HOUSING REHABILITATION PROGRAM GUIDELINES

CITY OF CITRUS HEIGHTS

Approved by City Council on February 11, 2026

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Housing Rehabilitation Program Guidelines

The City of Citrus Heights Housing Rehabilitation Program is funded primarily through Community Development Block Grant (CDBG) Program funds, CalHome funds, Permanent Local Housing Allocation (PLHA) funds, and loan repayments. These resources are used to support the correction of health and safety-related deficiencies and to extend the useful life of the City's existing housing stock.

These Guidelines outline the financing mechanisms and eligibility criteria used to provide home repair assistance to qualifying Citrus Heights residents.

1. GOALS and OBJECTIVES

The purpose of the Housing Rehabilitation Program (the "Program") is to:

- Preserve and enhance the City's existing residential housing stock.
- Support neighborhood stabilization and conservation efforts.
- Provide financial assistance that enables very low-, low-, and moderate-income homeowners to make critical improvements to their homes.

To achieve these goals, the Program offers a variety of financial assistance options tailored to different housing needs, including:

- Low-interest, deferred payment loans
- Critical repair grants
- Handicapped accessibility grants
- Relocation assistance grants
- Lead hazard evaluation and abatement grants

These tools help ensure that eligible homeowners can address code violations, make essential safety repairs, improve accessibility, and create healthier living environments for themselves and their families.

2. FAIR HOUSING

The Program will be implemented in ways consistent with the City's commitment to Fair Housing and by State and Federal fair lending regulations to assure nondiscriminatory treatment. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with federal or state funds based on his or her age, sex/gender identity, race, color, creed, physical disability (including testing HIV-positive or contracting AIDS), mental disability or handicap, medical condition, sexual orientation, source of income other arbitrary cause.

Individuals who believe they have been discriminated against in a housing-related issue should contact the Renters Helpline. The Renters Helpline provides telephone counseling and mediation services for residents in a housing crisis or dispute. The trained staff members deal directly with concerns regarding landlord-tenant disputes and help refer housing issues to the appropriate agency.

- Phone: 916-389-7877 or 800-500-4931
- TTY: 7-1-1 (Ask to be connected to the Renters Helpline)
- Website: Renters Helpline

3. CONFLICT OF INTEREST

By Title 24, Section 570.611 of the Code of Federal Regulations and with the State of California conflict of interest laws, 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 Housing Committee and officers, employees, and agents of the Housing Committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the 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.

4. PROPERTY ELIGIBILITY

1. Eligible Property Types
   The program may assist the following homes:
   a. Single-family housing
   b. Half-plexes, if the unit is legally separate and has its own Assessor's Parcel Number (APN)
   c. Condominiums
   d. Mobile homes or manufactured homes, as defined below, that are permanently attached to real property or located on leased land (CDBG funded)
2. Occupancy and Location
   The property must be owner-occupied and located within the incorporated limits of the City of Citrus Heights.
3. Condition of the Property
   The property needs repairs to address health and safety issues so the residents can continue to safety occupancy of the home.
4. CalHome and PLHA Requirements
   Under CalHome and PLHA programs, eligible properties must be owner-occupied single-family homes that include complete, independent living facilities. This means

the home must have permanent areas for living, sleeping, cooking, eating, and sanitation.

The homeowner must be fully responsible for any system or structure that is repaired or replaced through the program. Recreational vehicles (RVs), trailers, camping facilities, or other temporary or movable living structures are not eligible, even if they are being used as a residence.

5. Mobile and Manufactured Homes (CalHome and PLHA)
   Mobile homes and manufactured homes are not eligible for assistance under CalHome and PLHA programs. Due to challenges related to loan security, property valuation, land ownership, and limited available subsidy funding, administering assistance for these types of homes is not feasible under the program.
6. Flood Zone Requirement
   The property must not be located in a federally designated Special Flood Hazard Area (also known as the 100-year floodplain).

Insurance Requirements

Participant shall maintain, during the term of the loan, a policy insuring the property in an amount equal to or greater than the replacement value of the property, as determined by the Housing Division. The policy shall name the City as additional insured and shall contain a statement of obligation on behalf of the carrier to notify the City of any material change, cancellation, or termination of coverage at least thirty (30) days in advance of the effective date of such material change, cancellation, or termination.

Participants shall annually provide the City with a copy of the certificate of insurance and an additional insured endorsement, signed by an authorized agent of the insurance carrier setting forth the general provisions of coverage.

