



- CITY OF BIGGS -  
**PLANNING DEPARTMENT STAFF REPORT**

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DATE: August 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Scott Friend, AICP City Planner

SUBJECT: Adoption of the CDBG Program Income Reuse Plan, and adoption of the Single Family Housing Owner-Occupied Rehabilitation Program Guidelines

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**Report Summary:**

Staff has prepared a CDBG Program Income Reuse Plan and Single Family Housing Rehabilitation Program Guidelines to address the requirements of the California Department of Housing and Community Development (HCD) related to the retention and use of income generated from the City's use of state Community Development Block Grant funds.

With this report, staff is recommending that the City Council receive a report from City staff on this item, open the public hearing and take public testimony, close the public hearing and move to adopt the Plan and Guidelines. Should the Council adopt the Plan and Guidelines as presented, staff will submit the Plan and Guidelines to HCD for approval. Should the Council request minor revisions to the text, staff will make such revisions and submit the revised text to HCD. Should the Council request material changes, staff will revise the Plan and Guidelines and agendize adoption at a future date.

**Background - General:**

In past years the City has received CDBG grants from the state of California through the Department of Housing and Community Development (HCD). Some of these grants were used to fund loans to lower-income households for housing repairs and home purchase. Over time these loans are paid back. The CDBG program describes this sort of income as "program income" and restricts its use.

In order to retain and use CDBG program income, HCD requires that the City have a "Program Income Re-use Plan" in place. This plan must be adopted by the City Council. Without such a plan in place, the City cannot use the program income it receives.

**Discussion – General:**

The Program Income Re-use Plan is a form document provided by HCD. The form allows grantees to choose up to four pre-defined uses of program income. These are:

- Single Family Housing Rehabilitation,
- Home Buyer Assistance,
- Business Assistance (low-income jobs creation),
- Micro-enterprise Assistance (low-income, less than five persons).

Staff have determined that based on the relatively small amount of program income accrued and the relatively low volume of repayments, operating an ongoing program is not cost effective. The best use

of funds would be a one-time project such as a public facility improvement or infrastructure. The City can do this by submitting a "Program Income Waiver" request to HCD, or by committing accrued program income to a new CDBG application. (The project would be funded with new CDBG plus program income.)

Staff have discussed this with HCD and been informed that to even retain current and future program income for a to be determined use, the City must have an adopted PI plan and adopted program guidelines.

Staff are recommending that the City indicate that all program income be deposited in a Single Family Housing Rehabilitation revolving loan fund. This is the most cost-effective option because the City already has drafted program guidelines that are easily and quickly updated.

Staff has provided HCD with a copy of a draft Program Income Re-use Plan and draft Single Family Housing Rehabilitation Program guidelines. HCD has approved the drafts as-is. The documents must now be adopted by the City Council and formally submitted to HCD. Once HCD approves the Plan and Guidelines, the City will be able to submit a request to HCD for a one-time use of funds, or commit the funds to a new CDBG application.

The Council should also know that up to 17% of the program income received each year may be used for the ongoing administration of the CDBG grant including reporting and new applications. These funds may also be used for special studies and plans provided that HCD approves the special use. HCD must approve the final work product for the use to be eligible for CDBG funding.

**Fiscal Impact:**

Staff time for preparation and submission of the Plan and Program Guidelines to HCD. The costs of this staff time can be defrayed by the portion of program income that is set aside for program administration. Staff time for submitting requests to HCD for alternative uses of funds may also be defrayed with these same funds. Staff time for the direct implementation of any funded program or project is considered to be a project cost and will be funded from accumulated program income or new grant funds. No direct fiscal impacts or supplemental funding beyond what has previously been authorized by the City Council are anticipated to be necessary to complete the project.

**Environmental Review:**

This action has been determined to be *exempt* from CEQA review pursuant to Section 15061(b)(3), the "General Rule" Exemption. The General Rule Exemption is utilized "*where it can be seen with certainty that the activity in question may have a significant effect on the environment*". (Note: Authority cited: Section 15061, Public Resources Code).

**Public Comment:**

None Received.

**Order of Council Proceedings:**

1. Open the Public Hearing to consider comments on the proposed CDBG Program Income Reuse Plan and the associated Housing Rehabilitation Program Guidelines.
2. Following public comment, close the public hearing and consider the proposed amendment. Following that consideration, the Council may then vote regarding adoption of the Plan and the Guidelines.

**Sample Motion 1:** Move that the City Council find the proposed action to be exempt from CEQA pursuant to State of California Code Section 15063(b)(3); and move to adopt the CDBG Program Income Reuse Plan.

**Sample Motion 2:** Move that the City Council find the proposed action to be exempt from CEQA pursuant to State of California Code Section 15061(b)(3); and move to adopt the Single Family Housing Rehabilitation Program Guidelines.

**Staff Recommendation:**

Staff recommends that the City Council conduct a public hearing and following deliberation by the members of the Council and if determined to be appropriate, move to adopt the CDBG Program Income Reuse Plan and the associated Single Family Housing Rehabilitation Program Guidelines.

**Attachments:**

*Attachment A* - Draft City of Biggs Program Income Re-use Plan.

*Attachment B* - Draft Owner-Occupied Housing Rehabilitation Program Guidelines.

*Attachment C* - Draft Notice of Exemption.

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
(CDBG)  
PROGRAM INCOME (PI) REUSE PLAN  
WITH  
JURISDICTIONAL CERTIFICATIONS**

*This Agreement provides official notification of the Jurisdiction's PI Reuse Plan's (hereinafter, "PI Reuse Plan") approval under the State's administration of the Federal Community Development Block Grant Program (hereinafter, "CDBG" or "the Program") for Non-entitlement jurisdictions pursuant to the provisions of 42 U.S. Code (U.S.C.) 5301 et seq., 24 Code of Federal Regulations (CFR) Part 570, Subpart I, and 25 California Code of Regulations (CCR), Sections 7050 et seq. The Program is listed in the Catalog of Federal Domestic Assistance as 14.228 - CDBG Community Development Block Grant Program.*

*By completing this PI Reuse Plan and signing the end of this document, the Authorized Representative certifies the Jurisdiction has read, understands and will adhere to the Program Income (PI) Reuse Plan detailed in the first section of this document, the PI definitions and rules in the second section of this document, and Department of Housing and Community Development (the Department herein) terms and conditions in the third section of this document.*

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**SECTION ONE: PROGRAM INCOME (PI) REUSE PLAN**

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**JURISDICTION:** \_\_\_\_\_ City of Biggs \_\_\_\_\_

**GOVERNING BODY ADOPTED ON:** \_\_\_\_\_

This PI Reuse plan establishes policies and procedures for the administration and utilization of PI received as a direct result of eligible activities funded under the State of California CDBG Program (Department). All revenue received from CDBG funded activities are required to be used per this adopted plan.

**DISTRIBUTION OF PROGRAM INCOME**

*Introduction: There are six (6) methods of distribution for PI listed below. The four (4) non-Revolving Loan Account obligation methods are optional and can be used on a case-by-case basis as needed for activity funding by the Jurisdiction.*

*The use of one or more Revolving Loan Account (RLA) is mandatory under this adopted PI Reuse Plan.*

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that PI will only be distributed, as follows:

1. Deposit into Revolving Loan Accounts (RLAs)

The following RLAs are hereby established to utilize the \_\_\_\_\_ City of Biggs \_\_\_\_\_ PI. If an RLA activity is not going to be utilized, zero percent (0%) is to be indicated in percentage area below. One or more of the RLAs will be utilized annually. The allocation of receipted PI to each RLA is as follows:

- A. 100% (insert percentage, 0 to 100 percent (0%-100%)) of PI received will be deposited into the **Housing Rehabilitation – Single Family (1-4 Units)** Revolving Loan Account (HR-RLA).
- B. 0 (insert percentage, 0 to 100 percent (0%-100%)) of PI received will be deposited into the **Homeownership Assistance** Revolving Loan Account (HA-RLA).
- C. 0 (insert percentage, 0 to 100 percent (0%-100%)) of PI received will be deposited into the **Business Assistance** Revolving Loan Account (BA-RLA).
- D. 0 (insert percentage, 0 to 100 percent (0%-100%)) of Receipted PI will be deposited into the **Microenterprise Financial Assistance** Revolving Loan Account (ME-RLA).

2. PI Waiver Activity

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ may utilize the Department's PI Waiver process to commit PI to eligible activities that are not considered RLAs. The \_\_\_\_\_ City of Biggs \_\_\_\_\_ will follow all PI Waiver procedural requirements as stated in the Program Income chapter of the Grant Management Manual (GMM). The \_\_\_\_\_ City of Biggs \_\_\_\_\_ will obtain prior Department approval before expending any PI funds on a Waiver project. A PI Waiver project can only be approved if the total project/program cost for the proposed activity is on hand in the Jurisdiction's PI account. The \_\_\_\_\_ City of Biggs \_\_\_\_\_ understands that PI Waiver activities are limited to two "active" projects and/or programs and will remain active until close out has been completed and approved by the Department.

3. Committal to Funding Application

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ may choose to commit non-obligated RLA funds to one or more activities in an annual CDBG application for funding. Committed PI can only be expended when application and activities with committed PI are awarded, contracted, and have all special conditions cleared. PI committed to an application for grant funding must have the PI on hand at the time of application submittal and may not remove or add to the PI amount committed without prior Department approval.

4. **Augmenting Funding to An Awarded Activity/Project**

          City of Biggs           may request that the Department allow PI to be added to a funded activity/project due to a funding short fall. To obtain Department approval, the           City of Biggs           will submit justification to their CDBG Representative outlining in detail the need/reason for the augmentation of funding.

If the Department approves the augmentation (requires a Department contract amendment) the           City of Biggs           would need to complete a Citizen Participation process before the Department would begin a contract amendment process.

This option only applies to awarded activities/projects and the Department will not approve adding a new activity to an awarded contract.

5. **Fund Program Income General Administration (PI GA) Activities**

The           City of Biggs           may set aside up to seventeen percent (17%) of PI received from activities funded with CDBG funds for payment of eligible General Administration costs. The           City of Biggs           may choose to move the PI GA to eligible CDBG activities, as noted above, but once the funds are removed from the PI GA account they cannot be put back at a later date.

6. **Return to the Department**

The           City of Biggs           has the option to return PI back to the Department.

**ADMINISTRATIVE PROCESS FOR DISTRIBUTION OF  
PROGRAM INCOME**

*Introduction: CDBG is a federal funding source and requires a Citizen Participation process as part of utilizing any of the six (6) methods of distribution for PI listed above.*

*Below is a general description of how to conduct proper Citizen Participation process for each of the six (6) distribution methods. See the Department's current Grant Management Manual (GMM) Chapter on Citizen Participation for specific information and sample documents.*

          City of Biggs           certifies that:

1. The PI Reuse Plan will be formally adopted via public hearing and resolution of           City of Biggs          's Governing Body, executed by Authorized Representative and fully executed by the Department. After the PI Reuse Plan is executed, the Jurisdiction reserves the right to set aside up to seventeen percent (17%) of PI received for payment of eligible GA costs. RLA activities which have PI funds being deposited into them may be activated with written Departmental approval.

The PI Reuse Plan may be amended by the \_\_\_\_\_ City of Biggs \_\_\_\_\_'s Governing Body to change the distribution percentages in a RLA via public hearing and resolution, and receipt of the Department's written approval.

2. All PI Waiver requests will be submitted for the Department's written approval. After the Department's review of the activity for Eligibility and National Objective compliance, the PI Waiver will be formally adopted via public hearing and resolution of the \_\_\_\_\_ City of Biggs \_\_\_\_\_'s Governing Body, as part of the PI Waiver Special Condition Clearance process.
3. PI committed to an open CDBG Contract to augment funding for an activity or committed to a pending application for grant funds will be formally adopted via public hearing and approval via resolution for an annual application submittal. Department approval and PI must be on hand.
4. Once a PI Reuse Plan has been executed by the Department, it is then in effect. GA PI funds can then be expended for eligible costs. GA PI funds will not be expended once the Reuse Plan is terminated by either party or the Reuse Plan has reached the 5 year expiration.
5. PI will be returned to the Department after a public hearing and formal resolution is passed by the \_\_\_\_\_ City of Biggs \_\_\_\_\_'s Governing Body.
6. Each of the above administrative processes must be in compliance with the CDBG Citizen Participation process as specified in federal regulations at 24 CFR 570.486, Local Government Requirements.

