

TO: TOWN COUNCIL

FROM: TOWN MANAGER 

RE: KEVIN JOHNSON REQUEST A CDBG LOAN FORGIVENESS AT
3457 COLVIN RD

ISSUE

At the May Council meeting Kevin Johnson asked to address the Council in June to ask that a 1994 Community Development Block Grant housing rehab loan be forgiven.

RECOMMENDATION

Deny the request to forgive the CDBG Housing and Rehabilitation Loan for the reasons noted in the attached report from 2005.

CEQA

There are no CEQA issues in this matter.

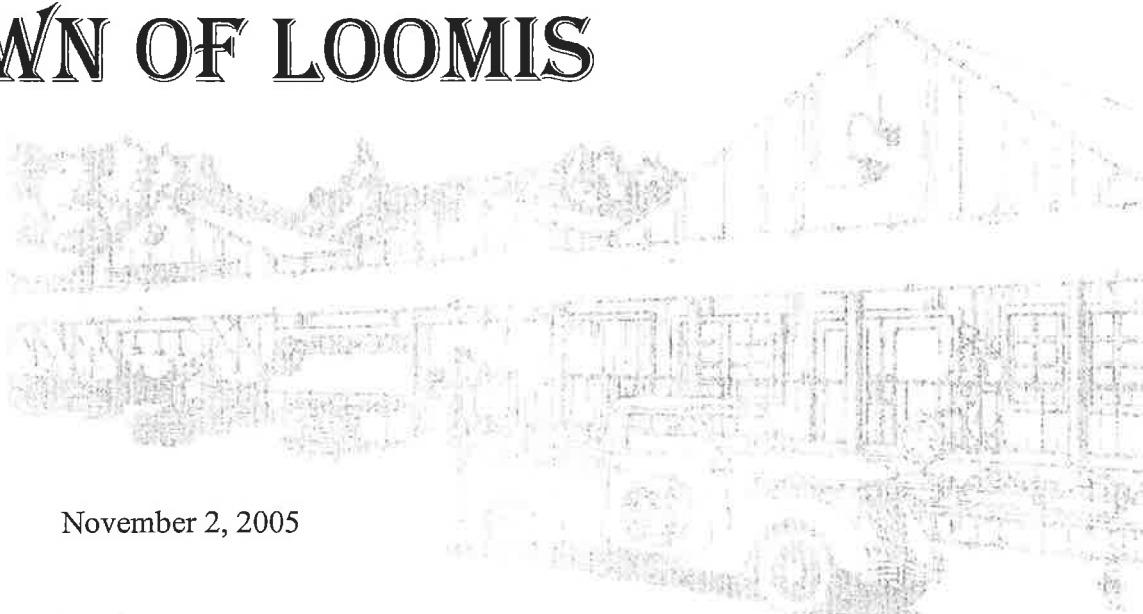
MONEY

There are no money issues unless Council seeks to forgive this loan in which case the Town may be liable to repay the CDBG Housing and Rehabilitation Program.

DISCUSSION

In 2005 Kevin Johnson, on behalf of his parents Joseph and Norma Johnson, asked that the Town forgive a CDBG Housing Rehabilitation Loan that the parents obtained in 1997. The purpose was to process a reverse mortgage from Wells Fargo Bank. Today Kevin Johnson asks to address the Council on the same topic. Nothing has changed from the findings made in 2005 that were reviewed and approved by the Town Attorney. Mr. Johnson was given the findings in 2005 and nothing more was heard at that time, he did not file an appeal.

TOWN OF LOOMIS



November 2, 2005

Kevin Johnson
3457 Colvin Drive
Loomis, CA 95650

RE: REQUEST TO WAIVE CDBG LOAN AT 3457 COLVIN DR, LOOMIS

On 10/31/05 you met with me to request that a Community Development Block Grant (CDBG) Loan be waived on property your parents own at 3457 Colvin Drive, Loomis. Enclosed is the report that is being submitted to the Town Attorney pursuant to the Loomis Municipal Code. The report concludes that the request to waive the loan is denied per terms and conditions of the CDBG program and agreements made by Joseph C. and Norma L. Johnson.

As noted on the report there is an appeal period that will end at noon on November 18, 2005. Appeals can be made by any interested party including a Council Member. If you have any questions regards the report or filing an appeal call me at 652-1840.

Sincerely,



Perry Beck, Town Manager

Cc: Town Council
Town Attorney
Planning Director

November 2, 2005

1

TO: TOWN ATTORNEY

FROM: TOWN MANAGER



RE: CDBG LOAN WAIVER REQUEST – 3457 COLVIN DR

ISSUE

Mr. Kevin Johnson asks that the Town forgive a Community Development Block Grant loan that his parent's, Joseph and Norma Johnson, contracted on property at 3457 Colvin Drive. He said the purpose was to obtain a reverse mortgage from Wells Fargo Bank.

INVESTIGATION MEETINGS AND RECORDS

Meeting 10/31/05 with Kevin Johnson where he explained his request for a CDBG loan waiver.

Records reviewed:

- CDBG Grant binder containing agreements, regulations, monitoring and audit reports
- Johnson file showing eligibility, escrow and disbursement documents
- Johnson CDBG grant file showing bank package and miscellaneous communications

BACKGROUND

In 1994 the Town of Loomis was awarded a \$500,000 grant through the 1994 State Community Development Block Grant (CDBG) Program – Contract #93-STBG-806. [Letter from California Department of Housing and Community Development to Town dated July 5, 1994] The Town agreed to adhere to various requirements including compliance with Federal Laws and regulations. [California Standard Agreement for CDBG Program dated 10/19/94] The purpose of the grant was to provide funding for housing rehabilitation for qualified people (ie low income or elderly or targeted groups such as handicapped or combinations thereof). The Rural California Housing Corporation (RCHC) was the Town's consultant on the CDBG program. The program was completed in 1997 and RCHC prepared the Certificate of Completion noting that "Three families have unsettled disputes with their contractor for a total of \$15,502. The funds are being held pending a decision from the Contractor State License Board." [Letter from RCHC to Town dated 6/27/97] One of these disputes affected the Johnson property.

In 1996 Joseph C. and Norma L. Johnson applied for a loan under the CDBG program and were found eligible. An agreement to borrow funds was signed by the Johnsons in February 1997. Clause 15 notes that the term will be until the loan is fully repaid to the Town. [Rehabilitation Loan Agreement signed by Joseph and Norma Johnson and Town of Loomis dated 2/19/97] The loan was for \$26,000.00 at 0% interest to be "...due upon sale of property, transfer of title or when borrower no longer occupies the home as his/her/their principal residence. Also, the loan may be due if the borrower fails to maintain required fire insurance or fails to pay property taxes." [Loan Disclosure Statement CDBG Grant Loan signed by Joseph and Norma Johnson 2/19/97]

A house rehab plan was developed and the Johnsons selected Far West Builders (Jack Slaughter) as the contractor to do the work identified. The work was concluded by June 1997 though not without issue. There were disputes with the contractor's work and \$5,775.40 was held back from final payment pending a review by the Contractor State Licensing Board. [Letter from RCHC to the Johnsons dated 6/20/97] The matter went to court and the judgment was that the Johnsons were to pay the contractor for various corrections that were to be identified and completed. [Notice of Entry of Judgment Placer Municipal Court District dated 9/22/97 mailed on 10/28/97] There was evidently a choice whether the work had to be done because in December 1997 RCHC explains several options available to the Johnsons as a result of the court judgment. It appears from the record that the Johnsons did not allow the corrective work to be done, the withheld amount of \$5,775.40 was returned to the State of California, the Johnsons loan was reduced by the amount returned to the State thereby lowering the loan from \$26,000.00 to \$20,224.60, and the Johnsons were advised that the contractor could file a lien to collect money awarded by the Court. [RCHC letter to the Johnsons dated 12/3/97] Kevin Johnson indicated that the contractor did file a lien.

FINDINGS

The CDBG housing rehabilitation program in Loomis appears to have been standard in the things accomplished and the manner in which the program was done. The Town passed the audit requirements and excepting the issue of contractor work quality affecting three projects, one of which was the Johnsons, the program proceeded in a timely manner.

All participants including the Town of Loomis were subject to certain requirements of the grant program. Pertinent to the request of Kevin Johnson are the CDBG Housing Rehabilitation Program Guidelines approved in April 1994 and modified in January 1997. Section 5.3 notes: "While the 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 CDBG Foreclosure Policy and Procedure will be pursued." There is a clear expectation in that language that loans would be repaid. Further, the rehabilitation loan agreement that was signed by the Johnsons indicated at Clause 15 that "This agreement will not be terminated until the Community Development Block Grant loan is fully re-paid to Town of Loomis. Town will forward original note, original deed of trust, and request for reconveyance to the trustee named in the deed of trust when the loan is fully repaid. Borrower will pay the reconveyance fee required by the trustee to issue the reconveyance." Again the language is clear that loans will be repaid. This is not unusual considering the money was public funds, the loans were zero interest and no payment was required until the property changed hands.

