



City of Citrus Heights Housing Rehabilitation Program Guidelines

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CITY OF CITRUS HEIGHTS HOUSING REHABILITATION PROGRAM GUIDELINES

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CITY OF CITRUS HEIGHTS HOUSING REHABILITATION PROGRAM GUIDELINES

The City of Citrus Heights' Housing Rehabilitation Program, using primarily Community Development Block Grant (CDBG) Program funds, CalHOME funds, and loan repayments is designed to correct health and safety hazards in deteriorated housing and extend the useful life of the affordable housing units. Various financing methods are used to achieve cost-effective repairs for owner-occupied, low-income Citrus Heights residents.

GOALS/OBJECTIVES

The City of Citrus Heights Housing Rehabilitation Program is intended to:

1. preserve and enhance the existing housing stock;
2. further neighborhood conservation efforts; and
3. provide a method by which very low-, low-, and moderate-income homeowners can improve their homes.

Accordingly, the City's Program offers low-interest deferred loans, mobile/manufactured home repair loans, mobile/manufactured home repair grants, handicapped accessibility grants, relocation grants and lead hazard evaluation and abatement grants to eligible homeowners with varying housing repair needs.

MARKETING/OUTREACH & FAIR HOUSING

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 Sponsor 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. A Fair Housing Marketing Plan will be reviewed annually. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents (in accordance with the City LCP and outreach plan), 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.

Individuals who believe they have been discriminated against in a housing related action may contact Sacramento Self Help Housing's Renter's Help Line at: (916) 389-7877.

HOUSEHOLD ELIGIBILITY

Waiting List

The City 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 City/Program Operator will contact homeowners by mail and/or by telephone to advise of funding availability. The homeowner has 10 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 10-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.

Should the waiting list be exhausted, the Program will be marketed in accordance with the Marketing Plan. Should a resident be living in an imminently unsafe condition, the City reserves the right to make an exception and provide preference under the discretion of the City's Community Services Director.

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/or appraisals may also be obtained.

If the City/Program Operator encounters material discrepancies and/or misrepresentations, and/or there is income, asset, household composition, or other important questions that can't be resolved, the City reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

Household Selection

Households selected for participation in the City's Housing Rehabilitation Program are those determined eligible upon completion of processes described above. When there is a designation of a local, state or federal disaster, City shall have the discretion to prioritize victims of said disaster over other applicants.

Income Limits

1. In order to be eligible for assistance, the anticipated cumulative gross annual income(s) for all persons age 18 years during the coming 12 month period and occupying the residence must not exceed 80% of Sacramento County's median-income as adjusted for household size. Income limits are according to The U.S. Department of Housing and Urban Development (HUD) or The California Department of Housing and Community Development (HCD) limits depending on loan funding source. Household: means one or more persons who will occupy a housing unit. Unborn children count in family size determination.
2. The income limits published at the time of loan approval will apply when determining income eligibility. These limits shall automatically be updated and adopted as published by HUD/HCD.
3. The current HUD/HCD income limits by household size will be considered Attachment A of these guidelines.

Calculating Household Income

1. The applicant must own and occupy the housing unit as his/her/their principal residence.
2. Annual household income will be used to determine whether or not a particular household is above or below the published low-income limit.
3. All persons, 18 years of age or more, living in the household are required to provide proof of current income.
4. For employed persons a tax return and/or two earning statements will be required.
5. For retired persons who do not file tax returns or persons receiving government subsidies, copies of benefit checks, benefit award letters or copies of bank statements indicating automatic deposit of benefit checks will be required.
6. All documents will be kept in the participant file and held in strict confidence.
7. Income must be verified no later than six months from the date the loan is made. If all or part of income is derived from irregular employment or includes earnings from occasional overtime work, such income received during the preceding calendar year will be used as a basis to anticipate income for the upcoming calendar year.

8. When a property has multiple owners listed on the grant deed, for the purpose of eligibility for any rehabilitation activity, only the income of persons living within the unit will be used to determine household income.
9. Income is defined according to 24 CFR Part 5-General HUD Program Requirement.
10. Income is the gross amount, before any deductions have been taken, of income that is anticipated to be received by all household members during the succeeding twelve-month period.
11. All owners listed on the title are required to sign the City's deed of trust, promissory note, and rehabilitation contract documents, whether or not they reside on the property.
12. 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.

