



CITY OF CARSON

Neighborhood Pride Program Guidelines and Implementation Procedures

Serving the City of Carson



GUIDELINES AND IMPLEMENTATION PROCEDURES

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I. INTRODUCTION

Mission Statement

The City of Carson (City) Neighborhood Pride Program (NPP or Program) is designed to promote well-maintained and safe residential communities through the use of U.S. Department of Housing and Urban Development (HUD) funded loans and grants for low and moderate-income eligible households.

Program Summary

The Neighborhood Pride Program is designed to assist low- and moderate-income owners of single-family detached, and mobile home dwellings with the preservation of decent safe and sanitary housing. The NPP corrects hazardous structural conditions, makes improvements considered necessary to eliminate blight, promotes the construction of healthy, sustainable and resource-efficient housing, improves disabled access, and corrects building, and health and safety code violations.

Program funds may be used to complete required and approved housing rehabilitation construction repair activities and addressing lead-based paint hazards, and is inclusive of all CDBG eligible project-related soft costs, including but not limited to hazardous materials testing fees, title fees, and document recordation fees.

The Carson Community Development Department staff or their designees (Staff) shall administer the NPP Program. As used herein, the term "Staff" may include either employees or consultants of the Carson Community Development Department under the direction of the Director. The administration of the NPP including, without limitation, application evaluation procedures, rehabilitation assessments, cost estimation, bid solicitation, contractor selection, construction management, inspection, disbursement of Program funds and processing of the Notice of Completion will be managed in accordance with these approved Guidelines.

The Director of the Community Development Department shall be responsible for ensuring that the NPP Implementation Guidelines are maintained and updated periodically to ensure compliance with all U.S. Department of Housing and Urban Development policies and regulations. The Implementation Guidelines shall conform to these approved Guidelines.

Equal Opportunity

Applicants will not be discriminated against on the basis of race, color, religion, sex, sexual orientation, creed, ancestry, national or ethnic origin, age, family or marital status, handicap or disability, or any other arbitrary basis. In addition, applicants may not discriminate in the use, occupancy, and awarding of contracts with respect to the property to be rehabilitated with the assistance of an NPP grant and/or loan.

II. PROGRAM DESCRIPTION

NPP projects are funded from the City's annual allocation of CDBG funds. The City of Carson receives CDBG funds from HUD as authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C.-5301 et seq. Funds for the NPP are approved by the City Council each fiscal year as part of the City's Annual HUD Action Plan process and in conjunction with the City's annual budgeting process.

The program can provide a program grant or loan to eligible households whose incomes do not exceed the 80% of Area Median Income adjusted for household size as promulgated by HUD. A program grant may not exceed \$20,000 for single family detached residential properties and may not exceed \$15,000 for mobile homes. Amounts over the grant or loan amount needed to complete non-health and safety issues must be paid by the homeowner and must deposit a cashier's check to the City's Treasurer's Department. All program grants and loans shall be approved by the RSC. The Director of Community Development has authority to increase the grant or loan amount by 25% (\$25,000) for single family homes or grant amount for mobile homes by 25% (\$18,750). This authority can only be exercised when the Community Development Director determines that substantial repairs unforeseen at the time of the initial inspection make the expenditures necessary (additional necessary repairs are discovered during construction). If the estimate to make the repairs exceeds the said limits, other non-health and safety repairs must be eliminated. If this elimination is determined to be not possible, the City Manager is authorized to increase the limit by a maximum of \$2,500. Repairs over this amount will be required to be paid by the homeowners. When exceeding the initial limits, none health and safety repairs need to be paid by the homeowner by depositing the funds with the City of Carson Treasurer's Department.

The program provides deferred loans at three per cent (3%) interest, which will be made available to eligible households whose incomes do not exceed 80% of the Area Median Income adjusted for household size as promulgated by HUD (24 CFR 91.5). For single family homes, loans may not exceed \$25,000.

However, for single-family units, if the initial property inspection indicates the property requires substantial health and safety repairs, the proposed guidelines allow the City Manager, on a case-by-case basis, to approve a loan amount up to \$50,000. In this scenario, a grant is not available to the homeowner. Program funds may not be used for refinancing purposes. All program loans shall be underwritten by Staff and approved by the Community Development Director.

All grants granted will require the Participant's first mortgage to be current and have current homeowner's insurance prior to grant approval.

There is a one-time participation for each Participant/address. In instances where a NPP loan or NPP grant has been provided, and the maximum loan or maximum grant limit has not been utilized, re-application for the balance of the residual program maximum amount is not allowed.

Grants and loans are only available to applicants meeting the criteria specified in this document adopted by the City Council. Program loans will be evidenced by a promissory note and secured by a deed of trust. Program loans may not be in a junior position beyond a second trust deed, unless approved by the Community Development Director and/or its designees.

All program loan and grant funding is limited and subject to the availability of program funds.

III. APPLICATION PHASE

A. PROGRAM MARKETING

The City will market the NPP to potential applicants through various means, including but not limited to:

1. Advertising through news bulletins, City website, and local publications;

2. Distributing promotional material directly to homeowners that have code violations, flyers and brochures are available for residents.
3. Posting brochures in public building bulletin areas (areas may include: libraries, fire stations, Police Department, City Hall, etc.); and
4. Coordinating public meetings (as necessary) to explain the NPP to potential applicants and other interested persons.

B. INTEREST LIST

In an effort to provide consistent service to Carson residents, Prospective applicants must register on the city’s website (ci.carson.ca.us) to be placed on the waiting list if to participation the program based on funding availability. Prospective applicants will be registered in the order received. All registrations must contain name, address, telephone number, date of first contact. The list will remain open until the dates above or until the first 75 names are entered, whichever comes first. The city will open the waiting list only when funding allocations are available, possibly twice a year.

After the close of the waiting list, a preliminary application will be sent to all prospective applicants on the list. These applications must be fully completed and include any required documentation. Staff will review each application for completeness and adherence to guidelines. A letter of acceptance or denial will be sent by mail to the address on the application. The deadline to receive the applications will be 15 days after they are mailed. If they are not returned by that time, reasonable efforts should be made to contact the prospective applicant. If such efforts fail, the prospective applicant will be removed from the list after 30 days. No further correspondence will be sent.

As funds become available, full application packets will be forwarded to prospective applicants, and each applicant will be given 20 calendar days to respond with a completed application. If 20 days elapse without an application submittal, reasonable efforts should be made to contact the prospective applicant. If such efforts fail, the prospective applicant will be removed from the list after 30 days. Correspondence confirming their removal from the Interest List will be sent to the address provided. Correspondence will be mailed to all prior participants that register on the waiting list notifying the applicant of their prior participation in the program.

Staff will use the interest list as a mechanism to control the flow of rehabilitation work to ensure efficiency and the timely expenditure of funds. Based on demand, marketing efforts will be increased or decreased to achieve program objectives.

C. APPLICATION REVIEW AND APPROVAL PROCEDURE

The Staff will perform the following tasks:

1. Review application for completeness and for income and owner-occupant eligibility status.
2. If upon review of the application the staff determines the applicant is ineligible, inform the applicant in writing of such determination.
3. If upon review of the application the staff determines the applicant is eligible, NPP Staff will log the application into the program database, enter the eligibility determination date, and set up a six-part classification file to maintain all required documentation.
4. Obtain a property information report from the City’s GIS system or another property information service provided by the City’s title company. This report must include the Assessor’s Parcel Number, square footage, year built, ownership information, flood zone

information, transaction history, and other pertinent information used to verify property type, size, age, value, and physical location.

5. Obtain a Policy of Insurance of Record Title (PIRT) and estimated property valuation information.
6. If the Applicant has received prior CDBG funding for home rehabilitation or repair, the Applicant is not eligible for further funding. For emergency conditions, please see letter (F) "Emergency Conditions".

D. PROGRAM ELIGIBILITY

To be eligible for assistance, the following conditions must be met:

1. Applicant Eligibility

Applicants must be of legal age. Applicants will be served on a first-come, first-served basis. City Councilmembers, and any employee, official or agent of the City who exercises any policy or program decision-making function in connection with the NPP is ineligible for assistance under the Program. This policy extends for a period of one year beyond an individual's disassociation with the City of Carson in such capacity.

If the Applicant has received prior federal funding for home rehabilitation or repair, the Applicant is not eligible for further funding. For emergency conditions, please see letter F "Emergency Conditions" above.