Finally, if this loan were to be forgiven other people, including those that paid off their loans, would undoubtedly seek the same consideration. The program was not a grant of free money. It was a loan and understood to be such by all of the parties involved. To waive a loan could result in a gift of public funds and that was clearly not the purpose of the CDBG program.

DECISION

Deny the request by Kevin Johnson to forgive payment of the CDBG rehabilitation loan to Joseph and Norma Johnson for work done on property at 3457 Colvin Drive, Loomis, CA.

APPEAL PERIOD

This decision to forgive a loan can be appealed to the Loomis Town Council by any interested party including a Council Member. The appeal period will run for ten (10) business days beginning November 3, 2005 and ending at 12 noon on November 18, 2005.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

OFFICE OF THE DIRECTOR
1800 THIRD STREET, Suite 450
SACRAMENTO, CA 94252-2051
(916) 445-4775



JUL 5 1994

Ms. Joan Phillipe
Town Manager
Town of Loomis
P.O. Box 1327
Loomis, California 95650

Dear Ms. Phillipe:

I am pleased to inform you that the Town of Loomis has been awarded a grant from the General/Native American Allocation of the 1994 State Community Development Block Grant (CDBG) Program. This letter constitutes a commitment of \$500,000 from the program, subject to the conditions specified in Contract #93-STBG-806 which will be forwarded to you.

As you know, Governor Pete Wilson is committed to expanding housing and community development opportunities for all Californians. The CDBG program, which primarily benefits low- and very low-income families, plays an important role in the efforts of the Governor and this Department to address California's economic and housing needs.

Please note that, as always, no funds may be expended nor any costs incurred until a contract is fully executed. Best wishes for a successful implementation of your Grant. If you have any questions, please contact the Community Development Block Grant Program at (916) 445-6000.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "Timothy E. Coyle".

Timothy E. Coyle
Director

STANDARD AGREEMENT — APPROVED BY THE ATTORNEY GENERAL

STD. 2 (REV.5-91)

CONTRACTOR'S COPY

CONTRACT NUMBER 94-STBG-806	AM. NO.
TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER	

THIS AGREEMENT, made and entered into this 1st day of July, 1994,
in State of California, by and between State of California, through its duly elected or appointed, qualified and acting

TITLE OF OFFICER ACTING FOR STATE Director	AGENCY Department of Housing and Community Development	hereafter called the State, and
CONTRACTOR'S NAME Town of Loomis		hereafter called the Contractor.

WITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State hereinafter expressed does hereby agree to furnish to the State services and materials as follows: *(Set forth service to be rendered by Contractor, amount to be paid Contractor time for performance or completion, and attach plans and specifications, if any.)*

This agreement will provide official notification of the grant award under the State's administration of the Housing and Community Development Block Grant Program for Non-entitlement jurisdictions pursuant to the provisions of 42 U.S.C. 5301 et seq., 24 CFR Part 570, Subpart I, and 25 California Code of Regulations, Sections 7050 through 7124. In accepting this grant award, the Grantee agrees to comply with the terms and conditions of this agreement and all attachments hereto, the representations contained in the Grantee's application (hereinafter "the Application") which is hereby incorporated by reference as if set forth in full, and the requirements of the authorities cited above. For purposes of this Agreement use of the term "Grantee" shall be a reference to "Contractor".

CONTINUED ON 15 SHEETS, EACH BEARING NAME OF CONTRACTOR AND CONTRACT NUMBER.

The provisions on the reverse side hereof constitute a part of this agreement.
IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.

STATE OF CALIFORNIA		CONTRACTOR	
AGENCY Department of Housing & Community Development	CONTRACTOR (If other than an individual, state whether a corporation, partnership, etc.) Town of Loomis		
BY (AUTHORIZED SIGNATURE) 	BY (AUTHORIZED SIGNATURE) 		
PRINTED NAME OF PERSON SIGNING Timothy L. Coyle	PRINTED NAME AND TITLE OF PERSON SIGNING Joan Phillippe, Town Manager		
TITLE Director	ADDRESS P.O. Box 1327, Loomis, California 95650		

AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 500,000	PROGRAM/CATEGORY (CODE AND TITLE) 20	FUND TITLE FTF
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT \$ -0-	(OPTIONAL USE) Federal Funds - CDBG	FCN 14.228
TOTAL AMOUNT ENCUMBERED TO DATE 500,000	ITEM 2240-101-890	CHAPTER 139 STATUTE 1994 FISCAL YEAR 1994/95
OBJECT OF EXPENDITURE (CODE AND TITLE) 2207/41330 \$30,871; 2207/41350 \$469,129		
I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.		
TITLE OF ACCOUNTING OFFICER 	T.B.A. NO.	B.R. NO.
DATE 9/1/94		

Department of General Services Use Only

OCT 19 1994

Exempt from Department of General Services approval

RURAL CALIFORNIA HOUSING CORP.
(916) 442-4731 FAX (916) 442-1701



2125 19th STREET, SUITE 101
SACRAMENTO, CA 95818

June 27, 1997

Kathy Kerdus, Planning Director
Town of Loomis
P.O. Box 1327
Loomis, CA 95650

JUN 30 1997

Dear Ms. Kerdus:

Enclosed for your review and Ms. Phillip's signature of approval is the Certificate of Completion and the CDBG Final Grantee Performance Report for grant #94-STBG-806 for report period of 7/1/96 through 4/30/97. This report needs to be presented at a Public Hearing and the Town will need to keep records of

- ✓ Proof of Public Hearing Notice Publication (file in the Public Information Binder and the General Administration Folder)
- ✓ Copy of the minutes of the Public Hearing
- ✓ Sign In sheet for meeting attendees (RCHC will provide on Tuesday 7/8/97)
- ✓ Any written or oral comments regarding the GPR and the Town's responses, if any.

The Certificate of Completion report will require the following procedure for processing at the State:

- ✓ Sign the original report.
- ✓ Submit the original report and one copy to the State.
- ✓ Keep a signed report for your Financial file.
- ✓ Mail a signed report to my attention at RCHC.

The Final Grantee Performance Report will require the following procedure for processing at the State:

- ✓ Sign the original report.
- ✓ Submit the original report and two copies to the State.
- ✓ Keep a signed report for your Financial file.
- ✓ Mail a signed report to my attention at RCHC.

Send the reports to:

Department of Housing & Community Development
Division of Community Affairs
CDBG Program Manager, MS 390-2
P.O. Box 952054
Sacramento, CA 94252-2054

If you have any questions please call me at (916) 442-4731 Ext. 3325

Sincerely,

Dianna Hillyer
Rehabilitation Loan Specialist

Enclosures

State CDBG Program
CERTIFICATE OF COMPLETION

Grantee Name

Town of Loomis

Grant Agreement Number

94-STBG-806

A. FINAL STATEMENT OF COST

PROGRAM ACTIVITY CATEGORIES (a)	TO BE COMPLETED BY GRANTEE			TO BE COMPLETED BY HCD
	PAID COSTS (b)	UNPAID COSTS (c)	TOTAL COSTS (Col b + c) (d)	APPROVED TOTAL COSTS (e)
1 Acquisition of Real Property				
2 Public Works				
3 Economic Development-Infrastructure				
4 Economic Development-Business Loans				
5 Rehabilitation Loans and Grants	\$393,391	\$15,502	\$408,893	
6 Community Facilities				
7 Public Services				
3 Relocation Payments and Assistance				
9 Planning				
10 General Administration	\$18,107	-0-	\$18,107	
11 Other <u>ACTIVITY DELIVERY</u>	\$73,000	-0-	\$73,000	
Total Program Cost (Lines 1 through 11)	\$484,498	\$15,502	\$500,000	

B. COMPUTATION OF GRANT BALANCE

DESCRIPTION (a)	TO BE COMPLETED BY GRANTEE	TO BE COMPLETED BY HCD
	AMOUNT (b)	APPROVED AMOUNT (c)
1 Grant Amount Applied to Program Costs (From Line 12, Column b above)	484,498	
2 Estimated Amount for Unsettled Third-Party Claims or Unpaid Costs	15,502	
3 Subtotal	500,000	
4 Grant Amount per grant Agreement(s)	500,000	
5 Unutilized Grant to be Canceled (Line 4 minus 3)	-0-	
6 Grant Funds Received	500,000	
7 Balance of Grant Payable (Line 3 minus 6)*	-0-	

C. UNPAID COSTS AND UNSETTLE THIRD-PARTY CLAIMS

LIST ANY UNPAID COSTS AND UNSETTLED THIRD-PARTY CLAIMS AGAINST THE RECIPIENT'S GRANT. DESCRIBE CIRCUMSTANCES & AMOUNTS INVOLVED. Three families have unsettled disputes with their contractor for a total of \$15,502. The funds are being held pending a decision from the Contractor State License Board.
CHECK IF CONTINUED ON ADDITIONAL SHEET AND ATTACH.

*If Line 6 exceeds Line 1, enter amount of excess on Line 7 as a negative amount. This amount shall be repaid to HCD by check, submitted with this report.

