We May Disagree, But We Will Be Respectful of One Another
All Comments Will Be Directed to the Issue at Hand, and Addressed to the City Council
Personal Attacks are Unacceptable

The City Council May Take Action on any Item on this Agenda.

I. CALL TO ORDER / FLAG SALUTE / ROLL CALL 6:00 PM

<table>
<thead>
<tr>
<th>Council</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Member Tiara Brown</td>
<td>City Manager Regan Candelario</td>
</tr>
<tr>
<td>Council Member Linda Gardner</td>
<td>City Attorney Dave Tranberg</td>
</tr>
<tr>
<td>Council Member Douglas Strehl</td>
<td>City Clerk/HR Manager Linda McGill</td>
</tr>
<tr>
<td>Mayor Pro Tem Tami Trent</td>
<td>Finance Director Marie Essig</td>
</tr>
<tr>
<td>Absent</td>
<td>City Engineer/Public Works Director Merritt Perry</td>
</tr>
<tr>
<td>Mayor Sue Long</td>
<td>Police Chief Bill Dobberstein</td>
</tr>
<tr>
<td></td>
<td>Deputy Director of Community Development Liz Shorey</td>
</tr>
<tr>
<td></td>
<td>General Services Superintendent Mike Johnson</td>
</tr>
<tr>
<td></td>
<td>Deputy Director of Public Works Kevin Carter</td>
</tr>
<tr>
<td></td>
<td>Conference Center Manager Joanna Miranda</td>
</tr>
</tbody>
</table>

II. PROCLAMATIONS

- Great American Smokeout - presented to Sylvia Jutila
- National Native American Heritage Month - presented to Catherine Culver
- “Giving Tuesday” - presented to Denise Marshall

III. PRESENTATION

- California Water Environment Association (CWEA), North Coast Chapter Annual Awards

IV. ORAL COMMENTS FROM THE PUBLIC

Members of the Public may be heard on any item of interest not on the Public Meeting Agenda. Speakers addressing the Council will be limited to 3 minutes per speaker. Comments concerning the Consent Calendar may be heard at this time. Be advised that, by law, the City Council can only deliberate or take action on items that are included on the agenda.

V. CONSENT CALENDAR

These matters are routine in nature and are usually approved by a single vote. Any member of the Council may pull a particular item for further discussion.

1. City Council Minutes – November 2, 2015, (regular meeting)
2. Administration Division Monthly Report for October 2015
3. Community Development Department Monthly Report for October 2015
5. Finance Department Monthly Report for October 2015
7. Police department Monthly report for October 2015
8. Public Works / City Engineer Department Monthly Report for October 2015
11. Declaration of Surplus City Property and Authorization to Dispose of Surplus City Property; Resolution No. 2015-37
12. Informational Memorandum, Water Conservation Update
VI. BUSINESS
A. Public Hearing: Approve the Community Development Block Grant (CDBG) Business Retention And Expansion Assistance Guidelines, Micro-Enterprise Financial Assistance Guidelines, Owner-Occupied And Owner-Investor Rehabilitation, And Homebuyer Guidelines; Resolution 2015-39


C. Approval to Execute the Certifications and Assurances for the Public Transportation Modernization, Improvement, and Services Enhancement Account (PTMISEA) Bond Program; Resolution 2015-38

D. Amend Fortuna Municipal Code Title 14, Chapter 14.18, Section 14.18.050.B.1 and Approve Settlement Agreement and Release with Suddenlink Regarding Public, Educational and Government “PEG” Access Funding; Second Reading and Adoption of Ordinance 2015-718

E. Review, discussion and direction for Staff regarding the current Tentative Agreement for an updated Memorandum of Understanding (MOU) Concerning Working Conditions, Wages and Benefits with the Fortuna Police Employees Association (FPEA)

VII. CITY MANAGER REPORT, PENDING LEGISLATION AND CALENDAR OF EVENTS

VIII. FUTURE AGENDA ITEMS
At this time, members of the Council may consider or request items to be placed on a future agenda through a consensus of the majority.

IX. CITY COUNCIL REPORTS AND COMMENTS

- Council Member Tiara Brown Parks & Recreation Commission, Redwood Coast Energy Authority
- Council Member Linda Gardner Historical Commission
- Council Member Doug Strehl Humboldt County Association of Governments
- Mayor Pro Tem Tami Trent Humboldt Transit Authority, Fortuna Business Improvement District, League of California Cities Employer Relations Policy Committee, Indian Gaming Committee
- Mayor Sue Long Redwood Region Economic Development Commission, Fortuna Oversight Board, Local Agency Formation Commission, League of California Cities Legislative Committee

X. ORAL COMMENTS FROM THE PUBLIC
Members of the Public may be heard on any item on the Closed Session Agenda. Speakers addressing the Council will be limited to 3 minutes per speaker. Be advised, by law the City Council cannot deliberate or take action on issues presented during Oral Comments that are not shown on the Agenda.

XI. ADJOURN TO CLOSED SESSION
1. CONFERENCE WITH LABOR NEGOTIATORS, City Negotiator: City Manager Regan Candelario, Employee Organizations: Fortuna Police Employees Association, Fortuna Employees Association and the Unrepresented/Management group in accordance with Section 54957.6 of the Government Code.

XII. REPORT OUT AND ADJOURN
Pursuant to Government Code Section 54957.5, any non-confidential documents or writings that the City distributes, less than 72 hours before a regular meeting, to all or a majority of the legislative body's members must be made available to members of the public at the same time as the distribution. Documents and information related to the agenda topics are available for review at City Hall, 621 11th Street, between the hours of 8:00 AM to 5:00 PM. Members of the public are invited to come to the meeting and comment. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk at 725-7600. Notification prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Linda McGill, CMC
City Clerk
WHEREAS, the American Cancer Society encourages all tobacco users to join the Great American Smokeout and quit for at least one day; and

WHEREAS, tobacco-use remains the leading preventable cause of death in the United States; and

WHEREAS, electronic cigarettes are a relatively new way to introduce nicotine into the human body by vaporizing liquid that often contains un-regulated levels of nicotine; and

WHEREAS, e-cigarette cartridges come in fruit and candy flavors – such as chocolate, gummy bear and bubble gum - that appeal to youth and may lure a new generation into nicotine addiction; and

WHEREAS, numerous scientific studies cited by the World Health Organization have found toxic and cancer-causing chemicals in e-cigarettes to which both the user and bystanders are exposed; and;

WHEREAS, the U.S. Centers for Disease Control has documented a major increase in e-cigarette use among children, including children who have never smoked a regular cigarette; and

WHEREAS, many nations, states and more than 131 local jurisdictions in California including Eureka, Arcata, San Francisco and Los Angeles now prohibit e-cigarettes wherever smoking is prohibited; and

WHEREAS, there are many proven resources, many of them free, to help nicotine users quit.

NOW, THEREFORE, BE IT PROCLAIMED that the City Council of the City of Fortuna hereby recognizes and supports the American Cancer Society’s GREAT AMERICAN SMOKEOUT, on November 19, 2015, in the City of Fortuna and encourages all citizens who smoke, use e-cigarettes, or use chew/dip tobacco, to demonstrate to themselves and their children that they can quit using tobacco by joining the American Cancer Society’s Great American Smokeout.

SIGNED this 16th day of November, 2015 at the City of Fortuna, in the State of California, and in witness thereof, the seal of Fortuna.

______________________________
Tami Trent,
Mayor Pro Tem, City of Fortuna
WHEREAS, the history and culture of our great nation have been significantly influenced by American Indians and indigenous peoples; and

WHEREAS, the contributions of American Indians have enhanced the freedom, prosperity, and greatness of America today; and

WHEREAS, their customs and traditions which were once repressed are now respected and celebrated as part of a rich legacy throughout the United States; and

WHEREAS, Native American Awareness Week began in 1976 and recognition was expanded by Congress and approved by President George Bush in August 1990, designating the month of November as National American Indian Heritage Month; and

WHEREAS, in honor of National American Indian Heritage Month community celebrations as well as cultural, artistic, educational, and historical activities have been planned throughout the nation;

NOW, THEREFORE, I, Tami Trent, by virtue of the authority vested in me as Mayor Pro Tem of the City of Fortuna, do hereby proclaim November as National American Indian Heritage Month in the City and urge all our citizens to observe this month with appropriate programs, ceremonies, and activities.

SIGNED this 16th day of November, 2015 at the City of Fortuna, in the State of California, and in witness thereof, the seal of Fortuna.

Tami Trent,
Mayor Pro Tem, City of Fortuna
In Recognition and Support of
GIVING TUESDAY
November 16, 2015

WHEREAS, Giving Tuesday was established as a national day of giving on the Tuesday following Thanksgiving; and

WHEREAS, Giving Tuesday is a celebration of philanthropy and volunteerism where people give whatever they are able to give; and

WHEREAS, currently more than 27,000 corporate and nonprofit organizations in over sixty-eight countries have participated in the initiative; and,

WHEREAS, Giving Tuesday is a day where citizens work together to share commitments, rally for favorite causes, build a stronger community, and think about other people; and

WHEREAS, it is fitting and proper on Giving Tuesday and on every day to recognize the tremendous impact of philanthropy, volunteerism, and community service in the City of Fortuna; and

WHEREAS, The McLean Foundation is helping to promote the Global Day of Giving as a way to encourage giving back Globally, Nationally; and Locally; and,

WHEREAS, Giving Tuesday is an opportunity to encourage citizens to serve others throughout the holiday season and during other times of the year.

NOW, THEREFORE, BE IT PROCLAIMED that the City Council of the City of Fortuna hereby recognizes and supports Giving Tuesday, on December 1, 2015, in the City of Fortuna, and encourages all citizens to join together to give back to the community in any way that is personally meaningful.

SIGNED this 16th day of November, 2015 at the City of Fortuna, in the State of California, and in witness thereof, the seal of Fortuna.

__________________________
Tami Trent,
Mayor Pro Tem, City of Fortuna
I. **CALL TO ORDER:**
Mayor Long called the Public Session to order at 6:00 PM

**FLAG SALUTE:**
Mayor Long led the salute to the flag.

**ROLL CALL:**

<table>
<thead>
<tr>
<th>Council</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Member Tiara Brown</td>
<td>City Manager Regan Candelario</td>
</tr>
<tr>
<td>Council Member Douglas Strehl</td>
<td>City Attorney Dave Tranberg</td>
</tr>
<tr>
<td>Mayor Pro Tem Tami Trent</td>
<td>City Clerk/HR Manager Linda McGill</td>
</tr>
<tr>
<td>Mayor Sue Long</td>
<td>Police Chief Bill Dobberstein</td>
</tr>
<tr>
<td><strong>Absent</strong></td>
<td></td>
</tr>
<tr>
<td>Council Member Linda Gardner</td>
<td></td>
</tr>
</tbody>
</table>

II. **PRESENTATION**
- Megan Wilbanks, Administrative Assistant to the City Clerk/Human Resources Division, introduced by Linda McGill City Clerk/Human Resources Manager

III. **PROCLAMATION**
- Great American Smokeout; Mayor Long pulled this item to present at a later time.

IV. **ORAL COMMENTS FROM THE PUBLIC**
There being no comment Mayor Long closed this public comment section.

V. **CONSENT CALENDAR**
3. Consideration of Claim Filed by Stella L. Swain (MO-2015-174)

**CITY COUNCIL ACTION: Approve Consent Calendar Items 1-3**
Council Member Brown moved, seconded by Mayor Pro Tem Trent. Voice Vote.

