

# **CITY OF SOUTH LAKE TAHOE**



## **HOUSING REHABILITATION PROGRAM GUIDELINES**

Revised August 21, 2007

**CITY OF SOUTH LAKE TAHOE  
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**CITY OF SOUTH LAKE TAHOE  
HOUSING REHABILITATION PROGRAM GUIDELINES**

**The City of South Lake Tahoe Housing Rehabilitation Program, funded by State Community Development Block Grant (CDBG) and Redevelopment Low and Moderate Income Housing funds, is designed to correct health and safety hazards in deteriorated housing and extend the useful life of the affordable housing units. Various financing methods are used to achieve cost-effective repairs of owner-occupied and rental housing for low-income City residents.**

**1.0 APPLICANT ELIGIBILITY**

**1.1 Definition of Income Limits**

Qualified applicants must fall into the category of low-income (Target Income Group (TIG)) or very low-income (Lowest Target Income Group (LTIG)). TIG families have incomes below the official income guidelines defining "low-income limits." The official guidelines are established annually for each county by the Department of Housing and Urban Development (HUD) and distributed by the California Department of Housing and Community Development (HCD). These limits represent 80% of the El Dorado County median income, adjusted for family size; "very low-income limits" represent 50% of the County median income. The 2009 income limits for the City of South Lake Tahoe are listed below:

# of Persons	1	2	3	4	5	6	7	8
LTIG	25,500	29,100	32,750	36,400	39,300	42,200	45,150	48,050
TIG	40,800	46,600	52,450	58,250	62,900	67,550	72,250	76,900

**1.2 Owner-Occupant Eligibility**

Low-income and very low-income homeowners who have title to the property and who occupy the home as their principal residence are eligible borrowers.

**1.3 Determining the Income of Owner-Occupants**

All income received by the persons living in a household is used to determine eligibility (except that of minor children and care providers necessary for the health of a disabled or handicapped household member). Income is defined according to the federal Section 8 Program.

All persons 18 years of age or older, living in the unit, are required to provide documented proof of income. For employed persons a tax return or the previous year's earning statement will be required. For retired persons who do not file tax returns or persons receiving government subsidies, copies of benefit checks, benefit award letters or copies of bank statements indicating automatic deposit of benefit checks will be required. All documentation will be kept in the participant file and held in strict confidence.

1.4 Determining Income of Owner-Occupied Properties with Multiple Persons on the Title

When a property has multiple owners listed on the grant deed, for purposes of eligibility for any rehabilitation activity, the income of all persons on title, regardless of occupancy, and all persons 18 years of age or older living on the property will be evaluated.

All owners listed on the title are required to sign the CDBG deed of trust, promissory note, and rehabilitation contract documents, whether or not they reside on the property.

1.5 Income Eligibility for Rental Property

Rental property owners, regardless of income, may qualify for CDBG assistance only if existing and future tenants in assisted properties are low-income (at or below 80% of median income). The property owner must also agree to rent to eligible (low-income) households and limit rents for five years as specified in the Rent Limitation Agreement (See Section 3.4.).

In considering the income of tenants, all persons living in the unit and 18 years of age or older will provide documentation of income whether they are related or not. If tenants' incomes are above 80% of median income, the owner-investor does not qualify for CDBG assistance.

All owner-investors are required to provide documentation of income for each person 18 years of age or older living in the unit. A tax return and/or the previous year's earning statement will be required from all employed persons. For retired persons or persons receiving government subsidies who do not file tax returns, copies of benefit checks, benefit award letters or copies of bank statements indication automatic deposit of benefit checks will be required. All documentation will be kept in the participant file and will be held in strict confidence.

1.6 Conflict of Interest Requirements

No member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the City Council.

2.0 **PROPERTY ELIGIBILITY**

2.1 Unit Characteristics

Properties eligible for the CDBG rehabilitation program include single-family housing and multi-family structures; the structures may be detached or attached. Rehabilitation projects that have 8 or more units must also meet the additional requirements contained in Section 13 of these Guidelines. Mobile home rehabilitation will be considered for mobile homes manufactured after 1976, with repairs made in accordance with State mobile home repair and replacement codes.

If the cost of rehabilitating a mobile home is greater than replacing the unit with a newer “used” mobile home, the City may allow the purchase of the newer home as replacement housing. Replacement mobile homes will be restricted to affordable housing use for a minimum of 30 years regardless if loan is paid in full prior to that time frame.

Rehabilitation funds may not be used to bring an illegal dwelling unit into compliance under the City’s Illegal Unit Conversion Program. However, funds may be used to rehabilitate a property that has a legally converted illegal unit but only after the property is in full compliance in regard to any suspected illegal dwelling units.

## 2.2 Location

Properties assisted with CDBG funds must be located in the established target area. (See attached map, Exhibit 1.) Properties located in the 100 year flood plain are not eligible for assistance under this program.

In accordance with the City’s adopted Re-use Plan and when available in sufficient amounts to make additional rehabilitation loans, Program Income will be used to fund projects outside the target area, excluding all properties located in the 100 year flood plain.

## 2.3 Condition

All projects must contain at least one substandard housing unit in need of rehabilitation or, in the case of a unit occupied by a disabled individual, the unit must need specific modifications to improve accessibility.

## 2.4 Rehabilitation Standards

In accordance with the environmental review conducted for the grant, the rehabilitation will be minor or moderate and will not: 1) increase unit density by more than 20%; and 2) involve changes in land use from residential to non-residential or non-residential to residential or from one class of residential to another. The estimated cost of rehabilitation must be less than seventy-five percent (75%) of the total estimated cost of replacement after rehabilitation. If a proposed project exceeds these above-mentioned thresholds, a more extensive environmental review may be required pursuant to the National Environmental Policy Act (NEPA).

All rehabilitation projects must at least meet Section 8 Housing Quality Standards (HQS) after completion. Any rehabilitation items not meeting HQS will be noted on the housing inspection forms to ensure that this minimum level of quality is obtained on all participating housing units. By using the HQS, the City will ensure that all health and safety deficiencies are addressed first and that a participant’s completed rehabilitation meet basic "Performance Standards" set by the City.

The following procedures apply to all assisted units constructed prior to 1978:

A. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows, subject to implementation of the Federal Lead-Based Paint Regulations by HUD:

1. Notification to all owners/tenants consisting of the Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Products Safety Commission will be given regardless of the cost of rehabilitation or paint test find. If lead-based paint is found through testing or if presumption is used, a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When lead hazards are present a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided.

B. Units constructed prior to 1978 will also be inspected according to the following HUD regulations subject to implementation of the Federal Lead-Based Paint Regulations by HUD.

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

- a. Paint testing or presume LBP;
- b. Clearance of disturbed work areas; and
- c. Notifications listed above in A.1.

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

- a. Risk assessment;
- b. Paint testing or presume LBP;
- c. Clearance of unit; and
- d. Notifications listed above in A.1.

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

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

- a. Items a, b, c, and d of B.2. above;
- b. Abatement of all LBP hazards identified or produced; and
- c. Use of interim controls on exterior surfaces not disturbed by rehab.

All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. A State-certified inspector/assessor must perform all paint testing, risk assessments and clearances. A trained supervisor may oversee interim controls, however, certified supervisors and workers must perform all abatement.