D. PROPERTY LIST

List any property acquired in whole or in part with CDBG funds:

None

NOTE: FUTURE DISPOSITION OF THIS PROPERTY SHALL BE CARRIED OUT IN ACCORDANCE WITH SECTION 7118 OF THE STATE CE REGULATIONS.


E. CERTIFICATION OF GRANTEE

It is hereby certified that all activities undertaken by the Grantee with funds provided under the grant agreement identified on page 1 hereof, have, to the best of my knowledge, been carried out in accordance with the grant agreement; that proper provision has been made by the Grantee for the payment of all unpaid costs and unsettled third-party claims identified on page 1 hereof; that the State of California is under no obligation to make any further payment to the Grantee under the grant agreement in excess of the amount identified in Section B, line 7 hereof; and that every statement and amount set forth in this instrument is, to the best of my knowledge, true and correct as of this date.

Any property acquired in whole or in part with CDBG funds or CDBG Program Income shall be accounted for in accordance with the provisions of Sections 7118 and 7104 of the State CDBG regulations pertaining to property management and program income.

The Grantee shall continue to comply with the State CDBG program income reporting requirements.

All costs incurred subsequent to the most recent annual audit period will be audited at the time the Grantee's next annual audit is conducted in accordance with OMB Circular A-128. The Grantee will resolve any audit findings relating to both the program and financial aspects of the grant. In the event there are any costs which are disallowed by this audit or any subsequent audits which cover CDBG expenditures, and which are sustained by the Department of Housing and Community Development, the amount of such costs shall be returned to HCD.

DATE	TYPED NAME AND TITLE OF AUTHORIZED GRANTEE REPRESENTATIVE	SIGNATURE OF AUTHORIZED GRANTEE REPRESENTATIVE
7/22/97	Joan Phillipe, Town Manager	

Order No.
Escrow No. 10010568-LS
Loan No.

This document recorded 3-7-97
Series Number 97-13746
We hereby certify that this copy
is a true and correct copy of the original.
L. Schroeder
Plat American Title Insurance Company

WHEN RECORDED MAIL TO:
The Town of Loomis
C/O Rural California Housing Corp.
2125 19th St., Suite 101
Sacramento, CA 95818
Attn: Dianna Hillyer

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

Request For Notice Under Section 2924b Civil Code

In accordance with Section 2924b, Civil Code, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument No. 94-053586 on July 22, 19 94, in Book N/A, Page N/A, Official Records of Placer County, California, and describing land therein as

Same as described in Deed of Trust

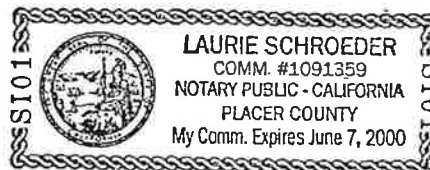
executed by Joseph C. Johnson and Norma L. Johnson, who are married to each other, as Trustor, in which Bank of America NT&SA, A National Banking Association is named as Beneficiary, and Equitable Deed Company, as Trustee, be mailed to The Town of Loomis, at P.O. Box 1327 Number and Street Loomis, CA 95650 City and State

NOTICE: A COPY OF ANY NOTICE OF DEFAULT AND OF ANY NOTICE OF SALE WILL BE SENT ONLY TO THE ADDRESS CONTAINED IN THIS RECORDED REQUEST. IF YOUR ADDRESS CHANGES, A NEW REQUEST MUST BE RECORDED.

STATE OF CALIFORNIA }
COUNTY OF Placer } ss.
On February 19, 1997 before me,
Laurie Schroeder, Notary Public
personally appeared Joseph C. Johnson and
Norma L. Johnson

Joseph C. Johnson
Norma L. Johnson
Norma L. Johnson

~~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.
Signature Laurie Schroeder

(This area for official notarial seal)

Order No.
Escrow No. 10010568-LS
Loan No.

WHEN RECORDED MAIL TO:
The Town of Loomis
C/O Rural California Housing Corp.
2125 19th St., Suite 101
Sacramento, CA 95818
Attn: Dianna Hillyer

This document recorded 3-4-97
Series # 97-13745
We hereby certify that this document
is a true and correct original.
L. Schroeder
First American Title Insurance Company

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

Request For Notice Under Section 2924b Civil Code

In accordance with Section 2924b, Civil Code, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument No. 8533 on March 20, 19 68, in Book 1199, Page 410, Official Records of Placer County, California, and describing land therein as

Same as described in Deed of Trust

executed by Joseph C. Johnson and Norma L. Johnson, husband and wife, as Trustor, in which Colonial Mortgage Service Co. of California, A California Corporation is named as (assigned to The Hackensack Trust Co., Book 1208, Page 224) Beneficiary, and Colonial Mortgage Service Co. of California A California Corporation, as Trustee, be mailed to The Town of Loomis at P.O. Box 1327 Number and Street Loomis, CA 95650 City and State

NOTICE: A COPY OF ANY NOTICE OF DEFAULT AND OF ANY NOTICE OF SALE WILL BE SENT ONLY TO THE ADDRESS CONTAINED IN THIS RECORDED REQUEST. IF YOUR ADDRESS CHANGES, A NEW REQUEST MUST BE RECORDED.

STATE OF CALIFORNIA)
COUNTY OF Placer) ss.
On February 19, 1997 before me,
Laurie Schroeder
personally appeared Joseph C. Johnson and
Norma L. Johnson

Joseph C. Johnson
Norma L. Johnson

~~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.
Signature Laurie Schroeder

(This area for official notarial seal)

TOWN OF LOOMIS REHABILITATION LOAN AGREEMENT 94-STBG-806

This Rehabilitation Loan Agreement, dated February 19, 1997 is entered into between **JOSEPH C. & NORMA L. JOHNSON**, Borrower, and the **Town of Loomis** Rehabilitation Program (the "Town"). Borrower has received a loan for the rehabilitation of Borrower's property located at:
3457 COLVIN DRIVE, LOOMIS, CA 95650

Borrower and Town agree as follows:

1. The Loan. Borrower has agreed to borrow and Town has agreed to make a loan to Borrower pursuant to the terms of this Agreement (the "Loan"). The specific terms of the Loan are contained in the Promissory Note, the Deed of Trust, and this Rehabilitation Loan Agreement all to be signed herewith.
2. Note, Deed of Trust. Borrower agrees to execute a Promissory Note evidencing its obligation to repay the Loan made under this Agreement (the "Note"). The Borrower further agrees to execute a Deed of Trust securing the Note naming the Town as beneficiary, (the "Deed of Trust"). Borrower further agrees to be bound by all terms and conditions of the Note and Deed of Trust.
3. Work Write-up and Cost. Borrower shall cause the rehabilitation of Borrower's property to be performed in accordance with the final plans, specifications and work write-up which have been approved by Town and are on file with the Town. Change orders to the original work write-up specifications must be in writing, signed by the owner, general contractor, and housing rehabilitation manager. Oral agreements are invalid ineligible costs and will not be reimbursed through the Community Development Block Grant Agreement.
4. General Contractor. The Borrower agrees to use only licensed, insured contractors and subcontractors. If the Borrower elects to serve as his own General Contractor then Borrower must enter into the "Owner Participation Agreement for Self-Help Rehab."
5. Rehabilitation Construction Contract. When the Borrower enters into a contract for rehabilitation of Borrower's Property with a licensed general contractor (the "General Contractor") it shall be in a form and in accordance with procedures approved by the Town (the "Construction Contract"). The Construction Contract and any additional advances thereto shall not be entered into by Borrower unless approved in writing by the Town.
6. Supervision of Work. Borrower and City's agent shall be responsible for monitoring all rehabilitation work and enforcing the terms of the Construction Contract. The Town through its agent (RCHC) shall inspect the rehabilitation work solely for the purpose of monitoring loan disbursements, enforcing the terms of this Loan Agreement and protecting the Town's security interest in the property.
7. Use of Loan Proceeds. Borrower agrees to use Loan proceeds only for costs of services, materials, if applicable, necessary to complete the rehabilitation of Borrower's property pursuant to Town-approved specifications, plans, and work write-up specifications. Borrower agrees to hand RCHC additional personal funds as set forth in number 8.

8. Additional Funds. In the event that the Loan is not sufficient to cover all costs of completing the rehabilitation of Borrower's property due to unforeseen work requirements and the Borrower's contingency fund has been expended the Borrower will need to provide personal funds. The amount of personal funds to be collected will be written in on the change order next to the additional work item being requested. The change order must be signed by the owner, contractor and housing rehabilitation manager prior to work being started. The housing rehabilitation manager will forward the owners personal funds (cashier check, or money order) and a copy of the fully executed change order by all parties, to Title Company. The owners personal funds will be deposited in to the owners escrow account, and will be disbursed from escrow as additional work is completed.

