AGENDA

RIO DELL CITY COUNCIL
REGULAR MEETING – 6:30 P.M.
TUESDAY, DECEMBER 16, 2014
CITY COUNCIL CHAMBERS
675 WILDWOOD AVENUE, RIO DELL

WELCOME . . . By your presence in the City Council Chambers, you are participating in the process of representative government. Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue. Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office of the City Clerk at (707) 764-3532. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

THE TYPE OF COUNCIL BUSINESS IS IDENTIFIED IMMEDIATELY AFTER EACH TITLE IN BOLD CAPITAL LETTERS

A. CALL TO ORDER

B. ROLL CALL

C. PLEDGE OF ALLEGIANCE

D. CEREMONIAL MATTERS

1) 2014/1216.01 - Certificate of Appreciation to Dave Griffith 1
2) 2014/1216.02 - Certificate of Appreciation to Marlene Snell 2

E. PUBLIC PRESENTATIONS

This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not intended. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3rds of the Councilmembers present that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.

F. CONSENT CALENDAR

The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Council members if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually in the next section, "SPECIAL CALL ITEMS".

1) 2014/1216.03 - Approval of Minutes of the December 2, 2014 Regular Meeting **(ACTION)** 3

2) 2014/1216.04 - Employee Medical Insurance Benefits Update **(RECEIVE & FILE)** 10

3) 2014/1216.05 - Approve Resolution No. 1246-2014 Authorizing the City Manager to Execute Agreements with the State Board of Equalization for Implementation of Local Transactions and Use Tax **(ACTION)** 11

4) 2014/1216.06 - Approve Resolution No. 1247-2014 Accepting Certification of Votes for the November 4, 2014 General Election **(ACTION)** 24

5) 2014/1216.07 - Authorize the Mayor to Sign Letter Supporting the Concept of a Feasibility Study for a Pipeline Extending from the Humboldt Community Services District (HCSD) to Rio Dell **(ACTION)** 30

6) 2014/1216.08 - Authorize Councilmember Johnson to Travel to Sacramento for Seminar on California Water Laws and Regulations **(ACTION)** 33

G. SPECIAL PRESENTATIONS/PUBLIC HEARINGS

H. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS/PUBLIC HEARINGS

1) "SPECIAL CALL ITEMS" from Consent Calendar

2) 2014/1216.09 - Receive Presentation and Formalize Metropolitan Well Site Project **(ACTION)** 36

3) 2014/1216.10 - Provide Staff Direction on Planning and Coordination of Future Christmas Tree Lighting Ceremonies in the City **(ACTION)** 37

I. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

1) 2014/1216.11 – Adopt Resolution No. 1248-2014 Approving CDBG Homebuyer Program Guidelines **(ACTION)** 38

J. REPORTS/STAFF COMMUNICATIONS

1. City Manager
2. Chief of Police
3. Finance Director

4. Community Development Director

K. COUNCIL REPORTS/COMMUNICATIONS

L. ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION AS FOLLOWS: **No Closed Session Items Scheduled**

M. ADJOURNMENT

Newly elected Councilmembers Gordon Johnson, Debra Garnes and Timothy Marks will be sworn in by the City Clerk at the conclusion of the meeting and seated at the January 6, 2015 regular meeting.

The next regular meeting will be on January 6, 2015
at 6:30 p.m. in City Hall Council Chambers

CITY OF RIO DELL CALIFORNIA

Certificate of Appreciation

PRESENTED TO

Dave Griffith

In Grateful Appreciation for your Commendable Efforts In helping to Keep Our Streets and Sidewalks Clean and Litter Free of "Butts".

Your Commitment to our Community is Duly Recognized and Greatly Appreciated.

_____ _____

Mayor, City of Rio Dell *Date*

CITY OF RIO DELL CALIFORNIA

Certificate of Appreciation

PRESENTED TO

Marlene Snell

In Grateful Appreciation for your Commendable Efforts
In helping with the gardening at Triangle Park.
Your Commitment to our Community is Duly
Recognized and Greatly Appreciated.

_____ _____

Mayor, City of Rio Dell *Date*

RIO DELL CITY COUNCIL
REGULAR MEETING
DECEMBER 2, 2014
MINUTES

The regular meeting of the Rio Dell City Council was called to order at 6:30 p.m. by Mayor Thompson.

ROLL CALL: Present: Mayor Thompson, Councilmembers Johnson, Marks, Wilson and Woodall

Others Present: City Manager Knopp, Finance Director Woodcox, Community Development Director Caldwell, City Clerk Dunham and City Attorney Gans

Absent: Chief of Police Hill, Water/Roadways Superintendent Jensen and Wastewater Superintendent Chicora (excused)

PUBLIC PRESENTATIONS

Nick Angeloff reported on an upcoming meeting of the Upstate Rail Committee and announced that River Rage (50th Anniversary of the 64 Flood) will be taking place on December 8th and 13th which will include a presentation by Jerry Rhody. He also announced that Santa's Workshop will be taking place downtown Rio Dell on December 13th and kids will have the opportunity to paint ornaments made by local artists and said Santa Claus will be at the Chamber of Commerce and there will be a photography on site.

David Griffith once again presented a bag of cigarette butts to the City Manager and asked for comments on the recent improvements to the Triangle Park including the redwood planter.

Staff and Council thanked Mr. Griffith for his donation of the redwood for the planter and applauded him for the recent improvements.

CONSENT CALENDAR

Items 1, 2, 4 and 5 were removed from the Consent Calendar for separate discussion.

Motion was made by Marks/Woodall to approve the consent calendar including the approval of a letter of endorsement for the appointment of Councilmember Johnson as the City Representative to the Local Agency Formation Commission (LAFCo). Motion carried 5-0.

SPECIAL CALL ITEMS/PUBLIC HEARINGS

SPECIAL CALL ITEMS FROM CONSENT CALENDAR

Approval of Minutes of the November 4, 2014 Regular Meeting

Councilmember Marks referred to Page 4 of the November 4th minutes and asked for clarification related to the reported $35,000 loss in water revenue as a result of the drought.

Finance Director Woodcox explained that in reality, the loss in revenue was only $20,000 since $15,000 was moved into the Water Capital Fund from Water Operations due to former action taken by the City Council in 2002 but not implemented.

Motion was made by Woodall/Johnson to approve the minutes of the November 4, 2014 regular meeting as submitted. Motion carried 5-0.

Approval of Minutes of the November 18, 2014 Regular Meeting
City Manager Knopp referred to page 5 of the November 18th minutes under *Reports/Staff Communications* and said Councilmember Johnson had asked a question regarding contracting with the City Engineer on the water intertie project which led into discussion about the wells and stated for clarification that he had misinterpreted the question and didn't answer it correctly. He explained the directional drilling had to do with the proposed water intertie project; not the well project. He noted that this subject warrants further review and possible Council action regarding the City's relationship with the City Engineer, GHD and the water situation and recapping of information back and forth. He said regarding costs, Prop 84 in the Governor's budget allows full reimbursement of engineering costs related to the drought situation which came before the Council on June 3, 2014. He said since then there have been a lot of changes to the project and obviously the entire scope of work, so the matter will have to come back to the Council for formal endorsement of the well project. He added that he has attempted to keep the Council informed through verbal staff reports but staff has been working under some pretty short timelines in effort keep Prop 84 funding in the City.

Motion was made by Johnson/Marks to approve the minutes of the November 18, 2014 regular meeting. Motion carried 5-0.

Medical Insurance Benefits Update
Finance Director Woodcox explained that it was recently brought to staff's attention that incorrect information was provided to City Staff and the medical insurance plan that employees agreed to implement is no longer available. She said the City's insurance agent is putting together information on the three other available plans and that she and the City Manager will be meeting with her on Wednesday to discuss the options followed by a meeting with employees on Thursday morning.

Councilmember Wilson asked if employees had been notified of the new information.

Finance Director Woodcox said employees had been notified of the meeting and have a general idea of what had happened.

Acknowledge Receipt of Correspondence from City Attorney Russell Gans Concerning Legal Representation of "Wahlund Construction, Inc. and The Fidelity and Deposit Company of Maryland in Humboldt Superior Court Case No. DR140473. Entitled *Apex Directional Drilling, LLC v. The fidelity and Deposit Company of Maryland*
Councilmember Wilson asked if this matter was related to the directional drilling under the river for the wastewater project.

Attorney Gans explained that the dispute relates to the payment between the general contractor of the project, Wahlund Construction and the sub-contractor Apex Directional Drilling. He pointed out that no claim has been asserted against the City of Rio Dell, and it is very unlikely the City will become a party to the litigation. However; their firm has been requested to represent Fidelity on behalf of Wahlund Construction and they wanted it noted that in their opinion there is no conflict of interest created by their representation of Fidelity in this matter. He also said that they do not feel their representation of the City will be materially affected by any professional obligations owed to Fidelity or Wahlund Construction. He said should a potential or actual conflict arise, they have a professional obligation to fully inform the City and obtain written consent to continue representation or declare that there is a conflict of interest such that they cannot represent the City, Wahlund, or Fidelity in the litigation.

Attorney Gans left the meeting at this time, 6:45 p.m.

ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

Second Reading (by title only) and Adoption of Ordinance No. 330-2014 Amending Nuisance Regulations, Chapter 8.10 of the Rio Dell Municipal Code (RDMC) to expand the Nuisance Hearing Committee to include two Public Members
Community Development Director Caldwell provided a staff report and said as reported at the last meeting, the purpose of the ordinance amendment is to expand the Nuisance Hearing Committee from five to seven members to include two members of the public. The other amendment is to have committee members appointed by a majority vote of the Council to serve two year staggered terms ending on the last day of December.

Community Development Director then reviewed staff's recommended action.

A public hearing was opened to receive public comment on the proposed ordinance amendment. There being no public comment, the public hearing closed.

Motion was made by Wilson/Johnson to conduct the second reading (by title only) and Adopt Ordinance No. 330-2014 *Amending the Current Nuisance Regulations, Chapter 8.10 of the Rio Dell Municipal Code (RDMC) to Expand the Nuisance Hearing Committee to include two Public Members with two year staggered terms.* Motion carried 5-0.

REPORTS/SRAFF COMMUNICATIONS

City Manager Knopp reported on recent activities and events and said the County Elections Department certified the results of the November 4, 2014 election and said the passage of Sales Tax Measure U is official with ratification by the County Board of Supervisors today. He said staff will bring back to the Council at the next meeting a resolution accepting the certification of votes for the election including election of the three new councilmembers. He said also on the next agenda will be approval of a resolution authorizing the City Manager to execute agreements with the State Board of Equalization (BOE) for implementation of the local Transactions and Use (Sales) Tax for submittal to BOE.

City Manager Knopp then said with regard to update of the water system, staff lined up a series of letters of support to move forward with the project. He said last week staff was out back flushing the infiltration gallery which was a success so the water system should be pretty clear for the most part. He also announced that there are still drought kits available at City Hall for those residents that cannot afford to purchase those items on their own.

Finance Director Woodcox reported on recent activities in the finance department and provided a report on the water usage at the Fire Department as requested by Council. She said the total water consumption at the Fire Hall for the past 5 months was 40 units at a cost of $215.00 for water and $362.00 for sewer. The bathrooms at Fireman's Park had an average monthly water consumption of 5-6 units with a total cost of $147.00 for water and $303.00 for sewer, and the library had a total bill of $483.00 for a grand total of $1,645.00 which she said comes out of the City Council budget.

Councilmember Wilson asked what the amount was that was budgeted for the year.

Finance Director Woodcox reported that a total of $3,300 was budgeted for the year so the charges are in line with the budget.

City Manager Knopp commented that staff will come back to Council with a full report in February.

Community Development Director Caldwell reported on recent activities in the planning department and said only one bid was received for the Brown CDBG Housing Rehabilitation project at 158 Birch St. He noted that 13 contractors showed up for the walk-through but only one bid was submitted on time; and one late bid. He said the bid came in around $90,000 which is more than the homeowner expected so he will be meeting with her to see if there are some items that can be removed to make it more realistic for her to obtain the loan. He stated that another loan application was received but because of the loan to value ratio, did not qualify.

He also reported that the State is requiring the City have a Home Buyer Assistance Program in place in order to qualify for future grant opportunities and will actually have to spend funds on hand.

He noted that the City previously had a First Time Home Buyer Program however; it was a Federal Program. He said he was in the process of developing the guidelines and hoped to have the item on the next agenda for Council action.

Community Development Director Caldwell then reported that he did a press release regarding the downtown sculptures and there was a short segment on the news which generated a lot of public interest. He said James Davis; the artist who has the jumping salmon displayed on the first pedestal has asked to place his eagle sculpture in the median and anchor it with rebar and is willing to assume the responsibility for liability. He said the Sculpture Committee is in agreement provided he executes a Hold Harmless Indemnification Agreement with the City.

He said he is also working on a grant application through the Coast Central Credit Union Community Investment Program which provides grant monies to local communities and also hopes to have that item on the December 16th agenda.

Councilmember Woodall asked about the status of the demolition of 851 Rio Dell Ave.

Community Development Director Caldwell reported that Sergeant Beauchaine will present the warrant to the court tomorrow and anticipates the demolition to occur next week.

Councilmember Marks asked if there are any CDBG programs currently available for businesses.

Community Development Director Caldwell said the City does not currently have any funds available for businesses and would have to go through the next grants funding cycle to get some of the economic development money. Also, depending on how fast the City moves on the drainage study and expends the money will govern whether the City can qualify for funds in February. He indicated that 50% of the money ($50,000) will need to be spent prior to making application. He expressed his support for soliciting grant funds for economic development.

Councilmember Johnson questioned recent planning commission activity.

Community Development Director Caldwell stated there is a pending variance application and provided the applicant gets it in by the end of the week, there will be a special planning commission meeting on December 18th.

Councilmember Marks stated that former City Manager Stretch had put in a lot of time on the update of the Business License Ordinance and said it needs to be completed.

City Clerk Dunham explained the draft ordinance was prepared but there was an issue related to adoption of new fees and taxes. She said his plan was to sit down with the City Clerk before he left and discuss the next steps needed to move forward with adoption of the ordinance but

because of other priorities, it did not happen. She agreed to pull the draft ordinance and move forward with the update.