5. APPLICANT

The applicant shall have legal and/or equitable title to the property. All homeowners must be named on the property title and one of the named owners must live at the residence throughout the term of the loan. Non-occupant parents and/or children may be on the title in addition to the name of the owner-occupants. All individuals listed on the property title must sign program documentation, including the promissory note and deed of trust before closing.

1. Legal and/or equitable title does not include a lease with or without an option to purchase or a remainder interest.

2. Applicants with life estates or living trusts are eligible to participate in the program if the beneficiary lives on the affected property, the beneficiary meets all other eligibility criteria, and the beneficiary agrees that the loan is due and payable if the life estate of a living trust is terminated (in addition to all regularly applicable situations in which loans become due and payable).
3. All individuals, 18 years or older, living in the household are required to provide proof of current income. Non-related live-in caretakers paid by an outside source are not considered eligible individuals.
   Also, a non-title Guarantor, who signs only the promissory note and who does not reside in the home, will not be considered an eligible person for income eligibility. The City or its agent will verify that all individuals identified in the application reside at the address and that no additional individuals not included on the application reside at the applicant's address.
4. The applicant must be a U.S. citizen as defined by the Welfare Reform Act.
5. The applicant must permanently reside in the dwelling in need of rehabilitation at the time of application and must agree to reside there for the full term of the loan.

Prior Program Recipients

One funding award (whether a loan, grant, or combination of both) will be permitted per household. Residents who are prior recipients of a rehab loan and/or grant will not be permitted to receive another loan and/or grant in future years.

The Housing Committee can make exceptions if circumstances justify the additional assistance. *Refer to Section 9 for the definition of the Housing Committee*.

6. REHABILITATION STANDARDS

Standards

1. The goal of the Program is to improve the safety of the home, correct substandard conditions, provide improvements for individuals with disabilities, and extend the useful life of the property. Housing units must have health and safety violations according to federal Section 8 Housing Quality Standards or code-related deficiencies as determined by a Housing Rehab Specialist and/or City Building Division representative.
2. No rehabilitation loan and/or grant will be approved based upon a scope of work that would permit a dwelling unit after rehabilitation to be out of compliance with applicable codes. Such codes include the Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and Chapters 5-10 of the Uniform Housing Code, ADA, Section 504, and relevant sections

of Titles 24 which pertain to disability access, local building codes and all other applicable local ordinances.

3. In the case of a CalHome and PLHA-funded loan, repairs, and improvements will be limited to those necessary to correct any condition causing the home to be substandard under CCR, Title 25, Section 1606.
4. No rehabilitation loan will be approved that would over-encumber the property, or secure total debt (existing debt plus the City rehabilitation loan amount) against the property over the after-rehabilitation property value, except with mobile/manufactured homes.
   For mobile/manufactured home loan-to-value determinations, see "Eligibility Determination" under the Loan Approval and Construction Process sections of these guidelines.
5. All work performed must comply with the Program's Rehabilitation Grades and Standards as outlined in Exhibit C of the Contract for Housing Rehabilitation.

7. ELIGIBLE REPAIRS

Eligible repairs are limited to those necessary for the health and safety of the occupants. The Housing Committee or the Rehabilitation Specialist shall decide as to whether a situation constitutes the existence of a health and safety hazard.

Examples of repairs that will generally qualify are roof repair or replacement, heating and cooling system repair or replacement, water heater replacement, and plumbing and electrical repair. Accessibility improvements, such as door widening, wheelchair ramps/lifts, or grab bar installation, will also generally qualify.

CalHome and PLHA-funded projects encourage energy efficiency improvements in conjunction with required repairs (energy efficiency items are not allowed as standalone items).

Ineligible repairs include the following (but not limited to): repairs not directly related to health and safety, routine maintenance (such as gutter or dryer vent cleaning), appliance repairs or replacement, repairs to garages or other spaces not considered living quarters and not required to access living quarters, luxury and/or cosmetic improvements, and landscaping (including tree removal).