### **ADMINISTRATION OF ELIGIBLE ACTIVITIES AFTER DISTRIBUTION**

*Introduction: Administration of all CDBG eligible activities conducted under the distribution methods must be conducted in compliance with all current State and federal regulations and policies.*

*The \_\_\_\_\_ City of Biggs \_\_\_\_\_ will follow the Department's guidance for administering RLA activities, PI Waiver activities, or activities funded with PI committed to an open grant contract per the Department's current GMM Chapter regarding PI.*

*If ineligible activities or costs are paid for with CDBG PI, those funds must be returned to the \_\_\_\_\_ City of Biggs \_\_\_\_\_ PI account using local jurisdiction funds.*

#### **1. RLA Administration**

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that the four RLAs under this PI Reuse Plan will be administered under the following criteria:

- A. RLAs with a balance must be "**substantially revolving**," which means on an annual basis at least 60 percent (60%) of the funds in an RLA must be used for loans which will be repaid to a PI account, based on the distribution noted in this plan. Up to the remaining 40 percent (40%) may be expended on non-revolving activities, which include Activity Delivery (AD), and grants for the same activity as the RLA.

**Note: General Administration costs are not considered part of the jurisdiction's RLA Activities and should not be used in the consideration of "substantially revolving".**

- B. A RLA which is the same activity as any funded open grant activity will be "substantially expended" before grant funds are requested for the grant activity.

The Department considers "substantially expended", to mean having no more than \$5,000 in a RLA.

- C. PI funds shall not be transferred between RLAs after execution of this Plan without following the proper CDBG Citizen Participation process, which includes a public hearing resulting in a certified resolution being submitted to the Department for written approval. However, the transfer of PI between RLAs each fiscal year, in the aggregate amount of \$5,000 or less, is not be subject to the Citizen Participation requirement, as stated above; but does require prior written Department approval.
- D. All PI funded activities shall be provided to project activities located within the boundaries of the \_\_\_\_\_ City of Biggs \_\_\_\_\_.

If an additional jurisdiction(s) receives benefit, a Joint Power's Agreement (JPA) between Jurisdictions(s) is required. The \_\_\_\_\_ City of Biggs \_\_\_\_\_ must receive written approval from the Department prior to implementation and prior to parties' execution of the JPA between the parties.

- E. The \_\_\_\_\_ City of Biggs \_\_\_\_\_ will submit program guidelines specific to each RLA activity for written Department approval. Once approval is issued to the Jurisdiction, the RLA will then be deemed active.
- F. This PI Reuse Plan will not be executed by the Department until all RLAs have clear distribution percentages listed above, and have Department approved program guidelines.

All CDBG PI Reuse Plans are limited to a five (5) year term from the date of execution.

PI funds within an RLA cannot be expended until this PI Reuse Plan is executed.

- G. Reporting on RLAs and other PI Activities will be required per the Department's current policies, including financial accounting of PI received and expended for RLAs and other PI Activities. Additionally, PI performance (National Objective data and beneficiary demographics) reported as HUD required accomplishment information will be required to be submitted in a timely manner or the Jurisdiction understands that it will be required to repay a PI account for ineligible cost or activities.

- H. AD costs are only eligible if one or more projects are funded and accomplishments (such as beneficiaries), for those activity(ies), on an annual basis, are reported on.

2. **Eligible RLA Activities**

The four (4) RLA(s) listed below each have a single eligible CDBG program activity. The City of Biggs certifies that all CDBG rules pertaining to each eligible activity will be followed.

A. **Housing Rehabilitation Revolving Loan Account**

The CDBG eligible activity under this RLA is a single-family housing rehabilitation program. The program will be used for the purpose of making loans to rehabilitate residential units (1-4 units), occupied by income eligible households. The CDBG National Objective of benefit to Low/Moderate-income (Low/Mod) households will be met by limiting program participants to households that have an annual income at or below eighty percent (80%) of HUD median income limits for the City of Biggs's county. Households will be income qualified based on the income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Rehabilitation of "projects" (projects with five (5) or more units on one site) is not allowed under this RLA. Projects with five or more units must be funded via the annual grant process or through the PI Waiver process.

Jurisdictions wishing to include tenant occupied projects for the Housing Rehabilitation program must submit separate (distinguishable from the Owner Occupied Housing Rehabilitation guidelines) guidelines outlining the unique tenant occupied rules and processes.

The review and funding of requests for CDBG loans or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines that have been adopted by City of Biggs and approved in writing by the Department.

No more than 19 percent (19%) of program funds expended from this RLA shall be used for AD costs.

B. **Homeownership Assistance (Homebuyer) Revolving Loan Account**

The CDBG eligible activity under this RLA is acquisition of single family housing. The program will be used for the purpose of making loans to assist income eligible homebuyers to purchase a residential property (1-4 units). The CDBG National Objective of benefit to Low/Mod-income households will be met by limiting program participants to households that have an annual income at or below eighty percent (80%) of HUD median income limits. Households will be income qualified based on income calculation method specified in 24 CFR Part 5 and in accord with the Department's Income Manual.

The review and funding of requests for CDBG loans or grant assistance under this RLA shall be conducted under the Homeownership Assistance Program Guidelines that have been adopted by the City of Biggs and approved in writing by the Department.

No more than 8 percent (8%) of the funds expended from this RLA shall be used for AD costs.

**C. Business Assistance Revolving Loan Account**

The CDBG eligible activity of Special Economic Development will be conducted under this RLA. Specifically, the RLA will fund a business assistance program that provides direct financial assistance for eligible businesses that propose projects which create or retain permanent jobs. The CDBG National Objective being met by the Special Economic Development activity will typically be benefit to Low/Mod-income persons. As such, at least fifty one percent (51%) of the full time job positions created or retained will be made available to persons whose households have an annual income at or below 80 percent (80%) or less of the City of Biggs's county median income. Income eligibility is based on the income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Business assistance projects under this RLA program may also meet the National Objective of elimination of slums and blight, but this must be approved by the Department in writing as part of the initial business's loan application.

Local review and underwriting of business assistance projects requesting a CDBG loan under this RLA shall be conducted under the Business Assistance Program Guidelines that have been adopted by City of Biggs and approved in writing by the Department.

Each individual project funding request made under this RLA program must be submitted for Department review and written approval, prior to closing the loan.

No more than 15 percent (15%) of the total funds expended for business assistance activities shall be used for AD costs.

**D. Microenterprise Assistance Revolving Loan Account**

The CDBG eligible activity of direct financial assistance to eligible microenterprise businesses will be conducted under this RLA. Specifically, the RLA will fund a microenterprise direct financial assistance program that provides financial assistance to start up or existing microenterprise businesses. Eligible businesses must meet the HUD definition of microenterprise. A microenterprise is defined as a business that has five (5) or fewer employees including the owner(s). The only CDBG National Objective which will be used for this activity is benefit to Low/Mod-income households. As such, micro business owners assisted

under this program must be documented as having an annual household income at or below 80 percent (80%) of the Jurisdiction's **county** median income, based on income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Local review and underwriting of microenterprise business assistance projects requesting a CDBG loan or grant under this RLA shall be conducted under the Microenterprise Financial Assistance Program Guidelines that have been adopted by the City of Biggs and approved in writing by the Department.

Each individual project funding request made under this RLA program must be submitted for Department review and written approval, prior to closing the loan.

No more than 15 percent (15%) of the total funds expended for business assistance activities shall be used for AD costs.

**3. Administration of Non-RLA Program Income Expenditures**

**A. Program Income Waiver Eligible Activities**

City of Biggs certifies that the PI Waiver Submission Process below will be followed if a PI Waiver is to be requested:

- 1) This process will involve discussion at a properly noticed public hearing, held in front of the City of Biggs's Governing Body, and submission of a Certified Resolution as part of a PI Waiver Request to the Department, in accordance with current Department policy, and any subsequent policy, regulation, or statutory-guidance, in writing, from The Department.
- 2) Final commitment and expenditure of PI Waiver funds will not commence until clearance of all required Special Conditions have been met, and written Department approval has been issued to the City of Biggs.
- 3) Reporting on PI Waiver activities will take place per current Departmental policies and include financial accounting of PI received and expended for PI Waivers and PI Waiver activity performance.
- 4) PI Waiver activities must be fully funded with program income already on hand. Therefore, future PI may not be pledged to the PI Waiver activity.
- 5) Only two (2) PI Waiver agreements may be open and active at any one time.

**B. Program Income Committed in an Annual Grant Application and Included in an Open Grant Agreement**

\_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that the PI Committed to a funded Annual CDBG Application will be:

- 1) Funded with PI currently on hand;  
***Future PI may not be pledged to an open grant activity.***
- 2) Expended first and prior to requesting grant funds;
- 3) Administered in accordance with terms and conditions of the grant contract with the Department; and,
- 4) Reported using the Department's current PI and fiscal reporting forms. All PI activity performance data will be reported using grant and fiscal reports.

**C. Program Income Added to an Existing Open Grant**

\_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that the PI committed to an existing CDBG Grant will be:

- 1) Approved by the Department, with a Grant Amendment fully executed before PI can be committed to a grant activity.
- 2) Funded with PI currently on hand.  
***Future PI may not be pledged to an open grant activity.***
- 3) Expended first and prior to requesting grant funds.
- 4) Administered in accordance with terms and conditions of the grant contract with the Department.
- 5) Reported using the Department's current PI and fiscal reporting forms. All PI activity performance data will be reported using grant and fiscal reports.

**4. Program Income General Administration (PI GA) Cost Limitation and Activities**

\_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that no more than 17 percent (17%) of the total amount of PI received annually will be expended for PI GA costs. These funds will accumulate annually and be carried from one fiscal year to the next if unexpended.

If more funds are expended than what is available in PI GA, the Jurisdiction will be required to return the over-expended GA amount back into their PI Account. *Additionally, any ineligible PI GA costs will also be required to be returned to their PI Account.*

GA eligible costs for PI are the same as open grant agreements with the Department. See the current CDBG Grant Management Manual (GMM) for list of eligible activities and allowable costs.

PI GA activity costs will be reflected on fiscal reports submitted to the Department as per current reporting forms and policies.

**A. Planning Activities**

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ reserves the option of utilizing PI, within the 17 percent (17%) PI GA annual cap to fund planning studies for CDBG eligible activities.

All proposed planning activities must receive written Department approval prior to expending PI on the activity.

Eligible planning activities funded with PI are the same as open grant agreements with the Department. See current NOFA for a list of eligible planning studies.

All planning activities must have a final product (report or study) resulting from the expenditure of PI.

Upon completion of the planning activity, the study must be formally accepted by the Jurisdiction and submitted to the Department for review.

The planning activity costs will be reflected on fiscal reports submitted to the Department.

**B. Loan Portfolio and Asset Management Policies and Costs**

The \_\_\_\_\_ City of Biggs \_\_\_\_\_ certifies that it has asset management policies and loan portfolio servicing policies that are in compliance with HUD standards per 24 CFR Part 570. The use of CDBG funds creates public financial assets. The public financial assets created can be in the form of loans or other repayment instruments which result in PI. Financial assets may also be in the form of real property or chattel (equipment and fixtures). All assets created from the use of CDBG funds must be administered in compliance with OMB Circulars A-87, A-122 A-133, 24 CFR Part 85.

Loan payment tracking and collection systems must be put in place for collection purposes of all loans funded with CDBG. In addition, loan servicing policies and procedures must be in place to service the loan assets, ensuring repayment.

Costs of managing the portfolio of CDBG funded loans may be charged to PI under GA within the allowable limits set by the Department.

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## SECTION TWO: JURISDICTION ASSERTIONS AND CERTIFICATIONS

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### 1. Requirements of Program Income

The PI Reuse Plan is intended to satisfy the requirements specified in federal statute and regulation at Section 104(j) of the Housing and Community Development Act ("the Act"), as amended in 1992 and 24 CFR 570.489(e) and (f). These statutory and regulatory sections permit a unit of local government to retain PI for CDBG-eligible community development activities. Under federal guidelines adopted by the State of California's CDBG Program, local governments are permitted to retain PI as long as the local government has received advance approval from the State of a local plan that will govern the expenditure of the PI. This plan has been developed to meet that requirement.

City of Biggs certifies that their PI will be used to fund eligible CDBG activities that meet a National Objective and any public benefit requirements. Eligible activities, National Objective and public benefit requirements are specified in Federal Statute at Sections 104(b), 105(a) of The Housing and Community Development Act of 1974, and in Federal Regulations at 24 CFR 570.482 and 24 CFR 570.483. The Jurisdiction understands, if it is determined that an activity/project funded with PI that does not meet a National Objective and/or meet the public benefit requirement, the Jurisdiction will be required to use its own local funds to repay the PI Account.