9. Method of Disbursement. All Loan proceeds disbursed to Borrower shall be considered advances under the Note and secured by the Deed of Trust. Funds to be disbursed are Town Community Development Block Grant (CDBG) loan funds in the amount of: \$26,000.00, Twenty-Six Thousand and No/100 dollars. Loan funds shall be disbursed in accordance with the following terms:
 1. Form of Disbursement. Town loan funds will be disbursed by the Town of Loomis in the form of a Cashiers Check. Said check will be issued to RURAL CALIFORNIA HOUSING CORPORATION (RCHC) . RCHC will disburse all funds. When the general contractor submits an invoice for payment, the request for payment form must be signed by the owner of the property, the rehabilitation inspector, and the housing rehabilitation manager. The housing rehabilitation manager will forward the original request for payment form to RCHC Accounting Department. RCHC will issue a check the general contractor upon receipt of the invoice and the check will be mailed to the general contractors business address. The general contractor will receive the payment within 15 days from the date that the invoice was given to RCHC for processing.

 2. Disbursement Account. All funds to be disbursed (including Town loan funds and additional funding provided by Borrower) shall be deposited in the borrower's escrow account held by RCHC. No Town loan funds shall be disbursed until all additional funding provided by Borrower has been deposited in the account.

 3. Responsibility for Disbursement. RCHC shall oversee disbursement of all funds from the borrowers escrow account. No disbursements shall be made unless authorized in the borrowers escrow instructions.

4. Procedures for Disbursement. Procedures for Disbursement for Borrowers who elect to serve as their own General Contractor are contained in the "Owner Participation Agreement for Self-Help Rehab". For rehab work executed by a General Contractor, Loan funds and additional funds provided by Borrower shall be disbursed as follows:

- a. Borrower and/or Contractor shall request disbursement by submitting to RCHC a Request for Payment form, signed by the borrower and attach an invoice from the contractor.
- b. RCHC shall immediately inspect the project to determine that the work has been completed, and the work done is in accordance with contract documents and in accordance with the Borrower's disbursement request.
- c. Upon determination by RCHC that all conditions precedent have been met and determination of the amount due for work completed, RCHC staff shall process the payment request and request the holder of the escrow account to disburse funds in the amount approved by Borrower and RCHC.
- d. Disbursements based upon each request for payment shall be drawn from each source in the following sequence:

#1	Additional Funds	NONE
#2	CDBG Funds:	<u>\$26,000.00</u>

- e. Ten percent (10%) of the total amount approved for the rehabilitation (contractor fee) shall be retained in the Escrow Account until 30 days after the Notice of Completion has been recorded. In the event that a subcontractor is employed the 10% retained in the escrow account shall not be released until 60 days after the notice of completion has been recorded.

5. Release of Retention Funds. Funds retained from each disbursement request shall be released, less any liquidated damages and adjusted for approved change orders and relocation costs, upon occurrence of all of the following:

- a. Completion of all rehabilitation work on Borrower's property which is satisfactory to Owner and Town, and which is in accordance with Town approved plans, specifications and work write-up; and
- b. Completion of the following in accordance with the approved Construction Contract:
 - i. Lien releases (the absence of mechanic's liens).
 - ii. A Notice of Completion has been recorded for 30 days.
 - iii. Certificate of Occupancy if applicable.
 - iv. All guarantees and warranties.

6. Conditions Precedent to Disbursement. Town or its agent shall not be obligated to make the first disbursement of Loan proceeds to the contractor or any subsequent disbursement of Loan proceeds unless all of the following have been complied with:
- a. Borrower has signed this Loan Agreement, and the Borrower has signed the Note and Deed of Trust and the Deed of Trust has been recorded.
 - b. Borrower and Construction Contractor have executed the Construction Contract and it has been approved by the Town's Consultant, Rural California Housing Corp.
 - c. Borrower has issued a Notice to Proceed under the Construction Contract.
 - d. The work to be funded by each loan disbursement has been performed in accordance with Town-approved plans and work write-up and has been inspected and approved by Town or Rural California Housing Corporation..
 - e. All change orders, if any, have been approved in writing by the Owner, General Contractor and Housing Rehabilitation Manager at Rural California Housing Corporation prior to change order work being started.
 - f. All insurance required by the Construction Contract and this Loan Agreement is in place and copies of the policies or binders have been transmitted to RCHC.
 - g. Funding sufficient to complete rehabilitation of Borrower's property remains in the escrow account.
 - h. Borrower is not in default of any of the terms of this Loan Agreement, the Note or the Deed of Trust.
7. Equal Employment Opportunity. Borrower shall comply with all applicable provisions of federal statutes and regulations and town or county ordinances concerning equal employment opportunity for persons engaged in rehabilitation work performed on Borrower's property and financed with Town Loan proceeds.
8. Protect the Public Interest. The Borrower shall not allow any employee or official of the Town to have any interest, direct or indirect, in the proceeds of the loan.
9. Fees, Commissions or Gifts. The Borrower shall pay no fee or commission and make no gifts to any person exercising any function or responsibility directly or indirectly in connection with the administration of the Town loan.
10. Records. Borrower shall keep such records as may be required by the Town in connection with the rehabilitation work.

11. Maintenance. Borrower agrees to maintain the Property which is the security under the Deed of Trust in a decent, safe, and sanitary condition following the completion of the rehabilitation work.
12. Default. Upon occurrence of any one or more of the following, the Town may at its sole discretion declare all loan funds disbursed immediately due and payable, and Town's obligation to make further disbursements of loan proceeds shall terminate:
 - a. Borrower fails to commence and complete rehabilitation work on Borrower's property within the time specified in the Notice to Proceed;
 - b. Borrower fails to carry out and complete rehabilitation of Borrower's property in accordance with the plans, specifications and work write-up approved by the Town.
 - c. Town discovers that Borrower in any application or documentation in connection with the Loan, had failed to disclose or misrepresented any fact deemed by the Town to be material or which would have prevented the Borrower from being eligible for the Loan.
 - d. Borrower defaults or breaches any of the terms of Loan Agreement, the Note or Deed of Trust.
 - e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the property which is the security under the Deed of Trust, or any part thereof, which lien shall have priority over the lien of the Deed of Trust securing this Loan.
 - f. Owner fails to maintain fire insurance coverage naming the Town of Loomis as loss payee
 - g. Owner fails to maintain flood insurance coverage naming the Town of Loomis as a loss payee. This provision only applies to units determined to be located with a flood zone.
 - h. Borrower vacates their home for the purpose of renting the unit.
 - i. Borrower has multiple owners on title of the Community Development Block Grant assisted unit and owners refuse to submit or fraudulently complete certifications of income and occupancy.
 - j. Borrower transfers title to the property, borrower sells property, or upon death of all borrowers, trustees, and or successors in interest.

In the event any of the above occurs borrowers agree to notify: The Town of Loomis P.O. Box 1327, Loomis, California 95650.

13. Rent Limitation Agreement. If this is a rental unit, the owner-investor agrees to the Rent Limitation Agreement which will be recorded at the time of recordation of notice of completion. Owner-investor agrees to abide by all terms and conditions of the Rent Limitation Agreement.

14. Insurance. The applicant shall maintain fire insurance and flood insurance as required by Federal Emergency Management Agency and the Town, if property is in an area designated as a mandatory flood zone, adequate to cover all encumbrances on the property. The Town shall be designated as loss payee for the amount of the loan. A statement of loss payable shall be forwarded to the Town on an annual basis and included in the Borrower's file.
15. Term of This Agreement. This agreement will not be terminated until the Community Development Block Grant loan is fully re-paid to Town of Loomis. Town will forward original note, original deed of trust, and request for reconveyance to the trustee named in the deed of trust when the loan is fully repaid. Borrower will pay the reconveyance fee required by the trustee to issue the reconveyance.
16. Indemnification. Borrower and her/his successor in interest agrees to indemnify, defend and hold harmless the Town and its agents, employees and officers from any and all claims, losses, liabilities or causes of action, including reasonable attorney's fees, arising from or in connection with Borrower's performance in connection with this Agreement.
17. Remedies Cumulative. This agreement is not intended to supersede or overrule any other right or remedy provided by the Note and Deed of Trust, nor is it intended to override any federal, state, or local statutes and regulations.
18. Time Waiver. Time is of the essence in this Agreement. No waiver of any default or breach by Borrower hereunder shall be implied from any omission by the Town to take action on account of such default if such default persists or is repeated, and no express waiver shall effect any default other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.
19. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or non enforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.
20. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Borrower and Town.

The parties agree to and execute this Rehabilitation Loan Agreement as set forth below.

BORROWER(S):

Joseph C. Johnson
Borrower-Joseph C. Johnson

2-19-97
Date

Norma L. Johnson
Borrower-Norma L. Johnson

2-19-97
Date

TOWN OF LOOMIS:

Joan L. Phillipe
Joan Phillipe, Town Manager

3-18-97
Date

**LOAN DISCLOSURE STATEMENT
COMMUNITY DEVELOPMENT BLOCK GRANT LOAN
TOWN OF LOOMIS 94-STBG-806**

NAME OF BORROWER: JOSEPH C. & NORMA L. JOHNSON
MAILING ADDRESS: 3457 COLVIN DRIVE, LOOMIS, CA 95650

The Town of Loomis herein after called Lender, will lend to the borrower the amount stated below for the purpose of rehabilitation of the dwelling located at 3457 Colvin Drive, Loomis, CA 95650. Lender's security interest in this transaction is a Deed of Trust on the aforementioned property more completely described in the Rehabilitation Loan Agreement.