2. Determination of Income

The determination of income eligibility shall be made in accordance with HUD regulations for the determination of income using the HUD guidelines Chapter 5 determining income and calculations. An applicant's annual household gross income may not exceed 80% of the area median income adjusted for household size, based on the income limits promulgated annually by HUD. Reviews of income will be conducted every six months as the applicant remains on the applicant processing list.

3. Property Eligibility Requirements

Existing conventional detached owner-occupied residential housing and residential mobile homes, or multi-family low-mod (LMI) household having an income of 80% or less than the area median income, located within the City of Carson corporate city limits, are eligible for assistance. The applicant must be the owner of the property under an officially recorded grant deed or mobile home title and shall furnish appropriate evidence with their application. All taxes, assessments, and insurance premiums currently due or in arrears on the real estate must be paid before loans or grants are made. The applicant property must have sufficient fire insurance as necessary to protect the owner and the City's interest in the property.

Participant shall be required to maintain owner-occupancy of any property assisted with NPP Grant funds for a minimum period of one year from the date of completion of the repairs as determined by the date of the Notice of Completion, and in conformance with the provisions of the Participation Agreement. In the event that owner-occupancy is not maintained for the minimum one-year period, (if allocated amount is over \$20,000 owner-occupancy must be maintained for a three period) all NPP Grant funds expended on behalf of the property must be returned to the City.

E. DETERMINATION OF PROGRAM ASSISTANCE LEVEL PER UNIT

The level of program assistance for a particular project depends on two factors: (1) the maximum and minimum assistance limits; and (2) the condition of the property.

1. Minimum and Maximum Loan

The minimum loan is \$5,000.00 per eligible property. This minimum is established to offset the administrative costs associated with the implementation of the program. The maximum loan amount is \$25,000.00 per eligible property unless under special circumstances described in the guidelines the City Manager can approve loans for single family homes up to \$50,000.

2. Condition of the Property

The level of assistance depends largely on the condition of the dwelling that is to be rehabilitated and whether major health and safety conditions are present.

3. Loan Underwriting Standards and Assistance Level

The amount of loan assistance provided is determined by the amount of housing rehabilitation that is eligible, necessary, and reasonable, and also by the ability of the homeowner to repay the loan.

Loans may not exceed the amount necessary to perform the City and owner-approved rehabilitation work, as determined by the results of the homeowner's competitive procurement.

4. Property Inspection Procedures

Inspections shall be performed a minimum of three separate times during the rehabilitation process. The initial property inspection takes place following NPP Staff's determination of applicant and property eligibility to determine rehabilitation needs, obtain photo documentation of site conditions, assist in the preparation of a scope of work, for the purpose of the developing a RSC funding recommendation, developing environmental review determinations, and whether or not hazardous materials testing will be necessary. The next series of inspections takes place during the construction phase to verify compliance with contract specifications and validate the payment of funds to the contractor. Upon completion of all work items, NPP Staff and the owner will conduct a final inspection.

5. Work Description

Following the initial inspection, Staff drafts the Work Description and Bid Proposal Form. This document details the work that will be competitively bid by the owner. The Work Description is a detailed list of specific activities and an estimate of the cost of each activity to be completed. The Work Description's items are prioritized in order, with code items first and lesser priority improvements listed thereafter. Prior to the owner's contractor procurement, the Work Description must be approved by the RSC in its function as the screening committee. Following approval, bid packages shall be provided to the homeowner with detailed instructions on how to conduct the procurement.

6. Lead-Based Paint Evaluation and Requirements For Pre-1978 Units

As part of the program application, owners are provided with information regarding the dangers of lead-based paint. Evidence of receipt of this information is maintained in the project file. The lead-based paint requirements can have a significant impact on the final scope of work. When the housing unit in question was built prior to January 1, 1978, the lead-based paint requirements apply. Based on the amount of subsidy provided to the project, different levels of action are required on the part of the City, as shown in the following table:

Loan Amounts	<\$5,000	\$5,000-\$25,000	>\$25,000-\$50,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint testing of surfaces to be disturbed by rehabilitation	Paint testing of surfaces to be disturbed by rehabilitation AND Risk assessment	Paint testing of surfaces to be disturbed by rehabilitation AND Risk assessment

Any required lead-based paint inspections (initial and clearance) will be performed by the City’s contracted lead-based paint testing firm. The contractor engaged to encapsulate and/or stabilize lead-based paint will not be paid until evidence of a lead-based paint clearance is provided to the City. Lead-based paint inspection reports and risk assessments (as applicable) will be provided to the owner and made available to contractors as an appendix to the Work Description and Bid Proposal Form.

7. Cost Estimating

The Work Description is the basis for estimating the cost of each work item. In many cases, a work item is derived from a standard specification. Using a tabulation of recent bids as a guideline, prior to the distribution for owner procurement, NPP Staff shall prepare an internal cost estimate for each repair item and the entire project.

8. Asbestos Testing and Abatement

F. EMERGENCY CONDITIONS

In the event that an eligible applicant has an emergency condition on the property that requires immediate attention based on a potential health and safety code such as, utility hazards that require immediate shut off: deteriorated and/or damaged roofs, ADA required improvements, at the request of applicant, the Community Development Director will consider the provision of accelerated assistance to address the emergency health and safety concerns. An eligible applicant must be within income guidelines and will not have had prior use of federal funds.

Program Inspector will inspect the property to determine the property deficiency, and provide an inspection report to the Community Development Director detailing the need and costs associated with rectifying the immediate health and safety concerns.

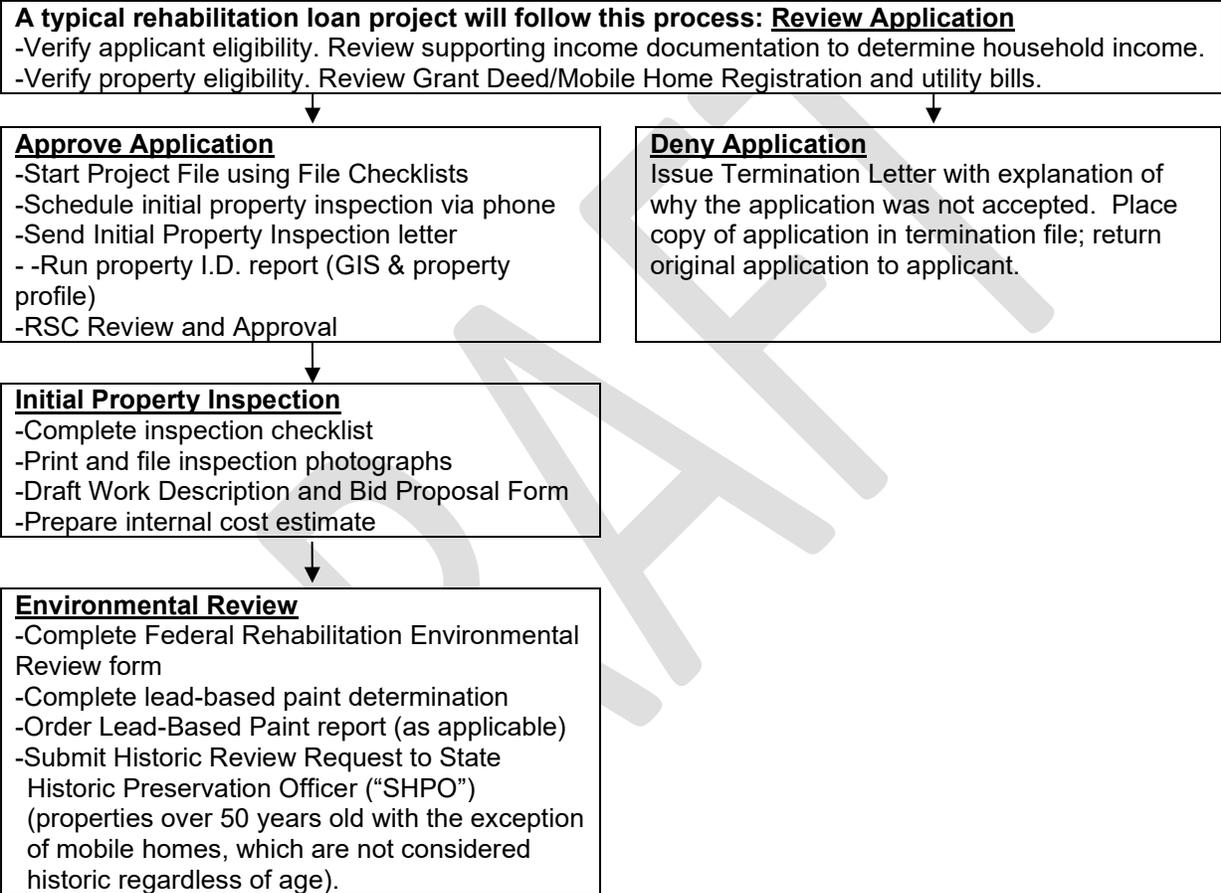
The Community Development Director will review the inspection report and provide a determination regarding the provision of accelerated funding. Any CDBG funding provided

under emergency conditions shall address the only the emergency and specific health and safety concerns.