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None
Motion Carried 4-0

VI. **BUSINESS**

A. **AUTHORIZE THE CHIEF OF POLICE TO EXECUTE A CONTRACT WITH THE DEPARTMENT OF ALCOHOL AND BEVERAGE CONTROL AND ACCEPT GRANT FUNDS; RESOLUTION 2015-36**

**STAFF RECOMMENDATION:**
Adopt resolution 2015-36 thereby authorizing the Chief of Police to execute the contract and accept the Alcohol and Beverage Control Grant Funds

**STAFF REPORT:**
The City Council received a written and oral report from Police Chief Dobberstein
PUBLIC COMMENT:
There being no comment Mayor Long closed this public comment section.

CITY COUNCIL ACTION:
Council Member Brown moved, seconded by Council Member Strehl to adopt Resolution 2015-36; A Resolution Of The City Council Of The City Of Fortuna Authorizing The Chief Of Police To Execute A Contract On Behalf Of The City Council To Accept The Department of Alcoholic Beverage Control Grant Funds, and read by title only.

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None
Motion Carried 4-0 by (Resolution 2015-36)

B. AMEND FORTUNA MUNICIPAL CODE TITLE 14, CHAPTER 14.18, SECTION 14.18.050.B.1 AND APPROVE SETTLEMENT AGREEMENT AND RELEASE WITH SUDDENLINK REGARDING PUBLIC, EDUCATIONAL AND GOVERNMENT “PEG” ACCESS FUNDING; FIRST READING OF ORDINANCE 2015-718

STAFF RECOMMENDATION:
Receive presentation from Access Humboldt and City Staff on the Settlement Agreement and Release with Suddenlink regarding “PEG” Access Funding.

1. Hold a first reading of Ordinance 2015-718 to amend Fortuna Municipal Code Title 14 Chapter 14.18 Section 14.18.050.B.1 modifying the level of PEG funding required of all cable/video service providers operating in the County, pursuant to Cable/Video Franchises issued by the California Public Utilities Commission pursuant to the Digital Infrastructure and Video Competition Act of 2006.

2. Approve and Authorize the City Manager to sign the attached Settlement Agreement and Release which addresses PEG access funding and support to be provided by Suddenlink.

STAFF REPORT:
The City Council received a written and oral report from City Manager Candelario

PUBLIC COMMENT:
There being no comment Mayor Long closed this public comment section.

CITY COUNCIL ACTION:
Council Member Brown moved, seconded by Mayor Pro Tem Trent to hold the first reading of Ordinance 2015-718; An Ordinance of the City Council of the City Of Fortuna Amending Fortuna Municipal Code Title 14 Chapter 14.18 Section 14.18.050.B.1 (State Video Service Franchises), and read by title only. Roll Call Vote

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None
Motion Carried 4-0 by First Reading of Ordinance 2015-718
CITY COUNCIL ACTION:
Council Member Brown moved, seconded by Mayor Pro Tem Trent to approve and authorize the City Manager to sign the Settlement Agreement and Release Voice vote.

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None
Motion Carried 4-0 by MO-2015-175

C. DESIGNATION OF A DATE FOR A CITY PROJECTS BUS TOUR

STAFF RECOMMENDATION:
That the City Council consider the development of a City Council Committee regarding public safety and designate one or two members to serve as members of the new Committee.

STAFF REPORT:
The City Council received a written and oral report from City Manager Candelario

PUBLIC COMMENT:
There being no comment Mayor Long closed this public comment section.

CITY COUNCIL ACTION:
Council Member Brown moved, seconded by Mayor Pro Tem Trent to hold a City Project Bus Tour on December 10th, 2015 at 8:30am to commence at the Waste Water treatment Plant. Voice Vote.

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None
Motion Carried 4-0 by MO-2015-176

VII. CITY MANAGER REPORT, PENDING LEGISLATION AND CALENDAR OF EVENTS

VIII. FUTURE AGENDA ITEMS

None

IX. COUNCIL REPORTS AND COMMENTS:
Individual Council Members provided oral reports and comments.

X. ORAL COMMENTS FROM THE PUBLIC
There being no comment Mayor Long closed this public comment section.

XI. ADJOURN TO CLOSED SESSION
Council Member Brown moved, seconded by Mayor Pro Tem Trent to adjourn to Closed Session at 6:41pm

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION pursuant to Section 54957 of the Government Code; Title: City Manager

2. CONFERENCE WITH LABOR NEGOTIATORS, City Negotiator: City Manager Regan Candelario, Employee Organizations: Fortuna Police Employees Association and Fortuna Employees Association in accordance with Section 54957.6 of the Government Code.
XII. REPORT OUT AND ADJOURN

1. No reportable action
2. No reportable action

Mayor Pro Tem Trent moved, seconded by Council Member Brown to adjourn from Closed Session at 8:42pm

Respectfully submitted by
Linda McGill, CMC
City Clerk
DATE: November 16, 2015
TO: Honorable Mayor and Council Members
FROM: Linda McGill, City Clerk/Human Resources Manager
THRU: Regan M. Candelario, City Manager
SUBJECT: Administration Department Monthly Report for October 2015

STAFF RECOMMENDATION:
Receive report as an informational item.

EXECUTIVE SUMMARY:
The Administration Department monthly report encompasses the following divisions:

CITY ATTORNEY
The City attorney billing for the month of October 2015 was for a total of 30.50 hours. Project support for this month includes various potential litigation issues, Agenda and staff report review, personnel issues, Contract review, ongoing City project discussions, claim review, and various email, telephone calls and staff reports. The budget status for the City Attorney for Fiscal Year 15/16 is 29% remaining. The City may need to address the budget for legal services.

CITY CLERK DIVISION
The City Clerk’s Office prepares the Council meeting agenda, publishes, posts, and mails legal notices, completes arrangements to ensure an effective meeting, administers conflict of interest filing requirements pursuant to State law, and administers contracts and agreements. Additionally, the Office maintains the City’s municipal code and the City seal, conducts bid openings for City projects, provides Notary services for City-related business matters, and is the central repository of the official records of the City and makes such information available pursuant to the Public Records Act. The Office also maintains and indexes the original minutes, Ordinances, Resolutions, deeds, easements, liens, bonds, contracts, and other vital records.

City Council Meetings

<table>
<thead>
<tr>
<th>Council Meeting Date</th>
<th>Agenda Items Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 5, 2015</td>
<td>6</td>
</tr>
<tr>
<td>October 8, 2015 Special</td>
<td>1</td>
</tr>
<tr>
<td>October 19, 2015</td>
<td>15</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

City Clerk’s Office Key Duties

<table>
<thead>
<tr>
<th>City Clerk’s Office Key Duties</th>
<th>October</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Records Act Requests</td>
<td>2</td>
</tr>
<tr>
<td>General Information Requests</td>
<td>25 – 30 per day, average</td>
</tr>
<tr>
<td>Ordinances</td>
<td>0</td>
</tr>
<tr>
<td>Resolutions</td>
<td>2</td>
</tr>
<tr>
<td>Minutes Prepared</td>
<td>3</td>
</tr>
<tr>
<td>Notary Services Provided</td>
<td>4</td>
</tr>
<tr>
<td>Claims for Damages Filed</td>
<td>1</td>
</tr>
</tbody>
</table>
RISK MANAGEMENT / HUMAN RESOURCES DIVISION

Risk Management
There are 11 open liability claims as of October 31, 2015. 2 new claims were opened in October and none were closed.

Citywide employee safety training is ongoing with monthly trainings sent to City Hall and Police employees and weekly trainings held for Public Works staff.

Human Resources
There was one recruitment opened in October for a Utility Worker II. The Police Officer and Dispatcher positions are currently in the final background stages. The Community Development Senior Administrative Assistant will start on November 30, 2015. The Administrative Assistant in the City Clerks/HR Division started on October 26. The Street Maintenance II position has been filled,

There were 13 open Workers compensation claims as of October 31, 2015. One claim was opened and 4 were closed in October.

Staff continues to work on updating the administrative policy manual and individual personnel policies, job descriptions, personnel processes and an update of the personnel rules and regulations as time permits.

INFORMATION TECHNOLOGY DIVISION

City of Fortuna Facebook Page Statistics
The City Facebook page now has 815 likes.

City Website Statistics (www.friendlyfortuna.com)
There were 8428 unique visitors to the City website in October with 89,167 page views. Employment Opportunities, Police Department, and Online Bill payments had the most visitors for the month.

Computer/Network
Nylex spent a total of 71.55 hours for the month of October working on various issues throughout the City network. The average time Nylex spends working for the City of Fortuna is 30 to 40 hours a month. Nylex is working with staff to develop a replacement schedule and complete inventory of computers citywide.

RECOMMENDED COUNCIL ACTION:
Receive monthly Administration Department Report. Consent Agenda Vote.
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Liz Shorey, Deputy Director of Community Development

THRU: Regan M. Candelario, City Manager

SUBJECT: Community Development Department Monthly Report for October 2015

STAFF RECOMMENDATION:
Receive report as an informational item.

BACKGROUND:
Attached is the Monthly Community Development Department Report for October 2015. The following attached tables provide detailed descriptions of the monthly activities of the Department.

ACTIVITIES & ACCOMPLISHMENTS
List of activities and recent accomplishments of the Department.

GENERAL PLAN IMPLEMENTATION
List of the current status and progress made in the implementation of the Fortuna General Plan 2030 programs.

DEVELOPMENT APPLICATION ACTIVITY
Status of development projects that have been submitted and either approved or in process, including those activities considered by the Planning Commission and the Zoning Administrator.

SUBDIVISION STATUS REPORT
Subdivisions that have been approved but not yet finaled, and status of improvement plan and/or final map review process.

BUILDING PERMIT ACTIVITIES
The Building Department’s report for the month’s permits and valuation is attached.

RECOMMENDED COUNCIL ACTION:
Receive monthly Community Development Department Report.
ONGOING ACTIVITIES & ACCOMPLISHMENTS

• The secondhand store on Fortuna Blvd. that has been the subject of numerous submitted complaints for junk stored outdoors, is closed and the merchandise is being removed. This is a result of ongoing efforts by the Building Department, with support from Planning, culminating in a site visit from the Building Official and the Fire Chief, identifying numerous code violations, including interior modifications without permits and unpermitted residential living in the rear of the building.

• The building which holds the 10th Street mural is undergoing remodeling for an appliance store. The stucco on the 10th street side needs repairs. The building owners are looking for an artist to repaint the mural areas that will undergo patching. The original artist has moved out of the area.

