

CITYWIDE HOUSING REHABILITATION PROGRAM AGREEMENT

CALHOME AND COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (RFP No. 1971)

(Neighborhood Partnership Housing Services, Inc.)

THIS CITYWIDE HOUSING REHABILITATION PROGRAM AGREEMENT is made and entered into this _____ day of _____, 2020 (“Effective Date”), by and between the CITY OF RIVERSIDE, California charter city and municipal corporation (“CITY”), and the NEIGHBORHOOD PARTNERSHIP HOUSING SERVICES, INC., a California nonprofit corporation, 9551 Pittsburgh Avenue, Rancho Cucamonga, CA 91730 (“NPHS”).

RECITALS

A. City of Riverside has applied for and been awarded grant funds from the United States Department of Housing and Urban Development (“HUD”) for the City of Riverside’s (“City”) fiscal year **2019-2020** Community Development Block Grant Program (“CDBG”), Catalog of Federal Domestic Assistance (“CFDA”) No. 14.218.

B. City applied for and was approved to receive a grant from the California Department of Housing and Community Development (“HCD”) for the City’s use with its Citywide Housing Rehabilitation Program (“Program”) located within the City of Riverside.

C. City desires to contract with a local non-profit organization with experience in rehabilitating homes for low income persons in identified neighborhoods.

D. NPHS is a qualified California non-profit corporation, with experience in neighborhood housing improvement and established to serve the Riverside community by improving its neighborhoods.

E. Following a public hearing, the City Council of the City has approved the allocation of **One Hundred Twenty-Six Thousand Dollars (\$126,000.00)** from its **2019-2020** Community Development Block Grant to fund the Program.

F. City has also approved an allocation of **Two Hundred Twenty-Four Thousand Dollars (\$224,000)** from its **2019-2020** CalHOME Reuse Program to fund the Program (CDBG funds and CalHome Reuse Funds shall be collectively referred to as “Grant Funds” or “Funds”).

G. By this Agreement, and subject to the terms and conditions herein, the City desires to provide financial assistance to NPHS for rehabilitation costs in the form of the Grant Funds, and NPHS desires to assist eligible housing units occupied by low income households as determined by HUD and HCD and consistent with CDBG regulations and CalHome regulations. When a loan or grant is funded from CalHome Reuse Funds, NPHS will submit two separate invoices to the City for Program Development Fees (up to 10% of the total award on a per-loan basis) and for ADF (up to 10% of the total award on a per-loan basis), which shall not exceed a total program amount of \$44,800. When a loan or grant is funded from CDBG funds, NPHS will submit an

invoice to the City for administrative costs at a maximum of 20% for each grant and not to exceed a total program amount of \$25,200. Such administration costs shall be limited to expenses for space rental, salaries, benefits, utilities, insurance, NPBS's, travel/mileage, equipment, and supplies, and shall not exceed **Seventy Thousand Dollars (\$70,000.00)** for 2019/2020.

NOW, THEREFORE, it is mutually agreed by and between the parties as follows:

1. PROGRAM DESCRIPTION. City agrees to provide the Grant Funds to NPBS for the implementation of the Citywide Housing Rehabilitation Program ("Program") and NPBS hereby agrees to accept such provision of funds as set forth below and to perform such services as are set forth in the Program Description, as described in Exhibit "A", which is attached hereto and incorporated herein by this reference as if fully set out herein. NPBS agrees to implement the Program for eligible low-income households located within the City of Riverside.

2. PROVISION OF FUNDS. City agrees to provide NPBS an amount not to exceed **Three Hundred Fifty Thousand Dollars (\$350,000.00), Two Hundred Twenty-Four Thousand Dollars (\$224,000) of which will be CalHome Reuse funds and One Hundred Twenty-Six Thousand Dollars (\$126,000) of which will be CDBG funds** for implementation of the Program as set forth pursuant to this Agreement. Said Grant Funds are to be used by NPBS solely for the purpose of funding housing rehabilitation loans, grants and administrative costs as more specifically defined in the Program Description. NPBS agrees that the City is not obligated to approve any other grant or other funding for any further services for this Program which may be presented by NPBS to the City.

City shall pay the Funds to NPBS for all approved costs, in accordance with the Operating Budget (Exhibit "B"). NPBS shall submit a bill or invoice to the program manager of City, or his designee, along with a certified statement setting forth in detail the expenditures for which NPBS is requesting Funds, along with pertinent supporting documentation associated with each request. City may require from NPBS such supporting documentation as may be necessary and appropriate for the City to make its determination as to allowable costs. Payment of Funds will be made within thirty (30) days of the receipt of a request for disbursement. Payment will be made in a manner consistent with the standard accounting procedures of City, including, but not limited to, wire transfers.

3. TIME OF PERFORMANCE. The services to be performed hereunder by NPBS and its employees shall be undertaken and completed in such sequence as to assure their expeditious completion and best carry out the Program and the purposes of the Agreement. Program implementation required hereunder shall begin upon the execution of this Agreement and completed per Section 4 herein.

4. TERM OF AGREEMENT. The term for disbursement of the Grant Funds shall begin upon the execution of this Agreement by the City and shall terminate one year from the Effective Date, or until all program funds have been exhausted, whichever occurs first. In the event the funds allocated hereunder are not fully expended at the termination of this Agreement, the parties may extend the Agreement by written amendment thereto.

5. CALHOME ADMINISTRATIVE REQUIREMENTS.

- a. Compliance with State Requirements. Each application is to be evaluated for eligibility for the loan funds consistent with the Program criteria as set forth in the City's CalHome Application, the CalHome Operation Handbook, the CalHome Program Guidelines, and the CalHome Program General NOFA ("CalHome Program Guidelines"), and will be administered in accordance with CalHome Regulations, attached hereto and incorporated herein as Exhibit "H" ("CalHome Regulations").
- b. Drug-Free Workplace. By signing this Agreement, NPHS hereby certifies under penalty of perjury under the laws of the State of California that NPHS will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:
 - (1) Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against offenders for violations.
 - (2) Establish a Drug-Free Awareness Program to inform employees about
 - A. The dangers of drug abuse in the workplace;
 - B. The person's or organization's policy of maintaining a drug-free workplace;
 - C. Any available counseling, rehabilitation, and employee assistance programs; and
 - D. Penalties that may be imposed upon employees for abuse violations.
 - E. Every employee who works on the proposed contract will:
 - (i) Receive a copy of the company's drug-free workplace policy statement; and
 - (ii) Agree to abide by the terms of the company's statement as a condition of employment on the contract.
- c. Union Organizing.
 - (1) NPHS, by its execution of this Agreement, hereby acknowledges that it has read the prohibitions on use of state funds and facilities to assist, promote, or deter union organizing set forth in Chapter 6 of Part 2 of Division 4 of Title 2 of the Government Code, commencing with Section 16645.
 - (2) By signing this Agreement, NPHS hereby certifies that none of the funds being provided hereunder will be used to assist, promote, or deter union organizing.

- (3) If the assistance provided hereunder is in the form of a grant, NPHS shall account for the grant as follows: State funds designated by NPHS for use for a specific expenditure shall be accounted for as allocated to that expenditure; and State funds not so designated shall be allocated on a pro rata basis to all expenditures by the NPHS that support the program or project for which the grant is made.
 - (4) If NPHS is a private employer or if the assistance provided hereunder is in the form of a grant, and NPHS makes expenditures, regardless of source of funds, to assist, promote, or deter union organizing, NPHS shall maintain records sufficient to show that State funds have not been used for those expenditures.
- d. Owner Occupancy Covenants. NPHS shall require that each residential home that is rehabilitated under this Program qualifies as affordable housing in accordance with CalHome regulations. NPHS shall cause to be recorded on each residential property a deed restriction or covenants running with the land to assure that the property is owner occupied for the time period required by the applicable Program requirements. NPHS shall assure that the deed restriction or covenant includes the requirements or default remedy of the repayment of CalHome Reuse funds by the homeowner to NPHS for reimbursement of CalHome Reuse funds to the City should any of the conditions set forth therein be breached.

6. CDBG ADMINISTRATIVE REQUIREMENTS.

- a. Compliance with Federal Requirements. Each application is to be evaluated for eligibility for the funds consistent with the City's CDBG Application, pursuant to the CDBG Guidelines, as amended, and will be administered in accordance with HUD Regulations, attached hereto and incorporated herein as Exhibit "G" ("HUD Regulations"). NPHS shall also abide by the following regulations:
- (1) Fair Housing and Equal Opportunity. 24 CFR Parts 92.202 and 92.250, Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), Fair Housing Act (42 U.S.C. 3601-3620), Executive Order 11063 (amended by Executive Order 12259), Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) and 24 CFR Part 5.105(a).
 - (2) Equal Opportunity Employment. Executive Order 11246 (implemented at 41CFR Part 60), as amended by Executive Orders 11375 and 12086.
 - (3) Section 3 Economic Opportunity. Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135).

- (4) Minority/Women Employment. Executive Orders 11625, 12432 and 12138, and 24 CFR Part 85.36(e).
- (5) Handicapped Accessibility. Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8).
- (6) Conflict of Interest. 24 CFR Part 92.356, 24 CFR Part 85.36 and 24 CFR Part 84.42.
- (7) Debarred Contractors. 24 CFR Part 5.
- (8) Environmental Reviews. 24 CFR Part 92.352, 24 CFR Part 58.35 a(4).
- (9) Flood Insurance. Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106).
- (10) The regulations, policies, guidelines and requirements of 24 CFR Part 85 "Common Rule," OMB Circular Nos. A-87, A-21, A-110, A-122 and A-128 as they relate to the acceptance and use of federal funds under the federally-assisted program.
- (11) Lead-Based Paint. 24 CFR Part 92.355, Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et seq.), 24 CFR Part 35, and 24 CFR Parts 982.401(j) and 982.401(j)(1)(i).
- (12) Relocation. 24 CFR Part 92.353, Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655), 49 CFR Part 24, 24 CFR Part 42 (subpart B) and Section 104(d) of the Housing and Community Development Act of 1974 ("Barney Frank Amendments").
- (13) NPHS shall carry out its activity pursuant to this Agreement in compliance with all federal laws and regulations described in Title 24 of the Code of Federal Regulations parts 50 and 58 except that: NPHS does not assume the City's environmental responsibilities described at 24 CFR Section 92.352; and NPHS does not assume the City's responsibility for initiating the review process under the provisions of 24 CFR Section 92.357.
- (14) The Housing and Community Development Act of 1974, as amended, and legislative changes contained in the Housing and Urban-Rural Recovery Act of 1983, and the Housing and Community Development Act of 1987.
- (15) Regulations of the Department of Housing and Urban Development relating to CDBG (24 CFR 570, *et seq.*).

- (16) Executive Order 11988 relating to the evaluation of flood hazards and Executive Order 11288 relating to the prevention control and abatement of water pollution.
 - (17) The Federal Accounting and Transparency Act of 2006, P.L. 109-282, as amended by Section 6202(a) of P.L. 110-252.
 - (18) The regulations, policies, guidelines and requirements of 24 CFR Part 85 "Common Rule," OMB Circular Nos. A-87, A-21, A-110, A-122 and A-128 as they relate to the acceptance and use of federal funds under the federally-assisted program.
- b. Cost Principles. NPHS shall administer its program in conformance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations," or A-21, "Cost Principles for Educational Institutions," as applicable.
- c. Religious Proselytizing or Political Activities. NPHS agrees that it will abide by the requirements set forth in 24 CFR 570.200 subsection (j); and as such NPHS agrees that, in connection with such public services.
- (1) It will not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services. If such activities are conducted, the activities must be offered separately in time or location from the programs or services funded under this part, and participation must be voluntary for the beneficiaries of the HUD-funded programs or services.
 - (2) It shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.
 - (3) It may not use CDBG funds for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. CDBG funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, CDBG funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to CDGB funds. Sanctuaries, chapels, or other rooms that a CDBG-funded religious congregation uses as its principal place of worship, however, are ineligible for CDBG-funded improvements. Disposition of real property after the term of the Grant, or any change in use of the property

during the term of the Grant, is subject to government-wide regulations governing real property disposition.

d. Audits.

- (1) Records. NPHS's records shall be open to inspection and audit by the authorized representatives of the City, HUD, and the Comptroller General during regular working hours. Said records shall be retained for such time as may be required by the regulations of the Housing and Community Development Act, but in no case for less than five (5) years after completion of an audit. Records which relate to (a) complaints, claims, administrative proceedings or litigation arising out of the performance of this Agreement, or (b) costs and expenses of this Agreement to which City or any other governmental agency takes exception, shall be retained beyond the five (5) years until resolution or disposition of such appeals, litigation claims or exceptions.
- (2) External Audits. If required by the U.S. Department of Housing and Urban Development, NPHS shall obtain an external audit in accordance with the single audit regulations (24 CFR Part 44.6). The audit report shall be submitted to the City within 180 days after the termination of this Agreement. Subrecipients which receive less than \$750,000 in total federal financial assistance annually, shall be monitored through site visits, limited scope audits, or other means in accordance with 31 U.S.C. 7502(f)(2)(B). The cost of any independent audits or attestation engagements, other than limited scope audits shall not be charged to the Federal awards in accordance with OMB Circular A-133 Compliance Supplement (for governmental entities and non-profit NPHSs) and 31 U.S.C. 7505(b)(1)(A)(ii). Subrecipients which receive \$750,000 or more in total federal financial assistance in a year are required to obtain an independent audit in accordance with OMB Circular A-133 Compliance Supplement (for governmental entities and non-profit NPHSs) and 31 U.S.C. 7502(a)(1)(A).

7. COST AND METHOD OF PAYMENT.

- a. Invoicing. City shall pay to NPHS, via an interfund payment, the Grant amount specified in Section 3 of this Agreement above on a request-basis for all approved costs. NPHS shall submit a certified statement setting forth in detail the expenditures for which it is requesting payment along with supporting documentation which specifically states how funds are to be expended.
- b. Disbursement. City shall promptly review requests for disbursement and supporting documentation and disburse funds to NPHS for approved costs in accordance with its usual accounting procedures, but in no event later than thirty (30) days. City may require additional information from NPHS as may be

necessary and appropriate for City to make its determination as to allowable costs.

- c. Program Records. NPHS shall maintain financial, programmatic, statistical and other supporting records of its operations and financial activities in accordance with the requirements of the HUD Regulations and CalHome Regulations and specifically shall prepare and maintain the following records and reports to assist City in maintaining its record keeping requirements.

8. PERFORMANCE MONITORING. City will monitor the performance of NPHS against goals and performance standards required herein. Substandard performance as determined by the City will constitute non-compliance with this Agreement. If action to correct such substandard performance is not taken by NPHS within a reasonable period of time after being notified by the City, contract suspension or termination procedures will be initiated.

9. USE OF GRANT FUNDS. Except as otherwise limited by this Agreement, Grant Funds shall be used exclusively to implement the Program and carry-out the Services. NPHS acknowledges that unused Grant funds, or portions thereof, are subject to a requirement that said funds must be refunded to HUD and HCD.

10. CHANGES IN GRANT ALLOCATION. City reserves the right to reduce the Grant allocation when City's fiscal monitoring indicates that NPHS's rate of expenditure will result in unspent funds at the end of the program year. Changes in the Grant allocation will be done after consultation with NPHS. Such changes shall be incorporated into this Agreement by written amendments.

11. PERSONNEL. NPHS shall furnish all personnel necessary to perform the Services and shall be responsible for their performance and compensation. NPHS recognizes that the qualifications and experience of the personnel to be used are vital to professional and timely completion of the services. The Key Personnel, listed in Exhibit "D" attached hereto and incorporated herein by this reference, assigned to perform portions of the Services shall remain assigned through completion of the Services unless otherwise mutually agreed by the parties in writing, or caused by hardship or resignation, in which case substitutes shall be subject to City approval.

12. ANNUAL BUDGET. NPHS hereby certifies and agrees that the Grant funds received shall be used exclusively as described in the Annual Program Budget, attached hereto as Exhibit "B" and incorporated herein by reference. NPHS shall not make expenditures that deviate from the Budget without prior written approval of the City. City may approve Budget modifications to this Agreement for the movement of funds within the budget categories when such modifications: (i) do not exceed \$10,000 per budget cost category; (ii) are specifically requested by City; (iii) do not alter the amount of compensation subject to or under this Agreement; (iv) will not change the project goals or scope of services; (v) are in the best interests of City and NPHS in performing the scope of services under this Agreement; and (vi) are related to salaries, are in accordance with applicable salary ordinances or law.

13. UNDUE INFLUENCE. NPHS hereby agrees that 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. NPHS hereby agrees that 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.

14. INDEPENDENT CONTRACTOR. All acts of NPHS and all others acting on behalf of NPHS relating to the performance of this Agreement, shall be performed as independent contractors and not as agents, officers, or employees of City. NPHS, by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of City. NPHS has no authority or responsibility to exercise any rights or power vested in the City. No agent, officer, or employee of the City is to be considered an employee of NPHS. It is understood by both NPHS and City that this Agreement shall not under any circumstances be construed or considered to create an employer-employee relationship or a joint venture.

NPHS is and at all times during the term of this Agreement shall represent and conduct itself as an independent contractor and not as an employee of City.

NPHS shall determine the method, details, and means of performing the work and services to be provided by NPHS under this Agreement consistent with the Program (Exhibit "A"). NPHS shall be responsible to City only for the requirements and results specified in this Agreement, and, except as expressly provided in this Agreement, shall not be subjected to City's control with respect to the physical action or activities of NPHS in fulfillment of this Agreement. NPHS has control over the manner and means of performing the services under this Agreement so long as consistent with the requirements of the regulations set forth by HUD and HCD. NPHS is permitted to provide services to others during the same period service is provided to City under this Agreement. If necessary, NPHS has the responsibility for employing other persons or firms to assist NPHS in fulfilling the terms and obligations under this Agreement.

If in the performance of this Agreement any third persons are employed by NPHS, such persons shall be entirely and exclusively under the direction, supervision, and control of NPHS. All terms of employment including hours, wages, working conditions, discipline, hiring, and discharging or any other term of employment or requirements of law shall be determined by NPHS.

It is understood and agreed that as an independent contractor and not an employee of City neither NPHS nor NPHS's assigned personnel shall have any entitlement as a City employee, right to act on behalf of the City in any capacity whatsoever as an agent, or to bind the City to any obligation whatsoever.

It is further understood and agreed that NPHS must issue W-2 forms or other forms as required by law for income and employment tax purposes for all of NPHS's assigned personnel under the terms and conditions of this Agreement.

As an independent contractor, NPHS hereby indemnifies and holds City harmless from any and all claims that may be made against City based upon any contention by any third party that an employer-employee relationship exists by reason of this Agreement.

15. INDEMNITY.

a. Indemnity - Construction Related Services. Except as to the sole negligence, active negligence or willful misconduct of the City, NPHS shall indemnify and hold the City, and its employees, officers, managers, agents and council members, harmless from any and all loss, damage, claim for damage, liability, expense or cost, including attorneys' fees, which arises out of, or is related to, or is in any manner connected with, the performance of work, activities, operations or duties of NPHS, or anyone employed by or working under NPHS, and from all claims by anyone employed by or working under NPHS for services rendered to NPHS in the performance of this Agreement, notwithstanding that the City may have benefited from their services. This indemnification provision shall apply to any acts or omissions, willful misconduct or negligent conduct, whether active or passive, on the part of NPHS or of anyone employed by or working under NPHS. The parties expressly agree that any payment, attorneys' fees, costs or expense that the City incurs or makes to or on behalf of an injured employee under the City's self-administered workers' compensation is included as a loss, expense or cost for the purposes of this Section, and that this Section shall survive the expiration or early termination of the Agreement.

b. Indemnity - Non-Construction Related Services. Except as to the sole negligence or willful misconduct of the City, NPHS shall indemnify and hold the City, and its employees, officers, managers, agents and council members, harmless from any and all loss, damage, claim for damage, liability, expense or cost, including attorneys' fees, which arises out of, or is related to, or is in any manner connected with, the performance of work, activities, operations or duties of NPHS, or anyone employed by or working under NPHS, and from all claims by anyone employed by or working under NPHS for services rendered to NPHS in the performance of this Agreement, notwithstanding that the City may have benefited from their services. This indemnification provision shall apply to any acts or omissions, willful misconduct or negligent conduct, whether active or passive, on the part of NPHS or of anyone employed by or working under NPHS. The parties expressly agree that any payment, attorneys' fees, costs or expense that the City incurs or makes to or on behalf of an injured employee under the City's self-administered workers' compensation is included as a loss, expense or cost for the purposes of this Section, and that this Section shall survive the expiration or early termination of the Agreement.

