

**HOUSING REHABILITATION GUIDELINES
FOR
COUNTY OF BUTTE**

I. Eligibility

A. Conflict of Interest

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.

B. Income

1. Owner-Occupant – To be eligible, household income must be equal to, or less than, the applicable HCD Income Guidelines. The owner will be required to provide income documentation. (See attached HCD Income Guidelines).

The calculation of income eligibility will not include assets except to the extent that such assets produce income (such as interest or rent). The County may consider assets, however, in its evaluation of the total application.

2. Investor – There are no restrictions on the income of the investor.
3. Tenants – If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD Income Guidelines. Tenant will be required to cooperate by providing income documentation. (See attachment #1) for income ranges and household size as calculated by HUD.

C. Property

To be eligible for program financing, properties must comply with the following criteria:

1. Be located within a target area designated for program assistance, unless otherwise approved by HCD.
2. Need repairs in order to comply with Section 8 Housing Quality

Standards and correct health and safety hazards.

3. 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).
4. 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.

II. Rehabilitation Standards

At a minimum, all serious Health and Safety hazards must be eliminated. All repair work shall comply with Section 8 Housing Quality Standards and the following provisions:

A. General Requirements

The purpose of each rehabilitation project will be to assure a living unit which provides for a healthful environment and complete living facilities arranged and equipped for suitable and desirable living conditions commensurate with the type and quality of the property under consideration. To provide each living unit with space necessary for suitable living, sleeping, cooking and dining accommodations as well as sanitary facilities.

1. Independent facilities shall be provided for each living unit except that common facilities such a laundry and storage space or heating may be provided for each property.
2. Each living unit shall contain provisions for each of the following:
 - a. A continuing supply of safe potable water.
 - b. Sanitary facilities and a safe method of sewage disposal.
 - c. Heating adequate for healthful and comfortable living conditions.
 - d. Domestic hot water.

- e. Electricity for lighting and for electrical equipment used in the dwelling.
- 3. Clothes closet space should be provided with bedrooms or conveniently located nearby;
- 4. Exterior doors shall have keyed locks;
- 5. Attics and under floor area shall have proper access and insulation as required by local codes;
- 5. Every dwelling unit shall be supplied with a means of disposal or removal of trash and garbage which is inaccessible to rodents.

B. Access to the Building

Walkways and steps shall be provided for all-weather access to the building and constructed so as to provide safety and reasonable durability.

C. Grading

Any deficiencies in proper grading or paving adjacent to the building shall be corrected to assure surface drainage away from foundations and basement walls. Retaining walls shall be maintained in adequate repair and must be provided where necessary to protect the structure, driveway and walls and to prevent soil erosion.

D. Unacceptable Features

Features which are not ordinarily acceptable in a property and which must be corrected, where feasible, are:

- 1. Buildings in which adequate attic and/or underfloor space ventilation has not been provided to prevent conditions conducive to dampness, decay, fungi and/or insect infestation and deterioration of the structure.
- 2. Buildings constructed on wood mud sills resting directly on the ground.
- 3. Crawl space vents with vent bottom less than 6 inches above the finish grade. Minimum clearance between bottom of floor joists and grade shall be 12 inches.

4. Foundations with top of stem wall less than 6 inches above finished grade.
5. Wood, siding, floors and/or door casings or sills in contact with the ground.

E. Structural Soundness

All structural components of the dwelling shall be in sound condition and considered serviceable for the expected useful life of the rehabilitated building. Sagging floors, fireplace, partitions, stairs, and exterior walls shall be restored if practicable to an acceptable level or plumb positions, and supported or braced so as to prevent a reoccurrence of these conditions. Stair railings shall be rigid. Individual structural members in a seriously deteriorated condition shall be replaced and loose or damaged joints between structural members shall be corrected.

F. Inspections and Correction

A careful inspection by qualified persons will be made of buildings and accessory structures on each property for evidence of actual or potential insect or rodent infestation or access channels. Defects in existing buildings which permit entry of rodents, termites, or other vermin will be corrected by appropriate preventive measures. Damaged or deteriorated structural members will be replaced. Certain preventive and protective measures against several forms of infestations are:

1. Window or other openings near grade to have snug fitting screens.
2. Exterior doors to fit tightly and be flashed or caulked at sill.
3. Opening for pipes or ducts through floors or walls to have tight fitting collars.
1. Cracks and crevices in foundations and above-ground walls may be effectively sealed by pointing with mortar or other approved materials.
2. Cracked, broken or decayed wood surfaces shall be replaced.
3. Appropriate chemical treatment of soil adjacent to foundations and within hollow masonry foundations and treatment of the soil in enclosed spaces.
4. The application of precautions or corrective actions recommended by licensed professional exterminators.