### 2. Definition of Program Income

"Program Income" means gross income earned by the Jurisdiction from grant-funded activities and is subject to CDBG regulatory requirements pursuant to 24 CFR, Part 570.489(e) - Program Administrative Requirements as amended in the CDBG Final Rule, 24 CFR, Part 570.504 - Program Income, 24 CFR Part 85 - Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments, and OMB Circulars A-87 and A-122 as applicable. These regulations include the requirement that the Jurisdiction record the receipt and expenditure of PI as part of the financial transactions of the grant activity(ies).

For activities generating PI that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation. Examples of PI include but are not limited to: payments of principal and interest on housing rehabilitation or business loans made using CDBG funds; interest earned on PI pending its disposition; interest earned on funds that have been placed in a revolving loan account; net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds; and, income (net of costs that are incidental to the generation of the income) from the use or rental of real property that has been acquired, constructed or improved with CDBG funds and that is owned (in whole or in part) by the participating jurisdiction or sub-recipient.

**3. Federal Nature of Program Income**

City of Biggs certifies that per 24 CFR 570.489(e)(2)(i), as amended in the CDBG Final Rule May 23, 2012, all PI received through a RLA, will be counted as PI regardless of the amount, and all PI generated through an open grant that is \$35,000 or less may either be:

- A. Counted and reported as PI, allowing the Jurisdiction to include that amount in its PI GA (17%) calculation; or,
- B. Not counted as PI and reported as such, which "de-federalizes" the funds, and allows them to be deposited into the Jurisdiction's General Fund. Supporting accounting records and documentation must be in the Jurisdiction's file to substantiate the calculations reported.

If PI is generated from a loan that is made partially from a RLA and partially from another source, then the PI accounting and reporting must reflect the correct amounts and proportions of PI from the RLA (counted and reported as PI Income) versus the amount generated from the other source, which may be accounted for and reported using either of the methods above.

**4. Definition of Excessive Program Income**

City of Biggs certifies that if there is excessive PI (\$500,000 or more), which includes GA, at the end of the fiscal year they will be required to submit a plan (included in the Reporting form) for expending the funds to the Department for review and approval. The City of Biggs understands that if no plan is submitted, or the plan is not approved by the Department, it risks having to return the PI to the Department. The City of Biggs agrees to use the Semi Annual PI Report forms to describe the reason(s) for the excessive amount and the method(s)/plan(s)/reason(s) the City of Biggs will use to reduce the amount over the coming year.

Should the Jurisdiction choose to 'accumulate' PI to fund a project that will cost more than \$500,000, the Jurisdiction must identify the project in their Semi Annual PI Report form with a detailed narrative about the project and the expected timing for the project to start and complete, with completion including the meeting of a national objective. Approval of a PI balance above \$500,000 will be made on a case-by-case basis.

**5. Reporting of Program Income**

City of Biggs certifies that CDBG PI will be accounted for using the Department's fiscal year (July 1 to June 30). All receipts and expenditures of PI in accordance with this PI Reuse Plan will be monitored and reported per the Department's fiscal year cycle. City of Biggs certifies that they will report using the Department's reports/forms and will submit them in a timely manner.

**6. Duration of This Program Income Reuse Plan**

City of Biggs and the Jurisdiction's Governing Body understand that this document is effective for five (5) years from the execution date by the authorized CDBG representative listed in this Agreement unless otherwise notified by the Department.. The Department has the Authority to void the Agreement with notice for cause.

**7. Status of Program Income Upon Leaving State Non-Entitlement CDBG Program and Entering the CDBG Entitlement Program**

City of Biggs certifies that the Jurisdiction's Governing Body may move the PI earned under the State program to the Entitlement Program if/when the Jurisdiction is authorized and chooses to participate in the CDBG Entitlement Program provided the Jurisdiction's Governing Body certifies that the City of Biggs has:

- A. Officially elected to participate in the Entitlement Grant Program;
- B. Agrees to use such PI in accordance with Entitlement Program requirements; and,
- C. Sets up Integrated Disbursement Information System (IDIS) access and agrees to enter receipt of PI into IDIS.
- D. The City of Biggs submits the above to the State and receives the Department's approval to no longer report State CDBG PI to the Department.

**8. Status of Program Income Upon Entering the State Non-Entitlement CDBG Program from the Entitlement CDBG Program**

City of Biggs certifies that the Jurisdiction's Governing Body will inform the Department in writing of the Jurisdiction's decision to either:

- A. Retain program income generated under Entitlement grants and continue to comply with Entitlement program requirements for program income; or
- B. Retain the program income and transfer it to the State CDBG program, in which case the Jurisdiction will certify that it will comply with the state's rules for program income and the requirements of 24 CFR 570.489(e) and (f).

**9. Amendment of PI Reuse Plan**

City of Biggs certifies that it will adopt and submit for Department written approval a new version of this plan as updates are released by the Department.

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## SECTION THREE: DEPARTMENT TERMS, CONDITIONS AND AUTHORIZATION

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**TERMS AND CONDITIONS:** City of Biggs certifies that all terms and conditions listed below have been read and understood, and will be implemented and followed:

1. **Authority & Purpose**

This Agreement provides official notification of the Jurisdiction's PI Reuse Plan's (hereinafter, "PI Reuse Plan") approval under the State's administration of the Federal Community Development Block Grant Program (hereinafter, "CDBG" or "the Program") for Non-entitlement jurisdictions pursuant to the provisions of 42 U.S. Code (U.S.C.) 5301 et seq., 24 Code of Federal Regulations (CFR) Part 570, Subpart I, and 25 California Code of Regulations (CCR), Sections 7050 et seq. The Program is listed in the Catalog of Federal Domestic Assistance as 14.228 - CDBG Community Development Block Grant Program.

In accepting the PI Reuse Plan Approval, the Jurisdiction agrees to comply with the terms and conditions of this Agreement, all exhibits hereto and the representations contained in the Jurisdiction's PI Reuse Plan. Any changes made to the PI Reuse Plan after this Agreement is accepted must receive prior written approval from the Department of Housing and Community Development (Department).

2. **Distribution for Reuse of PI**

- A. The Jurisdiction shall perform PI funded activities as described in the Distribution for Reuse in the PI Reuse Plan. All written materials or alterations submitted as addenda to the original PI Reuse Plan and which are approved in writing by the Department are hereby incorporated as part of the PI Reuse Plan.

The Department reserves the right to require the Jurisdiction to modify any or all parts of the PI Reuse Plan in order to comply with CDBG requirements. The Department reserves the right to review and approve all Work to be performed by the Jurisdiction in relation to this Agreement. Any proposed revision to the Work must be submitted in writing for review and approval by the Department and may require an amendment to this Agreement. Approval shall not be presumed unless such approval is made in writing by the Department.

- B. The PI funded activities shall principally benefit Low/Mod-income persons or households (Low/Mod) whose income is no more than 80 percent (80%) of the median area income.

**3. Sufficiency of Funds and Termination**

The Department may terminate this Agreement at any time for cause by giving at least 14 days written notice to the Jurisdiction. Termination shall consist of violations of any terms and/or special conditions of this Agreement, upon the request of HUD, or withdrawal of the Department's expenditure authority.

**4. Meeting National Objectives**

All activities performed under this Agreement must meet one of the National Objectives determined by the HUD regulations as included in the Application authorized under Title I of the Housing and Community Development Act of 1974, as amended.

- A. Benefit to HUD defined Low/Mod-income person or household (LMI). The term Low/Mod-income is defined under CDBG as no more than 80 percent (80%) of the median area income, as determined by HUD, per Federal Regulation 24 CFR, Part 570.483(b); and/or;
- B. Prevention or elimination of slums or blight. In order for an activity to meet the National Objective of elimination of slums and blight, the activity must take place in an area that meets the definition of a blighted area and the project must be shown to eliminate blight or prevent further blight per Federal Regulation 24 CFR, Part 570.483(c).
- C. For Microenterprise Assistance activities, the Jurisdiction must only meet the benefit to Low/Mod-income person or household (LMI) National Objective.

**5. Inspections of Activities**

- A. The Department reserves the right to inspect any activity(ies) performed hereunder to verify that the activity(ies) is in accordance with the applicable federal, State and/or local requirements and this Agreement.
- B. The Jurisdiction shall inspect any activity performed by contractors and subrecipients hereunder to ensure that the activity(ies) is in accordance with the applicable federal, State and/or local requirements and this Agreement.

The Jurisdiction agrees to require that all activity(ies) found by such inspections not to conform to the applicable requirements be corrected, and to withhold payment to its contractor or subcontractor, respectively, until it is so corrected.

**6. Insurance**

The Jurisdiction shall have and maintain in full force and effect during the term of this Agreement such forms of insurance, at such levels as may be determined by the Jurisdiction and the Department to be necessary for specific components of the activity(ies) described in this Reuse Plan.

**7. Contractors and Subrecipients**

- A. The Jurisdiction shall not enter into any agreement, written or oral, with any contractor or subrecipient without the prior determination that the contractor or subrecipient is eligible to receive CDBG funds and is not listed on the Federal Consolidated List of Debarred, Suspended, and Ineligible Contractors.
- 1) Contractors are defined as program operators or construction contractors who are procured competitively.
  - 2) Subrecipients are defined as public or private non-profit agencies or organizations and certain (limited) private for-profit entities who receive CDBG funds from an awarded jurisdiction to undertake eligible activities.
- B. An agreement between the Jurisdiction and any contractor or subrecipient shall require:
- 1) Compliance with the applicable State and federal requirements of this Agreement, which pertain to, among other things, labor standards, non-discrimination, Americans with Disabilities Act, Equal Employment Opportunity, and Drug-Free Workplace; and, Compliance with the applicable provisions relating to Labor Standards/Prevailing Wages. In addition to these requirements, all contractors and subcontractors shall comply with the applicable provisions of the California Labor Code.
  - 2) Maintenance of, at minimum, the State-required Workers' Compensation Insurance for those employees who will perform the activity(ies) or any part of it.
  - 3) Maintenance of, if so required by law, unemployment insurance, disability insurance and liability insurance, which is reasonable to compensate any person, firm, or corporation, who may be injured or damaged by the contractor, or any subcontractor in performing the activity(ies) or any part of it.
  - 4) Compliance with the applicable Equal Opportunity Requirements described in this Agreement.
- C. Contractors shall:
- 1) Perform the activity(ies) in accordance with federal, State and local housing and building codes, as are applicable.
  - 2) Provide security to assure completion of the project by furnishing the borrower and construction lenders with Performance and Payment Bonds, or other security approved in advance in writing by the Department.

D. Subrecipients shall:

- 1) Retain all books, records, accounts, documentation, and all other materials relevant to this Agreement for a period of five (5) years from date of termination of this Agreement, or five (5) years from the conclusion or resolution of any and all audits or litigation relevant to this Agreement, and any amendments, whichever is later.
- 2) Permit the State, federal government, the Bureau of State Audits, the Department and/or their representatives, upon reasonable notice, unrestricted access to any or all books, records, accounts, documentation, and all other materials relevant to the agreement for the purpose of monitoring, auditing, or otherwise examining said materials.

8. **Obligations of the Jurisdiction with Respect to Certain Third Party Relationships**

The Jurisdiction shall remain fully obligated under the provisions of this Agreement notwithstanding its designation of any third party or parties for the undertaking of all or any part of the Activities funded under this agreement with respect to which assistance is being provided under this Agreement to the Jurisdiction.

The Jurisdiction shall comply with all lawful requirements of the Department necessary to ensure that the Program, with respect to which assistance is being provided under this Agreement to the Jurisdiction, is carried out in accordance with the Department's Assurance and Certifications, including those with respect to the assumption of environmental responsibilities of the Department under Section 104(g) of the Housing and Community Development Act of 1974.

9. **Periodic Reporting Requirements**

During the term of this Agreement, the Jurisdiction must submit the following reports by the dates identified, respectively, or as otherwise required at the discretion of the Department. The Jurisdiction's performance under this Agreement will be based, in part, on whether it has submitted the reports on a timely basis.

- A. **Semi-Annual PI Expenditure/Performance Report:** Submit by January 31 and July 31 of each year regardless of whether or not the Jurisdiction has any unspent PI. PI Waivers or open Grants with no accomplishment are not excluded to the reporting requirement.
- B. **Annual Federal Overlay Reporting:** Submit by July 31 starting from the contract effective date to subsequent June 30, and for each State Fiscal Year. Annual Reporting includes but is not limited to: Section 3, and Minority Owned Business/Women Owned Business (MBE/WBE).