• The Strongs Creek Valley area annexation is in process, with City staff and the consultant preparing the background documentation (plan for services, fiscal study, mapping, property notices, etc.) necessary to bring the annexation to the Planning Commission and Council, and then to LAFCo for consideration.

• The Local Area Formation Commission (LAFCo) approved the 9th Street Annexation at its May 20th meeting. The boundary description prepared by the City Surveyor has been sent to LAFCo staff, who will be submitting it to the State Board of Equalization and Humboldt County Recorder as the final step.

• City staff is continuing to support several businesses interested in new commercial development within the City by providing site information, permit process information, and scheduling.

• Staff is continuing to meet and confer with the Open Door Community Health Care Clinic to support Open Door staff as they prepare building plans for submittal to the City. Plans are expected to be submitted to the City later this year.

• The Building Department is continuing inspections of the Grocery Outlet that is under construction in the Strongs Creek Plaza Shopping Center. It is expected to be completed and open by the end of the year or early 2016.

• The Greens Pharmacy/Star Hotel site has been cleared, and the owner is in the building design process. Staff has not received any requests for permit support to date.

• National 9 Motel enforcement action is being monitored and inspected as the owner’s repairs and remodeling efforts continue. Several state agencies have been involved in potential state violations. The owner and contractor are working to have these issues resolved so construction may continue.

• Other ongoing tasks completed this month:
  o Held several pre-application meetings to provide early guidance to project proponents.
  o Met with City departments for review and input on various ongoing City projects.
- Investigated Code violation complaints.
- Reviewed building permit application site plans for zoning compliance.
- Reviewed business licenses.
- Reviewed and responded to floodplain information requests.
- Responded by phone and at the counter to numerous requests for information needed for property purchases, building permits, permitted and allowable activities, business feasibility, permit inquiries, and related inquiries.

**GENERAL PLAN IMPLEMENTATION**

The following program activities are underway.

- **Quimby Fee** At the request of the Parks and Recreation Commission, Planning staff is assisting the Parks Department on a proposed Quimby Act parks acquisition fee (development impact fee), which would implement General Plan policies.

- **Design Review** A subcommittee of the Planning Commission is meeting to supplement preparing the City’s existing guidelines (from adopted Zoning Code sections and General Plan Community Design Element policies). Guidelines that are supplemented with illustrations and explanations will streamline the review process for applicants and the Commission. Staff is working on compiling text and diagrams into a format for approval by the Commission.

- **An update to the Housing Element is a top priority for the Department.**
## Development Activity/Planning Report for October 2015
*Updated 11/11/15*

### PROJECTS RECENTLY ACTED UPON:

<table>
<thead>
<tr>
<th>Project</th>
<th>Submittal</th>
<th>Complete</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Wilson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3342 School Street</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Egan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redwing Court (north of Newburg Road)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval of a Conditional Use Permit for an Accessory Structure 18 Feet in Height.</td>
<td>10/30/15</td>
<td>10/30/15</td>
<td>Approved by Planning Commission on November 11, 2015</td>
</tr>
<tr>
<td>Randy Andersen</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600 Stillman Way</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PROJECTS SUBMITTED AND PENDING:

<table>
<thead>
<tr>
<th>Project</th>
<th>Submittal</th>
<th>Complete</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design review for 9,600 square foot multi-use commercial building in the Commercial Thoroughfare Zoning District.</td>
<td>10/15/15</td>
<td>11/5/15</td>
<td>Scheduled for Planning Commission on November 24, 2015.</td>
</tr>
<tr>
<td>Wendt Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101 Gulliksen Drive (Southeast corner Rohnerville Road and Gulliksen Drive)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert and Charane Sirrine</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102 Gulliksen Drive (Northeast corner Rohnerville Road and Gulliksen Drive)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lot line adjustment between two residential parcels to follow an existing fence.</td>
<td>11/10/15</td>
<td></td>
<td>City review pending.</td>
</tr>
<tr>
<td>Abe Fockaert/AF Builders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lots 25 and 26 of the Riverview Terrace Subdivision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conditional use permit application for an auto towing facility in the Neighborhood Commercial District.</td>
<td>11/10/15</td>
<td></td>
<td>City review pending.</td>
</tr>
<tr>
<td>Jason Church</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102 Gulliksen Drive</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**The following projects are on hold by the applicant.**

<table>
<thead>
<tr>
<th>Project</th>
<th>Submittal</th>
<th>Complete</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masten lot line adjustment that proposes to adjust the</td>
<td>6/25/14</td>
<td></td>
<td>Correction letter sent to</td>
</tr>
<tr>
<td>Property line between two applicants regarding City/County jurisdiction clarification.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
</tbody>
</table>
| **Project:** Hastings Minor Subdivision of 1.46 acres into three residential lots.  
**Applicant:** Stephen Hastings  
**Location:** 2200 & 2204 Smith Lane  
**Date:** 1/20/14  
**Description:** Applicant responding to City review/correction letter. |
| **Project:** McKenney Conditional use permit & subdivision for development of a shopping center, 48,600 square feet of gross floor area on a 5.8-acre site, and a tentative map to create three parcels 43,385 square feet to 193,582 square feet in size. Located northeast of Strongs Creek Drive and Fortuna Blvd.  
**Applicant:** Kevin McKenny;  
**Date:** 9/6/12  
**Description:** City review letter dated 10/17/12 requesting additional information for completeness and compliance with City standards and General Plan policies. |
| **Project:** Mora 1) Revised tentative map for a subdivision of a 1.32-acre parcel into four parcels, 10,080 square feet to 14,514 square feet; and 2) a Use Permit for multifamily units.  
**Applicant:** Leland and Eileen Mora  
**Location:** Northwest corner at the terminus of Second Avenue, west of Spring Street.  
**Date:** 12/12/08  
**Description:** Applicant working with staff on conformance with City approval or revising and resubmitting a new project. |
| **Project:** McKenney Subdivision of an approximately 10.7-acre lot into 20 single family lots ranging in size from 10,025 to 93,124 square feet.  
**Applicant:** Kevin McKenney  
**Location:** Corner of Newburg Road and Elizabeth Barcus Way  
**Date:** 12/22/05  
**Description:** Staff review comments returned to applicant. |
## Subdivision Status Report
(Approved projects, not yet completed)
Updated 10/5/2015

<table>
<thead>
<tr>
<th>Subdivision</th>
<th>Approval</th>
<th>Expiration</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown Condo. Conversion – 6 units – Summer St.</td>
<td>10/23/07</td>
<td>11/22/16</td>
<td>Improvement Plans on hold by applicant.</td>
</tr>
<tr>
<td>Del Monte Minor Subdivision – Rohnerville Road</td>
<td>6/26/07</td>
<td>6/25/16</td>
<td>Improvement Plans on hold by applicant.</td>
</tr>
<tr>
<td>Dunn – Main St. – 16 lots</td>
<td>3/3/08</td>
<td>9/2/16</td>
<td>Improvement plans approved.</td>
</tr>
<tr>
<td>Jones/Dunn - Smith Lane – 24 multifamily units</td>
<td>8/8/06</td>
<td>2/7/17</td>
<td>Improvement plans approved.</td>
</tr>
<tr>
<td>Lewis Logging – Rohnerville Rd. – 9 lots</td>
<td>8/1/11</td>
<td>7/31/17</td>
<td>Revised Tentative Map approved.</td>
</tr>
<tr>
<td>MacDonald - Ross Hill Road – 39 lots</td>
<td>8/21/06</td>
<td>8/20/17</td>
<td>Improvement Plans approved. Some storm drainage installed.</td>
</tr>
<tr>
<td>Roscoe – Kenmar Road</td>
<td>4/22/14</td>
<td>4/21/16</td>
<td>Improvement plans approved, final Parcel Map out for review (waiting on LLA notice). Construction is underway.</td>
</tr>
<tr>
<td>Jensen – Bartlett Lane</td>
<td>10/22/13</td>
<td>10/22/15</td>
<td>Tentative Map approved.</td>
</tr>
<tr>
<td>Grundman – Nelson Lane</td>
<td>9/22/15</td>
<td>9/21/17</td>
<td>Tentative Map approved.</td>
</tr>
<tr>
<td>Redwood Memorial Foundation – Lot Split</td>
<td>12/16/14</td>
<td>12/15/16</td>
<td>Final Map recorded.</td>
</tr>
</tbody>
</table>

All applicants, upon project approval, have been provided with schedules showing the series of discretionary and non-discretionary extensions that are allowed by State legislation (SB 1185, AB 333, AB 208, and AB 116) and the Subdivision Map Act. The Map Act places responsibility for tracking expiration dates with the applicant. Upon project approval, applicants are provided with notification of expiration dates and renewal requirements.
## BUILDING PERMIT SUMMARY

### OCTOBER 2015

### TYPE OF PERMIT ISSUED

#### RESIDENTIAL

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Permits</th>
<th>Living Units</th>
<th>Value / Cost of Construction</th>
<th>Building Permit Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Residences</td>
<td>1</td>
<td>1</td>
<td>$238,857.00</td>
<td>$6,505.38</td>
</tr>
<tr>
<td>Duplex Family Residences</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi- Family Residences</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufactured Residences</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Dwelling Unit (Attached)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Dwelling Unit (Detached)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>1</td>
<td></td>
<td>$119,024.00</td>
<td></td>
</tr>
<tr>
<td>Remodels</td>
<td>1</td>
<td></td>
<td>$42,500.00</td>
<td></td>
</tr>
<tr>
<td>Garages/ Carports</td>
<td>1</td>
<td></td>
<td>$40,000.00</td>
<td></td>
</tr>
<tr>
<td>Accessory Structures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### COMMERCIAL

<table>
<thead>
<tr>
<th>Type</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Structures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Site Improvements / Grading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenant Improvement / Remodel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signs</td>
<td>1</td>
<td></td>
<td>$3,000.00</td>
<td>$165.65</td>
</tr>
</tbody>
</table>

#### OTHER PERMITS

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Permits</th>
<th>Value / Cost of Construction</th>
<th>Building Permit Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical</td>
<td>1</td>
<td>$2,240.00</td>
<td>$93.13</td>
</tr>
<tr>
<td>Plumbing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mechanical</td>
<td>2</td>
<td>$6,890.00</td>
<td>$123.15</td>
</tr>
<tr>
<td>Roofing</td>
<td>7</td>
<td>$79,545.00</td>
<td>$1,407.73</td>
</tr>
<tr>
<td>Grading - Residential</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Siding / Windows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deck</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solar Systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL THIS MONTH**: 15 1 $532,056.00 $11,164.26

**P.W. SEWER & WATER Fee** $10,259.20

#### 2015 - TOTAL YEAR TO DATE

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Permits</th>
<th>Value / Cost of Construction</th>
<th>Building Permit Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>294</td>
<td>18</td>
<td>$10,340,244.00</td>
<td>$184,506.65</td>
</tr>
</tbody>
</table>

**P.W. SEWER & WATER Fee** $184,842.93

### COMPARISON

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Permits</th>
<th>Value / Cost of Construction</th>
<th>Building Permit Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2014</td>
<td>16</td>
<td>$769,121.00</td>
<td>$18,991.99</td>
</tr>
</tbody>
</table>

**P.W. SEWER & WATER Fee** $17,892.36

---

Consent Calendar Item 2
Page 7 of 7
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Judy Harrison, Economic Development Coordinator

THRU: Regan M. Candelario, City Manager


STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

Community Complex Project -
Reviewed Proposals for Project Manager and participated in interviews with both firms. McLean hired Greenway as project manager. Have been meeting with Greenway weekly working to move the Community Complex planning forward. Greenway and McLean members including Dennis, Tiara, Dawn and myself, are involved in these weekly meetings.