G. Exterior and Interior Finishes

Exterior and interior finishes shall assure that building finishes will be adequate to prevent the entrance or penetration of moisture and weather; protect from damage by decay, corrosion, insects, and other destructive elements; and provide reasonable durability and economy of maintenance.

H. Exterior Appurtenances

All exterior appurtenances or accessory structures which serve no useful purpose or those in a deteriorated condition which are not economically repairable, may be removed. Such structures include porches, terraces, entrance platforms, garages and carports, walls, fences, and miscellaneous sheds.

I. Foundations

All masonry or concrete foundation walls shall be improved to a safe and sound condition with the top of the wall being not less than 6 inches above finish grade. All wood foundation posts, sills, girders and plates showing signs of rot, decay, infestation or structural failure shall be replaced with new suitable materials of proper design, where practicable.

J. Exterior Walls

Wood siding materials and trim which are broken, split or damaged so as to permit the entrance of weather or which show signs or decay of insect infestation shall be replaced. Where required, all existing wood surfaces shall be suitably prepared for painting and shall receive at least one coat of prepared exterior house paint. New wood siding materials shall be protected by appropriate finishes. Composition sidings, including mineral surfaced fiber board, mineral surfaced asphaltic siding, asbestos-cement types, etc., which show deterioration, damage or joint failure so as to permit the entrance of weather or adversely affect the appearance of the dwelling may be repaired, replaced or covered with new suitable siding materials.

K. Interior Walls and Ceilings

1. All loose and broken gypsum board shall be re-nailed or replaced, if possible, and refinished. All loose and broken plaster shall be soundly patched and repaired. Where deterioration is so extensive that patching is impractical, the entire wall or ceiling area shall be re-plastered or covered with acceptable drywall materials.
2. All walls and ceilings shall be properly prepared and painted or received other appropriate finish.

3. Interior doors, jambs and interior trim which show excessive deterioration, abuse and patching shall be replaced. Existing and/or new interior millwork shall be properly prepared and receive protective finish. All broken or missing hardware shall be replaced.

L. Kitchen Fixtures

Countertop and backsplash shall be of approved durable and water resistant materials. Where required, new sink and fittings properly connected to hot and cold water supply and waste lines shall be installed.

Wherever deteriorated walls, ceilings or other areas are suspected of containing asbestos materials, precautionary protective measures will be taken to protect workers and residents from harmful dust. These measures may include full abatement procedures as provided by trained personnel. Dwellings which are over 15 years of age and are occupied by children under the age of seven will be evaluated to determine the existence of chipping or peeling lead-based paint. The occupants of all units rehabilitated through the CDBG program will receive a Lead-Based Paint Warning advising parents of the possible need to have children evaluated for possible lead poisoning. In incidents where lead-based paint poisoning has been determined, or where problems are believed to be likely, HUD-approved abatement procedures will be followed in cooperation with the local Health Department.

M. Finished Floors

1. Bathroom/Toilet compartments and kitchen floors shall be provided with approved underlayment, approved waterproof floor covering materials and appropriate basemold.
2. Floors in other areas of the living unit which show excessive wear, shrinkage, cupping or other serious damage shall be, if possible, replaced or covered with acceptable finish flooring materials properly installed. Sound wood floors showing normal wear discoloration may be refinished.
3. Finish floors shall be appropriate to the use of the space, be in good condition and provide low maintenance service life.

N. Roof Drainage

Each dwelling shall have a controlled method of disposal of water from roofs, where necessary, to prevent damage to the building and property, if possible.

O. Roof

All roofs and flashing shall be replaced or repaired to the extent necessary to protect the building against leakage.

P. Gutters, cornices and Exterior Details

Gutters, downspouts, eaves, rafter ends, fascias, soffits and cornices, moldings, trim, etc., showing evidence of deterioration shall be replaced with new materials suitably protected with paint or stain. Repairs shall be made with any necessary changes of existing design or with appropriate new design within reasonable limits to prevent recurrence of the deterioration.

