
  - 28.4. APPRAISAL
  - 28.5. INSURANCE
  - 28.6. LOAN SECURITY
- 29.0. PROGRAM LOAN SERVICING AND MAINTENANCE**
  - 29.1. RECEIVING LOAN REPAYMENTS
  - 29.2. LOAN SERVICING POLICIES AND PROCEDURES
  - 29.3. LOAN MONITORING PROCEDURES
  - 29.4. SUBORDINATIONS
- 30.0. CONSTRUCTION**
  - 30.1. STANDARDS
  - 30.2. ELIGIBLE CONSTRUCTION COSTS
  - 30.3. ELIGIBLE PROJECT COSTS
  - 30.4. REPAIR CALLBACKS
  - 30.5. SWEAT EQUITY
- 31.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**
  - 31.1. AMENDMENTS
  - 31.2. EXCEPTIONS
- 32.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**
  - 32.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE
  - 32.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

**COUNTY OF BUTTE  
HOUSING REHABILITATION  
PROGRAM GUIDELINES**

**ATTACHMENTS TABLE OF CONTENTS**

- ATTACHMENT A: 24 CFR PART 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS
- ATTACHMENT B: ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS
- ATTACHMENT C: FAMILY INCOME LIMITS, STANDARDS TO ALLEVIATE OVERCROWDING
- ATTACHMENT D: RESIDENTIAL ANTIDISPLACEMENT AND RELOCATION ASSISTANCE PLAN
- ATTACHMENT E: LOAN SERVICING POLICIES AND PROCEDURES
- ATTACHMENT F: FORECLOSURE POLICY
- ATTACHMENT G: CERTIFICATIONS OF OCCUPANCY, OWNER-OCCUPIED AND OWNER-INVESTOR
- ATTACHMENT H: LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM

**OWNER-OCCUPIED**

**HOUSING REHABILITATION**  
**PROGRAM GUIDELINES**

**COUNTY OF BUTTE**  
**OWNER-OCCUPIED**  
**HOUSING REHABILITATION**  
**PROGRAM GUIDELINES**

**1.0. GENERAL**

The County of Butte, hereinafter referred to as the “County”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the “Program” is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area, as described in Section 3.0. The Program provides this assistance for the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as “housing unit”. The Program will be administered by an Administrative Subcontractor, hereinafter referred to as the “Program Operator”.

**1.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, be excluded, denied benefits or subjected to discrimination under the Program. The County will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and Spanish, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
  
- B. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Operator will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.



## 1.2. APPLICATION PROCESS AND SELECTION

### A. Waiting List/Homeowner Contact

The County and/or Program Operator will utilize a waiting list. In response to a homeowner's request, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by waiting list priority (a first-come, first served basis). Certain exceptions are made for emergency grants. See section 4.4..

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

### B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documentation. An interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. Verifications are obtained for income, assets, employment, benefits, and mortgage. Title report and appraisals are also obtained.

### C. Household Selection

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

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

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

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 6.1.F & G) and cleared by a certified LBP inspector/assessor. **Note: CDBG projects shall refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.**

Measurements and observations are noted about the property, including special

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

Findings are noted on an inspection form, and later used by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator who has years of experience in the building industry, and in reviewing contractor bids and verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

#### E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Program Operator is to keep a list of eligible contractors. Butte County contractors will be encouraged to request placement on the list through an on-going outreach effort provided by the Program Operator. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers' Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least \$1,000,000.

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

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

#### F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction, a contingency fund, and other project costs (listed in Section 6.3.). The Loan Review Committee will review the loan request for approval. Section 1.3 provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

G. Pre-Construction Conference

A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

H. Start-Up/Field Inspections

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

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

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted. Homeowner's "sweat equity" commitment will also be checked, if any. **See section 6.1.E.**

I. Change Orders

Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the County's Loan Review Committee for approval prior to Program Operator signing-off on the change order.

J. Progress Payments

Ninety percent (90%) of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner and notifies the Program Operator that he/she has done so. Upon favorable inspection by the homeowner, Program Operator, and County or County's Building Inspector, the payment authorization is signed by the homeowner and submitted for payment.

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

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

**1.3. LOAN PROCESS**

The County's Loan Review Committee, which consists of one staff from the Development Services Department, one staff from the Administration Department, and two Board of Supervisors, must approve all loans and grants. While the County has established a standard not to exceed 95 percent of after-rehabilitation value, the Loan Review Committee may approve assistance with financing exceeding this limit as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed. In all cases the maximum assistance for rehabilitation/reconstruction will not exceed \$190,430 for CDBG-funded programs.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

**1.4. CONFLICT OF INTEREST REQUIREMENTS**

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

No member of the governing body of the County and no other official, employee or agent of the County who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly be eligible for this program, unless the application for rehabilitation assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the County 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 Program Operator to be part of the scope of work. Owner/builders are not reimbursed for labor.

**2.0. APPLICANT QUALIFICATIONS**

## 2.1. INCOME LIMITS

All homeowners must certify that they meet the household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County's area median income (AMI), adjusted for household size, as published by HCD each year. **See Attachment C.**

The link to the official HCD-maintained income limits for CDBG Funded activities is: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/2019-CDBG-Income-Limits.pdf>

**Household:** means one or more persons who will occupy a housing unit. Unborn children don't count in family size determination.

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

### 2.1.1 OWNER-OCCUPIED REQUIREMENTS

To be eligible, household income must be equal to or less than the applicable HCD income limits. Owner will be required to provide income documentation. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. **See Attachment A.** Refer to Asset Inclusions and Exclusions for further guidance to the types of assets to be included or excluded when calculating gross annual income. **See Attachment B.**

Owner-occupants' housing and/or debt ratios are not considered, nor is a credit report required. However, a credit report may be obtained to verify information contained in the application. If an owner-occupant has a mortgage, it is verified that all payments are current and that no late payments have been received in the past twelve months.

### 2.1.2 LIFE ESTATE

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

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

### 2.1.3 LIVING TRUST

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

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

## 2.2. INCOME QUALIFICATION CRITERIA

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

### A. HOUSEHOLD INCOME DEFINITION:

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

The link to Annual Income Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml>

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

### B. ASSETS:

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

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

market value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml>

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

## **2.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS**

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

### **2.3.1 OWNER-OCCUPIED**

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

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

- C. If a homeowner converts the property to a rental unit, or any commercial or non-residential use, the loan is due and payable, unless the loan was funded with CDBG and tenant and homeowner meet eligibility requirements as described in Section 10.3.1.

## **3.0. PROPERTY ELIGIBILITY**

### **3.1. CONDITIONS**

- A. No unit will be eligible if a household's income exceeds the prescribed income limits listed in **Attachment C**.

- B. Units to be rehabilitated must be located within the unincorporated areas of the County's jurisdiction.
- C. Property must contain a legal residential structure intended for continued residential occupancy.
- D. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. Section 8 Housing Quality Standards may be required on rentals by County when CDBG funds are used.

### **3.1.1 MOBILE HOMES (CDBG only)**

Only \$100,000 of the total annual rehabilitation assistance portfolio is to be used for mobile homes or manufactured homes not on a permanent foundation. The \$100,000 is determined on a first-come, first-served basis.

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

Owner-occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Program Operator. In cases where relocation is determined to be necessary by the County/Program Operator, assistance may be provided for actual costs incurred from the applicant's loan proceeds or as a grant (see **Section 4.4. for allowable grants**).

### **3.3. NOTIFICATION AND DISCLOSURES**

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

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

### **4.0. THE PROGRAM LOAN**

#### **4.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. The maximum loan amount shall not exceed \$100,000 per property assisted. The Loan Review Committee may approve assistance that exceeds this amount on a case-by-case basis. **See Attachment C.** In all cases the maximum assistance for rehabilitation/reconstruction will not exceed \$190,430 for CDBG-funded programs.

#### **4.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS**



- A. Total indebtedness against property shall not exceed 95 percent of after-rehabilitation value as determined by “Estimates of value” or an appraisal. The Loan Review Committee may approve assistance that exceeds the 95 percent after-rehabilitation value as needed on a case-by-case basis. **See Section 1.3.** An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in **Section 4.5.**
- B. Costs may be supplemented with personal financing and/or credit will be provided for volunteer labor (“sweat equity”) valued at \$10 per hour as per Section 6.1.E., or with other loan or grant programs, which are sources of leverage for the County.
- C. Any bid within 10% of the Program Operator’s estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

### 4.3. RATES AND TERMS

#### 4.3.1. OWNER-OCCUPANTS

- A. Deferred Payment Loans – For loans funded with CDBG, all owner-occupant participants with incomes below 80% of area median income (AMI) for Butte County are eligible for 0% interest Deferred Payment Loans (DPL), which will not exceed current equity.

If it is determined by the County that repayment of a loan at the maturity date causes a hardship to the homeowner, the County may opt the following subject to approval by the Loan Review Committee:

1. Amend the note and deed of trust to defer repayment of the amount due at maturity, that is balance of the original principal plus the accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time;
  2. Convert the debt at loan maturity; that is the balance of the original principal plus any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.
- B. If the homeowner dies, and if the heir(s) to the property live(s) in the house and is/are income eligible, the heir(s) may be permitted, upon approval of the County, to assume the loan at the rate and terms the heir(s) qualifies for under current participation guidelines.
  - C. If the homeowner dies and the heir(s) is/are not income eligible, the loan becomes all due and payable.
  - D. If a homeowner converts the rehabilitated property to any residential-rental, commercial or non-residential use, the loan becomes all due and payable, unless they meet requirements outlined in Section 10.3.1.

#### 4.4. GRANTS

- A. Total CDBG program funds distributed as grants shall not exceed \$100,000 per year. Individual grants of up to \$10,00 are available for any one of the following qualifying factors:
1. Senior Citizen - at least 62 years old; or
  2. Handicapped – for only handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed; or
  3. Lowest Targeted Income Group – with gross annual income less than 50 percent of County median income; or
  4. Emergency Repairs – Repair must be needed to alleviate an immediate health and safety hazard and must be in accordance with allowable construction costs outlined in Section 6.2.
  5. Actual costs of lead-based paint evaluation and reduction activities.
- B. Grants are provided for relocation assistance. See Relocation Assistance Plan, **Attachment D**. These grants are not subject to the \$100,000 per year maximum amount. The limit for Owner-Occupant is \$3,000.

#### 4.5. APPRAISAL

- A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The County or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance date, which is the date the promissory note is signed), and located within one mile of the subject property. The participants’ file will include the estimate of value and document the basis for the value estimates. The purpose of the “Estimates of value” is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**). If three comparable properties cannot be found, or if there is any question regarding the After-Rehab Value, the ARV will be determined by a licensed appraiser, as described in Section 4.5.B. below.
- B. A licensed appraiser determines the After-Rehab Value for rehabilitation projects, when the “Estimates of value” method cannot be used. For rehabilitation projects the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. There will be no out-of-pocket cost to the homeowner for the appraisal. Rather, the cost of the appraisal will be included in the loan. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**), and that the combined loans will not exceed the maximum combined loan-to-value limit, as described in Section 4.2.A above.

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

#### **4.6. INSURANCE**

##### **4.6.1. FIRE INSURANCE**

The homeowner shall maintain fire insurance on the property for the duration of the Program loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the County as Loss Payee for the amount of the Program loan(s). Proof of insurance with County as loss payee 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 their 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 principal amount that the applicant is obligated to repay the County under this Program. The premium may be paid by the Program loan for one year.

##### **4.6.2. FLOOD INSURANCE**

For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the County as Loss Payee and proof of insurance as loss payee shall be provided to the County and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

#### **4.7. LOAN SECURITY**

- A. Loan security for all owner-occupied rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.
- C. A manufactured home on land owned by the homeowner will be secured on the land and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.