- c. Duty to Defend. NPHS agrees, at its cost and expense, to promptly defend the City and the City's employees, officers, managers, agents and council members (collectively the "Parties to be defended") from and against any and all claims, allegations, lawsuits or other legal proceedings which arise out of, or are related to, or are in any manner connected with: (1) the work, activities, operations, or duties of NPHS, or of anyone employed by or working under NPHS, or (2) any breach of this Agreement by NPHS. This duty to defend shall apply whether or not such claims, allegations, lawsuits or proceedings have merit or are meritless, or which involve claims or allegations that any of the Parties to be defended were actively, passively or concurrently negligent, or which otherwise assert that the parties to be defended are responsible, in whole or in part, for any loss, damage or injury. NPHS agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to the City.

16. INSURANCE.

- a. General Provisions. Prior to the City's execution of this Agreement, NPHS shall provide satisfactory evidence of, and shall thereafter maintain during the term of this Agreement, such insurance policies and coverages in the types, limits, forms and ratings required herein. The rating and required insurance policies and coverages may be modified in writing by the City's Risk Manager or City Attorney, or a designee, unless such modification is prohibited by law. A sample certificate of liability insurance is attached hereto as Exhibit "K".
- b. Limitations. These minimum amounts of coverage shall not constitute any limitation or cap on NPHS's indemnification obligations under Section 11 hereof.
- c. Ratings. Any insurance policy or coverage provided by NPHS or subcontractors as required by this Agreement shall be deemed inadequate and a material breach of this Agreement, unless such policy or coverage is issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher.
- d. Cancellation. The policies shall not be canceled unless thirty (30) days' prior written notification of intended cancellation has been given to City by certified or registered mail, postage prepaid.
- e. Adequacy. The City, its officers, employees and agents make no representation that the types or limits of insurance specified to be carried by NPHS pursuant to this Agreement are adequate to protect NPHS. If NPHS believes that any required insurance coverage is inadequate, NPHS will obtain such additional insurance coverage as NPHS deems adequate, at NPHS's sole expense.
- f. Workers' Compensation Insurance. By executing this Agreement, NPHS certifies that NPHS is aware of and will comply with Section 3700 of the Labor Code of

the State of California requiring every employer to be insured against liability for workers' compensation, or to undertake self-insurance before commencing any of the work. NPHS shall carry the insurance or provide for self-insurance required by California law to protect said NPHS from claims under the Workers' Compensation Act. Prior to City's execution of this Agreement, NPHS shall file with City either (1) a certificate of insurance showing that such insurance is in effect, or that NPHS is self-insured for such coverage, or (2) a certified statement that NPHS has no employees, and acknowledging that if NPHS does employ any person, the necessary certificate of insurance will immediately be filed with City. Any certificate filed with City shall provide that City will be given ten (10) days' prior written notice before modification or cancellation thereof.

g. Commercial General Liability and Automobile Insurance. Prior to City's execution of this Agreement, NPHS shall obtain, and shall thereafter maintain during the term of this Agreement, commercial general liability insurance and automobile liability insurance as required to insure NPHS against damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from or which may concern operations by anyone directly or indirectly employed by, connected with, or acting for or on behalf of NPHS. The City, and its officers, employees and agents, shall be named as additional insureds under NPHS's insurance policies.

h. NPHS's commercial general liability insurance policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractors liability, personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

i. NPHS's automobile liability policy shall cover both bodily injury and property damage in an amount not less than \$1,000,000 per occurrence and an aggregate limit of not less than \$1,000,000. All of NPHS's automobile and/or commercial general liability insurance policies shall cover all vehicles used in connection with NPHS's performance of this Agreement, which vehicles shall include, but are not limited to, NPHS owned vehicles, NPHS leased vehicles, NPHS's employee vehicles, non-NPHS owned vehicles and hired vehicles.

j. Prior to City's execution of this Agreement, copies of insurance policies or original certificates and additional insured endorsements evidencing the coverage required by this Agreement, for both commercial general and automobile liability insurance, shall be filed with City and shall include the City and its officers, employees and agents, as additional insureds. Said policies shall be in the usual form of commercial general and automobile liability insurance policies, but shall include the following provisions:

It is agreed that the City of Riverside, and its officers, employees and agents, are added as additional insureds under this policy, solely for work done by and on behalf of the named insured for the City of Riverside.

k. The insurance policy or policies shall also comply with the following provisions:

- (1) The policy shall be endorsed to waive any right of subrogation against the City and its sub-NPHSs, employees, officers and agents for services performed under this Agreement.
- (2) If the policy is written on a claims-made basis, the certificate should so specify and the policy must continue in force for one year after completion of the services. The retroactive date of coverage must also be listed.
- (3) The policy shall specify that the insurance provided by NPHS will be considered primary and not contributory to any other insurance available to the City.

l. Errors and Omissions Insurance. Prior to City's execution of this Agreement, NPHS shall obtain, and shall thereafter maintain during the term of this Agreement, errors and omissions professional liability insurance in the minimum amount of \$1,000,000 to protect the City from claims resulting from NPHS's activities.

m. Subcontractors' Insurance. NPHS shall require all of its subcontractors to carry insurance, in an amount sufficient to cover the risk of injury, damage or loss that may be caused by the subcontractors' scope of work and activities provided in furtherance of this Agreement, including, but without limitation, the following coverages: Workers' Compensation, Commercial General Liability, and Automobile liability. Upon City's request, NPHS shall provide City with satisfactory evidence that Subcontractors have obtained insurance policies and coverages required by this section.

17. NONDISCRIMINATION. NPHS shall abide by 24 CFR Part 92.350 which requires that no person in the United States shall on the ground of religion, race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with federal funds, or in the selection and retention of employees and subcontractors and the procurement of materials and equipment, except as provided in Section 12940 of the California Government Code.

NPHS further agrees not to discriminate on the grounds of sexual orientation or disability, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto.

Pursuant to the Americans with Disabilities Act and specifically 42 USC ' 12132, NPHS acknowledges and agrees that in the performance of this Agreement, no qualified individual shall, by reason of a disability, be excluded from participation in or be denied the benefits of the services, programs or activities of the City or NPHS or be subjected to discrimination by the City or NPHS.

18. AVAILABILITY OF FUNDS/AUTHORIZATION. City's allocation of funding to NPHS pursuant to this AGREEMENT is contingent upon the availability to the City of CDBG Funds and CalHome Reuse Funds and continued authorization for program activities by HCD and HUD and is subject to amendment or termination due to lack of funds or authorization. This Agreement is subject to written modification or termination as necessary by City in accordance with requirements of future CDBG and CalHome amendments, regulations or City policy. In addition, this Agreement may be amended or terminated as provided herein.

The City Council of City shall determine the final disposition and distribution of all funds received by City under the CalHome Program and the CDBG Program and the activities for which such funds shall be used, subject to the provisions of this Agreement.

19. COMPLIANCE WITH LAWS. NPHS shall also comply with all federal, state and local laws and regulations pertinent to its operation and services to be performed hereunder, and shall keep in effect any and all licenses, permits, notices and certificates as are required thereby. NPHS shall further comply with all laws applicable to wages and hours of employment, occupational safety, fire safety, health and sanitation.

20. TERMINATION. This Agreement may be terminated at any time by either party upon giving thirty (30) days' notice in writing to the other party. The terminating party or its designee is hereby empowered to give said notice, subject to approval or ratification by the City Council. Further, City may immediately terminate this Agreement upon the termination, suspension, discontinuation or substantial reduction in Grant funding for the Agreement activity. Further, and notwithstanding any other provision of this Agreement, if NPHS materially fails to comply with any term of this Agreement, or the award that is subject of this Agreement, whether stated in a Federal statute or regulation, an assurance, in a State plan or obligation, a notice of award, or elsewhere, the awarding agency or City may take any one or more of the following actions, as appropriate in the circumstances:

- a. Temporarily withhold cash payments pending correction of the deficiency by NPHS or more severe enforcement action by the awarding agency.
- b. Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance.
- c. Wholly or partly suspend or terminate the current award for the City's or NPHS's program.
- d. Withhold further awards for the program.
- e. Take other remedies that may be legally available.

f. Further, and notwithstanding any other provision of this AGREEMENT, the award may be terminated for convenience in accordance with 24 CFR Part 85.44.

21. COSTS FOLLOWING TERMINATION. Costs of NPHS resulting from obligations incurred by NPHS during a suspension or after termination of this Agreement are not allowable unless the City expressly authorizes them in the Notice of Suspension or Termination or subsequently.

22. NOTICES. Service of any notices, bills, invoices or reports required by this Agreement shall be sufficient if sent by one party to the other in the United States mail, postage prepaid, to the address noted below:

City
City of Riverside
Community Development Dept.
3900 Main Street, 3rd Flr.
Riverside, California 92522

NPHS
Neighborhood Partnership
Housing Services, Inc.
9551 Pittsburgh Avenue
Rancho Cucamonga, CA 91730

23. CONFLICT OF INTEREST. NPHS warrants, by execution of this Agreement that, NPHS's, officers and elected and appointed officials shall become familiar with and shall comply with the CDBG regulations prohibiting conflicts of interest contained in 24 CFR § 570.611. NPHS understands and agrees that no waiver or exception can be granted to the prohibition against conflict of interest except upon written approval of HUD pursuant to 24 CFR § 570.611(d). Any request by NPHS for an exception shall first be reviewed by City to determine whether such request is appropriate for submission to HUD. In determining whether such request is appropriate for submission to HUD, City will consider the factors listed in 24 CFR § 570.611(e).

Prior to any funding under this Agreement, NPHS shall provide City with a list of all employees and their job titles, agents, NPHSs, officers, and elected and appointed officials who are in a position to participate in a decision-making process, exercise any functions or responsibilities, or gain inside information with respect to the CDBG activities funded under this Agreement. NPHS shall also promptly disclose to City any potential conflict, including even the appearance of conflict that may arise with respect to the CDBG activities funded under this Agreement. Any violation of this section shall be deemed a material breach of this Agreement, and the City shall immediately terminate the Agreement.

24. ASSIGNMENT. It is mutually understood and agreed that this Agreement shall be binding upon the City and its successors and upon NPHS and its successors. Neither this Agreement, nor any part thereof, nor moneys due or to become due there under, may be assigned by NPHS without the prior written consent and approval of the City. The City and NPHS hereby agree to the full performance of the covenants contained herein.

25. AMENDMENTS. All amendments to this Agreement shall be mutual and in writing. This Agreement may be modified or amended only by a written amendment authorized by the City Manager of City, or his designee, and signed by the duly authorized and empowered

representatives of the City and NPHS, provided such amendment does not increase or change the amount of the Grant Funds granted herein, or result in substantive material changes to the Program or this Agreement.

26. SEVERABILITY. Each paragraph and provision of this Agreement is severable from each other provision, and if any provision or part thereof is declared invalid, the remaining provisions shall nevertheless remain in full force and effect.

27. ENTIRE AGREEMENT. It is expressly agreed that this Agreement embodies the entire Agreement of the parties in relation to the subject matter hereof, and that no other Agreement or understanding, verbal or otherwise, relative to this subject matter, exists between the parties at the time of execution.

28. REGISTRATION. NPHS agrees to maintain a current registration in the federal central contractor registration (“CCR”) database (<http://www.ccr.gov>) pursuant to the Federal Funding Accountability and Transparency Act, P.L. 109-282, as amended by Section 6202(a) of P.L. 110-252. If NPHS is not currently registered, it must do so within ten (10) days of the date NPHS executes this Agreement. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://DNB.com>) is required for registration in the CCR. NPHS shall also complete and sign the Federal Funding Accountability and Transparency Act form, attached hereto as Exhibit “F”, in conjunction with its execution of this Agreement and provide any supporting documentation if required.

29. EXHIBITS. The following exhibits attached hereto are incorporated herein to this Agreement by this reference:

- Exhibit “A” – Program Description
- Exhibit “B” – Operating Budget
- Exhibit “C” – Policies and Regulations
- Exhibit “D” – Key Personnel
- Exhibit “E” – Project Timeline
- Exhibit “F” – Federal Funding Accountability and Transparency Act (FFATA)
- Exhibit “G” – CalHome Regulations
- Exhibit “H” – CDBG Regulations
- Exhibit “I” – Promissory Note
- Exhibit “J” – Deed of Trust
- Exhibit “K” – Risk Management Sample Certificate of Insurance

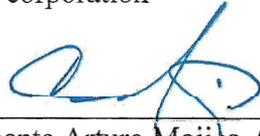
(SIGNATURES ON FOLLOWING PAGE.)

IN WITNESS WHEREOF, the City and NPHS have caused this Agreement to be duly executed the day and year first written above.

CITY OF RIVERSIDE, a California
a charter city and municipal corporation

NEIGHBORHOOD PARTNERSHIP
HOUSING SERVICES, INC., a California
non-profit corporation

By: _____
Al Zelinka, City Manager

By:  _____
Clemente Arturo Mojica, CEO

Date: _____

Date: 6/30/20

Attest: _____
Colleen Nicol, City Clerk

Date: _____

Approved as to Form:

By:  _____
Deputy City Attorney

19-1589 LMS

CERTIFIED AS TO FUNDS AVAILABILITY:

BY:  _____
Chief Financial Officer / City Treasurer

EXHIBIT "A"

Program Description

Program Description

Over the last 40 years the City of Riverside has offered financial assistance to low-income, owner-occupied households through its Citywide Housing Rehabilitation Program. This Program provides financial assistance to single-family and mobile home residences within the City of Riverside in an effort to correct health and safety hazards, correct code enforcement citations, make general improvements, or even make the home accessible to accommodate persons with disabilities.

Financial Assistance is provided by way of interest-free deferred loans up to \$40,000 or limited grants up to \$5,000 for single family residents and \$10,000 for mobile homes.

The goal of the Program is to preserve, expand, and improve the condition of the affordable housing stock available to low-income persons. Homeowners are required to have owned their home for at least one year and household income must be at or below 80% of the Area Median Income (“AMI”), adjusted for household size, per the median income calculations published annually by U.S. Department of Housing and Urban Development (“HUD”). Owner-occupancy covenants are recorded on the property.



Annual Operating Budget

Funding Sources	
CalHome Reuse Rehabilitation Program	\$224,000.00
CDBG Housing Rehabilitation Program	\$126,000.00
Total Available Funding	\$350,000.00
Program Expenses	
Construction Costs	\$280,000.00
Total Administration Expenses*	\$70,000.00
Total Program Expenses	\$350,000.00

*NPHS will submit CalHome invoices to the City of Riverside for Project Development Fees and Activity Development Fees separately, not to exceed 10% of the loan amount for each. Total Administrative costs for CalHome cannot exceed 20% of the total award or \$44,800. NPHS will submit CDBG invoices to the City of Riverside up to 20% of each CDBG grant that has been completed. Administration costs include expenses for space rental, salaries, benefits, utilities, insurance, consultants, travel/mileage, equipment, and supplies. The CalHome administrative costs shall not exceed \$44,800 and the CDBG Administrative costs shall not exceed \$25,200.

EXHIBIT "C"

Policies and Regulations

**City of Riverside
Housing Rehabilitation Program**



**Rehabilitation Policy, Procedures,
and Guidelines**

Staffing and Authority:

Overall program oversight and monitoring is provided by the City of Riverside's Office of Homeless Solutions staff ("City Staff"). Day to day operation and staffing of the program is provided by Neighborhood Partnership Housing Services, Inc. ("Program Staff"), a not for profit community housing development organization, under contract with the City of Riverside. Neighborhood Partnership Housing Services, Inc. provides all staffing necessary to generate and complete all eligible rehabilitation projects. Upon completion of projects, the City of Riverside's Office of Homeless Solutions staff provides all loan servicing functions (billing and payment receipts, etc.). A summary of the operational functions provided by Neighborhood Partnership Housing Services, Inc. are as follows:

- Conduct program marketing and community outreach, to include creating and printing marketing materials
- Application intake
- Underwrite and review applications to determine program eligibility
- Obtain compensations and appraisals on single-family residences to ensure the after rehabilitated value does not exceed the current local median sales price of a single-family home in the County of Riverside. The CalHome Program refers to the California Association of Realtors website at <http://www.car.org/en/marketdata/data/countysalesactivity>. The County of Riverside median sales prices as of May 20, 2020 is **\$434,080**. (If prices have significantly changed, the CalHome Program allows the City of Riverside to request that HCD approve different limits based on a local calculation of median values (Guidelines Section 7735, subd. (b)).
- Inspect and assess eligible properties for health and safety hazards and code violations
- Obtain all necessary environmental reports and reviews (Lead Based Paint, Historic, Energy efficiency, etc.)
- Test eligible houses for lead-based paint hazards
- Prepare scope of work/bid specifications for all projects
- Maintain list of licensed and insured contractors and assist clients with obtaining contractor bids
- Provide clients with contractor bids and verify their contractor selection
- Verify appropriate funding sources and level of assistance available to project
- Notify contractor of client selection and issue Notice to Proceed
- Conduct a pre-construction meeting with contractor and client, assist client with contract interpretation
- Assess relocation needs for each project and coordinate between client and contractor during construction
- Monitor and provide assistance and coordination between client and contractor during construction

- Verify appropriate permits are obtained and approved for projects
- Inspect rehabilitated projects and obtain client approval for payment draws and provide funds disbursement to contractor
- Complete final inspection, check final permits, and file Notice of Completion
- Reconcile project funds and prepare files for close out
- Forward closed files to Office of Homeless Solutions staff for storage and loan servicing
- Provide CalHOME and CDBG Quarterly Status Reports to Office of Homeless Solutions staff detailing program activity
- Submit itemized invoices for expenses per the approved budget (Exhibit B)

All the above activities will be conducted in accordance with the CalHOME and Community Development Block Grant Agreements, including all Exhibits, and in accordance with the Housing Rehabilitation Program Guidelines, which are incorporated herein by reference.

Program Funds:

The City of Riverside will allocate up to \$224,000 of CalHome Reuse Program funds and \$126,000 CDGB funds to provide housing rehabilitation grants and loans. Of the \$224,000 program funding, \$44,800 is the maximum that can be used to cover Neighborhood Partnership Housing Services, Inc. administration costs for the program; \$25,200 of the \$126,000 CDBG funds is being set aside as a maximum for administrative costs.

Program Administrator:

The Program Administrator shall oversee all day-to-day operation of staffing the Program. The Program Administrator shall be the President, Chief Executive Officer of Neighborhood Housing Partnership Services, Inc., or other designated individual.

Program Arbitrator:

The Program Arbitrator shall monitor and oversee the total operation and accomplishments of the Program. The Program Arbitrator shall be the Housing Authority Manager of the City of Riverside Office of Homeless Solutions, or other designated individual. The Program Arbitrator shall be responsible for settling all disputes or appeals regarding program eligibility, permitted program activities, contractor participation, homeowner complaints, etc. The Program Arbitrator shall render all decisions, interpretations, and recommendations in the best interest of the City of Riverside and the Housing Rehabilitation Program; at all times keeping in mind the program's stated goals and policies.

Homeowner Complaints:

In cases where the Homeowner believes the contractor's work is substandard (i.e. the workmanship is shoddy or the work creates a health and safety hazard) or inconsistent with the signed Scope of Work, they must write a letter to the Program Arbitrator explaining the exact nature of their complaint. If the work in question has already been approved by a City Building Inspector, the Inspector's prior determination will stand.

If a Building Inspector has not approved the work, within 10 working days the Program Arbitrator and a City Building Inspector will inspect the work to verify whether or not it was completed to acceptable building standards and is consistent with the Contract. If the Inspector and Arbitrator determine that the work is substandard or outside the Contract, payment will be withheld from the Contractor until the work has been completed to an acceptable standard. Costs for repairing substandard work will be borne by the Contractor (or the Program, as a payee of last resort), but not by the Homeowner.

The Program Arbitrator will only act when the health and safety standard or quality of CalHome funded rehabilitation work is in question. Under no circumstances will the City or Neighborhood Partnership Housing Services, Inc. arbitrate between the Homeowner and the Contractor on matters of aesthetics. It is incumbent upon the Homeowner and Contractor to negotiate issues of an aesthetic nature.

If the Homeowner believes the substandard work constitutes an immediate health and safety threat, the Program Arbitrator and Building Inspector will endeavor to make an inspection of the work within 72 hours of receiving the Homeowner's letter.

Exceptions to Program Policies:

It is acknowledged that no set of rules can fit every individual circumstance. Exceptions to the single-family housing policies and procedures are allowable on an individual case-by-case basis. The Program Administrator, or designated Program Staff, may make written requests to the Program Arbitrator detailing the exception(s) being requested and the reason(s) supporting it. Exceptions will only be made in tandem with program guidelines. The Program Arbitrator shall be responsible for considering such exception requests and giving a written decision within ten working days.

