{City/County} of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Community Development Block Grant**

**HOUSING REHABILITATION PROGRAM GUIDELINES**

Approved by{City/County} \_\_\_\_\_\_\_, 20\_\_

 

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***{CITY/COUNTY} OF \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_***

**COMMUNITY DEVELOPMENT BLOCK GRANT**

HOUSING REHABILITATION PROGRAM GUIDELINES

The *{City/County} of* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Housing Rehabilitation Program, (here after called “Lender”), funded by State Community Development Block Grant (CDBG) Program, is designed to expand the supply of decent, safe, sanitary and affordable housing; to correct health and safety hazards in deteriorated housing; and to extend the useful life of existing housing units. Loans and grants are available to achieve cost effective repairs for low-income owner-occupied homes or for units occupied by low-income tenants of owner-investors jurisdiction wide.

# **FAIR HOUSING**

This program will be implemented in ways consistent with the Lender’s commitment to Fair Housing. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with Community Development Block Grant (CDBG) funds on the basis of their religion or religious affiliation, age, race, color, creed, ancestry, national origin, gender, marital or familial status (children), physical or mental disability, medical condition, sexual orientation, or other arbitrary cause.

# OUTREACH

When loan funds are available, the Lender shall conduct a periodic program to advertise and promote the Housing Rehabilitation Program so that all those in need of rehabilitation assistance are aware of the Lender’s program. Efforts will be made to prioritize outreach to households that are disproportionately underrepresented in housing rehabilitation assistance programs such as: people who are elderly, people who are single-parents, people with disabilities, and people of color. These efforts will include:

* Partnering with our local Regional Center to help identify people with disabilities who may qualify for the program
* Partnering with our local Senior Center or Area Council on Aging
* Provide program brochures and information to local schools, community centers, faith-based organizations, non-profit organizations that have relationships with prioritized beneficiary groups, and legal aid offices
* Provide program information workshops at local community hubs

TA: Grantees may define outreach efforts based on their program specific beneficiary prioritization. Grantees should review Appendix B: Equity and Belonging Toolkit for detailed information on centering equity in the outreach process.

# PROCESSING APPLICATIONS

* Applications shall be received and processed in the order they are received. Applicants will be notified as soon as possible of eligibility status.
* Eligible applicants shall be placed on the Applicant List at the time they apply for the program.
* Applicants shall provide information needed for the income and property verification process and what improvements are needed in a timely manner.
* If information is not forthcoming in a reasonable time, the Applicant shall be informed that their position on the Applicant list may be affected and will be provided technical assistance with completion of required documents.
* Unless there are emergency conditions that warrant more immediate action, projects will be funded based on the order of which the applications are received and deemed eligible.

# TEMPORARY RELOCATION

Unit occupants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive compensation for increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the “Housing Rehabilitation Program Single Family Temporary Relocation Plan” attached at the end of these Guidelines. Owner occupants are not eligible for temporary relocation benefits unless health and safety threats are determined to exist by the project coordinator/construction supervisor.

# CONFLICT OF INTEREST

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

TA: Grantees should familiarize themselves with the Conflict-of-Interest section of Chapter 4: Additional Grantee Information, in the CDBG Grants Management Manual including Appendix 4-6: Request for Exception to Conflict of Interest.

# APPLICANT ELIGIBILITY

* **Owner-Occupied Applicant**: Must be existing homeowner and occupy the residence. Proof of occupancy will be required.
* **Owner-Investor Applicant:** Must be existing property owner and rent the residence to income-eligible renter at affordable rents (no more than 30% of the eligible income limit per household) .

# INCOME ELIGIBILITY

Income eligibility is based on the occupant’s gross annual income and must be less than 80 percent of the area’s median income. These limits can be located on the [HCD website](https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml).

##  Owner Occupant

To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner will be required to provide income documentation as detailed in the “Annual Household Income Definition/Income Limits” attached at the end of these Guidelines.

 Owner Investor

There are no restrictions on the income of the owner investor unless the owner investor’s household falls within income guidelines and is interested in qualifying for a Deferred Payment Loan (DPL).