8. FINANCING TERMS

Single-Family, Owner-Occupied Housing Rehabilitation Loan

1. Minimum/Maximum Loan Amount:
   a. The minimum loan amount shall be $5,000
   b. The maximum loan amount shall not exceed $60,000 per owner-occupied housing unit. The Housing Committee may waive this limit in special cases involving unexpected rehabilitation expenses if the loan is funded by CDBG.
   c. This loan limit cannot be waived for projects funded by CalHome and PLHA.
   d. All loans will require comparable property sales ("comps") to verify the current market value of the property.
   e. For CalHome and PLHA-assisted loans, the loan-to-value (LTV) ratio, when combined with all other indebtedness secured by the property, shall not exceed 105% of the after-rehabilitation value, as defined under *Title 25 California Code of Regulations Division 1, Chapter 7, Subchapter 9 Section 7735(b)(1).*
   f. The after-rehabilitation value for a CalHome and PLHA-assisted loan shall not exceed 100% of the most recent median sales price for a comparable home (based on number of bedrooms/bathrooms), as determined by the *California Association of Realtors*.
   g. The debt-to-income (DTI) ratio for CalHome and PLHA-assisted loans shall not exceed 48%. Exceptions may be considered on a case-by-case basis.

2. Terms of Financing:
   a. 2.00% Simple Annual Interest Rate - Applies to loans assisted by Community Development Block Grant (CDBG) funds.
   b. 2.00% Simple Annual Interest Rate - Applies to loans assisted by CalHome funds.
   c. 2.00 % Simple Annual Interest Rate – Applies to loans assisted by PLHA funds.
   d. 0.00% Simple Annual Interest Rate – Applies to very low-income senior household (defined by HUD as individuals 62 years of age or older) and/or permanently disabled households who lack sufficient assets to complete necessary repairs without City assistance.
   e. Loan Term - All CDBG,CalHome, and PLHA - assisted loans shall have a 30-year term.
   f. Deferred Payments - Principal and accrued interest payments are deferred for the full 30-year term for CDBG, CalHome, and PLHA - assisted loans.

3. Loan Repayment Terms:
    a. Deferred Payment - Loan repayment is deferred for the term of the loan.
    b. Voluntary Payments - Homeowners may choose to make voluntary payments toward principal and interest at any time without penalty.
    c. Early Payoff - Homeowners may pay their loan in full at any point during the loan term without prepayment penalties.

4. Loan Security:
    a. Each loan shall be secured by a Loan Agreement, Promissory Note, and Deed of Trust.
    b. The Loan Agreement and Deed of Trust shall be recorded with the Sacramento County Recorder Office.
    c. All individuals listed on the property title must sign all required program documentation, including the Promissory Note and Deed of Trust, prior to loan closing.

5. Events of Default

    The loan shall become due and immediately payable upon the occurrence of any one of the following events:
    a. The homeowner sells the property.
    b. The homeowner transfers the legal title of the property to another titleholder.
    c. The homeowner no longer resides at the home, except in the case of a medical emergency.
    d. The homeowner rents all or part of the home including Accessory Dwelling Units (ADU).
    e. The homeowner fails to make the required insurance premium payments in a timely fashion.
    f. The homeowner dies and the heir or co-owner is not income-eligible or does not intend to occupy the home as a primary residence.
    g. The homeowner fails to maintain fire insurance (and Flood insurance where applicable): the homeowner must maintain insurance on the property in an amount at least equal to the replacement value of the improvements and the City must be named as an additional loss payee on the policy.
    h. The homeowner fails to pay property taxes.
    i. The homeowner refinances any senior loan without prior written approval from the City.
    j. The homeowner creates a violation of the terms of the Loan Agreement, Promissory Note, or Deed of Trust.
    k. The homeowner has made misrepresentations or materially false or misleading statements in connection with the loan application.

l. The homeowner commences or consents to a voluntary or involuntary bankruptcy proceeding or order or the appointment of a trustee or receiver.

6. Transfers of interest are not considered default under the conditions of a CalHome and PLHA loan:
   a. A transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant.
   b. A transfer, in which the transferee is a person who occupies or will occupy the property which is:
      - A transfer where the spouse becomes an owner of the property; or
      - A transfer resulting from a decree or dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes the owner of the property; or
      - A transfer into an inter-vivos trust in which the borrower is and remains the beneficiary and occupant of the property.

Rehabilitation Grants

1. Handicapped Accessibility Grant
   a. Grants made for homeowners for handicapped accessibility improvements may not exceed $5,000 (CDBG-Assisted)
   b. The grant does not require repayment.
   c. Under the CalHome and PLHA programs grants are not eligible.

2. Mobile home/Manufactured Grants
   a. Grants made for homeowners who live in a mobile/manufactured home may not exceed $20,000 (CDBG-Assisted)
   b. Eligible Property Types
      - Mobile/manufactured homes, as defined in the section “Property Eligibility” in these guidelines.
   c. Mobile/Manufactured homes are not eligible for assistance under the CalHome and PLHA programs.