PROPERTY ELIGIBILITY

Characteristics

1. Eligible property types can include:
 - a) conventional single-family housing
 - b) half-plexes (must be legally separate from adjoining structure(s))
 - c) condominiums
 - d) mobile/manufactured homes, as defined below, which are secured to real property or located on land that is leased
2. Structures may be detached or attached.
3. Mobile homes, manufactured homes, and park trailers as defined by Sections 18007 and 18009.3, respectively, of the California Health and Safety Code are eligible for this Program. "Recreational vehicles" as defined by Section 18010 of this California Health and Safety Code are not eligible for this Program. In addition, mobilehomes as defined under 18008 which were built prior to 1976 are not eligible for the CalHome loan program.
4. Mixed use developments are eligible but any construction items which address shared space between the commercial and housing units will be prorated and funds will be used to pay only for housing units' share of repair costs.

5. Commercial properties may not be converted to housing.
6. Must be owner-occupied and must be the principal resident of the owner
Verification will be required and may include but not limited to copies of utility bill(s), tax documentation, school documents, etc.

Location

1. The housing structure must be located within the incorporated boundaries of the City of Citrus Heights. To be eligible to participate in the City's CalHome mobile/manufactured home replacement program the property must be a mobile/manufactured home residence located on a rented space, within a mobile home park in the incorporated area of the City of Citrus Heights.

Condition

1. The property must be in need of repair(s), as determined by a Housing Rehab Specialist. The property must be economically feasible for rehabilitation to correct all health and safety hazards and/or code deficiencies.
2. Property must have current insurance and must be maintained annually for the duration of the loan including all encumbrances and naming the City of Citrus Heights as loss payee. A copy of the policy must be provided annually to the City. If property is located in a flood zone, flood insurance will be required in the same manner as outlined above.
3. Property must have all taxes paid and current at time of application.

Evidence of Ownership

1. "Ownership" means any of the following interests in residential real property:
 - a) Fee simple interest
 - b) 99-year leasehold interest in the property
 - c) Ownership or membership in a condominium, cooperative or mutual housing project
 - d) Joint tenancy
 - e) Tenancy in common
 - f) Life estate or trust, if the beneficiary of the estate or trust occupies the residence
 - g) In the case of a mobile/manufactured home, the registered owner according to HCD title documents with no outstanding registration fees due, no outstanding space rents due, and no outstanding utility bills due. Registered

owner must be in good standing with both space rent and utility payments for 12 months prior to time of application.

2. There cannot be any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest, including but not limited to:
 - a) Any interest acquired on the execution of a purchase contract
 - b) A lease with or without an option to purchase
 - c) A remainder interest

Prior Program Recipients

1. In general, one funding award (whether it is a loan, grant or combination of both) will be permitted per household. Residents who are prior recipients of a rehab loan and/or grant will not be permitted to receive another loan and/or grant in future years. However, the Loan Committee has the ability to make exceptions if circumstances arise which justify the need for additional assistance.

REHABILITATION STANDARDS

Standards

1. The goal of the City's program is to improve the safety of the home, correct substandard conditions, provide improvements for persons with disabilities and extend the useful life of the property. Housing units must have health and safety violations according to federal Section 8 Housing Quality Standards or code-related deficiencies as determined by a Housing Rehab Specialist and/or City Building Division representative.
2. No rehabilitation loan and/or grant will be approved based upon a scope of work that would permit a dwelling unit after rehabilitation to be out of compliance with applicable codes. Such codes include: the Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and Chapters 5-10 of the Uniform Housing Code, ADA, Section 504 and relevant sections of Titles 24 which pertain to disability access, local building codes and all other applicable local ordinances.
3. In the case of a CalHome funded loan, repairs and improvements will be limited to those necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1606.
4. No rehabilitation loan will be approved that would over-encumber the property, or secure total debt (existing debt plus the City rehabilitation loan amount) against the property in excess of the after-rehabilitation property value, except with mobile/manufactured homes. For

mobile/manufactured home loan to value determinations, see “Eligibility Determination” under Loan Approval and Construction Process sections of these guidelines.