### Tenant

If a rental property is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation as detailed in the “Annual Household Income Definition/Income Limits” attached at the end of these Guidelines.

# PROPERTY ELIGIBILITY

## Location

Units to be rehabilitated must be located within current *{City/County}*

jurisdiction or, for open grants, within specific target areas as listed in the grant application.

## Property Taxes

Property Taxes must be paid and current to be eligible for a rehabilitation loan.

## Evidence of Ownership

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

* Fee simple interest
* 99-year leasehold interest in the property
* Ownership or membership in a condominium, cooperative or mutual housing project.

##  Property Types

To be eligible, the housing must be the primary residence of income-eligible occupants.

 Eligible property types of residence can include:

* 1-4 housing units where at least one unit is occupied by income-eligible homeowner or tenants
* Traditional single-family housing, condominiums, manufactured or mobile homes.
* Structures may be either attached or detached.

If CDBG funds are used to assist units in a two-to-four-unit property, where some of the units are occupied by ineligible tenants, then CDBG funds can only be used on the LMI occupied units.

##  Environmental Review

The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Not every project is subject to a full environmental review (i.e., every project's environmental impact must be examined, but the extent of this examination varies). Every project must be in compliance with the [National Environmental Policy Act (NEPA)](https://ceq.doe.gov/laws-regulations/laws.html), and other related Federal and state environmental laws. The environmental review must be completed prior to any loan approval.

# REHABILITATION STANDARDS

All repair work will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards. Additionally, all repair work will comply with any special design or construction standards established by the {City/County} to preserve historic buildings. Rehabilitation work should incorporate energy efficient/green building materials.

NOTE: Although not required, it is strongly encouraged that rehabilitation construction standards are developed for the Program rather than relying on the Uniform Building Code standards. By having Program standards there is less risk of contract disputes over quality of work.

In the case of a 2 to 4-unit property in which the owner occupant is income eligible, but a tenant is not, the rehabilitation shall be limited to those that benefit the overall structure (roof, exterior changes) and the interior changes for the income eligible household only.

The priority will be the elimination of health and safety hazards and code compliance.

***TA: Jurisdictions may add specific requirements that are not covered above for their program here, if applicable.***

# PROPERTY IMPROVEMENTS

The goal of the Lender’s rehabilitation program is to remove deficiencies, improve energy efficiency, remediate lead-based paint, extend the useful life of the property, provide accessibility to comply with the Americans with Disabilities Act (ADA), and/or comply with any special design or construction standards established by the Lenderto preserve historic buildings. All improvements must be physically attached to the property and permanent in nature. General property improvements should be limited to 15 percent of the rehabilitation loan amount. Luxury items are not permitted. If building materials that are normally considered “luxury items” are necessary due to a medical condition of a household member or for reasons of accessibility, the Lender may approve the use of such materials.

Examples of eligible improvements include foundation construction and repair, electrical repair or rewiring, plumbing repair, roof repair or replacement, heating system installation and repair, window and door replacement and repair, repair of structurally significant damaged wood, and floor coverings where it poses a hazard. ***Jurisdictions can create their own examples.***

Examples of non-eligible improvements include swimming pools, patios and patio covers, room additions that are for leisure, landscaping upgrades, hot-tubs, custom cabinets, and high-end appliances. ***Jurisdictions can create their own examples.***

Examples of general property improvements include improvements that bring the property into compliance with local zoning requirements, fence repairs, exterior paint, or items to improve the appearance of the property but are not health and safety items. ***Jurisdictions can create their own examples.***

# LEAD-BASED PAINT

Program participants rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Title 24 Code of Federal Regulations ([24 CFR) §570.608](https://www.law.cornell.edu/cfr/text/24/570.608), Lead-based paint, for guidance. The costs associated with meeting these requirements may be eligible to be paid for with CDBG funds, if available.

# MANUFACTURED HOUSING UNIT/MOBILE HOME REHABILITATION

CDBG funds may be used for the rehabilitation of an owner-occupied mobile home if it is considered part of the community’s permanent housing stock.