3. Lead Hazard Evaluation Grants
   a. Grants made for homeowners for lead-hazard evaluation may not exceed $750 (CDBG-Assisted)
   b. Lead hazard mitigation is required by the CalHome and PLHA programs when working on housing units built before 1978. Grants of this nature will not be incorporated into CalHome and PLHA-funded projects.

c. Occupants of housing units constructed before 1978 shall receive the following notifications:
d. The Lead-Based Paint Hazard Information Pamphlet published by the EPA (Environmental Protection Agency)/HUD/Consumer Safety Commission, entitled "Protect Your Family from Lead in Your Home." The homeowner is required to sign a document stating that he/she has received the pamphlet and placed it in the project file.
e. If lead-based paint hazards are found through testing or if presumption is used, a "A Notice of Lead Hazard Evaluation or Presumption" shall be provided to the loan recipient no later than fifteen (15) days after a lead hazard evaluation report has been received and lead-based paint or lead-based paint hazards have been found.
f. If lead-based paint hazards are found through testing or if presumption is used, occupants shall be notified of any lead hazard evaluation results and the hazard reduction activities and clearance. A pamphlet entitled "Abatement of Lead Hazards Notification" shall be provided five (5) days before starting work.
g. For further action follow the steps outlined in Section 8 Lead-Based Paint.

9. LEAD-BASED PAINT

Federal regulations require all recipients of rehabilitation assistance to comply with lead-based paint policies. These requirements vary depending on the scope and cost of the repairs. This policy applies exclusively to homes built before 1978 and only when repair work disturbs painted surfaces.

Emergency Actions

Under 24 CFR 35.115, emergency repairs that are immediately necessary to prevent imminent danger to human life, health, or safety, or to protect property from further structural damage (such as damage caused by natural disasters, fire, or structural collapse) are exempt from lead-based paint regulations.
However, to the extent practicable, occupants must be protected from exposure to lead dust and debris generated by such emergency actions. This exemption applies solely to the emergency repairs themselves; all subsequent or additional work must comply fully with lead-based paint requirements.

Safe Work Practices

Safe work practices are essential to minimize the spread of lead dust, paint chips, soil, and debris during rehabilitation activities. These practices must be followed by all contractors when the amount of paint disturbed exceeds the following de minimis levels:

- Exterior surfaces: more than 20 square feet
- Interior surfaces: more than 2 square feet in any single room or space
- Small components (e.g., windowsills, baseboards): more than 10% of the total surface area

Safe work practices include:

- Using approved methods for paint removal
- Implementing appropriate occupant protection and worksite containment
- Conducting specialized cleaning to reduce lead dust and debris

Clearance

If disturbed painted surfaces exceed the de minimis thresholds, a clearance examination is required upon completion of the work. Clearance must be conducted by a certified risk assessor or certified lead-based paint inspector and should include:

Visual inspection of the work area

- Dust sampling from relevant surfaces
- Laboratory analysis of dust samples for lead content
- Interpretation of results against applicable clearance standards
- Preparation and documentation of a written clearance report

If clearance standards are not met, all failed areas must be re-cleaned or treated using appropriate lead hazard reduction methods and retested. This process will be repeated until clearance is successfully achieved in compliance with regulatory requirements.

Final payment for any work involving lead-based paint disturbance shall be withheld until clearance has been documented and approved for all affected areas.

The Rehabilitation Specialist is responsible for taking and maintaining before-and-after photographs of all areas where lead-based paintwork is performed to document the condition and compliance.

Lead-Based Paint Requirements by Assistance Level

Federal lead-based paint regulations apply to all properties constructed before 1978 receiving federal rehabilitation assistance. The scope of required evaluation and hazard control measures depends on the level of financial assistance provided. All work must comply with HUD's Lead Safe Housing Rule and EPA's Renovation, Repair, and Painting (RRP) Rule.

Properties Receiving No More Than $5,000 in Assistance

For homes built before 1978 and receiving up to $5,000 in federal rehabilitation assistance, lead-based paint compliance requirements are limited but still essential to ensure occupant safety.

Requirements:

- The property may either be tested for lead-based paint or have its presence presumed.
- The homeowner must receive the EPA pamphlet "Protect Your Family from Lead in Your Home" before work begins and sign an acknowledgment of receipt.
- If lead-based paint is identified or presumed, the following actions must be taken:
  - Repair all painted surfaces disturbed during rehabilitation.
  - Use safe work practices as defined by EPA and HUD guidelines.
  - Obtain clearance of the work area to ensure that lead dust levels are below EPA thresholds.