## 2.5 Allowable Rehabilitation Improvements and Prioritization of Improvements

Rehabilitation needs will be addressed in the following priority:

- A. **Health and safety:** Examples include correcting plumbing, electrical, structural, mechanical and roof deficiencies, modifications for handicap accessibility, room additions to resolve overcrowding and any other HQS items. All units shall have working smoke and carbon monoxide detectors.

Properties constructed prior to 1978 will be required to comply with the current Lead-Based Paint abatement regulations<sup>1</sup>. The basic requirements include, but are not limited to the following:

1. Notification regarding the hazards of Lead-Based Paint Poisoning shall be provided to the occupants of the property, as well as to the property owner<sup>2</sup>.
2. Inspection for defective paint surfaces will be required for properties constructed prior to 1978.
3. If defective paint surfaces are found, or if existing paint surfaces will be disturbed by other rehabilitation actions being undertaken on buildings constructed prior to 1978, current HUD mitigation procedures and policies will be followed.

- B. **Energy conservation:** Examples include insulation, reducing air infiltration through window and door replacement, weather-stripping and caulking, and replacing inefficient water heaters, refrigerators, clothes dryers, ovens, furnaces, and air conditioning appliances. Also the replacement of wood stoves not in compliance with the Tahoe Regional Planning Agency guidelines.

- C. **Extension of useful life:** Examples include repairing siding and sheet-rock, painting, new flooring, new cabinets, new interior doors, gutters, foundation upgrades.

- D. **Converting to current UBC and other standards:** All work that may bring the property in compliance with City of South Lake Tahoe Municipal Code or other code requirements is also eligible. Examples include moving bathroom access to hallways or off of kitchen, stairs and porch upgrades. Also, paving driveways and other site work, including necessary landscaping, to meet existing Best Management Practices (BMP's) of the Tahoe Regional Planning Agency (TRPA). (For landscaping to be allowed under this Section, it must be required by TRPA and not exceed \$3,000.)

- E. **General Property Improvements:** Only general property improvements that enhance the overall exterior appearance of the property will be allowed under the program. Examples include demolition of any unsightly structures, removal of debris, and repairing or replacing of fencing, carports, and garages. A new garage or carport may be constructed if the property does not contain any sheltered parking. The conversion of a carport to a garage is

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<sup>1</sup> 24 CFR Part 35

<sup>2</sup> March 6, 1996 Final Rule, 24 CFR Part 35 subparts H & F

also eligible. However, not more than fifteen percent (15%) of the rehabilitation loan may be used for general property improvements.

(Overcrowded conditions will be considered to exist when parents and children must share a bedroom, when children of the opposite sex must share a bedroom, and when a disabled person is required to share a room. A bathroom addition may be added when five or more persons occupy a unit with a single bathroom.)

## 2.6 Reconstruction

If the cost of repairs to remove the most serious deficiencies exceeds the maximum rehabilitation loan amount, and if the cost of reconstruction is less than rehabilitation, the City will consider reconstructing the dwelling unit. CDBG loans for this purpose will be made only after HCD approval, the City has conducted a proper environmental review, and owner-occupants/tenants have met all eligibility criteria. In addition, the project will be reviewed according to Tahoe Regional Planning Agency (TRPA) guidelines and any necessary TRPA permits shall be obtained. If redevelopment funds are used, the project must remain affordable for at least 55 years for rental dwelling units, and at least 45 years for owner-occupant dwelling units, as designated by State law.

## 2.7 Non-eligible Improvements

Most general property improvements are not eligible. These include: new fencing and non-required landscaping; pools or hot tubs; remodeling, including additions to family rooms, dens, or where there are no code deficiencies or overcrowding; cosmetic improvements such as interior painting solely to change the color; and non-energy efficient improvements.

## 2.8 Lead Hazard Evaluation and Reduction Activities

The City will grant costs to perform the required risk assessment, paint testing and unit clearance. In addition, grants of up to \$7,500 will be provided for the cost of lead hazard reduction and/or abatement activities. Eligible costs under the grant are limited to the additional cost of paint stabilization above the cost of any normal rehabilitation activities

## 3.0 **LOAN TERMS**

### 3.1 Maximum Loan Amount

The maximum CDBG loan amount for rehabilitation is \$100,000 for properties containing one single family dwelling unit. For properties containing two or three dwelling units, the maximum CDBG loan amount is \$75,000 per dwelling unit. For properties containing four or more dwelling units, the maximum CDBG loan amount is \$45,000 per dwelling unit. Leveraged funds may be employed to cover rehabilitation costs that exceed these maximum CDBG amounts. In most cases, the maximum loan amount will be limited to the equity in the property to secure the loan (maximum loan-to-value of 100%), except as allowed under Section 3.3 of these guidelines.

The loan amount may include: the construction contract (the accepted bid price for the cost of materials and labor); a construction contingency; drafting, engineering and plan preparation fees, if any; appraisal and termite inspection charges; credit report; permit fees; site preparation for replacement housing; escrow, closing and recording fees; and title report and title insurance, title updates and/or related costs.

For loans using redevelopment funds, if the loan amount is at or exceeds 25% of the after rehabilitation value of the dwelling, inclusive of land value, it is considered "Substantial Rehabilitation" and the dwelling unit must remain affordable for the longest feasible time, but not less than the following periods of time:

- A. Fifty-five years for rental units.
- B. Forty-five years for owner-occupied dwelling units.

### 3.2 Rates and Terms

#### A. **Owner-Occupants**

##### 1. Non-elderly & non-permanently disabled owner-occupant:

If an amortized loan payment will not cause housing costs to exceed 30% of gross monthly household income, then rehabilitation costs will be financed as a 2%, 30 year amortized loan. (The minimum amortized loan payment will be \$40.00 to cover cost of loan processing.) If the amortized loan will cause housing cost to exceed 30% of the gross monthly household income, then the rehabilitation costs will be financed as a 3%, 30 year deferred payment loan.

Loans are due upon transfer of title or when the borrower no longer occupies the home as his/her principal residence. (See Section 4 regarding change of title or use of property.) Also, the loan may be due if the borrower fails to maintain required fire insurance or fails to pay property taxes.

##### 2. Very low income, low income and elderly<sup>3</sup>, and low income and permanently disabled owner-occupants:

These households will be offered 0% deferred payment loans. The loan is due upon transfer of title or when the borrower no longer occupies the home as his/her principal residence. (See Section 4 regarding change of title or use of property.) Also, the loan may be due if the borrower fails to maintain required fire insurance or fails to pay property taxes.

**Emergency Repair Grants:** These households may also qualify for an Emergency Repair Grant of up to \$1,000 for repair of items that are immediate threats to the occupants of the dwelling unit. These items include, but are not limited to the following:

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<sup>3</sup> Elderly is 62 years of age and older.

hazardous electrical problems; broken pipes; malfunctioning heaters and water heaters; serious roof leaks; or other emergency repair item(s) that poses a potential danger to the inhabitants of a housing unit.