If the applicant has received prior CDBG funding in the form of a grant for home rehabilitation and/or repairs, the applicant is not eligible for grant funds. The applicant is only eligible for a deferred loan and must meet all loan required criteria as stated in section II.

All funding allocations that exceed the grant or loan amount must be approved by the Community Development Director and/or his designees and any loan in excess of \$25,000 must additionally be approved by the City Manager on a case-by-case basis.

G. APPLICATION PROCESS AND PROCEDURES TIMELINE



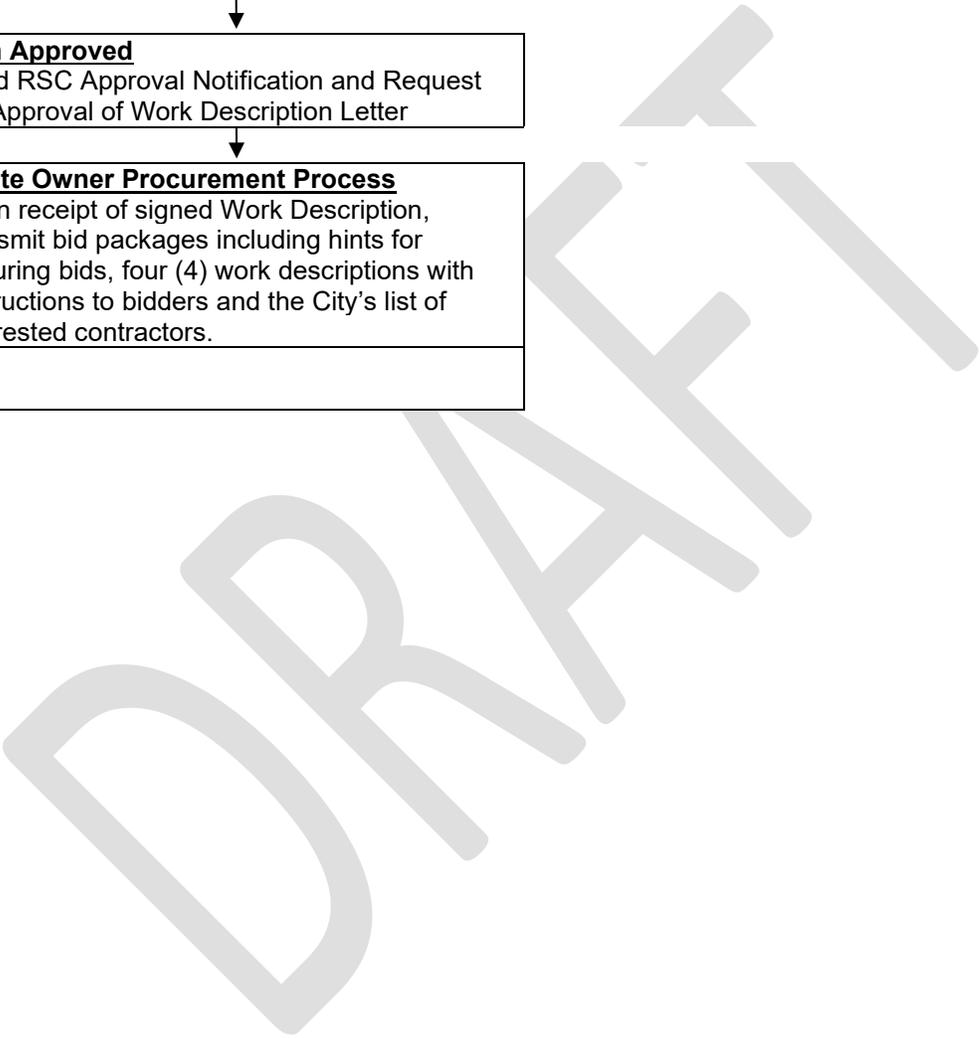
Loan Underwriting & RSC
-Order Policy of Insurance of Record Title (PIRT) Policy
-Obtain comparable sales data
-Order Credit Report
-Work Description Comparison to Bid Documents
-Prepare RSC Report
-Prepare RSC Agenda & Determination Form
-Schedule and conduct RSC



Loan Approved
-Send RSC Approval Notification and Request for Approval of Work Description Letter



Initiate Owner Procurement Process
-Upon receipt of signed Work Description, transmit bid packages including hints for securing bids, four (4) work descriptions with instructions to bidders and the City's list of interested contractors.



Bid Evaluation

- Owner submittal of three (3) or more responsive bids to City
- City evaluation of submitted bids and internal cost estimate
- City evaluation of lowest responsive and responsible bid contractor eligibility (CSLB, EPLS, City Business License, Worker's Compensation, additionally insured General Liability Insurance and W-9 form)
- Schedule pre-construction meeting 1 week following loan document execution.

Loan Document Execution

-At City office, Owner executes:

- Promissory Note
- Deed of Trust [Notary]
- Truth In Lending
- Itemization of Amount Financed
- Notice of Right to Cancel
- Improvement Agreement

-Principal Administrative Analyst Executes:

- Request for Notice [Notary]
- Improvement Agreement

-Prepare construction contract

-Submit Deed of Trust and Rider Request for Notice to Title company for recordation following the three (3)-business day cancellation period.



Pre-Construction Conference & Construction Contract Signing

- At project site, review the Work Description and Bid Proposal Form
- Review contract documents, payment provisions, time of performance, and the General Conditions
- Execute contract documents (providing copies to Owner and contractor)
- Complete pre-construction conference Sign-In Sheet and Minutes



Notice to Proceed

-Following the three (3) business day cancellation period, issue the Notice to Proceed.



Monitoring Construction: Progress Payments & Contract Change Orders

-Upon contractor submittal of partial invoice for 100% completed contract line items to the City, City reviews invoice and supporting documentation and prepares the payment request package, including:

- Progress Inspection Report
- Payment Release Authorization Form
- Contractor Invoice – Contract & Owner to sign; Inspector to sign
- Conditional Lien Release
- Signed-off City/State Permits for invoiced line items requiring permits

-City conducts progress inspection with Owner and obtains required approval

-City processes payment request

-City receives, reviews, and processes contract Change Orders as necessary



Final Payment & Notice of Completion

- Upon contractor submittal of final invoice for 100% completed contract line items (not previously paid) to the City, City reviews invoice and supporting documentation and prepares the payment request package, including:
 - Final Inspection Report
 - Payment Release Authorization Form
 - Contractor Invoice
 - Conditional Lien Release
 - Signed-off City/State Permits for invoiced line items requiring permits
 - Notice of Completion form
- City conducts final inspection with Owner and obtains required approval signatures, including the execution of a Notice of Completion. City confirms that Owner has not received any 20-day Preliminary Notices of Lien.
- City takes pictures of final work product to match up with initial inspection photographs
- City processes final payment request



Retention Release

- Thirty-five (35) calendar days following the recordation of the Notice of Completion, the City obtains the following documents from the Owner: Retention Payment Release, Authorization, Program Survey, Acknowledgement of Receipt of Final Project Statement

IV. ELIGIBILITY CRITERIA – SINGLE-FAMILY and MOBILE HOME

A. SINGLE-FAMILY APPLICANT

1. Eligible Applicants

Eligible applicants are owners of single-family detached residential properties or mobile homes located within the Carson corporate city limits. Eligible applicant properties must be owner-occupied dwelling units. All title holders must sign all program related documentation to be considered eligible applicants.

Program loans may only be made to owner-occupants with acceptable credit history and clear title to an eligible property in need of rehabilitation. As a prerequisite to eligibility, an applicant must be willing to correct all current code violations (per Building and Safety regulations).

City Council Members, and any employee, official or agent of the City who exercises any policy or program decision-making function in connection with the NPP are ineligible for assistance under the Program. This policy extends for a period of one year beyond an individual's disassociation with the City of Carson in such capacity.