CHARGES PAID FOR BY LOAN:

Construction Bid - Far West Builders	\$22,940.00
Credit Report Review Fee	10.00
Escrow Fees	150.00
Alta Title Policy	360.00
Recording Fees	40.00
Notary Fees	20.00
Flood Insurance	N/A
Appraisal Fee	225.00
Termite Report	100.00
Loan Service Set-Up Fee	100.00
Sub-Total Job Cost	\$23,945.00
Contingency	2,055.00

TOTAL CHARGES PAID BY LOAN: \$26,000.00

TOTAL FUNDS RECEIVED: \$26,000.00

ANNUAL PERCENTAGE RATE: 0.0%

The cost of your loan as a yearly rate.

AMOUNT FINANCED: \$26,000.00

The amount provided to you or on your behalf

TOTAL OF PAYMENTS:

No monthly payments will be made. Simple interest at 0.0% will accrue at \$0 per year.

TOTAL FINANCE CHARGE: \$-0-

Rates and Terms in accordance with Town of Loomis 94-STBG-806 CDBG application: Elderly and permanently disabled owner-occupant households will be offered 0% deferred payment loans. The loan is due upon sale of property, transfer of title or when borrower no longer occupies the home as his/her principal residence. Also, the loan may be due if the borrower fails to maintain required fire insurance or fails to pay property taxes.

Review your Rehabilitation Loan Agreement, Promissory Note, and Deed of Trust for any additional information about nonpayment, default and any required repayment in full before the scheduled time.

The provisions of this statement are required by the Federal Reserve Board and this statement fulfills the compliance with such regulations. I acknowledge receipt of a completed copy of this statement.

Joseph C. Johnson
Joseph C. Johnson

2-19-97
Date

Norma L. Johnson
Norma L. Johnson

2-19-97
Date

PLACER Co Recorder's Office
JIM MCCAULEY, County Recorder

Recording Requested By:

DOC - 97-0036304-00

Tuesday, JUN 24, 1997 08:01:00

REC \$3.00 MIC \$3.00 AUT \$1.00

SBS \$0.00

Ttl Pd \$7.00

Nbr-0000045973

srt/R3/1-1

When Recorded Mail To:
Rural California Housing Corp.
2125 19th Street, Ste. 101, Sacramento, CA 95818
Att: Community Development Department

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN:

- The undersigned is OWNER or agent of the OWNER of the interest or estate stated below in the property hereinafter described.
- The FULL NAME of the OWNER is: JOSEPH C. & NORMA L JOHNSON
- The FULL ADDRESS of the OWNER is: 3457 COLVIN DRIVE, LOOMIS, CA 95650
- The NATURE OF THE INTEREST or ESTATE of the undersigned is: IN FEE

(If other than fee, strike "In fee" and insert, for example, "purchaser under contract of purchase," or "lessee.")

- The FULL NAMES and FULL ADDRESSES of ALL PERSONS, if any, WHO HOLD SUCH INTEREST or ESTATE with the undersigned as JOINT TENANTS or as TENANTS in COMMON are:

NAMES	ADDRESSES
_____	_____
_____	_____

- The full names and full addresses of the predecessors in interest of the undersigned if the property was transferred subsequent to the commencement of the work of improvement herein referred to:

NAMES	ADDRESSES
_____	_____
_____	_____

- A work of improvement on the property hereinafter described was COMPLETED: 5-13-97
- The work of improvement completed is described as follows: General property improvements under the Town of Loomis Housing Rehabilitation Program
- The NAME OF THE ORIGINAL CONTRACTOR, if any, for such work or improvement is: JACK SLAUGHTER, FAR WEST PAINTING & CONSTRUCTION, P. O. BOX 1204, LINCOLN, CA 95648
- The street address of said property is: 3457 COLVIN DRIVE, LOOMIS, CA 95650
- The property on which said work of improvements was completed is in the Town of Loomis, County of Placer, State of California, and is described as follows:

LOT Numbered 26 as said Lot is shown upon that certain map entitled, "Ridgeview Subdivision Unit No. 1", filed March 6, 1963 in Book "H" of Maps, at page 4, in the office of Placer County Recorder, State of California.

APN #:044-162-015

Date: 6-13-97

Signature of owner: Norma L. Johnson
 or agent of owner: Joseph C. & Norma L. Johnson
 (Joseph C. & Norma L. Johnson)

Verification of INDIVIDUAL owner: Joseph C. & Norma L. Johnson

I, the undersigned, declare under penalty of perjury under the laws of the State of California that I am the owner of the aforesaid interest or estate in the property described in the above notice; that I have read said notice, that I know and understand the contents thereof, and that the facts stated therein are true and correct.

Date: 6-13-97

Joseph C. Johnson / Norma L. Johnson
 (Signature of owner named in paragraph 2)

*** NOT APPLICABLE ***

Verification of NON-INDIVIDUAL owner: I, the undersigned, declare under penalty of perjury under the laws of the State of California that I am the _____ of the aforesaid interest or estate in the property described in the above notice; that I have read said notice, "PRESIDENT, PARTNER, MANAGER, AGENT, ETC." that I know and understand the contents thereof, and that the facts stated therein are true and correct.

Date & Place _____

(Signature of owner named in paragraph 2)

DEC 5 1997

RURAL CALIFORNIA HOUSING CORP
(916) 442-4731 FAX (916) 442-1701



2125 19th STREET, SUITE 101
SACRAMENTO, CA 95818

June 20, 1997

Mr. and Mrs. Joseph Johnson
3457 Colvin Drive
Loomis, CA 95650

Dear Mr. and Mrs. Johnson:

This letter is an explanation of the status of your Town of Loomis CDBG Housing Rehabilitation loan. It also serves as a statement of the balance of your loan with the Town. Please keep this letter for your records.

On, March 7, 1997, a Deed of Trust was recorded that secured a loan in the amount of \$26,000.00 with the Town of Loomis at 0% simple interest with payments deferred until sale of the property, transfer of title or when borrowers no longer occupy the home as their principal residence (whichever occurs first). Also, the loan may be due if the borrowers fail to maintain required homeowner's insurance or fail to pay property taxes

At this time no payment is required, however, if you desire to make payments, you may do so by contacting:
Contract Service Center
P.O. Box 1379
Sacramento, CA 95812
1-800-333-8303

The total amount of your loan was **\$26,000.00**. Pending review by the Contractor's State License Board (CSLB), \$5,775.40 is being held in your account. The amount will either be paid to the contractor or credited to your loan balance. Other than the \$5,775.40, a balance of unused loan proceeds in the amount of \$0.00 is being credited to your loan balance. **Your estimated final loan balance is \$26,000.00**. Should the CSLB determine that the funds should not be paid to the Contractor, the funds will be credited to further reduce your loan balance to \$20,224.60.

The Community Development Block Grant Program is being utilized by a large number of Town of Loomis households to preserve our neighborhoods and to provide affordable financing for making critical housing repairs. We trust that your loan was handled in the most courteous and helpful manner.

Sincerely,


Greg Sparks,
Community Development Manager

ENC.

cc: Kathy Kerdus, Town of Loomis
Participant file



TOWN OF LOOMIS 94-STBG-806
Housing Rehabilitation Loan Program

Loan Disbursement Reconciliation

BORROWER: Joseph and Norma Johnson

PROPERTY ADDRESS: 3457 Colvin Drive
Loomis, CA 95650

Tax ID Number: 443-26-6462

Original Loan Amount \$ 26,000.00
TOTAL AMOUNT AVAILABLE: \$ 26,000.00
Balance on Account: \$ -
Outstanding Loan Balance: \$ 26,000.00

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>BALANCE</u>
Credit Report Review Fee	\$ 10.00	\$ 25,990.00
Loan Service Set-Up Fee	\$ 100.00	\$ 25,890.00
Termite Inspection Report	\$ 100.00	\$ 25,790.00
Appraisal Fee	\$ 225.00	\$ 25,565.00
Escrow Fees: First American Title Ins. Co.	\$ 150.00	\$ 25,415.00
ALTA Title Insurance Policy	\$ 360.00	\$ 25,055.00
Recording Fees	\$ 31.00	\$ 25,024.00
Notary Fees	\$ 30.00	\$ 24,994.00
Payment #1 - Far West Builders	\$ 14,193.00	\$ 10,801.00
Payment #2 - Far West Builders	\$ 5,025.60	\$ 5,775.40
AMOUNT IN DISPUTE	\$ 5,775.40	\$ -
TOTAL DISBURSEMENTS FROM ACCOUNT:	\$ 26,000.00	

PLACER MUNICIPAL COURT DISTRICT

Name and Address of Court:

- AUBURN COURT, 1546 B AVENUE, AUBURN, CA 95603
- ROSEVILLE COURT, 300 TAYLOR STREET, ROSEVILLE, CA 95678

SMALL CLAIMS CASE NO. **95-1055**

NOTICE TO ALL PLAINTIFFS AND DEFENDANTS:
 Your small claims case has been decided. If you lost the case, and the court ordered you to pay money, your wages, money, and property may be taken without further warning from the court. Read the back of this sheet for important information about your rights.