Grants will be given according to the following simplified procedures:

- a) City staff shall verify that the applicant is very low income, low income and elderly, or low income and permanently disabled;
- b) City staff shall conduct an on-site inspection to verify the need for the repair item(s) and estimate the cost;
- c) The grant recipient shall obtain one or more bids for the repair item(s) and select the contractor;
- d) City staff shall verify contractors eligibility by checking the standing of contractor license, the Federal Debarred List, proof of liability insurance and workers compensation insurance;
- e) The City and the grant recipient shall execute a grant agreement; and
- f) The City shall issue a check directly to the contractor after completion and verification of the work. Both the participant and City staff shall approve the work before payment.

These grants are only intended for owner-occupant households who have no other options for making critical repairs, and in which it is not practical use the normal rehabilitation loan process because of the urgency of the situation. City staff must be convinced of the immediate need for the repair(s) or the applicant will be requested to participate in the loan program. However, in situations when it is hard to determine that an emergency repair is necessary, City staff will tend to error on the side of proceeding with the grant.

**Mobile Home Rehabilitation Grants:** Very low income, low income and elderly, or low income and permanently disabled owner-occupants of mobile homes may also qualify for a Mobile Home Rehabilitation Grant of up to \$10,000 for improvements to their dwelling units. Allowable rehabilitation improvements and their prioritization are as previously outlined in section 2.5.

Mobile Home Rehabilitation Grants will be given according to the following procedures:

- a) City staff shall verify that the applicant is very low income, low income and elderly, or low income and permanently disabled;
- b) City staff shall conduct an on-site inspection to verify the need for the rehabilitation items, prepare a work write-up and estimate the cost;

- c) The grant recipient shall obtain bids for the rehabilitation items and select the contractor;
- d) City staff shall verify contractors eligibility by checking the standing of contractor license, the Federal Debarred List, proof of liability insurance and workers compensation insurance;
- e) The City and the grant recipient shall execute a grant agreement;
- f) The grant recipient and the contractor shall execute a contract for the work to be preformed; and
- g) The City shall issue payments directly to the contractor after completion and verification of the work. Both the participant and City staff shall approve the work before payment.

These grants are only intended for owner-occupant households who would not qualify to participate in the Housing Rehabilitation Loan program. Applicants that would qualify to participate in the loan program will be requested to do so and will not be eligible to receive this grant.

3. Grants for households with permanently disabled occupants:

Grants of up to \$7,500 will be made available to households which include a permanently disabled individual and in which the dwelling is in need of specific modifications to make it functional for the disabled individual. Eligible activities under this grant are: wheelchair ramps; enlarging doorways; installing grab bars in bathrooms; etc.

Households who receive these grants must be income eligible and must receive a loan to address any other health and safety issues so that the property will meet Housing Quality Standards (HQS). If the property already meets HQS, prior to any rehabilitation work, then the household may receive the grant without a loan.

**B. Owner-investors**

1. Non-targeted income group owner-investors:

A non-targeted income group owner-investor will be offered a 3%, 30 year amortized loan. The assisted rental unit(s) must be occupied by a person(s) from the targeted income group and be rented in accordance with the Rent Limitation Agreement (3.4). (See Section 4 for discussion of change of title or use of property.)

2. Target income group owner-investors:

A targeted income group owner-investor will be offered a 2%, 30 year amortized loan provided the loan does not cause housing costs to exceed 30% of the gross monthly household income. If the amortized loan does cause cost to exceed 30% of his/her gross

monthly household income, then the owner-investor will be offered a 3%, 30 year deferred loan. If the owner-investor occupies one of the units that will be rehabilitated, then that unit does not need a Rent Limitation Agreement. However, all other rental units that receive rehabilitation assistance will be rented in accordance with the Rent Limitation Agreement (3.4). (See Section 5 for discussion of change of title or use of property.)

### 3.3 Loan Security and Underwriting Standards

Loans will be secured by a Promissory Note and Deed of Trust. (All persons listed on the title to the property must sign the Promissory Note and Deed of Trust.) If there are existing Deeds of Trust on the property, the CDBG loan amount cannot exceed the unencumbered after-rehabilitation value of the property. In most cases, value will be determined by an appraisal based on the current market value of similar property in the area in which rehabilitation occurs. If the cost of necessary rehabilitation for critical code deficiencies exceeds the unencumbered after-rehabilitation value of the property, the CDBG Loan Committee can, on a case-by-case basis, accept a partially secured loan. In such cases, if a household is current with repayment on existing loans, a loan-to-value-ratio of up to 110% will be permitted. Grants for handicapped accessibility will not be used in loan to value ratio. (All borrowers must have sufficient fire insurance to cover all previous encumbrances plus the proposed CDBG loan.)

Borrowers may be subject to paying for the appraisal and other loan fees if they decline to participate in the program after receiving an approved loan. City staff will determine if there is an appropriate reason for them not to pay the fees.

### 3.4 Rent Limitation Agreement

To guarantee that units funded with CDBG dollars remain affordable to low- and very low-income households, owner investors must sign a Rent Limitation Agreement that requires the owner-investor to rent to qualified low-income families (Exhibit 2). The Rent Limitation Agreement will be binding for five years. If the requirements of the Rent Limitation Agreement are violated or the Rent Limitation Agreement is removed prior to its expiration, the Housing Rehabilitation loan is due and payable upon demand with a ten percent (10%) interest rate on the remaining balance of the funds owed.

### 3.5 Debt-to-Income Ratio

Applicants whose debt-to-income ratio exceeds 50% may be considered ineligible to participate in the program.

## 4.0 LOAN REPAYMENT AND ASSUMPTION POLICIES

### 4.1 Loan Payments

It is anticipated that all loan payments will be made directly to the City of South Lake Tahoe. However, borrowers will be notified in writing how and where to make loan payments for their specific loans. Loan payments will be accepted from borrowers prepaying deferred loans and amortized loans, from borrowers making amortized loan payments, and from borrowers making payments in full upon sale of the property or change in title. The City will maintain a financial record-keeping system to record payments and file statements on payment status. Annual statements will be provided showing balance of the loan and interest accrued.

### 4.2 The Affect of Changes in Title and Occupancy on the CDBG Loan and Rent Limitation Agreement

Any changes in title or occupancy must be disclosed to the City. The City will have full approval of the assumption of a loan, changing of loan terms, or demanding payment in full.

#### **A. Change of title or occupancy from owner-investor to owner-occupant**

1. In all cases, the original owner-investor is subject to terms of the Uniform Relocation Act and Section 104 (d) of the Housing and Community Development Act of 1974. When a rental property with an unexpired Rent Limitation Agreement is sold to a person who will occupy the property as his or her principal residence (or who will otherwise require the existing tenant to move), the current tenant must be given 90 days notice to vacate and must be paid relocation costs for the duration of the Rent Limitation Agreement. Relocation costs are equal to the difference between the tenant's rent under the Rent Limitation Agreement and what it will cost the tenant to rent comparable housing for the duration of the Rent Limitation Agreement.
2. If title to the property is transferred from owner-investor to a non low-income owner-occupant while the Rent Limitation Agreement is in force, the loan is in default and the loan is due and payable. (The terms in 4.2A1 apply.)
3. If the title to the property is transferred from an owner-investor to a non low-income owner-occupant after the Rent Limitation Agreement has expired, the loan is due and payable but the requirements in 4.2A1 are no longer applicable.
4. If title to the property is transferred from owner-investor to a low-income owner-occupant, the loan may, at the City's discretion, be assumed or the loan may be rewritten according to the terms for owner-occupant loans contained in Section 3.2A, above. (The terms in 4.2A1 apply if the Rent Limitation Agreement is unexpired.)
5. If a non low-income owner-investor moves into the property (thus becoming the owner-occupant) while the Rent Limitation Agreement is in place, the loan is in default and all loan funds are due and payable. (The terms in 4.2A1 apply.)