Conflicts of Interest:

All applicants, contractors, and Program Staff must disclose any direct, or indirect, business or familial relationships they may have with one another. Program Staff may not be assigned or otherwise handle an applicant's file when such a relationship connection exists. Program Staff and City Staff employed by the Office of Homeless Solutions are NOT eligible to personally participate in the Housing Rehabilitation Program. Also, City Council members are NOT eligible to personally participate in the Housing Rehabilitation Program due to their direct involvement in the allocation and use of the Program's City funding. Conflict of interest standards run for the life of oversight committee membership, and for one year thereafter. These conflict of interest standards are mirrored in federal code Section 24 CFR 570.611.

Types of Funding:

Deferred Loans - Maximum loan amount of \$40,000. Deferred loans do not accrue interest and require NO monthly payments. Deferred loans become due and payable upon the resale, transfer of title, refinancing of the subject property, or at their 30-year maturity date.

CDBG Grants – Applicants who are income eligible and who own a single-family residence home or mobile home can apply for a grant of up to \$5,000 and mobile homeowners can apply for grants up to \$10,000 to correct minor code violations or address health and safety hazards.

A single-family homeowner can apply for a loan and a grant for a maximum loan amount of \$45,000.

General Guidelines:

The program's basic intent is to eliminate health and safety hazards, and code violations in the City of Riverside's affordable housing stock, and, to conserve, expand, and improve the condition of the affordable housing stock available to low income persons. Therefore, all projects funded through the Housing Rehabilitation Program using CalHome funds, at a minimum must correct all existing code deficiencies and/or health and safety related repairs needed. Code and health/safety threats may be known or found upon inspection.

Any and all existing construction found on-site that was done without City permits (room additions, garage conversions, patio additions, etc.) must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehabilitation project. Once the cost of repairing all existing code deficiencies and health and safety related items are totaled up, any additional program funding utilized by a recipient, up to the program limits, may be used to address general property improvements. *Applicants may NOT receive CalHome funding to repair only a portion of their health and safety hazards and code violations.

*This does not apply to CDBG funds unless CDBG funds are being used in combination with CalHome funds.

Applicant Eligibility:

Eligibility for the program is limited to persons and households with incomes at or below 80% of the area median income (AMI), adjusted for household size, per the median income calculations published annually by HUD for the use of CalHome and CDGB Program funds.

Un-reported income is fraudulent and will result in denial of the Rehabilitation Loan.

Each applicant must be a U.S. citizen or other national of the United States or a qualified alien as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and 8 U.S.C. 1611 et. seq. Citizenship can be identified using a U.S. passport, Certificate of Naturalization, Certificate of U.S. Citizenship, or a tribal membership card with photo.

If the aforementioned is not attainable, a State of U.S. issued birth certificate, U.S Citizenship identification card or a final U.S. adoption decree can be provided concurrently with a current driver's license with photo, State issued identification card with photo, work or school identification card, military identification card with photo or a U.S. American Indian or Alaskan Native tribal document.

A bankruptcy must be discharged for a minimum of four (4) years or two years if an exception from the City is obtained. Keep in mind, exceptions are rarely approved and would need to involve circumstance such as a severe (documented) medical condition.

In addition, applicants must self-certify that the value of all their "liquid assets" (all cash, bank checking and savings accounts, money market accounts, stocks, bonds, mutual funds, etc.), excluding the value of their primary residence, real estate investments (revenue derived from rental property is counted under income), qualified retirement savings (revenue derived from retirements savings is counted under income), household furnishings, clothing, and cars, does not exceed \$50,000.

Finally, applicants must agree to comply with all HUD, State, City, or program requirements regarding lead based paint hazard inspections, lead based paint hazard reduction work, termite inspections, termite control work, City Code compliance issues, health and safety issues, energy efficiency standards, and any other inspections and requirements as necessary.

Property Eligibility:

Eligibility for the program is limited to single-family homes, manufactured homes, and mobile homes located within the corporate boundaries of the City of Riverside that are owner occupied. Applicants must have owned the home for at least one year prior to receiving City approval and funding for their project. The exception to the one-year ownership rule is given to applicants that have recently acquired a foreclosed property within a qualified target area. Other exceptions to the minimum one-year ownership requirement can be made by the City's Housing Authority Manager.

Appraisals:

Prior to commencement of Rehabilitation work, an appraisal shall be obtained with the following requirements:

- (1) The appraisal may be prepared by Program Administrator staff using the sales of comparable properties approach to determine value. If comparable sales are not available, the appraisal shall be prepared by a state-licensed, residential property appraiser;
- (2) The appraisal shall take into consideration the estimated value of the Rehabilitation work to be completed on the property and shall include the pre-rehabilitated value and the After-Rehabilitated Value; and

- (3) An appraisal is not required in the case of Rehabilitation work on a manufactured home not on a permanent foundation

Subordination:

When a loan is made, it is intended that monies are lent to low income homeowners for special purposes, and at terms not available in the private lending market. The City will subordinate loans to existing financing on a single-family residence if the debt structure on the residence is reasonable, has better terms than the existing lien, and the homeowner is not taking cash out. After a loan is made, the City will subordinate only for refinancing that does not weaken the City's equity position on title for the property (i.e., there must be no additional financing placed ahead of the City Trust Deed). This policy allows for refinancing to lower interest rates. It is acknowledged that special circumstances may exist, and the City Manager may grant waivers based on hardships or extreme extenuating circumstances.

Underwriting Criteria:

The program is intended to be a "lender of last resort" to assist low-income homeowners who might otherwise be unable to obtain rehabilitation financing through traditional financial channels due to income and credit related issues. Therefore, the program specifically utilizes loan terms (below market interest rates and deferred payment loans) and underwriting criteria (above market loan-to-value ratios, etc.) that are favorable to the applicant, and are not normally available to low and moderate income persons.

A. *Loan-to-Value Ratio (LTV)* – Loans can be made up to a maximum LTV of 105% of a property's estimated market value. The property's estimated market value is based upon a "desktop" analysis of comparable sales and for sale properties in the subject property's surrounding neighborhood (within a ¼ mile radius), per public information available through the County Recorder's office, local Title companies, the Board of Realtors Multiple Listing Service (MLS), or other similar data sources. If comparables are not available within a ¼ mile radius, the assessment area can be increased to a ½ mile radius.

B. *Borrower's Ratios* – The program's emphasis is to make rehabilitation funding available to low income households to the maximum extent possible. Therefore, the program focuses upon "collateral based" lending, per the LTV ratios stated above. "Credit based" lending criteria is intentionally de-emphasized because the program's target population often has a problem receiving credit. Thus, the strict application of typical "credit based" lending criteria would likely exclude large segments of the target population the program is specifically trying to assist.

A homeowner cannot obtain funding approval if they are behind in any debt obligations, which is verified through a credit report.

C. *Title and Escrow* – Due to cost considerations, no escrow or title policies are required. Title reports, at the cost of the applicant, will be obtained to verify if there are any existing liens or indebtedness recorded against a property. Applicants must self-certify the amount of existing debt already on the property by signing the Deferred Payment Agreement. This document provides the City of Riverside the documentation necessary to pursue legal remedies against an applicant if they try to place another undisclosed lien ahead of the City's loan, or otherwise misrepresent or fail to disclose all liens and debts recorded against their property.

C. *Security Instruments* – Applicants receiving loans must execute a Promissory Note, a Deed of Trust, and a Regular or Deferred Payment Agreement. Additional documentation is provided in the form

of a Loan Disclosure, Fair Lending Notice, and an Amortization Schedule.

Property taxes, if applicable, mobile home registration fees, space rent, and property insurance must be current in order for an applicant to be considered for a Rehabilitation Loan and all of these must be paid when due during the term of the Rehabilitation Loan. Property insurance, including fire and flood if applicable, will be required during the life of the Rehabilitation Loan. Borrowers are required to maintain insurance on the property in an amount at least equal to the replacement value of the improvements. The City of Riverside must be named as an additional loss payee on the policy.

Household Composition:

Households are comprised of any and all individuals (minor and adult) living within the same home or housing unit. Non-income producing individuals must reside in the house for more than one year. A boarder renting a room within the home is excluded from the “household” composition. In the case of boarders, they do not count in the total number of household occupants, but the amount of their rental payment must be included within the household’s income calculation. Furthermore, joint tenant property owners who are on title (partial owners of the property), but do not live onsite, are not part of the household composition.

Calculation of Household Income:

The total gross annual wages, salaries, commissions, fees, bonuses, and all forms of compensation received by all individuals within the household must be calculated and estimated for the next 12-month period. All individuals age 18 and above within the household must execute a “Statement of Benefits” detailing the amount of all types of wages, earnings, and financial benefits they receive. Pensions, Social Security benefits, Public Assistance, interest and dividends, alimony and child support, unemployment insurance, worker’s compensation benefits, and all other types of periodic and determinable income are included. Items NOT included in income calculations are casual or sporadic gifts, reimbursements received for medical expenses, educational scholarships.

Eligible Repairs:

A. Code / Health and Safety Repairs – The first priority of the Housing Rehabilitation Program is to eliminate, or otherwise “cure”, any and all pre-existing Code violations and Health and Safety hazards. Therefore, all rehabilitation projects must correct any pre-existing code deficiencies and/or health & safety related repairs needed. This includes pre-existing construction found that was done without City permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehabilitation project. If applicants interrupt or refuse to allow contractors to complete the abatement of code violations and/or health and safety hazards, their file will be closed and the grant or loan will become due and payable.

B. Lead Based Paint Hazards – An additional priority of the Housing Rehabilitation Program is to reduce any lead based paint hazards present in homes. Therefore, a Lead Based Paint test (XRF testing) and a Risk Assessment are required on houses built prior to 1978 to identify the existence and scope of any lead based paint hazards in the home. When the physical scope of the rehabilitation project will disturb very little painted surfaces then the Lead Based Paint test (XRF testing) and Risk Assessment are not required provided the contractor is notified to presume that lead based paint is present and to utilize “Safe Work Practices” during the disturbance of any painted surfaces.

C. Termite Repairs – The Program requires a Termite Inspection Report be prepared for every home by a licensed inspector. The owner may receive a copy of the termite inspection report at no cost. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. The program requires that any termite or dry rot damaged wood members in the home be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation, or other treatments recommended to eliminate any active termite infestations are required.

D. General Property Improvements – Once the cost of repairing all code deficiencies, health and safety items, lead based paint hazards, and termite repairs are totaled up, then any additional program funding utilized by a recipient, up to the program limits, may be used to address general property improvements. General property improvements may include a wide variety of items such as painting, replacement of fixtures, replacement of cabinets and vanities, replacement of flooring, etc. General property improvements may NOT include any materials or items that are of a type and quality which exceeds the standards for similar properties in the area, or that far exceed the basic standards of “decent, safe, and sanitary”.

Items that are specifically **NOT** eligible under the program are as follows:

Installation of swimming pools and hot tubs (spas). Pool repairs are eligible only when health and safety concerns exist;

Repair or purchase of furnishings or other non-realty (personal) property;

Repair or purchase of appliances such as stoves, dishwashers, etc. Large appliances can be repaired when they are physically “built-in” to a kitchen, and sanitary issues exist. Note that garbage disposals are considered a plumbing item and are eligible under the program. Refrigerators can be repaired when they are a physically “built-in” to a kitchen, and sanitary issues exist;

Acquisition of land or property;

Tools or raw building materials; and

Any item determined by program staff to far exceed the program’s goals of providing decent, safe, and sanitary living conditions.

Room additions or “garage conversions” to create additional living space are only permitted in cases of overcrowding, where the number of household members exceeds the basic State of California standards of 2 persons per bedroom, plus 2 persons for ambient space. Thus, a three bedroom home must have more than 8 permanent household members to qualify as “overcrowded” (more than 10 permanent household members in a 4 bedroom home, etc.). Furthermore, unless overcrowding is found to exist, a room addition is a low priority and is considered a “general property improvement” which can only be considered after all code, health and safety, lead based paint, and termite required rehabilitation work was funded. In cases where a garage conversion was previously completed without City permits and approvals, it is considered a City code violation, and the program can fund the necessary repairs to bring the conversion into Code Compliance and obtain approved building permits.

The program will not fund repairs to “Granny flats” or separate living units, as a preponderance of these units may become rentals. The program is limited to use by owner-occupied dwellings and is not available for use on rental housing.

E. Timeliness – CDBG Grants endeavor to keep the maximum amount of funds available to assist the great needs of Riverside’s older housing stock. Program recipient’s will be made aware that the time is of the essence and all funds not expended after 12 months (excluding Planning & Permit time) may be reprogrammed at the City’s sole option, and that the grantee’s file will be closed.

NOTE: No program funds can be paid out directly to the homeowner, since the homeowner is not allowed to perform any of the home improvement written in the scope of work. The program funds are to be used solely for payment of housing rehabilitation work (including permits, fees, inspections, plans, engineering, etc.). Therefore, all funds are held in trust for payment to independent, third party contractors or vendors upon presentation, and signed approval by the homeowner, of valid invoices or construction draw requests.

Funding Approval:

After the full scope of a rehabilitation project has been determined, contractor bids have been received, and the homeowner has selected their contractor, Program Staff prepares an “Agenda package” that includes a project budget detailing the type of loan or grant funding to be provided, the applicant’s income eligibility, and the scope of work to be done. Housing Staff reviews the “Agenda package” for approval of the rehabilitation work, the Community & Economic Development Fiscal Manager, and the City Manager or designated staff member approves the funding amount and source.

Pre-Project Expenses:

A variety of inspections, tests, and reports are needed before the scope of work for an applicant’s rehabilitation project can be finalized, sent out to bid, then brought forward to the City of Riverside for funding approval. Occasionally, homeowners may cancel their applications due to personal or financial reasons before their file has been brought to the City of Riverside for funding approval, but after expenses have already been incurred for Lead Based Paint inspections, Special Building and Safety inspections, or other miscellaneous items. In these instances, pre-projects expenses can be paid using CDBG grant funds. However, should there be no available grant funds, expenses will be paid by the homeowner. This can be in the form of a CalHome deferred loan as long as the fees are a minimum of \$1,000. A deed of trust and note for expended amount will be recorded with the County of Riverside. Homeowner shall sign an acknowledgement of this during application process.

Historic Review (Section 106):

If public records, from a Title Company Property Profile, City’s Building Department, or other official record indicates that the applicant’s home is more than 50 years old, then an historical assessment (Section 106 Review), and review of the intended scope of work, must be requested from the City’s Planning Division. Approval must be obtained through the Cultural Resources Specialist of the Planning Division. Planning staff will provide their written determination and recommendations and send a copy to both Program Staff and the State Historical Preservation Office (SHPO).

Bidding Process:

Competitive bids from at least three contractors are requested on all rehabilitation projects, except health and safety emergencies which are handled on an emergency basis that does not allow time for competitive bidding. When the normal competitive bid process is used, the homeowner is provided copies of all bids received for their consideration and selection. If the homeowner is not satisfied with the bids they receive,

then additional bids may be solicited from more contractors until the homeowner finds a contractor bid they want to use.

Contractor Selection:

The homeowner is provided copies of all bids received and may choose any “reasonable” contractor bid they wish, they are not required to select the lowest bidder. However, Program Staff reviews all bids received to verify they are all within a “reasonable” range of typically no more than approximately 25% variation between the high and low bidders. If the homeowner wishes to select a contractor bid that is considered to be above the “reasonable” range of bids received, then they are required to either “negotiate” that contractor’s bid down into the “reasonable” range or obtain a written explanation from the contractor that adequately explains, to Program Staff’s satisfaction, why their bid is above the range.

The Construction Contract:

The Construction Contract is between the homeowner and the contractor. The City of Riverside, and NPHS, Inc. are not signatories to the Contract. The City of Riverside and NPHS, Inc. do not have any enforcement power over the contractual relationship between the homeowner and the contractor. A copy of the contractor’s bid is attached to the Construction Contract to specify the scope of repairs and improvements included in the Contract.

Contractor Payments:

For contracts less than \$5,000, only one draw payment is permitted to the contractor and no retention money is withheld from the payment. For contracts greater than \$5,000, up to three draw payments are permitted and 10% “retention” is withheld from each payment until 30 days after the project has been satisfactorily completed and a Notice of Completion has been recorded. The homeowner and the contractor must each sign the appropriate Payment Authorization form before any funds will be released. If the homeowner fails to sign the Payment Authorization form for any unreasonable purpose, the City of Riverside reserves the right to release payment to the contractor. In addition, the contractor must provide an invoice, waiver/lien release, and copies of signed off permits as part of any request for payment.

Contractor Qualifications:

An important element of a successful home rehabilitation program is good working relationships between the homeowners and the general contractors they select. Since most homeowners have limited prior experience with contractors, the Housing Rehabilitation Program maintains a list of contractors who have provided copies of their appropriate insurance and license. The list is offered to homeowners as an aid in soliciting contractor bids and selecting a contractor. However, the homeowner is responsible for selecting the contractor and may use any contractor that provides the program with copies of their appropriate insurance and license.

Contractors participating in the program must provide evidence of a valid City of Riverside business license, a valid State contractor’s license, current worker’s compensation insurance coverage, and current \$1,000,000 general liability insurance coverage. Also, their insurance must list the program’s administrator, Neighborhood Partnership Housing Services, Inc., as additionally insured. Since NPHS, Inc. has had a policy requesting contractors to carry \$1,000,000 general liability insurance, no claims can be filed against the City of Riverside or NPHS, Inc.

Only general contractor and sub-contractors who have applied and meet program requirements are eligible to enter into Rehabilitation Program construction contracts.

Adding contractors to the list is an ongoing process. Applications from local contractors (including women and minority contractors) are encouraged. Any contractor who meets the licensing and insurance requirements is eligible to apply for inclusion on the list.

Contractors who maintain their business credentials and comply with program guidelines and policies are automatically retained on the list. Contractors may be disqualified from participation in the program at any time for just cause.

A. Contractor Applications – Applications are accepted from contractors at any time. Contractors interested in being included on the Contractor List and bidding for construction contracts must complete a standard application and submit copies of their current worker's compensation insurance, liability insurance and state contractor's license to the Program Staff.

B. Contractor Review – Contractor applications are reviewed by program staff. Staff will:

- Call the State Contractor Board, or check their website, to verify that the contractor is currently licensed.
- Verify that the copies of insurance coverages and business licenses are current.

Disqualification of Contractors:

Contractors may be disqualified from participation in the program at any time for just cause. Evidence constituting just cause for contractor disqualification includes:

- Failure to maintain State Contractor's Board license and registration, or failure to maintain required insurance coverage or City business license.
- Insolvency, bankruptcy, or other conduct or conditions causing monetary loss for a homeowner, or the Housing Rehabilitation Program, in connection with construction contracts.
- Activities in conflict with Housing Rehabilitation Program policies or procedures, such as: bid rigging, kickbacks to homeowners, hiring homeowners for pay, failure to complete warranty work in a timely manner, abusive or repeated cost increases and change orders to contracts.
- A history of non-performance in fulfilling construction contracts.
- A history of contract performance judged unacceptable by the Housing Rehabilitation Program due to poor work quality, lack of cooperation, or repeated conflicts with homeowners.
- Abandoning a job or repeated failure to complete contract work according to specified deadlines.
- Conviction of a crime in connection with contract work, contract payments, or any other funding administered by the City of Riverside.

The decision to disqualify a contractor shall be authorized by the Program Administrator (President, Chief Executive Officer of NPHS, Inc.) upon the recommendation of any Program Staff. Disqualified contractors shall be notified in writing. A disqualified contractor may appeal the decision within ten days of receiving the written notification. Disqualification appeals shall be made to the Program Arbitrator, who shall consider any additional information provided by the contractor and render a final decision within one week.