Q. Chimneys

Chimneys, brickwork or fireplaces showing signs of deterioration should be repaired or replaced with appropriate material, if possible.

R. Windows, Doors and Other Openings

Existing windows and doors, including their hardware, shall properly function and give evidence of continuing acceptable service. Defective glass or locking mechanisms shall be replaced or repaired. Windows and frames and their frames which show signs of decay, deterioration, excessive warping, racking or misalignment shall be replaced or repaired and adequately protected with paint and flashings against further deterioration.

S. Electrical Wiring

When electrical services must be replaced, 100-amp main service with a minimum of four branch circuits is required. Additional branch circuits shall be installed, as required, to service cooking ranges, clothes dryer, water heater and other heavy duty fixed appliances. A minimum of one duplex receptacle and one overhead light fixture or two duplex receptacles per bedroom and one for each other habitable room shall be provided. Permanent light fixtures with wall mount switches are required in kitchen and bath.

T. Plumbing

All plumbing fixtures shall be appropriately connected to approved drain, waste, vent and supply lines. All leaking, deteriorated or clogged piping shall be replaced or restored to a condition which will provide safe and adequate service for the plumbing fixtures or gas-fired equipment to which they are connected.

U. Heating and Ventilation

No unvented fuel-burning heater shall be permitted. All heating devices and appliances shall be of an approved type. Each living unit shall have properly vented domestic water heating equipment capable of adequately supplying hot water, as defined in U.P.C., with properly installed safety devices in place.

V. Porches and Steps

All unsafe or unsound porches and steps will be removed and/or replaced and protected from deterioration with paint or other acceptable finish. Where required, approved handrails and guardrails shall be provided.

W. Fences and Gates

Dilapidated wood fencing which poses a health or safety hazard should be replaced. Wood fences which lean or have missing pickets, boards or panels may have missing parts replaced with suitable materials. Sagging gates may be braced and those dragging on the ground may be re-hung.

X. Yard Areas

Trees which are undermining the structural integrity of the dwelling shall be safety-pruned or removed. All debris, lumber and trash shall be removed.

Y. Painting and Decorating

Where necessary, a protective and decorative finish coating shall provide:

- a. Adequate resistance to weathering;
- b. Protection of finished surfaces from moisture or corrosion;
- c. An attractive appearance;
- d. Reasonable durability.

Where painted surfaces are in a well-maintained condition and not disturbed by the rehabilitation work, painting and decorating is not required.

Z. Expansion of Dwelling

Room additions or expansions may be allowed when necessary to correct overcrowding conditions. For the purpose of a bedroom addition, overcrowding will be defined as a state in which male and female siblings of any age must share a bedroom, or where more than three siblings of the same sex share a room, or where the ages of the children create a privacy need for an older child (such as a teenager who must share a room with her toddler sisters). For the purpose of adding a second bathroom, overcrowding will be defined as five or more persons sharing the same home.

AA. Energy Conservation Measures

Rehabilitation loans may be used to reduce energy consumption through the installation of:

- a. Dual glazing;
- b. Storm windows;
- c. Attic, floor and wall insulation;
- d. Water heater blankets and timers;
- e. Hot water pipe insulation;
- f. Caulking and weather stripping of doors and windows;
- g. Replacement of inefficient woodstoves (including flues and heat shields).

BB. Incipient Violations

Rehabilitation assistance may be used for rehabilitation work necessary to correct incipient, as well as actual violations of Housing Quality Standards. An incipient violation exists if it is thought that the physical condition of an element in the structure will deteriorate into an actual violation in the near future.

CC. Building Permits and Related Fees

Rehabilitation assistance may provide funds to cover the cost of building permits and related fees that are required to carry out the proposed rehabilitation work.

DD. Ineligible Costs

Except as provided for herein, a rehabilitation loan shall not be used for:

1. New construction, substantial reconstruction, expansion of the structure or the finishing of unfinished spaces (except in documented overcrowded conditions).
2. General property improvements will not be allowed unless they are replacing existing items which are damaged and directly connected to a health and safety item involved in the project. Other items which will not be allowed include, but are not limited to, personal property, microwave ovens, garbage compactors, installation of automatic garage door openers, draperies, burglar alarms or security systems, television antennas and items which do not improve the real property for which the loan is secured.
3. Acquisition of land.
4. Penalty building permit fees.