These requirements ensure that any potential lead exposure is properly managed, even at lower funding levels.

Properties Receiving More Than $5,000 but Less Than $25,000 in Assistance

For homes built before 1978 and receiving between $5,001 and $24,999 in federal rehabilitation assistance, additional lead hazard evaluation and control measures are required.

Requirements:

- The property must be tested for lead-based paint or have its presence presumed.
- The homeowner must receive the EPA pamphlet "Protect Your Family from Lead in Your Home" before work begins and sign an acknowledgment of receipt.
- A risk assessment must be performed on both the interior and exterior of the home.
  - The risk assessment must be conducted by a certified risk assessor or lead-based paint inspector, in accordance with EPA standards (40 CFR Part 745, Subpart L). Results must be provided to the homeowner before work begins.
- If lead hazards are identified (or presumed), interim controls must be implemented. These may include:
  - Paint stabilization of deteriorated surfaces
  - Treatment of friction and impact surfaces
  - Dust-lead hazard control measures
  - Lead-contaminated soil treatment

- Interim controls may be combined with or replaced by abatement methods where feasible or necessary.

These measures are intended to mitigate lead hazards while balancing project scope and cost.

Properties Receiving $25,000 or More in Assistance

For homes built before 1978 and receiving $25,000 or more in federal rehabilitation assistance, full compliance with HUD's Lead Safe Housing Rule is required.

Requirements:

- The property may either be tested for lead-based paint or have its presence presumed.
- The homeowner must receive the EPA pamphlet "Protect Your Family from Lead in Your Home" before work begins and sign an acknowledgment of receipt.

If testing is skipped, all painted surfaces are presumed to contain lead and must treat them as hazardous.

If lead hazards are present or presumed:

- All interim control work must be performed by workers who have:
  - Completed a HUD-approved lead-safe work practices course, or
  - They are supervised by a certified lead abatement supervisor.
- All work must follow EPA RRP Rule standards and achieve post-work clearance.

Required Interim Controls. The following elements must be addressed where applicable:

a. Paint Stabilization
   - Repair defective substrate materials prior to stabilization.
   - Remove deteriorated paint using safe methods.
   - Prepare and repaint surfaces using durable coatings.
b. Friction and Impact Surfaces
   - Includes windows, doors, baseboards, cabinets, drawers, and floors.
   - Treatments must prevent abrasion or impact (e.g., door stops, adjustments).
   - Painting alone is not an adequate control without treating the underlying cause.
c. Chewable Surfaces
   - Treatment is required only if a child under age six has been observed chewing on the surface and lead-based paint is present.
d. Dust-Lead Hazard Control
   - Use smooth, cleanable coverings (e.g., linoleum) over rough surfaces.

- Clean carpets with HEPA vacuums.
- Conduct dust-wipe testing after work to verify clearance.

e. Soil-Lead Hazard Control
   - Cover bare soil with impermanent materials (e.g., gravel, mulch), or
   - Restrict access using land use controls (e.g., fencing).
   - Permanent abatement may be used where feasible.

f. Worksite Safety and Clearance
   - All work involving lead-based paint must follow safe work practices.
   - Clearance testing must be conducted by a certified inspector or risk assessor.
   - Clearance results must be documented and retained in the project file.

Recordkeeping

Documentation for all lead-related compliance activities, including:

- Pamphlet acknowledgments
- Risk assessment reports
- Interim control work logs
- Training and certification records
- Clearance test results

Must be maintained in the project file for no less than three (3) years after project completion or as required by the funding agency.

10. HOUSING LOAN/GRANT COMMITTEE

Housing Committee

The Housing Committee shall consist of the City of Citrus Heights Community Development Director, Housing and Human Services Program Coordinator, and/or another designee.

Housing Committee Role

1. The client's confidentiality shall always be maintained. Personal financial records and sensitive information will not be disclosed as public information.
2. The Committee will review each application and make decisions regarding the approval or denial of the loans and grants. This includes evaluating the loan package submitted by the Program Administer and any additional information relevant to minimizing risks and ensuring program compliance.

11. PROGRAM PROCEDURES

Waiting List

The City shall maintain a waitlist for Program assistance. Individuals may request to be added to the waitlist by calling the City's Housing Division. As funding allows, City staff will contact households on the waitlist and offer them the opportunity to complete an application.