Greenway has met with City Staff regarding what the 100 year flood plain defines and utilizing restrictions to benefit land usage.

Business Assistance –
Interviewed 14 businesses to gather information for a business retention report. A great deal of information is being gathered which will be compiled into a report. The goal will be to contact and interview 30 Fortuna businesses by the end of this year.

As requested or needed and in conjunction with FBID and the Chamber, work with local businesses who want assistance.

Intern Program with HSU and McLean Foundation –
Assisted HSU Intern Coordinator Ana Cortes to interview and gain interest from businesses who would like an Intern for the next semester. Ana and I confirmed 10 businesses. We will be working together to make this Partnership strong and successful for all involved.

Several of the businesses who agreed to work with an Intern want to grow their businesses through working to increase their online presence.

New Jobs List -
Updated a new jobs list for Fortuna.
Consortium –
Organized and set the most recent Consortium meeting for Regan.

Annexation –
Reached out to property owners who had not responded or had answered ‘no’. I worked with Liz Shorey and set up appointment with property owners who wanted a better understanding of what the Annexation would mean to them.

January Chamber Mixer -
In coordination with Cof C and FBID, assist in planning the January 2016 Mixer focusing on Youth Entrepreneurship similar to the mixer in January 2015.

Parklets – On Going
Researched Ukiah’s Outdoor Dining Facilities Project or commonly referred to as Parklets, to start discussions on creating an ordinance for Fortuna and possibly offering this opportunity to local businesses. Have met with FBID regarding Parklet project. Completing City process to bring Parklets project to City Council.

Business Attraction Marketing - On Going
In process of creating a Video from newly created business attraction flyers; relaying ‘Why grow your business in Fortuna?’ Contacted Access Humboldt to show the newly created Fortuna Marketing Video. Will run Marketing Video on Facebook, Web Site and other social media until a Marketing Budget is established. A Marketing Budget is needed.

Recently asked for and was given permission to use the Chamber of Commerce ‘CELEBRATE’ Video more often on Access Humboldt. After several discussions with Access Humboldt we can request specific videos be shown.

Representing City of Fortuna at the following meetings
Tourism and Marketing Committee Monthly
Downtown Merchants Monthly
FBID Monthly
Dept Head Weekly

RECOMMENDED COUNCIL ACTION:
Receive Monthly Economic Development Department Report; By Consent Agenda Vote.

Attachments:
None
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Marie Essig, Finance Director

THRU: Regan M. Candelario, City Manager

SUBJECT: Finance Department Monthly Report for October 2015

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

Currently the Finance Department is focusing on the following priorities/projects:

**FYE 2015 Annual Audit.** Terry Krieg, CPA spent the week of November 2nd through 6th, 2015 completing the fiscal year-end annual audit. The audit went very well with zero adjusting entries required by the auditor. As reported by the auditor during his exit conference with the City Manager and Finance Director, a review of the city’s financial transaction was “very clean” with no adjusting entries necessary. Mr. Krieg also reported that all bank accounts have been balanced by finance staff timely and accurately and that all fund balances had been thoroughly tested and reviewed. The accuracy of the city’s financial processes would not be possible without the dedication of the entire finance team with special thanks to Judy Lombardo for assisting with the fiscal year-end close process.

**2014 CAFR.** The completed 2014 Consolidated Annual Financial Report (CAFR) has been approved by the City Auditor and is pending production. Staff anticipates receiving the CAFR for distribution within the next week.

**2015/16 Budget Publication.** The Finance team is scheduling time to prepare the publication of the document for distribution in December.

**Community Development Program Guidelines (CDBG).** The finance director has been working the CDBG Program Manager with the County of Humboldt in preparing program guidelines for review and approval by the City Council. The adoption of additional eligible CDBG programs is necessary to circulate the accumulated program income that the City has on hand. Once the program guidelines are reviewed and approved, the City of Fortuna will contract with the County of Humboldt to administer the program, and all inquiries will be referred to the program administrator.
RECOMMENDED COUNCIL ACTION:
STAFF REPORT

City Council Consent Calendar Agenda Item

DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Kevin Carter, Deputy Director of Public Works

THRU: Regan M. Candelario, City Manager

SUBJECT: Parks & Recreation Monthly Report for October 2015

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

Parks

(Prepared by Pierre Cousineau, Parks Maintenance Lead Worker)

Staff was busy early this month working on the Apple Harvest Festival, moving picnic tables, trash cans and recycle bins to various locations around town. Working with Toni Wilson, from the Recreation Department, staff made arrangements setting up spaces for participating groups involved in the festival in Rohner Park. This year two new additions took place in the Park, first the well attended Hard Cider tasting event, held in the rodeo grounds on Friday evening and second, Hydesville Community Church created an event geared for the younger crowd.

Staff removed the female Ginkgo tree from the entrance to the park due to the hazardous condition created by the fruit falling on the sidewalk, not only smelly but very slippery. With the rainy season upon us, staff cleaned the hillside drainage ditch behind the office and gutters on park buildings. The sand pile is in place along with sand bags in case of high water. The ramp into the Summer Fun room was completed on the north side of the Pavilion and repairs are being made on the water heater in the bar area. Two waterless urinals were installed in the men’s restroom at Newburg Park along with new A.D.A. grab bars and the last of the new swing seats were put in place in the playground.

Clean up of the River Lodge overlook area took place in October, as this area is heavily used along with the ongoing cleanup at the bus stops in town. And finally, a “thank you” to the Auto-Expo group, for their donation of six more pair of metal picnic table legs, which will allow staff to repair the last two of the existing eight tables plus we will be building four more for a total of twelve tables, used at various events throughout the year.

Depot Museum

(Prepared by Alex Service, Curator)

October’s visitation total at the Fortuna Depot Museum was 309. This is our highest October visitor total in recent years, and includes 63 people on a Hydesville Elementary School field trip on October 19 and 21 attendees at the “Celebrating Life in Our Humboldt County” local history presentation by Jerry Rohde

In the fourth room of the museum we installed a small seasonal exhibit of early 20th century Halloween and Thanksgiving postcards. The Relic Accumulators’ Club display for October featured a club member’s collection of woodwork, including redwood burl souvenirs carved in the 1940s for a local redwood novelties shop.

**Fortuna Transit**

*(Prepared by Kathy Rexford, Parks and Recreation)*

Passengers on the Fortuna Transit Bus totaled 772 trips during the month of October. There were 13 new riders that signed up during the month. The lift was used for non-wheelchair riders 48 times and 53 times for wheelchair trips. We continue with the Eureka shopping trip on the first Tuesday of every month, this has become very popular and the riders are very excited for this every month.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># of passengers</td>
<td>772</td>
<td>792</td>
<td>8457</td>
<td>2834</td>
</tr>
<tr>
<td>Total Miles</td>
<td>2310</td>
<td>2353</td>
<td>24827</td>
<td>8589</td>
</tr>
<tr>
<td>Service Miles</td>
<td>2095</td>
<td>2097</td>
<td>22457</td>
<td>7705</td>
</tr>
<tr>
<td>Hours Worked</td>
<td>289</td>
<td>302.25</td>
<td>3157.75</td>
<td>1034</td>
</tr>
<tr>
<td>Service Hrs Worked</td>
<td>242.5</td>
<td>259.5</td>
<td>2573.75</td>
<td>926</td>
</tr>
</tbody>
</table>

**Sports and Classes**

*(Prepared by Kathy Rexford, Parks and Recreation)*

We have started sign-ups for Hot Shots Basketball for kindergarten through 4th grade. The season will start in January.

**Continuous Facility Rentals**

*(Prepared by Kathy Rexford, Parks and Recreation)*

Results Fit Camp continues to hold exercise classes in the Pavilion on Tuesday & Thursdays at 5:30am, 9:00am and 6:00pm, each class lasts one hour. Pickle-ball continues to have games in the Pavilion on Monday & Wednesday from 9:30am – 12:30pm and they have also started a Thursday evening session from 7:30pm -10:00pm. This is open to the public and the cost is $2.00 per session. Weight Watchers continues holding meetings in the Rec Hall every Thursday from 11:45am – 12:45pm. Scotia School, Redwood Prep and New Life Christian School are having basketball practices in the Pavilion until the beginning of March.

The Pavilion floor will be getting refinished over the two weeks of Christmas break, so the Pavilion will be closed for that time period.
Public Skating - Recreation Program

(Prepared by Toni Wilson, Recreation Supervisor)

The Fortuna Skating Rink was open for public skate and private parties in the month of October. There were four public skates on Saturday nights in October with an average attendance of forty-four. We hosted nineteen private skate parties in October with an average attendance of twenty at each.

Sign-ups are under way for our Hot-Shots Youth Basketball Program. Children must be six years of age through the fourth grade to participate. The cost is $35.00 per child and $30.00 for siblings. (The cost includes their tee shirt) Sign-ups will run from November 1st through January 8th. The program runs six consecutive Saturdays with the first practice/game starting on the 30th of January and ending on March 5th. Games will be held in the Fireman’s Pavilion in Rohner Park and at Toddy Thomas School Gym.

Rohner Park hosted our Big Park Variety Sale for Apple Harvest. We had over 15 vendors selling their wares. The Dutch Oven Society held demonstrations and tastings, Fortuna Middle School sold lunch at the cook shack and, Redwood Memorial Hospital was in the Recreation Hall with their Health Fair, the blood mobile was parked in front accepting donations. Those who attended were entertained by two live bands at the stage area Malange and HM². The Hydesville Church set up a large area for children’s games, a bounce house, hay bale maze, hot dog eating contest and much more. The Fortuna Skating Rink hosted a Special Skate Night from 5:00 – 8:00 pm.

Our next break program will be November 23rd through 25th during the Thanksgiving Holiday. The hours are 7:30am – 5:30 pm and the cost is $25.00 a day or $18.00 for a half day. Sibling discounts are available. Please call the Park Office at 725-7620 if you have any questions or to pre-register your child.

Community Service

(Prepared by Toni Wilson, Recreation Supervisor)

The Parks & Recreation Department currently has seventeen people signed up to perform Community Service. Community Service workers completed 89.5 hours in the month of October. The Community Service Work Program is a big part of our success. The workers help with trash pickup and maintenance projects in Rohner and Newburg Parks as well as the Treatment Plant and the River Lodge. Since the program started in 1997, there have been 47,134.25 service hours completed in the City.