***Jurisdictions to enter their Program details here.***

# RECONSTRUCTION

CDBG funds may be used to demolish and reconstruct residential structures. Reconstruction is defined as the demolition and construction of a structure, on the same site and in substantially the same manner . The {City/County} must document that the reconstruction costs are less than the necessary rehabilitation costs, or any additional costs for reconstruction are considered reasonable. The estimated cost of the reconstructed housing (including demolition, site preparation and temporary relocation) should be less than the fair market value of the reconstructed housing and land combined.

# RESIDENCY REQUIREMENTS

## Owner Occupant

Owner occupants will be required to submit to the Lender between January 1 and 15 of each year for the term of the loan:

1. Proof of occupancy in the form of a copy of a current utility bill.
2. Statement of unit's continued use as a residence.
3. Declaration from any other title holders that do not reside on the premises, if applicable.
4. Proof that property insurance and taxes are paid current.

If an owner occupant sells, transfers title, or discontinues residence in the rehabilitated property, the loan is due and payable, unless one of the following applies:

1. If the owner occupant sells or otherwise transfers title of the property to a qualified income household, the Lender may consider refinancing the loan balance and subordinating the loan and continuing all or part of the lien as a Deferred Payment Loan.
2. If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the Lender, to refinance the loan at the rate and terms the heir qualifies for under current participation guidelines.
3. If the owner occupant dies and the heir is not income eligible, the loan is due and payable.
4. If the owner occupant dies and the heir is not income eligible, but they elect to rent the unit to income qualified households and agree to comply with owner investor restrictions, the heir may be permitted, upon approval of the Lender, to refinance the loan at the same rate and terms offered owner investors under current program guidelines. If the heir/owner investor does not elect to comply with owner investor restrictions, the loan is due and payable.
5. If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the Lender in writing in advance. If the Lender approves the conversion of an owner-occupied unit to a rental, the owner will be required to comply with the provisions of the owner-investor guidelines, including rent limitation provisions and financing arrangements.
6. If an owner occupant wants to convert full use of the rehabilitated property to any commercial or nonresidential use, the loan is due and payable. Refer to “Loan Servicing Policies and Procedures” attached at the end of these Guidelines.

##

## Owner Investor

An owner investor may convert a rental property to their primary residence and refinance the loan at the rate and terms offered owner-occupants under current program guidelines if all conditions below exist:

1. They can prove that the previous tenant was not evicted without cause.
2. The owner-investor is income eligible.
3. They request approval from the Lender in advance.
* If an owner investor converts a rehabilitated rental property to their primary residence, but they are not income eligible, *the loan is due and payable*.
* If an owner investor wants to convert the rehabilitated property to any commercial or nonresidential use, *the loan is due and payable*.
* If an owner investor sells or transfers title of the rehabilitated property for any reason, *the loan is due and payable*.

# FINANCING

##  Maximum Grant/Loan Amount

***In all cases, the maximum grant/loan amount shall be determined by the local jurisdiction according to the need and specific conditions per each rehabilitation project.***

The grant/loan amount may include:

* construction contract (the accepted bid price for the cost of materials and labor);
* construction contingency;
* drafting and engineering fees, if any;
* appraisal and termite inspection charges;
* credit report review fees;
* permit fees and related building fees,
* site preparation for replacement housing;
* escrow, closing and recording fees; title report and title insurance, title updates

**NOTE: CDBG funds may not be used to pay for property taxes.**

##  Maximum Loan-to-Value Ratio

The maximum encumbrance is limited to 100 percent of the property’s after-rehabilitation value (determined by after rehab appraisal) or less as determined by the Lender’s policy.

## Grant/Loan Security

1. A Deed of Trust and Promissory Note will be required to secure loans, such as:
* 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 Lender.
* 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.
* Entering a subordinate lien is acceptable. However, the Lender will not subordinate a first lien position once established.