Councilmember Marks then asked about the outstanding survey work that was supposed to be done on various City parcels.

City Manager Knopp said he was in contact with Michael O'Hearn, the surveyor and was told that they are delayed with some other projects. He said he asked him to prioritize the survey of the recently acquired school property so the fence can be constructed. Staff noted that surveys were also ordered on water owned parcels and the areas at the end of Davis St. and Painter St.

Councilmember Johnson said related to the survey for the end of Painter St. the papers were filed in Superior Court to give clear direction that the City has the right and responsibility to do that survey work due to the nature of the property owners in that vicinity but nothing has come back from the courts yet.

Councilmember Woodall asked if staff followed up with a press release on Madeline Cole.

City Manager Knopp said a press release was submitted and picked up by the Rio Dell Times and one other newspaper. He said he will be working with the Community Development Director to work on a standardized format for press releases.

Councilmember Woodall asked what the schedule is for swearing in of the newly elected councilmembers.

Councilmember Marks then expressed support for establishing a policy for the rotation of the Mayor and Mayor Pro Tem.

City Clerk Dunham reviewed the process and said typically the swearing in and seating of the new councilmembers occurs at the first regular meeting following certification of votes by the County which would be the December 16th meeting. However, it could be deferred until January 6th along with the selection of Mayor and Mayor Pro Tem.

City Manager Knopp announced that he would like pictures taken of the current and new Council as well as the swearing in ceremony.

Mayor Thompson then introduced the incoming Councilmembers as Gordon Johnson, Debra Garnes and Timothy Marks.

Nick Angeloff commented that he has been receiving a lot of inquiries from the public about the annual tree lighting ceremony and asked if an event was planned.

Discussion ensued among Council and staff and it was explained there were multiple reasons for discontinuing the annual event at City Hall; mainly because of the lack of adequate room in the City Council Chambers and because of budget constraints. Also, the previous City Manager felt that the event was more of a Chamber of Commerce or Fire Department function.

The consensus of the Council was that the tree be lit with no special event this year and that the matter be placed on the next agenda to discuss planning and coordination of future tree lighting ceremonies in the City.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 7:13 p.m. to the December 16, 2014 regular meeting.

Jack Thompson, Mayor

Attest:

Karen Dunham, City Clerk

Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
riodellcity.com

December 16, 2014

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Receive an Update Regarding Employee Medical Insurance Benefits.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

No action is required at this time.

BACKGROUND AND DISCUSSION

On November 18, 2014 the City Council received an agenda item authorizing the City Manager to negotiate a new agreement with city employee's regarding medical insurance coverage. The agenda followed a November 6th all-employees meeting in which the employees signaled their desire to lower health coverage to the "HMO Saver 30" plan under the advice of the city's plan consultant. It was subsequently discovered in the last week of November that the HMO Saver 30 plan was not in fact legally available to the city and its employees. On December 2, 2014 the council was again advised of the latest developments and authorized the City Manager to continue negotiations.

The City Manager then held another all employees meeting on Monday December 8, 2014. Particular attention was paid to a plan offered by Blue Shield called the Platinum PPO, and this became the employees preferred alternative. Based on numbers provided by the plan consultant and the finance department, the platinum offering posed potential monthly savings to the city in excess of $7,000 per month, a significant increase in savings over prior considerations. Major changes in moving to the Platinum plan included a switch to Blue Shield (as opposed to Blue Cross), a move to a PPO model, and an increase in the annual deductible of $2,500 for singles, and $5,000 for families.

The City Manager provided a side letter of agreement for bargaining unit representatives and individual contract employees to sign, adopting the new lower cost plan. At the conclusion of the meeting, the document remained unsigned.

Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
riodellcity.com

December 16, 2014

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Approval of Attached Resolution Authorizing the City Manager to Execute Agreements with the State Board of Equalization for Implementation of a Local Transactions and Use Tax.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve the attached resolution.

BACKGROUND AND DISCUSSION

On July 1, 2014, the city council approved Ordinance 326-2014 and called an election which was held November 4, 2014. That election submitted to voters the ordinance enacting a one percent transaction and use tax for general purposes for a period of 5 years.

The voters approved the ordinance as a result of the November 4, 2014 election. In order for the Board of Equalization to implement the tax approved by the voters, the attached resolution is required. This resolution authorizes the City Manager to execute the Agreement for Preparation to Administer and Operate City's Transactions and Use Tax Ordinance and the Agreement for State Administration of Town Transactions and Use Taxes. The two agreements are attached in addition to the resolution.

As stated in the Agreement for Preparation, the preparatory costs to implement the new tax shall not exceed $175,000. Staff has contacted the Board of Equalization for clarification of these costs and has been informed that these costs include staff time, operation expenses, data processing time, printing and postage costs associated with the notifying taxpayers. By law, the maximum cost is $175,000. However, according to the Board of Equalization, the actual amount charged is typically less than $175,000, particularly for smaller cities and counties. Also affecting the cost is how many other sales and use taxes are implemented concurrently in Rio Dell. When multiple new taxes are implemented concurrently, the fee is typically lower because multiple groups bear the burden of setup costs. In this case, the city should see some efficiencies achieved because the County's Measure Z is also being implemented at the same time. An estimate of the cost is not available at this time.

Ongoing administration costs are expected to be less than 1% of city receipts.

At this point in time, staff believes the preparatory costs and administration fees for FY 2014-15 will not outstrip the revenue generated by the new tax between April 1, 2015 and June 30, 2015.

RESOLUTION NO. 1246-2014

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE STATE BOARD OF EQUALIZATION FOR IMPLEMENTATION OF A LOCAL TRANSACTIONS AND USE TAX.

WHEREAS, on July 1, 2014, the City Council approved Ordinance No. 326-2014 amending the City Municipal Code and providing for a local transactions and use tax; and

WHEREAS, the State Board of Equalization (Board) administers and collects the transactions and use taxes for all applicable jurisdictions within the state; and

WHEREAS, the Board will be responsible to administer and collect the transactions and use tax for the City; and

WHEREAS, the Board requires that the City enter into a "Preparatory Agreement" and an "Administration Agreement" prior to implementation of said taxes, and

WHEREAS,, the Board requires that the City Council authorize the agreements;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Rio Dell that the "Preparatory Agreement" attached as Exhibit A and the "Administrative Agreement" attached as Exhibit B are hereby approved and the City Manager is hereby authorized to execute each agreement.

* * * * * *

The foregoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Rio Dell held on December 16, 2014, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Mayor

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above and foregoing to be a full, true and correct copy of Resolution No. 1246-2014 adopted by the City Council of the City of Rio Dell on December 16, 2014.

_____
Karen Dunham, CMC
City Clerk, City of Rio Dell

AGREEMENT FOR PREPARATION TO ADMINISTER AND OPERATE CITY'S TRANSACTIONS AND USE TAX ORDINANCE

In order to prepare to administer a transactions and use tax ordinance adopted in accordance with the provision of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, the City of Rio Dell, hereinafter called *City*, and the STATE BOARD OF EQUALIZATION, hereinafter called *Board*, do agree as follows:

1. The Board agrees to enter into work to prepare to administer and operate a transactions and use tax in conformity with Part 1.6 of Division 2 of the Revenue and Taxation Code which has been approved by a majority of the electors of the City and whose ordinance has been adopted by the City.

2. City agrees to pay to the Board at the times and in the amounts hereinafter specified all of the Board's costs for preparatory work necessary to administer the City's transactions and use tax ordinance. The Board's costs for preparatory work include costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing forms, developing instructions for the Board's staff and for taxpayers, and other appropriate and necessary preparatory costs to administer a transactions and use tax ordinance. These costs shall include both direct and indirect costs as specified in Section 11256 of the Government Code.

3. Preparatory costs may be accounted for in a manner which conforms to the internal accounting and personnel records currently maintained by the Board. The billings for costs may be presented in summary form. Detailed records of preparatory costs will be retained for audit and verification by the City.

4. Any dispute as to the amount of preparatory costs incurred by the Board shall be referred to the State Director of Finance for resolution, and the Director's decision shall be final.

5. Preparatory costs incurred by the Board shall be billed by the Board periodically, with the final billing within a reasonable time after the operative date of the ordinance. City shall pay to the Board the amount of such costs on or before the last day of the next succeeding month following the month when the billing is received.

6. The amount to be paid by City for the Board's preparatory costs shall not exceed one hundred seventy-five thousand dollars ($175,000) (Revenue and Taxation Code Section 7272.)

7. Communications and notices may be sent by first class United States mail. Communications and notices to be sent to the Board shall be addressed to:

State Board of Equalization
P.O. Box 942879
Sacramento, California 94279-0032
Attention: Administrator, RAAS

Communications and notices to be sent to City shall be addressed to:

_____Kyle Knopp, City Manager_____

_____675 Wildwood Avenue_____

_____Rio Dell CA, 95562_____

8. The date of this agreement is the date on which it is approved by the Department of General Services. This agreement shall continue in effect until the preparatory work necessary to administer City's transactions and use tax ordinance has been completed and the Board has received all payments due from City under the terms of this agreement.

CITY OF RIO DELL

By _____
(Signature)

Kyle Knopp
(Typed Name)

City Manager, City of Rio Dell
(Title)

STATE BOARD OF EQUALIZATION

By _____
Brian Manuel, Administrator
Return Analysis & Allocation Section

(Rev. 11/14)

AGREEMENT FOR STATE ADMINISTRATION OF CITY TRANSACTIONS AND USE TAXES

The City Council of the City of Rio Dell has adopted, and the voters of the City of Rio Dell (hereafter called "City" or "District") have approved by the required majority vote, the City of Rio Dell Transactions and Use Tax Ordinance (hereafter called "Ordinance"), a copy of which is attached hereto. To carry out the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code and the Ordinance, the State Board of Equalization, (hereinafter called the "Board") and the City do agree as follows:

ARTICLE I

DEFINITIONS

Unless the context requires otherwise, wherever the following terms appear in the Agreement, they shall be interpreted to mean the following:

1. "District taxes" shall mean the transactions and use taxes, penalties, and interest imposed under an ordinance specifically authorized by Revenue and Taxation code Section 7285.9, and in compliance with Part 1.6, Division 2 of the Revenue and Taxation Code.

2. "City Ordinance" shall mean the City's Transactions and Use Tax Ordinance referred to above and attached hereto, Ordinance No. 1246-2014, as amended from time to time, or as deemed to be amended from time to time pursuant to Revenue and Taxation Code Section 7262.2.

ARTICLE II

ADMINISTRATION AND COLLECTION OF CITY TAXES

A. Administration. The Board and City agree that the Board shall perform exclusively all functions incident to the administration and operation of the City Ordinance.

B. Other Applicable Laws. City agrees that all provisions of law applicable to the administration and operation of the State Sales and Use Tax Law which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code shall be applicable to the administration and operation of the City Ordinance. City agrees that money collected pursuant to the City Ordinance may be deposited into the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for any authorized purpose, including making refunds, compensating and reimbursing the Board pursuant to Article IV of this Agreement, and transmitting to City the amount to which City is entitled.

C. Transmittal of money.

1. For the period during which the tax is in effect, and except as otherwise provided herein, all district taxes collected under the provisions of the City Ordinance shall be transmitted to City periodically as promptly as feasible, but not less often than twice in each calendar quarter.

2. For periods subsequent to the expiration date of the tax whether by City's self-imposed limits or by final judgment of any court of the State of California holding that City's ordinance is invalid or void, all district taxes collected under the provisions of the City Ordinance shall be transmitted to City not less than once in each calendar quarter.

3. Transmittals may be made by mail or electronic funds transfer to an account of the City designated and authorized by the City. A statement shall be furnished at least quarterly indicating the amounts withheld pursuant to Article IV of this Agreement.

D. Rules. The Board shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the City Ordinance and the distribution of the district taxes collected thereunder.

E. Preference. Unless the payor instructs otherwise, and except as otherwise provided in this Agreement, the Board shall give no preference in applying money received for state sales and use taxes, state-administered local sales and use taxes, and district transactions and use taxes owed by a taxpayer, but shall apply moneys collected to the satisfaction of the claims of the State, cities, counties, cities and counties, redevelopment agencies, other districts, and City as their interests appear.

F. Security. The Board agrees that any security which it hereafter requires to be furnished by taxpayers under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of City for district taxes owing to it as its interest appears. The Board shall not be required to change the terms of any security now held by it, and City shall not participate in any security now held by the Board.

G. Records of the Board.

When requested by resolution of the legislative body of the City under section 7056 of the Revenue and Taxation Code, the Board agrees to permit authorized personnel of the City to examine the records of the Board, including the name, address, and account number of each seller holding a seller's permit with a registered business location in the City, pertaining to the ascertainment of transactions and use taxes collected for the City. Information obtained by the City from examination of the Board's records shall be used by the City only for purposes related to the collection of transactions and use taxes by the Board pursuant to this Agreement.

H. Annexation. City agrees that the Board shall not be required to give effect to an annexation, for the purpose of collecting, allocating, and distributing District transactions and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Board. The notice shall include the name of the county or counties annexed to the extended City boundary. In the event the City shall annex an area, the boundaries of which are not coterminous with a county or counties, the notice shall include a description of the area annexed and two maps of the City showing the area annexed and the location address of the property nearest to the extended City boundary on each side of every street or road crossing the boundary.

ARTICLE III

ALLOCATION OF TAX

A. Allocation. In the administration of the Board's contracts with all districts that impose transactions and use taxes imposed under ordinances, which comply with Part 1.6 of Division 2 of the Revenue and Taxation Code:

1. Any payment not identified as being in payment of liability owing to a designated district or districts may be apportioned among the districts as their interest appear, or, in the discretion of the Board, to all districts with which the Board has contracted using ratios reflected by the distribution of district taxes collected from all taxpayers.

2. All district taxes collected as a result of determinations or billings made by the Board, and all amounts refunded or credited may be distributed or charged to the respective districts in the same ratio as the taxpayer's self-declared district taxes for the period for which the determination, billing, refund or credit applies.

B. Vehicles, Vessels, and Aircraft. For the purpose of allocating use tax with respect to vehicles, vessels, or aircraft, the address of the registered owner appearing on the application for registration or on the certificate of ownership may be used by the Board in determining the place of use.