Households have 30 days from the date of initial contact to submit a complete application; households failing to apply to this timeframe will be removed from the waitlist. Individuals who desire assistance later will be added to the waitlist.

The City may close the waitlist when the number of individuals on the waiting list exceeds the number that can reasonably be expected to secure funding through the Program.

Application Requirements

Each applicant must complete and sign an application form that includes information on the following:

- Income
- Employment
- Assets
- Property details

The application is only considered complete if:

- All required information is provided
- Documents are submitted in the format requested
- The application is signed and dated

Required Documents (for all adults in the household):

- Most recent 2 months of income documents (paystubs and social security award letters)
- Most recent 2 years of federal tax returns
- Most recent 6 months of checking and 2 months of savings account statements (including retirement accounts)
- Copy of deed or title to the property
- Most recent mortgage statement

Additional documents may be required to confirm eligibility.

Verification and Review: The City may verify income, assets, or employment by contacting:

- Employers
- Government agencies
- Banks or financial institutions

If there are major errors, missing information, or false statements that cannot be resolved, the City may deny the application. If denied, the applicant must wait 6 months before applying.

Income Qualification

The applicant's total household income shall be at or below eighty (80) percent of the area median income (AMI), adjusted for household size. The income limits in place at the time of loan approval shall apply when determining the applicant's income eligibility and funding source.

Income shall be verified by reviewing and documenting tax returns, copies of pay stubs or other wage receipts, subsidy award letters or checks, banking and investment statements, and third-party verification of employment forms sent to employers.

Other documentation necessary to confirm or calculate a household's income or assets may be required if deemed necessary by the Program Operator. All documentation shall be dated within six months before loan funding in the applicant file and held in strict confidence.

Definitions

a. Household**.** This means one or more individuals who occupy a housing unit. Unborn children do not count in family size determination. Children are counted in family size determination only if they reside in the home at least fifty percent of the time.
b. Annual Income**.** Generally, the gross amount of income of all adult household members is anticipated to be received during the coming 12-month period.
c. Household Income**.** Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period and shall be used to determine program eligibility. Refer to Income Inclusions and Exclusions for further guidance on the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

d. Annual Income**.** Depending on the funding sources, annual income limits can be found using the links below.

   - U.S. Department of Housing and Urban Development, HUD
   - California Department of Housing and Community Development, HCD

e. Assets. Income from assets is recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles is not included. (Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.). An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including, for example, penalties or fees for converting financial holdings, and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

f. Lien Position. The applicant must not have more than one mortgage recorded on the property at the time of approval. The Housing Committee may consider an exception and allow two mortgages on the property if the loan-to-value ratio of all loans (including the City's proposed loan) will be less than 105 percent, provided this value does not exceed 100 percent of the median sales price of homes in Sacramento County.
g. Acceptable Financing. The applicant must not hold an interest-only, adjustable rate, or reverse mortgage. Also, no financing, senior or junior to the CalHome or the PLHA loans may be a balloon payment due before the maturity date of the CalHome or the PLHA loans.
h. Cash Out. Any cash payment to the homeowner out of escrow is prohibited.

12. PROPERTY INSPECTION

A brief property inspection will be conducted by the Rehabilitation Specialist to determine the need for repairs. The Rehabilitation Specialist will note any structures or systems that need repair or replacement and will provide a rough estimate of the cost to complete the repair.

The City may order a third-party lead-based paint inspection, pest inspection, and/or asbestos testing if deemed necessary by the Rehabilitation Specialist. The associated costs may be included in the loan amount at the City's sole discretion.

If the necessary repairs are estimated to exceed available funding, the Rehabilitation Specialist will determine the priority of the repairs. If the Rehabilitation Specialist determines that the home cannot be made safe and habitable with the available funding, the property shall be ineligible for assistance.

13. WORK WRITE-UP

After verifying that all necessary eligibility requirements have been met, the Rehabilitation Specialist shall prepare an itemized repair work write-up and an estimate of costs to complete the repairs. The Section 8 Housing Quality Standards and any applicable City building codes shall be used in determining the scope of work to be completed. A copy of the specifications write-up and estimated cost shall be provided to the homeowner(s).

14. BIDDING PROCESS AND CONTRACTOR SELECTION

A pre-bid conference notice will be sent to licensed contractors on the preferred contractor's list. A homeowner may work with a contractor, not on the preferred contractors list.