- D. Entering a subordinate lien is acceptable. However, the County will not subordinate a first lien position once established.

## **5.0. PROGRAM LOAN SERVICING AND MAINTENANCE**

### **5.1. PAYMENTS ARE VOLUNTARY FOR DEFERRED-PAYMENT LOANS**

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

### **5.2. RECEIVING LOAN REPAYMENTS**

- A. Program loan payments will be made to:

Butte County Central Collections  
25 County Center Drive, Suite 125  
Oroville, CA 95965

- B. The County will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County's appropriate Program Income Account, as required by HCD programs. The County will accept loan payments from borrowers prepaying deferred loans and from borrowers making payments in full upon sale or transfer of the property. All loan payments are payable to the County. The County may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

### **5.3. LOAN SERVICING POLICIES AND PROCEDURES**

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

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

Homeowners will be required to submit each of the following to the County on an annual basis for the term of the loan (see **Attachment G**):

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a residence;
- Declaration that other title holders do not reside on the premises;

- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

## **5.5. DEFAULT AND FORECLOSURE**

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Program Foreclosure Policy adopted by the County, and attached to these guidelines as **Attachment F**.

## **5.6. SUBORDINATIONS**

The County will not consider any requests for subordination. When a Borrower wishes to refinance the property, they must pay the County's loan in full.

## **6.0. CONSTRUCTION**

### **6.1. STANDARDS**

- A. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. County may also require elimination of code deficiencies.
- B. Contracting Process
  1. Contracting will be done on a competitive basis.
  2. The homeowner will be the responsible agent, but the County and/or its Program Operator will prepare the work write-up, prepare, advertise, and distribute the bid package to eligible contractors on file (see Section 1.2.E.), and assist the owner in negotiating the construction contract.
  3. The County does not warrant any construction work, or provide insurance coverage.
- C. Approved Contractors
  1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' License Board.
  2. Contractors will be checked against HUD's federally debarred list of contractors. No award will be granted to a contractor on this list.
  3. Contractors must have public liability and property damage insurance, and worker's compensation, unemployment and disability insurance, to the extent required by State law (see Section 1.2.E.).
  4. Contractor must agree to comply with all federal and state regulations.
- D. Warranties and Guarantees

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

E. Sweat Equity Labor

1. Homeowners may agree to participate in the rehabilitation of their property by providing sweat equity labor as all or part of the project. The “Participant Labor Agreement Form” will indicate the tasks the owner will complete. The loan amount will include all items in the accepted bid, or in-house cost estimate, including sweat equity, so that should the homeowner be unable to complete their portion of the job, labor funds will be available to complete the job. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.
2. In cases where the homeowner agrees to do parts of the job, an agreement will be signed by the homeowner, specifying tasks and completion times. If the work is not completed in a timely manner, the contractor working on the job may be asked to complete the work.
3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.
4. The value or leverage generated from sweat equity will be determined on the basis of ten dollars (\$10) per hour. The cost difference or savings generated will be documented in the construction portion of the file.
5. The County reserves the right to determine whether the work is appropriate for sweat equity labor, or if the owner is capable of such labor.

F. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 3.3.

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

1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
  - (a) Paint testing or presume LBP;

- (b) Clearance of disturbed work areas; and
  - (c) Notifications listed in Section 3.3.
2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
- (a) Paint testing or presume LBP;
  - (b) Risk assessment; and
  - (c) Clearance of unit.

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

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

## 6.2. ELIGIBLE CONSTRUCTION COSTS

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

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

Additionally, the County must determine that the project’s value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the County.

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

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

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

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

Allowable rehabilitation\reconstruction costs include:

- A. Cost of building permits and other related government fees.
- B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
- C. Rehabilitation or Replacement of a manufactured home or a mobile home not on a permanent foundation. Rehabilitation of a manufactured home or mobile home may include the replacement of the unit with a used manufactured home or mobile home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home or mobile home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.
- D. Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the County for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g. planning, engineering, construction management, including inspections and work write-ups).
- E. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.

1. Health and Safety Issues

Eligible costs include, but are not limited to, energy-related improvements, lead-based paint hazard evaluation and reduction activities, improvements for handicapped accessibility, repair or replacement of major housing systems. A



driveway may be considered part of rehabilitation if it is determined to be a health and safety issue.

## 2. Code and Regulation Compliance

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

## 3. Demolition

Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

## 4. Upgrades

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

## 5. General Property Improvements

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

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be *limited to 15 percent* of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced due only to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

## 6. Rehabilitation Standards

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

### **6.3. ELIGIBLE PROJECT COSTS**

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

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

Costs are based on charges currently incurred by the County, or its Program Operator, for these products and/or services. Any cost increases charged to the County/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. In the event that an application is denied, the County shall absorb these costs in its CDBG administrative budget. All fees are subject to change and are driven by the market.

**6.4. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

**6.5. SWEAT EQUITY**

The County will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 6.1.E.

**7.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

**7.1. AMENDMENTS**

The County may make amendments to these Participant Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the County’s Loan Committee and/or local governing body and submitted to HCD for approval.

**7.2. EXCEPTIONS**

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

**7.2.1 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The County or its Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the County's/Program Operator's recommended course of action and any written or verbal information supplied by the applicant.
- B. The County shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the County's loan committee and/or governing body for decision.

**8.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

**8.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the County's Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County at the following address:

Butte County Administration  
25 County Center Drive, Suite 200  
Oroville, CA 95965  
(530) 552-3300

The County will then schedule a meeting with the County's Loan Review Committee. Their written response will be made within thirty (30) 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 at the following address:

Board of Supervisors, County of Butte  
c/o Clerk of the Board of Supervisors  
25 County Center Drive, Suite 200  
Oroville, CA 95965

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

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

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

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

# **OWNER-INVESTOR**

## **HOUSING REHABILITATION PROGRAM GUIDELINES**

**COUNTY OF BUTTE**  
**HOUSING REHABILITATION**  
**OWNER-INVESTOR**  
**PROGRAM GUIDELINES**

**9.0. GENERAL**

The County of Butte, hereinafter referred to as the “County”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the “Program” is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area, as described in Section 11.0. The Program provides this assistance for the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as “housing unit”. The Program will be administered by an Administrative Subcontractor, hereinafter referred to as the “Program Operator”.

**9.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, be excluded, denied benefits or subjected to discrimination under the Program. The County will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and Spanish, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
- B. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Sponsor will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

## 9.2. APPLICATION PROCESS AND SELECTION

### A. Waiting List/Homeowner Contact

The County and/or Program Operator will utilize a waiting list. In response to a homeowner's request, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by waiting list priority (a first-come, first served basis). Certain exceptions are made for emergency grants. See section 12.4..

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

### B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documentation. An interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. Verifications are obtained for income, assets, employment, benefits, and mortgage. Title report and appraisals are also obtained.

### C. Household Selection

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

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

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

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 14.1.F & G) and cleared by a certified LBP inspector/assessor. **Note: CDBG projects shall refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.**

Measurements and observations are noted about the property, including special

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

Findings are noted on an inspection form, and later used by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator who has years of experience in the building industry, and in reviewing contractor bids and verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

#### E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Program Operator is to keep a list of eligible contractors. Butte County contractors will be encouraged to request placement on the list through an on-going outreach effort provided by the Program Operator. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers' Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least \$1,000,000.

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

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

#### F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction, a contingency fund, and other project costs (listed in Section 14.3.). The Loan Review Committee will review the loan request for approval. Section 9.3 provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.



G. Pre-Construction Conference

A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

H. Start-Up/Field Inspections

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

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

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted. Homeowner's "sweat equity" commitment will also be checked, if any.

I. Change Orders

Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the County's Loan Review Committee for approval prior to Program Operator signing-off on the change order.

J. Progress Payments

Ninety percent (90%) of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner and notifies the Program Operator that he/she has done so. Upon favorable inspection by the homeowner, Program Operator, and County or County's Building Inspector, the payment authorization is signed by the homeowner and submitted for payment.

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

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

**9.3. LOAN PROCESS**

The County's Loan Review Committee, which consists of one staff from the Development Services Department, one staff from the Administration Department, and two Board of Supervisors, must approve all loans and grants. While the County has established a standard not to exceed 95 percent of after-rehabilitation value, the Loan Review Committee may approve assistance with financing exceeding this limit as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed. In all cases the maximum assistance for rehabilitation/reconstruction will not exceed \$190,430 for CDBG-funded programs.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

**9.4. CONFLICT OF INTEREST REQUIREMENTS**

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

No member of the governing body of the County and no other official, employee or agent of the County who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly be eligible for this program, unless the application for rehabilitation assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the County 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 Program Operator to be part of the scope of work. Owner/builders are not reimbursed for labor.

**10.0. APPLICANT QUALIFICATIONS**

## 10.1. INCOME LIMITS

All tenants must certify that they meet the household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County's area median income (AMI), adjusted for household size, as published by HCD each year. **See Attachment C.**

The link to the official HCD-maintained income limits for CDBG Funded activities is: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/2019-CDBG-Income-Limits.pdf>

**Household:** means one or more persons who will occupy a housing unit. Unborn children don't count in family size determination.

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

### 10.1.1. OWNER-INVESTOR REQUIREMENTS

Owner-Investor - There are no restrictions on the income of the owner-investor unless the owner-investor is a member of the Targeted Income Group (TIG) and is interested in qualifying for a Deferred Payment Loan (see Section 12.3.1.B.).

Owner-investor housing and debt ratios are considered, and a credit report is required, since the funding provided may create an additional monthly financial obligation. If an owner-investor has a mortgage on the property to be rehabilitated it is verified that all payments are current and that no late payments have been received in the past twelve months.

### TENANT REQUIREMENTS

Tenant - If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Both existing and prospective tenants will be asked to cooperate by providing income documentation and income will be projected for 12 months based on current income. **See Attachments A, B, and C.**

## 10.2. INCOME QUALIFICATION CRITERIA

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

**A. HOUSEHOLD INCOME DEFINITION:**

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

The link to Annual Income Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml>

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

**B. ASSETS:**

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

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

The Link to Asset Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml>

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

**10.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS**

The County's Housing Rehabilitation Program allows for owner-occupied and owner-investor/tenant occupied properties to participate in the Program. Owner-investor/tenant occupied properties must meet all requirements listed under section 10.3.1. No unit to be rehabilitated will receive financial assistance if it is currently occupied by an over-income household or does not meet the eligibility standards outlined in these guidelines.

**10.3.1 OWNER-INVESTOR REQUIREMENTS**

- A. If the owner-investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
- B. An owner-investor may convert a rental property to his or her personal residence if all conditions below exist:
  - 1. He or she can prove that the previous tenant was not evicted without cause.
  - 2. He or she is income eligible.
  - 3. He or she requests approval from the County.
- C. If an owner-investor converts the rental property to his or her personal residence, but is not income eligible, the loan is due and payable.
- D. If the owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.
- E. Over-income rental households occupying units in a project which will receive financial assistance for other eligible units will be allowed to stay in their respective 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 during the previous six months.

**11.0. PROPERTY ELIGIBILITY****11.1. CONDITIONS**

- A. No unit will be eligible if a household's income exceeds the prescribed income limits listed in **Attachment C**.
- B. Units to be rehabilitated must be located within the unincorporated areas of the County's jurisdiction.
- C. Property must contain a legal residential structure intended for continued residential occupancy.
- D. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. Section 8 Housing Quality Standards may be required on rentals by County when CDBG funds are used.