2. Eligible Household Income

In accordance with CDBG requirements (24 CFR 91.5), owner-occupant household income may not exceed 80% of the Los Angeles County Area Median Income adjusted for household size (Moderate Income) as promulgated by HUD (See Attachment "A"), which is based on updated income guidelines which are provided by HUD annually.

The determination of annual household income shall be made by NPP staff in accordance with the requirements of the CDBG program utilizing HUD guidelines Chapter 5 of determining income and calculations.

- a. Applicant's current source of income is pension benefits, social security and/or Social Security Insurance (SSI) payments and/or related payment benefits resulting from retirement due to age.
- b. Applicant's current source of income is disability, social security, SSI, worker's compensation, and/or other benefits resulting from permanent and/or temporary disability of no less than 12 months in duration.

- b. Applicant's current source of income is social security, SSI, AFDC, child support and/or a combination of the subsection above.

Applicant's income may include, but is not limited to:

- a. The applicant's gross earnings.
- b. Spouse's gross earning, and earnings of all other members of the family who share the household, if the employment of the spouse or other family member is a definite characteristic of family life.
- c. Other income regularly received by the applicant or their family from any source including payments from social security, annuities, insurance policies, retirement funds, pension, disability benefits, unemployment and disability compensation, and worker's compensation.
- d. Income from assets including savings, stocks, bonds, vacant land, etc.
- e. Income from real estate including rental units on the property to be rehabilitated based on:
 - i. Gross rental income, less (b).
 - ii. On the basis of an average of experience for two or more years, expenditures for mortgage principal and interest, mortgage insurance premium, service charges, hazard insurance, real estate taxes, special assessments, maintenance, and repairs, heating and utilities, ground rent, and other cash expenditures for the property such as advertising vacancies shall be calculated and deducted to obtain net income amount. If the applicant has not owned the property for two years, the City shall estimate the income and expenditures on the available experience.
- f. Business Income
 - i. Applicant must submit current two years Federal Income tax returns.
 - ii. Must submit a financial statement for the past six months.

3. Eligible Improvements

Program loans and grants may be expended for:

- structural repairs
- roofs
- insulation
- rodent and pest extermination
- cabinets

- counters
- plumbing repairs
- electrical repairs
- installation or repair of heating and air conditioning systems
- windows/window frames
- door/door frames
- flooring
- fencing
- hardscape
- asbestos abatement and lead base paint removal
- painting (interior and exterior)
- energy efficiency improvements
- Americans with Disabilities Act (ADA) improvements

Site work involving the foundation, drainage improvements or any health and safety concerns or code violations may also be eligible. Current building and code violations and health and safety related repairs shall take precedence over all other repairs, including general property improvements. Construction of room additions or the initial construction or repair of luxury items and recreational areas (i.e., bar-b-ques, saunas, hot tubs, patio covers, etc.) are not eligible for NPP funding.

In the event that illegal construction is determined to be present on the applicant's property, NPP funds may only be used for the removal of the illegal condition, as determined by the Program Inspector or Building and Safety Inspector.

Construction materials used for this Program shall conform to the specifications designed by State Building Code Regulations. If the Participant desires to upgrade the approved work-scope items beyond designated standard grade materials, the Participant may be allowed to fund the difference between the standard and upgraded materials, subject to RSC review and approval. If approved by the RSC, an analysis will be performed by NPP staff to determine the reasonableness of the change, and the Participant must provide personal funds to the City for the upgrades, at the time of the signing loan or grant documentation. The amounts for any upgraded items shall be clearly designated on the contractor agreement and indicate that the Participant is funding this portion of the construction activity.

Following rehabilitation, all dwellings must meet, at minimum, local code requirements to the greatest extent feasible and practicable given program assistance limits. The City of Carson has adopted the State of California codes, which shall be used as the minimum standard for all work performed under the NPP.

4. Eligible Costs

In addition to construction costs, Program loan and grant proceeds may also be used for any Program fees, such as, but not limited to the title report, credit report costs, document recordation costs, escrow costs, hazardous materials testing costs, hazardous materials removal or abatement, and other project-related soft costs that are necessary to implement the project.

5. Relocation

Relocation is not contemplated as a part of this rehabilitation activity. However, if relocation is required, such relocation shall be performed in compliance with the provisions of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 and Section 104(d) and may be paid for using program funds.

6. Loan Conditions, Rates and Terms

The maximum loan amount obtainable under the NPP is \$25,000, which shall be used to address all applicable work scope items, inclusive of lead-based paint and asbestos remediation or removal. The loan amount can only be increased over the \$25,000, if the initial property inspection reflects the property has required health and safety repairs. This must be approved by the Director of Community Development and cannot exceed max loan amount up to \$50,000, and additionally must be approved by the City Manager. The minimum NPP loan amount is \$5,000.

The NPP loan is deferred, and will accrue interest of 3% per year, and does not require monthly payments. The NPP loan is immediately payable inclusive of the unpaid principal balance, and any other amounts due under the Note upon the earlier of:

- a. The sale, conveyance, transfer, cash-out refinance, hypothecation of the security, or any part thereof, or any interest therein, or divestment of title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the prior written consent of the City being first had and obtained; or
- b. Failure to adhere to the provisions of the General Conditions and Loan Agreement,; or
- c. Failure to perform any obligation under the Deed of Trust securing the Note, or any other Deed of Trust encumbering the security.

Participant may pre-pay the loan at any time without penalty.

The loan is not assumable except under the limited circumstances listed below. The following allowable assumptions shall not be construed as a transfer under the provisions of this Policy:

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

7. Loan Subordination

If an existing loan is being refinanced and loan subordination is requested, then the refinance cannot increase the amount of the then outstanding debt against the property except to cover the usual and customary fees related to the refinance. All subordination requests are subject to the Director of Community Development approval.

8. Loan Repayments

All loan payments received under the NPP shall be entered into CDBG Revolving Loan Fund for the funding of future eligible NPP activities.

V. REHABILITATION STANDARDS

H. BASIC REHABILITATION STANDARDS

The NPP uses the building, health and safety codes adopted by the City of Carson. All rehabilitation work shall meet the City of Carson's adopted building, plumbing, electrical, and health and safety codes unless another standard's appropriateness prevails as determined by NPP Staff in consultation with the City's Building & Safety and Planning Departments.

1. Life Threatening or Safety Repairs

This standard is used to define the most urgent health and safety repairs such as unsafe plumbing or electrical wiring. All immediate life-threatening hazards, all health and safety hazards, and, to the extent feasible, all building code violations shall be corrected. Such hazards include, but are not limited to:

- Sagging structural parts of a house (e.g., porch, roof, floors, stairways), which are likely to collapse in the immediate future if not supported;
- Electrical conditions which are likely to result in a fire or threaten human life in the immediate future, including overloaded circuits, hazardous fixtures, switches, outlets or wiring;
- Plumbing repairs, which involve exposed sewage, leaking supply or waste lines, and inoperable water heaters;
- Mechanical system failures such as the leakage of gas or fumes from appliances that can lead to fire and cause serious injury; and
- Other conditions which pose life-threatening danger to the occupants of the dwelling.

2. Health and Safety Hazards

Health and safety hazards are deteriorated or inadequate features of the structure. Such inadequacies include, but are not limited to:

- Defects in electrical and plumbing fixtures;
- Unsafe entrance and exit facilities;
- Lack of smoke alarms, carbon monoxide alarms or similar devices;
- Deteriorating or inadequate structural conditions, including crumbling foundations, dry rot, and termite damage; and
- Other code deficiencies.

All rehabilitation shall meet the California Title 24 energy efficiency requirements.

B. STANDARDS FOR REHABILITATION OF HISTORIC PROPERTIES

Special requirements must be met under the National Environment Policy Act and the National Historic Preservation Act of 1966 (and as amended) for historic structures under funding consideration under the NPP. When a unit is more than 50 years old, potential NPP projects will be submitted for review to the State of California, Office of Historic Preservation. In accordance with State Historic Preservation Office (“SHPO”) guidance to the City of Carson, all mobile homes and any building less than 50 years in age will not be submitted for review. Under direction from SHPO, historic properties shall be rehabilitated in accordance with the most appropriate standards based on the age and architecture of the structure. The basic principle is to preserve the character of the exterior spaces and surfaces. This generally entails the submission of the Work Description to SHPO for review and comment.