- C. Wage Compliance Reports: Semi-annual Wage Compliance Reports are to be submitted by October 7 and April 7 during the entire construction period. The final Wage Compliance Report is to be submitted thirty (30) days after construction is completed.
- D. Any other reports that may be required as a Special Condition of this Agreement.

**10. Monitoring Requirements**

The Department shall perform a program and/or fiscal monitoring of the activity(ies). The Jurisdiction shall be required to resolve any monitoring findings to the Department's satisfaction by the deadlines set by the Department. If findings are not adequately resolved in a timely manner, the Department may deduct points from the Jurisdiction's performance score on future applications.

Additionally, the Department reserve the right to suspend a jurisdiction's authority to expend PI (Waiver, RLA and/or PI attached to an open grant) based on significant compliance issues, reporting concerns or serious lack of cooperation in clearing PI monitoring findings.

**11. Signs**

If the Jurisdiction places signs stating that the Department is providing financing, it shall indicate in a typeface and size commensurate with the Department's funding portion of the project that the Department is a source of financing through the CDBG Program.

**12. Audit/Retention and Inspection of Records**

- A. The Jurisdiction must have intact, auditable fiscal records at all times. If the Jurisdiction is found to have missing audit reports from the SCO during the term of this Agreement, the Jurisdiction will be required to submit a plan to the State, with task deadlines, for submitting the audit to the SCO. If the deadlines are not met, the Jurisdiction will be subject to termination of this Agreement and disencumbrance of the funds awarded. The Jurisdiction's audit completion plan is subject to prior review and approval by the Department.
- B. The Jurisdiction agrees that the Department or its designee will have the right to review, obtain, and copy all records pertaining to performance of this Agreement. The Jurisdiction agrees to provide the Department or its designee with any relevant information requested and shall permit the Department or its designee access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with California Public Contract Code (PCC) Section 10115 et seq., Government Code (GC) Section 8546.7 and 2 CCR 1896.60 et seq. The Jurisdiction further agrees to maintain such records for a period of five (5) years after final

payment under this Agreement. The Jurisdiction shall comply with the caveats and be aware of the penalties for violations of fraud and for obstruction of investigation as set forth in PCC 10115.10.

- C. An expenditure which is not authorized by this Agreement or which cannot be adequately documented shall be disallowed and must be reimbursed to the Department or its designee by the Jurisdiction.
- D. Absent fraud or mistake on the part of the Department, the determination by the Department of the allowability of any expenditure shall be final.
- E. For the purposes of annual audits under OMB Circular A-133 (The United States Office of Management and Budget Circular for Audits of States and Local Governments), Jurisdiction shall use the Federal Catalog Number 14.228 for the State CDBG Program.
- F. Notwithstanding the foregoing, the Department will not reimburse the Jurisdiction for any audit cost incurred after the expenditure deadline of this Agreement.
- G. The jurisdiction understands that the expenditure of PI is covered under the OMB A-133 Single Audit Requirements and will meet all these requirements and report said PI Expenditure along with grant funds each fiscal year.

13. **Conflict of Interest of Members, Officers, or Employees of Contractors, Members of Local Governing Body, or other Public Officials**

Pursuant to 24 CFR 570.611, no member, officer, or employee of the Jurisdiction, or its designees or agents, no member of the Governing Body of the locality in which the program is situated, and no other public official of such locality or localities who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to a CDBG-assisted activity or its proceeds, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one (1) year thereafter. The Jurisdiction shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

14. **Waivers**

No waiver of any breach of this Agreement shall be held to be a waiver of any prior or subsequent breach. The failure of the Department to enforce at any time the provisions of this Agreement or to require at any time performance by the Jurisdiction of these provisions shall in no way be construed to be a waiver of such provisions nor to affect the validity of this Agreement or the right of the Department to enforce these provisions.

**15. Litigation**

- A. If any provision of this Agreement, or an underlying obligation, is held invalid by a court of competent jurisdiction, such invalidity, at the sole discretion of the Department, shall not affect any other provisions of this Agreement and the remainder of this Agreement shall remain in full force and effect. Therefore, the provisions of this Agreement are, and shall be, deemed severable.
- B. The Jurisdiction shall notify the Department immediately of any claim or action undertaken by or against it which affects or may affect this Agreement or the Department, and shall take such action with respect to the claim or action as is consistent with the terms of this Agreement and the interests of the Department.

**16. Lead-Based Paint Hazards**

Activity(ies) performed with assistance provided under this Agreement are subject to lead-based paint hazard regulations contained in Title 8 (Industrial Relations) and Title 17 (Public Health) of the CCR and 24 CFR, Part 35 (Lead Disclosure). Any grants or loans made by the Jurisdiction with assistance provided under this Agreement shall be made subject to the provisions for the elimination or mitigation of lead-based paint hazards under these Regulations. The Jurisdiction shall be responsible for the notifications, inspections, and clearance certifications required under these Regulations.

**17. Prevailing Wages**

- A. Where funds provided through this Agreement are used for construction work, or in support of construction work, the Jurisdiction shall ensure that the requirements of California Labor Code (LC), Chapter 1, commencing with Section 1720, Part 7 (pertaining to the payment of prevailing wages and administered by the California Department of Industrial Relations) are met.
- B. For the purposes of this requirement "construction work" includes, but is not limited to rehabilitation, alteration, demolition, installation or repair done under contract and paid for, in whole or in part, through this Agreement. All construction work shall be done through the use of a written contract with a properly licensed building contractor incorporating these requirements (the "construction contract"). Where the construction contract will be between the Jurisdiction and a licensed building contractor, the Jurisdiction shall serve as the "awarding body" as that term is defined in the LC. Where the Jurisdiction will provide funds to a third party that will enter into the construction contract with a licensed building contractor, the third party shall serve as the "awarding body." Prior to any disbursement of funds, including but not limited to release of any final retention payment, the Department may require a certification from the awarding body that prevailing wages have been or will be paid.

18. **Compliance with State and Federal Laws and Regulations**

- A. The Jurisdiction agrees to comply with all State laws and regulations that pertain to construction, health and safety, labor, fair employment practices, equal opportunity, and all other matters applicable to the Jurisdiction, its subcontractors, contractors or subcontractors, and the Reuse activity(ies), and any other State provisions as set forth in this Agreement.
- B. The Jurisdiction agrees to comply with all federal laws and regulations applicable to the CDBG Program and to the activity(ies), and with any other federal provisions as set forth in this Agreement.

19. **Anti-Lobbying Certification**

The Jurisdiction shall require that the language of this certification be included in all contracts or subcontracts entered into in connection with this activity(ies) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and no more than \$100,000 for such failure.

"The undersigned certifies, to the best of his or her knowledge or belief, that:

- A. No federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement; and,
- B. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions."

**20. Bonus or Commission, Prohibition Against Payments of**

The assistance provided under this Agreement shall not be used in the payment of any bonus or commission for the purpose of:

- A. Obtaining the Department's approval of the Application for such assistance; or,
- B. The Department's approval of the Applications for additional assistance; or,
- C. Any other approval or concurrence of the Department required under this Agreement, Title I of the Housing and Community Development Act of 1974, or the State regulations with respect thereto; provided, however, that reasonable fees for bona fide technical, consultant, managerial or other such services, other than actual solicitation, are not hereby prohibited if otherwise eligible as program costs.

**21. Citizen Participation**

The Jurisdiction is subject to the requirements concerning citizen participation contained in Federal Regulations at 24 CFR, Part 570.486, Local Government Requirements, Part 91.105 and 91.115.

**22. Clean Air and Water Acts**

This Agreement is subject to the requirements of the Clean Air Act, as amended, 42 USC 1857 et seq., the Federal Water Pollution Control Act, as amended, 33 USC 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 CFR, Part 15, as amended from time to time.

**23. Conflict of Interest of Certain Federal Officials**

No member of or delegate to the Congress of the United States, and no resident commissioner, shall be admitted to any share or part of this Agreement or to any benefit to arise from the same. The Jurisdiction shall report all perceived or actual conflicts of interest cases to the State for review before financial benefits are given.

**24. Environmental Requirements**

The Jurisdiction shall comply with the provisions of the National Environmental Policy Act (NEPA) by following the procedures contained in 24 CFR, Part 58. The Jurisdiction shall not undertake any activity that would have an adverse environmental impact or limit the choice of reasonable alternatives under 24 CFR, Part 58.22 until HUD or the Department has issued an environmental clearance.

## 25. Equal Opportunity

### A. The Civil Rights, Housing and Community Development, and Age Discrimination Acts Assurances

During the performance of this agreement, the Jurisdiction assures that no otherwise qualified person shall be excluded from participation or employment, denied program benefits, or be subjected to discrimination based on race, color, national origin, sex, age, handicap, religion, familial status, or religious preference, under any activity funded by this Agreement, as required by Title VI of the Civil Rights Act of 1964, Title I of the Housing and Community Development Act of 1974, as amended, the Age Discrimination Act of 1975, the Fair Housing Amendment Act of 1988, and all implementing regulations.

### B. Rehabilitation Act of 1973 and the "504 Coordinator"

The Jurisdiction further agrees to implement the Rehabilitation Act of 1973, as amended, and its regulations, 24 CFR, Part 8, including, but not limited to, for Jurisdiction's with fifteen (15) or more permanent full or part time employees, the local designation of a specific person charged with local enforcement of this Act, as the "504 Coordinator."

### C. The Training, Employment, and Contracting Opportunities for Business and Lower-Income Persons Assurance of Compliance

- 1) The activity(ies) to be performed under this Agreement are subject to the requirements of Section 3 of the HUD Act of 1968, as amended, 12 U.S.C. 1701u. Recipients, contractors and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of Section 3 covered assistance to Section 3 residents in the order of priority provided in 24 CFR, Part 135.34(a)(2).
- 2) The parties to this Agreement will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of HUD set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Agreement. The parties to this Agreement certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- 3) The Jurisdiction will include these Section 3 clauses in every contract and subcontract for Work in connection with the activity(ies) and will, at the direction of the Department, take appropriate action pursuant to the contract or subcontract upon a finding that the Jurisdiction or any contractor or subcontractor is in violation of regulations issued by the Secretary of HUD, 24 CFR, Part 135 and, will not let any contract unless the Jurisdiction or contractor or subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.

- 4) Compliance with the provisions of Section 3, the regulations set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Agreement shall be a condition of the federal financial assistance provided to the activity(ies), binding upon the Jurisdiction, its successors, and assigns. Failure to fulfill these requirements shall subject the Jurisdiction, its contractors and subcontractors and its successors, to such sanctions as are specified by 24 CFR, Part 135 and those sanctions specified by this Agreement.

D. Assurance of Compliance with Requirements Placed on Construction Contracts of \$10,000 or More

The Jurisdiction hereby agrees to place in every contract and subcontract for construction exceeding \$10,000 the Notice of Requirement for Affirmative Action to ensure Equal Employment Opportunity (Executive Order 11246), the Standard Equal Employment Opportunity, and the Construction Contract Specifications. The Jurisdiction furthermore agrees to insert the appropriate Goals and Timetables issued by the U.S. Department of Labor in such contracts and subcontracts.

**26. Flood Disaster Protection**

- A. This Agreement is subject to the requirements of the Flood Disaster Protection Act (FDPA) of 1973 (Public Law 93-234). No portion of the assistance provided under this Agreement is approved for acquisition or construction purposes as defined under FDPA, Section 3 (a) of said Act, for use in an area identified by the Secretary of HUD as having special flood hazards which is located in a community not then in compliance with the requirements for participation in the national flood insurance program pursuant to FDPA, Section 102(d) of said Act.
- B. The use of any assistance provided under this Agreement for such acquisition or construction in such identified areas in communities then participating in the national flood insurance program shall be subject to the mandatory purchase of flood insurance requirements of FDPA, Section 102(a) of said Act.
- C. Any contract or agreement for the sale, lease, or other transfer of land acquired, cleared or improved with assistance provided under this Agreement shall contain certain provisions. These provisions will apply if such land is located in an area identified by the Secretary of HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001 et seq.
- D. These provisions shall obligate the transferee and its successors or assigns to obtain and maintain, during the ownership of such land, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under FDPA, Section 102(s) of the Flood Disaster Protection Act of 1973. Such provisions shall be required

notwithstanding the fact that the construction on such land is not itself funded with assistance provided under this Agreement.