III. Rehabilitation Financing

A. Owner-Occupant

1. Limits – An eligible owner may qualify for the full cost of the rehabilitation work needed to comply with Section 8 Standards. Maximum assistance with CDBG funds is \$40,000. Total indebtedness against the property will not exceed 95% of the after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the County. Borrowers with deferred loans will be evaluated every five years for income eligibility. Those borrowers who no longer qualify for a deferred loan will have their loans amortized at that time. After rehabilitation, owner-occupants will be expected to maintain their property in good repair. Annual verification of housing standards, adequate hazard and flood insurance and current property taxes will be conducted. Rehabilitation Assistance Agreements will include requirements to maintain housing standards, insurance and taxes. Owners delinquent in these areas will have their loans accelerated if the problem reoccurrence is not corrected within 60 days of notification.
2. Types of Financing and Terms
 - a. Deferred Payment Loans – DPLs are loans secured by a deed of trust with no payback required until the participant sells or transfers title or discontinues residence in the dwelling. When that occurs, the DPL becomes immediately due and payable. Payments may be mad voluntarily on a DPL.
 - b. Grants will be allowed for a maximum amount of \$2,000 each emergency repairs or handicapped retrofitting for disabled or very low-income-elderly persons.
 - c. Amortized Loans will bear a simple interest rate of 3%. Whenever possible, loans will be amortized. The term of all amortized loans will be for 15 years unless a longer period id deemed necessary to protect the integrity of the loan. There will be no prepayment penalty.
3. Determining Eligibility
 - a. All owner-occupant participants with incomes below 50% of the median income for Butte County (based on household size) are eligible for Deferred Payment Loans, which will not exceed

current equity. On a case-by-case basis other hardship expenses such as medical costs and housing expenses in excess of 30% of the household's gross monthly income may be considered in determining the need for a deferred loan.

4. Reconstruction Policy

The reconstruction of existing TIG owner/occupied single-family residential structures may be authorized when:

- The dwelling is considered unsuitable for rehabilitation according to the state's definition:

“A dwelling is considered unsuitable for rehabilitation when the dollar amount of code work exceeds the current appraised value of the occupied dwelling.”

- The estimated cost of reconstruction is at least 20 percent less than the estimated cost of purchasing comparable newly constructed housing in the locality's jurisdiction;
- The estimated cost of the reconstruction (excluding demolition, site preparation and temporary relocation) is less than the fair market value of the reconstructed housing;
- The amount of CDBG funds used for reconstruction (excluding demolition, site preparation and relocation) is 20% less than the amount of funds from all sources needed to substantially rehabilitate the existing dwelling;

“DWELLING” means a structure or unit within a structure with cooking, eating, sleeping and sanitation facilities which has been legally occupied as a residence. Legal occupancy and residential use shall have been established for a minimum of six months.

- The family is not spending more than 30% of their gross household income on housing costs. (For purposes of reconstruction, housing costs will consist of principal and interest of all loans against the property including the CDBG loan; property taxes and hazard insurance).
- Proof that the dwelling has been occupied for the preceding twelve (12) consecutive months by a TIG owner/occupant unless the dwelling was ordered vacated by order of the local building official within the last six (6) months. Utility bills will be used as proof of occupancy;

- Building plans for reconstruction should meet new construction building and zoning standards for room size, setbacks and off-street parking areas.

B. Investor

1. Limits – An investor may be eligible for a loan for the full cost of the rehabilitation work needed to comply with Section 8 Standards. Maximum assistance from CDBG funds is \$40,000 for 1 to 3 units. A maximum of \$15,000 per unit for 3 units or more is allowed. Total indebtedness against property will not exceed 90% of after-rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other sources of leverage.

2. Types and Terms of Financing

Amortized loans – Below Market Interest Rate loans (BMIR) at 3% interest, secured by a deed of trust and with a term of 15 years.

Combined financing – 50% of rehabilitation costs as a BMIR loan and 50% as a Deferred Payment loan.

Deferred Payment Loans (DPLs) are not available to investors. Grants are not available to investors.