**11.1.1. MOBILE HOMES (CDBG only)**

Only \$100,000 of the total annual rehabilitation assistance portfolio is to be used for mobile homes or manufactured homes not on a permanent foundation. The \$100,000 is determined on a first-come, first-served basis.

## **11.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of occupants or public danger or is otherwise undesirable because of the nature of the project. Relocated persons will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the County's "Residential Anti-displacement and Relocation Assistance Plan" (**Attachment D**).

## **11.3. NOTIFICATION AND DISCLOSURES**

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

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

- B. Tenants located in properties that will receive housing rehabilitation will be provided a notice outlining their relocation rights and benefits (**Attachment D**).

## **12.0. THE PROGRAM LOAN**

### **12.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. The maximum loan amount shall not exceed \$100,000 per property assisted. The Loan Review Committee may approve assistance that exceeds this amount on a case-by-case basis. **See Attachment C**. In all cases the maximum assistance for rehabilitation/reconstruction will not exceed \$190,430 for CDBG-funded programs.

### **12.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS**

- A. Total indebtedness against property shall not exceed 95 percent of after-rehabilitation value as determined by "Estimates of value" or an appraisal. The Loan Review Committee may approve assistance that exceeds the 95 percent after-rehabilitation value as needed on a case-by-case basis. **See Section 9.3**. An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 12.5.
- B. Costs may be supplemented with personal financing and/or credit will be provided for volunteer labor ("sweat equity") valued at \$10 per hour as per

Section 6.1.E., or with other loan or grant programs, which are sources of leverage for the County.

- C. Any bid within 10% of the Program Operator's estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

### 12.3. RATES AND TERMS

#### 12.3.1. OWNER-INVESTORS

The rate and terms for an owner-investor may vary depending on the owner's financial situation. Below are the options available:

- A. Amortized Loan - Below Market Interest Rate (BMIR) loan at three (3) percent simple interest, secured by a deed of trust and with a maximum term of 15 years with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below.
- B. Deferred Payment Loan (DPL) for a TIG owner-investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. DPL terms are the same as those described in 4.3.1.B. above.
- C. Rent Limitation Agreement (RLA) - An owner-investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which will be recorded. This agreement will specify:
  - 1. In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.
  - 2. Base Rent -- Vacant Unit  
If the house is vacant, rent charges shall not exceed 30 percent of 80 percent of the County median income for the appropriate household size in that unit. Owner-investor shall affirmatively seek TIG households. Where such efforts do not result in eligible TIG tenants, the owner-investor shall contact the County for guidance.
  - 3. 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.
  - 4. Terms --BMIR finance will require rent limitation for a minimum of 5 years. DPL financing will require rent limitations for the full term of the loan.
  - 5. Verification -- Each year during the term of the Agreement, the borrower

shall provide the County with a written list of current occupants' names and monthly rents by January 15<sup>th</sup>. The County may verify this information with the occupant.

6. Compliance -- Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be initiated.

- D. Maintenance Agreement - As specified in the Rehabilitation Loan Agreement, an owner-investor who participates in the Program must maintain the property at post-rehabilitation conditions for the term of the loan(s). Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be initiated.

#### 12.4. GRANTS

- A. Total CDBG program funds distributed as grants shall not exceed \$100,000 per year. Individual grants of up to \$10,000 are available for any one of the following qualifying factors:
  1. Senior Citizen - at least 62 years old; or
  2. Handicapped – for only handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed; or
  3. Lowest Targeted Income Group – with gross annual income less than 50 percent of County median income; or
  4. Emergency Repairs – Repair must be needed to alleviate an immediate health and safety hazard and must be in accordance with allowable construction costs outlined in Section 14.2.
  5. Actual costs of lead-based paint evaluation and reduction activities.
- B. Grants are provided for relocation assistance. See Relocation Assistance Plan, **Attachment D**. These grants are not subject to the \$100,000 per year maximum amount. For a Residential Tenant, assistance will be provided at the level necessary to comply with the Uniform Relocation Act (URA) and Section 104(d) of the Housing and Community Development Act of 1974.

#### 12.5. APPRAISAL

- A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The County or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance date, which is the date the promissory note is signed), and located within one mile of the subject property. The participants’ file will include the estimate of value and document the basis for the value estimates. The purpose of the “Estimates of value” is to determine that the After-Rehabilitation Value Limit of the housing



unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**). If three comparable properties cannot be found, or if there is any question regarding the After-Rehab Value, the ARV will be determined by a licensed appraiser, as described in Section 12.5.B. below.

- B. A licensed appraiser determines the After-Rehab Value for rehabilitation projects, when the “Estimates of value” method cannot be used. For rehabilitation projects the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. There will be no out-of-pocket cost to the homeowner for the appraisal. Rather, the cost of the appraisal will be included in the loan. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**), and that the combined loans will not exceed the maximum combined loan-to-value limit, as described in Section 12.2.A above.
- C. The After-Rehab Value for reconstruction projects is determined by a licensed appraiser. The After-Rehab Value for reconstruction projects is determined by an appraisal completed off the building plans and specifications for the new home. The cost of the appraisal will be paid by the County, not by the homeowner. The purpose of the appraisal is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**).

## **12.6. INSURANCE**

### **12.6.1. FIRE INSURANCE**

The homeowner shall maintain fire insurance on the property for the duration of the Program loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the County as Loss Payee for the amount of the Program loan(s). Proof of insurance with County as loss payee 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 their 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 principal amount that the applicant is obligated to repay the County under this Program. The premium may be paid by the Program loan for one year.

### **12.6.2. FLOOD INSURANCE**

For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the County as Loss Payee and proof of insurance as loss payee shall be provided to the County and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

**12.7. LOAN SECURITY**

- A. Loan security for all owner-investor rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.
- C. A manufactured home on land owned by the homeowner will be secured on the land and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- D. Entering a subordinate lien is acceptable. However, the County will not subordinate a first lien position once established.

**13.0. PROGRAM LOAN SERVICING AND MAINTENANCE****13.1. PAYMENTS ARE VOLUNTARY FOR DEFERRED-PAYMENT LOANS**

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

**13.2. RECEIVING LOAN REPAYMENTS**

- A. Program loan payments will be made to:  
  
Butte County Central Collections  
25 County Center Drive, Suite 125  
Oroville, CA 95965
- B. The County will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County's appropriate Program Income Account, as required by HCD programs. The County will accept loan payments from borrowers prepaying deferred loans, from borrowers making payments in full upon sale or transfer of the property, and homeowners of tenant occupied units. All loan payments are payable to the County. The County may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

**13.3. LOAN SERVICING POLICIES AND PROCEDURES**

**See Attachment E** for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means

to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

#### **13.4. LOAN MONITORING PROCEDURES**

Homeowners will be required to submit each of the following to the County on an annual basis for the term of the loan (see **Attachment G**):

- Statement of tenants residing at the property along with the monthly rent being charged;
- Declaration that other title holders do not reside on the premises;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

#### **13.5. DEFAULT AND FORECLOSURE**

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Program Foreclosure Policy adopted by the County, and attached to these guidelines as **Attachment F**.

#### **13.6. SUBORDINATIONS**

The County will not consider any requests for subordination. When a Borrower wishes to refinance the property, they must pay the County's loan in full.

#### **14.0. CONSTRUCTION**

##### **14.1. STANDARDS**

- A. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. County may also require elimination of code deficiencies. Section 8 Housing Quality Standards may be required on rentals by County when CDBG funds are used.
- B. Contracting Process
  1. Contracting will be done on a competitive basis.
  2. The homeowner will be the responsible agent, but the County and/or its Program Operator will prepare the work write-up, prepare, advertise, and distribute the bid package to eligible contractors on file (see Section 9.2.E.), and assist the owner in negotiating the construction contract.
  3. The County does not warrant any construction work, or provide insurance coverage.

C. Approved Contractors

1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' License Board.
2. Contractors will be checked against HUD's federally debarred list of contractors. No award will be granted to a contractor on this list.
3. Contractors must have public liability and property damage insurance, and worker's compensation, unemployment and disability insurance, to the extent required by State law (see Section 9.2.E.).
4. Contractor must agree to comply with all federal and state regulations.

D. Warranties and Guarantees

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

E. Sweat Equity Labor

1. Homeowners may agree to participate in the rehabilitation of their property by providing sweat equity labor as all or part of the project. The "Participant Labor Agreement Form" will indicate the tasks the owner will complete. The loan amount will include all items in the accepted bid, or in-house cost estimate, including sweat equity, so that should the homeowner be unable to complete their portion of the job, labor funds will be available to complete the job. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.
2. In cases where the homeowner agrees to do parts of the job, an agreement will be signed by the homeowner, specifying tasks and completion times. If the work is not completed in a timely manner, the contractor working on the job may be asked to complete the work.
3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.

4. The value or leverage generated from sweat equity will be determined on the basis of ten dollars (\$10) per hour. The cost difference or savings generated will be documented in the construction portion of the file.
  5. The County reserves the right to determine whether the work is appropriate for sweat equity labor, or if the owner is capable of such labor.
- F. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 11.3.A.
- G. Units constructed prior to 1978 will also be inspected according to the following HUD regulations. For CDBG funded programs please refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual
1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
    - (d) Paint testing or presume LBP;
    - (e) Clearance of disturbed work areas; and
    - (f) Notifications listed in Section 11.3.A.
  2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
    - (a) Paint testing or presume LBP;
    - (b) Risk assessment; and
    - (c) Clearance of unit.

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

3. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$25,000, the following is required:
  - (d) Items (a), (b), and (c) of 2. above;
  - (e) Abatement of all LBP hazards identified or produced;
  - (f) Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in Sections 11.3.A. and 14.1.F.
4. All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement.

## 14.2. ELIGIBLE CONSTRUCTION COSTS

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a home necessary to correct any condition

causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

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

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

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

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

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

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

Allowable rehabilitation\reconstruction costs include:

- A. Cost of building permits and other related government fees.
- B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
- C. Rehabilitation or Replacement of a manufactured home or a mobile home not on a permanent foundation. Rehabilitation of a manufactured home or mobile home may include the replacement of the unit with a used manufactured home or mobile home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home or mobile home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.

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

1. Health and Safety Issues

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

2. Code and Regulation Compliance

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

3. Demolition

Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

4. Upgrades

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

5. General Property Improvements

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

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be *limited to 15 percent* of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced due only to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

## 6. Rehabilitation Standards

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

### **14.3. ELIGIBLE PROJECT COSTS**

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

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

Costs are based on charges currently incurred by the County, or its Program Operator, for these products and/or services. Any cost increases charged to the County /Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. In the event that an application is denied, the County shall absorb these costs in its CDBG administrative budget. All fees are subject to change and are driven by the market.

Investors who withdraw after incurring costs shall, with the approval of HCD, repay the County for all such costs plus the cost of escrow, title reports, credit reports, and program delivery costs within 60 days. Failure to repay within the time allowed will result in further action which may include executing a lien on the property for the amount owed, plus interest accrued, legal costs and additional recording fees.

### **14.4. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

### **14.5. SWEAT EQUITY**



The County will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 14.1.E.

## **15.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

### **15.1. AMENDMENTS**

The County may make amendments to these Participant Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the County's Loan Committee and/or local governing body and submitted to HCD for approval.

### **15.2. EXCEPTIONS**

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

#### **15.2.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The County or its Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the County's/Program Operator's recommended course of action and any written or verbal information supplied by the applicant.
- B. The County shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the County's loan committee and/or governing body for decision.