C. EXAMPLES OF IN-ELIGIBLE REHABILITATION COSTS

Costs associated with the rehabilitation of existing structures are generally eligible under this program. The initial construction of room additions or installation or repair of luxury or recreational items (i.e. patios, bar-b-ques, pools, etc) and the purchase, installation or repair of personal property (furnishings) are not eligible for assistance. All rehabilitation items and costs are subject to the review and approval of the RSC. Some examples of eligible rehabilitation costs include:

- Building and other permit fees;
- Repair related architectural, design, and engineering services;
- Appraisal fees (as necessary);
- Policy of Insurance of Record Title, or Preliminary Title Report and Title Insurance (as necessary);
- Recording and filing fees;
- Credit reports (on a case-by-case basis);
- Termite inspection reports and eradication;
- Lead-Based Paint surveys and clearance reports;
- Asbestos Testing and Clearance;
- Geologic reports;
- Construction contract(s) for the implementation of rehabilitation work as specified in the approved Work Description and Bid Proposal Form, as approved by the NPP RSC, which may include items such as:
 - Correction of code violations;

- Correction of incipient violations of the uniform building code;
- Cost effective energy conservation measures, including solar heating, cooling and water systems;
- Removal of lead-based paint hazards;
- Removal of asbestos hazards;
- Removal of barriers to the handicapped;
- Removal of rodents and roaches (pest control)
- Removal of termites;
- Repair/Replacement of roofing;
- Repair/Replacement of heating systems and air conditions systems (subject to RSC review and approval);
- Repair/Replacement of plumbing;
- Repair/Replacement of screens;
- Installation of new smoke and carbon monoxide alarms;
- Repair/Replacement of water heaters;
- Repair/Replacement of electrical work;
- Repair/Replacement of windows;
- Repair/replacement of stucco;
- Installation new dead bolt locks;
- Repair of kitchen or bath cabinets;
- Repair of fencing;
- Installation of new insulation;
- Any items determined eligible by the RSC; and
- The elimination of specific conditions detrimental to public health and safety, which have been identified by Program Staff.

D. PROPERTY STANDARDS

1. Minimum Standards

All housing must be improved to an acceptable level of appearance and desirability. The following general standards have been adopted and must be adhered to prior to or as part of the rehabilitation. As necessary, NPP Staff will coordinate with City Building and Safety and Code Enforcement to implement the following standards:

- a. Repair or replacement of inadequate or broken structural, plumbing, electrical, roofing, heating and cooling systems.
- b. Repair or replacement of broken or energy inefficient windows and screens.
- c. Removal of all debris, abandoned vehicles and vehicle parts, unusable lumber, and other construction equipment, unserviceable water heaters, refrigerators, appliances, etc.
- d. Removal or trimming of obstructing or hazardous trees and shrubbery.
- e. Removal of dilapidated fences and accessory structures.
- f. Repair or replacement of deteriorated steps, walks, and driveways.

- g. Correction of improper grading which causes standing water or drainage toward a dwelling unit.

2. Incipient Deficiencies

In order to bring the dwelling up to local standards, incipient deficiencies should be identified and corrected. An incipient deficiency exists if, at the time of inspection, it appears that the physical condition of an element in the structure may fail or deteriorate into an actual deficiency in the near future (within 1-2 years). Examples of incipient deficiencies include but are not limited to the following:

- a. A roof has one or more small leaks that can be patched at a low cost, but the roof will probably continue to develop leaks. The entire roof should be replaced.
- b. A heat exchanger in a furnace may be expected to soon become inoperative or hazardous because of its age, condition, or use. A new heater should be installed.

E. CONTRACTOR LIST AND QUALIFICATIONS

To facilitate competitive bidding, Staff shall maintain an active list of licensed contractors who are interested in participating in the NPP. This list shall be of limitless and sufficient number to achieve program goals. Outreach efforts shall include, but not be limited to, sending out an introductory letter to Carson general contractors with business licenses; general contractors listed in the phone book specializing in rehabilitation work (including historical rehabilitation); and contacting other municipalities in the area to obtain contractors lists. The list should include firms or persons who have a good performance record and should include information on minority- and women-owned business status in accordance with the CDBG regulations. Interested contractors shall apply for inclusion on the Carson Contractor List, by completing the Contractor Application process.

This list will be made available to NPP participants upon request. Prior to any contract award, NPP Staff must verify that contractors are properly licensed through the California Contractors State License Board (CSLB) and that the contractor's company and its personnel are not listed on the Federal Excluded Parties Listing Service (EPLS). Contractor must attend any required meetings. Contractors must maintain and furnish proof of General Liability Insurance (\$1,000,000 aggregate minimum) with the City of Carson as an added insured in conformance with the City of Carson Risk Manager's language requirements, and appropriate Worker's Compensation Insurance. Contractors are required to provide a DUNs number. Contractors must maintain a current City of Carson Business License.

The City of Carson reserves the right to exclude contractors with poor performance records from the list and to deny such contractors from participation in the NPP. The provision of a contractor list to owners is in no way an endorsement of a particular contractor's ability to perform quality work. Owners may feel free to choose another contract not on the NPP Contractors' List. This contractor must be subject to qualifications, as those on the list were subject to.

VI. PRE-CONSTRUCTION PHASE

LOAN UNDERWRITING

Prior to drafting the Work Description and Bid Proposal Form, the **COMMUNITY DEVELOPMENT DIRECTOR** must determine whether or not the applicant qualifies for deferred loan assistance. The following steps shall be taken prior to determining the scope of work:

- A. STAFF WILL USE THE PIRT REPORT TO DETERMINE THE PROPERTY TITLE AND THE CURRENT AMOUNT OF SECURED DEBT (IF ANY) AGAINST THE PROPERTY.**

- B. STAFF WILL DETERMINE THE MAXIMUM RECOMMENDED LOAN AMOUNT WITHIN THE \$25,000 PROGRAM LIMIT. OTHERWISE, LOANS UP TO \$50,000 MUST BE APPROVED BY THE CITY MANAGER.**

WORK DESCRIPTION AND BID PROPOSAL FORM

After the Homeowner's eligibility is established, the feasibility of rehabilitating the property must be established. The Work Description and Bid Proposal Form is a detailed list of specific activities to be undertaken in the course of the rehabilitation project.

1. Initial Inspection by Program Inspector

Program Inspector shall make an appointment to visit and inspect the subject property, and shall:

- Review the applicant's requested repairs in person while photographing and inspecting all accessible areas of the property (interior and exterior);
- Review all items of concern identified in the inspection as a "preview" of the forthcoming Work Description and Bid Proposal Form. Provide the owner with an opportunity to provide any additional pertinent information;
- Take pictures and note repair locations; and
- Develop the Work Description and Bid Proposal Form within 10 calendar days of the inspection and obtain RSC approval.

2. Environmental Process

NPP Staff shall be responsible for completion of all required National Environmental Policy Act (NEPA) requirements prior to the commitment of CDBG funds, inclusive of the Statutory Worksheet, Appendix A, Notice of Intent, Request for Release of Funds, and Rehabilitation Environmental Review Form (all - as required).

3. Rehabilitation Feasibility

The inspector shall make a determination on the feasibility of rehabilitating the property with the following factors taken into account:

- Location of structure
- Rehabilitation costs
- Type of improvements
- Type of structure
- Condition of structure

- Homeowner's needs

In situations where a property's condition is not suitable for occupancy, NPP Staff may consult with the City's Building & Safety Department to determine whether or not the maximum amount of assistance would be sufficient to make the property habitable.

4. Work Description Objectives

The Work Description is the central management document for each project. All fundamental program goals are embodied in the Work Description. Among its specific objectives are:

- The prioritization of code deficiencies (especially life threatening and health and safety deficiencies) over general property improvement.
- Documentation of the allowability of all proposed improvements.
- To ensure mutual understanding regarding work to be performed between all parties involved in the project.
- To serve as a basis for obtaining reliable and comparable bids from contractors.
- To serve NPP Staff as a tool and basis for estimating itemized costs of individual proposed work items.
- To serve as a basis for the contract between homeowner and contractor, and to relate that contract to the program's goals.
- To serve as a checklist in reviewing work performed.
- To honor claims for materials and performance.
- To serve as a dispute resolution instrument.

5. Developing the Work Description

Program Inspector shall develop the Work Description. The steps of the process are:

6. Inspecting the Property

Program Inspector must physically walk throughout the property and the dwelling, identifying every substandard feature and noting all improvements necessary to bring the dwelling up to Code.

Note: Program Inspector may consult the Building and Safety Department and Planning Department on any issues that require interpretation of the Building Code or Municipal Code and related issues as necessary.