EXHIBIT "D"

Services to be Performed by NPHS/Key Personnel

Services to be Performed by NHPS/Key Personnel

Neighborhood Partnership Housing Services, Inc. staff, under contract with the City of Riverside, will provide day-to-day operation and staffing of the Home Investments Partnerships Program and Community Development Block Grant Rehabilitation Program. All staffing necessary to generate and complete all eligible rehabilitation projects will also be provided. Upon completion of projects, the City of Riverside's Office of Homeless Solutions staff will provide all grant servicing functions (billing and payment receipts, etc.). A summary of the operational functions provided by Neighborhood Partnership Housing Services, Inc. are as follows:

1. Conduct program marketing and community outreach, to include creating and printing marketing materials
2. Application intake
3. Underwrite and review applications to determine program eligibility
4. Obtain compensations and appraisals to insure the after rehabilitated value does not exceed 95 percent of the U.S. Department of Housing & Urban Development 203(b) property value limit
5. Inspect and assess eligible properties for health & safety hazards and code violations
6. Obtain all necessary environmental reports and reviews (Lead Based Paint, Historic, Energy efficiency, etc.)
7. Test eligible houses for lead-based paint hazards
8. Prepare scope of work/bid specifications for all projects
9. Maintain list of licensed and insured contractors and assist clients with obtaining contractor bids
10. Provide clients with contractor bids and verify their contractor selection
11. Verify appropriate funding sources and level of assistance available to project
12. Recommend loan and grant amounts for City staff to approve an average of 3 or more households per month.
13. Notify contractor of client selection and issue Notice to Proceed
14. Conduct a pre-construction meeting with contractor and client, assist client with contract interpretation

15. Assess relocation needs for each project and coordinate between client and contractor during construction
16. Monitor and provide assistance and coordination between client and contractor during construction
17. Verify appropriate permits are obtained and approved for projects
18. Inspect rehabilitated projects and obtain client approval for payment draws and provide funds disbursement to contractor
19. Complete final inspection, check final permits, and file Notice of Completion
20. Reconcile project funds and prepare files for close out
21. Forward closed files to Office of Homeless Solutions staff for storage
22. Provide CalHome and CBDG Quarterly Status Reports to Office of Homeless Solutions staff detailing program activity
23. Submit itemized invoices for expenses per the approved budget (Exhibit B)

All the above activities will be conducted in accordance with the CalHome and Community Development Block Agreement, and the Professional Services Agreements, including all Exhibits, and in accordance with the Housing Rehabilitation Program Guidelines, which are incorporated herein by reference.

Key Personnel identified here:

Jenny Ortiz, Vice President, Design and Construction

Richard Moore, Design and Construction Manager

Marissa Dilick, Redevelopment Project Coordinator

Lowell Support Associate, Redevelopment Support Associate

Curtis Miller, Community Lending and Investment Manager

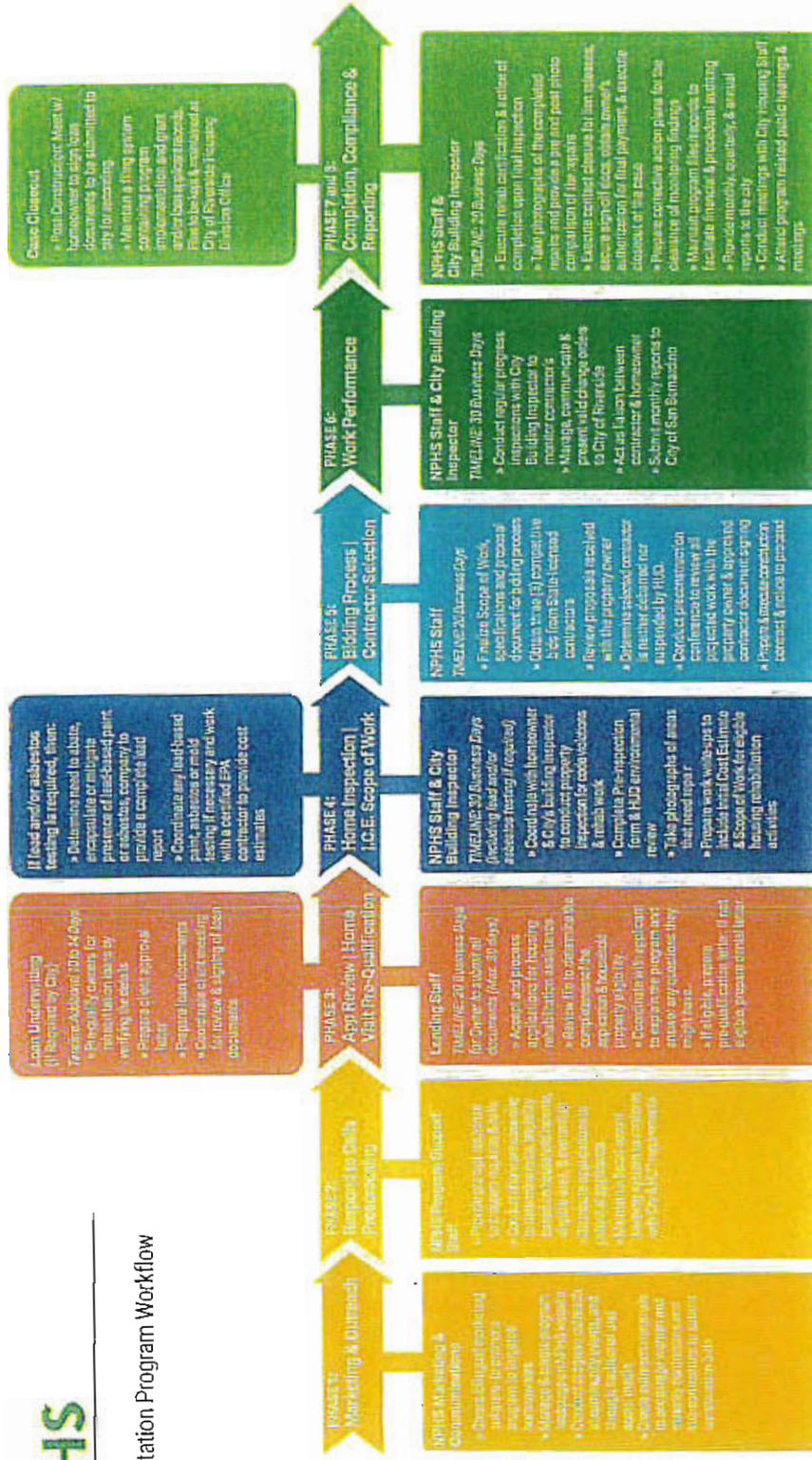
Greg O'Donnell, Vice President of Strategic Advancement

EXHIBIT "E"

Project Timeline



City of Riverside
Housing Rehabilitation Program Workflow



Workflow Timeline

(Project Completion Timelines are Estimates and can Significantly Change Depending on Internal and External Factors)



General Administration

Program Implementation

Construction Management

EXHIBIT "F"

Federal Funding Accountability and Transparency Act (FFATA)

EXHIBIT "F"

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

The Federal Funding Accountability and Transparency Act (FFATA or "Transparency Act") was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

The FFATA Subaward Reporting System (FSRS) is the reporting tool Federal prime awardees (i.e. prime contractors and prime grants recipients) use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. Prime contract awardees will report against sub-contracts awarded and prime grant awardees will report against sub-grants awarded. The sub-award information entered in FSRS will then be displayed on www.USASpending.gov associated with the prime award furthering Federal spending transparency.

The Transparency Act requires information disclosure concerning entities receiving Federal financial assistance through Federal awards such as Federal contracts, sub-contracts, grants, and sub-grants.

Specifically, the Transparency Act's section 2(b)(1) requires the City to provide the following information about each sub-award(s) greater than \$25,000:

- Name of the entity receiving the award;
- Amount of the award;
- NAICS code for contracts / CFDA program number for grants;
- Information on the award including purpose of the funding action;
- Location of the entity receiving the award and primary location of performance under the award;
- Unique identifier (DUNS #) of the entity receiving the award and the parent entity of the recipient;
- Names and total compensation of the five most highly compensated officers of the entity if the entity:

In the preceding fiscal year, received 80 percent or more of its annual gross revenues in Federal awards; and \$25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.

I, _____ (print name), hereby agree that:

I read and understand the information provided above.

I acknowledge and agree that;
(Please check one of the following)

_____ (agency name) does not meet the above threshold requiring names and total compensation of the five most highly compensated officers of the entity if the entity.

_____ (agency name) does meet the above threshold* requiring names and total compensation of the five most highly compensated officers of the entity if the entity.

*If agency meets the above threshold, the agency MUST complete the section below identifying the names and total compensation of the five most highly compensated officers of the entity, signed and dated by the one of the following: President; Executive Director; CEO; Board Chairperson; Finance Director; CFO; or Treasurer.

	Names of Executive	Total Compensation
1.		
2.		
3.		
4.		
5.		

Signature of President/Executive Director/Board Chair

Printed Name of President/Executive Director/Board Chair

EXHIBIT "G"
CalHome Regulations

CalHome Program Guidelines



**Gavin Newsom, Governor
State of California**

**Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency**

**Douglas R. McCauley, Acting Director
Department of Housing and Community Development**

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November 27, 2019

CALHOME PROGRAM GUIDELINES

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Article 1. General

Section 7715. Purpose and scope.

- (a) These guidelines implement and interpret Chapter 6 (commencing with Section 50650) of Part 2 of Division 31, Health and Safety Code (HSC), which establishes the CalHome Program administered by the California Department of Housing and Community Development (the "Department") and Chapter 365 (commencing with Section 54000) of Part 16 of Division 31, HSC.
- (b) These guidelines establish terms, conditions and procedures for the award and disbursement of funds allocated to the CalHome program pursuant to HSC Section 54006(g).
- (c) These guidelines apply only to funds made available through HSC Section 54006(g) and do not apply to funds made available to the CalHome program authorized by Chapter 6 (commencing with Section 50650) prior to the adoption of HSC Section 54006(g).

NOTE: Authority cited: Sections 50406(n), 50650.2, 50650.7, and 54014, HSC.
Reference: 50650.3, 50650.4, 50650.5, 50650.7, and 54006(g), HSC.

Section 7716. Definitions.

In addition to the definitions found in Chapter 2 (commencing with Section 50050) of Part 1 of Division 31 of the HSC, the following definitions shall apply to this subchapter. References to code sections refer to the sections of these guidelines unless otherwise noted.

- (a) "Accessory Dwelling Units" ("ADUs") shall have the same meaning as defined by paragraph (4) of subdivision (f) of Government Code (GC) Section 65852.2.
- (b) "Activity Delivery Fees" ("ADFs") are reasonable and necessary costs incurred by the Applicant and associated with the financing, or development (or both) of activities assisted with CalHome program funds. ADFs directly related to a specific activity are not part of the general administrative costs. The Fee is to defray such costs as: adequate inspections to ensure that work write-ups for contractor bid purposes are professionally done and accurately reflect required rehabilitation work; overseeing the bid process and ensuring that only qualified contractors are selected; inspecting completed work for deficiencies; or arranging for qualified architectural or engineering work as may be required. The maximum ADF amounts shall be published in the NOFA. This amount is payable to the Recipient in the form of a Grant and the amount is not included in the Borrower's Loan amount.
- (c) "Administrative Subcontractor" means any entity or individual which contracts with the CalHome program Recipient to provide any portion of administrative services to the local CalHome program activity. Individuals or groups that are

acting in the capacity of developer or owner of a project shall not act as Administrative Subcontractor for the activity.

- (d) "ADU/JADU Program" means funds are provided to a Locality or Nonprofit Corporation to administer a program to fund the construction, reconstruction, repair, or Rehabilitation of ADUs or Junior Accessory Dwelling Units (JADUs). The Eligible Household is allowed, if assisted through a CalHome program ADU/JADU Program, to rent or lease an ADU or a JADU unit.
- (e) "Affordable" as it describes a specific financial obligation, means that obligation can be paid by the person or Household, along with all of other financial responsibilities, without endangering the financial stability of the Household.
- (f) "After-Rehabilitation Value" means the appraised value of the property including completed Rehabilitation work.
- (g) "Annual Income" means all income as defined in 24 Code of Federal Regulations (CFR), Part 5, Section 5.609 (see Income Calculation and Determination Guide for Federal Programs, Chapter one, Chapter two, and Chapter three). ADU- or JADU-related income will be exempt from the Annual Income calculation.
- (h) "Applicant" is the Locality or Nonprofit Corporation, which submits an application to the Department to operate a Local Program, develop a Homeownership project, or provide Self-Help Technical Assistance to a Homeownership project.
- (i) "Assisted Units" means units purchased or rehabilitated with a Loan funded pursuant to this subchapter. Assisted Units shall also include units occupied by a Seeker successfully matched to a Homeowner Provider under a Shared Housing Local Program or a Household provided with Self-Help Technical Assistance in a project funded pursuant to this subchapter.
- (j) "Back-End Ratio" means the ratio between monthly Household income and Monthly Housing Costs plus all payments on long-term installment debt.
- (k) "Borrower" means a Homebuyer(s) or existing Homeowner(s) who has or will receive a CalHome program Loan made from a Local Program funded pursuant to this subchapter, signs the promissory note, and is or will be the Homeowner of the property being financed.
- (l) "Community Revitalization" A program or project will be considered to contribute towards Community Revitalization if all units to be assisted with CalHome program funds are, or will be, located within a federal Promise Zone or a Choice Neighborhood Initiative Area or an Opportunity Zone.
- (m) "Construction Skills Training Program" means an existing program that trains youth 16 to 24 years old in construction skills.

- (n) "Department" means the Department of Housing and Community Development.
- (o) "Developer" means a Locality or Nonprofit Corporation that owns the project land, obtains the project financing and develops the Homeownership Development Project.
- (p) "Developer Borrower" means a Developer who receives a CalHome program Loan pursuant to this subchapter for the development of a project involving multiple Homeownership units.
- (q) "Elderly" means the same as defined in HSC, Section 50067.
- (r) "Eligible Household" means a Lower- or Very Low-Income Household at or below Moderate-Income Household that is a victim of a disaster as defined in HSC, Section 50650.3 that is:
 - (1) A First-Time Homebuyer;
 - (2) An existing owner-occupant of property in need of Rehabilitation, including construction, repair, reconstruction, or rehabilitation of an ADU or a JADU;
 - (3) A Homeowner participant in a Shared Housing Local Program; or
 - (4) A First-Time Homebuyer participant in a Self-Help Construction project.

The Eligible Household shall occupy, or intend to occupy, the property as their principal residence and shall not lease or rent the property (except in the case of a Homeowner Provider assisted through a CalHome program Shared Housing program in renting a room in their home to a Seeker or in the case of an owner-occupant assisted through a CalHome program ADU/JADU Program in renting an ADU or a JADU unit).

- (s) "First-Time Homebuyer" means a Borrower(s) who has not owned a home during the three-year period before the purchase of a home with CalHome program assistance, except that the following individual or individuals may not be excluded from consideration as a First-Time Homebuyer under this definition:
 - (1) A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed

or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

- (2) A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- (3) An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with CalHome program assistance, a dwelling unit whose structure is:
 - (A) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (B) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
- (t) "Front-End Ratio" means the ratio between monthly Household income and Monthly Housing Cost, including first mortgage principal, interest, taxes and insurance.
- (u) "Grant" means an award of funds made from the Department to eligible Localities or Nonprofit Corporations to operate Local Programs or to provide Self-Help Technical Assistance to a project pursuant to this subchapter. In the case of a development Loan, the portion of that Loan which is used to provide Mortgage Assistance to qualified First-Time Homebuyers is converted to a Grant.
- (v) "Homebuyer Education" means a specific course of instruction, designed pursuant to Section 7722, to educate First-Time Homebuyers regarding various aspects of purchasing and maintaining a home.
- (w) "Homeowner Provider" means a Low-Income person(s) currently residing in a home they own and occupy as a principal place of residence, who desires to find a tenant to share their residence.
- (x) "Homeownership" means:
 - (1) For Mortgage Assistance: fee simple title on real property or a leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome program Loan, ownership of a Manufactured Housing unit located on a rented space in a mobilehome park; or

- (2) For Owner-Occupied Rehabilitation: fee simple title; or a leasehold interest that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome program Loan; or ownership of a Manufactured Housing unit located on a rented space in a mobilehome park.
 - (3) A share interest in a limited equity housing cooperative; or
 - (4) An interest in a Mutual Housing project that meets the definition in Section 7716(qq).
- (y) "Homeownership Development Project" means new construction on a site, including subdivisions, or scattered sites, that is under common ownership, development financing and construction.
 - (z) "Household" means one or more persons occupying the same housing unit.
 - (aa) "Junior Accessory Dwelling Units" ("JADUs") shall have the same meaning as defined by paragraph (1) of subdivision (g) of GC Section 65852.22.
 - (bb) "Loan" shall have the same meaning as defined in HSC, Section 50076.6.
 - (cc) "Loan-to-Value-Ratio" means the ratio between the amount of all indebtedness liened, or to be liened, against a property and the appraised value of the property securing the liens.
 - (dd) "Local Public Agency", or "Locality" means a city, county, or city and county, a duly constituted governing body of an Indian reservation or rancheria or a tribally designated housing entity, or a local public entity within the state of California that has been delegated substantially all of the Locality's Housing Functions (hereinafter collectively referred to as a "Locality"). For the purpose of this definition, "Housing Functions" means engaging in or assisting in the development or operation of housing for persons of Low or moderate income. Such delegation shall have been made prior to the issuance of the Notice of Funding Availability (NOFA) under which the local public entity is applying.
 - (ee) "Local Program" means a First-Time Homebuyer Mortgage Assistance Loan program; or an Owner-Occupant Rehabilitation Program to provide CalHome program Loans for the acquisition and/or Rehabilitation of property; or an ADU/JADU Program; or a Shared Housing program operated by a Locality or Nonprofit Corporation pursuant to the provisions of this subchapter.
 - (ff) "Lower- and Low-Income Household" mean the same as defined in Section 50079.5 of the HSC.
 - (gg) "Manufactured Housing" means a mobilehome as defined by Section 18007 of the HSC. A manufactured home can be either in a rental mobile home park, on leased land, or on property owned by the occupant. It can either be on a

permanent foundation or a foundation system. In these guidelines, with respect to Manufactured Housing not installed on a permanent foundation, terms that typically apply to conventionally constructed housing or to Loans secured by real property shall be given the appropriate analogous meaning used in the Manufactured Housing industry. For example, rather than holding fee title to the property, a manufactured Homeowner is listed as the registered owner on the certificate of title issued by the Department.

- (hh) "Maximum Sales Price/Value Limit" is the maximum allowable sales price or the maximum After-Rehabilitation Value of a home assisted with a CalHome program Loan. This shall be set at 100 percent of the current median sales price of a single-family home in the county in which the CalHome program or project is located.
- (ii) "Mobilehome Park" shall have the same meaning as defined in HSC, Section 50082.7.
- (jj) "Moderate-Income Household" mean the same as defined in HSC, Section 50093.
- (kk) "Monitoring Agreement" means the contract entered into between the Department and a Recipient pursuant to Section 7756(b).
- (ll) "Monthly Housing Cost" means the average of the estimated costs for the next twelve months for a Homebuyer or owner-occupant and shall include all of the following associated with that housing unit:
 - (1) Principal and interest on a mortgage Loan including any rehabilitation Loans, and any mortgage insurance fees associated therewith;
 - (2) Property taxes and assessments;
 - (3) Fire and casualty insurance, including flood insurance when applicable, covering replacement value of property improvements;
 - (4) Homeowner association fees or dues, if applicable;
 - (5) Lease payments, if the housing unit is situated on leased land; and
 - (6) Space rent, if a Manufactured Housing unit is situated in a mobilehome park.
- (mm) "Mortgage" means a deed of trust which is used to secure a lien on real property or, in the case of Manufactured Housing, a security instrument sufficient to legally perfect a security interest in the home.
- (nn) "Mortgage Assistance" means permanent financing used toward Homebuyer costs, up to a maximum limit as specified in the Department's NOFA.

- (oo) "Mortgage Financing" means a long-term, permanent Loan, provided by a Mortgage Lender, which is secured by a deed of trust, or, in the case of Manufactured Housing, a security instrument sufficient to perfect a security interest in the home.
- (pp) "Mortgage Lender" means a bank or trust company, mortgage banker, mortgage broker, federal or state-chartered savings and Loan association, state or federal governmental agency or credit union whose principal business is to originate, process, close and service Loans for the purchase or development (if appropriate) of property. Mortgage Lender also includes nationwide institutions whose primary purpose is to develop housing and provide first Mortgage Financing to Low-Income purchasers of the developed housing.
- (qq) "Mutual Housing" means a multi-unit Homeownership Development that allows each resident a vested financial interest that has a determinable market value, is divisible and gives the owner an exclusive right to occupy a designated unit for an indefinite period.
- (rr) "NOFA" is the acronym for Notice of Funding Availability. The NOFA is the document used by the Department to announce that funds are available, and applications may be submitted.
- (ss) "Nonprofit Corporation" means a corporation as defined in Section 50091 of the HSC.
- (tt) "Owner-Occupied Rehabilitation Program" means funds are provided to a Locality or Nonprofit Corporation to administer a program to assist owners of homes that are in need of Rehabilitation as defined in Section 7716(zz).
- (uu) "Person With a Disability" is an individual with a physical or mental impairment that limits one or more major life activities as defined by the California Fair Employment and Housing Act (FEHA) and other disability rights statutes (GC Section 12955.3, GC Section 12926(m), and GC Section 12926(j)).
- (vv) "Predevelopment Costs" means the costs directly related to Program eligible housing development, including ADUs and JADUs. Predevelopment Costs may include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; professional services such as architectural, engineering, or legal services; permit or application fees; and bonding, site preparation, related water or sewer development, or material expenses.
- (ww) "Program Income" or "PI" means gross income earned by the Grantee from Grant and/or program income-funded activities. PI shall be deposited into a separately maintained Reuse Account.
- (xx) "Recipient" means a Locality or Nonprofit Corporation that receives an award of funds from the CalHome program.