***TA: Jurisdictions may add specific requirements that are not covered above for their program here, if applicable.***

1. All owners listed on the benefiting property title are required to sign the Deed of Trust, Promissory Note, rehabilitation contract documents, and other related loan documents, whether or not they reside on the property.
2. All Lender loans, which are not in first position on title, will require a Request for Notice of Default to be recorded as part of the transaction.
	1. If Lender changes address - a new Request for Notice of Default must be recorded to ensure any possible notice is sent to the current address of Lender.

##  Financing Terms

***TA: Jurisdictions may adopt more stringent grant/loan forgiveness and affordability periods specific to their program but must meet the 5-year minimum residency requirement set by HCD..***

## Owner-Occupied Property

***TA: Jurisdictions will input their own grant details. This section needs to be very explicit about amounts and what the grant/loan funds can or cannot be used for.******The grant/loan terms below are provided as a sample, and HCD requires that all terms include at least a 5-year primary residency requirement prior to forgiveness.***

All loans made under the Program are deferred and forgivable if the owner/borrower(s) meet primary residency requirements according to the table below.

|  |  |
| --- | --- |
| Owner maintains primary residency | Percentage of Loan Forgiven |
| 0-5 years | 0% |
| 5 years | 100% |

Loans will be due and payable in full upon sale, transfer of title, or death of the borrower(s).

##  Owner Investor

The Lender offers a *zero percent simple interest deferred payment loan. The standard loan term is 5 years.* At the end of the period of deferral, if all loan requirements have been met, the loan is forgiven. In the event a disqualifying event (listed in Restrictions below) occurs during the deferral period, the loan and accrued interest is due and payable in a balloon payment. Payback is required if the Borrower sells or transfers title to the rehabilitated property prior to the required 5-year period.

####

### *Restrictions*

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:

* 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.
* Base Rent – Vacant Unit - If the property is vacant, rent charges shall not exceed 30 percent of 80 percent of County median income for the appropriate household size in that unit. Owner investor shall affirmatively seek income qualified households by contacting the local housing authority. Where such contact does not result in eligible income qualified tenants, the owner investor shall contact the Lender for guidance.
* Base Rent – Occupied Unit - If the property is occupied, rent charges shall not exceed 30 percent of the existing tenants’ household income; or, where, before rehabilitation rents already exceeded 30 percent of the existing tenants’ income, no rent increases shall be allowed until the rent plus utilities is less than or equal to 30 percent of the tenants’ income.
* Term - Adherence to these rent limitations will be for the term of the loan.
* Income Certification - Annual recertification of tenant’s income and rents paid from both the owner-investor and tenant.
* Compliance – Failure to comply with these terms and conditions will result in the loan becoming due and payable. The Lender will work with investors to bring the loan into compliance, in order avoid default whenever possible.

An affordability restriction, enforced by a recorded lien/deed restriction, will be in place consistent with the table below.

|  |  |
| --- | --- |
| Investor-Owner Affordability Period | Percentage of Loan Forgiven |
| 0-5 years | 0% |
| 5 years | 100% |

### *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 a minimum of five years. Should the property not be maintained accordingly, the loan may become due and payable. The Lender will work with investors to bring the property into compliance, in order avoid default whenever possible.

# LOAN REQUIREMENTS

## Loan Documentation

The Lender shall determine the loan amount based on the consideration of:

1. The selected bid contractual amount
2. 10 to 20 percent contingency
3. Plan or drawing preparation if any
4. Pre-project inspections (termite report, LBP inspection)
5. Escrow and title policy costs

The Lender shall provide the owner-investor with the loan disclosure information. Once the owner-investor has approved the disclosure, the Lender shall process the loan for approval. The approval process shall require approval by the *Loan Committee*.

The Borrower or owner-investor shall be notified of approval and/or denial.

## Loan Approval

A loan package will be prepared by the Lender that: confirms the Applicant and property eligibility; documents the equity in and the encumbrances on the property; lists the estimated loan and construction costs; and includes any other information particular to the loan. By preparing a loan package using all the income and property eligibility, the determination of the amount and rates and terms of the CDBG loan will be outlined for the *{City/County} staff or Loan Committee* to review.