5. All work performed must comply with the Program’s Rehabilitation Grades and Standards as set forth in Exhibit C of the Contract for Housing Rehabilitation.

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 20 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.

Prioritization of Rehabilitation Needs

1. The City of Citrus Heights Housing Rehabilitation loans/grants are intended to:
 - a) reduce accumulated deferred maintenance;
 - b) enhance the safety and security of occupants;
 - c) correct minor structure defects or damages; and
 - d) improve energy efficiency and comfort. In regard to CalHome funded mobile/manufactured home repairs, energy efficiency improvements are encouraged when in conjunction with a required repair – energy efficiency items are not allowed as standalone items.

Non-Eligible Improvements

1. The program’s intent is to mitigate health and safety hazards and make deferred maintenance repairs. The program is specifically not intended to:
 - a) bring un-inhabitable or compromised structures back into service;
 - b) make primarily cosmetic or convenience (carport, privacy screens, patio covers, etc) improvements;
 - c) furnish appliances, which are considered personal property (exceptions may be considered if need is demonstrated); and
 - d) create accessory dwelling units or to sub-divide existing units.

2. The Loan Committee shall review loan request, the work write up completed by the contractor selected by the homeowner, the in-house work write up completed by the Program Administer and the bid summary sheet including ALL contractor and bid amounts to determine eligibility.

FINANCING TERMS

Rehabilitation Loans

1. Owner-Occupied Housing Rehabilitation Loan
 - a) Minimum/Maximum Loan Amount
 - (1) The minimum loan amount under the City of Citrus Heights Owner-Occupied Housing Rehabilitation Program shall be \$5,000.
 - (2) The maximum loan amount shall not exceed \$60,000 per owner-occupied housing unit. The Loan Committee may waive the \$60,000 loan limit in special cases such as when there are unexpected rehabilitation expenses if the loan is funded by CDBG. In no event shall this limit be waived on CalHome funded projects.
 - (3) In the case of CalHome assisted mobile/manufactured homes, the maximum loan amount shall not exceed \$25,000 per owner-occupied housing unit. This loan amount does not include activity delivery fees. In no event shall assistance exceed \$60,000 including both the loan amount and activity delivery fees per CalHome regulations.
 - (4) All loans, with will require comparables to verify the property's value. In addition, CalHome funded mobile/manufactured home repairs will be subjected to the "Test for Replacement" worksheet which includes comparables documentation.
 - (5) The loan-to-value ratio for an owner-occupied rehabilitation CalHome assisted loan, when combined with all other indebtedness secured by the property, shall not exceed one hundred-five (105) percent of the after-rehabilitation value estimated pursuant to Title 25 California Code of Regulations Division 1, Chapter 7, Subchapter 9 Section 7735(b)(1).
 - (6) Sweat equity is not permitted.
 - b) Terms of Financing
 - (1) Stick built loans will bear a simple annual interest rate of 3.00%. Mobile/manufactured home loans will qualify for a zero (0%) percent interest loan.

- (2) Very low-income, senior (65 years old) and permanently disabled households whose lack of assets enabling them to make the needed repairs without the City’s loan will qualify for a zero (0%) percent interest loan.
- (3) Stick built loans will be made for a 30-year term
- (4) Principal and accrued interest payments will be deferred for the 30 years
- (5) CalHome mobile/manufactured home loans will be 20-year deferred payment loans with a graduated principal forgiveness schedule starting at year 11 as allowed by CalHome. At the end of the eleventh (11th) year of the loan and each year thereafter, ten (10) percent of the loan principal is forgiven. At the end of the twenty years, no principal is due and the loan is completely forgiven. See chart below:

| <i>End of Year #</i> | <i>Remaining Principal Balance Due</i> |
|----------------------|--|
| 1-10 | 100 |
| 11 | 90 |
| 12 | 80 |
| 13 | 70 |
| 14 | 60 |
| 15 | 50 |
| 16 | 40 |
| 17 | 30 |
| 18 | 20 |
| 19 | 10 |
| 20 | 0 |

- (6) The loan and interest will be due upon sale or transfer of title or when the borrower no longer occupies the unit as his/her principal residence, except the transfers allowed under specific condition under the Section K. Transfer of CalHome Loan in the Loan Servicing Procedures.