7. Obtaining Homeowner Input

Consultation with the homeowner should focus on three items:

- Informing the homeowner of deficiencies identified;
- Obtaining homeowner preferences regarding options for correcting these deficiencies; and

- Obtaining a list of general property improvements desired by the homeowner.

The Work Description may not contain details which have no significant effect on cost, such as color, style or pattern. The work descriptions may indicate that these items are to be selected by the property owner from contractor-provided samples.

8. Work Priority/Phasing

Staff shall organize the list of work activities in a descending order of priority; with code deficiencies first.

9. Drafting the Specifications

Drafting the specifications involves re-writing the notes taken at the on-site inspection into specific instructions covering: a) the quality of materials to be used, b) the procedures to be followed, c) specification of the exact areas where repairs are to be performed. The specifications must be precise and characterized in technical construction terminology.

10. Completing the Work Description

The process of completing the Work Description involves transferring the detailed, priority specifications to the Work Description form. Each specification should be separated clearly from the others, so that contractors can make itemized bids legibly.

11. Review by the Homeowner

The homeowner should review the contents of the Work Description and sign the form indicating that they have reviewed and agree with the list.

C. DETERMINING COST REASONABLENESS

Staff must always prepare their own cost estimate for the work. The internal cost estimate shall be printed on a copy of the approved Work Description and Bid Proposal Form and/or the Bid Evaluation Form, and placed in the project file. These cost estimates shall be derived from market cost data available to Staff based on competitive bid prices supplied for projects within the last 12 months. The internal cost estimate shall not be provided to contractors. A reasonable bid will be within 10 to 15 percent of the City's internal cost estimate. If the difference exceeds 15 percent, further negotiation with the lowest responsible, responsive bidder should be attempted to ensure cost reasonableness.

Upon receipt of the owner's three lowest responsive, responsible bids on the City's Work Description and Bid Proposal Form, Staff will prepare the Bid Evaluation form to compare line item prices and to accurately determine the lowest responsive bid.

D. GRANT AND REVIEW COMMITTEE (RSC)

The RSC voting members shall consist of the NPP Staff, Managers and Directors as required. Prior to convening an RSC meeting, Staff will prepare the RSC Report describing the proposed work to be completed along with the applicant's eligibility criteria. Staff will review the complete application package with the RSC members, who will approve or disapprove the grant and loan in accordance with the NPP Policy and the grant and loan underwriter's recommendations.

E. OWNER PROCUREMENT

Following the RSC approval of the Work Description, the NPP Staff prepares and sends bid packages for the owner's procurement. The bid package includes the following:

- Instructions to Bidders;
- NPP Interested Contractor List;
- Work Description and Bid Proposal Form;
- Owner-provided Structural Pest (Termite) Report (as applicable);
- Lead-Based Paint Survey (as applicable); and
- Other work related documents (engineering report, etc. - as applicable).

Generally, owners are required to submit bids from B-licensed General Contractors unless the Work Description only contains a single-trade item such as roofing only, electrical only, or plumbing only. In such instances where only a single trade contractor is to be used, a specialty contractor (C-licensed) appropriately licensed for the trade to be performed can be utilized.

F. IMPROVEMENT AGREEMENT

The Improvement Agreement is an agreement between the City and the owner that links the loan and grant documents to the construction contract agreement. It is a contract between the City of Carson and the applicant setting forth the terms and conditions of the loan or grant of NPP funds, specifically:

- a. Source of funding.
- b. Applicable funding source requirements.
- c. Conditions of program eligibility.
- d. Amount borrowed or granted.
- e. Applicable loan or grant terms.
- f. Amounts for lender services.
- g. Property against which loan is secured.
- h. Basic use of the NPP funds.

At all times throughout the application and pre-construction phases, it is critical that NPP Staff emphasize to owners both verbally and in any written correspondences that absolutely no program funds have been committed or approved by the NPP until both the NPP Management and owner signs the Improvement Agreement. Only after this occurs can funds be encumbered.

G. LOAN DOCUMENTS

A complete set of Loan Documents should include the:

- a. Promissory Note;
- b. Deed of Trust for real property and Rider, or the Statement of Lien for mobile homes;

- c. "Notice of 3-Day Right to Cancel" form;
- d. Financing Disclosure Statement (Fair Lending Notice);

The Loan Agreement shall be a legal contract that precisely and formally delineates the reciprocal obligations of both the borrower (the homeowner) and the lender (the City). NPP Staff will meet with the homeowner to obtain the homeowner's signature on the Loan Documents and have the Deed of Trust and Request for Notice notarized.

H. RECORDATION OF THE DEED OF TRUST

Loan closing is a routine process whereby NPP Staff provides the loan documents to the borrower for review and signature in the presence of a Notary Public. At the borrower's request, the loan documents may be prepared and forwarded by mail in advance of the loan-signing meeting for their review or for review by their counsel at their own cost.

NPP Staff must observe the mandatory three business day waiting period prior to sending the original Deed of Trust (real property) to the title company for recordation with the Los Angeles County Recorder.

I. PRE-CONSTRUCTION MEETING

The objectives of the pre-construction meeting are to: (i) inform all parties of their roles and responsibilities throughout the construction phase; (ii) inform the owner and contractor about their rights under the contract agreement; (iii) review the scope of work and address any concerns prior to the execution of the contract; (iv) answer owner questions regarding construction methodology; (v) facilitate the selection of finish materials, colors, etc.; (vi) prevent unauthorized change orders; and (vii) inform the contractors about the payment process.

a. This is accomplished by meeting with the owner and contractor and discussing the following items:

- Review Work Description and Bid Proposal Form, making sure both the homeowner and contractor understand that only items in the Work Description and Bid Proposal Form will be accepted and paid for under the NPP loan or grant, unless there is a City-approved "change order."
- Review the performance and payment schedule.
- Review payment procedures - emphasize NPP Staff and homeowner approvals, and the time factors for issuing payment checks.
- Review change-order procedures - emphasize that no extra work may be performed without a NPP Staff-approved change order.
- Provide and discuss lien release forms.
- Emphasize contractor responsibility for permits and inspections. The contractor and homeowner must be informed that progress payment reviews by NPP Staff are not building inspections, and that the scheduling and performance of such inspections is the responsibility of the contractor.
- Confer with the contractor and homeowner to establish a mutually agreeable construction "start date" and "completion date".

- Explain that the owner, contractor, and City must jointly sign a "Notice to Proceed." The Notice specifies the agreed upon "start date" and gives an agreed upon number of calendar days thereafter for completion of the job. Explain to the homeowner and contractor that work performed prior to the "start date" is not reimbursable under the NPP.
- Execute the Construction Contract.
- Inform contractor that rehabilitation of the dwelling shall be completed within either 30 or 45 days, depending on the agreed upon time period with the owner.

J. CONSTRUCTION CONTRACT

During the Pre-Construction Conference, the City shall present a construction contract to the homeowner and the selected contractor. The construction contract shall contain the following items:

- The Contract Agreement;
- The Work Description and Bid Proposal Form;
- General Conditions;
- Three-day Notice of Right to Cancel;
- Schedule of Progress Payments; and
- Mechanic’s Lien Warning.

K. RECORDS

Staff must place the original of all documents, fully signed, in the project file. Appropriate copies shall be provided to the owner and contractor.

VII. CONSTRUCTION MANAGEMENT

A. ISSUANCE OF THE NOTICE TO PROCEED

The contractor may not begin work until the contract with the homeowner has been signed and the City has issued a "Notice to Proceed." The contractor shall obtain building permits before commencing any work. Rehabilitation work is to commence within ten (10) calendar days of the issuance of the "Notice to Proceed".

B. FINANCIAL MANAGEMENT

Financial Management is the activity of planning, organizing and controlling the flow of NPP funds. The objectives of the financial management process are to:

- Maintain accurate records;
- Accurately monitor the rate of expenditure in relation to NPP requirements;
- Facilitate prompt payment to contractors; and
- Avoid over-payments, double payments, etc.

C. PROGRESS REVIEWS AND RELEASE OF FUNDS

The Progress Review/Payment Authorization process is the means by which loan and grant funds are authorized for contractor payment. The primary objectives of the Progress Review/Payment Authorization process are to:

- a. Release funds only for work performed in accordance with the Work Description or an approved change order;
- b. Obtain required lien release documentation; and
- c. Document all releases of funds for audit purposes.

D. PERFORMANCE SCHEDULE

Included in each Construction Contract is a performance and progress payment schedule. Typically, a performance and progress payment schedule will provide for one to three phases in the construction process. In each phase, certain work will be performed, invoiced and paid.