AVISO A TODOS LOS DEMANDANTES Y DEMANDADOS:
 Su caso ha sido resuelto por la corte para reclamos judiciales menores. Si la corte ha decidido en su contra y ha ordenado que usted pague dinero, le pueden quitar su salario, su dinero, y otras cosas de su propiedad, sin aviso adicional por parte de esta corte. Lea el reverso de este formulario para obtener información de importancia acerca de sus derechos.

DEFENDANT/DEMANDADO (Name, address, and telephone number of each):
 Ask the clerk for a Memorandum of Costs.
 Ask the judgment debtor to pay the money for your claim.
Joseph Johnson
7 Norma Johnson
3457 Colvin Dr.
Loannis, CA, 95650
 Telephone No. (916) 935-1122

PLAINTIFF/DEMANDANTE (Name, address, and telephone number of each):
 Ask the judgment debtor to pay the money for your claim.
Jack F. Slaughter
70 Box 1204
Loannis, CA, 95648
 Telephone No. (916) 935-1122

STATEMENT OF ASSETS
 If the judgment debtor does not pay the money the law requires the debtor to fill out a form called the Judgment Debtor's Statement of Assets. This form will tell you what property the judgment debtor has that may be available to pay your claim. If the judgment debtor will not fill out the completed form you may ask the court to collect the money or enforce the judgment for you.

See attached sheet for additional plaintiffs and defendants.

DEFENDANT/DEMANDADO (Name, address, and telephone number of each):
 Ask the judgment debtor to pay the money for your claim.
Joseph Johnson
7 Norma Johnson
3457 Colvin Dr.
Loannis, CA, 95650
 Telephone No. (916) 935-1122

PLAINTIFF/DEMANDANTE (Name, address, and telephone number of each):
 Ask the judgment debtor to pay the money for your claim.
Jack F. Slaughter
70 Box 1204
Loannis, CA, 95648
 Telephone No. (916) 935-1122

NOTICE OF ENTRY OF JUDGMENT

Judgment was entered as checked below on (date): **09-22-97**

1. Defendant (name, if more than one): **JOSEPH JOHNSON 7 NORMA JOHNSON** shall pay plaintiff (name, if more than one): **Jack F. Slaughter** \$ **4,000.00** principal and \$ **27.00** costs on plaintiff's claim.
2. Defendant does not owe plaintiff any money on plaintiff's claim.
3. Plaintiff (name, if more than one): shall pay defendant (name, if more than one): \$ _____ principal and \$ _____ costs on defendant's claim.
4. Plaintiff does not owe defendant any money on defendant's claim.
5. Possession of the following property is awarded to plaintiff (describe property):
6. Payments are to be made at the rate of \$ _____ per _____, beginning on (date): _____ and on the _____ day of each month thereafter until paid in full. If any payment is missed, the entire balance may become due immediately.
7. Dismissed in court with prejudice without prejudice.
8. Other (specify): **PLEASE SEE ATTACHED**
9. This judgment results from a motor vehicle accident on a California highway and was caused by the judgment debtor's operation of a motor vehicle. If the judgment is not paid, the judgment creditor may apply to have the judgment debtor's driver's license suspended.
10. Enforcement of the judgment is automatically postponed for 30 days or, if an appeal is filed, until the appeal is decided.
11. This notice was personally delivered to (insert name and date):

PLEASE PICK UP EXHIBITS WITHIN THIRY DAYS OR THEY WILL BE DESTROYED. THANK YOU.

12. CLERK'S CERTIFICATE OF MAILING — I certify that I am not a party to this action. This Notice of Entry of Judgment was mailed first class, postage prepaid, in a sealed envelope to the parties at the addresses shown above. The mailing and this certification occurred at the place and on the date shown below.

Place of mailing: **AUBURN**, California
 Date of mailing: **10-28-97**
 Clerk, by **CARL DEPIETRO**, Deputy **N. FISHER**

— The county provides small claims advisor services free of charge. Read the information sheet on the reverse. —

ENTRY OF JUDGMENT - 09-22-97

CONTINUED:

OTHER:

BUILDING INSPECTOR, TONY RODRIQUEZ, TO MEET WITH THE DEFENDANTS AND MUTUALLY COMPLETE A PUNCH LIST OF UNSATISFACTORY AND/OR INCOMPLETE CONSTRUCTION WORK.

UPON COMPLETION OF PUNCH LIST ITEMS, TO MR. RODRIQUEZ'S SATISFACTION, DEFENDANT'S SHALL RELEASE \$4,000.00 OF RURAL CALIFORNIA HOUSING CORPORATION FUNDS TO THE PLAINTIFF.

RURAL CALIFORNIA HOUSING CORP.
(916) 442-4731 FAX (916) 442-1701



2125 19th STREET, SUITE 101
SACRAMENTO, CA 95818

TOWN OF LOOMIS 94-STBG-806
Housing Rehabilitation Loan Program

Loan Disbursement Reconciliation

BORROWER: Joseph and Norma Johnson
PROPERTY ADDRESS: 3457 Colvin Drive
Loomis, CA 95650
Tax ID Number: 443-26-6462

Original Loan Amount \$ 26,000.00
TOTAL AMOUNT AVAILABLE: \$ 26,000.00
Balance on Account: \$ 5,775.40
Outstanding Loan Balance: \$ 20,224.60

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>BALANCE</u>
Credit Report Review Fee	\$ 10.00	\$ 25,990.00
Loan Service Set-Up Fee	\$ 100.00	\$ 25,890.00
Termite Inspection Report	\$ 100.00	\$ 25,790.00
Appraisal Fee	\$ 225.00	\$ 25,565.00
Escrow Fees: First American Title Ins. Co.	\$ 150.00	\$ 25,415.00
ALTA Title Insurance Policy	\$ 360.00	\$ 25,055.00
Recording Fees	\$ 31.00	\$ 25,024.00
Notary Fees	\$ 30.00	\$ 24,994.00
Payment #1 - Far West Builders	\$ 14,193.00	\$ 10,801.00
Payment #2 - Far West Builders	\$ 5,025.60	\$ 5,775.40
		\$ 5,775.40
TOTAL DISBURSEMENTS FROM ACCOUNT:	\$ 20,224.60	

Mr. and Mrs. Joseph Johnson
Letter dated 12/03/97
Page 2

If you feel that you need additional information, Placer County does provide small claims advisor services, free of charge.

Failure to indicate your approval of one of the below listed options by December 31, 1997 will result in a return of all the unused loan proceeds to the State.

Sincerely,



Greg Sparks,
Community Development Department Manager

c: Kathy Kerdus, Town of Loomis
participant file

ACKNOWLEDGEMENT:

By signing this letter, we are instructing RCHC on how to disburse the balance of our unused Town of Loomis CDBG Housing Rehabilitation Loan proceeds in the amount of \$5,775.40.

We instruct Rural California Housing Corporation (RCHC) to disburse the remaining loan funds as follows (Circle one):

1. Pay Mr. Slaughter with Loan funds and credit remaining balance against my loan principle.
2. Don't pay Mr. Slaughter and return all unused loan proceeds as a credit against my loan principle.

SIGNATURE: _____

Joseph and Norma Johnson, Property Owner



December 3, 1997

Mr. and Mrs. Joseph Johnson
3457 Colvin Drive
Loomis, CA 95650

RE: Town of Loomis Housing Rehabilitation Loan

Dear Mr. and Mrs. Johnson:

Pursuant to the Notice of Entry of Judgment executed September 22, 1997 you were ordered to pay the plaintiff, Jack Slaughter, a total of \$4,027 upon completion of the punch list items prepared in accordance with said judgment. The judgment states, "Upon completion of punch list items, to Mr. Rodriguez's satisfaction, defendant's shall release \$4,000 of Rural California housing Corporation Funds to the Plaintiff." To date the punch list has been prepared, however, no work has been done.

There is currently \$5,775.40 remaining in your Town of Loomis Housing Rehabilitation loan account held on your behalf. At this time you can either:

- 1) Direct RCHC to pay Mr. Slaughter the \$4,027 in funds awarded him from your Loan account. Your final loan balance will reflect only the funds disbursed. The funds left (\$1,748.40) will be returned to the State of California Department of Housing and Community Development and credited to your loan as a payment. Final loan balance would be \$24,251.60.
- 2) Pay Mr. Slaughter the funds awarded him (\$4,027) by the court from your own personal funds. All moneys held on your behalf (\$5,775.40) will be returned to the State of California and credited to your loan as a payment. Final loan balance would be \$20,224.60.
- 3) Don't pay Mr. Slaughter at all. This option will be in violation of the judgment and a lien could be placed upon your property in addition to whatever other steps Mr. Slaughter can take to ensure collection of the money due him. The funds held by RCHC (\$5,775.40) will be returned to the State of California and credited as a payment to your loan. Your final loan balance would be \$20,224.60.