To obtain CDBG financing, Applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial. Reason for denial will be included in a denial letter to the Applicant.

## Loan Settlement

1. The Applicant shall sign the following: Deed of Trust, Promissory Note, Loan Estimate and Closing Disclosure Statement, Rescission Notice, Loan Agreement, Request for Notice of Default and Sale (if applicable) and Rent Limitation Agreement (if applicable).
2. The *{City/County}* Official, acting on the behalf of the Lender, shall sign the loan documents as required.
3. If the Applicant does not rescind the loan after the 3-day rescission period:
4. The Deed of Trust, Request for Notice, and Rent Limitation Agreement, as applicable, shall be recorded at the *{City/County}* Recorder’s Office. The Applicant shall sign the Construction agreement and Notice to Proceed.
5. Title insurance shall be requested and received.

5. The original loan documents shall be filed with the *{City/County} as applicable:* Promissory Note, Deed of Trust (recorded), Loan Agreement, Request for Notice of Default (recorded) and Rent Limitation Agreement (recorded).

6.The construction documents shall be filed with the {City/County*}*.

7. The Lender shall deposit loan funds into *an escrow account with a reputable title company, unless the loan amount is too small to warrant incursion of escrow fees.*

# INSURANCE

## Standard Property Insurance

Borrower must maintain property insurance coverage for the duration of the loan period naming the Lender as loss payee for the amount of the loan, unless the loan is a second mortgage, in which case the Lender should be listed as additional insured. . If Borrower fails to maintain the necessary insurance, the Lender is notified in writing by the insurance company. If this occurs, the Lender 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.

## Fire Insurance

The Borrower 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 Lender as Loss Payee for the amount of the loan(s). A binder shall be provided to the Lender. In the event the Borrower fails to make the fire insurance premium payments in a timely fashion, the Lender at its option may make such payments for a period not to exceed 60 days. The Lender may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period. Should the Lender make any payments, it may, in its sole discretion, add such payments to the principal amount that the Borrower is obligated to repay the Lender under this program.

## Flood Insurance

In areas designated by HUD as flood prone (located in a 100-year flood plain) the Borrower is required to maintain flood insurance, for the duration of the loan period, in an amount adequate to secure the Rehabilitation Loan. The policy must designate the Lender as Loss Payee for the amount of the loan. The premium may be paid by the Rehabilitation Loan for one year.

# CONTRACTING PROCEDURES

* All housing rehabilitation work must be carried out using the adopted Housing Rehabilitation Program Guidelines.
* The Lender will prepare the bid package and assist the Borrower in negotiating the contract.
* The Borrower will select the contractor.
* All general contractors must be checked and cleared with HUD’S federal debarred list of contractors ***and be actively registered in SAM.gov***.
* and sub-contractors must be checked and cleared with HUD’S federal debarred list of contractors ***and have a SAM.gov Unique Entity Identifier (UEI).***
* All general and sub-contractors must be actively licensed and bonded with the State of California.
* All general and sub-contractors must have public liability insurance to the Lender’s required limits, and if applicable, maintain Workers’ Compensation and Employer Liability insurance to the extent required by State Law.
* All general and sub-contractors must comply with CDBG federal and state regulations.
* A Notice of Completion must be recorded with the County Recorder.

# DISPUTE RESOLUTION/APPEALS PROCEDURE

Any person/household applying for a Rehabilitation Loan through the CDBG program has the right to appeal if their application is denied. In addition, during pre‑construction, construction, or post‑construction periods, the Borrower has a similar right to have any disputes heard and resolved.

Rehabilitation program representatives are primarily responsible to ensure that the program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. Program representatives attend the meeting between the homeowner and the contractor when the contract documents are signed and facilitate in the clarification and/or corrections of proposed work, so a clear understanding is established between both parties. Lender will make every effort to provide language assistance for non-English speakers at contract signing.

During and after completion of construction, the contractor's work is monitored for code compliance by the Lender’s Building Inspector and for quality by the Housing Rehabilitation Inspector.