3. Restrictions

- a. Rent Limitation Agreement

An investor who elects to rehabilitate a rental unit with CDBG financing must sign a Rent Limitation Agreement (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 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% of 80% of county median income for the appropriate household size in that unit.
3. Base Rent – Occupied Units if the house is occupied, rent charges will not exceed 30% of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30% of the existing tenants' income, no rent

increases shall be allowed which provide for rents plus utilities over 30% of the tenants' income.

4. Terms – Adherence to these rent limitation provision shall be for five years from date of Notice of Completion of construction. The RLA may be extended in five-year increments up to a total of 15 years to maintain the BMIR for the loans.
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 instituted.

- b. Tenant Certification – An annual certification form will be sent to the owner of rental properties to verify that no tenant has been forced to move without cause during the previous years, that tenants satisfy required income criteria, and that rents do not exceed the terms of the RLA.

4. Maintenance Agreement

As specified in the Rehabilitation Assistance Agreement, an investor who participates in the Loan Program must maintain the property at post-rehabilitation conditions for a minimum of five years. Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be instituted.

5. Reconstruction

Reconstruction of multi-family rental properties is not allowed under the County's Housing Rehabilitation Program, however, single-family rentals of 1 to 3 units are eligible. (Refer to Section III, 4 for reconstruction requirements).

IV. Occupancy Requirements

A. Owner-Occupants

1. In the event that an owner-occupant sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan is due and payable.
 - a. If, however, the owner-occupant who qualifies for CDBG financing dies, and if the heir to the property live in the house and is income-eligible, the heir may be permitted, upon approval of the

County of Butte, to assume the loan at the rate and terms he or she qualifies for under current participation guidelines.

- b. If the owner-occupant who qualifies for CDBG financing dies and the heir is not income-eligible, the loan is due and payable.
 - c. If the owner-occupant who qualifies for CDBG financing dies and his heir is not income-eligible, but he or she chooses to rent the unit to low income families and agrees to comply with owner investor restrictions, the heir may be permitted, upon approval of the County of Butte, to assume the loan at the same rate and terms offered investors under current program guidelines. If the heir does not comply with investor restrictions, the loan is due and payable.
2. If an owner-occupant wants to convert the rehabilitation property to rental unit, he or she must notify the County in advance. If the Count approves the conversion of an owner-occupied unit to a rental, the owner will be required to comply with the provisions of the investor guidelines, including rent limitation provisions and financing arrangements.
 3. If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.
 4. If an owner wants to sell or transfer title to the property to another party (including a future heir) during the owner's lifetime, the loan is due and payable and may not be assumed unless the new owner meets all of the eligibility requirements of these guidelines, submits proof of such eligibility, pays all fees and costs associated with the assumption, and is approved by the loan committee.

B. Investor

1. If an investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
2. An investor may convert a rental property to his or her personal residence if:
 - a. He or she can prove that the previous tenant was not evicted without cause.
 - b. He or she is income-eligible.
 - c. He or she requests approval from the County

3. If an investor converts a rental property rehabilitated with CDBG funds to his or her personal residence, but he or she is not income-eligible, the loan is due and payable.
5. If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

V. Owner Participation or Self Help Loans

The purpose of the housing rehabilitation program is to improve the housing conditions of low income residents in the housing rehabilitation program target area. Three important considerations in achieving this purpose are: 1) the work should be done in a timely manner; 2) the work should meet certain basic standards of quality, and 3) work must comply with the rehabilitation standard established by the Program (Section 8 Housing Quality Standards).

In situations where a home owner is also a construction contractor or can provide references establishing a history of working in residential construction, the property owner may complete some or all of the tasks required to rehabilitate his/her property if he/she has the degree of skill required to perform the work involved. Self-help is usually appropriate for the accomplishment of tasks of an unskilled nature such as general clean-up, demolition of small buildings, removal and disposal of debris, or for work which involves minimum use of costly materials and equipment, such as exterior and interior painting. Work of a skilled nature is appropriate only if the owner has a license to perform such tasks.

Owners who participate in the housing rehabilitation programs on the basis of performing some or all of the work themselves, which is known as providing “owner participation” or “self-help,” will be expected to comply with the guidelines outlined below.