**27. Federal Labor Standards Provisions**

The Jurisdiction shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of:

- A. Davis-Bacon Act (40 U.S.C. 3141-3148) requires that workers receive no less than the prevailing wages being paid for similar work in their locality. Prevailing wages are computed by the Federal Department of Labor and are issued in the form of federal wage decisions for each classification of work. The law applies to most construction, alteration, or repair contracts over \$2,000.
- B. "Anti-Kickback Act of 1986" (41 U.S.C. 51-58) prohibits any person from (1) providing, attempting to provide, or offering to provide any kickback; (2) soliciting, accepting, or attempting to accept any kickback; or (3) including directly or indirectly, the amount of any kickback prohibited by clause (1) or (2) in the contract price charged by a subcontractor to a prime contractor or a higher tier subcontractor or in the contract price charged by a prime contractor to the United States.
- C. Contract Work Hours and Safety Standards Act - CWHSSA (40 U.S.C. 3702) requires that workers receive "overtime" compensation at a rate of one to one-half (1-1/2) times their regular hourly wage after they have worked forty (40) hours in one week.
- D. Title 29, Code of Federal Regulations CFR, Subtitle A, Parts 1, 3 and 5) are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

The Jurisdiction shall maintain documentation that demonstrates compliance with hour and wage requirements of this part. Such documentation shall be made available to the Department for review upon request.

**28. Procurement**

The Jurisdiction shall comply with the procurement provisions in 24 CFR, Part 85.36: Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments.

**29. Non-Performance**

The Department shall review the actual National Objective and/or Public Benefit achievements of the Jurisdiction. In the event that the National Objective and/or Public Benefit requirements are not met, the Department will require the recapture of the entire PI expended on that project/activity. Additional remedies may include suspending the Jurisdiction's authority to use PI funds until the Jurisdiction has developed capacity to ensure future PI funds will be used for eligible activities that will meet a National Objective.

**30. Relocation, Displacement, and Acquisition**

The provisions of the Uniform Relocation Act, as amended, 49 CFR, Part 24, and Section 104(d) of the Housing and Community Development Act of 1974 shall be followed where any acquisition of real property is carried out by the Jurisdiction and assisted in whole or in part by funds allocated by CDBG.

**31. Uniform Administrative Requirements**

The Jurisdiction shall comply with applicable Uniform Administrative Requirements as described in 24 CFR, Section 570.502, including cited Sections of 24 CFR, Part 85.

**32. Section 3**

The Jurisdiction will comply with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing Regulations at 24 CFR, Part 135.

**33. Affirmatively Furthering Fair Housing**

The Jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the Jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

**34. General Contract Conditions**

The following conditions apply to all activities, including set aside activities. The Jurisdiction must meet the conditions within ninety (90) days of this Agreement's execution. Failure to meet the following Special Conditions may result in termination of this Agreement.

**A. Environmental Compliance**

The Jurisdiction shall have satisfied all National Environmental Policy Act (NEPA) requirements and California Environmental Quality Act (CEQA) requirements. CEQA shall be approved by the Jurisdiction. The level of compliance varies by activity. NEPA review must be completed by the Jurisdiction for each activity and approved in writing by Department staff prior to incurring costs on the activity(ies).

**B. Acquisition/Relocation Compliance**

The Jurisdiction must document its compliance with the Uniform Relocation Act, Section 104(d) before release of funds by the Department. The Jurisdiction must submit a specific relocation assistance plan for each activity which may result in temporary or permanent displacement. For projects where there will be temporary or permanent displacement, the Jurisdiction must submit signed General Information Notices (GINs) from

each tenant who was residing in the project at the time of Application submittal. If the Jurisdiction believes that there will be no displacement as a result of their activities, they must submit a letter explaining why no displacement or relocation will occur, which will be subject to written approval by the Department.

C. Site Control

The Jurisdiction shall demonstrate site control of the proposed project property by submitting evidence of one or more of the following to the Department:

- 1) Fee title;
- 2) A leasehold interest on the project property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit compliance with all Program requirements;
- 3) An option to purchase or lease;
- 4) A disposition and development agreement with a public agency;
- 5) A land sale contract, or other enforceable agreement for the acquisition of the property; or,
- 6) All easements and right-of-ways (required for completion of the CDBG project) must be obtained.

D. Funding Commitments and Project Cost Estimates

All funding required for project completion must be documented and committed. If all funding is not committed, the Department shall terminate this Agreement. If the Jurisdiction has applied for other funding prior to the execution of this Agreement, the Jurisdiction must notify the Department as soon as that application is approved or denied. If the Jurisdiction must apply for other funding after the execution date of this Agreement, the Jurisdiction must apply at the earliest possible opportunity offered by the other funding source(s) and notify the Department as soon as that application is approved or denied.

A current third-party cost estimate must be provided by the engineer or architect for the project.

E. Activity Administration Documentation

There are four methods of administering and/or completing RLA activities:

- 1) Use of in-house staff only;
- 2) Subrecipient agreement(s) with qualified non-profit(s);

- 3) Consultants/contractors/others obtained through federal procurement procedures; and,
- 4) Any combination of the above methods.

The Jurisdiction must provide the following documentation demonstrating that one or more of these methods were used for the GA of the RLA and for all activities carried out under this Agreement.

- 1) Use of in-house staff only: If not previously provided in the Application, submit staff resumes and duty statements that clearly identify that Jurisdiction staff has capacity and experience to complete administration of the proposed activities in the Application.
- 2) Subrecipient agreement(s) with qualified non-profit(s): Subrecipients, and their respective agreements with the Jurisdiction must adhere to all Program requirements. Submit the subrecipient agreement that was executed between the non-profit and the City of Biggs. (Submitting draft documents for review prior to execution is recommended.) The scope of work in the subrecipient agreement must match the description of activity in this Agreement. Any parts of the activity description in this Agreement not covered by the subrecipient agreement must have separate procurement information. If the subrecipient is using CDBG funds to hire other consultants or subrecipients to do part or all of the Work then the procurement documentation or additional subrecipient agreements must be provided to the Department for review and approval.
- 3) Consultants: Submit procurement documentation that all third-party consultants are procured in accordance with Federal Procurement Procedures and the Grant Management Manual, as follows:

A copy of the document used to notify prospective consultants, such as a Request for Proposal or similar document.

A list of all bid respondents, showing respondents' contact information and the dollar amount of each proposal.

A brief description of the process used to select the consultant/contractor/other, including the rationale for the selection.

Additional information may be found in the Grant Management Manual, Program Operators.

F. Compliance With All Loans and/or Grant Agreements

Pursuant to this Agreement, the Jurisdiction must comply with State and Federal Laws and Regulations that pertain to matters applicable to the Jurisdiction. Prior to disbursement of any funds under this Agreement, the

Jurisdiction shall be in compliance with all loan and/or grant agreements to which it is a party, which are administered by the Department.

G. Easements and Rights-of-Way

If required for the completion of a CDBG project, the Jurisdiction must obtain all easements and rights-of-ways required for completion of the CDBG project within twelve (12) months of execution of this Agreement. Failure to obtain these may result in termination of this Agreement.

H. Section 504 Accessibility Requirements

- 1) Section 504 Regulations apply when CDBG funds are used on a new construction housing or public facility project or when an existing public facility or housing project with fifteen (15) or more units is being purchased and/or "substantially" rehabilitated. Qualified CDBG assisted housing projects are required to have a certain percentage of the units designed for and accessible to persons with mobility and sensory impairments.
- 2) For a federally assisted new construction housing project, Section 504 requires five percent (5%) of the dwelling units, or at least one unit, whichever is greater, to meet Uniform Federal Accessibility Standards or a standard that is equivalent or stricter, for persons with mobility disabilities. An additional two percent (2%) of the dwelling units, or at least one unit, whichever is greater, must be accessible for persons with hearing or visual disabilities.
- 3) Under Section 504, alterations are substantial (i.e. substantially rehabilitated ) if they are undertaken to a housing project that has 15 or more units and the cost of the alterations is seventy-five percent (75%) or more of the replacement cost of the completed facility; and require that a minimum of five percent (5%) of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with mobility disabilities and an additional two percent (2%) of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with hearing or visual disabilities.
- 4) The Jurisdiction shall provide documentation satisfactory to the Department verifying that the required housing units or public facility described in the project comply with the accessibility standards. CDBG funds will not be released until the necessary documentation is provided. All CDBG funded programs must, to the greatest degree possible, be conducted in buildings which meet Section 504 accessibility standards.

I. Grantee's Data Universal Numbering System (DUNS)

The Jurisdiction shall provide the Department with a DUNS number for any contractor or subcontractor prior to release of any funds under this Agreement.

35. Community Development Activity Conditions

A. Homeownership Assistance

If the Work to be performed under this Agreement involves Homeownership Assistance, the following additional special conditions apply:

- 1) Program Guidelines: The Jurisdiction must submit a copy of its Homeownership Assistance Program Guidelines and its PI Re-Use Plan to the Department for review and approval within ninety (90) days of the execution date of this Agreement.
- 2) If the Jurisdiction proposed to assist homebuyers to purchase newly constructed units in its CDBG application under the Homeownership Assistance activity, the following requirements must be met:
  - a) The units must have been available for sale to the general public;
  - b) Development of the new subdivision must not be dependent upon the funding of the homebuyer loan;
  - c) CDBG funds shall not be used for construction; and,
  - d) Homeownership Assistance loans will not be approved prior to the foundation of the housing being in place.

B. Housing Rehabilitation

If the Work to be performed under this Agreement involves Housing Rehabilitation, the following additional special conditions apply:

- 1) Program Guidelines: The Jurisdiction must submit a copy of its Housing Rehabilitation Program Guidelines and its PI Re-Use Plan to the Department for review and approval.
- 2) Affordable Rent: If the Jurisdiction's Housing Rehabilitation Program provides for rehabilitating rental properties, the Jurisdiction must submit to the Department its provisions for assuring affordable rent for the LMI occupants. Jurisdiction may include this information as part of the Housing Rehabilitation Program Guidelines.

**36. Economic Development Activity-Specific Conditions**

**A. Restrictions on CDBG-Assisted Public Property**

CDBG funds can be used by the Jurisdiction to purchase or rehabilitate public property. The change of use of real property provisions contained in 24 CFR 570.489(i) apply to real property within the unit of general local government's control (including activities undertaken by subrecipients), which was acquired or improved in whole or in part using CDBG funds in excess of the threshold for small purchase procurement (currently \$100,000). The restrictions shall apply from the date CDBG funds are first spent for the property until five (5) years after completion of the project. See the Federal Regulations for the full text of this regulation. The Jurisdiction must provide documentation of proper restriction on assisted property.

**B. Business Assistance Activity**

- 1) Jurisdictions implementing Business Assistance (BA) Loans, shall submit program guidelines that ensure compliance with CDBG underwriting requirements as described in 24 CFR 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements" and with public benefit requirements contained in 24 CFR 570.482(f).
- 2) Jurisdictions implementing a BA loan shall provide a written Employment Agreement required to be executed between the Jurisdiction and the business owner [requirements of the Employment Agreement are described in 24 CFR 570.506 (b), (5), and (6)]. The written Employment Agreement must include a commitment by the business that the jobs are to be created or retained by the termination date of this Agreement and that at least fifty-one percent (51%) of all jobs created or retained (on a FTE basis) will be held by LMI persons. The Employment Agreement shall specify that, prior to receiving assistance, the business shall agree to:
  - a) Provide a listing, by job title, of the permanent jobs projected to be created;
  - b) Identify which jobs, if any, are part-time and the annual hours of work for each position;
  - c) Identify which jobs are projected to be filled by LMI; and,
  - d) Provide periodic reporting (semi-annual) not limited to: listing jobs, by job title, of all the permanent jobs actually filled, and which of those jobs are held by members of the LMI.

C. Microenterprise Assistance Activities

- 1) Jurisdictions implementing a Microenterprise Assistance activity for technical assistance and/or microenterprise loans, shall submit program guidelines that ensure compliance with CDBG requirements. Specifically, guidelines must ensure that all beneficiaries of the program are eligible micro enterprises, per HUD definitions. A microenterprise must:
  - a) Have all owners of the business documented as meeting HUD family income eligibility standards; and,
  - b) Have documentation that the business's owners and employees are five (5) or fewer in number.
- 2) When implementing a Microenterprise Program, the program guidelines shall include the proposed benefits, eligible activities and ongoing evaluation of program services. The guidelines will include a Beneficiary Tracking Plan, which defines the goals; identifies the roles and responsibilities of the service providers; identifies the market and focuses the outreach; defines the screening and referral process; and, tracks the beneficiaries through the program's level of service. The Beneficiary Tracking Plan shall also describe the roles and responsibilities of the Jurisdiction and/or program operator for meeting the reporting requirements of the State CDBG Program.
- 3) When implementing a Microenterprise Program that is part of an integrally-related component of a larger project where non-LMI persons will be extended training and supportive services, shall submit guidelines including the methodology describing how CDBG funds will only be used towards the assistance of LMI to LMI persons under the Jurisdiction's activity.
- 4) Jurisdictions implementing a Microenterprise activity for loans to microenterprises made with Grant funds or PI funds, shall submit guidelines that ensure compliance with CDBG underwriting requirements as described in 24 CFR, Part 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements."
- 5) If under this Agreement, a Microenterprise Façade Improvement activity is being implemented, the Jurisdiction shall submit program guidelines that ensure compliance with CDBG National Objective requirements, as described in 24 CFR 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements."