6. If a non low-income owner-investor moves into the property after the Rent Limitation Agreement has expired, the CDBG loan funds are due and payable but the terms in 4.2A1 no longer apply.
7. If a low-income owner-investor moves into the property, the loan may be refinanced according to owner-occupant terms in Section 3.2A. (The terms in Section 4.2A1 would apply if Rent Limitation Agreement is unexpired.)

**B. Change of title or occupancy:  
owner-investor to owner-investor**

1. If title to the property is transferred from owner-investor to owner-investor while the Rent Limitation Agreement is in force, the terms of the Rent Limitation Agreement will remain in force and the new owner-investor may pay the loan in full or assume all repayment obligations of the original owner-investor. If the new owner-investor chooses to pay off the CDBG loan, the Rent Limitation Agreement still remains in force throughout the remainder of the five year Rent Limitation Agreement period. If the owner-investor is low income, then the loan may be restructured in accordance with the target income group owner-investor terms in 3.2B.
2. If the title to the property is transferred from owner-investor to owner-investor after the Rent Limitation Agreement has expired, the loan is due and payable, unless the new owner-investor is low income, then the loan may be assumed or rewritten according to the targeted income group owner-investor terms in 3.2B.

**C. Change of title or occupancy:  
owner-occupant to owner-occupant**

1. If the new owner-occupant is not low income, the loan is in default and the loan balance is due and payable.
2. If the new owner-occupant is low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant.

**D. Change of title or occupancy:  
owner-occupant to owner-investor**

If an owner-occupant decides to rent his/her property or if the property is sold to an investor the outstanding balance may be refinanced according to owner-investor terms described in 3.2B, above, if a Rent Limitation Agreement is executed for a minimum of five years. Otherwise, the loan is due and payable.

#### 4.3 Conversion to Use other than Residential

1. If the use of the property is converted to a nonresidential use, the CDBG loan is in default and all loan funds are due and payable. If the converted property has an unexpired Rent Limitation Agreement, the terms in 4.2A1 are applicable.
2. If an owner-occupant operates a business from his/her home but still lives there as his/her principle residence, loan terms are not affected.

#### 5.0 **CONDITIONS OF DEFAULT**

##### 5.1 Owner-Occupied Housing

Conditions of default include transfer of title or the sale of the property without repayment or assumption of the Community Development Block Grant Loan.

A loan is also in default if it is found that fire insurance or property taxes are not kept current. The City may use forced placed insurance, which will insure the property at owner's expense. The cost will be added to the loan balance until the owner obtains proper insurance. However, the City also has the option to make the loan due and payable. Each case will be evaluated independently.

##### 5.2 Rental Property

Conditions of default include violation of the Rent Limitation Agreement and refusal to submit or fraudulent submission of annual certifications of tenant income and occupancy.

##### 5.3 Forbearance Policy

Circumstances beyond a borrower's control may temporarily limit his/her repayment ability. Loan terms may be modified in cases of death of a family member, loss of job, divorce or major illness.

On a case by case basis, the City will evaluate a borrower's current situation and may, upon approval of the City Council, choose to help participants make payments. Payment assistance may be made available through the City's adopted Program Income Reuse Plan, using existing program income in the City's Rehabilitation Revolving Loan Fund. The amount of payment assistance will be based on the need of the participant and the amount of funds currently available in the Revolving Loan Fund.

While the above policy outlines a system that can accommodate crises that restrict borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the CDBG Foreclosure Policy and Procedure may be pursued.

## 6.0 LOAN COMMITTEE

### 6.1 Committee Composition

The loan committee shall be appointed by the City Manager and shall consist of three persons, including at least one employee of the City of South Lake Tahoe, and two other persons.

### 6.2 Committee Role

The loan committee shall review all program loans and determine if they are in accordance with the program guidelines. The loan committee will verify applicant's eligibility, repayment ability, loan amounts, and loan terms. Confidentiality of clients shall be maintained at all times and personal financial records will not be public information.

## 7.0 LOAN APPROVAL AND CONSTRUCTION PROCESS

Applications will be accepted year-round until the goals of the program have been met and/or all funds have been committed. Generally, applications will be processed on a first-come, first-serve basis. Any ranking due to excessive applications will be completed in compliance with Fair Housing Act Standards.

When the number of applications exceeds loan funds, the City will rank them according to rehabilitation and/or income need. Units with the greatest rehabilitation need will be ranked first. Then, among applicants with similar rehabilitation need, priority will be given to the lowest income households. The application and application process are described in Sections 7.1 through 7.8, below.

### 7.1 Outreach

Community members are informed of the details of the rehabilitation program and eligibility requirements through meetings, private interviews and program flyers distributed throughout the City. Written information may be provided in English and Spanish. When needed, bilingual personnel will conduct or assist with outreach and community meetings. The City anticipates outreach to the following groups, in the following ways:

- **Elderly:** Distribute information regarding the CDBG program at local senior centers.
- **Disabled:** Distribute information regarding the CDBG program at local centers for the disabled.
- **Large Families:** Room additions will be allowed to alleviate overcrowded conditions. This option will be advertised and will be communicated to all households.
- **Female Heads of Households:** Distribute information regarding the CDBG program at local social service centers.

- **Minority Households:** Bilingual staff will be employed in outreach and information will be provided to organization that assists minority groups.
- **Community Service Groups:** Distribute information regarding the CDBG program and offer to make public presentation at their meeting if desired.
- **Areas Having a High Concentration of Low-Income Persons:** Distribute information regarding the CDBG program door to door.
- **General Public:** Place ads in the local newspapers, cable TV, local radio, and City-wide publication, such as the Parks & Recreation Activity Guide.

The City of South Lake Tahoe assures equal housing opportunity to all without regard to race, color, religion, sex, national origin, marital status, size of household or disability.

## 7.2 Loan Application

The Rehabilitation Specialist holds private interviews with families to explain program requirements, documentation, and rehabilitation processes, and when necessary, to assist in completing the application form. Required signatures are obtained, and the unit's rehabilitation needs are discussed. Additional documents may be obtained through the mail or follow-up visits.

## 7.3 Loan Packaging and Determining Rehabilitation Cost

Loan packaging is carried out by the Rehabilitation Specialist. Required elements include ordering a preliminary title report to evidence ownership and existing encumbrances, securing an appraisal, and reviewing income and credit verifications. The Rehabilitation Specialist or borrower may contact other lending institutions to determine if private leveraged funds can be used in conjunction with the CDBG funds in making the loan.

After determining the household's eligibility, the Rehabilitation Specialist prepares a detailed work write-up-and cost-estimate. Only licensed contractors may submit eligible bids for consideration by the borrower. The Rehabilitation Specialist may conduct a bid walk-through depending on the availability of contractors. When the Contractor bids have been received, the Rehabilitation Specialist reviews the bids for completeness, and presents them to the borrower for consideration. After the borrower selects the contractor(s), the Rehabilitation Specialist prepares the CDBG loan package to be submitted to the loan committee.