NPP Staff will periodically (generally every 7 to 10 days, or more as necessary) review progress on all projects under construction for compliance with the established performance and payment schedules. In the event of delays, the following steps should be taken by NPP Staff:

- Telephone contacts with homeowner and contractor – documented in file.
- Site visits.
- Written notification to contractor and owner.

These and other action steps will be pursued in a systematic and consistent manner by NPP Staff and documented in detail, either through copies or on the file correspondence sheet.

When the work in a given phase is complete, and all required NPP and City inspections have been performed, and approved by homeowner, NPP Staff can process a Payment Authorization.

E. DISBURSEMENT OF FUNDS

The NPP Staff shall disburse funds in accordance with the following procedures:

- a. Upon receipt of a contractor's invoice, NPP Staff and the homeowner shall inspect the property to ensure that the invoiced work items are 100% complete in accordance with the Work Description. The homeowner shall sign the Progress Inspection Report and Payment Authorization forms. If the work is not satisfactorily completed, the homeowner and/or Staff shall notify the contractor in writing so that corrective actions are made.
- b. Progress payments shall equal 90% of the cost of such work items completed, as determined by the bid breakdown. Retention equal to 10% of each progress payment shall be withheld until the project has been completed, and the 35-day period following the date of recordation of the Notice of Completion has elapsed. The recordation of the Notice of Completion within 10 days of the project's completion initiates a 35-day period of time where liens may not be recorded against the property; thus, allowing sufficient time for contractors, subcontractors, and suppliers to receive payment following the NPP 90% disbursement(s). Progress payments due the contractor shall be paid after NPP Staff approval of receipt and verification of contractor's invoice(s) and satisfactory Release of Liens, or claims for Liens, by contractor, subcontractors, laborers and material suppliers for work completed and materials installed.

- c. After the homeowner and NPP Staff have verified that payment should be made, NPP Staff shall transmit a request for disbursement to the Business Development Manager for review and approval. Upon the NPP Management's approval, the request for disbursement may be processed for payment.

F. CHANGE ORDERS

Change Orders, delays, and disputes are all issues that can arise in construction. All three can interfere with program goals, unless they are minimized and handled expeditiously.

A Change Order is a written modification to the Work Description. In order to be valid, the homeowner, contractor and the City must approve a Change Order. Work other than that described in the Work Description and approved Change Order, including work performed before the Change Order is fully approved will not be paid with NPP funds. It is NPP Staff's responsibility, through the progress review process to strictly and consistently enforce this rule. Change Orders relating to unforeseen difficulties encountered during the course of construction may receive verbal approval from NPP Staff so as not to interrupt or stem the flow of work. All change order approvals are to be followed immediately with appropriate paperwork and must be approved by the Director of Community Development. The Change Order Process is as follows:

- a. The homeowner or contractor initiates change order requests. In cases where the homeowner contacts NPP Staff for a Change Order, NPP Staff should remind the homeowner and the contractor that no change in the Work Description is approved until all parties have signed the Change Order and that any work performed prior to approval of the Change Order will be paid for with NPP funds if it does not exceed the grant or loan amount. All change orders must not exceed 25% of the original grant or loan amount unless a loan amount not exceeding \$50,000 is approved by the City Manager consistent with these guidelines.
- b. Staff shall promptly visit the home and determine the following:
 - 1) Is all work performed by the contractor at the site authorized by the contract agreement?
 - 2) Is the change appropriate based on an assessment of on-site conditions?
 - 3) Does the proposed change conform to the NPP Policy and Implementation Procedures?
 - 4) Is sufficient funding available to cover the additional costs (if applicable) associated with the proposed change order?

The Change Order request is subject to the RSC review and approval or denial, NPP Staff shall promptly inform the owner and contractor in writing of the decision and document the decision and the reasons for the denial in the project file.

- c. If the Change Order is approved, NPP Staff should prepare the Change Order for signature first by the homeowner and contractor and then by the Director of Community Development. The original signed Change Order should be placed in the project file, and copies should be transmitted to the homeowner and contractor. At this point, the work described in the Change Order may commence.

Homeowners must sign invoices for work completed.

G. DELAYS

A delay is a failure to meet the timetable provided in the section of the agreement entitled "Performance and Payment Schedule". NPP Staff shall monitor projects for delays and, when necessary, devise corrective action for delinquencies.

H. DISPUTES

A dispute is a disagreement between the homeowner and the contractor, typically concerning satisfactory work completion, timeliness, or payment amounts, which can interfere with the progress of the project.

No concurrent NPP or other contractors at site

- a. The first responsibility of NPP Staff in relation to any dispute is to avoid involvement. NPP Staff should remind the homeowner and the contractor that the NPP and City are not a party to the construction contract. The homeowner and contractor should therefore endeavor to resolve their dispute without outside involvement. It is helpful to refer the two parties back to the General Conditions of the contractor agreement, which sets forth a formal process for dispute resolution via correspondence.
- b. Some disputes require mediation for resolution. To mediate the dispute, NPP Staff should complete the following:
 - 1) Schedule a meeting with the contractor and the homeowner at the City.
 - 2) At the meeting, NPP Staff should remind the parties of the program goals.
 - 3) The contractor and owner should explain the problem from their respective points of view.

Talking through the problem from each point of view can sometimes assist the parties in identifying ways to address the problem to each person's satisfaction. In the event mediation fails to resolve the dispute, NPP Staff should again remind the two parties that the NPP and City are not a party to the agreement. However, NPP Staff may be able to make certain recommendations to the contractor and the homeowner in order to facilitate the completion of the rehabilitation work to the satisfaction of the owner. In the event that either party suggests or threatens litigation or is unwilling to fulfill their contractual obligations, NPP Staff shall advise the parties to exercise their rights as established within the General Conditions to the construction contract. When appropriate, NPP Staff may need to consult the City Attorney for advice on how and when to release contract funds depending on how each of the parties exercises their rights to terminate the contract agreement.

VIII. COMPLETION AND FINAL PAYMENT

The project completion and final payment process is intended to:

- Document completion of the work.
- Protect the homeowner from liens and title clouds.
- Assure prompt payment to the contractor.

When the contractor completes all work on the project, the contractor must submit an itemized invoice for all previously unpaid line items contained within the construction contract. NPP Staff will inspect all completed work together with the homeowner. The NPP Staff Inspector will note any incomplete or unacceptable items on a punch-list form and give a signed copy to both the owner and the contractor for correction.

The contractor is responsible for:

- Obtaining building permits and inspections from the Building & Safety Department;
- Obtaining and providing lien releases for work they performed, and from sub-contractors and material suppliers;
- Submission of contractor invoices on firm letterhead to NPP Staff; and
- Providing the owner with a written one-year warranty certificate covering the materials and workmanship of all contracted items, and for all manufacturer's instructions, documentation and warranties for all installed fixtures. Copy signed by owner & contractor to file.

The homeowner is responsible for:

- Monitoring the contractor's work throughout the project;
- Co-approval of payment requests from the contractor; and
- Understanding grant and loan obligations.

NPP Staff is responsible for:

- Maintaining all project related documentation in the project files;
- Conducting progress payment inspections to ensure that the quality of the work is acceptable;
- Ensuring that the project file documents all work requiring permits with a copy of the City or State (State permits for mobile homes only) permit signed off by the City or State Building Inspector;
- Maintaining the project accounting in the project file;
- Placing Lien Releases and Final Request for Payment in the project file;
- Answering questions from owners and contractors regarding the NPP Guidelines, Implementation Procedures and other associated program documents;
- Preparing Management Reports; and
- Preparing a Customer Survey for the homeowner upon the conclusion of the project. Signed copy to file.

35 days after construction completion and recordation of the Notice of Completion for the project, NPP Staff will follow-up with the homeowner and, if appropriate, make the final payment to the contractor of the 10% retention.

NPP Staff shall check with the homeowner for any construction deficiencies the owner feels should be corrected under the contract. If appropriate, NPP Staff should direct the contractor to make necessary corrections, which must be signed off by the homeowner. Staff should then release the 10% retention to the contractor.

IX. POST CONSTRUCTION

The post construction phase concentrates on maintaining accurate records, safeguarding records, and servicing existing loans.