ARTICLE IV
COMPENSATION

The City agrees to pay to the Board as the Board's cost of administering the City Ordinance such amount as is provided for by law. Such amounts shall be deducted from the taxes collected by the Board for the City.

ARTICLE V
MISCELLANEOUS PROVISIONS

A. Communications. Communications and notices may be sent by first class United States mail to the addresses listed below, or to such other addresses as the parties may from time to time designate. A notification is complete when deposited in the mail.

Communications and notices to be sent to the Board shall be addressed to:

State Board of Equalization
P.O. Box 942879
Sacramento, California 94279-0032
Attention: Administrator, RAAS

Communications and notices to be sent to the City shall be addressed to:

_____Kyle Knopp, City Manager_____

_____675 Wildwood Avenue_____

_____Rio Dell CA, 95562_____

Unless otherwise directed, transmittals of payment of District transactions and use taxes will be sent to the address above.

B. Term. The date of this Agreement is the date on which it is approved by the Department of General Services. The Agreement shall take effect on April 1, 2015. This Agreement shall continue until December 31 next following the expiration date of the City Ordinance, and shall thereafter be renewed automatically from year to year until the Board completes all work necessary to the administration of the City Ordinance and has received and disbursed all payments due under that Ordinance.

C. Notice of Repeal of Ordinance. City shall give the Board written notice of the repeal of the City Ordinance not less than 110 days prior to the operative date of the repeal.

ARTICLE VI

ADMINISTRATION OF TAXES IF THE
ORDINANCE IS CHALLENGED AS BEING INVALID

A. Impoundment of funds.

1. When a legal action is begun challenging the validity of the imposition of the tax, the City shall deposit in an interest-bearing escrow account, any proceeds transmitted to it under Article II. C., until a court of competent jurisdiction renders a final and non-appealable judgment that the tax is valid.

2. If the tax is determined to be unconstitutional or otherwise invalid, the City shall transmit to the Board the moneys retained in escrow, including any accumulated interest, within ten days of the judgment of the trial court in the litigation awarding costs and fees becoming final and non-appealable.

B. Costs of administration. Should a final judgment be entered in any court of the State of California, holding that City's Ordinance is invalid or void, and requiring a rebate or refund to taxpayers of any taxes collected under the terms of this Agreement, the parties mutually agree that:

1. Board may retain all payments made by City to Board to prepare to administer the City Ordinance.

2. City will pay to Board and allow Board to retain Board's cost of administering the City Ordinance in the amounts set forth in Article IV of this Agreement.

3. City will pay to Board or to the State of California the amount of any taxes plus interest and penalties, if any, that Board or the State of California may be required to rebate or refund to taxpayers.

4. City will pay to Board its costs for rebating or refunding such taxes, interest, or penalties. Board's costs shall include its additional cost for developing procedures for processing the rebates or refunds, its costs of actually making these refunds, designing and printing forms, and developing instructions for Board's staff for use in making these rebates or refunds and any other costs incurred by Board which are reasonably appropriate or necessary to make those rebates or refunds. These costs shall include Board's direct and indirect costs as specified by Section 11256 of the Government Code.

5. Costs may be accounted for in a manner, which conforms to the internal accounting, and personnel records currently maintained by the Board. The billings for such costs may be presented in summary form. Detailed records will be retained for audit and verification by City.

6. Any dispute as to the amount of costs incurred by Board in refunding taxes shall be referred to the State Director of Finance for resolution and the Director's decision shall be final.

7. Costs incurred by Board in connection with such refunds shall be billed by Board on or before the 25th day of the second month following the month in which the judgment of a court of the State of California holding City's Ordinance invalid or void becomes final. Thereafter Board shall bill City on or before the 25th of each month for all costs incurred by Board for the preceding calendar month. City shall pay to Board the amount of such costs on or before the last day of the succeeding month and shall pay to Board the total amount of taxes, interest, and penalties refunded or paid to taxpayers, together with Board costs incurred in making those refunds.

CITY OF

By _____
(Signature)

Kyle C. Knopp
(Typed Name)

City Manager, City of Rio Dell
(Title)

STATE BOARD OF EQUALIZATION

By _____
Brian Manuel, Administrator
Return Analysis & Allocation Section

675 Wildwood Avenue
Rio Dell, CA 95562

STAFF REPORT

TO: Rio Dell City Council

FROM: Karen Dunham, City Clerk

THROUGH: Kyle Knopp, City Manager

DATE: December 16, 2014

RE: Accepting Certification of Votes

RECOMMENDATION

Approve Resolution No. 1247-2014 Accepting the Certification of Votes for the November 4, 2014 General Election.

BUDGETARY IMPACT

None

BACKGROUND AND DISCUSSION

The Humboldt County Elections Department officially certified the votes cast in the November 4, 2014 General Election on December 2, 2014. The Resolution accepts the vote count and recognizes the election of the three candidates as Councilmembers Elect for four year terms ending with the 2018 General Election. The Resolution also recognizes the passage of Measure U for the 1% Transactions and Use (Sales) Tax.

Swearing in of the new councilmembers will take place following adjournment of tonight's meeting. At the January 6, 2015 regular meeting, the new Council will be seated followed by the selection of Mayor and Mayor Pro Tem for two year terms.

ATTACHMENTS:

Resolution No. 1247-2014
Official Vote Count

RESOLUTION NO. 1247-2014

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL ACCEPTING THE CERTIFICATION OF VOTES FOR THE NOVEMBER 4, 2014 GENERAL ELECTION

WHEREAS, the Humboldt County Election Division has officially certified the votes cast in the November 4, 2014 General Election for the City of Rio Dell for Rio Dell City Council and a Ballot Measure for a 1% Transactions and Use (Sales) Tax as:

- Timothy R. Marks - 494 Votes
- Debra L. Garnes - 414 Votes
- Gordon Johnson - 406 Votes
- Measure U - 376 Yes (51.86%)
  - 349 No (48.14%)

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF RIO DELL DOES HEREWITH RESOLVE:

1. To accept the vote count as certified by the Humboldt County Election Division (copy attached); and

2. To recognize the election of the three candidates as Councilmembers Elect for a four year term or as otherwise prescribed by law; and

3. To recognize the passage of Measure U; Ballot Measure for a 1% Transactions and Use (Sales) Tax for 5 years, having received the required simple majority of affirmative votes.

PASSED AND ADOPTED this 16th of December, 2014 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Jack Thompson, Mayor

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above to be a full, true and correct copy of Resolution No. 1247-2014 adopted by the City Council of the City of Rio Dell on December 16, 2014.

_____
Karen Dunham, CMC

COUNTY OF HUMBOLDT
Office of Elections & Registrar of Voters
3033 H STREET, Rm 20
EUREKA, CA 95501
(707)445-7678/FAX (707)445-7204

RECEIVED
12-5-14 (Rd)

December 4, 2014

City of Rio Dell
675 Wildwood Avenue
Rio Dell, CA 95562

Re: Certification Results
November 4, 2014, Statewide General Election

Enclosed is a copy of Humboldt County Certification of Election Results and Final Canvass from the November 4, 2014, Statewide General Election

If you have any questions, please don't hesitate to contact our office.

Sincerely,

Judith Hedgpeth

Judith Hedgpeth
Administrative Analyst
Office of Elections
County of Humboldt
(707) 445-7481

Enclosures

Certificate of Results of Canvass
November 4, 2014, Statewide General Election
City of Rio Dell

STATE OF CALIFORNIA)
) SS
COUNTY OF HUMBOLDT)

I, Carolyn Crnich, Registrar of Voters of the County of Humboldt, do hereby certify that pursuant to the provisions of Section 15301 et. al., of the California Elections Code, I did canvass the return of votes cast in the November 4, 2014, Statewide General Election, and that the Statement of Votes Cast to which this Certification is attached shows the total number of votes cast and the total number of votes cast for each candidate and/or measure in each respective precinct therein and that the totals for each candidate and/or measure are true and correct.

WITNESS MY HAND AND OFFICIAL SEAL this 2nd day of December, 2014.

CAROLYN CRNICH
REGISTRAR OF VOTERS

Signed: Kelly E. Sanders
Kelly Sanders, Elections Manager

Total Number of Voters : 38,529 of 76,064 = 50.65%

Precincts Reporting 107 of 107 = 100.00%

Party	Candidate	Vote By Mail		Mail Ballot Precincts		Precinct		Total	
FORTUNA CITY COUNCIL MEMBER, Vote For 3									
||N	SUE LONG	1,175	30.24%	0	0.00%	656	29.05%	1,831	29.81%
||N	LINDA GARDNER	1,084	27.90%	0	0.00%	583	25.82%	1,667	27.14%
||N	TIARA BROWN	978	25.17%	0	0.00%	584	25.86%	1,562	25.43%
||N	JOSHUA M. BROWN	596	15.34%	0	0.00%	391	17.32%	987	16.07%
	Unresolved Write-Ins	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Unqualified Write-Ins	52	1.34%	0	0.00%	44	1.95%	96	1.56%
	Cast Votes:	3,885	65.57%	0	0.00%	2,258	62.98%	6,143	64.60%
	Over Votes:	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Under Votes:	2,040	34.43%	0	0.00%	1,327	37.02%	3,367	35.40%

Precincts			Voters		
Counted	Total	Percent	Ballots	Registered	Percent
5	5	100.00%	3,170	6,094	52.02%

RIO DELL CITY COUNCIL MEMBER, Vote For 3									
||N	GORDON JOHNSON	246	29.29%	0	0.00%	160	30.02%	406	29.57%
||N	DEBRA L. GARNES	248	29.52%	0	0.00%	166	31.14%	414	30.15%
||N	TIMOTHY R. MARKS	308	36.67%	0	0.00%	186	34.90%	494	35.98%
	Unresolved Write-Ins	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Unqualified Write-Ins	38	4.52%	0	0.00%	21	3.94%	59	4.30%
	Cast Votes:	840	62.92%	0	0.00%	533	58.44%	1,373	61.10%
	Over Votes:	0	0.00%	0	0.00%	1	0.33%	1	0.13%
	Under Votes:	495	37.08%	0	0.00%	376	41.23%	871	38.76%

Precincts			Voters		
Counted	Total	Percent	Ballots	Registered	Percent
1	1	100.00%	749	1,725	43.42%

Total Number of Voters : 38,529 of 76,064 = 50.65%

Precincts Reporting 107 of 107 = 100.00%

Party	Candidate	Vote By Mail		Mail Ballot Precincts		Precinct		Total	
MEASURE Q, Vote For 1									
	YES	2,607	65.90%	0	0.00%	2,144	67.49%	4,751	66.61%
	NO	1,349	34.10%	0	0.00%	1,033	32.51%	2,382	33.39%
	Cast Votes:	3,956	96.98%	0	0.00%	3,177	95.75%	7,133	96.43%
	Over Votes:	0	0.00%	0	0.00%	1	0.03%	1	0.01%
	Under Votes:	123	3.02%	0	0.00%	140	4.22%	263	3.56%

Precincts			Voters		
Counted	Total	Percent	Ballots	Registered	Percent
16	16	100.00%	7,397	14,325	51.64%

MEASURE R, Vote For 1									
	YES	1,499	37.82%	0	0.00%	1,297	40.27%	2,796	38.91%
	NO	2,465	62.18%	0	0.00%	1,924	59.73%	4,389	61.09%
	Cast Votes:	3,964	97.18%	0	0.00%	3,221	97.08%	7,185	97.13%
	Over Votes:	0	0.00%	0	0.00%	1	0.03%	1	0.01%
	Under Votes:	115	2.82%	0	0.00%	96	2.89%	211	2.85%

Precincts			Voters		
Counted	Total	Percent	Ballots	Registered	Percent
16	16	100.00%	7,397	14,325	51.64%

MEASURE U, Vote For 1									
	YES	236	54.25%	0	0.00%	140	48.28%	376	51.86%
	NO	199	45.75%	0	0.00%	150	51.72%	349	48.14%
	Cast Votes:	435	97.75%	0	0.00%	290	95.39%	725	96.80%
	Over Votes:	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Under Votes:	10	2.25%	0	0.00%	14	4.61%	24	3.20%

Precincts			Voters		
Counted	Total	Percent	Ballots	Registered	Percent
1	1	100.00%	749	1,725	43.42%

Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
riodellcity.com

December 16, 2014

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Authorize the Mayor to Sign Letter Supporting the Concept of a Feasibility Study for a Water Pipeline Extending from the Humboldt Community Services District (HCSD) to Rio Dell.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the Mayor to sign letter supporting the concept of a pipeline feasibility study.

BACKGROUND AND DISCUSSION

On August 5, 2014 the City Council received a presentation by the Humboldt Bay Municipal Water District (HBMWD) on a "reconnaissance level" pipeline route study for potential pipeline routes out of Humboldt County to the east and various proposals to the South. HBMWD representatives stated their interest in keeping the water as a Northcoast benefit with a possible southerly terminus at Lake Mendocino. All proposed routes were a considerable distance (and expense) from Rio Dell, with the community of Bridgeville being the closest alignment. Routes along US 101 or the North Coast Railroad Authority's right-of-way's near Rio Dell were not part of the final series of options. Ultimately, HBMWD representatives felt that a pipeline from Bridgeville west to Rio Dell would be more expensive than a pipeline from HCSD's lines located at College of the Redwoods.

It became clear that a pipeline from HCSD to Rio Dell would need to be studied separately from the "reconnaissance level" out-of-county pipeline study, and also involve a larger partnership involving other cities or districts. In furtherance of the Council's desire to keep this potential project moving forward, staff is asking that the Council approve a letter supporting further study of a pipeline south from CR to Rio Dell. The letter does not obligate the city to provide financial support for the project, or the feasibility study. The letter's intent is to signal the City Council's interest in additional information via the feasibility study.

Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
riodellcity.com

December 16, 2014

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Authorization for Councilmember Johnson to Travel to Sacramento for Seminar on California Water Laws and Regulations

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize Councilmember Johnson to travel to Sacramento for seminar on California water laws and regulations.