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

### **16.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the County's Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County at the following address:

Butte County Administration  
25 County Center Drive, Suite 200  
Oroville, CA 95965  
(530) 552-3300

The County will then schedule a meeting with the County's Loan Review Committee. Their written response will be made within thirty (30) 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 at the following address:

Board of Supervisors, County of Butte  
c/o Clerk of the Board of Supervisors  
25 County Center Drive, Suite 200  
Oroville, CA 95965

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

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

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

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

**OWNER-OCCUPIED**

**HOUSING REHABILITATION  
PROGRAM GUIDELINES  
DISASTER ADDENDUM**

**COUNTY OF BUTTE**  
**OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM GUIDELINES**  
**DISASTER ADDENDUM**

**17.0. GENERAL**

The County of Butte, hereinafter referred to as the “County”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the “Program” is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area, as described in Section 19.0. The Program provides this assistance for the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as “housing unit”. The Program will be administered by an Administrative Subcontractor, hereinafter referred to as the “Program Operator”.

**A. CDBG Disaster Addendum**

The purpose of the Butte County Disaster Addendum is to provide recovery assistance to eligible households directly affected by State or federally declared disasters. CDBG funds provided under the disaster addendum terms may only be used to accommodate unmet housing needs of homeowners whose home sustained damage as a result of a State or federally declared disaster.

Butte County will disallow expenditure if it is determined that the assistance activity is non-disaster-related, or funds requested duplicate other benefits previously received. No person may receive CDBG funds to assist with any part of a loss resulting from a State or federally declared disaster if financial assistance has been received under any other program or from insurance or any other source. In addition, CDBG funds may not be used for activities reimbursable by or for which funds have been made available by the Federal Emergency Management Agency or any other State or federal source.

The CDBG Program requires that all housing assistance be provided under the Low/Moderate Income (LMI) National Objective, one of three National Objectives mandated by the Housing and Community Development Act.

**17.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with State and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, be excluded, denied benefits or

subjected to discrimination under the Program. The County will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and Spanish, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
- B. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving federal funds. The Program Sponsor will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

**17.2. APPLICATION PROCESS AND SELECTION**

- A. Waiting List/Homeowner Contact

The County and/or Program Operator will utilize a waiting list. In response to a homeowner’s request, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by waiting list priority (a first-come, first served basis).

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

- B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documentation. An interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. Verifications are obtained for income, fire damage, and non-duplication of funds. Title report and appraisals are also obtained.

- C. Household Selection

Households selected for participation in the County’s Housing Rehabilitation Assistance Program under the Disaster Addendum, are those that have been verified as to receiving direct damage from a State or federally declared disaster based on damage assessment documents provided by the Butte County Department of Development Services, located on a legal lot, and determined eligible upon completion of processes described in A. and B. above.

D. Initial Inspection/Work Write-Up/Estimate

Prospective rehabilitation units and properties where homes were destroyed are inspected by the Program Operator, a certified housing inspector, or a County representative to determine eligibility and acceptability of properties for participation in the Program.

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 22.1. F & G) and cleared by a certified LBP inspector/assessor. **Note: CDBG projects shall refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.**

Measurements and observations are noted about the property, including special conditions with potential cost consequences. A floor plan and site plan, as needed, are drawn for the home and property.

Findings are noted on an inspection form, and later used by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator who has years of experience in the building industry, and in reviewing contractor bids and verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Program Operator is to keep a list of eligible contractors. Butte County contractors will be encouraged to request placement on the list through an on-going outreach effort provided by the Program Operator. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers’ Compensation Insurance and

Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least \$1,000,000.

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

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

F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction (Section 22.2), a contingency fund, and other project costs (Section 22.3.). The Loan Review Committee will review the loan request for approval. Section 17.3 provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

G. Pre-Construction Conference

A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

H. Start-Up/Field Inspections

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

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

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted. Homeowner’s “sweat equity”

commitment will also be checked, if any.

I. Change Orders

Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the County’s Loan Review Committee for approval prior to Program Operator signing-off on the change order.

J. Final Inspections/Notice of Completion/Final Payment

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

**17.3. LOAN PROCESS**

The County’s Housing Loan Review Committee, which consists of one staff from the Development Services Department, one staff from the Administration Department, and two Board of Supervisors, must approve all loans.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

**17.4. CONFLICT OF INTEREST REQUIREMENTS**

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

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



ineligibility shall continue for one year after an individual’s relationship with the County ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation or reconstruction job. Such a contractor may act as owner/builder, subject to standard construction procedures.

**18.0. APPLICANT QUALIFICATIONS**

**18.1. INCOME LIMITS**

All homeowners must certify that they meet the household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County’s area median income (AMI), adjusted for household size, as published by HCD each year. **See Attachment C.**

The link to the official HCD-maintained income limits for CDBG Funded activities is: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>

**Household:** means one or more persons who will occupy a housing unit. Unborn children don’t count in family size determination.

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

**18.1.1. OWNER-OCCUPIED REQUIREMENTS**

Owner-Occupant - to be eligible, household income must be equal to or less than the applicable HCD income limits. Owner will be required to provide income documentation. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. **See Attachment A.** Refer to Asset Inclusions and Exclusions for further guidance to the types of assets to be included or excluded when calculating gross annual income. **See Attachment B.**

**18.1.2. LIFE ESTATE**

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

**18.1.3. LIVING TRUST**

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

## 18.2. INCOME QUALIFICATION CRITERIA

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

### A. HOUSEHOLD INCOME DEFINITION:

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

The link to Annual Income Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml> See Attachment A: **CDBG 24 CFR Part 5 Annual Income Inclusions and Exclusions**

### C. ASSETS:

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

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

The Link to Asset Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml> See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions.

### **18.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS**

The County’s Housing Rehabilitation Assistance Program, under the Disaster Addendum, allows for owner-occupied and owner-investor/tenant occupied properties to participate in the Program. Owner-occupied units must be the owner’s principal place of residence. No unit to be rehabilitated/reconstructed will receive financial assistance if it is currently occupied by an over-income household or does not meet the other eligibility standards outlined in these guidelines.

#### **18.3.1. OWNER-OCCUPIED**

- A. Continued residency is monitored annually for the term of the loan. Occupancy will be verified in accordance with the Loan Monitoring Procedures outlined in Section 21.3.
- B. In the event that a homeowner sells the rehabilitated property for any reason, the loan becomes due and payable.
- C. If the loan becomes due and payable due to a property sale, the homeowner will repay the loan balance from the net proceeds of the sale. The net proceeds are the sales price minus superior loan repayment (other than Butte County CDBG funds). If insufficient net proceeds remain to repay the loan balance in full, the remaining loan balance will be forgiven.
- D. In the event the homeowner dies during the ten year term of the loan and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence, upon approval of the County, the heir may be permitted to assume the loan at the rate and terms the heir qualifies for under current participation guidelines. If the heir does not meet applicable eligibility requirements, the loan is due and payable.
- E. If a homeowner converts the property to a rental unit during the ten year term of the loan, the loan is due and payable, unless the tenant meets eligibility requirements as described in Section 26.1.1..
- F. If a homeowner converts the property to a commercial or non-residential use, the loan is due and payable.

### **19.0. PROPERTY ELIGIBILITY**

Prior to being considered for assistance, verification must be obtained that the home was damaged or destroyed as a direct result of a State or federally declared disaster. Verification will be obtained by consulting the damage assessment report prepared by the Butte County Development Services Department. Verification may also be

determined on a case-by-case basis by the Program Operator. The Program Operator will utilize documentation provided by the homeowner or a third-party to verify, to the satisfaction of the Program Operator, that the property meets all of the following:

1. the housing unit was occupied as a residence up until the State or federally declared disaster;
2. the housing unit is eligible based on Section 22.2.1; and
3. the housing unit was damaged as a direct result of a State or federally declared disaster.

Documentation utilized by the Program Operator to verify property eligibility may include, but is not limited to, existing County records from land development, tax collection or property assessment departments, insurance records, photographs, or third party mapping tools.

**19.1. CONDITIONS**

- A. No unit will be eligible if a household’s income exceeds the prescribed income limits listed in **Attachment C**.
- B. The residential structure to receive assistance must be or have been located on a legal lot. If the property does not meet this requirement, the County, through this program, may work with the property owner to resolve any issues and create the necessary legal lot.
- C. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated.
- D. Verification by means of a self-certification will be required documenting that no funds requested duplicate other benefits previously required. No person may receive CDBG funds to assist with any part of a loss resulting from a State or federally declared disaster if financial assistance has been received under any other program or from insurance or any other source. In addition, CDBG funds may not be used for activities reimbursable by or for which funds have been made available by the Federal Emergency Management Agency or any other State or federal source.

**19.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

Owner-occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Program Operator. In cases where relocation is determined to be necessary by the County/Program Operator, assistance may be provided for actual costs incurred from the applicant’s loan proceeds.

**19.3. NOTIFICATIONS AND DISCLOSURES**

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

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

**20.0. THE PROGRAM LOAN**

**20.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. The maximum loan amount shall not exceed \$350,000 per property assisted. The Loan Review Committee may approve assistance that exceeds this amount on a case-by-case basis.

**20.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS**

- A. Total indebtedness against property shall not exceed 100 percent of after-rehabilitation value as determined by “Estimates of value” or an appraisal. The Loan Review Committee may approve assistance that exceeds the 100 percent after-rehabilitation value as needed on a case-by-case basis. **See Section 17.3.** An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 20.4.
- B. Costs may be supplemented with personal financing and/or credit will be provided for volunteer labor (“sweat equity”) valued at \$10 per hour as per Section 22.1.E., or with other loan or grant programs, which are sources of leverage for the County.
- C. Any bid within 10% of the Program Operator’s estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

**20.3. RATES AND TERMS**

**20.3.1. OWNER-OCCUPANTS**

Forgivable Loans – Assistance will be provided in the form of a ten year, zero percent interest, deferred forgivable loan, forgivable at a rate of 1/10 per full year of assisted homeowner occupancy. There are no credit qualifying requirements at this time, there are no monthly payments associated with these loans. All loans will be secured by a Deed of Trust.

**20.4. APPRAISAL**

- A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The County or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance date, which is the date the promissory note is signed), and located within one mile of

the subject property. The participants’ file will include the estimate of value and document the basis for the value estimates. The purpose of the “Estimates of value” is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**). If three comparable properties cannot be found, or if there is any question regarding the After-Rehab Value, the ARV will be determined by a licensed appraiser, as described in Section 20.4.B. below.

- B. A licensed appraiser determines the After-Rehab Value for housing assistance projects, when the “Estimates of value” method cannot be used. The appraiser determines the value of the unit with the building plans and specifications included. There will be no out-of-pocket cost to the homeowner for the appraisal. Rather, the cost of the appraisal will be included in the loan. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**), and that the combined loans will not exceed the maximum combined loan-to-value limit, as described in Section 20.2.A above.
- C. The After-Rehab Value for reconstruction projects is determined by a licensed appraiser. The After-Rehab Value for reconstruction projects is determined by an appraisal completed off the building plans and specifications for the new home. The cost of the appraisal will be paid by the County, not by the homeowner. The purpose of the appraisal is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**).

**20.5. INSURANCE**

**20.5.1. FIRE INSURANCE**

The homeowner shall maintain fire insurance on the property for the duration of the Program 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 Program loan(s). Proof of insurance with County as loss payee 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 their 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 principal amount that the applicant is obligated to repay the County under this Program. The premium may be paid by the Program loan for one year.

**20.5.2. FLOOD INSURANCE**

For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the County as Loss Payee and proof of insurance as loss payee

shall be provided to the County and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

**20.6. LOAN SECURITY**

- A. Loan security for all owner-occupied rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.
- C. A manufactured home on land owned by the homeowner will be secured on the land and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- D. Entering a subordinate lien is acceptable. However, the County will not subordinate a first lien position once established.