- (yy) "Refinance" means to pay off all or a portion of existing debt secured by the property from the proceeds of a CalHome program Loan or other financing also secured by the property.
- (zz) "Rehabilitation" means, in addition to the definition in HSC, Section 50096 and Section 50097, the following:
- (1) Repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704;
 - (2) Reconstruction;
 - (3) Construction, repair, reconstruction, or rehabilitation of an ADU or a JADU;
 - (4) Conversion of existing space to add an ADU or a JADU;
 - (5) Room additions to prevent overcrowding;
 - (6) Repairs and improvements which are necessary to meet any locally adopted standards used in local rehabilitation; and
 - (7) Modifications, alterations, and additions necessary to improve accessibility and usability for persons with disabilities who reside in or regularly visit the home;

Rehabilitation includes costs incurred in implementing resiliency mitigation measures identified in the Hazard Mitigation Plan or the Safety Element of the General Plan adopted by the jurisdiction in which the program will be offered.

Rehabilitation does not include replacement of personal property.

- (aaa) "Reuse Account" means an account established pursuant Section 7724.
- (bbb) "Rural Area" means the same as defined in HSC, Section 50101.
- (ccc) "Seeker" means a person who desires to be placed as a tenant in a home that is owner-occupied.
- (ddd) "Self-Help Construction" means owner-building as defined in HSC, Section 50692 and may include Mutual Self-Help Housing as defined in HSC, Section 50692(b).
- (eee) "Self-Help Technical Assistance" means conducting and administering a project of technical or supervisory assistance, which will aid Eligible Households in carrying out owner-builder housing efforts.

- (fff) "Shared Housing" means a Local Program designed to preserve Homeownership by matching a Homeowner Provider with a Seeker.
- (ggg) "Shared Housing Match" means a Seeker who has been successfully placed as a tenant into the residence of a Homeowner Provider.
- (hhh) "Shared Housing Technical Assistance" means the provision of services required to Match a Homeowner Provider with a Seeker.
- (iii) "Site Control" means control of a parcel of real property as described in Section 7748.
- (jjj) "Standard Agreement" means the contract entered into between the Department and a Recipient pursuant to Section 7756(a).
- (kkk) "TCAC/HCD Opportunity Area Map" means the map or maps approved periodically by the California Tax Credit Allocation Committee (TCAC) as the TCAC/HCD Opportunity Area Map.
- (lll) "Very Low-Income Household" means the same as defined in Section 50105 of the HSC.
- (mmm) "Volunteer Labor" means skilled or unskilled construction labor provided without remuneration.

NOTE: Authority cited: Sections 50406(n), 50650.2 and 50650.7, HSC. Reference: 50650.3, 50650.4, 50650.5, and 50650.7, HSC.

Article 2. General program requirements.

Section 7717. General Applicant eligibility requirements.

- (a) Geographic restrictions:
 - (1) A Locality shall only be eligible to apply for an award of CalHome program funds for a Local Program or project located within its jurisdictional boundaries. A Locality may hire nonprofit and for-profit consultants located and/or registered within or outside its jurisdictional boundaries, including other counties within the state. Out-of-county consultants are obliged to fulfill the same experience requirements as the in-county entities. Localities may establish a consortium (provided there is a Memorandum of Understanding between the parties) with a single administrator. One Locality shall apply on behalf of other entities in a consortium and may serve all jurisdictions.
 - (2) A Nonprofit Corporation shall only be eligible to apply for an award of CalHome program funds for a program or project if it has developed a project or operated a housing program in California within the past two years or if the Nonprofit Corporation has an existing 523 Self-Help

Technical Assistance Grant Agreement with United States Department of Agriculture (USDA).

(b) Stability and capacity:

- (1) To be eligible for funding, the Applicant shall demonstrate to the Department's satisfaction that it has sufficient organizational stability and capacity to carry out the activity for which it is requesting funds.
- (2) In order to demonstrate organizational stability, the Applicant shall have been operating as a housing Developer or housing program administrator for a minimum of two years prior to the date of application. A Locality may subcontract with an Administrative Subcontractor to qualify toward organizational stability and experience requirement.
- (3) A Nonprofit Corporation must be a corporation whose exempt purposes for the two years prior to the date of application have included the activity for which it is applying.
- (4) A Nonprofit Corporation shall also demonstrate financial stability to the Department's satisfaction through audited financial statements submitted for Department review as part of its application for funding.
- (5) An Applicant shall also meet the additional stability and capacity requirements set forth in these guidelines for the specific activity for which it is applying.
- (6) To the extent necessary to address a presidential declaration of disaster or emergency, or a "state of emergency" or a "local emergency" declared by the Governor under GC Section 8571, the Department may alter or waive state-required criteria set forth in this subsection (b), to the extent otherwise allowed by law.

(c) Reporting requirements

- (1) Recipients shall submit outstanding reports from previous CalHome program Grants to the Department by the application date (as specified in the NOFA). Failure to submit the reports by the application date will make the Recipients ineligible for a CalHome program award.

NOTE: Authority cited: Sections 50406(n), 50650.2 and 50650.7, HSC. Reference: 50650.3, 50650.4, 50650.5, and 50650.7, HSC.

Section 7718. Eligible activities.

- (a) The Department may make Grants to Localities or Nonprofit Corporations to fund Local Programs undertaking:

- (1) Provision of CalHome program Loans to First-Time Homebuyers for Mortgage Assistance;
 - (2) Provision of CalHome program Loans to owner-occupants for Rehabilitation, including Rehabilitation or replacement of manufactured homes not on a permanent foundation; Rehabilitation work shall comply with building standards in place as of the date of building permit application;
 - (3) Provision of Technical Assistance to Self-Help housing projects in which the Applicant organization will be directly providing the services required in Section 7738, Self-Help Technical Assistance Project Administration Requirements; or
 - (4) Provision of Technical Assistance for Shared Housing programs for which the Applicant organization will be directly providing the services required in Section 7741, Shared Housing Program Administration Requirements.
 - (5) Provision of CalHome program Loans to owner-occupants for new construction, repair, reconstruction, or rehabilitation of ADUs or JADUs; All work shall comply with building standards in place as of the date of building permit application;
- (b) The Department may make construction period Loans to Localities or Nonprofit Corporations for development of new Homeownership projects, including Program eligible housing developments that include ADUs or JADUs, or make permanent Loans for Mutual Housing and limited equity housing cooperatives.
 - (c) Proposed development projects shall be ineligible to receive funding if Construction Work has begun or will begin prior to the date that the Department makes an award of program funds. "Construction Work" includes grading; site preparation (with the exception of demolition or clearing of property); or site improvements intended for public dedication.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, HSC.

Section 7719. Eligible and Ineligible uses of funds.

- (a) Eligible uses of funds for specific activities are set forth in the article dealing with that activity.
- (b) CalHome program funds shall not be used for any of the following costs that may be incurred in the Local Program or the project:
 - (1) Refinancing of existing Loans with CalHome program funds, except CalHome program funds may be used for site acquisition bridge Loans

with a term of 36 months or less on Homeownership Development Projects.

- (2) Costs associated with the Rehabilitation or repair of property owned by a mobilehome park owner.
- (3) Offsite Improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
- (4) Unit construction costs, except in Owner-Occupied Rehabilitation Local Programs or for construction period expenses for development of new Homeownership projects.
- (5) Recurring Loan closing costs.
- (6) Payoff of all or any portion of a Borrower's consumer debt, liens or judgments.
- (7) Self-Help Technical Assistance Grant funds may not be used to pay for purchase of land, materials, tools and construction equipment or for any costs of construction.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7720. Eligible Households.

To be eligible to receive the benefits of CalHome program funding, an individual Household shall:

- (a) Be a Lower-Income Household, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (b) Be a Moderate-Income Household that is a victim of a disaster, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (c) Include as Borrowers on the CalHome program promissory note all persons who will be or are on title to the property; and

(d) Either:

- (1) In the case of a Rehabilitation Loan or if receiving Shared Housing Match services, be an owner-occupant and intend to continue occupying the home as a principal place of residence; or
- (2) In the case of a Mortgage Assistance Loan or if receiving Self-Help Technical Assistance services, be a First-Time Homebuyer and intend to occupy the home as a principal place of residence.

Residents of an ADU or a JADU shall not be considered as part of the Household receiving CalHome program funding for purposes of this section. If the Borrower will occupy an ADU or a JADU, then the residents of the primary unit shall not be considered as part of the Household receiving CalHome program funding for purposes of this section.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650(c) and 50650.3, HSC.

Section 7721. Local program/project administration.

- (a) The Recipient shall implement the Local Program or project and be responsible for the following activities:
 - (1) Marketing the Local Program or project;
 - (2) Determination of a Household's income-eligibility pursuant to the income requirements of this subchapter;
 - (3) Where applicable, based on the nature of the Local Program or project, compliance with the following requirements:
 - (A) Section 7722 Homebuyer Education requirements;
 - (B) Section 7723 Loan servicing requirements;
 - (C) Section 7724 Reuse Account requirements;
 - (D) Section 7730 Mortgage Assistance administration requirements;
 - (E) Section 7731 Mortgage Assistance underwriting requirements;
 - (F) Section 7734 Owner-Occupied Rehabilitation administration requirements;
 - (G) Section 7735 Owner-Occupied Rehabilitation underwriting and construction requirements;
 - (H) Section 7738 Self-Help Technical Assistance requirements; and

- (I) Section 7741 Shared Housing administration requirements.
 - (J) Section 7744 ADU/JADU administration requirements; and
 - (K) Section 7745 ADU/JADU underwriting and construction requirements.
- (4) For Mortgage Assistance or Owner-Occupied Rehabilitation Loans, disbursing funds on behalf of Borrowers at time of property acquisition or during Rehabilitation;
 - (5) Maintaining complete and accurate records of all CalHome program Loan disbursements and repayments to ensure adherence to proper accounting procedures for the CalHome program Loans, which may be verified by the Department and may be subject to a fiscal and programmatic audit;
 - (6) Complying with reporting requirements pursuant to Section 7758; and
 - (7) Complying with all other Locality and/or Nonprofit Corporation requirements as set forth in these guidelines and all applicable federal and state regulations.

NOTE: Authority cited: Sections 50406(n) and 50650.2HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7722. Homebuyer education requirements.

- (a) Homebuyer Education shall be provided to all Homebuyers receiving a CalHome program Mortgage Assistance Loan and to all Self-Help participants being assisted under a CalHome program Self-Help Technical Assistance Grant. For each home purchase completed by an assisted Household, the CalHome program shall provide a Grant of up to a maximum amount as published in the latest NOFA per assisted Household toward the cost of the Homebuyer Education, provided the following conditions are met:
 - (1) Homebuyer Education curriculum shall be pre-approved by the Department and at a minimum, shall include the following topics:
 - (A) Preparing for Homeownership;
 - (B) Available financing and credit analysis;
 - (C) Loan closing and Homebuyer responsibilities;
 - (D) Home maintenance and Loan servicing.

- (2) A certificate of successful completion of Homebuyer Education shall be issued to each prospective Homeowner and a copy submitted to the Department.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b), HSC.

Section 7723. Loan servicing requirements.

- (a) Recipients shall develop and employ a Loan servicing plan that has been submitted to and approved by the Department as addressing the following topics:
 - (1) Process for monitoring the requirement of owner-occupancy
 - (2) Annual review hazard and flood insurance
 - (3) Timely payment of property taxes and assessments
 - (4) Accounting for repayment of CalHome program Loans
 - (5) Properly calculate payoffs
 - (6) Processing demands
 - (7) Reconveyance of deeds of trust
 - (8) Collection of CalHome program notes in default or foreclosure
- (b) If Loan servicing will be performed under a contract with a third party, that third party must be in the business of performing Loan servicing; and
- (c) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Loan servicing for compliance with these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7724. Reuse account.

- (a) CalHome program Recipients shall develop and employ a Reuse Account plan that has been submitted to and approved by the Department as addressing the following topics:
 - (1) Description of a tracking system to ensure the reuse of funds for eligible activities including:
 - (A) Loans to individual Homeowners and Homebuyers,
 - (B) CalHome program Loan processing, housing Rehabilitation processing, Homebuyer Education and other eligible ADF, and
 - (C) Allowable 5 percent Loan servicing fee.

- (b) All repayments of CalHome program Loan principal and any CalHome program Loan interest (i.e. PI) shall be deposited into a separately maintained Reuse Account.
- (c) Any interest earned on deposited CalHome program reuse funds must accrue to the CalHome program identified funds and be reused for CalHome program purposes.
- (d) Funds in the Reuse Account shall only be used by the Recipient for CalHome program eligible activities which are subject to these guidelines.
- (e) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Reuse Accounts for compliance with these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.3(d), HSC.

Article 3. Homeowner/Homebuyer Loan requirements.

Section 7725. Maximum Homeowner/Homebuyer Loan amounts.

- (a) CalHome program Loans to individual Borrowers shall not exceed the amount published in the current NOFA or, when considered with other available financing and assistance, the minimum amount necessary:
 - (1) In the case of First-Time Homebuyer Mortgage Assistance, to ensure Affordable Monthly Housing Costs as defined by the first Mortgage Lender.
 - (2) In the case of Owner-Occupant Rehabilitation, to fund eligible Rehabilitation costs only, in accordance with program requirements.
 - (3) In the case of ADU/JADU assistance, to fund eligible costs only, in accordance with program requirements.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7726. Homeowner/Homebuyer Loan terms.

- (a) CalHome program Loans shall be secured by the property or leasehold interest, as applicable.
- (b) The lien securing repayment of the CalHome program Loan shall be subject only to liens, encumbrances and other matters of record reviewed and approved by the Recipient responsible for underwriting the CalHome program Loan.

- (c) Homeowner/Homebuyer CalHome program Loans shall have the following terms and conditions:
- (1) Principal and interest payments shall be deferred for the term of the CalHome program Loan;
 - (2) Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome program Loan maturity date; However, if it is determined by the Recipient that repayment of the CalHome program Loan at the maturity date causes a hardship to the Borrower, the Recipient has two other options. They are:
 - (A) Amending the note and deed of trust to defer repayment of the amount due at Loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0 percent additional interest), this may be offered one time, or
 - (B) Converting the debt at Loan maturity, that is the original principal balance and any accrued interest, to an amortized Loan, repayable in 15 years at 0 percent additional interest.
 - (3) Loans are not assumable;
 - (4) The following transfers of interest shall not require the repayment of the CalHome program Loan:
 - (A) Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
 - (B) A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - (i) A transfer where the spouse becomes an owner of the property;
 - (ii) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - (iii) A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.
 - (5) The term for First-Time Homebuyer Mortgage Assistance CalHome program Loans shall be 30 years with the following exception: when USDA, Rural Housing Service (RHS) 502 mortgage Loans are in first lien position, the term shall be the term of the 502 mortgage (30 to 38 years);

- (6) The term for Owner-Occupied Rehabilitation CalHome program Loans shall be a maximum of 30 years as determined by the Recipient; and
 - (7) A Borrower may pay the CalHome program Loan amount, in part or in whole, at any time without penalty.
- (d) All CalHome program assistance to individual Households shall be made in the form of a Loan. Recipients may make CalHome program Loans bearing simple interest up to 3 percent per annum and may allow forgiveness of all or a portion of the accrued interest as part of its Local Program design. Loan principal shall not be forgiven, except as allowed by statute. In lieu of making Loans bearing a fixed rate of interest, Recipients may instead charge contingent deferred interest in the form of shared net appreciation as set forth in subsection (e).
- (e) Shared net appreciation is allowed, only as follows:
- (1) Gross appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised value if the Loan accelerating event is other than sale of the property;
 - (2) Net appreciation is calculated by subtracting the seller's applicable closing costs, seller's cash contribution in the original purchase transaction, the value of seller's sweat equity, if applicable, and the documented value of capital improvements from the gross appreciation amount;
 - (3) The Recipient may only claim repayment of the principal, interest and a portion of the net appreciation. That maximum portion of the net appreciation which may be claimed by the Recipient is equal to the percentage of the value of the residence financed by the CalHome program Loan. That is, if the Loan equals 20 percent of the initial value of the residence, a maximum of 20 percent of the appreciation may be charged by Recipient.
- (f) In any Loan transaction where there is no other public subsidy or public resale restriction, the Borrower cannot be restricted from selling the home at its fair market value at any time.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7727. Homeowner/Homebuyer Loan-to-Value Limits.

- (a) The Loan-to-Value Ratio for a Mortgage Assistance CalHome program Loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover actual closing costs.

with a term of 36 months or less on Homeownership Development Projects.

- (2) Costs associated with the Rehabilitation or repair of property owned by a mobilehome park owner.
- (3) Offsite improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
- (4) Unit construction costs, except in Owner-Occupied Rehabilitation Local Programs or for construction period expenses for development of new Homeownership projects.
- (5) Recurring Loan closing costs.
- (6) Payoff of all or any portion of a Borrower's consumer debt, liens or judgments.
- (7) Self-Help Technical Assistance Grant funds may not be used to pay for purchase of land, materials, tools and construction equipment or for any costs of construction.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7720. Eligible Households.

To be eligible to receive the benefits of CalHome program funding, an individual Household shall:

- (a) Be a Lower-Income Household, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (b) Be a Moderate-Income Household that is a victim of a disaster, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (c) Include as Borrowers on the CalHome program promissory note all persons who will be or are on title to the property; and

Section 7730. Administration requirements.

The Recipient of CalHome program funds to operate a local Mortgage Assistance program shall be responsible for the following activities:

- (a) Providing information and assistance to First-Time Homebuyers on obtaining maximum amount of first Mortgage Financing pursuant to the underwriting requirements in Section 7731;
- (b) Reviewing CalHome program required appraisals for property eligibility under value limits established pursuant to Section 7731(b)(3). The appraised value shall not exceed these limits;
- (c) In the case of acquisition of existing housing, the Recipient shall be responsible for inspection of properties to be purchased or a review of Uniform Residential Appraisal Reports, including the Valuation Conditions, to ensure that they conform to the requirements of State Housing Law (California HSC, Section 17910 et seq.);
- (d) Ensuring completion by each assisted Household of a Homebuyer Education class that meets the requirements of Section 7722; and
- (e) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7731. Underwriting requirements.

- (a) CalHome program Recipients shall develop and employ Mortgage Assistance Program Underwriting Guidelines that have been submitted to and approved by the Department as addressing the following underwriting topics:
 - (1) Establish Front- and Back-End Ratios used to qualify the Borrower;
 - (2) What criteria will be used to determine the credit worthiness of the Borrower;
 - (3) Requirements for the first Mortgage:
 - (A) Borrower shall obtain the maximum first lien mortgage Loan with a term and interest rate from a Mortgage Lender consistent with Affordable housing costs as defined in each program's guidelines.
 - (B) Mortgage Loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest.

- (4) Financing subordinate to the CalHome program Loan:
 - (A) Fees and/or charges for subordinate financing shall be reasonable Loan origination fees for first Mortgage Financing as determined by the Department to be consistent with industry standards;
 - (B) There must not be a balloon payment due before the maturity date of the CalHome program Loan;
 - (C) All subordinate financing provided shall defer principal and interest payments for the term of the CalHome program Loan;
- (b) Prior to close of escrow, the Recipient shall ensure that an appraisal has been obtained which meets the following requirements:
 - (1) The appraisal shall be prepared by a state-licensed, residential property appraiser;
 - (2) The appraisal shall use the sales of comparable properties approach to determine value; and
 - (3) Maximum appraised home values at time of purchase or upon completion of acquisition/Rehabilitation work shall not exceed the appraised value limit established by the Department and published in the NOFA.
- (c) Cash out of escrow to Borrowers are limited to the amount deposited into escrow by the Borrowers and not needed for any lender-required minimum down-payment.
- (d) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (e) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 5. Owner-Occupied Rehabilitation Programs.

Section 7732. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for an Owner-Occupied Rehabilitation Program, the Applicant or its Administrative Subcontractor shall have successfully administered a local Owner-Occupied Rehabilitation Program for a minimum of two years within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.4 and 50650.7, HSC.

Section 7733. Eligible costs.