RECOMMENDED COUNCIL ACTION:

Receive Monthly Parks & Recreation Department Report. Consent Agenda Vote.
STAFF REPORT

City Council Consent Calendar Agenda Item

DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: William Dobberstein, Chief of Police

THRU: Regan M. Candelario, City Manager

SUBJECT: Police Department Monthly Report for October 2015

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

The FPD is continuing to diligently enforce the City Camping Municipal Codes to deter illegal campsites on public and private land and we are continuing to work with businesses to deter panhandling and loitering. Officers have been very active in conducting foot patrols in areas where campsites are prevalent, conducting enforcement operations and issuing citations (18 this year) and making arrests for illegal conduct. Chief Dobberstein has met with the owner of the Redwood Village Shopping Center. The owner has been clearing the brush behind the shopping center and is willing to partner with the FPD to address transient issues. Chief Dobberstein has also contacted the owner of the property west of Strong’s Creek Plaza and is working with City Staff to set up a meeting regarding working together to address the issue.

The FPD has started a background check on a Community Service Officer / Dispatcher and hope to have the position filled by the end of December.

The Fortuna Police Department participated in the annual Disaster Fair held on October 3rd at the Fortuna Fire Hall. Crime Prevention Specialist, Enoch Ibarra, was instrumental in putting the fair together and coordinating with the US Army, Marines and Coast Guard for static displays and flyover and landing of the Coast Guard Helicopter.

Chief Dobberstein, Sergeant Ellebrecht and Office Supervisor Paul attended the annual RIMS user conference in South Lake Tahoe from October 12th to 16th. The conference provided valuable training for our new records Management / Computer Aided Dispatch System.

Chief Dobberstein, Lt. Eberhardt, and Public Works Director Perry, continue to work with the lead architects from LMA architects to provide input for design of the new Police facility to be constructed at 280 12th St. LMA has provided a summary of all discussions and is working on a preliminary design for the police facility. LMA has begun the Schematic Design of the facility.

The Fortuna Police Department has been awarded a $25,000 grant from the California Office of Traffic Safety (OTS) for a year-long program of special enforcements and public awareness efforts to prevent traffic related deaths and injuries. Fortuna Police Department will use the funding as part of the city’s ongoing commitment to keep our roadways safe and improve the quality of life through both enforcement and education.
Activities that the grant will fund include:

- DUI checkpoints
- DUI saturation patrols
- Motorcycle safety enforcement
- Distracted driving enforcement
- Seat belt and child safety seat enforcement
- Bicycle and pedestrian safety enforcement
- Speed, red light, and stop sign enforcement
- Warrant service operations targeting multiple DUI offenders
- Compilation of DUI “Hot Sheets,” identifying worst-of-the-worst DUI offenders
- Specialized DUI and drugged driving training such as Standardized Field Sobriety Testing (SFST), Advanced Roadside Impaired Driving Enforcement (ARIDE), and Drug Recognition Evaluator (DRE)
- Court “sting” operations to cite individuals driving from DUI court after ignoring their license suspension or revocation
- Stakeout operations to observe the “worst-of-the-worst” repeat DUI offender probationers with suspended or revoked driver licenses

On October 20\textsuperscript{th}, Officer Frank gave a presentation to Mrs. Torres 3\textsuperscript{rd} grade class on forensics. The students all got to participate in a demonstration on lifting fingerprints.

On October 26\textsuperscript{th}, Officer Richardson participated in the Head Start preschool parenting night.

The Fortuna Police Department, working with the Fortuna Elementary School District, has started a new program called the “Parent Project”. This is a 10 week parental education program that meets every Tuesday night from 6 PM to 9 PM. Lt. Eberhardt and Officer Richardson have been participating and representing the FPD at these parenting class meetings. This program is free of charge and co-sponsored by the Humboldt County Probation Department and Humboldt County Office of Education.

During the month of October 2015, the FPD handled 1,770 calls for service, made 78 arrests and issued 67 citations.

The Fortuna Police Department Facebook page now has 2,556 followers.

**RECOMMENDED COUNCIL ACTION:**

DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, Public Works Director

THRU: Regan M. Candelario, City Manager

SUBJECT: Public Works / City Engineer Department Monthly Report for October 2015

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

**Public Works Director/City Engineer**

**Rohnerville Road Improvement Project**

Bids for the Rohnerville Road Improvement Project (between School Street and Redwood Way) were opened on October 1st. Mercer Fraser Co. was the low bidder and the contract was awarded to them at the October 19th Council meeting. The work window identified for the contract is April through October; therefore no work will likely take place until then. There is a possibility that we may identify discrete areas where portions of sidewalk identified in the project can be completed.

**Wastewater Treatment Plant Flood Protection Project**

Construction of the Wastewater Treatment Plant Flood Control Project remains in progress. The berm is constructed and the fencing has been placed. The last significant work that needs to occur is the installation of the submersible outfall pumps. There is currently a delay at the manufacturer and work on the pumps is anticipated to be completed in December. This will not affect the ability of the plant to discharge.

**Jameson Creek Culvert**

Temporary repairs were completed to stabilize the Jameson Creek Culvert so that the roadway will not be susceptible to further damage. One section of culvert was put in place to replace the remaining damaged section and rock slope protection was placed to stabilize the roadway fill slope. Staff has continued to work with Caltrans to finalize the Damage Assessment form and provide additional supporting information. Staff also submitted permit applications to the Army Corps of Engineers and the Regional Water Quality Control board for the emergency repairs.

**Development Review**

The Engineering Division continued to assist other departments with engineering support for various projects including inspections of new development projects, review of building permit plans, review of conditional use permits and participation in pre-application meetings to explain requirements to developers in advance of an actual application. Public Works staff has continued to work with consultants for both the Strongs Creek Valley Annexation and the Fortuna Health and Wellness Centers to identify capacity and potential impacts to City operated utilities.
Staff attended a public meeting held by the Open Door Clinic with residents of the area around the proposed project site. We also participated in a field meeting with the consultant for the Open Door Clinic to identify drainage options for the site.

2015 ATP Cycle 1 Safe Routes to School Project around Toddy Thomas School
The City Engineer and the GHD project manager for the Safe Routes to School Project presented the project to the school district on October 15th. The board was supportive and Superintendent Northern agreed to continue to work with the City throughout the development of the project. This is a 100% grant funded project with a budget of $917,000 and no City matching funds.

2016 ATP Cycle 2 Safe Routes to School Project around South School
The California Transportation Commission approved the City’s Cycle 2 Safe Routes to School Project at their October 22 meeting. The project includes parking area reconfiguration, sidewalks on Lawndale, intersection improvements at Orchard and Newburg and other sidewalk segments and bulb-outs around the South School Area. This is a $893,000 project with no City matching funds. Design of this project will be in 2016/2017 and construction in 2017/2018. This is a much needed project for which the need has been discussed for years.

12th Street Undergrounding
The City is proceeding with the 12th Street undergrounding process. The City is working on a base map to provide PG&E for use in design of the project. The County agreed to transfer excess Rule 20A funds to the City from their allotment to cover estimate increases by PG&E. Staff is working on releasing an RFP for design of the utility replacements (storm drain, sewer, and water) in advance of the undergrounding project so that once the road is ultimately paved, all utilities will have been replaced and PG&E will not install the underground in conflict with city owned utilities.

Rohner Creek Flood Control Project Progress
Currently GHD (consulting Engineers) continues working to complete the final design of the Rohner Creek Flood Control Project. Staff and GHD are also continuing to hold meetings with property owners within the project footprint to request permission to construct the project, as well as a long term maintenance easement for the creek channel.

Staff anticipates advertising for bids for tree falling services within the next month and hiring CalFire inmate crews to remove brush and other low lying vegetation to avoid disturbing birds during the nesting season (as required by the project permits). This will create noticeable difference looks of the creek for some time, until the vegetation to be planted is re-established along the creek. Property owners are aware of this change and the work in progress and have been very cooperative with the project.

Utilities Division
Recruitment opened up for the Utility Worker II position with the promotion of Mike May to Lead Utility Worker. Six water leaks were reported and repaired. Utility staff performed landscaping maintenance at all the pump stations. Several fire hydrants around the City were painted. The crew located and marked various services, both for work done privately and by the City. Several dead or malfunctioning meters were replaced or repaired. 130 service calls were received during the month. More than 1,000 feet of sewer lines were rodded and cleaned as part of the City’s preventative maintenance program. Two sewer clogs were cleared and there were no overflow violations. Lead Worker, Mike May, attended training for new supervisors.
Wastewater and Water Treatment

Wastewater Treatment
Data is being collected for the monthly report but it has not been submitted yet to the Regional and State Water Boards. There was one conditional violation during the month, for low chlorine residual in the contact basin. Coliform tests taken the same day showed sufficient disinfection. Flows through the facility were 26.3 MG with a high flow of 1.003 MG on October 25th. Average flows through the facility were .848 MGD.

There was a compost give-away October 5-9. Approximately 250 cubic yards of compost was given away to the community.

There was a 5 year CalARP inspection during the month. This is the California Accidental Release Program relating to controlled chemicals such as Chlorine and Sulfur Dioxide which are stored with volumes above the state and/or federal threshold. The City had a few minor infractions, mostly paperwork issues, which have already been addressed. The City’s Risk Management Plan, which details the controlled chemicals that we have as well as emergency procedures and scenarios for potential accidental releases, is due for an update in 2016. The CPO is working on updating the current plan and will get the services of an outside firm to assist with the components that need to be addressed by specialists.

Water Treatment
33.4 MG were pumped from the wells to the distribution system. Production was down 2% from September but up 8% from the same time period last year and just 3% lower than in 2013. October, 2013, at 34.6 MG was the lowest production month during the same time period and was 25% lower than the other months which attributes to the low reduction rate for this month. The City’s accumulative conservation percentage is sitting at 18.3% cumulative since June 1. We are 5.7% below our mandated goal of 24%. The City will need to average 24 MG per month in the remaining time period to meet our goal. This is an unprecedented amount with the lowest production we’ve had in the past three years being 26.1 MG in February of this year. Staff is working on some recommendations that will help us get closer to our goal.

Two conservation violations were reported for watering on prohibited days. Staff followed up with education calls or visits to the customers. The state has set up an online reporting tool that people can log into and report water usage violations anonymously. Once the report is documented an email is sent to the City representative in charge of enforcement

All routine coliform tests came back negative. There was an issue with the disinfection equipment at the Corrosion Control Facility in that there was a vacuum leak and raw water was pumped into the distribution system for approximately 3 hours during the night. Chuck Roberts was the Chief Water Treatment Plant Operator on duty while the CPO was gone on personal leave. Chuck directed operations staff to take special coliform samples throughout the system to ensure proper disinfection. Two of these tests returned positive results and Lab Director Jeff Jones made sure that the proper agencies were notified. Following normal protocol, subsequent tests were taken and all were negative for coliform. There was no health risk to the community and the State Waterboard is satisfied with our procedure for handling the issue. Staff is looking into a more efficient backup and notification system to alleviate this problem in the future. The monthly water report was submitted to the Drinking Water Division as well as the Urban Water Management Plan (UWMAP) production report.
**General Services and Streets**

Public works crews provided traffic control for the Apple Harvest Festival ensuring safety during the two day event. Crews also assisted with the Cider Tasting event in the Rodeo Grounds providing support for lights and grounds. On Homecoming Day crews provided traffic control for the Fortuna High School Homecoming Parade.