**21.0. PROGRAM LOAN SERVICING AND MAINTENANCE**

**21.1. RECEIVING LOAN REPAYMENTS**

- A. If for any reasons outlined in Section 18.3.1. the loan becomes due and payable, loan payments will be made to:

Butte County Central Collections  
25 County Center Drive, Suite 125  
Oroville, CA 95965

- B. The County will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County’s appropriate Program Income Account, as required by all HCD programs. All loan payments are payable to the County. The County may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

**21.2. LOAN SERVICING POLICIES AND PROCEDURES**

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

**21.3. LOAN MONITORING PROCEDURES**

Homeowners will be required to submit each of the following to the County on an annual basis for the term of the loan (see **Attachment F**):

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

#### **21.4. SUBORDINATIONS**

The County will not consider any requests for subordination. When a Borrower wishes to refinance the property, they must pay the County's loan in full.

#### **22.0. CONSTRUCTION**

##### **22.1. STANDARDS**

- A. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. County may also require elimination of code deficiencies.
- B. Contracting Process
  - 1. Contracting will be done on a competitive basis.
  - 2. The homeowner will be the responsible agent, but the County and/or its Program Operator will prepare the work write-up, prepare, advertise, and distribute the bid package to eligible contractors on file (see Section 17.2.E.), and assist the owner in negotiating the construction contract.
  - 3. The County does not warrant any construction work, or provide insurance coverage.
- C. Approved Contractors
  - 1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' License Board.
  - 2. Contractors will be checked against HUD's federally debarred list of contractors. No award will be granted to a contractor on this list.
  - 3. Contractors must have public liability and property damage insurance, and worker's compensation, unemployment and disability insurance, to the extent required by State law (see Section 17.2.E.).



- 
4. Contractor must agree to comply with all federal and state regulations.

D. Warranties and Guarantees

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

E. Sweat Equity Labor

1. Homeowners may agree to participate in the rehabilitation/reconstruction of their property by providing sweat equity labor as all or part of the project. The “Participant Labor Agreement Form” will indicate the tasks the owner will complete. The loan amount will include all items in the accepted bid, or in-house cost estimate, including sweat equity, so that should the homeowner be unable to complete their portion of the job, labor funds will be available to complete the job. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.
2. In cases where the homeowner agrees to do parts of the job, an agreement will be signed by the homeowner, specifying tasks and completion times. If the work is not completed in a timely manner, the contractor working on the job may be asked to complete the work.
3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.
4. The value or leverage generated from sweat equity will be determined on the basis of ten dollars (\$10) per hour. The cost difference or savings generated will be documented in the construction portion of the file.
5. The County reserves the right to determine whether the work is appropriate for sweat equity labor, or if the owner is capable of such labor.

F. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 19.3..

G. Units constructed prior to 1978 will also be inspected according to the following HUD regulations. For CDBG funded programs please refer to

Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual

1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Clearance of disturbed work areas; and
  - (c) Notifications listed in Section 19.3..
  
2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Risk assessment; and
  - (c) Clearance of unit.

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

3. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more that \$25,000, the following is required:
  - (a) Items (a), (b), and (c) of 2. above;
  - (b) Abatement of all LBP hazards identified or produced;
  - (c) Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in Sections 19.3.. and 22.1.G.2..
  
4. All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement.

**22.2. ELIGIBLE CONSTRUCTION COSTS**

**22.2.1. REHABILITATION/RECONSTRUCTION CONSTRUCTION COSTS**

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

All improvements must be physically attached to the property and permanent in nature (e.g., window air conditioners, a shed or garage located separately from the house, carports, and washers and dryers are not eligible).

Independent facilities shall be provided for each living unit except that common facilities such as laundry and storage space or heating may be provided for each property. Each living unit shall contain provision for each of the following:

1. A continuing supply of safe potable water.
2. Sanitary facilities and a safe method of sewage disposal.
3. Heating adequate for healthful and comfortable living conditions.
4. Domestic hot water.
5. Electricity for lighting and for electrical equipment used in the dwelling.
6. Bedrooms should be provided with clothes closet space within the bedroom or conveniently located nearby.
7. Exterior doors shall have keyed locks.
8. Attics and under floor area shall have proper access and insulation as required by local codes.

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

Additionally, the County must determine that the project’s value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the County.

The residential structure to be reconstructed must have been occupied as a residence up until the State or federally declared disaster. Fifth wheels, tents, sheds, or recreational vehicles, for example, are not considered dwellings and therefore are not eligible under this Program.

Homes to be reconstructed shall be of similar size; however additions may be approved by the HCD Program when required by Codes/Ordinances or to alleviate overcrowding. **(See Attachment C)**

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

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

### **22.2.2. REPLACEMENT CONSTRUCTION COSTS**

Butte County Housing Rehabilitation Assistance funds may be used for housing replacement for those housing units completely demolished as a result of a State or federally declared disaster. The structure to be replaced must be residential per the description in Section 22.2.1.

- A. The following definitions will be utilized when referring to Site Built, Modular and Manufactured homes:
  - 1. Site Built – A site built home is constructed on site from standard building materials brought to the site. A site built home is subject to local building code standards.
  - 2. Modular Home – A modular home is constructed on site from modules or sections that are prefabricated in a remote facility. A modular home is subject to local building code standards.
  - 3. Manufactured Home – A Manufactured home is a home that is constructed in a factory, delivered to the site on its transportation frame and remains on its transportation frame for the duration of its useful life. Manufactured homes are constructed in a remote location to meet federal building codes and are not required to meet local building code standards.
  
- B. Housing replacement must meet the criteria for reconstruction as is detailed in Section 22.2.1.. Replacement units shall meet the following criteria:
  - 1. Site Built – A site built home may be replaced with a new site-built home or a new modular home.
  - 2. Modular Home – Modular homes may be replaced with another modular home, manufactured home, or site built home.
  - 3. Manufactured Home - Manufactured homes may be replaced with a new manufactured home, modular home or a site built home.

**22.2.3. GENERAL CONSTRUCTION COSTS**

Allowable rehabilitation\reconstruction costs include:

- A. Cost of building permits and other related government fees.
- B. Cost of architectural, engineering, and other consultant services, which are directly related to the rehabilitation of the property.
- C. Rehabilitation or Replacement of a manufactured home not on a permanent foundation. Rehabilitation of a manufactured home may include the replacement of the unit with a used manufactured home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new

manufactured home, modular home, or site built home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.

D. Owner-occupied rehabilitation/reconstruction activity delivery fees, pursuant to Section 7733(f), as reimbursement to the County for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation/reconstruction work (e.g. planning, engineering, construction management, including inspections and work write-ups).

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

1. Health and Safety Issues

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

2. Code and Regulation Compliance

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

3. Demolition

Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

4. Upgrades

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

5. General Property Improvements

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

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be *limited to 15 percent* of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced due only to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

6. Rehabilitation Standards

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

**22.3. ELIGIBLE PROJECT COSTS**

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

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

Costs are based on charges currently incurred by the County, or its Program Operator, for these products and/or services. Any cost increases charged to the County/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. In the event that an application is denied, the County shall absorb these costs in its CDBG administrative budget. All fees are subject to change and are driven by the market.

**22.4. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

**22.5. SWEAT EQUITY**

The County will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 22.1.E.

**23.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

**23.1. AMENDMENTS**

The County may make amendments to these Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the County’s Loan Committee and/or local governing body and submitted to HCD for approval.

**23.2. EXCEPTIONS**

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

**23.2.1. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The County or its Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the County’s/Program Operator’s recommended course of action and any written or verbal information supplied by the applicant.
- B. The County shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the County’s Loan Committee for decision.

**24.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

**24.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the County’s Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County at the following address:

Butte County Administration  
25 County Center Drive, Suite 200  
Oroville, CA 95965  
(530) 552-3300

The County will then schedule a meeting with the County’s Loan Review Committee. Their written response will be made within thirty (30) 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 at the following address:

Board of Supervisors, County of Butte  
c/o Clerk of the Board of Supervisors  
25 County Center Drive, Suite 200  
Oroville, CA 95965

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

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

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

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.



**OWNER-INVESTOR**

**HOUSING REHABILITATION  
PROGRAM GUIDELINES  
DISASTER ADDENDUM**

**COUNTY OF BUTTE**  
**OWNER-INVESTOR HOUSING REHABILITATION PROGRAM GUIDELINES**  
**DISASTER ADDENDUM**

**25.0. GENERAL**

The County of Butte, hereinafter referred to as the “County”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the “Program” is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area, as described in Section 27.0. The Program provides this assistance for the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as “housing unit”. The Program will be administered by an Administrative Subcontractor, hereinafter referred to as the “Program Operator”.

**A. CDBG Disaster Addendum**

The purpose of the Butte County Disaster Addendum is to provide recovery assistance to eligible households directly affected by State and federally declared disasters. CDBG funds provided under the Disaster Addendum may only be used to accommodate unmet housing needs of homeowners whose home sustained damage as a result of State or federally declared disasters.

Butte County will disallow expenditure if it is determined that the assistance activity is non-disaster-related, or funds requested duplicate other benefits previously received. No person may receive CDBG funds to assist with any part of a loss resulting from a State or federally declared disaster if financial assistance has been received under any other program or from insurance or any other source. In addition, CDBG funds may not be used for activities reimbursable by or for which funds have been made available by the Federal Emergency Management Agency or any other State or federal source.

The CDBG Program requires that all housing assistance be provided under the Low/Moderate Income (LMI) National Objective, one of three National Objectives mandated by the Housing and Community Development Act.

**25.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, be excluded, denied benefits or

subjected to discrimination under the Program. The County will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program’s eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and Spanish, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
- B. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Sponsor will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

**25.2. APPLICATION PROCESS AND SELECTION**

- A. Waiting List/Homeowner Contact

The County and/or Program Operator will utilize a waiting list. In response to a homeowner’s request, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by waiting list priority (a first-come, first served basis).

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

- B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documentation. An interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. Verifications are obtained for income, fire damage, and non-duplication of funds. Title report and appraisals are also obtained.

- C. Household Selection

Households selected for participation in the County’s Housing Rehabilitation Assistance Program, Disaster Addendum are those that have been verified as to receiving direct damage from a State or federally declared disaster based on damage assessment documents provided by the Butte County Department of Development Services, located on a legal lot, and determined eligible upon completion of processes described in A. and B. above.

D. Initial Inspection/Work Write-Up/Estimate

Prospective rehabilitation units and properties where homes were destroyed are inspected by the Program Operator, a certified housing inspector, or a County representative to determine eligibility and acceptability of properties for participation in the Program.

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 30.1. F & G) and cleared by a certified LBP inspector/assessor. **Note: CDBG projects shall refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.**

Measurements and observations are noted about the property, including special conditions with potential cost consequences. A floor plan and site plan, as needed, are drawn for the home and property.

Findings are noted on an inspection form, and later used by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator who has years of experience in the building industry, and in reviewing contractor bids and verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Program Operator is to keep a list of eligible contractors. Butte County contractors will be encouraged to request placement on the list through an on-going outreach effort provided by the Program Operator. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers’ Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with

Combined Single Limits of at least \$1,000,000.

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

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

F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction (Section 30.2), a contingency fund, and other project costs (Section 30.3.). The Loan Review Committee will review the loan request for approval. Section 25.3 provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

G. Pre-Construction Conference

A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

H. Start-Up/Field Inspections

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

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

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted. Homeowner’s “sweat equity” commitment will also be checked, if any.

I. Change Orders

Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the County’s Loan Review Committee for approval prior to Program Operator signing-off on the change order.