A. REQUIRED RECORDKEEPING AND FILES

Files shall be maintained to document the significant history of NPP activities for all projects. NPP Staff shall maintain these files for a period not less than five years following the repayment of loan funds or the completion of a grant-only project. Project files shall include, at a minimum:

- Section 1: Application Requirements – including the application, financial documentation, income determination, property documentation and demographic summary.
- Section 2: Correspondence – including official correspondence, Environmental Review/SHPO Documentation and Environmental Remediation Documentation (where applicable).
- Section 3: Inspection Report & Work Description – including pre-construction documents, contractor eligibility documents, contract award documents and post construction documents.
- Section 4: Project Accounting – including project funding summary, non-construction costs, change orders, construction disbursement costs and construction disbursement processing checklist, purchase order request and receiving reports.
- Section 5: Loan Underwriting & Grant Approval including the NPP Staff-prepared appraisal, PIRT, RSC report, RSC determination, and all executed loan and grant documents.
- Section 6: Project Contact Log including documentation on requests for demand, reconveyances, subordinations, and defaults. All notes – phone conversations with owner and/or contractor.

NPP Staff will keep copies of all solicitations for bids, contracts, women- and minority-owned business lists, solicitation lists, documentation of affirmative actions taken, and copies of any forms submitted by the contractor pursuant to the reporting requirements for a period of five (5) years. Original loan documents (i.e. Promissory Note, Deed of Trust, mobile home title, and PIRT) are to be maintained in a secure and fire resistant location, if possible, at the office of the City Clerk of the Carson City Clerk's Office. Copies of all original loan documents are to be maintained in the respective project files. The City maintains and grants access to its borrower information only in accordance with its internal security standards which restricts access to program personnel, or in response to a required official audit. When a loan is paid in full or is about to be paid in full, these documents will be released to a licensed escrow company, or in certain circumstances, they will be reconveyed directly to the borrower by NPP Staff.

B. PROJECT MATRIX (NEW DATABASE)

For each fiscal year, NPP Staff will maintain an active project matrix containing the case number, name, address, telephone number, racial/ethnic data, census tract, block group, household size, household income, income level (i.e. very low, low, moderate), housing cost burden percentage, year built, application date, inspection date, Work Description approval date, expected post-rehabilitation value, Loan Review Committee Approval Date, loan funds awarded, grant funds awarded, project soft costs (i.e. title, credit, lead-based paint testing, etc.), construction contract amount, contractor payment information, contract award date, notice to proceed date, final

inspection date, recordation of Notice of Completion date, and project phase (i.e. pre-construction, construction, complete).

The project matrix shall be maintained by NPP Staff on an on-going basis.

C. LOAN DATABASE MAINTAINED FOR ALL PRIOR GRANT AND LOAN PROJECTS

In order to effectively manage the City's Revolving Loan Account and to maintain an accurate record of all loan activity, an on-going loan database will be established to track loan funds from when they are first secured to when they are repaid (or charged off—in the event of default). The database will include, at a minimum, the borrower's name, address, telephone number, Assessor's Parcel Number, loan amount, interest rate, date of recordation of Deed of Trust, recordation number, date of recordation of Request for Notice, recordation number, and information pertaining to the following outcomes:

- Request(s) for Demand of Payoff;
- Reconveyances;
- Subordinations; and default

D. LOAN PAYOFFS

The City will generally receive a request for payoff amount when repayment occurs as part of a property sale, transfer or upon an event of acceleration as defined in the Promissory Note. The request will usually come in the form of a Request for Beneficiary's Demand from an escrow company, title insurance company, or financial institution.

Due to potential errors and misunderstandings when discussing payoffs verbally, the City will provide a payoff demand only upon receipt of a written request. The City will communicate a payoff demand to the requestor only in writing.

E. RESPONDING TO A REQUEST FOR DEMAND

The following steps will be taken when the City has received a written request for a loan payoff demand:

- Upon receipt of the payoff demand, retrieve the loan file and review the loan agreement for repayment requirements. Check the comment section of the database for extenuating circumstances that may have been documented.
- Prepare a demand letter describing the principal balance, zero interest rate, date of loan, current date.
- Attach a copy of the request for beneficiary's demand to the demand letter and send to the requesting party.
- Place a copy of the demand letter and the original request for beneficiary's demand in the loan file.

F. RECONVEYING THE TRUST DEED OR MOBILEHOME TITLE AND REGISTRATION

After the City has received payment in full of "good" funds, the deed of trust will be released as a lien against the property. ("Good" means funds that are drawn on a title company, escrow company, or financial institution. Funds drawn on a personal account must be cleared through the bank before reconveying the deed of trust.) A Substitution of Trustee and Deed Reconveyance shall be prepared by NPP Staff to be recorded (the document will note the borrower's name and current address). The documents shall be prepared for the Community Development Director's signature

and be sent directly to the County Recorder or to the entity that provided the payoff funds, such as the title or escrow company for recordation. Upon receipt of the recorded reconveyance document, a copy of the recorded reconveyance will be maintained in the closed loan file and the original reconveyance will be sent to the borrower.

G. RESPONDING TO A REQUEST FOR DEMAND

A borrower will be in default on the terms of the loan if they violate the conditions of the loan agreement. These default issues include the following:

- Failure to occupy the home as the borrower's primary residence;
- Selling or transferring the property by any means without prior approval of the City, except for the following exempt transfers:
 - (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant; or
 - (b) A transfer of the Property to the child or children of the Borrower upon death of the Borrower; or
 - (c) A transfer of the Property where the spouse becomes an owner of the property; or
 - (d) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or
 - (e) A transfer to an intervivos trust in which the Borrower is and remains the beneficiary and occupant of the property.
- Allowing the rehabilitated building (interior and/or exterior) to fall into disrepair or be kept unclean, unsafe, or out of compliance with current City building codes;
- Non-payment of other mortgages, taxes, insurance, or Homeowner's Association Dues;
- Any further encumbrance of the property without the express written consent of the NPP Staff; and
- Obtaining a reverse mortgage agreement.

Because of the time required to monitor these issues, the NPP will generally enforce only those defaults that come to the attention of NPP Staff through the ongoing management of the loan portfolio.

H. SUBORDINATION

Subordinations to new first trust deed loans are not generally permitted. In the event that a borrower determines that it would be in their best interest to refinance their existing first trust deed loan to lower the interest rate and monthly payments without increasing the secured indebtedness of the first trust deed, they may consider recommending **subordination** to the Community Development Director. The staff may decline a request to subordinate at its sole discretion.

The NPP staff will consider subordination of loans under the following circumstances:

- **Borrower will be refinancing their first mortgage at a reduced interest rate that results in lower monthly payments; and**

- Borrower will not be withdrawing or using any equity for any reason (Note: Fees associated with the refinance may be included in the new first mortgage, provided that an apparent savings will be accrued to the owner over the term of the new loan versus remaining in their current mortgage).

The RSC generally will not recommend the approval of a subordination that involves any of the following:

- Withdrawal of equity;-
- Subordination to a loan involving negative amortization;
- Subordination to a variable rate mortgage loan or reverse mortgage loan;
- Change of ownership, including adding new owners or co-signer(s) onto the loan or title; or
- The combined total of the new first mortgage loan and the City's secured loan exceeds 90% of the appraised value of the borrower's property.

The City's loan will become immediately due and payable if the borrower at any time: 1.) takes out any other loan against the property in lieu of subordinating the City's loan, or 2.) uses refinance proceeds to repay revolving or other debt.

I. CHARGE OFFS

A NPP loan is considered a charge-off if it has been deemed uncollectible. NPP Staff, in consultation with the City Attorney's office, shall make every effort to pursue the City's interest in the event of foreclosure, bankruptcy, or any scenario that involves the sale or transfer of the dwelling or the cessation of the borrower's occupancy of the dwelling. In the event that a NPP loan becomes uncollectible, the status and disposition of the case must be accounted for in the loan database such that the loan is not reflected in the outstanding loan balance figures.

J. CLOSING THE LOAN FILE

After a loan has been paid in full and the corresponding deed of trust or mobilehome title has been reconveyed the loan file shall be closed. The loan database will be updated to reflect the status and disposition of the loan. Additionally, NPP Staff should ensure that proceeds from the closed loan file's repayment are allocated to current project(s) as soon as possible and that revolving loan accounts are expended prior to drawing on any current-year CDBG funds. Closed files will be maintained for a period not less than five years

K. PROGRAM GUIDELINES CHANGES AND MODIFICATIONS

Minor changes to these Program Guidelines involving administrative procedures or accommodation to adapt to regulatory changes may be performed with the approval of the Community Development Director and/or designee. All other changes require the approval of the Carson City Council.