CalHome program funds in support of an Owner-Occupied Rehabilitation program shall be used only for the following costs:

- (a) Cost of Rehabilitation of the property, as defined in Section 7716(zz).
- (b) Cost of building permits and other related government fees.
- (c) Cost of an appraisal, architectural, engineering, and other consultant services that are directly related to the Rehabilitation of the property.
- (d) Non-recurring Loan closing costs.
- (e) Replacement cost of a manufactured home not on a permanent foundation up to the maximum amount published in the current NOFA in the case where it has been determined by the Recipient it is infeasible to rehabilitate the home.
- (f) A CalHome program ADF in an amount not to exceed the maximum amount published in the current NOFA per Assisted Unit will be reimbursed in the form of a Grant from the Department to the Recipient.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7734. Administration requirements.

The Recipient of CalHome program funds for the operation of a local Owner-Occupied Rehabilitation Program shall be responsible for the following activities:

- (a) Reviewing CalHome program required After-Rehabilitation appraisals for property eligibility under value limits established in the current published NOFA;
- (b) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements; and

- (c) Completion of Rehabilitation construction requirements pursuant to the Owner-Occupied Rehabilitation Program Guidelines required by Section 7735(a).

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7735. Underwriting and construction requirements.

- (a) CalHome program Recipients shall develop and employ Owner-Occupied Rehabilitation Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) Owner-Occupied Rehabilitation underwriting guidelines including Borrower credit requirements; and
 - (2) Rehabilitation construction requirements.
- (b) Prior to commencement of Rehabilitation work, an appraisal shall be obtained with the following requirements:
 - (1) The appraisal may be prepared by Recipient's staff using the sales of comparable properties approach to determine value. If comparable sales are not available, the appraisal shall be prepared by a state-licensed, residential property appraiser;
 - (2) The appraisal shall take into consideration the estimated value of the Rehabilitation work to be completed on the property and shall include the pre-rehabilitated value and the After-Rehabilitated Value; and
 - (3) An appraisal is not required in the case of Rehabilitation work on a manufactured home not on a permanent foundation.
- (c) Any cash out of escrow to Borrowers is prohibited.
- (d) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (e) Fire Insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 6. Self-Help Technical Assistance projects.

Section 7736. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for a Self-Help Technical Assistance project, the Applicant shall meet the criteria set forth in the CCR, Title 25, Division 1, Chapter 7, Subchapter 6.5, Article 1, Section 7532 "Eligible Sponsors", and have successfully completed a minimum of two self-help, new construction projects within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7737. Eligible costs.

CalHome program funds in support of a Self-Help Technical Assistance project shall be used only for the following costs:

- (a) Costs for assistance, training and supervision on Self-Help Construction activities and techniques;
- (b) Homebuyer Education, which will be reimbursed in the form of a Grant from the Department to the Recipient in an amount not to exceed the maximum published in the current NOFA;
- (c) Costs of assistance provided in project development which includes, but is not limited to, the preparation of contracts for professional services, application for project funding, packaging Households' applications for assistance, preparation of subdivision maps, review of engineering plans and specifications for construction and Rehabilitation projects and compliance with appropriate requirements of funding agencies and local government;
- (d) Administrative costs of providing Technical Assistance for the project funded by the Department including, but not limited to, wages, salaries and fringe benefits of clerical and management personnel and payment for rent, utilities, communications, printing and travel expenses.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7738. Administration requirements.

- (a) The Recipient shall develop and employ Self-Help Technical Assistance Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) Program Marketing
 - (2) Recruitment of Homebuyers and selection criteria

- (3) Income limits for participation and income determination procedures
- (4) Criteria for Homebuyer participation in the program including:
 - (A) Residency requirements
 - (B) Credit requirements
 - (C) Process of providing reasonable accommodations to persons with a disability
- (5) List of activities to be performed by self-help participants
- (6) Construction training plan
- (7) Homeownership training plan
- (b) A home assisted with Self-Help Technical Assistance shall not be sold at a price that exceeds its appraised value;
- (c) Prior to the disbursement of an advance, not to exceed 25 percent of the total Grant amount, the Recipient must submit a certification that the Recipient does not have available funds to initiate the project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Article 7. Shared Housing programs.

Section 7739. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for a Shared Housing program, the Applicant or its Administrative Subcontractor shall have successfully administered a shared housing program for renters or Homeowners for a minimum of two years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7740. Eligible Costs.

CalHome program Shared Housing Technical Assistance funds shall be used only for the following costs:

- (a) Indirect costs of administering a Shared Housing Local Program, including the costs of providing information and referrals; outreach/marketing costs; program evaluation; and CalHome program reporting requirements; and/or

- (b) Costs of direct services, including Shared Housing Matching, documentation of match efforts, and match follow-up services.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7741. Administration requirements.

- (a) A Shared Housing Technical Assistance Local Program shall, at a minimum, include the following features:
 - (1) Information regarding services available, procedures and program requirements, which shall be provided to all individuals requesting assistance;
 - (2) Outreach and marketing activities shall be conducted to reach both potential Homeowner Providers and potential Seekers and provide information about the availability, purpose and requirements of Shared Housing Match services;
 - (3) Program evaluations shall be obtained from clients (Homeowner Providers and Seekers) by the Shared Housing Technical Services provider to be used as a basis for assessment and improvement of services provided to clients;
 - (4) All services required to affect a Shared Housing Match between a Low-Income qualified Homeowner Provider and a Seeker, which must include at minimum, intake forms/applications, face-to-face interviews between Homeowner Providers/Seekers and Shared Housing agency staff, reference checks, and income determinations to determine Homeowner Provider eligibility;
 - (5) Documentation of a minimum 10 percent reduction in housing costs (or increased income) for Homeowner Providers, except in instances where a Homeowner Provider is age 60 or over or disabled and the Seeker (renter) will be providing services to the Homeowner Provider. In cases that do not meet this requirement, the Recipient shall provide written justification; and
 - (6) Match follow-up services to determine Match satisfaction and to help clients maintain a successful Shared Housing Match.
- (b) A Seeker may not be matched to a Homeowner Provider who rents out more than two rooms in their home.
- (c) The aggregate annual CalHome program reimbursement cannot exceed 50 percent of the Locality's or Nonprofit Corporation's annual budget for their Shared Housing Match Local Program.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 8. ADU/JADU Programs.

Section 7742. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for an ADU/JADU Program, the Applicant or its Administrative Subcontractor shall have successfully administered a local Owner-Occupied Rehabilitation Program, new construction development involving multiple Homeownership units (including single-family subdivisions), or an ADU/JADU Program for a minimum of two years within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.4 and 50650.7, HSC.

Section 7743. Eligible costs.

CalHome program funds in support of an ADU/JADU Program shall be used only for the following costs:

- (a) Cost of construction, reconstruction, repair, conversion or rehabilitation.
- (b) Cost of structural modifications to the existing home necessary to accommodate an ADU or a JADU.
- (c) Cost of building permits and other related government fees, including all fees necessary to build and occupy an ADU or a JADU.
- (d) Cost of an appraisal, architectural, engineering, and other consultant services that are directly related to the construction.
- (e) Non-recurring Loan closing costs.
- (f) A CalHome program ADF in an amount not to exceed the maximum amount published in the current NOFA per Assisted Unit will be reimbursed in the form of a Grant from the Department to the Recipient.

NOTE: Authority cited: Sections 50406(n), 50650.2, HSC. Reference: 50650.3 and 50650.7, HSC.

Section 7744. Administration Requirements.

The Recipient of CalHome program funds for the operation of a local ADU/JADU Program shall be responsible for the following activities:

- (a) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements; and

- (b) Completion of construction requirements pursuant to Section 7745(a) of these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7745. Underwriting and construction requirements.

- (a) Recipients shall develop and employ ADU/JADU Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) ADU and/or JADU underwriting guidelines, including Borrower credit requirements;
 - (2) ADU and/or JADU construction requirements; and
 - (3) ADU and/or JADU site standards required by local jurisdictions.
- (b) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (c) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.
- (d) Recipients shall set a minimum tenancy of 30 days and shall not use this program for short-term rentals.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Article 9. Development Loan requirements

Section 7746. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for a development Loan, an Applicant shall have successfully developed a minimum of two similar projects within the last four years, and the Applicant shall have staff that will be committed to the proposed project that possess the knowledge, skills and ability to perform the tasks required in a Homeownership Development Project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7747. Eligible costs.

CalHome program funds in support of a development project shall be used only for the following costs:

- (a) Purchase of real property;
- (b) Building permits and state and local fees;
- (c) Predevelopment Costs directly related to eligible housing development, including ADUs and JADUs;
- (d) Onsite improvements related to eligible housing development (within the boundaries of the subdivision or individual parcels for scattered site developments);
- (e) Carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the eligible housing development, including ADUs and JADUs, is under construction;
- (f) Escrow, title insurance, recording and other related costs;
- (g) Costs for items intended to assure the completion of construction, such as contractor bond premiums;
- (h) Environmental hazard reports, surveys, and investigations;
- (i) Payoff of bridge Loan financing for site acquisition which has a term of 36 months or less; and
- (j) Attorney fees directly associated with activities related to units funded by the CalHome program.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b), HSC.

Section 7748. Site Control.

To be eligible to apply for a Homeownership Development Project Loan, the Applicant shall have Site Control of the proposed project property through the application award date listed in the NOFA, as evidenced by one of the following:

- (a) Fee simple title;
- (b) An enforceable option to purchase, which shall extend, or may be extended, for a minimum of 120 days beyond the deadline for application submittal;
- (c) A disposition and development agreement with a public agency;
- (d) A sales contract, or other enforceable agreement for the acquisition of the property;
- (e) A leasehold interest, or an enforceable option to lease. The option to lease shall extend for a minimum of 120 days beyond the deadline for application submittal. The leasehold term must be for a minimum of 40 years. The leasehold must have provisions that enable the lessee(s) to make improvements on and encumber the property for a term sufficient to secure the CalHome program lien; or
- (f) Other forms of Site Control that give the Department equivalent assurance that the project will be able to proceed without inordinate delay.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7749. Maximum development Loan amount.

The maximum project development Loan amount shall be published in the current NOFA.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7750. Development Loan terms.

- (a) All CalHome program development Loans shall be secured by the project real property and improvements, subject only to liens, encumbrances and other matters of record which have been reviewed and approved by the Department on a case-by-case basis.
- (b) The development Loan term shall end no later than the date specified in the Standard Agreement.
- (c) Principal and interest payments shall be deferred for the term of the development Loan.

- (d) Development Loans shall be repayable at permanent closings of the individual Homebuyer CalHome program Loans or at the development Loan maturity date, whichever occurs first. The portion of development Loan repayments that are used to provide Mortgage Assistance to qualified First-Time Homebuyers will be converted to a Grant to the Recipient. The balance of the development Loan will be repaid to the Department.
- (e) Development Loans shall bear interest at the rate of 6 percent simple interest per annum. The Department may forgive accrued interest on a pro rata basis to the extent that the number of Lower-Income Households and disaster-affected Moderate-Income Households originally proposed to be served, have been served upon completion of the project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7751. Development Loan-to-Value Limits.

Loan-to-Value limits include all liens recorded or to be recorded on the project property.

- (a) When development Loan funds are used for the purchase of unimproved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the unimproved appraised value.
- (b) When development Loan funds are used for the purchase of improved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the improved appraised value.
- (c) When development Loan funds are used for predevelopment or site improvement costs, the Loan-to-Value Ratio shall not exceed 100 percent of the appraised land value, plus predevelopment and/or site improvements costs.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7752. Development requirements.

- (a) Prior to disbursement of development Loan proceeds:
 - (1) The Developer Borrower shall be the sole owner of the development site or upon close of purchase escrow when CalHome program funds are being used for site acquisition;
 - (2) The Developer Borrower shall have a firm financing commitment(s) for all costs to complete the development;

- (3) The Department shall have approved a final construction budget that ensures that the estimated sales price of the homes to be constructed:
 - (i) Do not exceed the limits established in the NOFA; and
 - (ii) Can reasonably be expected to be Affordable to eligible buyers; and
 - (4) The Developer Borrower shall have met all other Department conditions for disbursement as stated in the Standard Agreement required by Section 7756(a).
- (b) A home assisted with a development Loan shall not be sold at a price that exceeds its appraised value.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Article 10. Application procedures

Section 7753. Application process.

- (a) The Department shall periodically issue a NOFA that specifies, among other things, the amount of funds available, the minimum/maximum application amount, the minimum/maximum activity amount, minimum/maximum amount per Assisted Unit, the Maximum Sales Price/Value Limit which will represent 100 percent of the current local median sales price of a single family home, minimum number of units per Homeownership Development Project, application requirements, the activities eligible for funding, the number of activities that may be applied for in one application, the allocation of rating points, the deadline for submittal of applications, the schedule for rating and ranking applications and awarding funds, and the general terms and conditions of funding commitments.
- (b) In order to implement goals and purposes of the CalHome program , the Department may adopt measures to direct funding awards to designated Local Program types or project types including, but not limited to Local Programs or projects that: are utilizing self-help labor; are utilizing Volunteer Labor; involve a Construction Skills Training Program; contribute toward Community Revitalization; are located in Rural Areas or other areas to achieve a reasonable geographic distribution of funding, to the extent feasible; or are located in a geographic area subject to a presidential declaration of disaster or emergency, or a "state of emergency", or a "local emergency", as those terms are defined in GC Section 8558. Such measures may include, but are not limited to:
 - (1) Issuing a separate NOFA for designated Local Program or project types;

- (2) Awarding bonus points to designated Local Program or project types within a particular NOFA;
- (3) Reserving a portion of funds in the NOFA for designated Local Program or project types; and/or
- (4) Notwithstanding anything in these guidelines to the contrary, a separate NOFA issued pursuant to this subsection may establish an over-the-counter application process meaning the Department continuously accepts and rates applications until the funding available under the NOFA is exhausted. At a minimum, a separate NOFA shall include a description of the application process and funding conditions, shall require compliance with paragraph (a) of this Section, and shall establish minimum funding threshold criteria based on the rating criteria set forth in subdivision 7755.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.7, HSC.

Section 7754. Application requirements.

Application shall be made in a format provided by the Department. The Department shall request the following information:

- (a) Applicant identification information including: name, address, telephone number, contact person and, for Nonprofit Corporations, corporate governing documents and financial information (e.g., articles and by laws, certificate of good standing, confirmation of 501(c)(3) status, audited financial statements), and list of legislative representatives for the area where the program or project will be undertaken.
- (b) Governing board resolution which legally authorizes the application and conforms to the Department's requirements.
- (c) Documentation evidencing that the Applicant: has the authority to undertake the activities applied for; that it meets the eligibility requirements; that it does not have any unresolved Department audit findings nor pending lawsuits; that if the application is for a construction project, Construction Work has not yet begun; and that it agrees to comply with all program requirements.
- (d) Project or program description including amount applied for, number of units or Households to be assisted, income levels of Households to be assisted, description of prior experience with the type of program or project applied for, geographic location of the activities, financing sources and uses, and description of any contributed labor.
- (e) For development projects, the description of the project also shall include: a description of how the Applicant has Site Control; the status of all local government approvals; availability of on and off site improvements and utilities; soil condition and environmental conditions; project costs; unit

description in terms of size, number of bedrooms; per unit construction cost; estimated sales price and sources of financing; estimated Monthly Housing Costs of purchasers; and description of the Homebuyer Education program.

- (f) A description of how the Applicant will comply with the requirements for Local Program/project administration set forth in Section 7721 applicable to the program or project being applied for.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.7, HSC.

Section 7755. Selection criteria.

- (a) Applications shall not be considered for funding unless the application is received by the deadline as stated in the NOFA and demonstrates that all of the following conditions exist:
 - (1) The application contains all of the information required by Section 7754 and contains sufficient information to allow the Department to apply the rating factors set forth in subsection (b) of this Section;
 - (2) The Applicant is eligible;
 - (3) The Applicant proposes an eligible activity;
 - (4) The Applicant proposes an eligible use of the funds;
 - (5) The Applicant does not have any unresolved audit findings or unresolved compliance issues for prior Department or federally funded housing or community development projects or programs;
 - (6) The Applicant has no pending lawsuits that would impact implementation of the program or project for which funding is being requested;
 - (7) If the application is for a development project, construction on the project has not yet begun; and
 - (8) The proposed program or project is consistent with any special terms and conditions of the NOFA (e.g., maximum amounts for downpayment assistance, sales price, development Loan).
- (b) Each application considered for funding shall be rated using the following criteria and maximum possible rating points. The maximum points an application may receive shall not exceed 100 points. Applications must receive a minimum of 55 points to be considered for funding.
 - (1) Capability to operate the local the proposed program, administer and conduct the Self-Help Technical Assistance project, or develop the type

of Homeownership project proposed in the application as follows (up to 40 points):

- (A) Prior experience with administration/implementation of the type of program proposed in the application; or
 - (B) Prior experience in developing the type of Homeownership Development Project or Self-Help Technical Assistance Homeownership project as proposed in the application; and
 - (C) Prior experience with Loan servicing or a plan to provide Loan servicing/management capabilities.
- (1) Community need in a geographic area of the proposed Local Program or project will be based on one or more of the following factors (up to 15 points): the percentage of renter Households that are low income, the percent of renter Households occupying overcrowded housing, the rental vacancy rate, the age of the housing stock, the percentage of Homeowner Households who are in poverty, the percentage of Homeowner Households who are low income, and the percent of Homeowner Households occupying overcrowded housing, as reported in U.S. Census Bureau data; and housing affordability in the geographic area. The specific community need factors that will apply to each activity will be calculated by the Department annually and identified in the NOFA.
- (3) Feasibility of the proposed activity as demonstrated by the following (up to 25 points):
- (A) For applications proposing Mortgage Assistance programs, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the affordability of Homeownership relative to renting, as reported in U.S. Census Bureau data; and the availability of affordable homes for sale relative to the proposed amount of lending activity. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;
 - (B) For applications proposing Owner-Occupied Rehabilitation, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the age of the housing stock and the percent of Homeowner Households occupying overcrowded housing, as reported in U.S. Census Bureau data; and the Applicant's proposed marketing plan. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;
 - (C) For applications for proposing Shared Housing programs, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the

Incidence of severe cost burden for renters, and the rental vacancy rate, as reported in U.S. Census Bureau data. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;

- (D) For applications proposing a Homeownership Development Project, Self-Help Technical Assistance Homeownership project, or ADU/JADU Programs:
 - (i) The readiness of the project development to proceed as evidenced by the status of local government approvals, project financing commitments, and resolution to impediments to development; and
 - (ii) Evidence of ability to serve Low- and Very Low-Income Households pursuant to the Mortgage Assistance underwriting requirements stated in Section 7731, as evidenced by the development budget and proposed unit sales prices; and
 - (iii) The affordability of Homeownership relative to renting, as reported in U.S. Census Bureau data.
- (4) Contributes to Community Revitalization as defined in Section 7716(I), meets a legislatively mandated priority for funds allocated to the CalHome program, or develops a Rehabilitation Program that addresses climate adaptation or resiliency consistent with the Hazard Mitigation Plan or the Safety Element of the General Plan adopted by the jurisdiction in which the program will be offered. (up to 10 points)
- (5) Volunteer Labor, Self-Help Labor or Youth Construction Skills Training Program (up to 10 points)

Applications applying for Homeownership Development Projects, Self-Help Technical Assistance Homeownership projects, or a Mortgage Assistance Local Program for new construction housing or acquisition with substantial rehabilitation when the Recipient is acquiring and substantially rehabilitating properties for sale to First-Time Homebuyers, will receive up to 10 points to the extent that they are utilizing:

- (A) Volunteer or Self-Help Construction labor, where a minimum of 500 hours of on-site construction labor per Assisted Unit is provided; or
- (B) Labor provided by youth participating in a Construction Skills Training Program, where a minimum of 500 hours of on-site construction labor per Assisted Unit is provided. The 500 hours

of construction training labor must be provided by the 16- to 24-year old program participants; or

- (D) Minimum 15 percent of units include an ADU or a JADU.
- (E) Homeownership development projects are located in a High Resource or Highest Resource area, as identified on the TCAC/HCD Opportunity Area Map.

- (c) Performance Penalty (up to 5 points)

A deduction to the total score may be applied for failure to meet CalHome program Performance Goals pursuant to Section 7759.

- (d) Applicants will be subject to the appeal process as detailed in the NOFA.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.4 and 50650.7, HSC.

Article 11. Program operations

Section 7756. Legal documents.