J. Final Inspections/Notice of Completion/Final Payment

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

**25.3. LOAN PROCESS**

The County’s Housing Loan Review Committee, which consists of one staff from the Development Services Department, one staff from the Administration Department, and two Board of Supervisors, must approve all loans.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

**25.4. CONFLICT OF INTEREST REQUIREMENTS**

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

No member of the governing body of the County and no other official, employee or agent of the County who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly be eligible for this program, unless the application for rehabilitation assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual’s relationship with the County ends.

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

## **26.0. APPLICANT QUALIFICATIONS**

### **26.1. INCOME LIMITS**

All homeowners must certify that they meet the household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County's area median income (AMI), adjusted for household size, as published by HCD each year. **See Attachment C.**

The link to the official HCD-maintained income limits for CDBG Funded activities is: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/2019-CDBG-Income-Limits.pdf>

**Household:** means one or more persons who will occupy a housing unit. Unborn children don't count in family size determination.

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

#### **26.1.1. OWNER-INVESTOR REQUIREMENTS**

Owner-Investor - There are no restrictions on the income of the owner-investor.

#### **TENANT REQUIREMENTS**

Tenant - If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Both existing and prospective tenants will be asked to cooperate by providing income documentation and income will be projected for 12 months based on current income. **See Attachments A, B, and C.**

#### **26.1.2. LIFE ESTATE**

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

#### **26.1.3. LIVING TRUST**

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

## 26.2. INCOME QUALIFICATION CRITERIA

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

### A. HOUSEHOLD INCOME DEFINITION:

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

The link to Annual Income Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml> See Attachment A: **CDBG 24 CFR Part 5 Annual Income Inclusions and Exclusions**

### B. ASSETS:

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

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



market value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:

<http://www.hcd.ca.gov/grants-funding/income-limits/income-calculation-and-determination-guide.shtml> See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions.

### **26.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS**

The County’s Program allows for owner-occupied and owner-investor/tenant occupied properties to participate in the Program. Owner-investor/tenant occupied properties must meet all requirements listed under Section 26.3.1 and must be obtained through past Assessor’s Parcel data that the current owner was the owner at the time of the State or federally declared disaster. No Owner-investor/tenant occupied unit to be rehabilitated/reconstructed will receive financial assistance if it is currently occupied by an over-income household, is owned by a different individual than held title to the property at the time of the State or federally declared disaster, or does not meet the other eligibility standards outlined in these guidelines.

#### **26.3.1. OWNER-INVESTOR REQUIREMENTS**

- A. If the owner-investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
- B. An owner-investor may convert a rental property to his or her personal residence if all conditions below exist:
  - 1. He or she can prove that the previous tenant was not evicted without cause.
  - 2. He or she is income eligible.
  - 3. He or she requests approval from the County.
- C. If an owner-investor converts the rental property to his or her personal residence, but is not income eligible, the loan is due and payable.
- D. If the owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.
- E. Over-income rental households occupying units in a project which will receive financial assistance for other eligible units will be allowed to stay in their respective 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 during the previous six months.

**27.0. PROPERTY ELIGIBILITY**

Prior to being considered for assistance, verification must be obtained that the home was damaged or destroyed as a direct result of A State or federally declared disaster. Verification will be obtained by consulting the damage assessment report prepared by the Butte County Development Services Department. Verification may also be determined on a case-by-case basis by the Program Operator. The Program Operator will utilize documentation provided by the homeowner or a third-party to verify, to the satisfaction of the Program Operator, that the property meets all of the following:

1. the housing unit was occupied as a residence up until the State or federally declared disaster;
2. the housing unit is eligible based on Section 30.2.1; and
3. the housing unit was damaged as a direct result of the State or federally declared disaster.

Documentation utilized by the Program Operator to verify property eligibility may include, but is not limited to, existing County records from land development, tax collection or property assessment departments, insurance records, photographs, or third party mapping tools.

**27.1. CONDITIONS**

- A. No unit will be eligible if a household’s income exceeds the prescribed income limits listed in **Attachment C**.
- B. The residential structure to receive assistance must be or have been located on a legal lot. If the property does not meet this requirement, the County, through this program, may work with the property owner to resolve any issues and create the necessary legal lot.
- C. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. Section 8 Housing Quality Standards may be required on rentals by County when CDBG funds are used.
- D. Verification by means of a self-certification will be required documenting that no funds requested duplicate other benefits previously required. No person may receive CDBG funds to assist with any part of a loss resulting from a State or federally declared disaster if financial assistance has been received under any other program or from insurance or any other source. In addition, CDBG funds may not be used for activities reimbursable by or for which funds have been made available by the Federal Emergency Management Agency or any other State or Federal source.

**27.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during housing assistance constitutes a danger to health and safety of

occupants or public danger or is otherwise undesirable because of the nature of the project. Relocated persons will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the County’s "Residential Anti-displacement and Relocation Assistance Plan" (**Attachment D**).

**27.3. NOTIFICATIONS AND DISCLOSURES**

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

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

B. Tenants located in properties that will receive housing rehabilitation will be provided a notice outlining their relocation rights and benefits (**Attachment D**).

**28.0. THE PROGRAM LOAN**

**28.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. The maximum loan amount shall not exceed \$350,000 per property assisted. The Loan Review Committee may approve assistance that exceeds this amount on a case-by-case basis.

**28.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS**

A. Total indebtedness against property shall not exceed 100 percent of after-rehabilitation value as determined by “Estimates of value” or an appraisal. The Loan Review Committee may approve assistance that exceeds the 100 percent after-rehabilitation value as needed on a case-by-case basis. **See Section 25.3.** An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 28.4.

B. Costs may be supplemented with personal financing and/or credit will be provided for volunteer labor (“sweat equity”) valued at \$10 per hour as per Section 30.1.E., or with other loan or grant programs, which are sources of leverage for the County.

C. Any bid within 10% of the Program Operator’s estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

**28.3. RATES AND TERMS**

**28.3.1. OWNER-INVESTORS**

Forgivable Loans – Assistance will be provided in the form of a ten year, zero percent interest, deferred forgivable loan, forgivable at a rate of 1/10 per full year of assisted homeowner occupancy with standard investor restrictions (i.e. Maintenance Agreement and recorded Rent Limitation Agreement for the life of the loan) as outlined below. There are no credit qualifying requirements at this time, there are no monthly payments associated with these loans. All loans will be secured by a Deed of Trust.

- A. **Rent Limitation Agreement (RLA)** - An owner-investor who elects to rehabilitate/reconstruct a rental unit with CDBG financing must sign an RLA, which will be recorded against the property for the term of the loan. This agreement will specify:
1. In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.
  2. Base Rent -- Vacant Unit  
If the house is vacant, rent charges shall not exceed 30 percent of 80 percent of the County median income for the appropriate household size in that unit. Owner-investor shall affirmatively seek TIG households. Where such efforts do not result in eligible TIG tenants, the owner-investor shall contact the County for guidance.
  3. 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.
  4. Verification -- Each year during the term of the Agreement, the borrower shall provide the County with a written list of current occupants' names and monthly rents. The County may verify this information with the occupant.
  5. Compliance -- Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be initiated.
- B. **Maintenance Agreement** - As specified in the Rehabilitation Loan Agreement, an owner-investor who participates in the Program must maintain the property at post-rehabilitation conditions for the term of the loan(s). Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be initiated.

#### **28.4. APPRAISAL**

- A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The County or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance

date, which is the date the promissory note is signed), and located within one mile of the subject property. The participants' file will include the estimate of value and document the basis for the value estimates. The purpose of the "Estimates of value" is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**). If three comparable properties cannot be found, or if there is any question regarding the After-Rehab Value, the ARV will be determined by a licensed appraiser, as described in Section 28.4.B. below.

- B. A licensed appraiser determines the After-Rehab Value for housing assistance projects, when the "Estimates of value" method cannot be used. The appraiser determines the value of the unit with the building plans and specifications included. There will be no out-of-pocket cost to the homeowner for the appraisal. Rather, the cost of the appraisal will be included in the loan. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**), and that the combined loans will not exceed the maximum combined loan-to-value limit, as described in Section 28.2.A above.
- C. The After-Rehab Value for reconstruction projects is determined by a licensed appraiser. The After-Rehab Value for reconstruction projects is determined by an appraisal completed off the building plans and specifications for the new home. The cost of the appraisal will be paid by the County, not by the homeowner. The purpose of the appraisal is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (**See Attachment C**).

**28.5. INSURANCE**

**28.5.1. FIRE INSURANCE**

The homeowner shall maintain fire insurance on the property for the duration of the Program 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 Program loan(s). Proof of insurance with County as loss payee 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 their 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 principal amount that the applicant is obligated to repay the County under this Program. The premium may be paid by the Program loan for one year.

**28.5.2. FLOOD INSURANCE**

For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the County as Loss Payee and proof of insurance as loss payee shall be provided to the County and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

**28.6. LOAN SECURITY**

- A. Loan security for all owner-investor rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.
- C. A manufactured home on land owned by the homeowner will be secured on the land and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.
- D. Entering a subordinate lien is acceptable. However, the County will not subordinate a first lien position once established.

**29.0. PROGRAM LOAN SERVICING AND MAINTENANCE**

**29.1. RECEIVING LOAN REPAYMENTS**

- A. If for any reasons outlined in Section 26.3.1 the loan becomes due and payable, Program loan payments will be made to:

Butte County Central Collections  
25 County Center Drive, Suite 125  
Oroville, CA 95965

- B. The County will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County’s appropriate Program Income Account, as required by all HCD programs. All loan payments are payable to the County. The County may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

**29.2. LOAN SERVICING POLICIES AND PROCEDURES**

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

### **29.3. LOAN MONITORING PROCEDURES**

Homeowners will be required to submit each of the following to the County on an annual basis for the term of the loan (see **Attachment F**):

- Proof of occupancy with list of tenants and amount of rent being charged;
- Declaration that other title holders do not reside on the premises;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

### **29.4. SUBORDINATIONS**

The County will not consider any requests for subordination. When a Borrower wishes to refinance the property, they must pay the County’s loan in full.

### **30.0. CONSTRUCTION**

#### **30.1. STANDARDS**

- A. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. County may also require elimination of code deficiencies. Section 8 Housing Quality Standards may be required on rentals by County when CDBG funds are used.
- B. Contracting Process
  1. Contracting will be done on a competitive basis.
  2. The homeowner will be the responsible agent, but the County and/or its Program Operator will prepare the work write-up, prepare, advertise, and distribute the bid package to eligible contractors on file (see Section 25.2.E.), and assist the owner in negotiating the construction contract.
  3. The County does not warrant any construction work, or provide insurance coverage.
- C. Approved Contractors
  1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors’ License Board.
  2. Contractors will be checked against HUD’s federally debarred list of contractors. No award will be granted to a contractor on this list.
  3. Contractors must have public liability and property damage insurance, and worker’s compensation, unemployment and disability insurance, to the extent required by State law (see Section 25.2.E.).

4. Contractor must agree to comply with all federal and state regulations.

D. Warranties and Guarantees

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

E. Sweat Equity Labor

1. Homeowners may agree to participate in the rehabilitation/reconstruction of their property by providing sweat equity labor as all or part of the project. The “Participant Labor Agreement Form” will indicate the tasks the owner will complete. The loan amount will include all items in the accepted bid, or in-house cost estimate, including sweat equity, so that should the homeowner be unable to complete their portion of the job, labor funds will be available to complete the job. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.
2. In cases where the homeowner agrees to do parts of the job, an agreement will be signed by the homeowner, specifying tasks and completion times. If the work is not completed in a timely manner, the contractor working on the job may be asked to complete the work.
3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.
4. The value or leverage generated from sweat equity will be determined on the basis of ten dollars (\$10) per hour. The cost difference or savings generated will be documented in the construction portion of the file.
5. The County reserves the right to determine whether the work is appropriate for sweat equity labor, or if the owner is capable of such labor.

F. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 27.3..

G. Units constructed prior to 1978 will also be inspected according to the following HUD regulations. For CDBG funded programs please refer to



Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual

1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Clearance of disturbed work areas; and
  - (c) Notifications listed in Section 27.3..
  
2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Risk assessment; and
  - (c) Clearance of unit.

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

3. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more that \$25,000, the following is required:
  - (a) Items (a), (b), and (c) of 2. above;
  - (b) Abatement of all LBP hazards identified or produced;
  - (c) Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in Sections 27.3.. and 30.1.G.2.
  
4. All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement.

**30.2. ELIGIBLE CONSTRUCTION COSTS**

**30.2.1. REHABILITATION/RECONSTRUCTION CONSTRUCTION COSTS**

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

All improvements must be physically attached to the property and permanent in nature (e.g., window air conditioners, a shed or garage located separately from the house, carports, and washers and dryers are not eligible).

Independent facilities shall be provided for each living unit except that common facilities such as laundry and storage space or heating may be provided for each property. Each living unit shall contain provision for each of the following:

1. Sanitary facilities and a safe method of sewage disposal.
2. Heating adequate for healthful and comfortable living conditions.
3. Domestic hot water.
4. Electricity for lighting and for electrical equipment used in the dwelling.
5. Bedrooms should be provided with clothes closet space within the bedroom or conveniently located nearby.
6. Exterior doors shall have keyed locks.
7. Attics and under floor area shall have proper access and insulation as required by local codes.

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

Additionally, the County must determine that the project’s value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the County.

The residential structure to be reconstructed must have been occupied as a residence up until the State or federally declared disaster. Fifth wheels, tents, sheds, or recreational vehicles, for example, are not considered dwellings and therefore are not eligible under this Program.

Homes to be reconstructed shall be of similar size; however additions may be approved by the HCD Program when required by Codes/Ordinances or to alleviate overcrowding. **(See Attachment C)**

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

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

### **30.2.2. REPLACEMENT CONSTRUCTION COSTS**

Butte County Program funds may be used for housing replacement for those housing units completely demolished as a result of a State or federally declared disaster. The structure to be replaced must be residential per the description in Section 30.2.1.

- A. The following definitions will be utilized when referring to Site Built, Modular and Manufactured homes:
  - 1. Site Built – A site built home is constructed on site from standard building materials brought to the site. A site built home is subject to local building code standards.
  - 2. Modular Home – A modular home is constructed on site from modules or sections that are prefabricated in a remote facility. A modular home is subject to local building code standards.
  - 3. Manufactured Home – A Manufactured home is a home that is constructed in a factory, delivered to the site on its transportation frame and remains on its transportation frame for the duration of its useful life. Manufactured homes are constructed in a remote location to meet federal building codes and are not required to meet local building code standards.
  
- B. Housing replacement must meet the criteria for reconstruction as is detailed in Section 30.2.1. Replacement units shall meet the following criteria:
  - 1. Site Built – A site built home may be replaced with a new site-built home or a new modular home.
  - 2. Modular Home – Modular homes may be replaced with another modular home, manufactured home, or site built home.
  - 3. Manufactured Home - Manufactured homes may be replaced with a new manufactured home, modular home or a site built home.

### **30.2.3 GENERAL CONSTRUCTION COSTS**

Allowable rehabilitation\reconstruction costs include:

- A. Cost of building permits and other related government fees.
  
- B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
  
- C. Rehabilitation or Replacement of a manufactured home not on a permanent foundation. Rehabilitation of a manufactured home may include the replacement of the unit with a used manufactured home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home, modular home, or site built home can be used for

replacement and all cost associated with the purchase and transportation can be added to the loan.

- D. Owner-occupied rehabilitation/reconstruction activity delivery fees, pursuant to Section 7733(f), as reimbursement to the County for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation/reconstruction work (e.g. planning, engineering, construction management, including inspections and work write-ups).
- E. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.

- 1. Health and Safety Issues

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

- 2. Code and Regulation Compliance

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

- 3. Demolition

Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

- 4. Upgrades

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

- 5. General Property Improvements

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

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be *limited to 15 percent* of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced due only to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

#### 6. Rehabilitation Standards

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

### 30.3. ELIGIBLE PROJECT COSTS

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

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

Costs are based on charges currently incurred by the County, or its Program Operator, for these products and/or services. Any cost increases charged to the County/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. In the event that an application is denied, the County shall absorb these costs in its CDBG administrative budget. All fees are subject to change and are driven by the market.

Investors who withdraw after incurring costs shall, with the approval of HCD, repay the County for all such costs plus the cost of escrow, title reports, credit reports, and program delivery costs within 60 days. Failure to repay within the time allowed will result in further action which may include executing a lien on the property for the amount owed, plus interest accrued, legal costs and additional recording fees.

**30.4. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

**30.5. SWEAT EQUITY**

The County will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 30.1.E.

**31.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

**31.1. AMENDMENTS**

The County may make amendments to these Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the County’s Loan Committee and/or local governing body and submitted to HCD for approval.

**31.2. EXCEPTIONS**

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

**31.2.1. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The County or its Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the County’s/Program Operator’s recommended course of action and any written or verbal information supplied by the applicant.
- B. The County shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the County’s Loan Committee for decision.

**32.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

**32.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the County’s Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County at the following address:

Butte County Administration  
25 County Center Drive, Suite 200  
Oroville, CA 95965  
(530) 552-3300

The County will then schedule a meeting with the County’s Loan Review Committee. Their written response will be made within thirty (30) 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 at the following address:

Board of Supervisors, County of Butte  
c/o Clerk of the Board of Supervisors  
25 County Center Drive, Suite 200  
Oroville, CA 95965

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

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

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

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

**ATTACHMENT A**

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

**24 CFR Part 5 Annual Income Inclusions**

**§5.609 Annual income.**

(a) *Annual income* means all amounts, monetary or not, which:

(1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or

(2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and

(3) Which are not specifically excluded in paragraph (c) of this section.

(4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) Annual income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);

(6) *Welfare assistance payments.*



(i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:

(A) Qualify as assistance under the TANF program definition at 45 CFR 260.31; and

(B) Are not otherwise excluded under paragraph (c) of this section.

(ii) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(B) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(9) For section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition and any other required fees and charges, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph, "financial assistance" does not include loan proceeds for the purpose of determining income.

#### **24 CFR Part 5 Annual Income Exclusions**

(c) Annual income does not include the following:

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

- 
- (5) Income of a live-in aide, as defined in §5.403;
  - (6) Subject to paragraph (b)(9) of this section, the full amount of student financial assistance paid directly to the student or to the educational institution;
  - (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
  - (8)
    - (i) Amounts received under training programs funded by HUD;
    - (ii) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
    - (iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
    - (iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;
    - (v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;
  - (9) Temporary, nonrecurring or sporadic income (including gifts);
  - (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
  - (11) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);
  - (12) Adoption assistance payments in excess of \$480 per adopted child;
  - (13) [Reserved]
  - (14) Deferred periodic amounts from supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
  - (15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the FEDERAL REGISTER and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. [See <https://www.federalregister.gov/documents/2014/05/20/2014-11688/federally-mandated-exclusions-from-income-updated-listing> for most recent notice]

(d) *Annualization of income.* If it is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income), or the PHA believes that past income is the best available indicator of expected future income, the PHA may annualize the income anticipated for a shorter period, subject to a redetermination at the end of the shorter period.

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

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

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

**Inclusions**

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

**Exclusions**

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

**ATTACHMENT C**

**FAMILY INCOME LIMITS FOR BUTTE COUNTY\***  
**(Limits are effective 6/28/19)**

<i>Number of Persons in Household</i>								
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>80% of AMI</b>	\$37,250	\$42,600	\$47,900	\$53,200	\$57,500	\$61,750	\$66,000	\$70,250

\*County will insert the limits for the county in which the Program is located, and will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/2019-CDBG-Income-Limits.pdf>

**COUNTY STANDARDS FOR BEDROOM AND BATHROOM ADDITIONS TO ALLEVIATE OVERCROWDING**

<b>Maximum No. of Persons in the Household</b>	<b>Number of Bedrooms</b>	<b>Number of Bathrooms</b>
<b>1</b>	<b>SRO</b>	<b>1</b>
<b>1</b>	<b>0-BR</b>	<b>1</b>
<b>2</b>	<b>1-BR</b>	<b>1</b>
<b>4</b>	<b>2-BR</b>	<b>2</b>
<b>6</b>	<b>3-BR</b>	<b>2</b>
<b>8</b>	<b>4-BR</b>	<b>3</b>
<b>10</b>	<b>5-BR</b>	<b>3</b>
<b>12</b>	<b>6-BR</b>	<b>4</b>

The chart above is used as a guide to overcrowding.

- Opposite sex children under 6 years of age may share a bedroom, up to 2 children per 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, up to 2 children per bedroom.
- Adults not in a partner relationship may have their own bedroom.
- 4 or more people – a second bathroom may be added.
- 8 or more people – a third bathroom may be added.
- Same rules apply to mobile home units.

**ATTACHMENT D****RESIDENTIAL ANTI-DISPLACEMENT AND TEMPORARY RELOCATION PLAN  
Version 2**

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 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 BUTTE (County) with the requirements of federal regulations 24 CFR 570.606 under state recipient requirements. 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 within the County's jurisdiction limits.

The County will provide permanent relocation benefits to all eligible "displaced" households either owner occupied or rental occupied units which are permanently displaced by the housing rehabilitation program (**See Section E below.**). 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 race, color, religion, age, ancestry, national origin, sex, familial status, or handicap. 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 activities funded by HUD programs.

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

Consistent with the goals and objectives of activities assisted under the Act, the 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. 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.

2. Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.
3. Encourage owner investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during the course of rehabilitation or pay expenses on behalf of replaced tenants.
4. Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.
5. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities.

**B. Lead Based Paint Mitigation Which Causes Temporary Relocation:**

On September 15, 2000, the Final Rule for Lead Based Paint Hazard Control 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: programs:

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 (5) calendar days, the work site is contained to prevent the release of dust, the worksite and areas within 10 feet of the worksite are cleaned at the end of each day to remove any visible dust and debris, and the residents have safe access to kitchen and bath and bedrooms.

If temporary relocation benefits are not provided because the 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 Owner Occupants:

Owner occupants are not allowed to stay in units which are hazardous environments during lead based paint mitigation. When their home is having lead based paint mitigation work done which will not make it safe to live in, then they are eligible for temporary relocation benefits up to \$3,000, which will be provided as a grant. In the same way, a unit requiring substantial rehabilitation (with or without lead based paint mitigation) which will not allow the family to access a bath or kitchen facility, or if the unit is being demolished and reconstructed, then the family will be eligible for temporary relocation benefits up to \$3,000, which will be provided as a grant. In no case shall the grant for temporary relocation exceed \$3,000 for any one owner occupant.

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

D. 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 contract administrator or rehabilitation specialist 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 and they have the first right to move back into the original unit being rehabilitated at the same rent or lower. He or she may move in with family and friends and still receive full or partial temporary assistance based on eligible cost incurred. The housing rehabilitation loan specialist and/or the rehabilitation specialist will ensure that each tenant occupied unit under the Program will receive a General Information Notice (GIN) (as soon as possible after a loan application is received) and the tenant will receive a Notice of Non-displacement (after loan approval), and each tenant occupied unit will have a temporary relocation benefits form completed for them. (**See Appendix C**). These notices will document that each tenant understands what their relocation rights are, and if they must relocate during the course of construction, that they receive the proper counseling and temporary relocation benefits.