Crews completed preparation work for the upcoming accelerated cure slurry project by digging out bad spots and paving back with hot mix asphalt. Crews also patched low areas and sniped weeds from the gutters. Notices were delivered to residents and businesses advising them of the project. Crews also paved water leak repair locations on Tenth Street and on Newburg Road at Rohnerville Road. Crews provided traffic control for repair work on the Jameson Creek culvert project on Rohnerville Road. Crews continued painting STOP and STOP bar markings to make them visible as well as painting red curbs.

The Lead Street Maintenance Worker continued the Loretta Nicklaus Leadership Academy as part of the leadership development program. Staff completed the MS4 Permit Annual report to the State Water Resources Control Board and received notice of acceptance of our Electronic Annual Report to CalRecycle for meeting our waste reduction program goals.

Other work included sign and streetlight maintenance, curb painting, traffic signal maintenance and the citywide street sweeping program.

**RECOMMENDED COUNCIL ACTION:**

STAFF REPORT
City Council Consent Calendar Agenda Item

DATE: November 16, 2015
TO: Honorable Mayor and Council Members
FROM: Joanna Miranda, Conference Center Manager
THRU: Regan M. Candelario, City Manager
SUBJECT: River Lodge Conference Center and Fortuna Monday Club Monthly Report for October 2015

STAFF RECOMMENDATION:
Receive report as an informational item.

EXECUTIVE SUMMARY:
The River Lodge and Monday Club held a total of 25 events in October. Our weekends consisted of 1 wedding, 3 baby showers, a memorial service and the Annual North Coast Regional Land Trust Dinner. We also hosted several trainings and conferences.

Advanced Security installed our new security cameras. We have seven cameras that have already been proven to be beneficial as people are seeing them and not loitering as much and we can see when someone is spending too much time and doing questionable things around the facility. PD has been great with response to our calls when we have an issue.

Savannah Ferguson continues to promote the River Lodge and the City of Fortuna by outreach through email, phone and in person and has booked some Holiday Lunch Specials as well as a soccer dinner and a shopping event.

Sales in the Gallery were $148 for the month of August.

RECOMMENDED COUNCIL ACTION:

Attachments:
• Event Calendar for November 2015
<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Chamber</td>
<td>COF Training</td>
<td>Shopping</td>
<td>COF Training</td>
<td>GALA SET UP&gt;</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Soccer Dinner</td>
<td>D. Miller Art Show</td>
<td>Open Door Health Brain Potential</td>
<td>Mary Kay Chamber</td>
<td>Humboldt Travelers</td>
<td>Garden Club</td>
<td>Wedding Set Up&gt;</td>
</tr>
<tr>
<td>18</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>Baby Shower</td>
<td>Chamber</td>
<td>MPA Workshop</td>
<td>Presentation</td>
<td>Set Up&gt;</td>
<td>Outdoorsman Dinner</td>
<td>Craft Faire B-Day Party</td>
</tr>
<tr>
<td>23</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Craft Faire</td>
<td>J Catering</td>
<td>Senior Jam Chamber</td>
<td></td>
<td>CLOSED</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Chamber</td>
</tr>
</tbody>
</table>

11/9/2015
DATE: November 16, 2015

TO: Honorable Mayor and City Council Members

FROM: Regan M. Candelario, City Manager

SUBJECT: Report of Disbursements

STAFF RECOMMENDATION:

Receive staff report of disbursements that were processed for the City of Fortuna and the Successor Agency (Fortuna Redevelopment Agency) if applicable, as an informational item only.

REPORT OF DISBURSEMENTS:

Disbursements were processed on November 4, 2015 in the following amount(s):

- City of Fortuna $ 621,719.03

RECOMMENDED COUNCIL ACTION:

Informational Item. Receive report by Consent Agenda Vote

Attachments:

- Disbursements Detail Reports for November 04, 2015
<table>
<thead>
<tr>
<th>Check Number</th>
<th>Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055502</td>
<td>11/04/15</td>
<td>VOID</td>
<td>VOIDED CHECK</td>
<td>1253.46</td>
<td>.00</td>
<td>1253.46</td>
<td>110215P</td>
<td>UTILITY BILLING POSTAGE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total:</td>
<td>1253.46</td>
<td>1253.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055503</td>
<td>11/04/15</td>
<td>ADV01</td>
<td>ADVANCED SECURITY SYSTEM</td>
<td>127.50</td>
<td>.00</td>
<td>127.50</td>
<td>316542</td>
<td>REPAIR REMOTE STATION - P</td>
</tr>
<tr>
<td>055504</td>
<td>11/04/15</td>
<td>AFL01</td>
<td>AFLAC PREMIUM HOLDING</td>
<td>1667.24</td>
<td>.00</td>
<td>1667.24</td>
<td>101215</td>
<td>ORG ID: 10458</td>
</tr>
<tr>
<td>055505</td>
<td>11/04/15</td>
<td>ALC01</td>
<td>ALCOPRO</td>
<td>-104.00</td>
<td>.00</td>
<td>-104.00</td>
<td>184070C</td>
<td>SUPPLIES CREDIT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1161.00</td>
<td>.00</td>
<td>1161.00</td>
<td>187953I</td>
<td>ALCO SENSOR/MOUTHPIECES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>277.50</td>
<td>.00</td>
<td>277.50</td>
<td>188084I</td>
<td>SUPPLIES - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total:</td>
<td>1334.50</td>
<td>1334.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055506</td>
<td>11/04/15</td>
<td>ATT01</td>
<td>AT&amp;T</td>
<td>1178.30</td>
<td>.00</td>
<td>1178.30</td>
<td>10150880</td>
<td>70772538700880</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1528.36</td>
<td>.00</td>
<td>1528.36</td>
<td>70772678077313</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>142.53</td>
<td>.00</td>
<td>142.53</td>
<td>7077257577924</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total:</td>
<td>2849.19</td>
<td>2849.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055507</td>
<td>11/04/15</td>
<td>ATT03</td>
<td>AT&amp;T</td>
<td>37.59</td>
<td>.00</td>
<td>37.59</td>
<td>10157600</td>
<td>7077257600</td>
</tr>
<tr>
<td>055508</td>
<td>11/04/15</td>
<td>ATT13</td>
<td>AT&amp;T</td>
<td>70.02</td>
<td>.00</td>
<td>70.02</td>
<td>7199949</td>
<td>2352715431013</td>
</tr>
<tr>
<td>055509</td>
<td>11/04/15</td>
<td>AUTO1</td>
<td>AUTOZONE #4142</td>
<td>8.96</td>
<td>.00</td>
<td>8.96</td>
<td>142477107</td>
<td>FUEL TREATEMENT</td>
</tr>
<tr>
<td>055510</td>
<td>11/04/15</td>
<td>CAL25</td>
<td>CALIF SURVEYING &amp; DRAFTING</td>
<td>214.22</td>
<td>.00</td>
<td>214.22</td>
<td>44747I</td>
<td>PLOTTER, PAPER &amp; INK</td>
</tr>
<tr>
<td>055511</td>
<td>11/04/15</td>
<td>CAM01</td>
<td>CAMPTON ELECTRIC SUPPLY</td>
<td>3392.00</td>
<td>.00</td>
<td>3392.00</td>
<td>280430982</td>
<td>PUMP PARTS</td>
</tr>
<tr>
<td>055512</td>
<td>11/04/15</td>
<td>CDW01</td>
<td>CDW GOVERNMENT, INC</td>
<td>267.20</td>
<td>.00</td>
<td>267.20</td>
<td>ZN73735</td>
<td>MONITORS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2417.43</td>
<td>.00</td>
<td>2417.43</td>
<td>ZF29225</td>
<td>COMPUTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1611.62</td>
<td>.00</td>
<td>1611.62</td>
<td>ZR36303</td>
<td>COMPUTER - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total:</td>
<td>4296.25</td>
<td>4296.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055513</td>
<td>11/04/15</td>
<td>CHI02</td>
<td>CHIEF SUPPLY</td>
<td>1934.66</td>
<td>.00</td>
<td>1934.66</td>
<td>372044</td>
<td>LIGHTING - PD</td>
</tr>
<tr>
<td>055514</td>
<td>11/04/15</td>
<td>COR01</td>
<td>CORBIN WILLITS SYSTEMS</td>
<td>500.00</td>
<td>.00</td>
<td>500.00</td>
<td>B51015</td>
<td>ELECTRONIC PAYROLL REPORT</td>
</tr>
<tr>
<td>055515</td>
<td>11/04/15</td>
<td>CRY01</td>
<td>CRYSTAL SPRINGS BOTTLED W</td>
<td>60.00</td>
<td>.00</td>
<td>60.00</td>
<td>32424</td>
<td>WATER DELIVERY</td>
</tr>
</tbody>
</table>