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

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

If the first attempt fails, the homeowner or contractor may ask the *Program Representativ*e *or designee* to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as seem appropriate, including such things as the establishment of written working guidelines, or other post-contractual agreement.

If the *Program Representative* *or designee* is unable to satisfactorily resolve the homeowner-contractor differences, the homeowner, contractor, or program representative will contact HCD detailing the problem. In cases of building code compliance or questions of construction quality, the building inspector might also be contacted.

Any dispute between the parties that cannot be settled through the informal intervention process outlined above shall be subject to the termination or arbitration clauses in the contract, as applicable. Having the Lender as a party to the contract, allows the Lender to bear costs associated with arbitration or dispute resolution on behalf of the homeowner.

**TA: Grantees should ensure that their complaint/dispute process is consistent with their contract language. Grantees should also refer to Appendix B: Equity and Belonging Toolkit for best practices in the equitable management of contracts.**

Additionally, homeowners may choose to pursue other options which include contacting the Contractors State Licensing Board and submitting a complaint.

# SWEAT EQUITY

Participants who wish to perform sweat equity must obtain approval from the general contractor and sign a written commitment itemizing the work they will perform, a time schedule for completion and a dollar value of the contribution.

Owners that contribute sweat equity that involves painting will not participate in activities that include the abatement or mitigation of lead paint hazards without first being trained on Safe Work Practices as required by HUD and provide documentation of such in the project file.

# AMENDMENTS

Amendments to these Guidelines may be made by the Lender.

# EXCEPTIONS/PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

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

In the event of extraordinary or special circumstances, the Loan Committee may grant an exception to the guidelines if the exception does not violate the regulations of the funding sources.

The Program staff may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including staff’s recommended course of action and any written or verbal information supplied by the Applicant. The request shall be presented to the Loan Committee for decision and consideration.

**TA: Best practices include making sure the Loan Committee is representative of people being served and/or have relevant lived experience. For more information on centering individuals with lived experience in decision making, Grantees can refer to Appendix B: Equity and Belonging Toolkit.**

# CURRENT HUD/INCOME LIMITS

For consistency in calculating household incomes, the Lender will use the most current income limits available when determining household income. The CDBG income limits are updated annually.

# ATTACHMENT A

## HOUSING REHABILITATION PROGRAM SINGLE FAMILY

## TEMPORARY RELOCATION PLAN

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require all grantees of Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funds to follow a written Residential Anti-displacement and Relocation Assistance Plan (Plan) for any activities that could lead to displacement of occupants whose property is receiving funds from these or any 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 *{City/County}* *of \_\_\_\_\_\_\_\_\_* with the requirements of federal regulations [24 CFR 570.606](https://www.law.cornell.edu/cfr/text/24/570.606) under state recipient requirements and [Section 104(d) of the Housing and Community Development Act of 1974](https://www.law.cornell.edu/cfr/text/24/part-42/subpart-C) and [24 CFR 92](https://www.hudexchange.info/resource/2333/24-cfr-part-92-home-investment-partnerships-program-final-rule/) of the HOME federal regulations. The Plan will outline reasonable steps, which the *{City/County}* will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The *{City/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 *{City/County*} limits.

The *{City/County}* *of \_\_\_\_\_\_* 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. In addition, the *{City/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](https://www.law.cornell.edu/cfr/text/24/part-42/subpart-C), as amended, and as described in the Federal Regulations [24 CFR 570.496(a),](https://www.law.cornell.edu/cfr/text/24/570.496) Relocation, Displacement and Acquisition: Final Rule dated July 18, 1990 (Section 104(d)) and [49 CFR Part 24](https://www.law.cornell.edu/cfr/text/49/part-24), Uniform Relocation Assistance (URA) and Real Property Acquisition Regulations Final Rule and Notice (URA) dated March 2, 1989.