DEC 5 1997

TOWN OF LOOMIS
RESOLUTION NO. 97-04

A RESOLUTION OF THE TOWN COUNCIL OF THE
TOWN OF LOOMIS AMENDING LANGUAGE CONCERNING THE CDBG LOAN
COMMITTEE COMPOSITION FOR THE TOWN'S CDBG HOUSING REHABILITATION
GRANT PROGRAM, 94-STBG-806

WHEREAS, the town has been administering through its contractor, The Rural California Housing Corporation (RCHC), a successful low income housing rehabilitation loan program using CDBG grant funds; and

WHEREAS, the State of California recently completed a routine audit of the grant program, and is requiring the town to clarify language in its CDBG housing grant program guidelines; and

WHEREAS, the town approved grant program guidelines originally in April 1994, Resolution 94-06, and forwarded the guidelines to the state in 1994;

WHEREAS, the state has suggested a minor clarification in the grant program guidelines in Section 6.1, *Committee Composition*; and

WHEREAS, staff has presented the change to the council for approval and forwarding on to the state, Exhibit A;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the amended grant program guidelines, Exhibit A, has been reviewed by the Loomis Town Council, and is approved for implementation and forwarding to the State of California, Department of Housing and Community Development.

PASSED AND ADOPTED this 14th day of January, 1997 by the following vote:

AYES: Boberg, DeWing, Gade, Florance and Morrillas

NOES:

ABSENT:

ABSTAIN:

ABSTAIN:

A handwritten signature in cursive script, appearing to read "R. Clark", written over a horizontal line.

Mayor

ATTEST:

A handwritten signature in cursive script, appearing to read "Charlene Strach", written over a horizontal line.

Town Clerk

EXHIBIT A

Town of Loomis
CDBG HOUSING REHABILITATION PROGRAM GUIDELINES

The Town of Loomis Housing Rehabilitation Program, funded by State Community Development Block Grant (CDBG) 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 for owner-occupied and rental housing for low-income Town residents.

1.0 APPLICANT ELIGIBILITY

1.1. Definition of Income Limits

Qualified applicants must have incomes below the "low-income limits" established annually by the California Department of Housing and Community Development for the target area in which the CDBG program activities are to occur. These limits represent 80% of the area's median income, adjusted for family size; "very low-income limits" represent 50% of median. The 1993 income limits for the Town of Loomis are listed below:

Persons	1	2	3	4	5	6	7
LTIG	13900	15900	17850	19850	21450	23050	24600
TIG	22250	25400	28600	31750	34300	36850	39400

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.

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

- A. fee simple interest
- B. joint tenancy
- C. tenancy in common
- D. interest of a shareholder in a cooperative
- E. life estate

Ownership does not include 1) any interest acquired on the execution of a purchase contract; 2) a lease with or without an option to purchase; or 3) a remainder interest.

1.3. Determining the Income of Owner-Occupants

All income received by the owner-occupant's household (except that of minor children) is used to determine eligibility. In unusual cases, where an adult family member or a person living in the house receives income, but does not contribute to the family's maintenance, and that person is not named on the property as an owner, it is possible to exclude his/her income from the total family income.

Examples of this situation may include: a care provider, necessary for the health of a disabled or handicapped household member; adult children living at home who receive money used only for their own expenses and who do not contribute to the household financially; and an extended family member who may receive minimal sporadic income which is not contributed to the total family, but rather is used for that individual's personal expenses.

All applicants 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 to the subject property will be evaluated. The incomes of all people on title will not be combined into one income figure but those individuals not residing in the property will be evaluated separately to determine eligibility.

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.

If non-TIG owners are on the title to the property, one of the following actions is required for the household to participate:

- A. Remove all other persons listed on the deed and not residing in the house.
- B. Retain other persons on the deed, granting life estate to the income-eligible owner-occupant(s).

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, unrelated renters living in the same unit may qualify as if they were an individual rather than part of a family group. If a rental unit houses various family members, their total income will be calculated by considering all family members' incomes. 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 their tenant's income. A tax return 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 indicating 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 governing body of the locality.

2.0. PROPERTY ELIGIBILITY

2.1. Unit Characteristics:

Properties eligible for the CDBG rehabilitation program include single-family housing and multifamily structures with seven or fewer units; the structures may be detached or attached. Mobile home rehabilitation will be considered for post-1976 units, with repairs made in accordance with State mobile home repair and replacement codes.

2.2. Location:

The housing structure must be located in the designated CDBG target areas. The target area is all area including and within these boundaries:

Census Tracts 303 and 301.01/301.02

2.3. Condition

Housing units must have code-related deficiencies. The rehabilitation cost, plus existing debt, must not exceed the after-rehab value. Exceptions are described below in Section 3.3.

2.4. Allowable Rehab Improvements and Prioritization of Improvements

Rehab needs will be addressed in the following priority:

- A. Health and safety: Examples include correcting plumbing, electrical, structural, mechanical and roof deficiencies, and room additions to resolve overcrowding.
- B. Energy conservation: Examples include insulation, reducing air infiltration through window and door replacement, weatherstripping and caulking, and replacing inefficient water heaters, ovens, furnaces, and air conditioning appliances.
- C. Extension of useful life: Examples include repairing siding and sheetrock, painting, new flooring, new cabinets, new interior doors, gutters, foundation upgrades.
- D. Converting to current UBC standards: Examples include moving bathroom access to hallways or off of kitchen, stairs and porch upgrades.

(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.)

2.5. Reconstruction

Where the cost of repairs to remove the most serious deficiencies exceeds the maximum rehab loan and where the cost of reconstruction is less than rehabilitation to UBC standards, the Town will consider reconstructing the unit. CDBG loans for this purpose will be made only with HCD approval and to owner-occupants meeting all eligibility criteria and in conformity with State Department of Housing and Community Development Reconstruction Policy.

2.6. Non-eligible Improvements

General property improvements are not eligible. These include: fencing and landscaping; remodeling, including additions for family rooms, dens, or where there are no code deficiencies or overcrowding; carports; cosmetic improvements such as interior painting; and non-energy efficient improvements.

3.0. LOAN TERMS

3.1. Maximum Loan Amount

In all cases, the maximum CDBG loan amount for rehabilitation is \$35,000 per housing unit. The maximum CDBG loan amount for reconstruction is \$40,000 per housing unit. Leveraged funds may be employed to cover rehab or reconstruction costs that exceed these maximum CDBG amounts. The maximum loan amount will be limited to the equity in the property to secure the loan. (See Section 3.3, below.)

The loan amount may include: the construction contract (the accepted bid price for the cost of materials and labor); a construction contingency; drafting and engineering 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.

3.2. Rates and Terms

A. Owner-Occupants

- 1) To the extent that an amortized loan payment will not cause housing costs to exceed 30% of household income, rehab costs will be financed as a 3% interest, 5 year amortized loan. (The minimum amortized loan payment will be \$40.00 to cover cost of loan processing.) The balance of the rehab costs will be financed as a 3%, 5 year deferred payment loan.

After 5 years, when the amortized loan is paid off, household income and housing expenses will be reevaluated. That portion of the deferred payment loan which can be amortized over 5 years at 3% interest will be converted to a repayment loan, and the balance will be financed as a 3%, 5 year deferred payment loan. Payments will not cause housing costs to exceed 30% of income.

This five year reevaluation process will continue until the borrower no longer lives in the home or until the loan is paid off.

Loans are also due upon transfer of title or when borrower no longer occupies the home as his/her principal residence. (See Section 5, below, for discussion of loan assumptions.) The loan will be in default if the borrower fails to maintain required fire insurance or fails to pay property taxes.

- 2) Very low-income owner-occupants who are elderly or permanently disabled will be eligible for 3% deferred payment loans. The loan is due upon transfer of title or when borrower no longer occupies the home as his/her principal residence. (See Section 5, below, for discussion of loan assumptions.) Also, the loan will be in default if the borrower fails to maintain required fire insurance or fails to pay property taxes.

B. Owner-investors

- 1) At least 50% of CDBG funds expended on the rehabilitation job will be offered as a 5% interest, 15 year amortized loan, and up to 50% of the CDBG funds will be made available as a 3%, 5 year deferred payment loan. (Investors will be required to finance at least 50% of the CDBG funding as a 5% amortized loan and may elect to amortize a greater percentage of the funds.) At least 10% of total rehab costs must be provided by the owner-investor. (Cash contributions, bank loans, and supervised sweat equity are allowable as owner-investor match.)

At no time shall the deferred CDBG loan exceed the amortized CDBG loan.

The deferred payment loan will be extended in five year increments as long as the Rent Limitation Agreement is in force. The Rent Limitation Agreement may be renewed up to two times, for a total of 15 years. If the RLA is not extended, the balance on the deferred payment will be refinanced as a 5%, 15 year amortized loan. See Section 3.4 for discussion of the Rent Limitation Agreement.