1. Evaluation. An evaluation form must be submitted to the program to allow a determination of the applicant’s suitability for owner participation. The option to allow owners to do the work themselves may be provided at the sole discretion of the program.
2. Work Schedule. Borrowers approved to provide owner participation will be required to submit a detailed work schedule in accordance with deadlines established by the program. This work schedule must include the following:
 - a. A complete list of materials which will be required for the project.
 - b. A precise cost estimate of materials to be purchased. This estimate must be based on actual costs.

- c. A detailed list (company names, addresses, and telephone numbers) of places where materials are to be purchased.
 - d. A specific list of individuals (contractors, subcontractors or laborers) who will be needed to assist the owner in completing the project. This list should include contractors' license number, addresses, telephone numbers and specific amounts to be paid.
 - e. A detailed time schedule showing the dates when work will be started, when work will be done on each task and when all work will be completed.
3. Permits. It is the responsibility of the homeowner to contact the appropriate governmental offices to determine whether building permits or other permits will be required. Failure to do this may result in loan cancellation or demands that work be started over and corrected. Whatever local requirements prevail for permit issuances, the owner will be expected to comply with those requirements.

The work being allowed by this program is for health and safety purposes. A building permit is mandatory for all code-related items. A copy of each permit must be forwarded to the program office and the original should be posted on the structure. Building permit fees, where applicable, are reimbursable items; therefore, they should be included in the original Work Schedule.

When each code item is completed (such as electrical, plumbing, sewer hook-up), the Building Permit is signed off by the Building Inspector. A running copy of the card, showing sign-offs as they occur, should be provided to the program office.

4. Disbursements. Any disbursements made from the owner's loan shall be done in accordance with the work schedule approved by the program. Any obligations incurred which are not in accordance with the work schedule may be denied for payment. Disbursements shall be authorized jointly by the homeowner and a duly authorized representative of the housing rehabilitation program.

All disbursements must be justified by original receipts that are legible, state the materials purchased or labor provided, and they must be otherwise traceable by the program. Disbursements will be for eligible materials only.

5. Prohibition Against Cash Refunds. Homeowners are reminded that it is a violation of program policy for cash refunds to be received for materials purchased or labor secured. In cases where materials are to be returned and cash is to be received, all cash must be immediately returned to the owner's escrow account.

6. Labor Contribution Certification. By allowing work to be done on an owner participation basis, it is expected that certain savings will result to the housing rehabilitation program and to the owner's loan. The method of keeping track of work being done is the "Labor Contribution Certification."

VI. Application Processing and Selection

A. Application Processing.

The Housing Rehabilitation Staff shall gather any necessary financial information to determine applicant eligibility and repayment ability. An application consists of:

1. A form containing financial and household information regarding the property owner.
2. A form containing necessary income and household information when either owner-occupied or rental properties are involved. Owner-occupant and tenant income will be verified by use of one or more of the following forms:
 - a. Request for Verification of Employment
 - b. Verification of Public Assistance
 - c. Income tax information (1040s, etc.)
 - d. Benefit letters for sources of public assistance or pensions
 - e. Copies of recent benefit of pay checks
3. Credit evaluations and income, employment and mortgage verifications as obtained by staff.
4. Title Report (Full or Limited Coverage) and Appraisal/Estimate of current market and after rehabilitation market values.
5. A preliminary work description and cost estimate of required rehabilitation work as prepared by program staff and approved by applicants.

Note: Preparation of Work Descriptions. Work descriptions and cost estimates will be similarly prepared from a computer database (library) that contains hundreds of construction specifications.

6. All loans shall be secured by a promissory note and a deed of trust, regardless of the position of the security interest.
7. Appraisals shall be required if deemed necessary.
8. Loans shall not be subject to a prepayment penalty.
9. An optional contingency (depending on the project complexity) may be included in each loan. Unused funds will be returned to the County and accordingly applied to the loan principal.
10. Termite inspections and clearances shall be obtained when so required.
11. Loan processing fees (as appropriate) may be included in each loan. In the event that an application is denied, the County shall absorb these costs in its CDBG administrative budget. Other costs, such as termite reports, appraisal fees, legal fees, etc., may also be included in the loan.