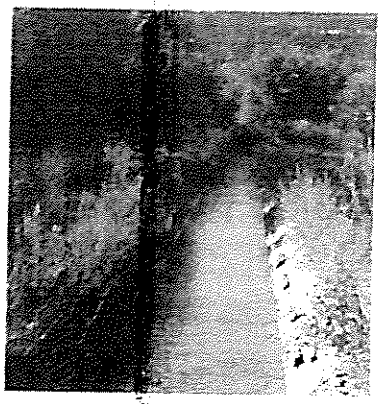
FINANCIAL IMPACT

Estimated $400.00 to $800.00 from the Water Fund.

BACKGROUND AND DISCUSSION

Over the course of 2014 and the current drought, several questions have arisen regarding various aspects of California water law and agency regulation. Training in this area is desirable. Staff is unavailable for this current training opportunity on January 29, 2015. The City Manager is requesting that Councilmember Johnson attend this training. This training coupled with Mr. Johnson's engineering background will help add to Councilmember Johnson's capacity as a resource for the city and its staff.

California Water Laws and Regulations



Sacramento, CA

Thursday, January 29, 2015

Examine state and federal water quality regulations

Explore California surface water and groundwater rights

Review the impact on agriculture of the new Sustainable Groundwater Management Act

Examine California's Central Valley Flood Protection Plan

Review water use, supply options and challenges in renewable energy, natural gas and oil production

Continuing Education Credits

California Attorneys & Paralegals
7.0 CLE Hours, Including
1.0 Ethics Hour

California Engineers and Geologists
Non-Mandatory CE

HalfMoon Education Inc.
WWW.HALFMOONSEMINARS.ORG

Seminar Agenda

Enforcing California Water Laws and Regulations *A. Tauriainen*
Water rights laws and regulations
State and federal water quality regulations
State and Regional Water Board roles and procedures

Understanding California Surface Water and Groundwater Rights *A. Ramos*
Ownership of surface water and groundwater
Regulation of surface water and groundwater rights
Obtaining surface water and groundwater rights
Permit requirements
Application and permitting processes
Amending surface water and groundwater rights
Current issues in water rights

Agricultural Water Use Issues *R. Sawyer*
Irrigation efficiency
The intersection of surface water and groundwater
Impact on agriculture of the new Sustainable Groundwater Management Act
Agricultural runoff and water quality

Water Marketing *A. Ferguson*
Basics of water accounting in California
Water transactions
- Groundwater and surface water transactions
- Lease transactions

Water marketing basics
Pricing considerations

Flood Control in the Central Valley *A. Clark*
History of flood control
California's Central Valley Flood Protection Plan
Climate change and flood control

Energy Production: Potential Water Supply and Quality Issues *M. Sherman*
Water use, supply options and challenges in renewable energy, natural gas and oil production
Potential risks to groundwater and surface water
Regulation of water use in renewable energy, natural gas and oil production
Pending enforcement cases concerning water quality issues

Ethical Issues in Water Law and Regulation *D. Carroll*
Attorneys, consultants and conflicts of interest
Related consents
Disqualification issues

Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
riodellcity.com

December 16, 2014

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Receive Presentation and Formalize Metropolitan Well Site Project

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Formalize the Metropolitan Well Site Project

BACKGROUND AND DISCUSSION

The City's Metropolitan Well Site Project has undergone several revisions in order to create and maintain a viable project that would retain existing grant funding. The project initially began early in 2014 as an intertie project with Scotia. As discussed at previous Council meetings, that project is no longer possible at this point in time. Instead, staff has worked diligently and on tight timelines to:

- Maintain already approved grant funds obtained through the North Coast Integrated Regional Water Management Plan (NCIRWMP).
- Develop a 2nd source of water for the City of Rio Dell that would meet and exceed all the benefits of the intertie project.
    - Redundancy/Reliability in water supply
    - Use in the event of emergency: Fire, earthquake, flood etc.
    - Use in the event of mechanical failure
    - Negates need for water plant clarifier ($400,000+)
    - City owned water source
    - Short project completion timeline
    - Well site aquifer creates access to stored water independent of river
    - Creates a legal argument against any future State curtailment
    - Assists in monitoring regime for the former Eel River Sawmills site
    - City can work on infiltration gallery over extended period of time

Staff asks that the council formalize the Metropolitan Well Site project. This agenda item also presents an opportunity to ask questions about the project and/or get up to speed with what has happened with this project over the last year.

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

For Meeting of: December 16, 2014

To: City Council

From: Kevin Caldwell, Community Development Director

Through: Kyle Knopp, City Manager

Date: December 11, 2014

Subject: CDBG Homebuyer Guidelines

Recommendation:

That the City Council:

1. Receive and file staff's report regarding the proposed Homebuyer Guidelines and;

2. Open the public hearing, receive public input, deliberate; and

3. Adopt Resolution No. 1248-2014 approving the City's Homebuyer Guidelines and direct staff to submit the Guidelines to the Department of Housing and Community Development for their review and approval.

Background and Discussion

The State Department of Housing and Community Development (HCD) recently notified the City that we are now required to prepare and adopt Community Development Block Grant (CDBG) Homebuyer Guidelines. The formatting and content of the proposed Guidelines are identified in Chapter 17 of the CDBG Grants Management Manual (GMM).

The City's proposed CDBG Homebuyer Program increases a borrower's buying power and reduces initial out of pocket expenses and monthly housing costs by providing additional funds with no monthly payment as down payment assistance. The loan is due and payable at the time of sale or transfer.

The program provides financing to help pay the difference between the loan amount one can afford to borrow from a financial institution and the purchase price of a home. The borrower must secure a loan from financial institution in an amount determined by the City, based upon monthly income.

The Homebuyer Loan Program requires the following:

- Down Payment: 3% of Purchase Price or $3,000, (whichever is less);
- Household Income Qualification: Must be at or below 80% of Humboldt County Area Median as Indicated in the Chart Below. Applicants must meet the income criteria;
- Housing Unit Must be Located within the City Limits and be Single Family Detached Houses or Condominiums, and Must be Designated for Residential Use Under the City's General Plan;
- 1.5% Simple Interest (Retroactive to Note Signing after occupancy for four years): 5% up to 1st year anniversary, 4% after 1st year anniversary, 3% after 2nd year anniversary, and 2% after 3rd year, 1.5% after 4th year;
- Thirty (30) year loan term. Loan due upon maturity.
- City CDBG Homebuyer Program Loan Maximum $100,000

2014 Humboldt County Area Median Family Income by Household Size

Household Size	Low-Income Must be Below
1	$32,200
2	$36,800
3	$41,400
4	$46,000

The proposed Homebuyer Guidelines are included as Attachment 1. Resolution No. 1248-2014 approving the City's Homebuyer Guidelines is included as Attachment 2.

Attachments

Attachment 1: Proposed Homebuyer Guidelines.

Attachment 2: Resolution No. 1248-2014 approving the City's Homebuyer Guidelines.

City Rio Dell

State of California
Community Development Block Grant Program
(CDBG)

Homebuyer
Program Guidelines

Draft December 2, 2014

City Council Approved: _____

ATTACHMENT A

HOMEBUYER PROGRAM GUIDELINES
Table of Contents

1.0. GENERAL

- 1.1. PROGRAM OUTREACH AND MARKETING
- 1.2. APPLICATION PROCESS AND SELECTION
- 1.3. THE HOME PURCHASE PROCESS
- 1.4. HOMEBUYER COSTS
- 1.5. HOMEBUYER EDUCATION
- 1.6. CONFLICT OF INTEREST REQUIREMENTS
- 1.7. NON-DISCRIMINATION REQUIREMENTS

2.0. APPLICANT QUALIFICATION

- 2.1. CURRENT INCOME LIMITS
- 2.2. INCOME QUALIFICATION CRITERIA
- 2.3. DEFINITION OF ELIGIBLE HOMEBUYER

3.0. HOUSING UNIT ELIGIBILITY

- 3.1. LOCATION AND CHARTERISTICS
- 3.2. CONDITION
- 3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
- 3.4. PROPER NOTIFICATION AND DISCLOSURES

4.0. PURCHASE PRICE LIMITS

5.0. THE PRIMARY LOAN

- 5.1. QUALIFYING RATIO
- 5.2. INTEREST RATE
- 5.3. LOAN TERM
- 5.4. IMPOUND ACCOUNT

6.0. THE PROGRAM LOAN

- 6.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE (PURCHASE & REHABILITATION)
- 6.2. NON-RECURRING CLOSING COSTS
- 6.3. AFFORDABILITY PARAMETERS FOR HOMEBUYERS
- 6.4. RATES AND TERMS FOR PROGRAM LOANS
- 6.5.LOAN TO VALUE RATIO

7.0. PROGRAM LOAN REPAYMENT

- 7.1. PAYMENTS ARE VOLUNTARY
- 7.2. RECEIVING LOAN REPAYMENTS
- 7.3. DUE UPON SALE OR TRANSFER
- 7.4. LOAN SERVICING POLICIES AND PROCEDURES
- 7.5. LOAN MONITORING PROCEDURES

8.0. PROGRAM LOAN PROCESSING AND APPROVAL

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN
8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING
8.3. ESCROW PROCEDURES

9.0. SUBORDINATE FINANCING

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

10.1. DEFINITION OF EXCEPTION
10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

ATTACHMENTS

Attachment A:	Program Handout/Brochure
Attachment B:	Interest Letter/Pre-Screen Application
Attachment C:	Homebuyer Application
Attachment D:	Eligibility Letter
Attachment E:	Instructions to Homebuyer
Attachment F:	Sellers Lead-Based Paint Disclosure
Attachment G	Lead-Based Paint Contract Contingency Language
Attachment H:	Disclosure to Seller with Voluntary Arm's Length Purchase Offer
Attachment I:	Letter of Reserved Funds
Attachment J:	2014 Humboldt County Table of Income Limits
Attachment K:	24 CFR Annual Income Inclusions and Exclusions
Attachment L:	24 CFR Assets Inclusions and Exclusions
Attachment M:	Department of Health Lead Hazard Evaluation Report
Attachment N:	Lead -Based Paint Visual Assessment, Form LBP-1
Attachment O:	Lead-Based Paint Checklist
Attachment P:	Loan Servicing Policies and Procedures

CITY OF RIO DELL
CDBG HOMEBUYER PROGRAM GUIDELINES

1.0. GENERAL

The City of Rio Dell, hereinafter referred to as the "City" has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer the Community Development Block Grant ("CDBG") Homebuyer program. The homebuyer program described herein (the "Program") is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as "housing units", located within the Program's eligible area, as described in Section 3.1. The Program provides this assistance in the form of deferred payment "silent" second priority loans as "Gap" financing toward the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers. The Program will be administered by the City of Rio Dell, (the "Program Operator").

The City Manager has the authority to interpret any provision of these Homebuyer Guidelines. Whenever the City Manager determines that the meaning or applicability of any guideline is subject to interpretation, the City Manager may issue an official interpretation in the form of a Management Memorandum. The Program Operator may develop "handouts". Handouts will generally be used to clarify specific guidelines, to make the program more user-friendly, and to produce documents for educational purposes.

1.1 PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The City will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

A. The Fair Housing Lender logo will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other

language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.

B. The Program Operator will work closely with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.

C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Operator should take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2. APPLICATION PROCESS AND SELECTION

A. Upon Inquiry into the City's Homebuyer Program, potential applicants are offered a Program Handout (Attachment A) and Pre-Screen Application (Attachment B) to complete before being added to the "Homebuyer Pre-Screened Applicant's Waiting List. The Pre-Screen application asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed Pre-Screen Applications received by the Program Operator are date and time stamped. The Pre-Screen application is only deemed complete if all information is submitted and the form signed and dated. Incomplete applications are returned to the applicant and will not be date/time stamped until complete. All Pre-Screen authorized applicants can then be added to the Waiting List. All participants on this list are sorted in date chronological order of the submitted application. All program participants must be low-moderate income to apply.

B. Those participants on the Waiting List whose names come up for application, will be scheduled for a mandatory meeting to receive the Homebuyer Program Application packet (Attachment C). At the meeting, the potential homebuyer is given a "Program Eligibility Letter" [See Section 1.3B] (Attachment D) along with the following forms: Attachment E: Instructions to Homebuyer; Attachment F: Sellers Lead-Based Paint (LBP) Disclosure; Attachment G: Lead Based Paint Contract Contingency Language; EPA Booklet (Protect Your Family from Lead in Your Home); and Attachment H: Disclosure to Seller with Voluntary Arm's Length Purchase Offer "Declaration".

Applicants are encouraged to present the Program Eligibility Letter to their Realtor and Lender as evidence of the applicant's preliminary eligibility in the

Homebuyer Program. Income qualified applicants who receive the "Program Eligibility Letter" from the Program Operator will be on equal status with each other. The letter will state that the housing must be "modest", so it may not exceed three bedrooms and two bathrooms unless there are documented extenuating circumstances (such as it would create an overcrowding situation, or there is not a reasonable inventory of homes of this size, etc.) and the Loan Committee approves the exception request.

C. The "Program Eligibility Letter" will encourage the applicants to find a qualified home and begin securing the primary loan for the housing unit. No reservation of funding is received by the Borrower until the Program Operator has received the "Purchase Agreement", re-evaluated the applicant for program compliance, received Loan Committee approval, and issued a "Letter of Reserved Funds" (Attachment I), depending on funding availability. Commitment of funds will be done on a first-come-first served basis. These funds will be reserved for 60 days maximum from the Loan Committee approval, unless otherwise noted. This reservation of funds is for the qualified property only. If during the 60-day time frame, the potential homebuyer is unable to purchase a home, an extension may be granted. However, if it appears the potential homeowner cannot participate in the Program, the reservation of funds expires and the next person eligible to receive an Eligibility Letter is given an opportunity to participate in the Program.

1.3. THE HOME PURCHASE PROCESS

A. Each applicant must attend a mandatory meeting with City staff to receive the Homebuyer Program Application packet (Attachment C). Please refer to Section 1.2.B.

B. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (See Section 3.0), homebuyer shall provide Seller with a disclosure containing the following provisions:

1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement;

2) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser;

3) The housing unit will be subject to inspection. The housing unit must comply with local codes at the time of construction and local health and safety standards;

4) All housing units built prior to January 1, 1978 will require a Lead Paint Disclosure to be signed by both the Homebuyer and Seller (Attachment F);

5) Since the purchase would be voluntary, the Seller would not be eligible for relocation payments or other relocation assistance;

6) The Seller understands that the housing unit must be either: currently owner-occupied, newly constructed, or vacant three months prior to submission of the purchase offer;

7) If the Seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.

C. Applicant submits executed standard form purchase and sale agreement and primary lender Pre-Qualification Letter to the Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.

D. The Program Operator shall draft a Staff Report to the Loan Committee with a recommendation and supporting details. This report shall be submitted to the City of Rio Dell's CDBG Loan Committee who will approve or deny the Application and instruct the Program Operator to notify the Applicant. The Program Operator will provide written notification to the Applicant of approval, conditions, or denial with reason and, if denied, a copy of the Program's Appeal procedures (See Section 11.0).

E. When the Program Operator and Primary Lender requirements are met, Program funds shall be deposited into escrow, and the homebuyer will be provided with required closing instructions and loan documents.

F. At the time of escrow closing, the Program Operator shall be named as an additional loss payee on fire and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit.

PRIMARY LENDER ANALYSIS:

The following is a simplified example of how a primary lender would analyze a homebuyer's finances to determine how much the homebuyer could afford to borrow from the primary lender towards homeownership.

DEBT SERVICE
FOR A FAMILY OF FOUR EARNING $2,500 PER MONTH

HOUSING PAYMENTS		TOTAL OVERALL PAYMENTS	
Principal & Interest Payment	$ 580	$ 750	Housing
Insurance	50	+250	Other Debt Service
Taxes	120	$1,000	Total Debt Service
Total Housing Expense	$750		

(Overall debt service per month is 40% of $2,500) (PITI is 30% of $2,500)

OTHER HOUSEHOLD DEBT SERVICE

Car Payment	$150
Credit Card Payment	100
Total Other Debt	$250

A $580 per month loan payment equates to borrowing $96,750 at 6% for a 30-year term.

SUBSIDY CALCULATION
FOR A FAMILY OF FOUR EARNING $2,500 PER MONTH

Purchase Price of Property	$ 120,000
Less Primary loan amount	96,750
Less down payment of 3%	3,000
Equals **"GAP"**	**$ 20,250**
Plus estimated allowable settlement charges	3,125
Equals **Total Subsidy**	**$ 23,375**

1.4. HOMEBUYER COSTS

A. Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Program Operator. The Program's down payment requirement (below) is in place even if the Primary Lender has a lower down payment requirement.

B. Homebuyer funds shall be used in the following order:

1) Down payment - Minimum Requirement: 3% of Purchase Price or $3,000, whichever is less.

2) To the extent possible after satisfying 1), above, appraisal fee; cost of credit report; the loan origination fee; customary homebuyer closing costs; City's Warehousing Fee of $125.00, homebuyer's customary portion of the escrow fees; title insurance; and, the establishment of impound accounts for property taxes and insurance.

3) After 1) and 2), above, are satisfied, any balance of homebuyer funds may be applied either to the purchase price or to reduce the principal balance of the primary loan as necessary. No funds will be returned to the Borrower out of escrow.

C. If the items in B.2), above cannot be satisfied with homebuyer funds, the Program Operator may provide Program loan assistance to cover the remaining balance up to 105% of the purchase price.

D. Program Operator may not provide more than 50 percent of the down payment required by the primary lender ***(CDBG requirement)***. Program Operator may also provide sufficient assistance, as Program loan principal, to reduce the monthly payments for PITI to an affordable level of household income. The subsidy will write down the cost of the primary lender's loan so that the payments of PITI are within approximately 37 percent of the gross household income. The Program Operator will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program.

1.5. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future homebuyer with informative homebuyer education training, can bring success to the Program, the Program Operator, and most importantly, the homebuyer. It has been documented that first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. All Program participants are required to meet with the Program Operator to discuss Homebuyer Education topics, including: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; and loan servicing.

1.6. CONFLICT OF INTEREST REQUIREMENTS

When the Homebuyer program contains Federal funds, the following shall be addressed: in accordance with title 24, Section 570.611 of the Code of Federal Regulations, 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 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 governing body of the locality.

1.7. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Program Operator's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

2.0 APPLICANT QUALIFICATIONS

2.1. CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE

All low-moderate income applicants must certify that they meet the household income eligibility requirements for the applicable HCD program(s) and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of Humboldt County Area Median Income (AMI), adjusted for household size, as published by HCD each year (Attachment J).

Household: Means one or more persons who will occupy a housing unit. Unborn children will be counted in family size determination. Household membership must be documented through the person's residence as a part of the household prior to applying to the Homeownership Program. Documentation for residence can include mail, paystubs, registration for college, driver's license, or other legal identification.

2.2. INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income qualification criteria, as shown in the most recent HCD program-specific guidance, will be followed to independently determine and certify the household's annual gross income. The Program Operator should compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation

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

A. **HOUSEHOLD INCOME DEFINITION:**

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 will be used to determine program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

The link to Annual Income Inclusions and Exclusions is:
http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm

See Attachment K: 24 CFR Part 5 Annual Income Inclusions and Exclusions

B. **ASSETS:**

There is no asset limitation for participation in the Program. Income from assets is, however, 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 are not included. ***(Note: it is the income earned – e.g. interest on a saving's account – not the asset value, which is counted in annual income.)***

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: Penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:
http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm

See Attachment L: Part 5 Assets Inclusions and Exclusions

2.3. DEFINITIONS OF AN ELIGIBLE HOMEBUYER

An eligible homebuyer means an individual or individuals or an individual and his or her spouse who meets the income eligibility requirements and is/are not currently on title to real property. Persons may be on title of a manufactured home unit, who are planning to sell the unit as part of buying a home located on real property. Documentation of homebuyer status will be required for all homebuyers. Allow participation if homebuyer has not been on title or owned property in the past three (3) years as a primary place of residence. CDBG funded programs may assist eligible homebuyers who are not "first-time" homebuyers. Those homebuyers who have filed for Bankruptcy within the past 4 years or who have filed for foreclosure within the past 7 years may not apply.

"First-time homebuyer" means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with subsidy assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

1) A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

2) A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and

3) An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:

   a) not permanently affixed to a permanent foundation in accordance with local or state regulations; or

   b) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

3.0. HOUSING UNIT ELIGIBILITY

3.1. LOCATION AND CHARACTERISTICS

A. Housing units to be purchased must be located within the City limits of Rio Dell.

B. Housing unit types eligible for the Homebuyer Assistance Program are new or previously owned: single-family residential, or condominiums. All homes must be designated for residential use under the Rio Dell General Plan.

C. All housing units must be in compliance with State and local codes and ordinances.

D. Housing units located within a 100-year flood zone will not be program eligible.

3.2. CONDITION

A. Construction Inspection and Determining Need for Repairs.

Once the participating homebuyer has executed a purchase agreement for a housing unit not requiring participation in the Program's housing rehabilitation program, and prior to a commitment of Program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

1) The City's Building Inspector will walk through the housing unit, determine if it is structurally sound, and identify any code and related health and safety deficiencies that need to be corrected. A State licensed Appraiser may identify additional health and safety repairs which must be incorporated into the list of deficiencies. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller.

2) When the Program utilizes Federal funds and if the housing unit was constructed prior to 1978 then the lead-based paint requirements of Section 3.2.D will apply.

3) A pest inspection report will only be ordered (and subsequently cleared) upon recommendation of the appraiser, Building Inspector, Program Operator staff, or homebuyer. Smoke detectors will be installed if there are none in place. The Program Operator will encourage each homebuyer to secure a homeowner's warranty policy as part of the purchase of a resale housing unit.

4) Upon completion of all work required by the Program Operator, City Building Inspector, appraiser, pest inspector and/or certified housing inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off on all required construction work assuring that each housing unit receiving Program assistance is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.

B. If the assisted homebuyer is acquiring and rehabilitating a home with Program funds:

1) A maximum Housing Rehabilitation loan in an amount up to $40,000 may be provided to cover Health and Safety deficiencies. The rehabilitation costs and Homebuyer loan funds must remain separate. The combined indebtedness secured by the property must not exceed 105% of the after-rehabilitation value as determined by a state licensed appraiser. A complete scope of work and contractor's bid must be received as per the Housing Rehabilitation Program Guidelines to establish the cost of repairs. The corrections/repairs must be completed within six months of the purchase of the property. Corrections which pose life and safety hazards, must be repaired/negotiated out of escrow with the sellers as a condition of close of escrow. The Housing Rehabilitation loan is subject to approval by the Loan Committee and must be undertaken in accordance with HCD approved Housing Rehabilitation Guidelines.

2) The housing unit must be free from any defects that pose a danger to the health and safety of occupants before occupancy and for at least six months after purchase. These corrections may be negotiated by the seller and homebuyer out of escrow. The construction inspector must inspect the housing unit again at project completion. The housing unit must meet written rehabilitation standards and local codes and ordinances no later than 2 years after transfer.

3) Foreclosed/Short Sale properties may be considered for purchase by combining a rehabilitation loan and a First Time Homebuyer loan, but careful determination of time constraints will be considered for each application on a case by case basis.

4) The Program's Housing Rehabilitation Guidelines will be adhered to.

C. Housing unit size shall be sufficient to meet the needs of the homebuyer household, without overcrowding. Generally, this means not more than two

persons per bedroom or living room. Any exceptions are subject to Loan Committee review and approval.

D. Lead Based Paint Hazards: All housing units built prior to 1978 for which CDBG funding is anticipated are subject to the requirements of this Section 3.2.E. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual Assessment course. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a DHS certified LBP Risk Assessor/Inspector. The CDBG general administrative and activity delivery funds may be used to pay for lead-based paint visual assessments, and if lead mitigation and clearance costs are incurred, the program may incorporate the costs into the calculation of Program assistance and can be included as a grant of up to a maximum of $5,000 per loan and is therefore, not to be included in the combined debt to value ratio. Allow LBP Grants of up to $5,000 per loan.

The following requirements must be met:

1) **Notification**: a) Prior to homebuyer's obligation to purchase a pre-1978 home, the Buyer will be given a copy of and asked to read the EPA pamphlet *"Protect Your family From Lead in Your Home"* (Attachment H). (EPA 747-K-99-001, June 2003). A signed receipt of the pamphlet will be kept in the Program Operator's homebuyer file; b) A notice to residents is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to residents is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment N).

2) **Disclosure:** Prior to the homebuyer's obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment F), "Seller's Lead Based Paint Disclosure" notice must be provided by the seller to the homebuyer.

3) **Inspections:** The Inspector shall conduct a "Visual Assessment" of all the dwelling unit's painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.

4) **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the Program Operator shall obtain copies of the contractor's and workers' appropriate proof of LBP

training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.

5) **Purchase Contract Contingency Language:** Before a homebuyer is obligated under any contract to purchase a pre-1978 housing unit, the seller shall permit the homebuyer a 10-day period (unless the parties mutually agree, in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards. See Attachment G for sample lead-based paint contract contingency language.

   A homebuyer may waive the opportunity to conduct the risk assessment or inspection by so indicating in writing, such as in Attachment G, item (e)(ii). In this case the purchase contract contingency language is not required.

E. The Program Operator will: 1) confirm that the housing unit is within the eligible area, 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding, and 3) ensure a completed Lead Compliance Document Checklist is placed in each purchaser's file (see Attachment P).

3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner occupied or have been vacant for three months prior to the acceptance of a contract to purchase. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. However, if tenant occupied homes are included in the Program and relocation becomes necessary, the activity will be carried out in compliance with City of Rio Dell's relocation plan which describes how those permanently displaced will be relocated and paid benefits in accordance with the following Federal laws.

A. Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970

The Federal URA and Real Property Acquisition Policies, as amended by the URA Amendments of 1987, contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a project or program for which HUD financial assistance (including CDBG) is provided. Requirements governing real property acquisition are described in Chapter VIII. The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps in regard to tenants of housing to be acquired, rehabbed or demolished, including tenants who will not be relocated even temporarily.

B. **Section 104(d) of the Housing and Community Development Act of 1974**

Section 104(d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME or CDBG, to certify that it is following a Residential Anti-Displacement Plan and Relocation Assistance Plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a CDBG assisted project, and requires the replacement of low-income housing, which is demolished or converted. The implementing regulations for Section 104(d) can be found in 24 CFR Part 570(a).

3.4. PROPER NOTIFICATION AND DISCLOSURES

A. Upon selection of a housing unit, a qualified seller and homebuyer must be given the necessary disclosures for the Program. The homebuyer must have read and signed all Program disclosure forms. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.

B. All owners who wish to sell their housing units must receive an acquisition notice (Attachment H) prior to submission of the homebuyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain the items listed in 1.3.B.

4.0. PURCHASE PRICE LIMITS

The purchase price limits for this Program shall not exceed the Maximum HOME Program Purchase Price/After-Rehab Value Limit for Humboldt County as updated by HCD.

5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the Program, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the "primary loan"). The monthly payments of the 1st mortgage must be not less than 30% of the applicant's gross monthly income. No Private Mortgage Insurance (PMI) or Adjustable Rate Mortgages (ARM) are allowed.

5.1. QUALIFYING RATIOS

Primary loans underwritten by Fannie Mae and Freddie Mac will be acceptable to establish creditworthiness, repayment ability, and dependability of income.

The applicant must obtain a private loan and Program loan (see Section 6.0, Program loans) secured by a first and second deed of trust, respectively, with monthly payments not less than 30% of the applicant's gross monthly income. The "front end" maximum monthly housing costs and other debt (1st & 2nd mortgage, insurances, taxes, and all other monthly housing debt [PITI] shall not exceed 37% of the applicant's gross monthly income. The "back end ratio" of total debt including PITI plus other monthly long-term debt payments, such as car, student, or other personal loans and credit card debt, shall not exceed 42%. All deferred debt will be used to calculate "back end ratio" of total debt. The front end ratio of 37% and the back end ratio of 42% are based on the Program's twelve month projection of gross monthly income. The monthly long-term debt payments will be calculated at a fixed 5.0% interest rate over a 10 year term unless the applicant can provide documentation otherwise. Buyer's are required to borrow the maximum amount qualified for by the first mortgage lender.