Consent Calendar Item 10  
Page 2 of 10
<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055516</td>
<td>11/04/15</td>
<td>CWE01</td>
<td>CWEA</td>
<td>164.00</td>
<td>0.00</td>
<td>164.00</td>
<td>101415</td>
<td>MEMBERSHIP - J. JONES</td>
</tr>
<tr>
<td>055517</td>
<td>11/04/15</td>
<td>DAV13</td>
<td>DAVE'S AUTO ELECTRIC</td>
<td>386.10</td>
<td>0.00</td>
<td>386.10</td>
<td>7977</td>
<td>CO-GEN STARTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>395.15</td>
<td>0.00</td>
<td>395.15</td>
<td>7990</td>
<td>CO-GEN STARTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Check Total</td>
<td>781.25</td>
<td>0.00</td>
<td>781.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055518</td>
<td>11/04/15</td>
<td>DEP14</td>
<td>DEPARTMENT OF JUSTICE</td>
<td>140.00</td>
<td>0.00</td>
<td>140.00</td>
<td>128098</td>
<td>AUGUST BAC ANALYSIS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>105.00</td>
<td>0.00</td>
<td>105.00</td>
<td>128675</td>
<td>SEPT BAC ANALYSIS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Check Total</td>
<td>245.00</td>
<td>0.00</td>
<td>245.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055519</td>
<td>11/04/15</td>
<td>EEL01</td>
<td>EEL RIVER DISPOSAL</td>
<td>2819.25</td>
<td>0.00</td>
<td>2819.25</td>
<td>20867</td>
<td>DEBIRS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.00</td>
<td>0.00</td>
<td>20.00</td>
<td>101501397</td>
<td>RL - CARDBOARD 15-16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18.65</td>
<td>0.00</td>
<td>18.65</td>
<td>101505140</td>
<td>CH/PD - GARBAGE RECYCLE 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.00</td>
<td>0.00</td>
<td>20.00</td>
<td>101508145</td>
<td>CORP YARD - CARDBOARD FY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>165.40</td>
<td>0.00</td>
<td>165.40</td>
<td>101508843</td>
<td>CORP YARD - GARBAGE/RECYC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.30</td>
<td>0.00</td>
<td>6.30</td>
<td>101511176</td>
<td>MONDAY CLUB - GARBAGE 15-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18.65</td>
<td>0.00</td>
<td>18.65</td>
<td>101512043</td>
<td>RL - GARBAGE/RECYCLE 15-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>145.00</td>
<td>0.00</td>
<td>145.00</td>
<td>101543551</td>
<td>PARKS - CARDBOARD 15-16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.00</td>
<td>0.00</td>
<td>20.00</td>
<td>101543562</td>
<td>CITY HALL - CARDBOARD 15-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Check Total</td>
<td>3233.25</td>
<td>0.00</td>
<td>3233.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055520</td>
<td>11/04/15</td>
<td>EMM01</td>
<td>SIANA L. EMMONS</td>
<td>25.37</td>
<td>0.00</td>
<td>25.37</td>
<td>102615</td>
<td>EXPENSE REIMBURSEMENT</td>
</tr>
<tr>
<td>055521</td>
<td>11/04/15</td>
<td>EURO2</td>
<td>EUREKA OXYGEN CO</td>
<td>-145.60</td>
<td>0.00</td>
<td>-145.60</td>
<td>52552C</td>
<td>CREDIT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>280.80</td>
<td>0.00</td>
<td>280.80</td>
<td>BO068882</td>
<td>SAW</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>117.61</td>
<td>0.00</td>
<td>117.61</td>
<td>BO06904</td>
<td>BATTERY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Check Total</td>
<td>252.81</td>
<td>0.00</td>
<td>252.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055522</td>
<td>11/04/15</td>
<td>FED01</td>
<td>FEDEX</td>
<td>23.66</td>
<td>0.00</td>
<td>23.66</td>
<td>518675563</td>
<td>SHIPPING - PD</td>
</tr>
<tr>
<td>055523</td>
<td>11/04/15</td>
<td>FER06</td>
<td>FERNBRIDGE TRACTOR &amp; EQ</td>
<td>121.68</td>
<td>0.00</td>
<td>121.68</td>
<td>141598</td>
<td>BRACKET</td>
</tr>
<tr>
<td>055524</td>
<td>11/04/15</td>
<td>FER07</td>
<td>FERGUSON ENTERPRISES, INC</td>
<td>11124.71</td>
<td>0.00</td>
<td>11124.71</td>
<td>0481055</td>
<td>METERS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>146.20</td>
<td>0.00</td>
<td>146.20</td>
<td>0484289</td>
<td>SOCKETS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Check Total</td>
<td>11270.91</td>
<td>0.00</td>
<td>11270.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055525</td>
<td>11/04/15</td>
<td>FIR08</td>
<td>FIRE &amp; LIGHT ORIGINALS</td>
<td>105.00</td>
<td>0.00</td>
<td>105.00</td>
<td>62978802</td>
<td>GIFT SHOP ORDER</td>
</tr>
<tr>
<td>Check</td>
<td>Vendor</td>
<td>Name</td>
<td>Gross Amount</td>
<td>Discount Amount</td>
<td>Net Amount</td>
<td>Invoice #</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>--------</td>
<td>--------------------------</td>
<td>--------------</td>
<td>-----------------</td>
<td>------------</td>
<td>----------</td>
<td>-------------------------------------</td>
<td></td>
</tr>
<tr>
<td>055526</td>
<td>FIS05</td>
<td>FISHER SCIENTIFIC</td>
<td>311.14</td>
<td>.00</td>
<td>311.14</td>
<td>5178863</td>
<td>LAB SUPPLIES</td>
<td></td>
</tr>
<tr>
<td>055527</td>
<td>FOR06</td>
<td>FORTUNA CHAMBER</td>
<td>27537.37</td>
<td>.00</td>
<td>27537.37</td>
<td>110215</td>
<td>TOT ALLOCATION 1ST QTR EN</td>
<td></td>
</tr>
<tr>
<td>055528</td>
<td>FOR20</td>
<td>FORTUNA FEED &amp; FARM SUPPY</td>
<td>116.16</td>
<td>.00</td>
<td>116.16</td>
<td>495218</td>
<td>KENNEL SUPPLIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>43.20</td>
<td>.00</td>
<td>43.20</td>
<td>495371</td>
<td>STRAW - JAMESON CREEK</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>47.51</td>
<td>.00</td>
<td>47.51</td>
<td>495522</td>
<td>K9 SUPPLIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>99.15</td>
<td>.00</td>
<td>99.15</td>
<td>495832</td>
<td>KENNEL SUPPLIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>63.61</td>
<td>.00</td>
<td>63.61</td>
<td>496312</td>
<td>KENNEL SUPPLIES</td>
<td></td>
</tr>
</tbody>
</table>

Check Total: 369.63 444.42

<table>
<thead>
<tr>
<th>Check</th>
<th>Vendor</th>
<th>Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Check Total: 444.42 92.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>055529</td>
<td>FOR36</td>
<td>FORTUNA GLASS &amp; PAINT</td>
<td>51.16</td>
<td>.00</td>
<td>51.16</td>
<td>13611 MAINTENANCE - PARKS</td>
</tr>
<tr>
<td>055530</td>
<td>FOR55</td>
<td>FORTUNA ACE HARDWARE AND</td>
<td>8.63</td>
<td>.00</td>
<td>8.63</td>
<td>237783 GLOVES - WATER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.89</td>
<td>.00</td>
<td>9.89</td>
<td>237853 SUPPLIES - WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25.83</td>
<td>.00</td>
<td>25.83</td>
<td>238043 SUPPLIES - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21.88</td>
<td>.00</td>
<td>21.88</td>
<td>238045 SUPPLIES - WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>29.40</td>
<td>.00</td>
<td>29.40</td>
<td>238106 REPAIR PARTS - WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16.15</td>
<td>.00</td>
<td>16.15</td>
<td>238247 SUPPLIES - PARKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50.20</td>
<td>.00</td>
<td>50.20</td>
<td>238374 TOOLS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21.28</td>
<td>.00</td>
<td>21.28</td>
<td>238375 MAINTENANCE - PARKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>40.56</td>
<td>.00</td>
<td>40.56</td>
<td>238390 SUPPLIES - WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>34.50</td>
<td>.00</td>
<td>34.50</td>
<td>238481 CLEANING SUPPLIES - WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>27.08</td>
<td>.00</td>
<td>27.08</td>
<td>238484 MAINTENANCE - PARKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>51.66</td>
<td>.00</td>
<td>51.66</td>
<td>238632 MICROSURFACING SUPPLIES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>52.86</td>
<td>.00</td>
<td>52.86</td>
<td>238633 SUPPLIES - WATER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16.72</td>
<td>.00</td>
<td>16.72</td>
<td>238676 SUPPLIES - PARKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>28.07</td>
<td>.00</td>
<td>28.07</td>
<td>268521 SUPPLIES - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.71</td>
<td>.00</td>
<td>9.71</td>
<td>268544 SUPPLIES - PARKS</td>
</tr>
</tbody>
</table>

Check Total: 444.42 92.00

<table>
<thead>
<tr>
<th>Check</th>
<th>Vendor</th>
<th>Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Check Total: 92.00 102.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>055531</td>
<td>FOR56</td>
<td>FORTUNA AUTO &amp; TRUCK PART</td>
<td>53.49</td>
<td>.00</td>
<td>53.49</td>
<td>812154 SUPPLIES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>38.51</td>
<td>.00</td>
<td>38.51</td>
<td>812196 SUPPLIES</td>
</tr>
</tbody>
</table>

Check Total: 92.00 102.00

<table>
<thead>
<tr>
<th>Check</th>
<th>Vendor</th>
<th>Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Check Total: 102.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>055532</td>
<td>FOS04</td>
<td>BILL FOSTER</td>
<td>42.00</td>
<td>.00</td>
<td>42.00</td>
<td>102215 DMV LICENSING FEE REIMBUR</td>
</tr>
<tr>
<td>055533</td>
<td>FOY01</td>
<td>SAMANTHA FOYSTER</td>
<td>200.00</td>
<td>.00</td>
<td>200.00</td>
<td>102815 TRAVEL EXPENSE</td>
</tr>
<tr>
<td>Check Number</td>
<td>Check Date</td>
<td>Vendor Number</td>
<td>Name</td>
<td>Gross Amount</td>
<td>Discount Amount</td>
<td>Net Amount</td>
</tr>
<tr>
<td>-------------</td>
<td>------------</td>
<td>---------------</td>
<td>-----------------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>------------</td>
</tr>
<tr>
<td>055534</td>
<td>11/04/15</td>
<td>GHD01</td>
<td>GHD INC</td>
<td>1879.50</td>
<td>.00</td>
<td>1879.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9038.75</td>
<td>.00</td>
<td>9038.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total..</td>
<td>.00</td>
<td>10918.25</td>
</tr>
<tr>
<td>055535</td>
<td>11/04/15</td>
<td>HAN04</td>
<td>HANLEY &amp; FLEISHMAN, LLP</td>
<td>210.00</td>
<td>.00</td>
<td>210.00</td>
</tr>
<tr>
<td>055536</td>
<td>11/04/15</td>
<td>HOR01</td>
<td>HORIZON BUSINESS PRODUCTS</td>
<td>9.45</td>
<td>.00</td>
<td>9.45</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8.52</td>
<td>.00</td>
<td>8.52</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.88</td>
<td>.00</td>
<td>7.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>48.06</td>
<td>.00</td>
<td>48.06</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44.72</td>
<td>.00</td>
<td>44.72</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34.97</td>
<td>.00</td>
<td>34.97</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15.50</td>
<td>.00</td>
<td>15.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total..</td>
<td>.00</td>
<td>169.10</td>
</tr>
<tr>
<td>055537</td>
<td>11/04/15</td>
<td>HOS01</td>
<td>HOSPITAL MAINTENANCE CONS</td>
<td>149.22</td>
<td>.00</td>
<td>149.22</td>
</tr>
<tr>
<td>055538</td>
<td>11/04/15</td>
<td>HUF01</td>
<td>JAMES HUFFMAN</td>
<td>19.89</td>
<td>.00</td>
<td>19.89</td>
</tr>
<tr>
<td>055539</td>
<td>11/04/15</td>
<td>HUM14</td>
<td>HUMBOLDT LODGING ALLIANCE</td>
<td>49259.14</td>
<td>.00</td>
<td>49259.14</td>
</tr>
<tr>
<td>055540</td>
<td>11/04/15</td>
<td>HUM23</td>
<td>HUMBOLDT CO PLANNING &amp; BU</td>
<td>574.98</td>
<td>.00</td>
<td>574.98</td>
</tr>
<tr>
<td>055541</td>
<td>11/04/15</td>
<td>HUM69</td>
<td>HUMBOLDT BAY COFFEE CO</td>
<td>91.50</td>
<td>.00</td>
<td>91.50</td>
</tr>
<tr>
<td>055542</td>
<td>11/04/15</td>
<td>KEE01</td>
<td>KEENAN SUPPLY CO</td>
<td>2832.19</td>
<td>.00</td>
<td>2832.19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>728.31</td>
<td>.00</td>
<td>728.31</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>24.54</td>
<td>.00</td>
<td>24.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>327.41</td>
<td>.00</td>
<td>327.41</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>914.98</td>
<td>.00</td>
<td>914.98</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>698.60</td>
<td>.00</td>
<td>698.60</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total..</td>
<td>.00</td>
<td>5526.03</td>
</tr>
<tr>
<td>055543</td>
<td>11/04/15</td>
<td>L&amp;MO1</td>
<td>L &amp; M RENNER, INC</td>
<td>1567.99</td>
<td>.00</td>
<td>1567.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1913.84</td>
<td>.00</td>
<td>1913.84</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Check Total..</td>
<td>.00</td>
<td>3481.83</td>
</tr>
<tr>
<td>055544</td>
<td>11/04/15</td>
<td>LIE01</td>
<td>LIEBERT CASSIDY WHITMORE</td>
<td>357.50</td>
<td>.00</td>
<td>357.50</td>
</tr>
</tbody>
</table>
### Cash Disbursement Detail Report