The loan will be in default if the borrower fails to maintain required homeowner’s insurance, fire or flood insurance or fails to pay property taxes. For more information refer to the City’s loan servicing policy.

2. Rehabilitation Grants

a) Handicapped Accessibility Grant

(1) Minimum/Maximum Grant Amount

- (a) Grants made to owners for the purpose of handicapped accessibility improvements may not exceed \$5,000.

- (b) Handicapped Accessibility Grants do not require repayment.
- b) Mobile Home Grants (CDBG Assisted)
 - (1) Minimum/Maximum Grant Amount
 - (a) Non-recourse grants made to owners who live in mobile/manufactured homes may not exceed \$10,000
 - (2) Eligible Property Types
 - (a) Eligible property types include: mobile/manufactured homes, as defined in section “Property Eligibility” in these guidelines.
- c) Lead Hazard Evaluation Grant
 - (1) Lead Hazard Reduction Inspection and Mitigation
 - (2) Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards subject to implementation of the Federal Lead Based Paint Regulations by HCD. Lead Hazard mitigation is not required by the CalHome program, therefore grants of this nature will not be incorporated into CalHome funded projects.
 - (3) All owners will receive the Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Product Safety Commission. Informational Pamphlet should be signed by the homeowner and placed in the file. If lead-based paint hazards are found through testing or if presumption is used, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided.
 - (4) Units constructed prior to 1978 will also be evaluated according to the following HUD regulations subject to implementation of the Federal Lead Based Paint Regulations by HCD:
 - (5) If the total amount of Federal assistance or the total amount of rehabilitation hard cost is between \$1,000 and \$5,000 the following is required:
 - (a) Paint testing or presume LBP;
 - (b) Clearance of disturbed work areas; and
 - (c) Notifications listed above in (c) (2)
 - (d) If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 and up to and including \$25,000 the following is required:
 - (e) Paint testing or presume LBP;
 - (f) Risk assessment; and

- (g) Clearance of unit. If LBP hazards are identified, interim controls must be implemented. This level will also require a notice to residents within a 50' radius of the structure an "Abatement of Lead Hazards Notification" at least five days prior to starting work.
- (6) 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 the second bullet point 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 c) (2).
- (7) All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. A State-certified Specialist/Assessor must perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers must perform all abatement.
- (8) Minimum/Maximum Grant Amount
 - (a) Grants of up to \$750 may be provided for the cost of lead hazard evaluation activities.
- (9) Lead Hazard Evaluation Grants do not require repayment.

LOAN COMMITTEE

Committee Composition

1. The loan committee shall consist of the City of Citrus Heights Community Services Director, Development Specialist and Grants and Housing Program Technician.

Committee Role

1. Confidentiality of clients shall be maintained at all times and personal financial records will not be public information.
2. The Loan Committee will review each application and will make decisions on the loan amount and terms to be utilized.
3. The Loan Committee may review program guidelines and make recommendations for future modifications. Any changes made shall be in accordance with regulations and be approved by the City Council.

Conflict of Interest Requirements

1. In accordance with Title 24, Section 570.611 of the code of Federal Regulations and with the State of California conflict of interest laws, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program.
2. Exceptions to this policy can be made only after public disclosure and formal approval by the City Council.

LOAN APPROVAL AND CONSTRUCTION PROCESS

Outreach

1. Community members are informed of the details of the rehabilitation program and eligibility requirements through the City's website, area newspapers, advertisements, public meetings, private interviews, program flyers distributed throughout the City, and other fair marketing efforts.
2. Written information is provided in English and the primary language of any significant portion of target area residents.
3. Bilingual personnel will conduct or assist with outreach and community meetings, as needed.
4. Pre-qualification and marketing criteria will focus upon income eligibility and rehabilitation needs.