The City may adjust the "front end" and "back end" ratio by up to 5% to match a local Private lender's underwriting ratios on a case by case basis provided that the borrower has demonstrated that over a period of the last 12 months the ability to pay the housing costs and total debt equal to the proposed "front end" or "back end" ratio.

5.2. INTEREST RATE

The primary loan must be fully amortized and have a fixed interest rate (no adjustable interest rates) that does not exceed the current market rate.

5.3. LOAN TERM

The primary loan shall be fully amortized and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program loan.

5.4. IMPOUND ACCOUNT

All households will be required to have impound accounts for the payment of taxes and insurance to ensure they remain current.

6.0. THE PROGRAM LOAN

6.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE (PURCHASE AND REHABILITATION)

The amount of Program assistance to a homebuyer toward purchase of a home shall not exceed $100,000. Any approved closing costs shall be included in this amount. If combined with the Program's CDBG Housing Rehabilitation loan (pending funding availability), the maximum loan amount is $40,000, and the

combined debt to value ratio must not exceed 105% of the after-rehabilitation value as determined by a licensed certified appraiser using the rehabilitation scope of work. The funding must remain separate between the loans and the Notice of Completion is required to be recorded within six months of the close of escrow for the purchase of the residence. All rehabilitation loan assistance and repairs must comply with CDBG Housing Rehabilitation Program Guidelines. Any lead-based paint evaluation and mitigation activities shall not be included in this amount and shall be provided free of charge from the Program.

6.2. NON-RECURRING CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs ***may*** be included in the Program loan.

6.3 AFFORDABILITY PARAMETERS FOR BUYERS

The actual amount of a buyer's Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.1. Each borrower shall receive only the subsidy needed to allow them to become homeowners ("the Gap") while keeping their housing costs affordable. The Program Operator will use the "front-end ratio" of housing-expense-to-income to determine if the amount of the proposed primary loan is acceptable and, ultimately, the Program subsidy amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment and the amount of the primary loan.

6.4. RATE AND TERMS FOR PROGRAM LOANS

The Program loan may be up to $100,000, depending on availability of funds, to accrue **simple interest at 1.5% for thirty (30) years**. All Program assistance to individual households shall be made in the form of deferred payments loans (no required monthly payments of interest and principal).

A. The Program's loan term shall be for at least as long as the primary loan or 30 years and shall be calculated as simple interest. The interest rate shall be 5% if the loan is paid before the first anniversary of the Note signing, and 4% if paid before the 2nd anniversary of the Note signing, and 3% after the 3rd anniversary of the Note signing, and 2% if paid before the 4th anniversary of the Note signing, and 1.5% retroactive to the original date of the Note signing if paid after the 5th anniversary of the Note signing. All Program loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the primary loan.

   On the thirtieth anniversary date of the Program Note, the entire

outstanding principal balance and all accrued interest will be due and payable, unless Borrower exercises the Refinance Option outlined in Section 7.4 of these Guidelines.

SECURED NOTE

Amount Loaned:	$100,000
Simple Interest Rate:	1.5%
Simple Interest Amount:	$1,500 annually
Term	360 months or 30 years
30 Year Accrued Interest:	$45,000
Payments	None-Deferred Until Maturity
Balloon Payment	$145,000 Principal + Interest

B. First Right of Refusal

Before sale or transfer of title to the property, the Borrower shall notify the City in writing of their intention to sell or otherwise transfer title. The City shall have the first right of refusal to purchase the property at the appraised fair market value, as determined in accordance with loan documents. The City may at its sole discretion, choose to assign this first right of refusal to purchase the property to another nonprofit corporation. Upon City's receipt of Borrower's notification of intent to sell or transfer, the City, and/or the City's contractor, or assignee, shall have the right to reasonably enter the property for purposes of conducting structural pest and building inspections, and an appraisal. Lender shall exercise its first right of refusal or right to assign within sixty (60) days after receiving Borrower's written notification of interest to sell.

C. Lead Based Paint Grant: Any Lead Based Paint eligible grant funds are provided by program funds and are not included in the purchase debt to value ratio. The homebuyer is not responsible for repayment as this is grant.

6.5. LOAN-TO-VALUE RATIO

The loan-to-value ratio for a CDBG Homebuyer Program loan, when combined with all other indebtedness to be secured by the property (the first mortgage and second), shall not exceed 100% of the sales price plus a maximum of up to 5% of the sales price to cover actual closing costs.

7.0. PROGRAM LOAN REPAYMENT

7.1. PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary payments at any time. Occasional

payments on deferred loans will be applied to the interest first then to principal as per the Loan Servicing Policies and Procedures Attachment P, Section 1.

7.2. RECEIVING LOAN REPAYMENTS

A. Program loan payments will be made to:

City of Rio Dell
675 Wildwood Avenue
Rio Dell, CA. 95562

B. The City of Rio Dell will be the receiver of program loan payments or recaptured funds and will maintain a financial record-keeping system to record payments, verify Borrower account balances, and file statements on payment status. Payments shall be deposited and accounted for in the City's Program Income Account. The Program Operator may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program..

7.3. DUE UPON SALE OR TRANSFER

In the event that an owner sells, transfers title, or discontinues residence in the purchase property for any reason, the principal balance of the loan is due and payable, except:

A. Loans are due upon sale or transfer of title (unless assumable as in B below) or when borrower no longer occupies the home as his/her principal residence or upon the loan maturity date. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment P, Section 7, on loan defaults for further information on property restrictions.

B. Program loans may or may not be assumable according to the HCD program and the loan documents. (See Attachment P, Section 5)

7.4. LOAN SERVICING POLICIES AND PROCEDURES

See Attachment P for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts 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 Loan Servicing Policies and Procedures will be pursued.

7.5. LOAN MONITORING PROCEDURES

The Program Operator will monitor Borrowers and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

A. Owner-occupancy
B. Property tax payment
C. Hazard insurance coverage
D. Good standing on Primary loans
E. General upkeep of housing units

8.0. PROGRAM LOAN PROCESSING AND APPROVAL

A. Loan Processing

Potential homebuyers are to contact the City to receive a Program Handout (Attachment A) and a Pre-Screen Application (Attachment B). Upon completion and authorization of the Pre-Screen Application, applicants are eligible to be added to the Homebuyer Program Waiting List ("List"). The List is maintained by date chronologically from oldest dates to more current. As the names come to the top of the List, a complete Homebuyer Program Application Packet is provided to the applicants to complete along with all the necessary forms, disclosures, and information. Upon initial eligibility, the applicant will be requested to schedule a meeting to receive the "Eligibility Letter", Sellers Lead Based Paint Disclosure (Attachment F), and to contact the bank lender for pre-qualification.

Upon pre-qualification with the lender, the Lender should submit:

1) Accepted property sales contract with proper seller notification;

2) Mortgage application with good faith estimates and first mortgage Disclosures;

3) Full mortgage credit report and rent verification;

4) Current third party income verifications and verifications of assets

Staff will work with local lenders to ensure that qualified participants receive only the benefit from the City's Program needed to purchase the housing unit and that leveraged funds will be used when possible. For example, in many cases the Primary Lender will not require mortgage insurance with the City's second in place which will save on the homebuyer's monthly payment.

B. Credit Worthiness

Qualifying ratios are only a rough guideline in determining a potential borrower's credit-worthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. The borrower's credit history will be reviewed by the Program Operator and documentation of

such maintained in the loan file. The Program Operator will rely on a current copy obtained by the primary lender.

Credit History Report

To qualify for a loan under this program, an applicant's Credit History report shall have a score of no less than 640. A Credit History Report with a score of less than 640 may be eligible for a loan with:

1) Receipt of a written explanation from Borrower with third party documentation as necessary;

2) An evaluation of said documentation and written recommendation from City Staff after consultation with private lenders; and

3) Loan Committee's approval.

C. Documents from Primary Lender

After initial review of the qualified homebuyer's application packet, the Program Operator will request any additional documents needed. Documents may be faxed ***but originals*** shall be received through the mail before Program funds are committed to escrow. Based on receipt and review of the final documents, the Program Operator will do an income certification (using most recent HCD program's guidance on income calculation and determination), and homebuyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and subsidy requirement determined.

D. Disclosure of Program and Loan Information to Homebuyers

The Program's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contact will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, pest/termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the

qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

Once the loan approval package has been completed, the package will be approved and may or may not have conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the homebuyer.

8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING

The homebuyer(s) sign both promissory notes, deeds of trust, and statutory lending notices (right of rescission, truth in lending, etcetera); the deeds of trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for copy of notice of default are also recorded with the County Clerk/Recorder.

8.3. ESCROW PROCEDURES

The escrow/title company shall review the escrow instruction provided by the Program lender and shall issue a California Land Title Association (CLTA) and the American Land Title Association (ALTA) after closing. The CLTA policy is issued to the homebuyer and protects them against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA is issued to each lender providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything which can be determined only by physical inspection, such as correct survey lines; encroachments; mechanics liens; mining claims and water rights. The Program lender instructs the escrow/title company in the escrow instructions as to what may show on the policy; the amount of insurance on the policy (all liens should be covered) and the loss payee (each lender should be listed as a loss payee and receive an original ALTA).

9.0. SUBORDINATE FINANCING

Refinancing of Senior Liens Subordinations are addressed in the Loan Servicing Policies and Procedures (Attachment P, Section 6).

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

10.1. DEFINITION OF EXCEPTION

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class

would be an exception.

10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCE

A. The Program Operator may initiate consideration of an exception and prepare a staff report. This staff report shall contain a narrative, including the recommended course of action and any written or verbal information supplied by the applicant.

B. The Program Operator shall make a determination of the exception by presenting before the City's Loan Committee and/or governing body for a decision.

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal must be made in writing and filed with the City.

A. **Timing and form of appeal.** An appeal shall be in writing and shall specifically state the pertinent facts and the basis for appeal. A check in the amount of $100 processing fee for Staff time to process, must accompany any appeal request.

1. An appeal shall be filed with the Program Operator (City) within 10 business days of the actual date of the final decision or complaint being received.

2. An appeal of a decision shall be limited to issues raised during the Loan Committee meeting, or information that was not known at the time of the decision that is being appealed.

3. When an appeal has been filed, the Program Operator shall prepare a report on the appeal, and schedule the appeal with the Loan Committee within 30 working days. The Loan Committee may require the applicant to attend the Appeal. The Appellant is encouraged to present documentation supporting their position.

B. Decision

1. At a Loan Committee Appeal Meeting the Committee may consider any issue involving the matter that is the subject of the appeal, in addition to the specific grounds for the appeal.

2. The Loan Committee Appeal may:

    a. Affirm, affirm in part, or reverse the decision that is the subject of the appeal, based upon findings of fact about the particular case.

    b. Notification. The Program Operator will provide written notification to the Applicant of approval or denial of the appeal noting or specifying the reasons for the decision.

C. Notification. The Program Operator will provide written notification to the Applicant of approval or denial of the appeal with reasons.

D. Final appeal must be filed in writing with HCD within one year after denial.

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM

DO YOU WANT TO OWN A HOME IN RIO DELL? IF YOU ARE A LOW-INCOME PROSPECTIVE HOMEBUYER, THE CITY MAY BE ABLE TO ASSIST YOU!

The City's CDBG Homebuyer Program increases a Borrower's buying power and reduces initial out of pocket expenses and monthly housing costs by providing additional funds with no monthly payment as down payment assistance!

This program provides financing to help pay the difference between the loan amount you can afford to borrow from a financial institution and the purchase price of a home. You must secure a loan from a financial institution of their choice in an amount determined by the City, based upon your monthly income.

The Homebuyer Loan Program requires the following:

- Down Payment: 3% of Purchase Price or $3,000, (whichever is less);
- Household Income Qualification: Must be at or below 80% of Humboldt County Area Median as Indicated in the Chart Below. Applicants must meet the income criteria;
- Housing Unit Must be Located within the City Limits and be Single Family Detached Houses or Condominiums, and Must be Designated for Residential Use Under the City's General Plan;
- 1.5% Simple Interest (Retroactive to Note Signing after occupancy for four years): 5% up to 1st year anniversary, 4% after 1st year anniversary, 3% after 2nd year anniversary, and 2% after 3rd year, 1.5% after 4th year;
- Thirty (30) year loan term. Loan due upon maturity.
- City CDBG Homebuyer Program Loan Maximum $100,000
- Maximum Purchase Price of Home Under Program is $227,000
- Must meet Maximum Subsidy Limits as established by Guidelines

Additional requirements apply, as outlined in the City's CDBG Homebuyer Program Guidelines, available at the City and on the web (see below).

2014 Humboldt County Area Median Family Income by Household Size

Household Size	Low-Income Must be Below
1	$32,200
2	$36,800
3	$41,400
4	$46,000

For program information, please contact the City at (707) 764-3532 or stop by City Hall or check out the City's website at: www.riodellcity.com

EQUAL HOUSING OPPORTUNITY

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CDBG HOMEBUYER PROGRAM

Dear Applicant:

Thank you for your interest in the City of Rio Dell's CDBG Homebuyer Program. Enclosed please find a Homebuyer Program Handout, describing the program and eligibility guidelines, and a Pre-Screen application form to be completed if you feel that you are program eligible. Once the Pre-Screening application form has been reviewed by staff and you are found to be initially qualified, you will be added to the City's Waiting List. At the time your name comes to the top of the list, you will receive a loan application packet to complete and return, and staff will determine eligibility and provide further instructions as to the process.

Please fill out the application forms carefully so that we may process them for you as quickly as possible. To be considered complete, all items must be complete and the Pre-Screen application form signed.

If you have any questions or need more information, please don't hesitate to call me.