When appraisals, legal fees, termite inspections, asbestos inspections, or other extraordinary costs must be incurred prior to loan approval, the County may, after consultation with the CDBG area representative, enter into a pre-construction agreement. Under the terms of this agreement, the County shall agree to advance funds for these costs with the understanding that, if the loan is not approved, the County will absorb these costs; but, if the potential borrower withdraws from the program after incurring these costs, the applicant will repay the County. Whether this debt is repaid in a lump sum or through small amortized payments at 3% interest for a term of five years will depend upon the ability of the homeowner to pay and the recommendations of the CDBG area representative and the loan committee.

Investors who withdraw after incurring costs shall, with the approval of the CDBG area representative, 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.

12. Tenant will receive information regarding fair housing rights and an authorization form for signature which states that the tenant understands that he or she may be inconvenienced by the necessary repairs and that he or she agrees to authorize inspectors and repair persons to enter his or her living quarters at reasonable daytime hours.

B. Application Selection

A Loan Committee Request (LCR) will be prepared for all loan applications determined by staff to be eligible for a housing rehabilitation loan. The LCR and the application will be brought before the Housing Rehabilitation Loan Committee for approval.

All recommendation for loans shall be developed by the County's Housing Rehabilitation Program Manager (Consultant) and submitted to the Housing Rehabilitation Loan Committee. The Program Manager's recommendations shall be submitted in written form and shall propose the terms of the loan, interest rate, special conditions and whether the loan should be approved or denied. All applications shall be submitted for consideration regardless of whether the recommendation is for approval or denial.

C. Loan or Grant Approval

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

VII. Insurance

A. Fire Insurance

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

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

B. Flood Insurance

In areas designated by the U.S. Department of Housing and Urban Development (HUD) as flood prone, the owner is required to maintain flood insurance in an amount adequate to secure the Rehabilitation Loan. This policy must designate the County as Loss Payee. The premium may be paid by the Rehabilitation Loan for one year.

VIII. Temporary Relocation

Tenants will be informed of their eligibility for temporary relocation if occupancy during rehabilitation constitutes a substantial danger to health and safety of tenant or public danger or is otherwise desirable because of the nature of the project. Relocated tenants will receive housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the County of Butte's "Residential Antidisplacement and Relocation Assistance Plan", attached to these guidelines as Attachment #2. Owner-occupants are not eligible for temporary relocation benefits except in extreme cases such as reconstruction.

IX. Complaint and Appeal Procedure

The borrower will be required to follow the process outlined below as a condition of receiving a CDBG loan. The process sets forth the steps for resolving homeowner-contractor conflicts both during and after the completion of construction. By entering into a rehabilitation assistance agreement, the borrower agrees to follow this dispute resolution process. If the borrower refuses to follow this process, the lender reserves the right to inspect contractor work for compliance with CDBG and applicable code requirements and authorize contractor payment without the owner's consent if the work has been found satisfactory. If the borrower follows the dispute resolution process, but is unable to reach agreement with the contractor on disputed work, the lender reserves the right to inspect the work for compliance with CDBG code, and contract requirements. If the lender finds the contractor work in compliance, the lender may authorize payment without the borrower's consent. In no case will the lender unilaterally authorize a contractor payment without first notifying the borrower.

Complaint and Appeal Procedures

The Housing Rehabilitation Program acts as a lender for and a facilitator of the rehabilitation. The primary responsibility of the Program Representative (Consultant) is to ensure that the rehabilitation process meets the procedural and substantive requirements of state and federal regulations. The Program Representative is not your agent or employee. You, the homeowner, have the primary responsibility of ensuring that the contractor completes the work in a satisfactory manner according to the specifications of the approved bid and in compliance with applicable building codes. While the County is providing funds to make the repair of your home possible, the County is not responsible for enforcing your contract with the contractor you select to rehabilitate your home. The County is responsible for inspecting the contractor's work for compliance with applicable building codes, **but you are responsible for ensuring that work is completed to your satisfaction**. This is an important distinction, because it is possible for rehabilitation work to comply with the minimum requirements of the building code but not comply with the terms of your contract or not be satisfactory with respect to your expectations.

Instances may arise, however, in which a dispute or difference of opinion cannot be resolved strictly between the homeowner and the contractor. In such instances, the Program Representative will mediate the dispute according to the following procedures. One condition of your loan is that you agree to abide by the following dispute resolution process.