A tenant receiving temporary relocation shall receive the following:

1. 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 grantee 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 grantee determines that a longer period is necessary;
- d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;
- e. Insurance for the replacement value of personal property in connection with the move and necessary storage;
- f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft or damage is not reasonably available;
- g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;
- h. Any costs of credit checks required to rent the replacement dwelling;
- i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expenses:
  - 1) Interest on a loan to cover moving expenses; or
  - 2) Personal injury; or
  - 3) Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant before the Grantee; or
  - 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

E. Rehabilitation Activities Requiring Permanent Displacement

The County's 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's 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's 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 a loss in number of units or bedrooms.)

Replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the 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;
2. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as targeted income group dwelling units as a direct result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;
5. The source of funding and a time schedule for the provision of the 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 demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit with two one-bedroom units) is consistent with the housing needs of targeted income group households in the jurisdiction.

The Program Operator for the County 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 Section 570.606, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

**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. Each rehabilitation project, which dictates temporary or permanent or replacement activities, will have a project description and documentation of assistance provided. (See sample forms in HUD Relocation Handbook 1378, Chapter 1, Appendix 11, form HUD-40054)

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

Notices shall be written in plain, understandable primary language of the persons involved. Persons who are unable to read and understand the notice (e.g. illiterate, foreign language, or impaired vision or other disability) will be provided with appropriate translation/communication. Each notice will indicate

the name and telephone number of a person who may be contacted for answers to questions or other needed help. The notices and process below is for only temporary relocation. If permanent relocation is involved then other sets of notice and noticing process and relocation benefits must be applied (See HUD relocation handbook 1378 for those forms and procedures) The Temporary Relocation Advisory Notices to be provided are as follows:

1. General Information Notice: As soon as feasible when an owner investor is applying for Federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered a General Information Notice that the project has been proposed and that the tenant will be able to occupy his or her present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not exceed current rent or 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that the rehabilitation can be completed, suitable housing will be made available and he or she will be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons. **See Appendix A for sample notice to be delivered personally or by certified mail.**
2. Notice of Non Displacement: As soon as feasible when the rehabilitation application has been approved, the tenant will be informed that they will not be permanently displaced and that they are eligible for temporary relocation benefits because of lead based paint mitigation or substantial rehabilitation, or reconstruction of their unit. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance. **See Appendix B for sample notice to be delivered personally or by certified mail.**
3. Disclosure to Occupants of Temporary Relocation Benefits: This form is completed to document that the County is following its adopted temporary relocation plan for owner occupants and tenants. **See Appendix C for a copy of the disclosure form.**
4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the 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.

**APPENDIX A**

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

On (date), (property owner) submitted an application to the \_\_\_\_\_ for financial assistance to rehabilitate the building which you occupy at (address).

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

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

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

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

This letter is important and should be retained. You will be contacted soon. In the meantime, if you have any questions about our plans, please contact (name), (title), at (telephone number), (address).

Sincerely,

(name)

(title)

---

**APPENDIX B**

(date)

Dear \_\_\_\_\_:

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

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

1. You will be able to lease and occupy your present apartment [or another suitable, decent, safe and sanitary apartment in the same building/complex] upon completion of the rehabilitation. Your monthly rent will remain until after construction is completed. If increased after construction is done, your new rent and estimated average utility costs will not exceed local fair market rents for your community. Of course, you must comply with all the other reasonable terms and conditions of your lease.
2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact (name), (title), at (phone #), (address). Remember; do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

(name and title)

APPENDIX C

DISCLOSURE TO OCCUPANT OF TEMPORARY RELOCATION BENEFITS

Top to be completed at time of loan application submittal or Home Visit

Property Address: \_\_\_\_\_
\_\_\_\_\_ Rental Unit \_\_\_\_\_ Owner/Occupied Unit

The rehabilitation loan specialist working on behalf of the City/County of \_\_\_\_\_
has explained the temporary relocation services and benefits available under the current rehabilitation program relocation plan.

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

Acknowledged:

\_\_\_\_\_, \_\_\_\_\_ Date \_\_\_\_\_, \_\_\_\_\_ Date



Complete this at time of acceptance of Work Write Up with initials by occupant

The rehabilitation construction specialist for the City/County of \_\_\_\_\_
has explained the Rehabilitation Scope of Work for our house and I/we agree that it will:
\_\_\_ Not require I/we to be relocated. (If initialed then STOP here and sign bottom.)
\_\_\_ Yes, I/we need to be temporarily relocated. (Complete rest of form if initialed.)

Start date and duration of relocation:

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

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

- \_\_\_ Relocate with friends and family.
\_\_\_ Relocate into a suitable temporary housing unit identified by rehab specialist.
\_\_\_ Relocate furnishings only into a temporary storage unit.

\_\_\_ I/We have been told what our relocation benefits are and elect Not to be reimbursed for any eligible relocation expenses.

\_\_\_ I/We have been told what our relocation benefits are and want to be reimbursed for: \_\_\_\_\_

By signing, occupant(s) acknowledge receipt of copy of this form:

\_\_\_\_\_, \_\_\_\_\_ Date \_\_\_\_\_, \_\_\_\_\_ Date

**ATTACHMENT E**

**LOAN SERVICING POLICIES AND PROCEDURES  
FOR THE COUNTY OF BUTTE**

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

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

1. Loan Repayments:

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

For Notes which are deferred payment loans, the County may accept voluntary payments on the loan. The borrower may repay the loan balance at any time with no penalty.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the County as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the County may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower’s new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The County may verify the insurance on an annual basis.

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

3. Required Request for Notice of Default:

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

4. Annual Occupancy Restrictions and Certifications:

The County will require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan (see Section 5.4). These loan terms are incorporated in the original note and deed of trust.

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

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

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the County's Loan Committee (depends on the HCD program).

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is income eligible. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may be converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on title. All such changes are subject to the requirements of Section 10.1.1, and the review and approval of the County's Loan Committee.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner



converts any assisted unit from owner occupied to rental, the loan is due in full unless they meet requirements outlined in Section 10.3.1.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the County allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

#### 6. Requests for Subordinations:

The County will not consider any requests for subordination. When a Borrower wishes to refinance the property, they must pay the County's loan in full.

#### 7. Process for Loan Foreclosure:

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

When a senior lien holder starts a foreclosure process and the County is notified via a Request for Notice of Default, the County, 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. County 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 County 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 County 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 County does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the County 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 County 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 County 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 County determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the County's lien may be eliminated due to insufficient sales proceeds.

County as Senior Lien holder

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

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

If the balance is substantial and all of the above factors have been considered, the County 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 County to prevent foreclosure (such as, funds to bring a delinquent loan current or pay off a DPL).

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

**ATTACHMENT F**

**COUNTY OF BUTTE  
FORECLOSURE POLICY**

County As Junior Lien holder

It is the County of Butte's (County's) policy to prepare and record a "Request for Notice" on all junior liens (any lien after the first position) placed on properties financed by a loan.

This document requires any senior lien holder to notify the County of initiation (recording of a "Notice of Default") of a foreclosure only. This is to alert the junior lien holder that they are to monitor the foreclosure with the senior lien holder. When the County is in a third position and receives notification of foreclosure from only one senior lien holder, it would be in their best interest to contact both senior lien holders regarding the status of their loans.

The junior lien holder may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges, advances (fire insurance premiums, property taxes, property protection costs, etc.), and foreclosure costs (fees for legal counsel, recordings, certified mail, etc.)

Once the County has the information on the reinstatement amount, staff must then determine if it is cost effective to protect their position by reinstating the senior lien holder, keeping them current by submitting a monthly payment thereafter, foreclosing on the property possibly resulting in owning the property at the end of foreclosure, protecting the property against vandalism, and paying marketing costs (readying the home for marketing, paying for yard maintenance, paying a real estate broker a sales commission).

If the County 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 County 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 County determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the County's lien may be eliminated due to insufficient sales proceeds.

County As Senior Lien holder

When the County is in a first position, or the 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 County may consider foreclosure. County staff will consider the following factors before initiating foreclosure:

- Can the loan be cured (brought current or paid off) by the owner without foreclosure?
- Can the owner refinance with a commercial lender and pay off the County?
- Can the owner sell the property and pay off the County?
- Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 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 County may opt to initiate foreclosure. The owner 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 County to prevent foreclosure (such as, funds to bring a delinquent loan current or pay off a DPL).

At the end of thirty days, the County 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 County 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 County 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 County would then contact a real estate broker to market the home.

**ATTACHMENT G**  
**CERTIFICATION OF OCCUPANCY**  
**COUNTY OF BUTTE**

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

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

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

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

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

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

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

Signature(s) of all occupants:

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

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

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

- Proof of occupancy in the form of a copy of a **current utility bill**;
- Verification of current **required insurance** policies.

**CERTIFICATION OF OCCUPANCY - RENTAL**

**COUNTY OF BUTTE**

I/we \_\_\_\_\_ declare as follows:

(Please Print Owner's Name(s))

That there are tenants currently occupying the real property commonly known as:

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

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

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

Certification of Occupancy-Rental executed on \_\_\_\_\_, 20\_\_\_\_, at

(Date)

\_\_\_\_\_, CA

(City)

Name(s) of tenant(s):

Tenant: \_\_\_\_\_

Tenant: \_\_\_\_\_

Tenant: \_\_\_\_\_

Tenant: \_\_\_\_\_

Monthly Rental Charge: \$ \_\_\_\_\_

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

Signature(s) of all owner(s):

Owner: \_\_\_\_\_ Owner: \_\_\_\_\_

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

- Verification of current **required insurance** policies.

**ATTACHMENT H**

**LEAD-BASED PAINT**

**VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM**

<b>Section 1: Background Information</b>			
Property Address:			No LBP found or LBP exempt <input type="checkbox"/>
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>
<b>Section 2: Visual Assessment.</b> Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.			
Visual Assessment Date:		Report Date:	
Check if no deteriorated paint found <input type="checkbox"/>			
Attachment A: Summary where deteriorated paint was found. For multi-family housing, list at least the housing unit numbers and common areas and building components (including type of room or space, and the material underneath the paint).			
<b>Section 3: Notice of Presumption.</b> Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.			
Date of Presumption Notice:			
Lead-based paint is presumed to be present <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>			
Attachment B: Summary of Presumption: For multi-family housing, list at least the housing unit numbers and common areas, bare soil locations, dust-lead location, and or building components (including type of room or space, and the materials underneath the paint) of lead-based paint and/or hazards presumed to be present.			
<b>Section 4: Notice of Lead-Based Paint Hazard Reduction Activity.</b> Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.			
Date of Hazard Reduction Notice:			
Initial Hazard Reduction Notice? Yes <input type="checkbox"/> No <input type="checkbox"/>		Start & Completion Dates:	
If "No", dates of previous Hazard Reduction Activity Notices:			
Attachment C: Activity locations and types. For multi-family housing, list at least the housing unit numbers and common areas (for multifamily housing), bare soil locations, dust-lead locations, and/or building components (including type of room or space, and the material underneath the paint), and the types of lead-based paint hazard reduction activities performed at the location listed.			
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces or areas where activities were conducted.			
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)			
<b>Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity and Acknowledgement of Receipt of pamphlet <i>Protection Your Family from Lead in Your Home.</i></b>			
Printed Name:		Signature:	Date:
<b>Section 6: Contact Information</b>		Organization:	
Contact Name:		Contact Signature:	
Date:	Address:	Phone:	