## 7.4 Loan Approval

A loan package will be prepared that: confirms the applicant and property eligibility, documents the equity in and the encumbrances on the property, lists the breakdown of loan costs, and includes any other information particular to the case at hand. The package will then be submitted to the loan committee for consideration. (Any other funds to be used in conjunction with the rehabilitation project should be identified prior to consideration by the loan committee.)

## 7.5 Document Signing

Upon notice that the City has approved the loan, the borrower signs the Promissory Note and Deed of Trust and other statutory lending notices (right of rescission, truth in lending, etc.), then the deed is recorded with the El Dorado County Recorder's Office. In cases of borrowers with bank leveraged lending, bank documents are also executed. Owner-investors must sign the Rent Limitation Agreement as well, which is recorded separately from the Deed of Trust.

## 7.6 Work Commencement

The borrower and the contractor sign the Rehabilitation Contract and the Rehabilitation Specialist issues a Notice to Proceed. Work begins and a rehabilitation disbursement record is established to record all requests, disbursements and change orders.

The Rehabilitation Specialist approves all disbursements upon inspection of work in place, authorizes progress payments and coordinates inspections with the City Building Inspectors. City Building Inspectors will only inspect items that require permits under the normal permitting process of the City (In accordance with the State Grant Agreement, the City shall fast track permits whenever feasible.) The borrower is also responsible for examining the work and must sign that he/she approves payment to the contractor.

## 7.7 Change Orders

All change orders require the approval of the owner, the contractor and the Rehabilitation Specialist. All three parties must sign the change order form prior to commencement of the work proposed in the change order.

## 7.8 Work Completion

Upon completion of work, a final inspection is conducted by the Rehabilitation Specialist. The Rehabilitation Specialist must also verify that all City and other governmental agency permits have been signed-off. A Notice of Completion is then filed at the El Dorado County Recorder's Office and the last payment is made to the contractor, which should include any funds previously retained.

## 8.0 **EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines.

### 8.1 Procedure for Exceptional/Special Circumstances

Consideration of an exceptional and special circumstance may be initiated by the City or its agent. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The City Council may make a determination of the exceptional and special

circumstances request at a regular or special meeting. If necessary, their recommendation will be presented to the CDBG Program Representative at HCD for a decision.

## 9.0 APPEAL PROCEDURE AND RESOLUTION OF GRIEVANCES

### 9.1 Program Complaint and Appeal Procedure

Representatives from City staff are primarily responsible to assure that the program is implemented in compliance with these Program Guidelines and State and Federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups, contract documents, and follow-up through completion.

Any applicant denied a rehabilitation loan through the CDBG program has the right to appeal that decision to the City Council. Furthermore, all staff decisions are subject to appeal during the operation of this program. Appeals must be filed with the City Clerk's Office within five days from the date of the decision and any applicable fee must be paid. Final appeal may be filed in writing with HCD within one year after denial or the filing of the project Notice of Completion.

### 9.2 Grievances Between Homeowners and Contractors

Since the City is not a party to the rehabilitation contract between the borrower and the contractor, disputes regarding the contractor's performance are not subject to direct appeal to the City Council. However, City staff may take steps to try and resolve any dispute between a borrower and a contractor as described below. As a method to try and reduce disputes from occurring, City staff attends the meeting between the borrower and the contractor when the contract documents are signed, and may facilitate in the clarification and/or corrections of proposed work so a clear understanding is established between both parties.

During and after completion of construction, the contractor's work is monitored for code compliance by the City Building Inspector through the normal permit process and quality by the Rehabilitation Specialist. During this period, if either the borrower or the contractor has a concern or problem, the Rehabilitation Specialist might relay this information between the parties, or give opinions as to how work should proceed or be corrected. However, the contractual obligation for rehabilitation is ultimately between the contractor and the borrower.

If a situation occurs where the two parties are in conflict, the following steps may be taken in an attempt to resolve the matter quickly:

**Step 1:** Before an intervention occurs, the borrower or contractor communicate perceived problems or complaints in writing directly to the other party, in an attempt to resolve their differences, giving the other party an opportunity to respond or correct the problem.

**Step 2:** If Step 1 fails, the borrower or contractor may ask the Rehabilitation Specialist to informally intervene. This intervention might include telephone call(s) to the contractor or borrower, meeting(s) at the job site or in the office, or other actions as deemed appropriate,

including such things as the establishment of written working guidelines, or other post-contractual agreement.

**Step 3:** If the Rehabilitation Specialist is unable to satisfactorily resolve the borrower - contractor differences, the borrower, contractor, or Rehabilitation Specialist may contact the Housing Coordinator, detailing the problem. The Housing Coordinator may offer an opinion on how to resolve the matter and/or try to mediate the dispute. In cases of building code compliance, a special inspection may be requested from the City Building Inspector. The cost for the special inspection may be split between the borrower and the contractor or incurred by the party requesting the inspection.

**Step 4:** If all forms of informal mediation has not worked, then the borrower and the contractor may each agree to enter into binding arbitration. This shall be done in writing and the parties involved must pay up front for any cost for the arbitrator. Most likely, a local attorney or construction contractor will be requested to arbitrate the dispute.

It is not necessary for the four steps to be followed in order if it appears that one of the steps may rapidly resolve the dispute. In addition, the Rehabilitation Specialist may also consider other alternatives to resolve the dispute if agreeable by both parties.

The borrower must be an active participant in resolving any dispute. If he/she is not seriously attempting to resolve the matter, then the Rehabilitation Specialist may decide to abandon any further efforts of intervention and close the rehabilitation project without releasing any further funds. If this occurs, all remaining funds for the project will go back into the loan pool and the borrower's loan will be adjusted accordingly. In extreme cases, the City may demand the loan due and payable in accordance with the terms of the loan agreement executed with the borrower.

It is hoped that the intervention process outlined above will offset other more serious actions, and every attempt should be made to remedy problems and resolve differences before drastic options are considered. However, it must be recognized that the borrower and contractor have other options which either party may choose to utilize, including the following:

- a) contacting the Contractors State Licensing Board and submitting a complaint;
- b) contacting the State Department of Housing and Community Development; and
- c) taking legal action.

## 10.0 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

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

All tenants who need to be temporarily relocated due to rehabilitation funded with CDBG funds will be reimbursed for reasonable out-of-pocket relocation expenses. Tenants will be advised of

the date and approximate duration of relocation; the address of suitable temporary housing; their rights to lease and occupy a suitable unit in the original building/complex after the completion of the rehabilitation project; and the financial assistance available to cover temporary relocation and moving costs.

An initial notice to tenants will be given to them when the owner-investor has submitted an application for the program. The notice will inform them that: the owner has applied for the loan; they will not be displaced as a result of the rehabilitation activity; and their after-rehabilitation rent and utility costs will not exceed the greater of: (a) their current rent/average utility costs, or (b) 30% of their average monthly gross household income. This notice will be sent as soon as a loan application is received from the owner-investor.