This process may be used at any time during or following the completion of construction. Before contacting your Program Representative, you must first communicate your dispute to the contractor and attempt to have the contractor resolve your complaint. It will be helpful if you list your problems with the contractor's work in writing and give the contractor any problems you may have with his or her work, as delay may increase the difficulty or expense involved in correcting the problem.

STEP ONE: Submit a Written Complaint to the Program Representative

If you are unable to reach an acceptable resolution of your problem with the contractor, then you may request your Program Representative to act as a mediator. If your problem involves a question of building code compliance, however, your dispute should be brought to the attention of the building department inspector, who can be reached at 888-671-0220.

Complete the disputed resolution within five working days after you have requested the contractor to address your complaint. Your Program Representative will respond in writing to your complaint within ten working days after its receipt. The response will indicate the course of action the Program Representative will take, which will include one or more of the following:

- direct contact with the contractor to correct the problem;
- arrangement of a meeting to inspect the problem, with subsequent action to follow;
- arrangement of a meeting between the Program Representative, the homeowner and the contractor to resolve the dispute;
- other action, as the Program Representative deems appropriate; or
- no action.

STEP TWO: Contact County Staff Person in Charge of Program

If the written response and subsequent action of the Program Representative is not satisfactory, you may contact the Director of Public Works, which is the County staff position in charge of the Rehabilitation Program. You must file a written complaint with the County indicating what part or parts of your dispute were not, in your opinion, adequately addressed by the Program Representative. This written complaint must be

filed within five working days after you receive your written response from the Program Representative.

A written response from the County will be returned within ten working days after your complaint is received. The response will explain the follow-up action that will be taken.

The address at which to file your complaint with the County is:

Butte County Administration
25 County Center Drive
Oroville, CA 95965

STEP THREE: File an Appeal with the County

If the written response and subsequent action of the County staff person in charge of the Program is not satisfactory, you may appeal in writing within fifteen days of the decision to the Board of Supervisors. You must file and appeal in writing indicating the exact nature of your dispute and the specific unresolved portions of the dispute you are appealing.

Your appeal must be filed at the following address:

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

Note: The Board of Supervisor's decision is final; further disputes must be settled through court action.

X. Default and Foreclosure

A. Policy

The County acknowledges that circumstances beyond a borrower's control may temporarily limit his/her ability to meet loan terms. The County desires to be flexible enough so that in cases of: death of a family member, loss of job, divorce and major illness, loan terms may be modified.

While the County, in this policy, outlines a system which can accommodate crises that restrict borrower's ability to meet loan terms, it should in no way be misunderstood. Loan terms must be fulfilled. The County will pursue all legal means to ensure fulfillment of loan terms.

B. Procedure

1. Thirty (30) day and sixty (60) day delinquencies. The County shall send the borrower a letter noting the amount delinquent or performance default. This letter shall be followed by a telephone call reminding the borrower of the loan amount and due date or performance default.
2. Ninety (90) day delinquency. The County shall send a certified letter noting the amount delinquent or performance default. In this letter, a date and time shall be set for a meeting between the borrower and a member of County staff. At this meeting the following will be discussed:
 - reasons for delinquency or default
 - any changes in the borrower's health, family circumstances or financial status that limits their repayment ability
 - amount in arrears

At the conclusion of this meeting, the following will be determined:

- how and when the amount in arrears will be paid
- how performance defaults will be remedied
- if a personal emergency (loss of job, loss of spouse or co-borrower, serious illness) has restricted repayment ability

If, because of such an emergency, the borrower cannot fulfill the term(s) of the loan or afford to pay the full monthly installment, the County may exercise one or more of the following options:

- a. Extend the time of payment or otherwise alter the terms of any of the indebtedness;
- b. Accept additional security therefore of any kind, including trust deeds or mortgages;
- c. Alter, substitute or release any property securing the indebtedness.

Any action taken as a result of this meeting shall be documented and Recorded in the required fashion.

3. If the borrower does not appear for the 90-day delinquency meeting, and does not contact the County Manager's office to reschedule the meeting, staff and may immediately begin foreclosure proceedings.

4. Any borrower who participates in the process outlined above and then becomes 90 days delinquent within two years of renegotiating their loan terms may be subject to immediate foreclosure.

XI. Amendments

Amendments to these guidelines may be made by the County and will be submitted to the California Department of Housing and Community Development for approval.

ButteCo:HousingRehabGuidelines