Sincerely,

Kevin Caldwell

Kevin Caldwell
Community Development Director
Phone: (707) 764-3532
Email: kcaldwell@riodellcity.com

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
PRE-SCREEN APPLICATION

Thank you for your interest in the City of Rio Dell's Community Development Block Grant (CDBG) Homebuyer Program. If you feel that you may be program eligible, please complete the following Pre-Screen application form and return to the City at your earliest convenience. All applications will be added to the CDBG Pre-Screen Application Waiting List in the order they are received, so urgency is important. Once the Pre-Screening application form has been reviewed by staff and you are found to be initially program eligible, you will be added to the City's "CDBG Homebuyer Program Pre-Screened Applicant's Waiting List". Once our program has been funded you will be contacted for the second phase of application and the City will meet with you to discuss the program. The program handout has also been attached for your convenience. The City's Homebuyer Program Guidelines can be accessed at the City's Website, riodellcity.com.

Applicant's Name(s): _____

Number in Household & Ages: _____

Mailing Address: _____

Phone Number: _____ Cell Number: _____

Email Address: _____

Income Eligibility: Please estimate your most current gross monthly income and multiply x 12. Your gross annual income cannot exceed the maximum income limits below as determined by the column of your household size. Count ***all*** those in your household whether related or not.

1. Current Employer(s): _____

   Current Gross Annual Income: $ _____

   Identify Other Income (i.e. Social Security, Child Support, Other): $ _____

2. Has the Applicant or Co-Applicant owned property designated as a primary residence within the last three years? Yes ☐ No ☐

3. Will you use the property as your principal residence? Yes ☐ No ☐

4. Credit History: Bankruptcy? Yes ☐ No ☐ Foreclosure? Yes ☐ No ☐

5. Do you have the ability to acquire the Downpayment of 3% of the purchase price or $3,000, whichever is less at the time of purchase? Yes ☐ No ☐

6. A $125.00 one-time fee will be paid from escrow to the City of Rio Dell for insurance monitoring.

Loan Terms: No monthly payment (deferred), 30 year loan, with a 1.5% simple interest rate (Retroactive to Note Signing after occupancy for four years): 5% interest if paid by year anniversary of note signing, 4% after 1st year anniversary, 3% after 2nd year anniversary, and 2% after 3rd year, then 1.5% after 4th year and retroactive back to date of signing.

Property Criteria: Properties must be located within the City limits. The property cannot be tenant occupied (rented) as this would require Relocation. The properties must be vacant, owner occupied, or must be vacant 3 months (if previously occupied by renters). Tenants purchasing the home they are renting are eligible to purchase without Relocation. Eligible property types for purchase are new or previously owned: single family detached houses, or condominiums. All properties must be designated for residential use under the Rio Dell General Plan.

Please return this application at your earliest convenience to the City of Rio Dell, 675 Wildwood Avenue in Eureka, between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday. The earlier we receive your completed application, the sooner you will be added to the Waiting List.

FOR INFORMATION PLEASE CONTACT KEVIN CALDWELL AT THE CITY AT 707-764-3532 or Email: kcaldwell@riodellcity.com.

2014 Humboldt County Area Median Family Income by Number in Household

	Number of Persons in Household*							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
80% of AMI	**$ 32,200**	**$36,800**	**$41,400**	**$46,000**	**$49,700**	**$53,400**	**$57,050**	**60,750**

***Household:** Means one or more persons who will occupy a housing unit.*
***Annual Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.*

Applicant _____ Date _____

Applicant _____ Date _____

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

City of Rio Dell California

CDBG HOMEBUYER PROGRAM

Homebuyer Application

NOTE: Please read "Certification" on Page 4 before filling out this application.

NON-ENGLISH SPEAKING HOUSEHOLD? YES ☐ NO ☐						
Applicant's Name:	_____			Social Security #:	_____ - ____ - _____	
Co-Applicant's Name:	_____			Social Security #:	_____ - ____ - _____	
Street Address:	_____			City/Zip:	_____	
Mailing Address:	_____			City/Zip:	_____	
Applicant Phone #'s:	Home:	_____	Work:	_____	Cell:	_____
Co-Applicant Ph. #'s:	Home:	_____	Work:	_____	Cell:	_____

INFORMATION IS VOLUNTARY FOR STATISTICAL /GOVERNMENTAL MONITORING PURPOSES ONLY, ENTER CODE # FROM LIST BELOW			
Applicant's Race _____	Hispanic Origin: YES ☐ NO ☐	Co-App's Race _____	Hispanic Origin: YES ☐ NO ☐
11-White 12-Black-African American 13-Asian 14-American Indian/Alaskan 15- Native Hawaiian/Pacific Islander 16 -American Indian/Alaskan Native & White 17-Asian & White 18-Black/African American & White 19-American Indian/Alaskan Native & Black/African American 20-Other Multi-Racial			

Are any residents of the household employed by the Jurisdiction or its Program Operator? YES ☐ NO ☐

Are any residents of the household a member of the governing body or agency of government who exercises housing policy? YES ☐ NO ☐ If yes to either, please explain _____

_____

Have any of the applicants held ownership or interest in a property in the last three years? YES ☐ NO ☐ If yes, please explain _____

_____

Income Summary

Check applicable sources of income currently and during the prior calendar year for any residents.

Wages ☐	AFDC (TANF) ☐	Interest ☐	SSA ☐	SSI ☐	Disability ☐	Unemployment ☐
Rentals ☐	Pension ☐	Other ☐ Explain: _____				

The City of Rio Dell promotes fair housing and makes all its programs available to low and moderate income families regardless of age, race, color, religion, sex, national origin, sexual preference, marital status or handicap.

EQUAL HOUSING OPPORTUNITY

Family and Income Information

List all persons who will be living on the property being purchases, including Applicant and Co-Applicant(s). Note: Income must be identified in terms of "Gross Monthly Income". See definition below.

Name	Relationship	Age	Sex	Gross Monthly Income
	Applicant			
	Co-Applicant			

"Gross Monthly Income" *includes income from any of the following sources or any other source of income. Wages, Self Employment, Farming Income, Public Assistance, Social Security, Retirement Pensions, Veteran's or GI Benefits, Child/Spousal Support, Unemployment/Disability Insurance, Worker's Compensation, Contributions, Cash Gifts, Rental Income, Sale of Property, Foster Child Care, Interest, Dividends, Royalties, Scholarships, Grants and Loans for School.*

Income Source Information

Person Receiving Income	Source of Income	Gross Monthly Amount

Explanation of Income Source, Patterns(s), Annual Amount or Other Comments: _____

_____

_____

_____

_____

Staff Use Only Below This Line

Total Persons Who Live at Address		Total Seniors in Household	
Annual Household Income		Previous Year Household Income	
Projected Household Income		HCD Income Definition ☐ Extremely Low ☐ Very Low ☐ Low	

Comments: _____

_____

_____

ASSET INFORMATION
Checking and Savings Accounts

Account Holder	Bank or Credit Union/Address	Account No.	Type	Balance

OTHER ASSETS
Retirement Funds, Stocks, Bonds, etc., *(See 24 CFR Part 5 Annual Income Inclusions and Exclusions)*

Family Member	Asset Description	Cash Value	Annual Income From Assets

LIABILITY INFORMATION
List the Creditor's name and account number for all outstanding debts, including but not limited to automobile loans, revolving charge accounts, alimony, child support, stock pledges, etc.

Creditor Name	Account No.	Monthly Payment	Payments Left	Approximate Balance
	Total of Liabilities	**$**		**$**

Comments: _____

_____

_____

Employment Information					
Applicant					
Employer:				Supervisor:	
Address:				Phone No.:	
Title:		Years at Job:		Years Employed in this type of Work:	
Co-Applicant					
Employer:				Supervisor:	
Address:				Phone No.:	
Title:		Years at Job:		Years Employed in this type of Work:	
Other Household Member					
Name:				Relationship:	
Employer:				Supervisor:	
Address:				Phone No.:	
Title:		Years at Job:		Years Employed in this type of Work:	
Other Household Member					
Name:				Relationship:	
Employer:				Supervisor:	
Address:				Phone No.:	
Title:		Years at Job:		Years Employed in this type of Work:	

CERTIFICATION – READ BEFORE SIGNING

I certify that this will be my primary residence of occupancy. I certify that the information on this form is true and accurate to the best of my knowledge. I certify that I have no additional income, assets or liabilities and that there are no persons living or contributing to my household other than those described here. I am aware that there are penalties for willfully and knowingly giving false information on an application for Federal or State funds. I understand that the information on this form is subject to verification. Penalties for falsifying information may include immediate repayment of all Federal or State funds and/or prosecution under law.

CERTIFICACION – LEA ANTES DE FIRMAR

Yo certifico que aqui sera mi residencia principal de vivir. Yo certifico de que la informacin suninistrada en este formulario es cierta y precisa a mi mayor conocimiento. Yo certifico de que no cuento con ingresos adicionales y bienes en activo y que no existen personas que se encuentren viviendo o contribuyendo a mi hogar aparte de aquellas descritas aqui. Yo estoy enterado de que existen penalidades por suministrar informacion falsa intencionalmente en una slicitud para fondos Federales o Estatales. Yo entiendo que la informacion en este formulario queda sujeta a verificacion. Las penalidades por falsificar informacion puede incluir la devolucion de immediato de todos los fondos Federales o Estatales recibidos y/o procesamiento bajo la ley.

_____ _____

Applicant's Signature Date

_____ _____

Co-Applicant's Signature Date

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

Date XXXXXXXX, 2014

Name
Street
City, Zip, CA.

Subject: City of Rio Dell CDBG Homebuyer Program
Eligibility Letter

Dear Mr. & Mrs. _____

Your name has come up to the top of the CDBG Homebuyer Program Waiting List. Your Pre-Screen application preliminarily determined your household to be program eligible at the time you were added to the Waiting List. In order to proceed with the Homebuyer Application process the participant is required to meet with City staff to receive and discuss the attached CDBG Homebuyer Program Application packet, the forms: Instruction to Homebuyer, Seller's Lead Based Paint Disclosure, Lead Based Paint Contract Contingency Language, EPA Booklet "Protect Your Family from Lead in Your Home", and Disclosure to Seller with Voluntary Arm's Length Purchase Offer Declaration.

Once you have received this packet, applicants are encouraged to present this "Program Eligibility Letter" to their Realtor and to your first mortgage lender as evidence of the applicant's preliminary eligibility in the Homebuyer Program. Please note that your income eligibility is not officially determined until the first mortgage lender has provided their copies of the income eligibility information to the City. All participants are on an equal status with all other program participants who have received "Program Eligibility Letters". Only upon completion of the pre-qualification process with the lender, selection of a program eligible property, returned complete Homebuyer Program Application documents will an application package be reviewed by City staff. All completed applications will be reviewed in the order they are received (first-come-first-served). Once the application is reviewed as complete and program eligible, staff will draft a Staff Report to the City Loan Committee for review and approval of the application. If approved, a "Letter of Reserved Funds" will be issued to begin the 60 day escrow closing period. The City may also include conditions to the approval which must be met before close of escrow.

Please don't hesitate to call if you have any questions.

Sincerely,

Kevin Caldwell
Community Development Director

Enclosures

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
INSTRUCTIONS TO HOMEBUYER

A. Participant contacts the Program Operator (City of Rio Dell) for a Program Handout and a Pre-Screen application.

B. Upon return of the complete and signed Pre-Screen Application, it is date and time stamped and the Participant is added to CDBG Homebuyer Program Waiting List in date chronological order.

C. When Participants name comes to the top of the Waiting List, a Homebuyer Program Application packet is provided to be completed.

D. Upon submission and staff review and authorization of the completed Application packet, the participant will be invited to a briefing regarding participation in the Program. At the briefing, the Participant is given a "Program Eligibility Letter" along with the following forms: Instructions to Homebuyer, Sellers Lead-Based Paint Disclosure, Lead Based Paint Contract Contingency Language, EPA Booklet "Protect Your Family from Lead in Your Home", and Notice to Seller.

E. Applicants are encouraged to present the "Program Eligibility Letter" to their Realtor and mortgage lender as evidence of the Participant's eligibility in the CDBG Homebuyer Program.

F. income qualified applicants who receive the "Program Eligibility Letter" from the Program Operator will be on equal status with each other and the final approval of the selected property, the first mortgage qualification, and Program Operator funding will be on a first come first served basis.

G. Participants work with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. Preference will be given to vacant or owner occupied homes. Tenant occupied homes are not eligible. Homes must be vacant for 3 months prior to Purchase Agreement.

H. For housing selection: the home must be "modest", so it may not exceed three bedrooms and two bathrooms unless there are documented extenuating circumstances which are authorized by the Loan Committee (such as overcrowding, or reasonable inventory of housing is insufficient in size, etc.).

I. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Lender provides the Program Operator with a copy of:

- real estate sales contract
- residential loan application
- credit report
- verified income documentation
- disclosure statement
- proof of personal funds for participation in program
- breakdown of closing costs
- structural pest control clearance
- appraisal with photos
- escrow instructions
- preliminary title report

J. Program Operator reviews paper work to determine program eligibility and financing affordability for participant etc.

K. Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and homeownership responsibilities.

L. Program Operator has home inspected to meet code compliance. Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action.

M. Program Operator requests loan approval from the Loan Committee. Tthe Program Operator prepares Escrow Instructions to the Title Company, Deed of Trust, Promissory Note, Notice of Default, Loan Agreement with Owner Occupant Clause with City of Rio Dell, and requests checks and deposits same into escrow. All immediate health and safety repairs must be completed before occupancy through the negotiations of purchase.

N. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow close out information. After receipt of recorded loan documents, HUD I, Insurance Loss Payee Certification and Final Title Insurance Policy (Program Operator) closes out the loan file.

The City of Rio Dell promotes fair housing and makes all its programs available to low and moderate income families regardless of age, race, color, religion, sex, national origin, sexual preference, marital status or handicap.

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM

SELLERS LEAD-BASED PAINT DISCLOSURE

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards Lead Warning Statement

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i) _____ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

_____

(ii)_____ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):

(i) _____ Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).

_____

(ii) _____Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Purchaser's Acknowledgment (initial)

(c)_____Purchaser has received copies of all information listed above.

(d)_____Purchaser has received the pamphlet Protect your Family from Lead in Your Home.

(e)_____Purchaser has (check (i) or (ii) below):

(i) _____ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or;

(ii) _____waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards.