Applications/Interview

1. Applications will be accepted year-round until the goals of the program have been met and/or all funds have been committed. Once all funds have been committed, the City will add eligible applicants' names to a program waiting list organized by contact date and loan/grant category.
2. Completed applications will be processed on a first-come, first-served basis.
3. The Housing Rehab Specialist will hold private interviews with families to explain program requirements and guidelines, documentation, the rehabilitation process, and when necessary, to assist in completing the application process. Required signatures will be obtained, and the unit's rehabilitation needs will be discussed. Additional documents may be obtained through the mail or at follow-up visits.

Eligibility Determination

1. The program administrator will document income and property eligibility by reviewing tax returns, bank statements and by ordering a preliminary title report. The program administrator will establish an estimated property value (i.e. property profile, comparable market analysis, and appraisal).
2. In the case of CalHome assisted mobile/manufactured home loans, after repair costs have been estimated comparables will be obtained to determine the feasibility of rehab with respect to the Program's loan-to-value ("LTV") limit of one hundred and fifty percent (150%). The comparables will be prepared by the program consultant and documented using the "Test for Replacement" worksheet.
3. Analysis of Feasibility of Rehabilitation – If the cost of repairs to eliminate all substandard conditions as identified in the work write-up falls within the one hundred and fifty (150%) LTV restriction, and the repairs will extend the remaining useful life of the dwelling by at least twenty (20) years, and the cost of repairs is less than the cost of a comparably sized replacement dwelling the repair process can proceed.
4. If any of these conditions are not met rehabilitation will be deemed infeasible and the applicant will be ineligible for the city's program. Additionally, the city will adhere to an after rehabilitation value limit for rehabilitation projects that does not exceed 95 percent of the median purchase price for the area (as established by HUD).

Initial Inspection / Work Write-Up / Estimate

1. Initial Inspection: After eligibility has been determined, the Housing Rehab Specialist will inspect the house and prepare a detailed work write up and in-house cost estimate. Costs will be determined based upon a construction estimation program and staff experience.
2. A pre-bid conference notice will be sent out to licensed contractors on the program's interested contractor list.
3. The Housing Rehab Specialist will then conduct a walk-through bid conference with interested contractors. After reviewing bids for completeness, the Housing Rehab Specialist will share the results with the homeowner. By comparing the initial in-house estimate to the bids submitted, the cost reasonableness of the bids will be determined. After the homeowner selects a contractor, a notice of award will be sent out to contractors who submitted bids on the project.

Determination of Assistance

1. The amount of assistance will be based on the final construction bid of the selected contractor, eligible loan processing costs, and the amount of equity available in the unit. An appropriate level of assistance will be

established to ensure that adequate funds are available for the necessary repairs and any eligible loan processing charges.

Loan Approval

1. A loan package will be prepared by the program administrator that:
 - a) confirms the applicant's income eligibility and property eligibility;
 - b) documents equity in and/or existing encumbrances on the property;
 - c) enumerates the loan and construction costs; and includes any other information particular to the case at hand; and
 - d) recommends an appropriate amount of loan/grant funds and the corresponding rates and terms associated with those loan/grant funds as set forth in the City's Rehabilitation Program Guidelines.

Document Signing

1. In the case of a grant request approved by the City, all grant funds shall be included in the homeowners Loan Agreement that specifically indicates the grant amount and type of grant provided to the homeowner.
2. Upon notice that the City has approved a loan request, the program administrator will draft the appropriate loan documents necessary to secure the loan against the property. The borrower will sign the appropriate loan documents and the deed will be recorded at the County Recorder's Office.
3. The City will utilize the services of a reputable Title and Escrow Company to assist with the recording of all appropriate legal documents and with the issuance of title insurance for conventional home loans. In the case of mobile/manufactured home loans, the City shall request a Formal Title Search from HCD to establish the registration and titling status of the subject property prior to the loan award.
4. In the case of CalHome assisted mobile/manufactured home loans, the City shall perfect its security interests related to any loan to repair a mobile/manufactured home by making the necessary filings with HCD. After making the necessary filings with HCD, the City shall be on title as the legal owner of the mobile/manufactured home used to secure the loan and the borrower shall be the registered owner.

Work Commencement, Interim Inspections and Progress Payments

1. The homeowner and the contractor will then sign the Rehabilitation Construction Contract.
2. The Housing Rehab Specialist will issue a Notice to Proceed, with a copy to the City Housing and Grants Division.