No tenant will be required to temporarily relocate without 90 days' advance written notice of the earliest date by which he or she may be required to move. Additionally, the specific date for when the property must be vacated will be communicated in writing at least 30 days in advance. Lists of possible rental properties for temporary relocation will be offered. (Contents of notices to tenants will adhere to requirements outlined in HUD Handbook, 1378, Tenant Assistance, Relocation and Real Property Acquisition.)

Owner-occupants participate in the CDBG program on a voluntary basis, and therefore, relocation assistance for these participants will not be as extensive as for tenants. If they are required to temporarily relocate during rehabilitation of their home, owner-occupants will be eligible for up to \$500 per household to help pay for relocation costs. The funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving, storing and returning furniture.

Payment for temporary relocation will be charged to a special set-aside within the rehabilitation program, earmarked as "Temporary Relocation Fund."

## 11.0 **CONTRACTING REQUIREMENTS**

### 11.1 Role of the Local Government

The rehabilitation contract will be between the borrower and the contractor. The City is not responsible in any way for the contractor's performance. City staff's role of conducting inspections and monitoring the expenditures of funds are to protect the City's investment in the property and to ensure the funds are being utilized in accordance with the Federal and State regulations of the program and applicable funding sources.

### 11.2 Contracting Process

Contracting will be normally done on a competitive bid basis. The borrower will be the responsible agent and will select the contractor, but the City will prepare and advertise the bid package and assist the borrower in negotiating the contract. If the borrower is already committed to using a specific contractor, the Rehabilitation Specialist may forgo the bid process. However, the selected contractor must submit a bid within the reasonable cost estimate of the

Rehabilitation Specialist. The Rehabilitation Specialist may reject any bids that are not cost reasonable.

Furthermore, the Rehabilitation Specialist may bid out sections of the rehabilitation project to subcontractors at his discretion to expedite the timely completion of the project. Each contract with every contractor or separate subcontractor will be required to have its own notice of completion filed.

### 11.3 Approved Contractors

All contractors will be checked against the Federal List of Debarred Contractors. In addition, the State of California Contractor's Licensing Board will be contacted to make sure the contractor is in good standing and that the license is current. Lastly, the contractor will be required to provide proof of a City Business License, and liability and worker's compensation insurance. The borrower has the right to reject any and all bids.

### 11.4 Acceptance of Work

The Rehabilitation Specialist and the borrower must examine and accept the work prior to issuing any payment to the contractor. If the work is not acceptable to the Rehabilitation Specialist, the contractor is not paid until the work is corrected. If the work is not acceptable to the borrower, then the Resolution of Grievances Procedures in Section 9.0 may be followed to resolve the dispute. A contractor will not be paid without the borrower's approval. However, the borrower assumes all responsibility for non-payment of a contractor.

Final payment will be made to the contractor after all development permits have been signed-off and the contractor has provided satisfactory evidence that all labor, materials and equipment rental services have been paid.

### 11.5 Contractor Termination Clause:

Contractors will be invited to bid based on an approved Contractor's Eligibility List for which contractors have been determined eligible in accordance with Section 11.3 of the Housing Rehabilitation Program Guidelines. The City shall have the right to terminate a contractor's eligibility to participate in the program permanently upon the City and/or the Contractor receiving two written notices of unacceptable practice in any type of written form which are in conflict with the Rehabilitation Contract requirements as determined by City staff.

### 12.0 **SELF-HELP CONSTRUCTION**

Property owners may agree to participate in the construction by doing "self-help" rehabilitation to the structure. The "Work Write-Up" will indicate which tasks will be completed by the owner. As in private contractor jobs, the rehabilitation work is bid out, as in 11.0 above, the contractor's bid is the basis for determining the value saved by specifically itemized self-help tasks. The loan amount will include all items in the accepted bid, including self-help tasks.

Upon completion of the total job, the labor saved through self-help will be adjusted from the total loan amount due.

In all cases where the owner agrees to perform rehabilitation work directly, a contract will be signed by the owner specifying tasks, completion times, the materials to be purchased, and the costs of those materials (documented by manufacturer's or retailers' invoices or price lists). Self-help applicants will also be required to specify their prior experience and ability to perform the requested work. If the work is not completed in a timely manner, then the contractor working on the job may be asked to complete the work. If there is no contractor working on the job, the City may require the owner to select a contractor to complete the work.

### 13.0 **PROJECTS OF EIGHT OR MORE UNITS**

#### 13.1 Eligibility

The Housing Rehabilitation Program is primarily designed to assist single family homes and multifamily housing units of seven or less. However, there are cases when it is appropriate to use CDBG funds to assist larger rehabilitation projects that contain eight or more units provided the follow criteria can be met.

- A. If the proposed project does not qualify as minor or moderate rehabilitation under the Federal NEPA environmental review requirements, then a separate project specific environment review must be conducted before the project can proceed.
- B. Staff shall review the project against the City adopted Affordable Housing Development Requirements and Standards.
- C. The project must be reviewed by staff to determine the applicability of Federal and/or State Labor Standards. The construction budget for the project should contain labor costs at the appropriate rates to meet these requirements, if applicable. Any cost for monitoring the labor standards may be included in the loan fees.
- D. Although not encouraged, the project may involve the permanent displacement of tenants who do not meet the income requirements of the project after the rehabilitation has been completed. If this is the case, a relocation plan needs to be prepared and the project must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended by the Uniform Relocation Act Amendments of 1987 (URA) and Section 104(d) of the Housing and Community Development Act of 1974, as amended.
- E. The project must be in the program target area used in the grant application process.
- F. The project must be approved by the City Council instead of receiving approval from the Loan Committee.
- G. The owner/developer shall submit a marketing plan for staff's approval in accordance with the City adopted Affirmative Marketing Procedures and Requirements.

H. The project must also comply with any other applicable regulation or requirement of the State CDBG Program.

### 13.2 Scope of Rehabilitation

At the public hearing approving the project, the City Council shall review and approve the allowable rehabilitation improvements to be made with the CDBG funds.

- A. The rehabilitation needs should be addressed in the same priority as any other CDBG funded rehabilitation project with health and safety items addressed first and general property improvements addressed last.
- B. The scope of rehabilitation work may go beyond the items listed in Section 2.5 of these Housing Rehabilitation Program Guidelines. The use of CDBG funds shall not be restricted by the 15% limit for general property improvements provided other funds are being used to make required improvements to bring the project into compliance with the rehabilitation standard listed below.
- C. If eligible under the State CDBG Program, the CDBG funded rehabilitation work may include the construction of appropriate amenities such as play areas, laundry rooms, and community rooms that are to serve the low-income residents.
- D. At a minimum, the property shall be rehabilitated to meet HUD's Section 8 Housing Quality Standards.

### 13.3 Loan Terms

All loan terms will be negotiated by staff with the project developer/owner based on the financial analysis of the project. The City Council shall also approve the loan terms for the project.

### 13.4 Affordable Housing Deed Restriction

The project shall be deed restricted as affordable housing to low and very low income persons for the longest feasible time using the requirements of the most restrictive funding source of the project. However, at no time, shall the deed restriction be less than the length of time stated in the Rent Limitation and Tenancy Schedule Agreement contained in these Housing Rehabilitation Program Guidelines.

### 14.0 **FORECLOSURE PROCEDURE**

During a foreclosure, the City will follow all current and applicable laws. However, City staff may consider using the following foreclosure procedures below when appropriate.