All *{City/County}* programs/projects will be implemented in ways consistent with the *{City/County}’s* commitment to Fair Housing. Participants will not be discriminated against on the basis of race, creed, color, religion or religious affiliation, age, ancestry, national origin, gender, marital or familial status (children), physical or mental disability, sexual orientation, medical condition, or other arbitrary cause. The *{City/County}* will provide equal relocation assistance available 1) to each eligible income household displaced by the demolition or rehabilitation of housing or by the conversion of an eligible income household dwelling to another use as a direct result of assisted activities; and 2) to each eligible income person temporarily relocated as a direct result of activities funded by HUD programs.

## **Avoiding, Minimizing, and Mitigating Permanent Displacement and Temporary Relocation Resulting from Housing Rehabilitation or Reconstruction Activities**

Consistent with the goals and objectives of activities assisted under the Housing and Community Development Act, the *{City/County}* will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:

* Provide proper notices with counseling and referral services to all tenants so that they understand their relocation rights and receive the proper benefits.
* Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.
* Coordinate with owner-investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during rehabilitation whenever possible.
* Assist all permanently displaced persons to find alternate housing in the same neighborhood and in accordance with their needs and priorities.
* Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.
* Utilize CDBG and/or other public funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities when feasible and/or required by the URA.

## **Lead Based Paint Mitigation Which Causes Temporary Relocation**

On September 15, 2000, the Final Rule for Lead Based Paint Hazard Control (LBPHC) 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 occupant(s) be present in work areas or designated adjacent areas while LBPHC activities are taking place in any dwelling unit interior, common area, or exterior. As such, occupants will not be allowed to remain in their units during the time that lead-based paint hazards (LBPH) are being created or treated. Once LBPHC has been completed, and the unit passes clearance, the occupants can return. The 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:

* The work will not disturb lead-based paint, or create dust-lead or soil-lead hazard; or
* 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
* 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
* The interior work will be completed within 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 required because the *{City/County}* believes that the project meets one of the above exception criteria, then proper documentation must be provided in the rehabilitation project file to show compliance. It is up to the *{City/County}* to ensure that the owner occupant or tenant in the project does not get impacted by lead paint mitigation efforts.

When one or more of the above exceptions is not met, occupants will be required to relocate and will be provided relocation benefits,

## **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 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 which will be provided as a grant. The amount of the benefit to be paid should be cost appropriate to the conditions.

Owner occupants will be encouraged to move in with family or friends during 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. This documents that the owner occupant understands that they must relocate during construction and what benefits they wish to be reimbursed for as part of their relocation.

## **Temporary Relocation of Residential Tenants**

If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenant or the public or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. The program administrator or construction supervisor will make determination of the need for temporary relocation. The temporary relocation period will not exceed 180 days. All conditions of temporary relocation will be reasonable.

Any tenant required to relocate temporarily will be helped to find another place to live which is safe, sanitary and of comparable value and they have the first right to move back into the original unit being rehabilitated at the same rent or lower. They 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 construction 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). Additionally, 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. These notices will document that each tenant understands what their relocation rights are, and if they must relocate during 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. difference in rent increase, security deposits) and
2. Payment for moving and related expenses, as follows:
3. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;
4. Packing, crating, unpacking, and uncrating of personal property;
5. Storage of personal property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;
6. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;
7. Insurance for the replacement value of personal property in connection with the move and necessary storage;
8. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, their agent, or employee) where insurance covering such loss, theft or damage is not reasonably available;
9. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;
10. Any costs of credit checks required to rent the replacement dwelling;
11. 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.

## **Rehabilitation Activities Requiring Permanent Displacement**

The *{City/County}* rehabilitation program will not typically trigger permanent displacement and permanent displacement activities fall outside of the scope of this plan. If a case of permanent displacement is encountered, then the staff that is responsible for the rehabilitation program will consult with *{City/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.