The City requires all contractors to provide:

- A copy of the Certificate of Insurance (i.e. top binder page showing policy limits) meeting the City's requirements.
- State of California contractor's license number.
- W-9 form.
- Copy of business license.
- At least two (2) references for similar work performed in the past.

Contractors must meet all insurance requirements set forth by the City and be appropriately licensed by the State of California. Contractors listed as debarred on the Excluded Parties List System (or successor list) by the federal government shall be ineligible.

The Rehabilitation Specialist will conduct a walk-through bid conference with interested contractors. All bids must be submitted on the City's forms, and a minimum of three bids is required unless an exception to this requirement is approved by the Housing Committee.

After reviewing the bids, the Rehabilitation Specialist will share the bids with the homeowner, the homeowner selects a contractor, and a notice of award will be sent to the contractor who submitted bids on the project.

Participants shall not receive a loan to perform work in their own homes. Participants also shall not contract with any firm employing any person related to any member of the household.

15. CONSTRUCTION CONTRACT

The Program Administrator/City shall prepare a Construction Agreement between the selected contractor and the homeowner in the amount not to exceed the bid plus a ten (10)

percent contingency. A copy of the contract shall be provided to the homeowner and contractor for review.

Participants shall not enter into any other agreements with the contractor (verbal or written) during the active term of the Construction Agreement.

16. LOAN DOCUMENTS

After the Construction Agreement is signed, the Program Administrator/City shall prepare the necessary loan documents for the homeowner's signature.

These shall include:

- Loan Agreement
- Promissory Note
- Deed of Trust
- Notice of Right of Rescission
- Fair Lending Disclosure

The Loan Agreement and the Deed of Trust shall be recorded to secure the loan.

The Notice to Proceed will be issued by the Program Administrator once all loan documents have been fully executed and recorded, and the rescission period has expired.

The contractor shall begin and complete the project(s) in a timely manner, not to exceed four (4) months from the date of the Notice to Proceed, unless additional time is granted in writing by the City.

17. CHANGE ORDERS

All change orders require the approval of the owner, the contractor (if a contractor is involved), and the Program Administrator. All three parties will sign the change order before the commencement of the work proposed in the change order. All change orders for $2,000.00 or greater must be approved in writing by City staff.

18. WORK COMPLETION

The Program Administrator will conduct a final walk-through inspection with the homeowner and contractor to address any outstanding items. Upon completion of work and a final inspection by the City's Building Division, a Notice of Completion (signed by the homeowner) will be recorded at the County Recorder's Office.

19. DISBURSEMENT

The City shall disburse funds to each contractor no more than three (3) times. Disbursements must be commensurate with the amount of work completed, including materials delivered. The final disbursement may only take place after all work has been performed, the final inspection completed, an unconditional lien release received from the contractor and any subcontractors, and the lead-based paint clearance achieved, if necessary.

Construction disbursements cannot be released without the signatures of the homeowner, contractor, and the City's Housing and Human Services Program Coordinator. Every effort shall be made to disburse funds within two (2) weeks of the final inspection, assuming all work is satisfactorily completed.

20. DISPUTE RESOLUTION AND APPEALS PROCEDURE

During preconstruction, construction, or post-construction periods, the applicant/borrower shall engage in the following process to have any disputes heard and resolved.

1. Any person applying for a rehabilitation loan/grant through the City's program has the right to appeal their application if denied.
2. In addition, during the preconstruction, construction, and post-construction periods, the borrower has a right to have disputes heard and resolved.
3. The contractual obligation for rehabilitation is ultimately between the contractor and the homeowner. If the two parties' conflict, the following procedure will occur:
   - Stage 1: Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. To resolve the differences, each will allow the other to respond or correct the problem.
   - Stage 2: If the Stage 1 attempt fails, the homeowner or contractor may ask City staff to informally intervene. This intervention might include telephone calls to the contractor or homeowner, meetings at the job site or in the office, or other actions as appropriate, including such things as the establishment of written working guidelines or other post-contractual agreements. It must be recognized that at this point the homeowner may wish to utilize other options, including contacting the Contractor's State Licensing Board and submitting a complaint.
   - Stage 3: Any controversy between the parties that cannot be settled through the informal intervention process outlined above shall be submitted to binding arbitration according to the laws of the State of California and the rules of the American Arbitration Association. Costs of the arbitration will be borne by the party

failing to make his case, or subject to the terms of the arbitration agreement. The award of such Arbitration should be final and not subject to appeal. The prevailing party shall be reimbursed by the losing party for any reasonable legal costs and fees.