**Thirty (30) day and sixty (60) day delinquencies:** The City shall send the borrower a letter noting the amount delinquent plus any late charges. This letter shall be followed by a telephone call reminding the borrower of the loan amount and due date.

**Ninety (90) day delinquency:** The City shall send a registered letter noting the amount delinquent plus any late charges. In this letter, a date and time shall be set for a meeting between the borrower and City staff. At this meeting the following will be discussed: reasons for delinquency, any changes in the borrower's health, family circumstances or financial status that limits their repayment ability, amount in arrears.

At the conclusion of this meeting, the following will be determined: how and when the amount in arrears will be paid; if financial counseling is needed (the City may recommend to the borrower to participate in financial counseling); and/or if a personal emergency (loss of job, loss of spouse or co-borrower, serious illness) has restricted repayment ability. If, because of such an emergency, the borrower cannot afford to pay the full monthly installment, the City (upon the approval of the City Council) may extend the time of payment or alter the terms to the indebtedness by initiating a Modification of Agreement. Any action taken as a result of this meeting shall be documented and recorded in the borrower's file.

If the borrower does not appear for the 90 day delinquency meeting and does not contact the City designee to reschedule the meeting, staff may immediately begin foreclosure proceedings.

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

It is the City's policy to prepare and record a "Request for Copy of Notice of Default." This document is used to request that a copy of any Notice of Default and/or Notice of Sale issued in connection with the non-judicial foreclosure of a certain deed of trust (specifically identified in said request by recording reference) be mailed by the trustee, to the party whose name and address appears on the document. Although practically anyone may execute the Request for Copy of Notice of Default and request that the above-mentioned copies be sent to practically anyone, the parties who would normally be interested in receiving a notice of a default would be lien holders, e.g., beneficiaries, of encumbrances which are subordinate (junior) to the specifically identified deed of trust. This notification of the default would then alert them that they must take whatever steps are necessary if they are to prevent their "junior" lien from being extinguished by foreclosure on the "senior" (prior) deed of trust.

The junior lien holder may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges, advances (fire insurance premiums, property taxes, property protection costs, etc.), and foreclosure costs (fees for legal counsel, recordings, certified mail, etc.).

Once the City has the information on the reinstatement amount, the City must then determine if it is cost effective to protect their position by reinstating the senior lien holder, keeping them current by submitting a monthly payment thereafter, foreclosing on the property possibly resulting in owning the property at the end of foreclosure, protecting the property against vandalism, and paying marketing costs (readying the home for marketing, monthly yard maintenance, paying a real estate agent a sales commission of 6% of the sales price).

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

When the City is in a third position and receives notification of foreclosure from only one senior lien holder, it would be in the City's best interest to contact both senior lien holders regarding the status of their loans.

When the City is in a first position, or the senior lien holder, active collection efforts may begin on any loan that is 30 or more days in arrears. As stated earlier, attempts may be made to assist the homeowner in bringing and keeping the loan current. These attempts shall be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the City may consider foreclosure. City staff will also need to consider the following factors before initiating foreclosure:

- Can the loan be cured (brought current or paid off) by the owner without foreclosure;

- Can the owner refinance with a commercial lender and pay off the City;

- Can the owner sell the property and pay off the City;

- Does the balance warrant foreclosure (Under \$5,000, the expense of foreclosure may not be worth pursuing); and

- Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the City may opt to initiate foreclosure. The owner shall receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification needs to include the exact amount of funds to be remitted to the City to prevent foreclosure (such as, funds to bring a delinquent below market interest rate loan current or pay off a deferred payment loan).

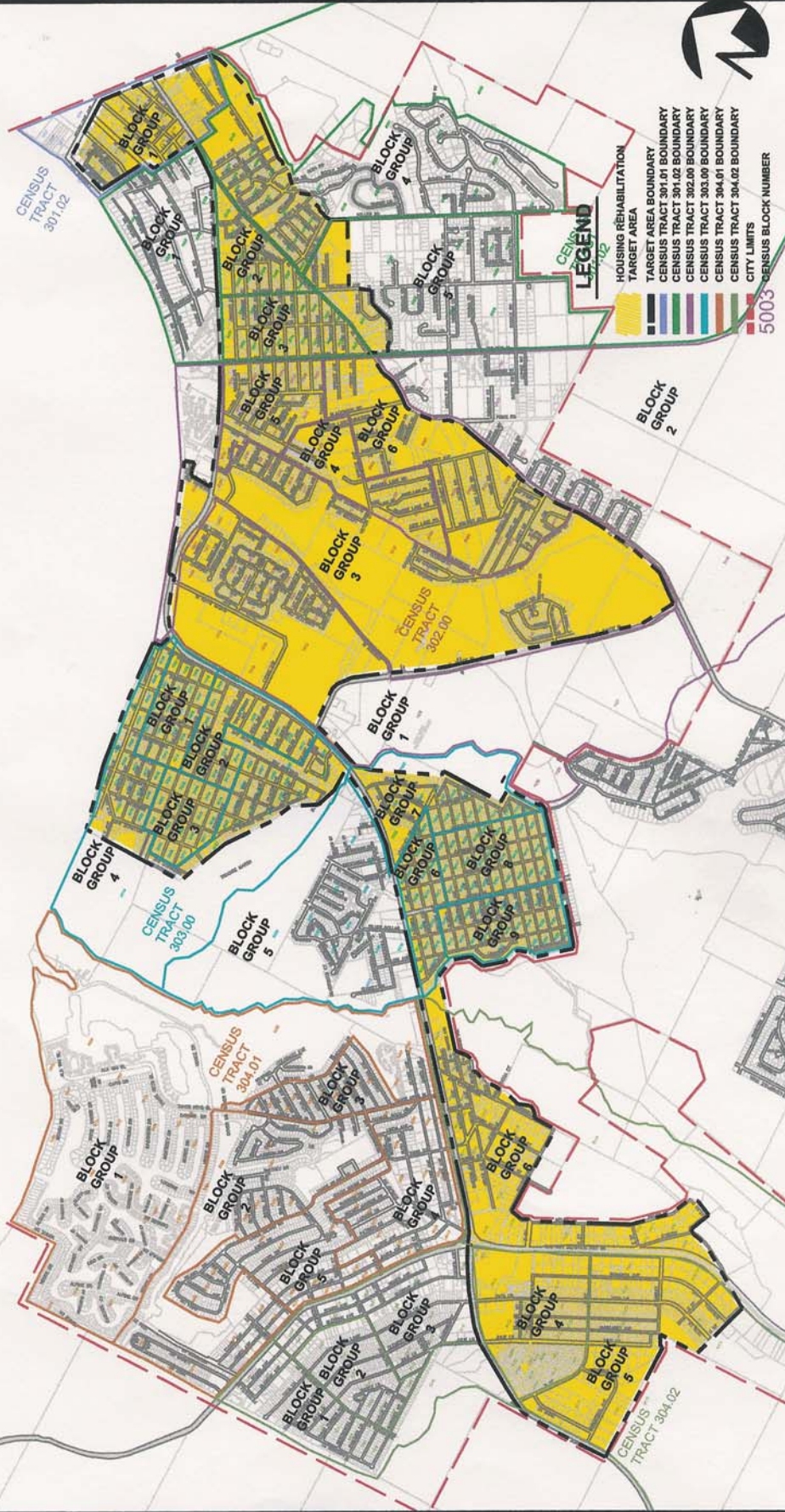
At the end of thirty days, the City will contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the City of all required documentation to initiate foreclosure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

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the City would then contact a real estate agent to market the home.