Agent's Acknowledgment (initial)

(f)_____ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

_____	_____	_____	_____
Seller	Date	Seller	Date
_____	_____	_____	_____
Purchaser	Date	Purchaser	Date
_____	_____	_____	_____
Agent	Date	Agent	Date

EQUAL HOUSING OPPORTUNITY

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
Lead-Based Paint Contract Contingency Language

This contract is contingent upon a risk assessment or inspection of the property for the presence of lead-based paint and/or lead-based paint hazards at the Purchaser's expense until 9 p.m. on the tenth calendar-day after ratification. This ending date is: _____. [Insert date 10 days after contract ratification or a date mutually agreed upon]. (Intact lead-based paint that is in good condition is not necessarily a hazard. See the EPA pamphlet "Protect Your Family From Lead in Your Home" for more information.)

This contingency will terminate at the above predetermined deadline unless the Purchaser (or Purchaser's agent) delivers to the Seller (or Seller's agent) a written contract addendum listing the specific existing deficiencies and corrections needed, together with a copy of the inspection and/or risk assessment report.

The Seller may, at the Seller's option, within _____ days after Delivery of the addendum, elect in writing whether to correct the condition(s) prior to settlement. If the Seller will correct the condition, the Seller shall furnish the Purchaser with certification from a risk assessor or inspector demonstrating that the condition has been remedied before the date of the settlement. If the Seller does not elect to make the repairs, or if the Seller makes a counteroffer, the Purchaser shall have _____ days to respond to the counter-offer or remove this contingency and take the property in "as is" condition or this contract shall become void. The Purchaser may remove this contingency at any time without cause.

Seller: _____ Date: _____

Purchaser: _____ Date: _____

Property Address: _____

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CDBG HOMEBUYER PROGRAM
Disclosures to Seller with Voluntary, Arm's Length, Purchase Offer

DECLARATION

This is to inform you that _____ would like to purchase the property, located at _____ Rio Dell, California, if a satisfactory agreement can be reached. We are prepared to pay $_____ for a clear title to the property under conditions described in the attached proposed contract of sale.

Because Federal funds may be used in the purchase, we are required to disclose to you the following information:

1. The sale is voluntary. If you do not wish to sell, the buyer, _____, thru the agency, the City of Rio Dell will not acquire your property. The buyer does not have the power of eminent domain to acquire your property by condemnation (i.e. eminent domain) and the agency/Sponsor _____ will not use the power of eminent domain to acquire the property.

2. The estimated fair market value of the property is $_____ and was estimated by _____, to be finally determined by a professional appraiser prior to close of escrow.

Since the purchase would be a voluntary, arms length, transaction you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.

Again, please understand that if you do not wish to sell your property, we will take no further action to acquire it. If you are willing to sell the property under the conditions described in the attached contract of sale, please sign the contract and return it to us at: City of Rio Dell, 675 Wildwood Avenue, Rio Dell, California, 95562. If you have any questions about this matter, please contact Kevin Caldwell at (707) 764-3532.

Sincerely,

_____
Kevin Caldwell, Community Development Director

_____ _____
Buyer Date

_____ _____
Buyer Date

Form continues on next page with Seller's Acknowledgment

Disclosures to Seller with Voluntary, Arm's Length Purchase Offer
(Page 2)

Acknowledgement

As the Seller I/we understand that the City Building Inspector will inspect the property for health and safety deficiencies. I/we also understand that public funds may be involved in this transaction and, as such, if the property was built before 1978, a lead-based paint disclosure must be signed by both the buyer and seller, and that a Visual Assessment will be conducted to determine the presence of deteriorated paint.

As the Seller, I/we understand that under the City of Rio Dell's Homebuyer Program, the property must be currently owner-occupied, vacant for three months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

☐ Vacant at least 4 months; ☐ Owner-occupied; ☐ New; or ☐ Being Purchased by Occupant

I/we hereby certify that I have read and understand this "Declaration" and ☐ a copy of said Notice was given to me prior to the offer to purchase. If received after presentation of the purchase offer, I/We choose ☐ to withdraw or ☐ not to withdraw, from the Purchase Agreement.

_____ _____
Seller Date

_____ _____
Seller Date

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CDBG HOMEBUYER PROGRAM

Date XXXXXXXX, 2015

Name
Street
City, Zip, CA.

Subject: City of Rio Dell CDBG Homebuyer Program
Letter of Reserved Funds

Dear Mr. & Mrs. _____

The City of Rio Dell's Community Development Block Grant Homebuyer Program staff has received notice of your loan pre-qualification from for a first mortgage loan in the amount of $ _____ .

After reviewing __ _____(Lender's) pre-qualification packet, the Program staff is in position to recommend approval to the Loan Committee your application for a "gap financing" loan (in a second lien position on title) in an amount not to exceed $ _____.

This will allow you to pursue the purchase of the property identified as _____ (address), at the purchase price of $ _____. These funds can only be reserved for you for a 60 day escrow and it will be necessary to request an extension should you exceed this term. Funds are not guaranteed beyond the 60 days as availability is on a first-come-first-served basis.

We anticipate closing escrow by _____, 2015. Please feel free to contact me at 764-3532 if you have any questions or need additional information regarding our program.

Sincerely,

Kevin Caldwell
Community Development Director

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
Table of Income Limits

2014 Humboldt County Area Median Family Income by Number in Household

	*Number of Persons in Household**							
	1	2	3	4	5	6	7	8
80% of AMI	$ 32,200	$36,800	$41,400	$46,000	$49,700	$53,400	$57,050	60,750

***Household:** Means one or more persons who will occupy a housing unit.*
***Annual Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.*

The City will update the Income Limits annually as HCD provides new information. The link to the official HCD maintained Income Limits is:
http://www.hcd.ca.gov/hpd/hrc/rep/state/cdbg_home07.pdf

675 Wildwood Avenue
Rio Dell, CA 95562
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CDBG HOMEBUYER PROGRAM

24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the Code of Federal regulations.

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: ▸ Qualify as assistance under the TANF program definition at 45 CFR 260.31; and ▸ Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: ▸ the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; ***plus*** ▸ the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Disabled Persons	Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-basedrental assistance (24 CFR 5.671(a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. Armed Forces Hostile Fire Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set side for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparations	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of $480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.

Code of Federal Regulations Title 24, Part 5 Annual Income Inclusions and Exclusions

17. Other Federal Exclusions	Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including: ▸ The value of the allotment made under the Food Stamp Act of 1977; ▸ Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); ▸ Payments received under the Alaskan Native Claims Settlement Act; ▸ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians; ▸ Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes; ▸ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program; ▸ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721); ▸ The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands; ▸ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work study program or under the Bureau of Indian Affairs student assistance programs; ▸ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older-American Community Service Employment Program); ▸ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.); ▸ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments; ▸ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990; ▸ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps); ▸ Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation; ▸ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990; ▸ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran; ▸ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and ▸ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

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CDBG HOMEBUYER PROGRAM
24 CFR Part 5 ASSETS INCLUSIONS AND EXCLUSIONS

This presents the Part 5 asset inclusions and exclusions as stated in the Code of Federal Regulations.

Statements from 24 CFR Part 5 - April 1, 1998

Inclusions

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

Exclusions

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

LEAD HAZARD EVALUATION REPORT

Section 1 — Date of Lead Hazard Evaluation _____

Section 2 — Type of Lead Hazard Evaluation (Check one box only)

☐ Lead Inspection ☐ Risk assessment ☐ Clearance Inspection ☐ Other (specify) _____

Section 3 — Structure Where Lead Hazard Evaluation Was Conducted

Address [number, street, apartment (if applicable)]	City	County	Zip Code

Construction date (year) of structure	Type of structure		Children living in structure?
	☐ Multi-unit building	☐ School or daycare	☐ Yes ☐ No
	☐ Single family dwelling	☐ Other_____	☐ Don't Know

Section 4 — Owner of Structure (if business/agency, list contact person)

Name	Telephone number

Address [number, street, apartment (if applicable)]	City	State	Zip Code

Section 5 — Results of Lead Hazard Evaluation (check all that apply)

☐ No lead-based paint detected ☐ Intact lead-based paint detected ☐ Deteriorated lead-based paint detected

☐ No lead hazards detected ☐ Lead-contaminated dust found ☐ Lead-contaminated soil found ☐ Other_____

Section 6 — Individual Conducting Lead Hazard Evaluation

Name	Telephone number

Address [number, street, apartment (if applicable)]	City	State	Zip Code

CDPH certification number	Signature	Date

Name and CDPH certification number of any other individuals conducting sampling or testing (if applicable)

Section 7 — Attachments

A. A foundation diagram or sketch of the structure indicating the specifc locations of each lead hazard or presence of lead-based paint;
B. Each testing method, device, and sampling procedure used;
C. All data collected, including quality control data, laboratory results, including laboratory name, address, and phone number.

First copy and attachments retained by inspector

Second copy and attachments retained by owner

Third copy only (no attachments) mailed or faxed to:

California Department of Public Health
Childhood Lead Poisoning Prevention Branch Reports
850 Marina Bay Parkway, Building P, Third Floor
Richmond, CA 94804-6403
Fax: (510) 620-5656

CDPH 8552 (6/07)

ATTACHMENT M

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
LEAD-BASED PAINT VISUAL ASSESSMENT, NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM

Section 1: Background Information			
Property Address:			No LBP found or LBP exempt ☐
Select one:	Visual Assessment ☐	Presumption ☐	Hazard Reduction ☐

Section 2: Visual Assessment. Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.	
Visual Assessment Date:	Report Date:
Check if no deteriorated paint found ☐	
Attachment A: Summary where deteriorated paint was found. For multi-family housing, list at least the housing unit numbers and common areas and building components (including type of room or space, and the material underneath the paint).	

Section 3: Notice of Presumption. Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.
Date of Presumption Notice:
Lead-based paint is presumed to be present ☐ and/or Lead-based paint ***hazards*** are presumed to be present ☐
Attachment B: Summary of Presumption: For multi-family housing, list at least the housing unit numbers and common areas, bare soil locations, dust-lead location, and or building components (including type of room or space, and the materials underneath the paint) of lead-based paint and/or hazards presumed to be present.

Section 4: Notice of Lead-Based Paint Hazard Reduction Activity. Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.	
Date of Hazard Reduction Notice:	
Initial Hazard Reduction Notice? Yes ☐ No ☐	Start & Completion Dates:
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types. For multi-family housing, list at least the housing unit numbers and common areas (for multifamily housing), bare soil locations, dust–lead locations, and/or building components (including type of room or space, and the material underneath the paint), and the types of lead-based paint hazard reduction activities performed at the location listed.	
Attachment D: Location of building components with lead-based paint remaining in the rooms, spaces or areas where activities were conducted.	
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)	

Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity		
Printed Name:	Signature:	Date:

Section 6: Contact Information	Organization:	
Contact Name:	Contact Signature:	
Date:	Address:	Phone:

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM

CDBG LBP Checklist for Homebuyers Assistance

Name of Applicant: _____ Date: _____

Address: _____

1. ☐ If the house was completed prior to 1/1/78, go on to #2. If the house was completed on or after 1/1/78, **STOP**, you are done w/your LBP. Provide proof of age. Use certificate of insurance, final sign off, or occupancy date.

2. ☐ Does the dwelling meet any of the exemptions listed in chapter 20 of the Grant Management Manual? If yes, **STOP**, you are done w/your LBP requirements. Use LBP-1 to document. List exemption here: _____. If not, proceed to #3.

3. ☐ Provide "How to Protect Your Family From Lead" pamphlet to recipients. Retain signed receipt from recipients/occupants stating that pamphlet was received

4. ☐ Prior to the purchaser being obligated to an offer, use the Lead Disclosure Notice that seller provides. This disclosure addresses any known LBP and/or LBP hazards in the house and any records pertaining to LBP mitigation. It will also state that the purchaser has 10 days to perform a LBP inspection, or that purchaser has waived that right. Ensure "Homebuyer Assistance Program Sample LBP Contract Contingency Language" is used in the purchase contract. If buyer waives inspection, sample LBP Contract Contingency Language is not required.

5. ☐ Do LBP visual assessment, using CDBG form LBP-1. If no deteriorated paint is found, **STOP**, you are done w/LBP requirements. If deteriorated paint is found, do work write up, and go to #6.

6. ☐ Procure DHS certified LBP contractor for paint stabilization. Prior to work being started, post or notice, and retain DHS forms *8551, Abatement of Lead Hazards Notification.*

7. ☐ Obtain proof of certification for supervisor and all workers as required. See p.20-17.

8. ☐ Clearance Report, using DHS form 8552. Clearance report cannot be done by the same business entity that performed any evaluated component. Obtain proof of DHS RA certification.

9. ☐ Within 15 days of LBP hazard work being finalized, notice and retain copy of Notice of Hazard Reduction Activity. Use CDBG form LBP-1.

675 Wildwood Avenue
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(707) 764-3532

CITY OF RIO DELL CALIFORNIA

CDBG HOMEBUYER PROGRAM
LOAN SERVICING POLICIES AND PROCEDURES

The City of Rio Dell hereafter called "Lender" has adopted these policies and procedures in order to preserve its financial interest in properties, who's "Borrowers" have been assisted with public funds. The Lender will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan's principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments:

The Lender will collect monthly payments from those borrowers who are obligated to do so under Notes, which are amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date.

For Notes, which are deferred payment loans; the Lender may accept voluntary payments on the loan. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100 year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The lender may verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the Lender encourages Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

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

4. Annual Occupancy Restrictions and Certifications:

On some owner occupant loans the Lender may require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Other loans may have income and housing cost evaluations, which require a household to document that they are not able to make repayments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases the Borrower may move and turn the property into a rental unit without notifying the Lender. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the Lender's Loan Committee.

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is in the TIG. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may be converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on title. All such changes are subject to the review and approval of the Lender's Loan Committee.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner converts any assisted unit from owner occupied to rental, the loan is due in full.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the Lender allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the Lender. The Lender will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the loan committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title or use without approval; 5) non-occupancy; 6) default on senior loans, the Lender will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

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

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

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

8. Lender as Senior Lien holder

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

1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?

2) Can the Borrower refinance with a private lender and pay off the Lender?

3) Can the Borrower sell the property and pay off the Lender?

4) Does the balance warrant foreclosure? (If the balance is under $5,000, the expense to foreclose may not be worth pursuing.)

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

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

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

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