D. Required Agreements for Assisted Businesses

The Jurisdiction shall execute a written agreement between the Jurisdiction and the business receiving CDBG funds (loans or grants) under this Agreement to ensure compliance with CDBG State and federal regulations. The written agreement shall contain language to ensure each business complies with the terms of this Agreement, Exhibit A, as well as each of the criteria as set forth in 24 CFR 570.506 (b)(4) and (c).

- 1) Each agreement between the Jurisdiction and the business(es) shall be submitted to the Department for review and written approval, prior to execution by the business and City of Biggs.
- 2) Each agreement shall require the business to report employee information periodically (semi-annual) to the Jurisdiction. The report shall list each job position by job title and number of annual hours worked and LMI status. The report shall list all the permanent jobs actually created or retained, and identify which of those job positions are held by members of the LMI. Additionally, the report shall include the demographics of job holders (ethnicity/race, disability, status, gender, and head of household status).
- 3) Each agreement shall require the business(es) submit a Data Universal Numbering System (DUNS) number and be verified as not being on the current federal debarred list, prior to receiving any CDBG financial assistance. The agreement shall require proof of proper insurance for secured collateral and protecting the Jurisdiction. The agreement shall reference this Agreement between the Department and the Jurisdiction. The agreement shall contain all other special conditions as directed by the Department or local loan committee. The agreement shall include but is not limited to the following conditions:
  - a) Maintaining a specific annual debt service level; and,
  - b) Requiring a quarterly review of the businesses financial statements with the owner and accounting staff.

37. Community and Economic Development Planning Activities

A. Non-Implementation Activity

In some cases, the Department may allow a Jurisdiction to first complete a Household Income Survey and/or a Market Study in order to document low-income benefit for the proposed study. In such cases, the Jurisdiction must conduct the survey according to CDBG standards and submit the survey for review and written approval by the Department, prior to initiating any further study activities. All Non-Implementing/Planning Activities pursuant to this Agreement must be funded with PI General Administration (PI GA).

B. Implementation Activity

Implementation Activities are not permitted under this Agreement using PI GA funds.

Certified Approving Resolution Is Attached

*I certify that the foregoing is true and correct, and will follow all requirements of this agreement. I understand that my certification also acknowledges that serious compliance issue with the above requirements could result in the State suspending \_\_\_\_\_ City of Biggs \_\_\_\_\_ authority to expend PI or may require \_\_\_\_\_ City of Biggs \_\_\_\_\_ to return unused PI to the State until the \_\_\_\_\_ City of Biggs \_\_\_\_\_ clears the serious compliance issues.*

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date Signed

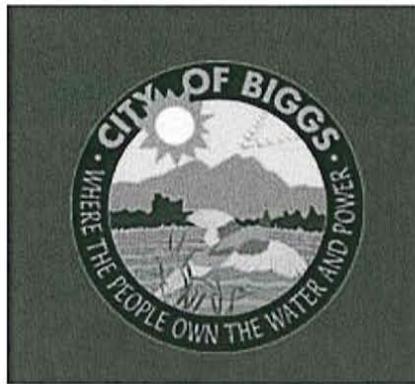
\_\_\_\_\_  
Name and Title of Authorized Representative

\_\_\_\_\_  
Signature of CDBG Section Chief

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Name of CDBG Section Chief

# **OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM GUIDELINES**



**City of Biggs  
465 C Street  
P.O. Box 307  
Biggs, California 95917**

**CITY OF BIGGS**

**OWNER-OCCUPIED HOUSING REHABILITATION**

**PROGRAM GUIDELINES**

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**EXHIBITS**

- EXHIBIT A:** 24 CFR PART 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS
- EXHIBIT B:** ANNUAL INCOME ASSET INCLUSIONS AND EXCLUSIONS
- EXHIBIT C:** CURRENT INCOME LIMITS; CDBG STANDARDS FOR BEDROOM & BATHROOM  
                    ADDITIONS TO ALLEVIATE OVERCROWDING
- EXHIBIT D:** PROGRAM DEFAULT AND FORECLOSURE POLICY
- EXHIBIT E:** CERTIFICATION OF OCCUPANCY
- EXHIBIT F:** LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM



1. **GENERAL**

The above-named entity, hereinafter referred to as the "City", has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer a CDBG-funded owner-occupied housing rehabilitation program. The rehabilitation program described herein and hereinafter referred to as the "Program" is designed to provide assistance to eligible homeowners (herein referred to as the "Applicant") for correction of health and safety items, as well as code violations, located within the Program's eligible area. The Program provides this assistance in the form of a Deferred Payment Loan (DPL) used to finance the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code compliant home, referred to herein as "housing unit". The Program will be administered by the City of Biggs staff, hereinafter referred to as the "Program Operator".

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

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

**Annual Household Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. As defined using the Part 5 method.

**Assets:** There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual household 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. See Exhibit B for Annual Income Asset Inclusions and Exclusions.

**CONFLICT OF INTEREST**

No member of the governing body of the locality and no other official, employee, or agent of the city 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 ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Owner-builders are not permitted under the City's program.

**PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure non-discriminatory treatment, outreach and access to the Program. The Program will be implemented in ways consistent with the City's commitment to Fair Housing. No person shall be excluded from participation in, denied 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 his or her religion or religious affiliation, age, race, color, ancestry, national

origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause. The City will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

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 under-served segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.

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 City will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

#### APPLICATION PROCESS AND SELECTION

##### A. Initial Contact/Waiting List

The applications will be accepted on a first-come, first-served basis, depending on the availability of funds. Generally, they will be processed on the same basis, except that applications may also be processed concurrently. The City will utilize a waiting list if demand is higher than funding available. In response to a homeowner's request, the homeowner is placed on the waiting list.

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

Should the waiting list be exhausted, the Program will be marketed in accordance with the City's Marketing Plan.

##### B. Application/Interview

Upon receipt of a complete application, an interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. The City will gather any financial or other information it deems necessary to determine an applicant's eligibility. An applicant's file will consist, but may not be limited, of:

1. Application form containing the applicant's personal information, household composition, assets and liabilities
2. Verification of employment
3. Verification of assets
4. Verification of public assistance
5. Income tax returns
6. Copies of recent benefit or pay stubs
7. Verification of mortgage
8. Preliminary title report
9. Appraisal/Estimate of current market and after-rehabilitation market value
10. A preliminary work description and cost estimate of required rehabilitation work as prepared by the Program Inspector and approved by the applicant
11. Any additional financial, business, or personal information the City deems relevant to an evaluation of a loan request

Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third-party verification of employment and asset forms sent to employers and banks.

All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are 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.

#### C. Household Selection

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

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

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

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations and cleared by a certified LBP inspector/assessor.

A pest inspection report will be ordered if deemed necessary by the Program Inspector.

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

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

#### E. Bid Solicitation

A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

If requested by a participant or contractor, the Program Inspector will conduct a pre-bid conference or "walk-through" to ensure full understanding of the scope of work by the bidding contractors.

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

Cost reasonableness is determined by comparing the bids received with the cost estimate prepared by the Program Operator. Bids should be within 10% of the Program Operator's cost

estimate, otherwise an explanation must be provided to the file for any bid selected exceeding 10% of the estimate. The homeowner is encouraged to accept the lowest reasonable bid.

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

#### F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction, a contingency fund, and other eligible project costs. A Loan Review Committee meeting is scheduled to hear the loan request. Please refer to the section on **Loan Review Committee** for additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

#### G. Pre-Construction Conference

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

#### H. Start-Up/Field Inspections

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

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

The Program Inspector will refer back to original plans and specifications to verify the work was completed as contracted. During this stage, the Program Inspector and the Program Operator work closely to make sure the rehabilitation work is being completed on a timely manner.

#### I. Change Orders

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

#### J. Progress Payments

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

Note: The Program Inspector will not authorize the release of funds when there is a dispute or doubt about the work completed for which the contractor has requested payment.

K. Final Inspections/Notice of Completion/Final Payment

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

ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Owner-occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Program Operator. Applicant will be informed of, and sign acknowledgement, of his responsibility for any temporary relocation if occupancy during rehabilitation constitutes a danger to health and safety of occupants or public danger or is otherwise undesirable because of the nature of the project. The Program is a voluntary program and as a general rule, relocated applicants will not receive relocation expenses. In cases where a residence has been determined by the local Code Enforcement unit to be unfit for habitation, as determined by the City, owners who demonstrate hardship and no suitable alternative is available, may receive reimbursement of reasonable expenses. Temporary relocation shall be provided in accordance to the City's Residential Anti-Displacement and Relocation Assistance Plan.

LOAN REVIEW COMMITTEE

The City's Loan Review Committee must approve all loans and grants. The Loan Review Committee may approve assistance with financing exceeding 95 percent of after-rehabilitation value as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing supporting documentation exists, justifying why the exception is needed.

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

**2. APPLICANT ELIGIBILITY**

The City's Housing Rehabilitation Program allows for owner-occupant applicants to participate in the Program. Owner-occupant participants must live in the property requiring rehabilitation as their principal place of residence. All submitted documentation will be verified to document eligibility. No applicant will receive financial assistance if it is an over-income household or does not meet the eligibility standards outlined in these guidelines.

INCOME LIMITS

All homeowners must certify that they meet the household income eligibility requirements for the CDBG program and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility.

Households must have an annual gross income that does not exceed 80% of the household median income for the County as determined and updated annually by HUD and attached hereto in Exhibit C. Household income, as per 24 CFR Part 5, as found in the "Income Calculation and Determination Guide for Federal Programs", published by HCD, is the annual gross income\* of all household members that is projected to be received during the coming 12-month period, and will be used to determine Program eligibility.

**\* See Exhibits A and B for income and asset inclusions and exclusions.**

### OCCUPANCY REQUIREMENTS

The housing unit to be rehabilitated must be the primary residence of the applicant (owner). The City will assure residency requirements by reviewing insurance and tax records annually, conduct property profile searches and will conduct random inspections of the units after formal noticing of such inspections. The owner must sign the Certification of Occupancy form located in Exhibit E prior to loan approval.

### 3. PROPERTY ELIGIBILITY

The City's Housing Rehabilitation Program allows for owner-occupied properties to participate in the Program. Owner-occupied units must be the owner's principal place of residence. A photocopy of a recent utility bill will verify proof of occupancy. No housing unit to be rehabilitated will receive financial assistance if it is currently occupied by an over-income household or does not meet the eligibility standards outlined in these guidelines. To be eligible for Program financing, the property must comply with the following criteria:

- A. No unit will be eligible if a household's income exceeds the prescribed income limits listed in Exhibit C.
- B. Unit to be rehabilitated must be located within the current city limits.
- C. Property must contain a legal residential structure intended for continued residential occupancy.
- D. Life Estates. Applicants meeting all other eligibility and project criteria that hold a Life Estate on the property and reside on the property are eligible for a rehabilitation loan. The holder of the Fee Simple Estate will be required to sign all loan documents. The loan conditions will provide that the loan is due and payable upon sale or transfer of the property or upon termination of the Life Estate of the current occupant.
- E. Living Trust. Applicants meeting all other eligibility and project criteria and who currently reside on a property with a title held by a Living Trust are eligible for an owner-occupied rehabilitation loan. All applicable legal steps will be taken by the City to obtain a full recordation of the rehabilitation loan on the property with the County Records.

### MOBILE HOMES

The Owner-Occupied Housing Rehabilitation Program should be used, to the greatest extent possible, to replace unsound and/or pre-1976 mobile homes. This goal is amount the highest community development priorities for the City.

Program funds may be used for the rehabilitation of a mobile home. An alternative to actual rehabilitation of a mobile home is to replace the unit with a used mobile home. To be considered eligible for rehabilitation costs, the used mobile home must have been occupied and not used as a demonstration model.

Should the residential dwelling or existing mobile home that is being considered for rehabilitation meet the criteria for reconstruction discussed in the Reconstruction Policy section, a new mobile home can be used for replacement. All costs associated with the purchase and transportation can be added to the applicant's loan.