# EXHIBIT 1

## Rehabilitation Target Area Map

LAKE TAHOE



SCALE: NONE

NOTE: CITY LIMITS AS SHOWN ARE FOR REFERENCE ONLY AND ARE NOT MEANT TO BE CONSTRUED AS BOUNDARY POINTS

DRAWN: JIM MARINO - ENGINEERING DEPARTMENT

# EXHIBIT 2

## Rent Limitation & Tenancy Schedule Agreement

**Recording Requested By:**

Title Company  
Order No.  
APN

**When Recorded Mail To:**

Redevelopment and Housing  
City of South Lake Tahoe  
1901 Airport Road, Suite 107  
South Lake Tahoe, CA 96150-7004

=====

\*\* No filing fee required per government ordinance 6108. Space above this line for Recorder.

**RENT LIMITATION AND TENANCY SCHEDULE AGREEMENT**

This Rent Limitation and Tenancy Schedule Agreement is entered into this \_\_\_ day of \_\_\_\_\_, 200\_\_, by \_\_\_\_\_, (hereinafter referred to as "Borrower") in consideration of the receipt of a Community Development Block Grant rehabilitation loan for health and safety repairs to real property in the City of South Lake Tahoe, State of California described as follows:

Legal Description of Property

Borrower agrees to operate the property described in accordance with the following terms:

1. In no instance shall any rent increase raise the rent above the U.S. Department of Housing and Urban Development Section 8, Fair Market Rent (FMR) schedule.
2. Of the one unit(s) subject to this Agreement, one unit(s) shall be available to and rented by low-income persons upon each vacancy created by the vacation of an existing tenant.
3. Occupied Units
  - a. If displaced, existing tenants will have an absolute right of return after rehabilitation is complete.
  - b. Units initially occupied by non-low-income households which become vacant shall be rented to low-income households in accordance with Section 5 of this Agreement.
  - c. Rents shall remain at pre-loan application levels until rehabilitation improvements are completed as evidenced by the Notice of Completion.

- d. At the completion of rehabilitation, monthly rent including estimated average utility cost shall not exceed the greater of: 1) the tenant’s monthly rent and estimated average monthly utility cost at pre-loan application level; or, 2) 30% of the gross household income.

4. Units Vacant at the Time of Rehabilitation

Initial rent charges shall not exceed 30% of 80% of El Dorado County median income for the appropriate household size for that unit or Fair Market Rent Schedule, whichever is lower.

5. Units Vacated within the Term of the Rent Limitation Agreement

Upon vacancy of any unit(s) under this Agreement, Borrower shall agree to rent such unit(s) to low-income families. If a unit becomes vacant during the term of the Agreement, rents may not be increased above 30% of 80% of El Dorado County median income, adjusted for household size, or Fair Market Rent, whichever is lower. Borrower shall affirmatively seek low-income persons by advertising for them locally or contacting the County Section 8 Program. Where such actions do not result in eligible low-income tenants, Borrower shall contact and seek guidance from the City of South Lake Tahoe agency responsible for monitoring the Agreement.

- 6. The following are the maximum rents which may be charged during the first year after rehabilitation has been completed, subject to annual adjustment based on changes in the FMR schedule, notwithstanding any change(s) of ownership or transfer(s) of the property.

Unit Size (By # of Bedrooms)	#of Units	Monthly Rent	Utility Cost	<b>Total</b>
_____	_____	\$ _____	+ _____	\$ _____
_____	_____	_____	+ _____	_____

- a. In every case of proposed rent increase, the tenants(s) affected shall receive written notice of the amount of the increase at least 60 days prior to the proposed date of such increase.
  - b. Borrower shall annually provide the City with a written list of current occupants’ names and monthly rents by January 15th each year for five (5) years. The City of South Lake Tahoe may verify this information with the applicant.
7. Borrower acknowledges that should: 1) a non-low-income family occupy the unit; or, 2) rents in excess of those permitted by this Agreement are charged, will be cause for appropriate action to be taken by the City of South Lake Tahoe. This action may include but not be limited to: declaring a default and accelerating repayment of the

Housing Rehabilitation Loan at a 10% interest rate; requiring repayment of excess rents to tenants; seeking an injunction against any violation to this Agreement; requesting the judicial appointment of a receiver to take over and operate the property in accordance with the terms of this Agreement; or seeking such other relief as appropriate.

8. The Rent Limitation Agreement will be monitored by the City of South Lake Tahoe, or its agent. In addition, compliance with the Agreement may be monitored by representatives of the State of California CDBG Program.
9. These terms will remain in effect for a period of five years from the date of filing the project's Notice of Completion. The original borrower is subject to the Uniform Relocation Act and Section 104 (d) of the Housing and Community Development Act of 1974. The Borrower shall follow and abide by the City of South Lake Tahoe program guidelines in all cases, especially in regard to changes in title and occupancy of the designated unit(s) under this Agreement. If the original borrower sells the property prior to the expiration of the Rent Limitation Agreement and the purchaser does not agree to maintain the Rent Limitation Agreement for the remaining duration of time stated in the Rent Limitation Agreement, or the original borrower violates the terms of the Rent Limitation Agreement, then the original borrower must pay a 10% interest rate on the remaining funds still owed to the City.
10. The conditions and restrictions affecting the real property subject to this Agreement shall be independent of any Deed of Trust, shall run with the land and shall be binding on all parties having or acquiring any right, title or interest in the property or any part thereof, including agents, personal representatives, mortgagors, heirs, assignors and all successors in interest. Borrower agrees that reference to this Agreement shall be inserted in any subsequent deeds and other legal instruments by which subject property or any interest therein is conveyed.
11. The provisions of this Agreement are in addition to and do not alter, modify, or set aside in any respect, any other instrument securing the loan.

\_\_\_\_\_  
Borrower

City of South Lake Tahoe

By: \_\_\_\_\_  
Rehabilitation Specialist

STATE OF CALIFORNIA } SS.  
COUNTY OF EL DORADO }

On \_\_\_\_\_, 200\_\_, before me, \_\_\_\_\_, personally  
appeared

\_\_\_\_\_,  
personally known to me (or proved to me on the basis of satisfactory evidence) to be the  
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to  
me that he/she/they executed the same in his/her/their authorized capacity(ies), and that  
by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of  
which the person(s) acted, executed the instrument.

Witness my hand and official seal.

\_\_\_\_\_

(Seal)

STATE OF CALIFORNIA } SS.  
COUNTY OF EL DORADO }

On \_\_\_\_\_, 200\_\_, before me, \_\_\_\_\_, personally  
appeared

\_\_\_\_\_,  
personally known to me (or proved to me on the basis of satisfactory evidence) to be the  
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which the person(s) acted, executed the instrument.

Witness my hand and official seal.

\_\_\_\_\_

(Seal)

Rental Limitation Agreement