3. The contractor will be responsible for securing all necessary building permits either from the City's building division or HCD in the case of mobile/manufactured homes.
4. The programs administer will establish a rehabilitation disbursement record to track all payments. City staff will have established a rehabilitation disbursement record to track all payments against the program administers tracking sheet. The program administer shall provide City staff a record of funds committed and funds remaining to be committed.
5. Any and all change orders to the original construction contract must be submitted in writing and approved by the contractor, homeowner, Housing Rehab Specialist, and City staff (see below).
6. Signatures of the homeowner, contractor, and Housing Rehab Specialist will be required for release of payments.
7. Any necessary inspections by the City's building division will be coordinated by the contractor and reviewed by the Housing Rehab Specialist.
8. All pay requests must be submitted to City staff. Payments will be processed within 7-10 days after approval of payment request. Checks will be placed in the mail.
9. Include a signed W9 Form by the contractor with the first pay request. If the City does not have a signed W9 Form on file, the contractor will need to submit one in order to be paid for service.
10. The Housing Rehab Specialist will submit a completed project file to the city no later than the 30 days after the date of recordation of the Notice of Completion.

Change Orders

1. All change orders will require the approval of the owner, the contractor (if a contractor is involved) and the Housing Rehab Specialist. All three parties will sign the change order form prior to commencement of the work proposed in the change order. All change orders in amount of \$2,000.00 or greater must be approved in advance in writing by City staff.

Work Completion

1. The Housing Rehab Specialist will conduct a final walk-through inspection with the homeowner and contractor to address any outstanding items. Upon completion of work and a final inspection by the City building division, a Notice of Completion (signed by the borrower) will be recorded at the County Recorder's Office.
2. The final 10% retention payment will be released to the contractor 30 days after the date of recordation on the Notice of Completion.

Exceptions/Special Circumstances

1. Exceptions are defined as any action, which would depart from policy and procedures as stated in the Program Guidelines.
2. The City and/or its programs administer may initiate consideration of an exception and/or special circumstance at its discretion. Any requested exception to Program Guidelines must be proposed in writing to the City Loan Committee as part of the Loan Committee Request.
3. The Loan Committee shall make a determination on the request for an exception and/or special circumstance at a regular or special meeting.

Dispute Resolution/Appeals Procedure

During pre-construction, construction or post-construction periods, the applicant/borrower shall engage in the following process to have any disputes heard and resolved:

1. Any person/homeowner applying for a rehabilitation loan through the program has the right to appeal if his/her/their application is denied. Complaints concerning the Program should be addressed to the City's Housing Rehabilitation Specialist, first. If unresolved in this manner, the complaint or appeal shall be sent in writing to:

City of Citrus Heights

Div. of Housing and Grants
6360 Fountain Square Drive
Citrus Heights, CA 95621

2. The City will then schedule a meeting with the Loan Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the committee's decision, a final appeal may be filed with the City Council. This appeal must also be sent in writing to:

City of Citrus Heights

Div. of Housing and Grants
6360 Fountain Square Drive
Citrus Heights, CA 95621

3. Rehabilitation program representatives are primarily responsible for assuring that the program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. The Housing Rehab Specialist will attend the original meeting between the homeowner and the contractor when the contract

documents are signed. At this meeting, the Housing Rehab Specialist will facilitate in the clarification and/or correction of proposed work in order to establish a clear understanding between both parties.

4. During and after completion of construction, the contractor's work is monitored for code compliance by the City Building Division and for quality by the Housing Rehab Specialist.
5. During pre-construction, construction and/or post-construction periods, the applicant/borrower has a right to have any disputes heard and resolved. However, the contractual obligation for rehabilitation is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:
 - a) Stage 1: Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each will give the other an opportunity to respond to or correct the problem.
 - b) Stage 2: If the Stage 1 attempt fails, the homeowner or contractor may ask the program representative to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as seem appropriate, including the establishment of written working guidelines, or other post-contractual agreements.
 - c) Stage 3: Any and all disputes arising out of or related to this engagement shall be resolved through binding Arbitration according to the laws of the State of California and the rules of American Arbitration Association. The award of such Arbitration should be final and not subject to appeal. The prevailing party shall be reimbursed by the losing party for any and all reasonable legal costs and fees.
6. The homeowner has other options that may be utilized, including the following:
 - a) submitting a complaint to the Contractors State Licensing Board;
 - b) contacting HCD;
 - c) using professional mediation or binding arbitration services; and/or
 - d) taking legal action.
7. It is hoped that the informal intervention process outlined above will offset other contractor and/or homeowners actions, and that every attempt is made to remedy problems and resolve differences before more drastic options are necessary. Any dispute between the parties that cannot be

settled through the informal intervention process outlined above shall be settled by the owner and contractor through other options listed above.

ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

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

Temporary Relocation Assistance

1. Owner-occupants participate in the housing repair program on a voluntary basis, and therefore, will not normally be eligible for relocation assistance under this program.
2. Relocation assistance will be considered only if an extreme situation of hardship exists, such as when the owner is elderly, financially destitute, has no friends or family to assist with housing, all alternatives have been exhausted, and the relocation is necessary for medical reasons while substantial rehabilitation is occurring.
3. Owner-occupants will be eligible for up to \$750.00 per household to help pay for relocation costs if they meet the special criteria and are required to temporarily relocate during the rehabilitation of their home.
4. These funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving and storing furniture.
5. In the case of a CDBG funded project, relocation costs will not be part of the loan funds advanced to the borrower, but will be given to the family as a grant instead and will not require repayment. If the project is funded by CalHome, the relocation expenses will be incorporated as part of the loan.
6. If homeowner receives a relocation grant or loan, the grant or loan must be included in the Loan Agreement.

CONTRACTING REQUIREMENTS

Role of the Local Government

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

Contracting Process

1. Contracting will be done on a competitive bid basis.

2. The homeowner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the owner in negotiating the contract.
3. The owners will select the contractor of their choice.
4. The contract for rehabilitation will be between the owner and the contractor.

Approved Contractors

1. All contractors will be checked with HUD's federally debarred list of contractors; no award will be granted to a contractor on this list.
2. Contractors are required to be licensed with the State of California and to be active and in good standing with the Contractors State License Board.
3. Contractors must also have public liability insurance and when necessary, Workman's Compensation insurance, unemployment and disability.
4. Contractors must agree to comply with all federal and state regulations as set forth in the Contract for Housing Rehabilitation.

Acceptance of Work

1. In order for payment to be issued by the City, payment requests submitted by the contractor must bear the signatures of the homeowner, the Housing Rehab Specialist and City staff.
2. Final payment will be made to the contractor only after the City Building Division has accepted the work, as evidenced by a final sign-off on the building permit or in the case of mobile/manufactured homes an approved HCD permit, and all items on the final punch list, as created by the homeowner, have been completed.
3. At the time of the contractor's request for the release of the final 10% retention, the contractor will provide both: 1) lien releases from all subcontractors, material and equipment rental; and 2) a copy of a recorded Notice of Completion 3) a copy of the City's final building permit or in the case of mobile/manufactured homes a HCD permit. The final 10% retention will be held for 30 days after the date of recordation on the Notice of Completion to ensure that all unconditional liens have cleared.

LOAN PAYMENT, DEFAULT, ASSUMPTION AND SUBORDINATION POLICIES

Please refer to the Citrus Heights Loan Servicing Plan and Cal-HOME Loan Servicing Procedures.

FORECLOSURE PROCEDURE

Please refer to the Citrus Heights Loan Servicing Plan and the Cal-HOME Loan Servicing Procedures.

HUD & HCD INCOME LIMITS ADJUSTED FOR FAMILY SIZE

SACRAMENTO COUNTY

| | Number of Persons in Family | | | | | | | |
|---|-----------------------------|--------|--------|--------|--------|--------|--------|--------|
| Household Size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2018 Income Limit for HCD funded projects | 44,900 | 51,300 | 57,700 | 64,100 | 69,250 | 74,400 | 79,500 | 84,650 |
| 2019 Income Limit for HUD funded projects | 46,850 | 53,550 | 60,250 | 66,900 | 72,300 | 77,650 | 83,000 | 88,350 |

All published limits will be updated annually as new information is provided. If multiple funding sources are layered, the lower income limit will be used.