### APPRAISAL

The After-Rehabilitation Value (ARV) for rehabilitation projects is determined using the "Estimates of value" method. The City or Program Operator determines estimates of value based on the sale prices of at least **three (3) comparable properties, sold within the last six months** (within one year of the assistance date, which is the date the promissory note is signed), and **located within one mile** of the subject property. The participants' file will include the estimate of value and document the basis for the value estimates. If three comparable properties cannot be found, or if

there is any question regarding the After-Rehabilitation Value, the ARV will be determined by a licensed appraiser, as described in the next paragraph.

A licensed appraiser determines the After-Rehabilitation Value for rehabilitation projects, when the "Estimates of value" method cannot be used. For rehabilitation projects, the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. The project file must document the post-rehabilitation appraised value and clearly indicate it in the appraisal report. The purpose of the appraisal is to determine that all combined loans on the property will not exceed the 100 percent maximum combined loan-to-value limit allowed within these Program Guidelines.

#### FIRE INSURANCE

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

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

The premium may be paid by the Program loan for one year at the time of rehabilitation.

#### FLOOD INSURANCE

A determination of whether or not a property is located within a flood zone will be placed in each Applicant's file. For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the City as Loss Payee and a binder shall be provided to the City and maintained in the applicant's file.

The premium may be paid by the Program loan for one year at the time of rehabilitation.

#### LEAD-BASED PAINT

Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows: The City will give the homeowner a "Protect Your Family From Lead In Your Home" pamphlet regardless of the cost of rehabilitation or paint test findings. The City will file evidence that the homeowner was given the pamphlet. If lead-based paint is found through testing or if presumed, a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When Lead hazards are present, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided (Exhibit F).

Units constructed prior to 1978 will also be inspected according to CDBG regulations outlined in Chapter 20, Lead-Based Paint Requirements, of the CDBG Grant Management Manual. Refer to the manual for updates to the rule.

If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:

- (a) Paint testing or presume LBP;
- (b) Clearance of disturbed work areas; and
- (c) Proper notification listed above.

If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:

- (a) Paint testing or presume LBP;
- (b) Risk assessment; and
- (c) Clearance of unit.

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

If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$25,000, the following is required:

- (a) Paint testing or presume LBP;
- (b) Risk assessment;
- (c) Clearance of unit;
- (d) Abatement of all LBP hazards identified or produced;
- (e) Use of interim controls on exterior surfaces not disrupted by rehab; and proper notification listed above.

All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement.

CDBG provides grants for all actual costs of lead-based paint evaluation and reduction activities. Please refer to the section on Grants for further details.

#### 4. THE PROGRAM LOAN

##### MAXIMUM AMOUNT OF ASSISTANCE

An eligible homeowner may qualify for the full cost of rehabilitation work needed to comply with State and local building codes and health and safety standards.

For CDBG funded programs, the maximum amount of assistance for rehabilitation or replacement of an existing structure will not exceed **\$40,000** per unit. This amount can be increased with approval of the Loan Review Committee. Rehabilitation costs for CDBG funded loans may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the City. Any other non-CDBG funds will be considered disbursed first. Housing reconstruction must comply with guidelines stated in the CDBG Grant Management Manual.

Other lending factors determining the maximum amount of assistance include, but may not be limited to, equity in the property, demand of the program, availability of funds, financial risk to the City, and the condition of the property.

##### RATES AND TERMS

The Program will provide a Deferred Payment Loan (DPL), at **2.0%** simple annual interest. The term will be thirty **(30)** years.

The Loan will be evidenced by a Promissory Note and secured by a Deed of Trust and Loan Agreement.

No payback required for 30 years unless the borrower sells or transfers title or discontinues residence in the dwelling. Voluntary payments may be made on a DPL.

##### MAXIMUM LOAN-TO-VALUE

The maximum encumbrance will normally be limited to 100 percent of the property's after rehabilitation value. When the ratio is at or above 95%, the city may require an appraisal. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the city.

##### DEBT-TO-INCOME RATIOS

Applicants whose current debt-to-income ratio exceeds 45% may be considered ineligible to participate in the Program. The Program DPL creates no additional monthly financial obligation as it is deferred. If an owner-occupant has a mortgage, it is verified that all payments are current and that no late payments have been received in the past twelve months.

#### PRE-PAYMENT

A rehabilitation loan may be repaid at any time with no pre-payment penalty.

#### LOAN SECURITY

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 City.

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.

Program loan recording as a subordinate lien is acceptable. However, the City will not subordinate a first lien position once established.

#### REQUEST FOR NOTICE OF DEFAULT

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

The Program loan will only be recorded as a first or second lien position on a property.

### **5. GRANTS**

CDBG funded programs may provide grants as follows:

A maximum of 20% of the City of Biggs Housing Rehabilitation Program funds shall be set aside for the following three programs:

1. Senior Citizen Grant Program: Very Low-Income senior citizens may apply for up to a \$5,000 one-time grant to make minor repairs to their homes; These grants are limited to households solely occupied by senior citizens at least 62 years or older;
2. Disabled Person Access Grant: Very Low-Income permanently physically handicapped occupants may apply for a \$5,000 one-time grant for handicap modifications to a house;
3. Emergency Repair Program: Very Low Income households with an immediate need for emergency repairs for a \$5,000 one-time grant. The criteria for an emergency shall be determined and documented by the City of Biggs program staff;

The total amount in any of the above grant programs can be issued to a maximum of \$5,000 if the conditions of the subject property warrant and by approval of the Loan Review Committee.

Maximum Indebtedness: The total indebtedness against the property may not exceed 100 percent of the after rehabilitation value.

Rehabilitation grants are targeted to homeowners that plan to maintain their residence in the rehabilitation unit for a period of at least three (3) years. Grant recipients changing residency or changing title to the unit rehabilitated with grant funds in less than three (3) years will be subject to forfeiture of the grant funding according to the following schedule:

Change of residency or title of rehabilitated unit under:

1 year =	100 percent refunded
2 years =	66 percent refunded
3 years =	33 percent refunded

Should title of the residence change to a household that is qualified to also obtain a Housing Rehabilitation Grant as specified under the Program Guidelines, the grant and its remaining term may also be transferred to said household upon review of qualifications and certifications of eligibility.

Residency will need to be monitored until the grant is forgiven.

**CDBG provides grants for all actual costs of lead-based paint evaluation and reduction activities.**

**CDBG also provides grants for relocation assistance. Please refer to the City's Residential Anti-Displacement and Relocation Assistance Plan for further information.**

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

### **PAYMENTS ARE VOLUNTARY**

Borrowers may begin making voluntary payments at any time.

### **RECEIVING LOAN REPAYMENTS**

Program loan payments will be made to:

***City of Biggs  
Housing Rehabilitation Program  
PO Box 307  
Biggs, CA 95917***

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

**Borrowers may make voluntary payments of principal and interest on deferred-payment loans without penalty .** All payments will first be applied to accrued interest, and the remaining payment amount is applied to principal. Borrowers may request their payment history and remaining principal balance by contacting the City.

### **LOAN REPAYMENT**

Although the City may accommodate a crisis that restricts Borrower repayment ability, it should in no way be misunderstood: **The Program loan must be repaid.** All legal means to ensure the repayment of a delinquent loan will be pursued.

### **PROPERTY MAINTENANCE**

As specified in the Loan Agreement, all applicants who participate in the Program must maintain the property at post-rehabilitation conditions for the term of the loan. Should the property not be maintained accordingly, the loan shall be considered in default and becomes all due and payable, and if necessary, foreclosure proceedings will be initiated. A method of inspection will be established by the City.

### LOAN MONITORING PROCEDURES

Continued residency is monitored annually for the term of the loan. Homeowners will be required to submit to the City between January 1 and 15 of each year one, or all, of the following items:

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

Failure to meet the above requirements, may lead to the acceleration of the Program loan. For further details, please refer to the Program Default and Foreclosure Policy attached as Exhibit D.

In the event that the owner-occupant sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable, unless the following conditions are met:

1. If the owner-occupant sells or otherwise transfers title of the property to a targeted income group household, the City will consider subordination to a senior lien holder of the loan and continuing all or part of the lien as a DPL.
2. If the owner-occupant who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence, the heir may be permitted, upon approval of the City, to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.

If the owner-occupant dies and the heir is not income eligible, the loan becomes all due and payable.

If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the city in advance. If the city 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.

If the owner-occupant converts the rehabilitated property to any commercial or non-residential use, the loan becomes all due and payable.

If the owner-occupant transfers property title to a trust or includes a future heir to the title during the owner's lifetime, the loan will not be due and payable so long as the owner-occupant who participated in the Program continues to reside in the rehabilitated property.

### DEFAULT AND FORECLOSURE

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Program Default and Foreclosure Policy adopted by the City, and attached to these guidelines as Exhibit D.

### SUBORDINATIONS

The City may approve a request to subordinate a loan, in order for the owner to refinance the property, under the following conditions:

- A. The lien position of the City loan will remain the same or be advanced.

- B. The new primary loan is no greater than the balance of the loan being refinanced, except the costs of refinancing the loan may be added to the principal balance.
- C. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payment.
- D. The refinanced loan must have an impound account for taxes and insurances.
- E. The refinancing terms must be acceptable to the City.

Requests to subordinate its loan will be reviewed by the City to verify that there will be no equity taken out, that no additional existing debts are being paid, and that generally the loan is non-predatory, among other things. The following documents will be required for review: 1) request letter from homeowner; 2) most recent mortgage statement; 3) prospective lender approval; 4) loan application and loan transmittal; 5) credit report; 6) good faith estimate; 7) lock confirmation; 8) appraisal; 9) preliminary title report; 10) payoff demand on existing mortgage; 11) estimated settlement statement from escrow; and 12) any other document deemed necessary by the City to make a determination. The Loan Review Committee must approve the subordination prior to the refinancing.

CDBG allows refinancing with CDBG funds only in conjunction with rehabilitation of the unit.

#### 7. ELIGIBLE PROJECT COSTS

Project costs for all expenses related to the paperwork for processing and insuring a loan application include, but may not be limited, to:

- Appraisal
- Title/Escrow Fees
- Property Report
- Title Insurance
- Building Plan
- Pest/Termite Report
- Lead-Based Paint Testing
- Land Survey
- Grading Plans
- Recording Fees
- Fire/Course of Construction Insurance
- Flood Insurance
- Disposal Bin
- Storage
- Structural defects (foundation, walls, partitions or load bearing vertical structures, roof structures, sheathing and material, exterior finish walls, doors, dry rot and termite damage repair or fumigation)
- Electrical and lighting defects
- Plumbing and septic system defects
- Heating/air condition system defects
- Entrance and exit and garage door defects
- Repair or replace kitchen stove and similar built-in appliances. Purchase and installation of built-in appliances is limited to appliances that are permanently affixed to the dwelling and that are unsafe or unsanitary, thus excluding all personal property.
- Replacement, improvement, or correction of unsafe or unsanitary conditions including, but not limited to walls, floors and ceilings.
- Removal and appropriate replacement of materials and architectural barriers that restrict the mobility and accessibility of disabled persons.

- Installation of smoke detectors and other fire prevention or protection equipment will meet UBC Code and City Ordinances.
- In the case of modular homes affixed to permanent stem wall foundation systems and/or other items necessary to bring the home into compliance with City of Biggs Zoning Code requirements and/or HUD Code requirements.

Costs are based on charges currently incurred by the City, or its Program Operator, for these products and/or services. Any cost increases charged to the City/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. All fees are subject to change and are driven by the market.

10-15% beautification rule:

Additional Limited Activities: Items not typically considered as relevant to health or safety may be considered by the City Loan Review Committee for qualifying for:

- Interior or exterior house painting except when included as part of a repair program.
- Beautification items including landscaping, porches, \*fencing, shutters, awnings, outbuildings, or other similar items.
- Flooring (carpet, tile, etc.) except when required as part of a repair program.
- Additional electrical or cable access (not repair).
- Similar other items as determined by City Staff.

\*Fencing should only be allowed if the homeowner can provide evidence that the neighbor will be contributing their 50% in shared costs, or that the fence is completely on the homeowner's property.

## 8. CONSTRUCTION

All repair work will meet Local Building Code standards. The priority will be the elimination of health and safety hazards. The city may also require elimination of code deficiencies.

### CONTRACTING PROCEDURES

- Contracting will be done on a competitive basis.
- All housing rehabilitation work must be carried out using the Program adopted housing rehabilitation guidelines.
- The Program Operator will prepare, advertise the bid package and assist the homeowner in negotiating the contract, but the homeowner will be the responsible agent.
- The homeowner will select the contractor.
- All contractors must be checked and cleared with HUD's federal debarred list of contractors.
- All contractors must be actively licensed, in good standing and bonded with the State of California.
- All contractors must have public liability insurance, Workmen's Compensation Insurance, unemployment, and disability insurance, to the extent required by State Law..
- All Contractors must comply with the Program's federal and state regulations.
- A Notice of Completion must be recorded with the County Recorder.