- (a) Upon the award of funds, the Department shall enter into a Standard Agreement with the Recipient constituting a conditional commitment of funds. This contract shall require the parties to comply with the requirements and provisions of these guidelines. The Standard Agreement shall encumber State monies in an amount sufficient to fund the approved Local Program or project, subject to limits established in the NOFA and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following as appropriate for the activity. In the case of a Self-Help Technical Assistance award, the Department shall enter into a Technical Assistance Standard Agreement (TASA) pursuant to CCR Title 25, Division 1, Chapter 7, Subchapter 6.5, Article 3, Section 7554. Where that section and the following deviate, the aforementioned Section 7554 takes precedence.
 - (1) A description of the approved Local Program or project and the permitted uses of CalHome program funds;
 - (2) Provisions governing the amount, terms and conditions of the Department's development Loan or Grant to the Recipient;
 - (3) For Homeownership Development Projects, provisions governing the Construction Work and, as applicable, the acquisition of the project site, and the disbursement of Loan proceeds;
 - (4) For Self-Help Technical Assistance projects, a budget and a timetable for completion of the project;

- (5) Requirements for the execution, and where appropriate, the recordation of the agreements and documents required under the CalHome program ;
 - (6) For a Local Program or project, the Recipient's responsibilities for operation of the Local Program or completion of the project, including, but not limited to, number of units to be assisted, marketing, CalHome program Loan processing and funding, construction monitoring and disbursement, report submissions, file documentation;
 - (7) For a Homeownership Development Project, the Recipient's responsibilities for the development of the project, including, but not limited to, number of units to be assisted, marketing, processing of individual Homebuyer CalHome program Loans, expiration date, report submissions, file documentation;
 - (8) Manner, timing and conditions for disbursement of CalHome program or project funds to Recipients;
 - (9) Provisions relating to the placement on or in the vicinity of the Homeownership Development Project site, a sign indicating that the Department has provided financing for the project. The Department may also arrange for publicity of the Department CalHome program Homeownership Development Loan in its sole discretion;
 - (10) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement;
 - (11) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the project or Local Program and all books, records and documents maintained by the Recipient in connection with the Local Program or Self-Help Technical Assistance project Grant or development Loan or Local Program individual CalHome program Loans;
 - (12) Special conditions imposed on a case-by-case basis as part of Department approval of the Local Program or project;
 - (13) Terms and conditions required by federal or state law; and
 - (14) Other provisions necessary to ensure compliance with the requirements of the CalHome program.
- (b) Prior to the disbursement of funds, the Department shall enter into a 20-year Monitoring Agreement with the Recipient requiring the parties to comply with the requirements and provisions of Section 7724 regarding a Reuse Account

established pursuant to the CalHome program legislation. The Monitoring Agreement shall contain, but not be limited to, the following:

- (1) Requirements regarding the establishment of a Reuse Account for the deposit of CalHome program Loan repayments, including interest and principal, and the requirements for disbursement of funds from the Reuse Account;
 - (2) The plan for servicing of the CalHome program Loans as prepared by the Recipient and reviewed and approved by the Department;
 - (3) The plan for the reuse of CalHome program funds;
 - (4) Requirements for submittal of an annual report;
 - (5) Remedies available to the Department in the event of a violation, breach or default of the Monitoring Agreement;
 - (6) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the Local Program or project and all books, records and documents maintained by the Recipient in connection with the Reuse Account and long-term Loan servicing; and
 - (7) Other provisions necessary to ensure compliance with the requirements of the CalHome program.
- (c) All Homeowner/Homebuyer CalHome program Loans originated by a Recipient shall be evidenced by the following documents and provisions:
- (1) A promissory note evidencing the CalHome program Loan, payable to the Recipient in the principal amount of the CalHome program Loan and stating the terms and rate of interest of the CalHome program Loan consistent with the requirements of the CalHome program. The Recipient is prohibited from assigning their beneficial interest under the note. The note shall be secured by a deed of trust, or other appropriate security instrument acceptable to the Department, on the Homeowner/Homebuyer property naming the Recipient as beneficiary. This deed of trust or other appropriate security instrument shall be recorded and shall secure the Recipient's financial interest in the project.
 - (2) In the case of Homeowner Rehabilitation CalHome program Loans, a Loan agreement between the Homeowner and the Recipient governing the Rehabilitation and the CalHome program Loan terms. The terms of any other financing provided by the Recipient should also be included.

- (d) Development Loan legal documents shall include, but not be limited to:
 - (1) A promissory note evidencing the Loan, payable to the Department in the principal amount of the Loan and stating the terms of the Loan consistent with the requirements of the CalHome program. The note shall be secured by a deed of trust on the project property naming the Department as beneficiary. This deed of trust shall be recorded junior only to such liens, encumbrances and other matters of record approved by the Department and shall secure the Department's financial interest in the project and the performance of the Developer Borrower's program obligations;
 - (2) A development agreement between the Department and the Developer Borrower for not less than the term of the development Loan.
- (e) Self-Help Technical Assistance Grant legal documents shall include, but not be limited to, an agreement between the Recipient and self-help participants which clearly sets forth what is expected of each party and which clearly shows what work is expected of the participating Household.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7757. Disbursement of Loan and Grant funds.

- (a) CalHome program funds shall be disbursed on an advance basis. Details of the process for advance disbursements will be published in the current NOFA and shall be included in all Standard Agreements. Advances may include, but are not limited to:
 - (1) Homeownership project development Loan disbursements;
 - (2) Advances of up to 25 percent of the award for self-help and Shared Housing Technical Assistance;
 - (3) Advances for Owner-Occupied Rehabilitation Programs up to the amount of the Recipient's anticipated volume of closed Loans for the following 60 days; or
 - (4) Advances to escrow for Mortgage Assistance Loans.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7758. Reporting requirements.

- (a) During the term of the Standard Agreement, and no later than 30 days after the end of each calendar quarter, the Recipient shall submit to the Department a performance report which shall address the following topics;

- (1) Description of current status of program activity, including number of units assisted,
 - (2) Description of activities to be undertaken in the next reporting period,
 - (3) Description of problems or delays encountered in program implementation, and course of action taken to address them,
 - (4) Description of actions taken to achieve program expenditure deadlines,
 - (5) Summary of program fiscal status, including:
 - (A) Award amount
 - (B) Funds drawn
 - (C) Remaining balance
- (b) During the term of the Standard Agreement and Monitoring Agreement, no later than 30 days after June 30th of each year, the Recipient shall submit to the Department an annual performance which shall address the following topics:
- (1) Number of units assisted with CalHome program Loans by program activity type,
 - (2) Amount of CalHome program funds spent on CalHome program eligible activities by category,
 - (3) Summary of fiscal status for the reporting period, including
 - (A) Award amount,
 - (B) Funds drawn as of June 30, and
 - (C) Remaining balance.
- (c) At any time during the term of the Standard Agreement or the Monitoring Agreement, the Department may perform or cause to be performed an independent financial audit of any and all phases of the Recipient's Local Program, Self-Help Technical Assistance project or Homeownership Development Project. At the Department's request, the Recipient shall provide, at its own expense, a financial audit prepared by a certified public accountant.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), and 50650.7, HSC.

Section 7759. Performance goals.

- (a) For all Local Program activities:
 - (1) 100 percent of funds shall be expended within 36 months of the date of the award of funds by the Department. If this goal is not met:
 - (A) The remaining unused funds may be disencumbered by the Department; and
 - (B) If less than 95 percent of the funds are expended at the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.
- (b) For Homeownership Development Projects:
 - (1) The Recipient shall draw down CalHome program funds or begin onsite construction within 22 months of the award of funds by the Department. If this goal is not met the Department may disencumber all funds and cancel the Department commitment to the project; and
 - (2) Unit construction must be completed and CalHome program Mortgage Assistance Loans closed within 36 months of the award of funds by the Department. If the projected number of Assisted Units has not been achieved by the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.
- (c) For Self-Help Technical Assistance Grants:
 - (1) The Recipient shall begin onsite construction within 12 months of the award of funds by the Department. If this goal is not met the Department may disencumber all funds and cancel the Department commitment to the project; and
 - (2) Unit construction shall be completed within 36 months of the award of funds by the Department. If this goal is not met, then:
 - (A) The remaining unused funds may be disencumbered by the Department; and
 - (B) If the projected number of Assisted Units has not been completed by the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to Section 7755.

- (d) The Department may exercise its reasonable discretion to disencumber funds discussed under this provision or to Grant an extension of time; provided however that any extensions are in all events subject to any and all applicable encumbrances, deadlines, and limitations, including but not limited to HSC 54006(g).

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2 and 50650.7, HSC.

Section 7760. Defaults and Loan cancellations.

- (a) Funding commitments may be canceled by the Department under any of the following conditions:
 - (1) The objectives and requirements of the CalHome program cannot be met;
 - (2) Implementation of the Local Program or project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement; or
 - (3) Funding conditions have not been fulfilled within required time periods.
- (b) In the event of a breach or violation by the Recipient of any of the provisions of the Standard Agreement, the Development Agreement, the Homeownership project development Loan promissory note, or the Homeownership project development Loan deed of trust, or any other agreement pertaining to the Homeownership Development Project, the Department may give written notice to the sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the Loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and state law regarding foreclosures;
 - (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to complete the project in accordance with CalHome program requirements; and
 - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.

- (c) Upon receipt of a notice of intent to cancel the commitment from the Department, the Recipient shall have the right to appeal to the Director.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), and 50650.7, HSC.

EXHIBIT "H"
CDBG Regulations

CDBG Regulations

24 CFR § 570.202 Eligible rehabilitation and preservation activities.

(a) *Types of buildings and improvements eligible for rehabilitation assistance.* CDBG funds may be used to finance the rehabilitation of:

- (1) Privately owned buildings and improvements for residential purposes; improvements to a single-family residential property which is also used as a place of business, which are required in order to operate the business, need not be considered to be rehabilitation of a commercial or industrial building, if the improvements also provide general benefit to the residential occupants of the building;
- (2) Low-income public housing and other publicly owned residential buildings and improvements;
- (3) Publicly or privately owned commercial or industrial buildings, except that the rehabilitation of such buildings owned by a private for-profit business is limited to improvement to the exterior of the building, abatement of asbestos hazards, lead-based paint hazard evaluation and reduction, and the correction of code violations;
- (4) Nonprofit-owned nonresidential buildings and improvements not eligible under § 570.201(c); and
- (5) Manufactured housing when such housing constitutes part of the community's permanent housing stock.

(b) *Types of assistance.* CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3) of this section.

- (1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;
- (2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures and improvements, abatement of asbestos hazards (and other contaminants) in buildings and improvements that may be undertaken singly, or in combination;
- (3) Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds; if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;
- (4) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion.

modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;

(5) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;

(6) Connection of residential structures to water distribution lines or local sewer collection lines;

(7) For rehabilitation carried out with [CDBG funds](#), costs of:

(i) Initial homeowner warranty premiums;

(ii) Hazard insurance premiums, except where assistance is provided in the form of a grant; and

(iii) Flood insurance premiums for properties covered by the [Flood Disaster Protection Act of 1973](#), pursuant to [§ 570.605](#).

(8) Costs of acquiring tools to be lent to owners, tenants, and others who will use such tools to carry out rehabilitation;

(9) Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in rehabilitation activities authorized under this section, under section 312 of the [Housing Act of 1964](#), as amended, under section 810 of the [Act](#), or under section 17 of the [United States Housing Act of 1937](#);

(10) Assistance for the rehabilitation of housing under section 17 of the [United States Housing Act of 1937](#); and

(11) Improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to buildings and improvements eligible for assistance under [paragraph \(a\)](#) of this section.

(c) **Code enforcement.** Costs incurred for inspection for code violations and enforcement of codes (e.g., salaries and related expenses of code enforcement inspectors and legal proceedings, but not including the cost of correcting the violations) in deteriorating or deteriorated areas when such enforcement together with public or private improvements, rehabilitation, or services to be provided may be expected to arrest the decline of the area.

(d) **Historic preservation.** [CDBG funds](#) may be used for the rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned. Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State or local inventory of historic places, or designated as a State or local landmark or historic district by appropriate law or ordinance. Historic preservation, however, is not authorized for buildings for the general conduct of government.

(e) **Renovation of closed buildings.** [CDBG funds](#) may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.

(f) *Lead-based paint activities.* Lead-based paint activities pursuant to [§ 570.608](#).

(g) *Broadband infrastructure.* Any substantial rehabilitation, as substantial rehabilitation is defined by [24 CFR 5.100](#), of a building with more than 4 rental units, for which [CDBG funds](#) are first obligated by the [recipient](#) on or after April 19, 2017, must include installation of broadband infrastructure, as this term is also defined in [24 CFR 5.100](#), except where the [recipient](#) determines and, in accordance with § 570.506, documents the determination that:

- (1) The location of the substantial rehabilitation makes installation of broadband infrastructure infeasible;
- (2) The cost of installing broadband infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden; or
- (3) The structure of the housing to be substantially rehabilitated makes installation of broadband infrastructure infeasible.

[[53 FR 34439](#), Sept. 6, 1988; [53 FR 41330](#), Oct. 21, 1988, as amended at [60 FR 1944](#), Jan. 5, 1995; [60 FR 56911](#), Nov. 9, 1995; [64 FR 50225](#), Sept. 15, 1999; [71 FR 30035](#), May 24, 2006; [82 FR 92636](#), Dec. 20, 2016]

USE OF CDBG FUNDS IN SUPPORT OF HOUSING

U.S. Department of Housing and Urban Development

Community Planning and Development

Special Attention of

All Regional Administrators Notice

All Regional CPD Directors

All Category A Field Office Managers Issued: February 17, 1989

All CPD Division Directors

CDBG Entitlement Grantees Expires: February 17, 1990

CDBG State Grantees

Cross References

SUBJECT: Use of Community Development Block Grant Funds in Support of Housing

This notice describes ways in which the Community Development Block Grant (CDBG) program may contribute to affordable housing initiatives and to expanding housing opportunities in communities. It updates information provided in CPD notice 80-18.

While this notice contains no new policy interpretations, it brings together some ideas for using CDBG funds for housing which are contained in various sections of the Block Grant regulations. The list contains all those which come to mind; but it is, undoubtedly, not exhaustive. You are encouraged to inform us of other ideas, so that those can also be shared.

The notice focuses on eligible activities in support of affordable housing. In all instances, a CDBG-funded activity must meet a national objective -- either benefiting low and moderate income persons, eliminating conditions of slums or blight, or meeting a particularly urgent community development need. Applicable criteria for meeting a national objective are given in section 570.208 of the CDBG regulations. The Guide to CDBG Eligible Activities gives descriptions of national objectives requirements for individual activities.

Grantees may contact their field office CPD representative to discuss this notice.

Field Office actions: Field offices should make this notice available to their staff and CDBG entitlement grantees and States. Staff should be prepared to advise grantees on how housing activities may meet a national objective since that topic, although not a subject of this notice, is integral to determining fundability. For inquiries relating to entitlement grantees, contact the Entitlement Cities Division at FTS 755-5977; for those relating to States, contact the States and Small Cities Division at FTS 755-6322.

New Housing Construction

Using CDBG funds for new housing construction may substantially lower the purchase price of homes and apartments. The savings may be passed on to buyers and renters in the form of lower monthly mortgage and rent payments. The result is more affordable housing in the community.

Grantees may use CDBG funds in four ways for new housing construction, provided a national objective is met:

1. Construction by eligible subrecipients. The regulations at section 570.204(a) allow for certain "eligible subrecipients" to receive CDBG funds for constructing housing. The eligible subrecipients are described in section 570.204(c) as neighborhood-based nonprofit organizations (NBOs), section 301(d) Small Business Investment Companies (SBICs), and local development corporations (LDCs).
2. Two further requirements are imposed by section 570.204(a). To receive funding, eligible subrecipients must be undertaking a neighborhood revitalization, community economic development, or energy conservation project with the CDBG funds. And, the grantee must determine that the project is necessary or appropriate to achieve its community development objectives.
3. Eligible subrecipients must carry out the project in name and in deed. Although inexperienced eligible subrecipients may need technical assistance from the grantee, the eligible subrecipient must actually be implementing the activity.
4. Last resort housing. Under 24 CFR Part 42, Subpart I, grantees may construct housing of last resort. Grantees are limited to constructing housing for displacees of a CDBG project, subject to the Uniform Act, when the project is prevented from proceeding because comparable replacement housing is not available otherwise. [section 570.207(b)(3)(i)]

Limited new construction after failed rehabilitation. Grantees may substantially reconstruct, on the same site, housing which is owned and occupied by low and moderate income persons where the need for the reconstruction was not determinable until after CDBG-assisted rehabilitation began. [section 510 of the Housing and Community Development Act of 1987]

Limited new construction with neighborhood rehabilitation efforts. When a final rule is published defining criteria relating to such activities, grantees may reconstruct housing as part of a neighborhood rehabilitation effort where the grantee has determined beforehand that the house is not suitable for rehabilitation. The grantee must demonstrate to the satisfaction of the Secretary of HUD that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction. [section 510 of the Housing and Community Development Act of 1987]

It should be noted that, except as provided for above, grantees are prohibited under section 570.207(b)(3) from constructing new housing using Block Grant funds. These regulations prevent grantees from acting as developers, themselves, with CDBG financing and from directly financing new housing. Grantees are also prohibited from acquiring newly constructed housing with CDBG funds. In addition, new housing construction by private developers is not eligible for CDBG assistance under section 570.203(b), because such projects are not deemed economic development projects under the requirements of that section.

Activities Aimed At Reducing Costs For Private Development

Using CDBG funds to lower the cost of private development is another way of making housing affordable. Lower land costs and improved sites may reduce the ultimate sale price for homes or monthly rent for apartments.

Grantees may, alone and in combination with constructing housing as described above, use CDBG funds in support of housing construction under the following circumstances, provided a national objective is met:

Acquisition of sites. Grantees may acquire property to be used for housing and resell it at a lower price to developers. [section 570.201(a) and (b)].

Clearance of sites. Grantees may clear a site to be used for housing. [section 570.201(d)]

Site improvements. Grantees may improve publicly-owned sites for housing. [section 570.201(c)] Using CDBG funds for improvements to a site after disposition to a private developer is eligible only if carried out by an eligible subrecipient, in which case the activity must be for neighborhood revitalization, community economic development, or energy conservation and the grantee must determine that it is necessary or appropriate to achieve community development objectives. [section 570.204(a)]

Payment of soft costs. Entitlement grantees may pay certain "soft costs" associated with developing new housing identified in their Housing Assistance Plans (HAPs). For HUD-administered small cities recipients, payment of soft costs is limited to those associated with the construction of units where at least 20 percent of the units in each project will be occupied at affordable rents/costs by low and moderate income persons. [section 570.206(g)]

These pre-construction costs are eligible if they are necessary to construction and if they occur prior to construction start. Some examples of pre-construction activities are: Preliminary surveys and analyses of market need, site and utility plans, preliminary cost estimates, sketch drawings, and application processing fees.

Activities Aimed at Facilitating Private Development

Grantees may be able to encourage private developers to construct housing and in some cases, to increase housing affordability by carrying out public improvements in the area. These costs may be borne by CDBG funds. Moreover, grantees may use CDBG for certain planning activities which have the aim of increasing private housing development.

Grantees may use CDBG funds to facilitate housing construction in the following circumstances, provided a national objective is met:

Construction or reconstruction of utilities. Grantees may provide water, sewer, and utility lines on public property in support of housing as public facilities and improvements activities. [section 570.201(c)] However, the lines and connections on private property which are normally the responsibility of the owner are ineligible, except when undertaken as part of a rehabilitation activity. [section 570.202(b)(6)]

Street improvements. The construction or reconstruction of publicly-owned streets, bridges, and alleys is eligible as a public facilities and improvements activity. [section 570.201(c)]

Parks, neighborhood facilities, and recreation centers. Construction of and improvements to publicly-owned facilities are eligible for CDBG funding as public facilities and improvements activities. [section 570.201(c)]

Development of codes and ordinances. Grantees may, as a planning activity, develop or revise codes, ordinances, and regulations and streamline processing of permits that facilitate the provision of housing. [section 570.205(a)(4)(v)] As planning, these activities are subject to the 20 percent funding limitation on planning and administrative costs, but exempt from national objectives requirements.

Conversion and Acquisition of Existing Structures for Housing

A community may increase its supply of housing by converting buildings to housing units. Existing housing units may become more affordable when grantees acquire those units and sell or lease them at reduced prices.

Grantees may use CDBG funds to finance conversions and acquisitions in the following ways, provided a national objective is met:

Conversion. The costs of converting an existing non-residential structure to residential use is eligible as a rehabilitation activity. [section 570.202(e)]

Acquisition for rehabilitation. CDBG funds may be provided to private individuals and private for-profit entities to acquire property for the purpose of its being rehabilitated. The property may then be rehabilitated and used or sold for residential purposes. [section 570.202(b)(1)]

Acquisition for housing. Grantees may acquire housing units, as long as the units are not newly constructed, and either lease or sell them for residential purposes. [section 570.201(a) and (b)] CDBG regulations do not limit the amount of write-down to the buyer. The property may even be donated to purchasers. Of course, grantees will want to analyze the situation to avoid giving windfall profits to purchasers. [section 570.505]

Grantees may use CDBG funds to finance or to supplement the financing of acquisition of properties in their Urban Homesteading programs.