See Section 5 for discussion of change of title or use of property.

TIG owner-investors will not be required to contribute the 10% match.

3.3. Loan Security and Underwriting Standards

Loans will be secured by a Deed of Trust and Promissory Note. If there are existing Deeds of Trust on the property, the CDBG loan amount cannot exceed the unencumbered after-rehab value of the property. 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-rehab 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.

All owners must have sufficient fire insurance (and flood insurance, if required by location in a flood plain) to cover all previous encumbrances plus the proposed CDBG loan.

All persons listed on the title to the property must sign the Promissory Note and Deed of Trust.

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 (RLA) that requires the owner-investor to rent to families in the targeted income group. The RLA will be binding for five years and may be extended up to two times for a total of 15 years. If

the requirements of the RLA are violated, the CDBG loan is due and payable upon demand.

If the RLA is not extended after a 5 year term, the deferred payment loan converts to a 5%, 15 year amortized loan. (See RLA supporting documents, "Rent Limitation Instructions of Owner-Investors" for further details.)

4.0. LOAN REPAYMENT AND ASSUMPTION POLICIES

4.1. Loan Payments

Loan payments will be made to:

Town of Loomis
P.O. Box 1327
Loomis, CA 95650

The local government will maintain a financial record-keeping system to record payments and file statements on payment status.

Loan payments will be accepted from borrowers prepaying deferred loans, from borrowers making amortized loan payments, and from borrowers making payments in full upon sale of the property or change in title.

4.2. The Affect of Changes in Title and Occupancy on the CDBG loan and RLA

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

- 1) In all cases, the original owner-investor is subject to terms of the Uniform Relocation Act and the 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 RLA (Section 3.4) is in force, the loan is in default and all loan funds are due and payable.
- 3) If a non low-income original owner-investor moves into the property (thus becoming the owner-occupant) while the RLA is in place, the loan is in default and all loan funds are due and payable.

- 4) If the title to the property is transferred from a owner-investor to a non low-income owner-occupant after the RLA has expired, the loan may be paid in full or the existing loan balance may be assumed as a 5%, 15 year amortized loan.
- 5) If title to the property is transferred from owner-investor to a low-income owner-occupant, the loan is assumable or the loan may be restructured according to owner-occupant terms in Section 3.2.A., above. Terms in 4.2. A.1. also apply.
- 6) If the original owner-investor moves into the property and is low-income, the loan may be refinanced according to owner-occupant terms in Section 3.2.A., above. Terms in Section 4.2. A. 1., above, would also apply.
- 7) If the original owner-investor moves into the property after the RLA has expired, the CDBG loan balance will remain as described in Section 3.4. (The deferred payment loan would have been refinanced as a 5%, 15 yr. amortized loan when the RLA expired. The repayment obligations would already be in place and would not change if the owner-investor moved in after RLA expiration.)

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 RLA is in force, the terms of the RLA 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 RLA still remains in force through the remainder of the 5 year RLA period.
- 2) If the title to the property is transferred from owner-investor to owner-investor after the RLA has expired, the new owner-investor may pay the loan in full or assume all repayment obligations from the original owner-investor.

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

- 1) If the new owner-occupant is not low- or very 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.
- 3) If a non-low-income family member inherits the property, the loan will convert to a 5%, 5 year loan amortized to the extent that the amortized payments will not cause the new owner-occupant's housing expenses to exceed 30% of household income. The remainder shall be loaned as a 3%, 5 year deferred payment loan. After 5 years, the household's income and housing expenses will be reevaluated and the payment on the 3% deferred payment loan will be refinanced as a 5%, 5 year amortized loan to the extent that housing costs do not exceed 30% of household

income. The remainder shall be loaned as a 3%, 5 year deferred payment loan. This 5 year reevaluation process will continue until the borrower no longer lives in the property (in which case the loan will be due in full) or until the loan is paid off.

- 4) If a family member inherits the property, the loan is assumable if the family member (new owner-occupant) is low- or very low-income and lives in the property as a principal residence.

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 3.2. B., above, if a RLA is executed for a minimum of 5 years. See Section 3.4, above. Otherwise, the loan is due in full.

4.3. Conversion to Use other than Residential

If the use of the property is converted to nonresidential use, the CDBG loan balance is due and payable. 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.

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.

While the 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 will be pursued.

6.0. CDBG LOAN COMMITTEE

6.1. Committee Composition

The loan committee appointed by the governing body shall consist of 2-3 persons, including at least one staff member ~~and one target area resident or community member familiar with the target area.~~

6.2. Committee Role

The Loan Committee will review each application and will make recommendations on the loan amount and terms to be utilized. 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 Town will rank them according to rehabilitation and/or income need. Units with the greatest rehab need will be ranked first. Then, among applicants with similar rehab 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 rehab program and eligibility requirements through meetings, private interviews and program flyers distributed throughout the target area. Written information is provided in English and the primary language of any significant portion of target area residents. Bilingual personnel will conduct or assist with outreach and community meetings, as needed.

7.2. Loan Application

The Housing Rehabilitation Specialist holds private interviews with families to explain program requirements, documentation, and rehab processes, and when necessary, to assist in completing the application form. Required signatures are obtained, and the unit's rehab 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.

After determining the household's eligibility, the Rehabilitation Inspector prepares a detailed work write-up and cost-estimate, prepares the bid package and sends it out to licensed contractors on the CDBG program's approved contractor list. The Rehabilitation Inspector conducts a bid walk-through, reviews bids for their completeness, and reviews the results with the family. After the borrower selects the contractor, the Housing 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 CDBG Loan Committee for consideration. (All private financing commitments must be in place prior to consideration by the CDBG loan committee.)

7.5. Document Signing

Upon notice that the Town 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.); the deed is recorded with the Town Clerk/Recorder.

In cases of owner-investors with private loans or bank leveraged lending, the above procedures include bank documents and the Rent Limitation Agreement, which is recorded separately from the Deed of Trust and Promissory Note, although referenced therein.

7.6. Work Commencement

The homeowner and the contractor sign the Rehabilitation Contract and the Housing Rehabilitation Inspector issues a Notice to Proceed with a copy to the local building inspector. Work begins and a rehabilitation disbursement record is established to record all requests, disbursements and change orders.

The Rehab Inspector approves all disbursements upon inspection of work in place, authorizes progress payments and coordinates inspections with the Town building department.

7.7. Change Orders

All change orders require the approval of the owner, the contractor (if a contractor is involved) and the Rehab Inspector. 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 local building inspector and Housing Rehabilitation Inspector. A Notice of Completion is then filed and recorded at the County Recorder's Office.

8.0. EXCEPTIONS/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/special circumstance may be initiated by the Town 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 CDBG Loan Committee shall make a determination of the exceptional/special circumstances request at a regular or special meeting. Their recommendation will be presented to the HCD CDBG Program Representative for a decision.

9.0. DISPUTE RESOLUTION/APPEALS PROCEDURE

Any person/family applying for a rehabilitation loan through the CDBG program has the right to appeal if their application is denied. In addition, during pre-construction, construction or post-construction periods, the applicant/borrower has a similar right to have any disputes heard and resolved.

The disputes/appeals process shall incorporate the following stages:

- Stage 1: Informal conference with disputed party (i.e. Rehab Specialist, Rehab Inspector, Contractor).
- Stage 2: Scheduled meeting with the CDBG Loan Committee.
- Stage 3: Scheduled meeting with the governing board.
- Stage 4: Appeal to the State Department of Housing and Community Development.

Stages 2, 3 and 4 shall occur only at the written request of applicant/borrower. Requests shall include the nature of the problem as well as any relevant details.

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. CDBG rehabilitation projects will not result in involuntary displacement.

All tenants who need to be temporarily relocated due to rehab funded with CDBG funds will be reimbursed for reasonable out-of-pocket relocations 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 rehab project; and the financial assistance available to cover temporary relocation and moving costs.

An initial notice to tenants will inform them that: the owner has applied for the loan; they will not be displaced as a result of the rehab activity; and their after-rehab 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. And, 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 contract for rehabilitation will be between the owner and the contractor.

11.2. Contracting Process

Contracting will be done on a competitive bid basis. The owner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the owner in negotiating the contract.

11.3. Approved Contractors

All contractors will be checked with the California HCD list of ineligible contractors; no award will be granted to a contractor not on this list. The owner has the right to reject any and all bids.

11.4. Acceptance of Work

In the event of any dispute between the owner and the contractor concerning the completion of rehabilitation, it shall be resolved by the local government or its agent. If controversy continues, the opinion of the building inspector will be final.

Final payment will be made to the contractor when the building inspector has accepted the work (as evidenced by a final sign-off on the building permit) and the contractor has provided satisfactory evidence that all labor, materials and equipment rental services have been paid.

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 rehab work is bid out, as in 11.0 above, and 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 deducted from the total loan amount.

In all cases where the owner agrees to do parts of the job himself/herself, a contract will be signed by the owner specifying tasks and completion times. If the work is not completed in a timely manner, then the contractor working on the job may be asked to complete the work.