4. The homeowner has other options that may be utilized, including the following:
    - Submitting a complaint to the Contractors State Licensing Board
    - Contacting Housing and Community Development
    - Using professional mediation or binding arbitration services
    - Taking legal action
5. It is hoped that the informal intervention process described above will effectively address and resolve issues arising between contractors and homeowners. Every effort should be made to remedy problems and settle differences through this process before pursuing more formal or drastic measures.

If a dispute cannot be resolved through informal intervention, the owner and contractor shall seek resolution through the other dispute resolution options outlined previously.

21. 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.

22. TEMPORARY RELOCATION ASSISTANCE

1. Relocation assistance will be considered only if an extreme situation of hardship exists, such as when the owner is elderly, financially destitute, has no friends or family to assist with housing, all alternatives have been exhausted, and relocation is necessary for medical reasons while substantial rehabilitation is occurring.
2. Owner-occupants will be eligible for up to $750.00 per household to help pay for relocation costs if they meet the criteria and are required to temporarily relocate during the rehabilitation of their home.
3. These funds may be used to help pay for the rent and/or utility costs of temporary housing and/or for the cost of moving and storing furniture.
4. In the case of a CDBG-funded project, relocation costs will not be part of the loan funds advanced to the borrower but will be given to the family as a grant instead and will not require repayment.
5. If the project is funded by CalHome or PLHA, the relocation expenses will be incorporated as part of the loan.

6. If a homeowner receives a relocation grant or loan, the grant or loan must be included in the Loan Agreement.

23. CONTRACTING REQUIREMENTS

Role of the Local Government

The City of Citrus Height is an equal opportunity, fair housing lender, providing affordable housing financing for housing rehabilitation performed in accordance with the adopted Program Guidelines. The City does not warrant any construction work or provide any insurance coverage.

Contracting Process

1. Contracting will be done on a competitive bid basis.
2. The homeowner will be the responsible agent, but the local government and/or its agent will prepare and advertise the bid package and assist the homeowner in negotiating the contract.
3. The homeowner will select the contractor of their choice.
4. The contract for rehabilitation will be between the homeowner and the contractor.

Approved Contractors

1. All contractors will be checked with HUD's federally debarred list of contractors; no award will be granted to a contractor on the debarred list.
2. Contractors are required to be licensed with the State of California and to be active and in good standing with the Contractors State License Board.
3. Contractors must also have public liability insurance and, when necessary, Worker's Compensation insurance, unemployment, and disability insurance.
4. Contractors must agree to comply with all federal and state regulations as outlined in the Contract for Housing Rehabilitation.

24. REQUESTS FOR SUBORDINATION AND HARDSHIP CONSIDERATION

Requests for subordination and hardship consideration of the City's loan will be considered on a case-by-case basis by the Housing Committee.

The following documents will be required:

- Good faith estimates of closing costs.
- Payoff demand on an existing mortgage.
- Appraisal report.

- Any other document deemed necessary by the Housing Committee to decide.

Note under no circumstance will a borrower be allowed to enter a "short sale" as defined by the California Department of Real Estate.

The City has no obligation to approve a subordination or hardship request.

The City's loan must be in the first or second lien position. The City will only accept a third lien position upon an approved exception request by the Housing Committee and will not accept any lower subordination.

The overall loan-to-value ratio must be no more than 100 percent of the appraised value of the affected property (and must not exceed 100% of the median County sales price of single-family homes) unless otherwise accepted by the Housing Committee.

Loan subordination requests may be considered for the following reasons:

1. Refinancing for a lower interest rate or to convert from an adjustable-rate mortgage to a fixed-rate mortgage.
2. Documented medical hardship.

Loan subordination requests for the following will not be considered:

- To receive cash out.
- To pay off revolving, automotive, or other consumer debt.
- To pay off loan's junior to the City's loan or other debt secured by the property.
- To pay off property taxes, utilities, or assessments.

25. LOAN MONITORING REQUIREMENTS

Loans shall be monitored on an annual basis to ensure compliance with the terms of the Loan Agreement, including but not limited to, owner-occupancy, insurance requirements, property tax payment, and general maintenance of the home. Homeowners in default of their Loan Agreement terms shall have sixty (60) calendar days from the date of notification to correct the event of default.

26. AMENDMENTS

Minor amendments to these Program Guidelines may be approved by the Housing Committee. Amendments to change the income requirements, maximum loan amount, interest rate, loan forgiveness schedule, or eligible types of repairs shall be approved by the City Council.