### ALLOWABLE REHABILITATION/RECONSTRUCTION COSTS

- A. Cost of building permits and other related government fees.
- B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
- C. Rehabilitation or Replacement of a manufactured home not on a permanent foundation. Rehabilitation of a manufactured home may include the replacement of the unit with a

used manufactured home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.

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

- 1. Health and Safety Issues

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

- 2. Code and Regulation Compliance

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

- 3. Demolition

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

- 4. Upgrades

Eligible costs include additional bedrooms and bathrooms if the need can be demonstrated per the CDBG standards to alleviate overcrowding listed in Exhibit C. The Program will not fund additions to a home for a den or family room, or for any luxury items.

- 5. General Property Improvements

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

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

## 6. Rehabilitation Standards

The standards are locally developed to address specific housing condition issues. These rehabilitation standards are consistent with local housing codes and federal and state guidelines for the CDBG Program. Depending on the work complete, these standards will usually be satisfactory for work completed under the program.

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

New Construction Code: Under this standard, rehabilitation must meet FHA Standards and comply with local building code requirements for new construction.

The Secretary of the Interiors Standards for Rehabilitation of Historic Properties: These or similar standards must be considered if historically significant structures are included in a rehabilitation program, special requirements must be met under the National Environmental Policy Act and the National Historic Preservations Act of 1966, as amended. Structures more than 50 years old will be submitted for review to the State of California, Office of Historic Preservation.

### SWEAT EQUITY

The City will not adopt nor participate in a Sweat Equity, Owner-Participation and /or Self-Help Program.

### REPAIR CALLBACKS

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

In the event that a contractor must be called back to make corrections on rehabilitation work items that are not covered by the one year warranty, the City has the option to cover the costs through the current CDBG construction budget.

### RECONSTRUCTION POLICY

Rehabilitation includes reconstruction. Federal law and policy allows the use of CDBG funds to demolish and reconstruct owner-occupied residential structures. Reconstruction is defined as the demolition and construction of a structure. The City and/or Program Operator must document that the reconstruction costs are less than the cost to rehabilitate the existing substandard housing. This will be done using the State's CDBG Test for Reconstruction Form.

Additionally, the City must determine that the project's value after reconstruction (housing and land combined) is less than the maximum after rehabilitation value for the area.

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

Like for like requires that the structure being demolished must be replaced with a like structure (replace manufactured housing with manufactured housing, for example). However, additions may be approved by the CDBG Program when required by Codes/Ordinances or to alleviate overcrowding.

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

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

## 9. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

### AMENDMENTS

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

### EXCEPTIONS

Exceptions to these guidelines will require City Council and HCD approval.

### PROGRAM COMPLAINT AND APPEALS PROCEDURE

Borrowers and contractors shall be informed of the availability of these procedures.

The Owner-occupied Rehabilitation Program acts as a lender for and a facilitator of the rehabilitation. The primary responsibility of the Program Operator is to ensure that the rehabilitation process meets the procedural and substantive requirements of state and federal regulations. The Program Inspector is not the Borrower's agent or employee. The Borrower has the primary responsibility of ensuring that the contractor completes the work in a satisfactory manner according to the specifications of the approved bid and in compliance with applicable building codes and the work write-up. While the City is providing funds to make the repair of the property possible, the City is not responsible for enforcing the contract with the contractor selected by the Borrower to rehabilitate his property. The City is responsible for inspecting the contractor's work for compliance with applicable building codes, but the **Borrower is responsible for ensuring that work is completed to his satisfaction**. This is an important distinction because it is possible for rehabilitation work to comply with the minimum requirements of the building code but not comply with the terms of the contract or not be satisfactory with respect to the Borrower's expectations.

Complaints concerning the City's Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the City. The City will then schedule a meeting with the City's Loan Review Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with the local governing body. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

All complaints should be submitted to the City at the following address:

**City of Biggs**  
**Housing Rehabilitation Program**  
**PO Box 307**  
**Biggs, CA 95917**

### GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

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

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

arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

## EXHIBIT A

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

#### Part 5 Inclusions

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

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: <ul style="list-style-type: none"> <li>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and</li> <li>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).</li> </ul> If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: <ul style="list-style-type: none"> <li>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; <b>plus:</b></li> <li>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</li> </ul>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

#### Part 5 Exclusions

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

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> <li>a. Amounts received under training programs funded by HUD.</li> <li>b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).</li> <li>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</li> <li>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</li> <li>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</li> </ul>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:</p> <ul style="list-style-type: none"> <li>▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;</li> <li>▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);</li> <li>▶ Payments received under the Alaskan Native Claims Settlement Act;</li> <li>▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;</li> <li>▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;</li> <li>▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.</li> <li>▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);</li> <li>▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;</li> <li>▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;</li> <li>▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);</li> <li>▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the <i>In Re Agent Orange</i> product liability litigation, M.D.L. No. 381 (E.D.N.Y.);</li> <li>▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;</li> <li>▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;</li> <li>▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).</li> </ul>

	<ul style="list-style-type: none"><li>▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;</li><li>▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;</li><li>▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;</li><li>▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and</li><li>▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.</li></ul>
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## EXHIBIT B

### 24 CFR Part 5 ANNUAL INCOME ASSET INCLUSIONS AND EXCLUSIONS

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

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

#### Inclusions

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

#### Exclusions

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

EXHIBIT C

HOUSEHOLD INCOME LIMITS FOR BUTTE COUNTY  
(Limits are effective 03/15/13)

Income Category	Number of Persons in Household							
	1	2	3	4	5	6	7	8
50%	\$20,100	\$22,950	\$25,800	\$28,650	\$30,950	\$33,250	\$35,550	\$37,850
80%	\$32,100	\$36,700	\$41,300	\$45,850	\$49,550	\$53,200	\$56,900	\$60,550

CDBG STANDARDS FOR BEDROOM AND BATHROOM ADDITIONS TO ALLEVIATE OVERCROWDING

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

- Opposite sex children under 6 years of age may share a bedroom, up to 2 children per bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom, up to 2 children per bedroom.
- Adults not in a partner relationship may have their own bedroom.
- 5 or more people – a second bathroom may be added.
- 10 or more people – a third bathroom may be added.
- Same rules apply to mobile home units.

The chart above is used as a guide to overcrowding.

## EXHIBIT D

### CITY OF BIGGS PROGRAM DEFAULT AND FORECLOSURE POLICY

#### POLICY

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

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

#### PROCEDURE

Performance Defaults: Performance Defaults include, but may not be limited to at least one of the following:

1. Failure to maintain hazard or flood (if required) insurance with the City named as additional insured;
2. Property no longer owner-occupied;
3. Failure to pay property taxes when due;
4. Failure to maintain the improvements made to the property.

In the event of a Performance Default, the City will send the Borrower a letter detailing the default. The letter will be followed by a telephone call to the Borrower to discuss plans for remedying the Performance Default.

If the Borrower fails to remedy the Performance Default within ninety (90) days, the City will send a certified letter noting the Performance Default. In the letter, a date and time shall be set for a 90-day delinquency meeting between the Borrower and a member of City staff. At this meeting the following will be discussed:

1. Reason(s) for the Performance Default;
2. Any changes in the Borrower's health, family circumstances or financial status that limits the Borrower's ability to remedy the Performance Default.

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

1. How the Performance Default(s) will be remedied;
2. If a personal emergency (loss of job, loss of spouse or co-borrower, serious illness) has restricted the Borrower's ability to remedy the Performance Default. If, because of such an emergency, the Borrower cannot remedy the Performance Default, the City may exercise one or more of the following options:
  1. Invest additional funds into the project (in the form of an Additional Advance) to secure insurance or to pay delinquent property taxes, in order to secure the City's loan;
  2. Accept additional security therefore of any kind, including trust deeds or mortgages;
  3. Alter, substitute or release any property securing the indebtedness.

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

If the borrower does not appear for a 90-day delinquency meeting, and does not contact the City to reschedule the meeting within two (2) working days, the City may immediately begin foreclosure proceedings.

A Borrower who participates in the process outlined above, and once again violates the terms of his/her loan, may be subject to immediate foreclosure.

#### Process for Loan Foreclosure

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

When a senior lien holder starts a foreclosure process and the City is notified via a Request for Notice of Default, the City, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. City must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case, then the City may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the City determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the City does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the City can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the City decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the City fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.

**When the City is first position as a senior lien holder**, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the City may consider foreclosure. City's staff will consider the following factors before initiating foreclosure:

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

If the balance is substantial and all of the above factors have been considered, the City may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the City to prevent foreclosure

(such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the City should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the City of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the City informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the City could sell the home themselves under a homebuyer program or use it for an affordable rental property managed by a local housing authority or use it for transitional housing facility or other eligible use. The City could contract with a local real estate broker to list and sell the home and use those funds for Program income-eligible uses.

**EXHIBIT E**

**CERTIFICATION OF OCCUPANCY**

CITY OF BIGGS

10.

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

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

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

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

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

Executed on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, CA (Date)  
(City)

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

Signature(s) of all occupants:

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

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

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

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

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

**EXHIBIT F**

**LEAD-BASED PAINT  
VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM**

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

## NOTICE OF EXEMPTION

To:  Office of Planning and Research  
P.O. Box 3044, 1400 Tenth Street, Room 22  
Sacramento, CA 95812-3044

From: City of Biggs  
Planning Department  
P.O. Box 1134  
Biggs, CA 95917

County Clerk-Recorder  
Butte County  
25 County Center Drive  
Oroville, CA 95965

**Project Title:** Adoption of the Department of Housing and Community Development Program Income Reuse Plan, and adoption of the Single Family Housing Owner-Occupied Rehabilitation Program Guidelines.

**Project Location - Specific:** Citywide.

**Assessor's Parcel Number(s):** NA

**Project Location – City:** Biggs

**Project Location – County:** Butte

**Project Description:** In past years the City has received CDBG grants from the state of California through the Department of Housing and Community Development (HCD). Some of these grants were used to fund loans to lower-income households for housing repairs and home purchase. Over time these loans are paid back. The CDBG program describes this sort of income as "program income" and restricts its use. In order to retain and use CDBG program income, HCD requires that the City have a "Program Income Re-use Plan" in place. This plan must be adopted by the City Council. Without such a plan in place, the City cannot use the program income it receives.

The Program Income Re-use Plan is a form document provided by HCD. The form allows grantees to choose up to four pre-defined uses of program income. These are:

- Single Family Housing Rehabilitation,
- Home Buyer Assistance,
- Business Assistance (low-income jobs creation),
- Micro-enterprise Assistance (low-income, less than five persons).

Based on the relatively small amount of program income accrued and the relatively low volume of repayments, operating an ongoing program is not cost effective. The best use of funds would be a one-time project such as a public facility improvement or infrastructure. The City can do this by submitting a "Program Income Waiver" request to HCD, or by committing accrued program income to a new CDBG

**ATTACHMENT C**

application.

All program income will be deposited in a Single Family Housing Rehabilitation revolving loan fund. This is the most cost-effective option because the City already has drafted program guidelines that are easily and quickly updated.

**Lead Agency:** City of Biggs

**Lead Agency Contact Person and Phone Number:** Scott Friend, City Planner  
(530) 894-3469 x 13214

**Applicant:** City of Biggs

- Exemption Status:**
- Ministerial [Section 21080(b); 15268];
  - Declared Emergency [Section 21080(b)(3); 15269(a)];
  - Emergency Project [Section 21080(b)(4); 15269(b)(c)];
  - General Rule [Section 15061(b)(3)];
  - Categorical Exemption Class 1, Section 15301(c) and Class 1, Section 15301(c)
  - Statutory Exemption

**REASONS WHY THIS PROJECT IS EXEMPT OR DOES NOT REQUIRE FURTHER ENVIRONMENTAL DOCUMENTATION:**

*A General Rule Exemption (CEQA Guidelines Section 15061) applies to certain actions, such as program guidelines, where it can be seen with certainty that the activity in question would have no possibility to result in a significant effect on the environment". (Note: Authority cited: Section 15061, Public Resources Code). As identified in the Project Description, the project qualifies for a General Rule exemption and no further environmental review is required.*

City of Biggs  
Planning Department

By \_\_\_\_\_  
Scott Friend, City Planner  
Date: August 09, 2013

**ATTACHMENT C**