Initiatives to increase private participation. The supply of affordable rental units may be increased when grantees use CDBG funds to undertake special outreach activities which result in greater landlord participation in Section 8 Housing Assistance Payments Program-Existing Housing, the Rental Rehabilitation Program, or similar programs for low and moderate income persons. These activities are eligible, as administrative costs, when linked with housing identified in the HAP. [section 570.206(g)] As administration, these activities are subject to the 20 percent funding limitation on planning and administrative costs, but exempt from national objectives requirements.

Rehabilitation

CDBG funds may be used in a variety of ways to rehabilitate publicly- and privately-owned housing, including manufactured housing that is part of the community's permanent housing stock. With CDBG funds providing a grant or a low interest loan for rehabilitation, housing can be improved without appreciably increasing an owner's or renter's housing costs.

The following are among the ways CDBG funds may be used for housing rehabilitation, provided a national objective is met:

Direct loans and grants. Grantees may provide loans and/or grants to property owners for rehabilitation. [section 570.202(b)]

Loan guarantees. Grantees may use CDBG funds as a loan guarantee in order to encourage lending institutions to make loans available to homeowners for rehabilitation, to encourage them to lend in neighborhoods where they are not currently doing so, and to induce them to lend at more favorable rates. [section 570.202(b)]

In guaranteeing the loans, grantees may not deposit CDBG funds in the lending institution (unless it can be determined that without such a deposit the loans will not be made), but merely be prepared to pay in the event of loan default. If needed, deposits must be limited to expected losses, which should equal only a small percent of the amount lent.

Subsidies and reductions. CDBG funds may be used in combination with funds from lending institutions to reduce monthly interest or principal payments. [section 570.202(b)]

Bonding. Grantees may pay, as part of rehabilitation services, the cost of a rehabilitation contractor's performance and payment bonding, as needed to carry out CDBG-funded rehabilitation activities. [section 570.202(b)(9)]

Use of lump sum accounts. Grantees may draw funds from the letter of credit in a lump sum to establish a rehabilitation fund in one or more lending institutions for the purpose of financing rehabilitation of privately-owned properties. The fund may be used along with various financing mechanisms. Funds may be used as a grant only with the purpose of leveraging non-CDBG funds for rehabilitation of the same property.

The lump sum account requirements limit the size of the drawdown and set times during which lending must take place. The requirements state that the lump sum deposit must result in appropriate benefits in support of the grantee's rehabilitation program. See section 570.513 for details.

Section 312 Rehabilitation Loan Program, Urban Homesteading, and Rental Rehabilitation Program. CDBG funds may be used in combination with the Section 312 program, Urban Homesteading, and Rental Rehabilitation Program (RRP) for rehabilitation activities themselves and/or for costs of administering the program, provided a national objective is met. [section 570.202(b)(9) and (10)]

Costs associated with HAP implementation. CDBG funds may be used for necessary administrative expenses in planning or obtaining financing for housing units identified in the HAP. [section 570.206(g)] As administration, these activities are subject to the 20 percent funding limitation on planning and administrative costs, but exempt from national objectives requirements.

Housing Payments for Owners and Renters

Grantees are prohibited by section 570.207(b)(4) from making payments to persons for acquisition, construction, or rental of housing unless the activity qualifies under section 570.204(a). The regulations at section 570.204(a) allow eligible subrecipients to receive CDBG funds for making such housing payments to persons, as long as it is part of, or it qualifies as, a neighborhood revitalization, community economic development, or energy conservation project and the grantee determines that the project is necessary or appropriate to achieve community development objectives.

The following are some ways eligible subrecipients may use income payments to reduce housing costs for families and individuals, provided a national objective is met:

Down payments. CDBG funds may be used for a down payment on a new or existing home.

Closing costs. CDBG funds may pay the closing costs of a home purchase.

Monthly housing payment. CDBG funds may pay all or part of monthly mortgage or rent payments.

Housing Counseling

A community may effectively utilize its housing resources by operating a housing counseling program. Such a program provides information, advice, and assistance to homebuyers, homeowners, and renters with the goal of preventing loan defaults, foreclosures, non-payment of rents, and assisting home buyers. These programs often complement local "bricks and mortar" programs. As public services, these activities are subject to the 15 percent (for most grantees) funding limitation on public service obligations.

The following are examples of housing counseling activities that may be funded with CDBG, provided a national objective is met:

Pre-purchase counseling. Grantees may fund, as a public service activity, counseling programs for those interested in purchasing a home. The counseling generally consists of information on financial responsibilities, budgeting, housing needs, housing quality, maintenance requirements, and costs associated with home purchase. [section 570.201(e)]

Homeownership counseling. In a similar way, grantees may carry out homeownership counseling. Here, the emphasis is on financial management, debt management, and maintenance needs. Included are default counseling, counseling under HUD's assignment program, foreclosure prevention counseling, and relocation counseling. [section 570.201(e)]

Renter counseling. Grantees may provide counseling for delinquent renters, those facing eviction, and for landlords and tenants on responsibilities, repair and maintenance, and availability of rental assistance.

Emergency housing counseling. Housing counseling may be provided for all residents affected, or to be affected, by plant closings and acquisitions. [section 570.201(e)]

Shared housing opportunities. Grantees may fund counseling or other informational programs for elderly to learn about sharing their dwelling with others and, thereby, reducing their cost of housing. [section 570.201(e)]

Fair Housing Activities

Communities may undertake fair housing activities with CDBG funds, including actions to affirmatively further fair housing. These activities are directed toward increasing housing choice and informing the community about fair housing rights. Fair housing activities are eligible as administrative activities, subject to the 20 percent funding limitation but exempt from national objectives requirements.

The CDBG regulations in section 570.904(c) set out review criteria for assessing a grantee's performance against its affirmatively furthering fair housing responsibilities. The regulation also contains a definition of the term fair housing choice.

The following are some examples of fair housing activities and of actions to affirmatively further fair housing which may be supported by CDBG funds:

Outreach, counseling, referral. CDBG may pay the costs of outreach, counseling, or referral services to assist persons seeking housing outside areas containing a high proportion of lower income persons. [section 570.206(c)]

Fair housing counseling. Grantees may fund fair housing counseling programs in the community. The programs provide information on fair housing rights and on the availability of housing in a wide variety of locations, emphasizing housing choice. [section 570.206(c)]

Fair housing counseling may also be funded as a public service activity, provided a national objective is met. Then, the activity would be subject to the public service funding limitation. [section 570.201(e)]

Modification of ordinances. CDBG funds may be used to pay the administrative costs of modifying local ordinances and land use measures in pursuit of housing opportunity. [section 570.206(c)]

Information programs. Grantees may support training and education programs for real estate agents, housing managers, city officials, and others to increase knowledge of techniques for promoting economically and racially integrated housing. They may also carry out promotional activities to initiate housing proposals in areas outside those with a high proportion of lower income persons. [section 570.206(c)]

Enforcement. Grantees may undertake improvements in enforcement of fair housing laws and ordinances and in complaint resolution mechanisms. [section 570.206(c)]

Co-operation. As an administrative activity, grantees may enlist the participation of local real estate brokers and mortgage lenders in promoting open housing and in reviewing mortgage credit analysis and underwriting criteria to determine whether they may have an adverse impact on housing opportunities for minorities and women. [section 570.206(c)]

Link:

https://www.hud.gov/program_offices/comm_planning/communitydevelopment/rulesandregs/memoranda/cpd8914#4

EXHIBIT "I"
Promissory Note

[Insert Name of Jurisdiction]

CALHOME PROGRAM

**OWNER-OCCUPIED REHABILITATION
PROMISSORY NOTE**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
RESTRICTING ASSUMPTIONS AND IS SECURED BY
A SECOND DEED OF TRUST ON RESIDENTIAL PROPERTY**

Loan No. _____

\$ _____, 20_____

FOR VALUE RECEIVED, the undersigned, _____
(the "Borrower") hereby promises to pay to the order of _____
_____ ("Lender") at the following address _____
_____ or at such other place as the holder may from time to time designate by
written notice to Borrower, in lawful money of the United States, the principal sum of _____
_____ Dollars (\$ _____) with simple interest at the rate of _____ percent per
annum on the unpaid principal balance from the date of this Note, until paid. The obligation of the Borrower with respect to this
Note is secured by that certain CalHome Program Owner-Occupied Rehabilitation Deed of Trust Loan No. _____
(the "Deed of Trust"), and executed by the Borrower concurrently herewith.

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "CalHome Loan") to finance the rehabilitation of that certain real property (the "Property") which has the address of _____
(Street) (City)
California, _____ more fully described in Exhibit A of the Deed of Trust,
(Zip code)
2. **Borrower(s) Acknowledge(s) and Agree(s):** that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.
3. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:
 - (a) 30 years from the date of this Note; or
 - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Property without Lender's prior written consent, except for a transfer permitted in Paragraph 4; or
 - (c) Upon Borrower's failure to occupy the Property as Borrower's principal place of residence.

4. **Permitted Transfers.**

The CalHome Loan is not assumable except under the following limited circumstances:

- (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Property where the spouse becomes an owner of the property;
- (c) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

5. **Acceleration of Payment.** The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable, at the option of the holder and without demand or notice, upon the occurrence of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust;
- (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence; or
- (c) In the event of any sale, transfer, lease, or encumbrance of the Property without Lender's prior written consent in violation of Paragraph 4 of this Promissory Note.

6. **Effect of Due-on Sale Clause.** Failure of the holder to exercise the option to accelerate payment as provided in Paragraph 5 of this Note will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. Failure by Borrower to occupy the Property as Borrower's principal place of residence shall be considered an on-going event of default under this Note.

7. **Place and Manner of Payment.** All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.

8. **Application of Payments.** All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.

9. **Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

10. **Default and Acceleration.** All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically, become immediately due and payable, and thereafter until paid bear interest at the rate of _____ % per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

11. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mails in accordance with this provision

12. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.

EXHIBIT "J"

Deed of Trust

2. **FOR THE PURPOSE OF SECURING:**

2.1. Repayment of the indebtedness evidenced by that certain Promissory Note of the Borrower dated _____, 20_____, and entitled *[insert name of jurisdiction]* CalHome Program Owner-Occupied Rehabilitation Loan "Loan No. _____" (the "Note") of the Borrower in the principal amount of _____ Dollars (\$ _____), together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note. The Note and this Deed of Trust are subject to the terms, conditions, and restrictions of the State of California CalHome Program as set for the in the Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.

2.2. Payment of such additional sums, with interest thereon:

- (a) As may hereafter be borrowed from Lender by the then-record owner of the Property and evidenced by a promissory note or notes reciting that it or they are so secured and all modifications, extensions, or renewals of the Note; and
- (b) As may be incurred, paid, or advanced by Lender, or as may otherwise be due to Trustee or Lender, under any provision of this Deed of Trust and any modification, extension, or renewal of this Deed of Trust; and
- (c) As may otherwise be paid or advanced by Lender to protect the security or priority of this Deed of Trust.

2.3. Performance of each obligation, covenant, and agreement of Borrower contained in this Deed of Trust, the Note, or any other document executed by Borrower in connection with the loan(s) secured by this Deed of Trust, and all amendments to these documents whether set forth in this Deed of Trust or incorporated in this Deed of Trust by reference.

3. **BORROWER COVENANTS:**

Borrower hereby covenants to maintain and protect the security of this Deed of Trust, to secure the full and timely performance by Borrower of each and every obligation, covenant, and agreement of Borrower under the Note and this Deed of Trust, and as additional consideration for the obligation(s) evidenced by the Note, Borrower covenants as follows:

3.1. **Title.** That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands subject to any declarations, easements, or restrictions listed in the schedule of exemptions to coverage in any title insurance policy insuring Lender's interest in the Property.

3.2. **Payment of Principal and Interest.** That Borrower shall promptly pay, when due, the principal and interest on the Note, and such other charges as are provided in the Note, and such other amounts as are provided under this Deed of Trust.

3.3. **Maintenance of the Property.** (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without the Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

3.4. **Appear and Defend.** Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Lender or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which the Lender or Trustee may appear, and in any suit brought by the Lender to foreclose this deed.

3.5. **Payment of Taxes and Utility Charges.** Borrower shall pay, at least ten (10) days before delinquency all taxes and assessments affecting the Property, including assessments on appurtenant water stock; when due, all encumbrances, charges

and liens, fines and impositions attributable to the Property, leasehold payments or ground rents, if any, and any interest on the Property or any part thereof; all costs, fees and expenses of this trust. Borrower shall make such payments when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and Borrower shall promptly furnish to Lender receipts evidencing all such payments made.

3.6. Insurance. To keep the Property insured with loss payable to the Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies on such forms and in the amount of the replacement cost of the Property, and to deliver the original of all such policies to the Lender, together with receipts satisfactory to the Lender evidencing payment of the premiums. All such policies provide that the Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to the Lender, shall be delivered to the Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor the Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses. All insurance proceeds for such losses must be utilized for the repair or restoration of the insured property.

3.7. Payments and Discharge of Liens. Borrower will pay, when due, all claims of every kind and nature which might or could become a lien on the Property or any part thereof; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by the Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

4. IT IS MUTUALLY AGREED THAT:

4.1. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and Section 2.1 shall be applied by Lender first to interest payable on the Note and then to the principal due on the Note.

4.2. Future Advances. Upon request by Borrower, Lender, at Lender's option, may make future advances to Borrower. All such future advances, with interest thereon, shall be added to and become a part of the indebtedness secured by this Deed of Trust when evidenced by promissory note(s) reciting that such note(s) are secured by this Deed of Trust.

4.3. Disbursements to Protect Lender's Security. All sums disbursed by Lender to protect and preserve the Property, this Deed of Trust, or Lender's security for the performance of Borrower's obligations under the Note shall be and be deemed to be an indebtedness of Borrower secured by this Deed of Trust.

4.4. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, arrangements or proceedings involving a bankrupt or decedent, foreclosure of any mortgage secured by the Property or sale of the Property under a power of sale of any instrument secured by the Property, then Lender, at Lender's option, upon notice to Borrower, may make such appearance, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 4.4, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. Nothing contained in this Section 4.4 shall require Lender to incur any expense or take any action hereunder.

4.5. Inspection. Lender or its agent may make or cause to be made reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to any such inspection specifying reasonable cause for the inspection

4.6. Awards and Damages. All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to the Lender. The Lender is authorized and empowered

(but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as the Lender shall determine at its option. The Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by the Lender may be released to Borrower upon such conditions as the Lender may impose for its disposition. Application of all or any part of the amounts collected and received by the Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

4.7. Prohibition on Transfers of Interest. With the exception of the transfers permitted in Section 4.11 below, if all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Security Instrument to be immediately due and payable. If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with Section 6.9 hereof. Such notices shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by Section 5.2(a) hereof.

4.8. Sale or Forbearance. No sale of the Property, forbearances on the part of the Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

4.9. The Lender's Rights to Release. Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the Property not released pursuant hereto, at any time and from time to time without notice: (a) The Lender may, at its sole discretion, (I) release any person now or hereafter liable for payment of any or all such indebtedness, (II) extend the time for or agree to alter the terms of payment of any or all of such indebtedness, and (III) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of the Lender, may reconvey all or any part of the Property, consent to the making of any map or plot thereof, join in granting any assessment thereon, or join in any such agreement of extension or subordination.

4.10. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing indebtedness secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof.

4.11. Requirement of Owner-occupancy and Permitted Transfers. Borrower shall occupy the Property as Borrower's principal place of residence during the term of the Note. Notwithstanding any other provision of the Note or this Deed of Trust, the following transfers shall not be deemed to be a default under the Note or this Deed of Trust:

- (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Property where the spouse becomes an owner of the property;
- (c) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

5. **EVENTS OF DEFAULT**

5.1. Events of Default. Any one or more of the following events shall constitute a default under this Deed of Trust (a) failure of the Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the occupancy of property by Borrower provision; or (c) the occurrence of

any event which, under the terms of the Note, shall entitle the Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle the Lender to exercise the rights or remedies thereunder.

5.2. Acceleration and Sale.

(a) **Acceleration.** Except as provided in Section 4.7, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, upon Borrower's failure to make any payment or to perform any of its obligations, covenants and agreements pursuant to the Note, Lender shall mail notice to Borrower as provided in Section 6.9 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees.

(b) **Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Property pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of the judgment enforcing this Deed of Trust if: (1) Borrower pays Lender all sums which would be then due under this Deed of Trust and the Note, had no acceleration occurred; (2) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, remedies including, but not limited to, reasonable attorneys' fees; and (3) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

(c) **Sale.** After delivery to Trustee of a Notice of Default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or the Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee and after deducting all costs, expenses and fees of Trustee and of this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by the Lender under this Deed of Trust, or the secured obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured thereby, including interest as provided in this Deed of Trust, the secured obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

(d) **Assignment of Rents; Appointment of Receiver; Lender in Possession.** Upon acceleration under paragraph (a) of Section 5.2 hereof or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property (if any) including those past due. All rents collected by Lender or the Receiver shall be applied first to payment of the costs of management of the Property and collection of rents including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Security Instrument. Lender and the receiver shall be liable to account only for those rents actually received. The provisions of this paragraph and paragraph (a) of Section 5.2 shall operate subject to the claims of prior lien holders.

5.3. **Exercise of Remedies; Delay.** No exercise of any right or remedy by the Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by the Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

5.4. **Trustee Substitution.** The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to the Lender, to be exercised at any time hereafter, without specifying any reason therefore by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever the Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, the trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

5.5. **Remedies Cumulative.** No remedy herein contained or conferred upon the Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to the Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

6. MISCELLANEOUS PROVISIONS

6.1. **Successors, Assigns, Gender, Number.** The covenants and agreements contained in this Deed or Trust shall bind, and the benefit and advantages under it shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

6.2. **Headings.** The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

6.3. **Actions on Behalf of the Lender.** Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by the Lender is required or permitted under this Deed of Trust, such action shall be in writing.

6.4. **Terms.** The words "the Lender" means the present Lender, or any future owner or holder, including pledgee of the indebtedness secured hereby.

6.5. **Obligations of Borrower.** If more than one person has executed this Deed of Trust as "Borrower," the obligations of all such persons hereunder shall be joint and several.

6.6. **Incorporation by References.** The provisions of the CalHome Program security instruments and the documents relating to that program are incorporated by reference as though set out verbatim.

6.7. **Severability.** If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

6.8. **Indemnification.** Borrower will indemnify and hold the Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which the Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against the Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold the Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay the Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by the Lender as a result of any legal action arising out of this Deed of Trust.

6.9. **Notice.** Except for any notice required under applicable law to be given in another manner (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice by certified mail directed to the Property Address or any other address Borrower designates by notice to Lender as provided herein; and, (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's mailing address stated herein or to such other address as Lender may designate

by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall deem to have been given to Borrower or Lender when given in the manner designated herein.

6.10. **Beneficiary Statement.** Lender may collect a fee for furnishing the beneficiary statement in an amount not to exceed the amount as provided by Section 2943 of the Civil Code of California.

6.11. **Use of Property.** Borrower shall not permit or suffer the use of any of the Property for any purpose other than as a single family residential dwelling.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above. By signing below, Borrower agrees to the terms and conditions as set forth above.

MAILING ADDRESS FOR NOTICES:

SIGNATURE OF BORROWER(s):

(Street)

(City) (State) (Zip)

Acknowledgements

EXHIBIT "K"

**Certificate of Liability Insurance
(Risk Management Sample)**

GENERAL LIABILITY- WAIVER OF SUBROGAION

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 24 04 05 09

WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

SCHEDULE

Name Of Person Or Organization:

City of Riverside
3900 Main St
Riverside , CA 92501

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The following is added to Paragraph 8. **Transfer Of Rights Of Recovery Against Others To Us** of Section IV – Conditions:

We waive any right of recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or "your work" done under a contract with that person or organization and included in the "products-completed operations hazard". This waiver applies only to the person or organization shown in the Schedule above.

BUSINESS AUTO LIABILITY- WAIVER OF SUBROGATION

POLICY NUMBER:

COMMERCIAL AUTO
CA 04 44 10 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US (WAIVER OF SUBROGATION)

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Name(s) Of Person(s) Or Organization(s):

City of Riverside
3900 Main St
Riverside , CA 92501

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The **Transfer Of Rights Of Recovery Against Others To Us** condition does not apply to the person(s) or organization(s) shown in the Schedule, but only to the extent that subrogation is waived prior to the "accident" or the "loss" under a contract with that person or organization.

WORKERS COMP- WAIVER OF SUBROGATION

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 03 13

(Ed. 4-84)

WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit anyone not named in the Schedule.

Schedule

City of Riverside
3900 Main St
Riverside , CA 92501

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement
Insured

Effective Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 03 13
(Ed. 4-84)