## **Rehabilitation Which Triggers Replacement Housing**

If the *{City/County}* rehabilitation program assists a property where one or more units are eliminated, then under Section 104 (d) of the Housing and Community Act of 1974, as amended applies and the *{City/County}* is required to replace those lost units. An example of this would be a duplex unit converted into a single-family unit. In all cases where rehabilitation activities will reduce the number of housing units in the jurisdiction, then the *{City/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 with no 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 *{City/County}* to provide funds for an activity that will directly result in such demolition or conversion, the {*City/County*} will make this activity public (through a noticed public hearing and/or publication in a newspaper of general circulation in all languages as determined by the Language Access Plan) and submit to the California Department of Housing and Community Development or the appropriate federal authority the following information in writing:

* A description of the proposed assisted activity;
* 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 prioritized income group dwelling units as a direct result of the assisted activity;
* A time schedule for the commencement and completion of the demolition or conversion;
* 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;
* The source of funding and a time schedule for the provision of the replacement dwelling units;
* The basis for concluding that each replacement dwelling unit will remain a prioritized income group dwelling unit for at least 10 years from the date of initial occupancy; and,
* 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 prioritized income group households in the jurisdiction.

The *Grant’s Coordinator* at the *{City/County*} is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The *{City/County}* is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in Section 570.606, to any prioritized 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.

## **Record Keeping and Relocation Disclosures/Notifications**

The {*City/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. due to illiteracy, preferred language or 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 are only for temporary relocation. If permanent relocation is involved, then other sets of notice and noticing process and relocation benefits must be applied (See HUD relocation handbook 1378 for those forms and procedures) The Temporary Relocation Advisory Notices to be provided are as follows:

### 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, in their preferred language, that the project has been proposed and that the tenant will be able to occupy their present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not immediately increase, and lease renewals will be subject to program terms of affordability. The tenant will be informed if they are required to move temporarily so that the rehabilitation can be completed. Suitable housing will be made available and they will be reimbursed for all reasonable extra expenses. The tenant will be advised that if they choose to move prior to receiving a formal notice of relocation eligibility, they will not be eligible to receive relocation benefits.

**TA: Grantees must ensure housing units are affordable and provide documentation of their process for determining affordability. Grantees may use the HUD affordable HOME rent limits, or programs may establish their own rent limits based on the area housing market or establish a percentage based limit.**

### 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 prior to determination of eligibility for relocation benefits, or risk losing relocation assistance.

### Disclosure to Occupants of Temporary Relocation Benefits

This form is completed to document that the {City/County} is following its adopted temporary relocation plan for owner occupants and tenants.

### Other Relocation/Displacement Notices

The above three notices are required for temporary relocation. If the {City/County} is attempting to provide permanent displacement benefits, then there are several 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 because of housing rehabilitation activities funded by CDBG or other federal programs.

# ATTACHMENT B

## ANNUAL HOUSEHOLD INCOME DEFINITION

For the purposes of determining eligibility in accordance with HCD income guidelines, the Lender will defer to the full [HUD Section 8 Definition of Annual Income](https://www.hud.gov/sites/documents/CALCULATINGATTACHMENT.PDF) at [24 CFR 5.609](https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-F/subject-group-ECFR174c6349abd095d/section-5.609).

Annual Income **does** include, for all members of the household:

* Gross wages and salary before deductions.
* Net money income from self-employment.
* Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
* Periodic cash benefits from public assistance and other compensation, including Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Worker's Compensation, State Disability Insurance and Unemployment benefits.
* Interest earned on savings and investments.

Annual Income does **not** include:

* Non-cash income such as food stamps or vouchers received for the purpose of food or housing.
* Capital gains or losses.
* One-time unearned income such as scholarship and fellowship grants; accident, health or casualty insurance proceeds; prizes or gifts; inheritances.
* Payments designated specifically for medical or other costs, foster children, or their non-disposable income.
* Income from employment of children under the age of 18.
* Payment for the care of foster children.

The *{City/County} of \_\_\_\_\_\_\_\_* will make the final decision in situations where the classification of income is not clear-cut. Any exceptions or other deviations from this definition of annual income will be considered by the *{City/County} of \_\_\_\_\_\_\_\_\_\_\_.*

The {*City/County*} shall use the Income Limits published each year by HUD and HCD. The maximum annual income for an eligible household shall be 80 percent of the area median income for the household size.