**Run By:** Racheal Henry  
**Check Listing for 11-15 Bank Account:** 1020  
**ID #:** PY-DP  
**CTL.:** FOR  
**Page:** 005

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055544</td>
<td>11/04/15</td>
<td>LIE01</td>
<td>LIEBERT CASSIDY WHITMORE</td>
<td>2470.00</td>
<td>.00</td>
<td>2470.00</td>
<td>1411541</td>
<td>LEGAL SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Check Total</td>
<td></td>
<td></td>
<td></td>
<td>2827.50</td>
<td>.00</td>
<td>2827.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055545</td>
<td>11/04/15</td>
<td>MEN01</td>
<td>FRANK MENDES SUPPLY INC</td>
<td>21.42</td>
<td>.00</td>
<td>21.42</td>
<td>M090184</td>
<td>SUPPLIES - CH</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>47.22</td>
<td>.00</td>
<td>47.22</td>
<td>M090719</td>
<td>DISINFECTANT WIPES - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.27</td>
<td>.00</td>
<td>4.27</td>
<td>M08840901</td>
<td>JANITORIAL SUPPLIES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>105.21</td>
<td>.00</td>
<td>105.21</td>
<td>M09071901</td>
<td>SUPPLIES - PD</td>
</tr>
<tr>
<td>Check Total</td>
<td></td>
<td></td>
<td></td>
<td>178.12</td>
<td>.00</td>
<td>178.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055546</td>
<td>11/04/15</td>
<td>MER01</td>
<td>MERCER FRASER COMPANY</td>
<td>284833.75</td>
<td>.00</td>
<td>284833.75</td>
<td>1</td>
<td>BERM PROJECT CCO 1, 2, 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1546.49</td>
<td>.00</td>
<td>1546.49</td>
<td>49755</td>
<td>RIP RAP - JAMESON CREEK</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3973.91</td>
<td>.00</td>
<td>3973.91</td>
<td>49756</td>
<td>RIP RAP - JAMESON CREEK</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3174.67</td>
<td>.00</td>
<td>3174.67</td>
<td>49758</td>
<td>RIP RAP - JAMESON CREEK</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>179.96</td>
<td>.00</td>
<td>179.96</td>
<td>49766</td>
<td>ROCK/SAND - JAMESON CREEK</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>172.80</td>
<td>.00</td>
<td>172.80</td>
<td>49791</td>
<td>PSI</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>914.17</td>
<td>.00</td>
<td>914.17</td>
<td>49828</td>
<td>AGGREGATE BASE/ASHPALT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-670.87</td>
<td>.00</td>
<td>-670.87</td>
<td>031215C</td>
<td>CREDIT ON ACCOUNT</td>
</tr>
<tr>
<td>Check Total</td>
<td></td>
<td></td>
<td></td>
<td>294124.88</td>
<td>.00</td>
<td>294124.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055547</td>
<td>11/04/15</td>
<td>MIC04</td>
<td>M-I-C, INC</td>
<td>4567.64</td>
<td>.00</td>
<td>4567.64</td>
<td>2551</td>
<td>CO-GEN REPAIR KIT</td>
</tr>
<tr>
<td>055548</td>
<td>11/04/15</td>
<td>MIS01</td>
<td>MISSION LINEN INDUS SERV</td>
<td>20.57</td>
<td>.00</td>
<td>20.57</td>
<td>501088037</td>
<td>POLICE MAT SERVICE 2015-1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43.20</td>
<td>.00</td>
<td>43.20</td>
<td>501112545</td>
<td>CORP YARD LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19.98</td>
<td>.00</td>
<td>19.98</td>
<td>501112546</td>
<td>CORP YARD LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>88.82</td>
<td>.00</td>
<td>88.82</td>
<td>501115879</td>
<td>CORP YARD LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>94.14</td>
<td>.00</td>
<td>94.14</td>
<td>501115980</td>
<td>WASTEWATER LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>48.57</td>
<td>.00</td>
<td>48.57</td>
<td>501115990</td>
<td>PARKS/RINK LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>84.97</td>
<td>.00</td>
<td>84.97</td>
<td>501161333</td>
<td>CORP YARD LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>99.64</td>
<td>.00</td>
<td>99.64</td>
<td>501161334</td>
<td>WASTEWATER LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>57.92</td>
<td>.00</td>
<td>57.92</td>
<td>501161341</td>
<td>PARKS/RINK LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.57</td>
<td>.00</td>
<td>20.57</td>
<td>501177924</td>
<td>POLICE MAT SERVICE 2015-1</td>
</tr>
<tr>
<td>Check Total</td>
<td></td>
<td></td>
<td></td>
<td>578.38</td>
<td>.00</td>
<td>578.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055549</td>
<td>11/04/15</td>
<td>MIT05</td>
<td>MITCHELL 1</td>
<td>236.52</td>
<td>.00</td>
<td>236.52</td>
<td>18192170</td>
<td>WEB TEAMWORK SOFTWARE SUB</td>
</tr>
<tr>
<td>055550</td>
<td>11/04/15</td>
<td>MUN01</td>
<td>MUNICIPAL MAINTENANCE</td>
<td>431.10</td>
<td>.00</td>
<td>431.10</td>
<td>1049571N</td>
<td>INLET REDUCER</td>
</tr>
<tr>
<td>055551</td>
<td>11/04/15</td>
<td>NOR01</td>
<td>NORTH COAST LABORATORIES</td>
<td>275.00</td>
<td>.00</td>
<td>275.00</td>
<td>123857</td>
<td>LAB TESTS</td>
</tr>
</tbody>
</table>
# Run Date: Nov 04 15 04:04 15 Wednesday
# City of Fortuna
# Cash Disbursement Detail Report
# Check Listing for 11-15 Bank Account: 1020

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055552</td>
<td>11/04/15</td>
<td>NOR02</td>
<td>NOR-PAC POWER SYSTEMS LLC</td>
<td>10446.00</td>
<td>.00</td>
<td>10446.00</td>
<td>2004</td>
<td>GENERATOR CONTROL MODULE</td>
</tr>
<tr>
<td>055553</td>
<td>11/04/15</td>
<td>NOR03</td>
<td>NCL OF WISCONSIN INC</td>
<td>801.41</td>
<td>.00</td>
<td>801.41</td>
<td>363339</td>
<td>LAB SUPPLIES</td>
</tr>
<tr>
<td>055554</td>
<td>11/04/15</td>
<td>NOR16</td>
<td>NORMANS CLEANERS</td>
<td>282.05</td>
<td>.00</td>
<td>282.05</td>
<td>24021</td>
<td>RIVERLODGE LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.04</td>
<td>.00</td>
<td>42.04</td>
<td>24022</td>
<td>RIVERLODGE LINE SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>187.23</td>
<td>.00</td>
<td>187.23</td>
<td>24180</td>
<td>RIVERLODGE LINEN SERVICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>511.32</td>
<td>.00</td>
<td>511.32</td>
<td>1178</td>
<td>COPIER MONTHLY MAINTENANC</td>
</tr>
<tr>
<td>055555</td>
<td>11/04/15</td>
<td>NYL01</td>
<td>NYLEX. NET</td>
<td>3770.00</td>
<td>.00</td>
<td>3770.00</td>
<td>460451</td>
<td>WRENCH SET/FLOOR MATS</td>
</tr>
<tr>
<td>055556</td>
<td>11/04/15</td>
<td>ORE05</td>
<td>O'REILLY AUTOMOTIVE STORE</td>
<td>91.78</td>
<td>.00</td>
<td>91.78</td>
<td>463165</td>
<td>PINION SEAL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.05</td>
<td>.00</td>
<td>10.05</td>
<td>463228C</td>
<td>PARTS RETURN</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-54.00</td>
<td>.00</td>
<td>-54.00</td>
<td>463238C</td>
<td>PARTS RETURN</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-79.92</td>
<td>.00</td>
<td>-79.92</td>
<td>463370</td>
<td>BATTERY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>157.47</td>
<td>.00</td>
<td>157.47</td>
<td>464855</td>
<td>BUSHINGS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.70</td>
<td>.00</td>
<td>42.70</td>
<td>464864</td>
<td>SUPPLIES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>377.56</td>
<td>.00</td>
<td>377.56</td>
<td>464906</td>
<td>BRAKE PADS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>78.81</td>
<td>.00</td>
<td>78.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>624.45</td>
<td>.00</td>
<td>624.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>055557</td>
<td>11/04/15</td>
<td>PAC03</td>
<td>PACIFIC GAS &amp; ELECTRIC CO</td>
<td>84.05</td>
<td>.00</td>
<td>84.05</td>
<td>10150527</td>
<td>59188610527</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>94.44</td>
<td>.00</td>
<td>94.44</td>
<td>10150729</td>
<td>95900010729</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20937.79</td>
<td>.00</td>
<td>20937.79</td>
<td>10150845</td>
<td>46580260845</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.42</td>
<td>.00</td>
<td>12.42</td>
<td>10151966</td>
<td>88771914166</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>223.17</td>
<td>.00</td>
<td>223.17</td>
<td>10152034</td>
<td>98154202034</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>221.12</td>
<td>.00</td>
<td>221.12</td>
<td>10152501</td>
<td>10129392501</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.61</td>
<td>.00</td>
<td>1.61</td>
<td>10152716</td>
<td>23664592716</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32.26</td>
<td>.00</td>
<td>32.26</td>
<td>10152970</td>
<td>93570722970</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9.42</td>
<td>.00</td>
<td>9.42</td>
<td>10152987</td>
<td>61444662987</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>89.16</td>
<td>.00</td>
<td>89.16</td>
<td>10153045</td>
<td>45859733045</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44.82</td>
<td>.00</td>
<td>44.82</td>
<td>10153322</td>
<td>79545763322</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1413.40</td>
<td>.00</td>
<td>1413.40</td>
<td>10153881</td>
<td>58771943881</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29.36</td>
<td>.00</td>
<td>29.36</td>
<td>10153994</td>
<td>28883393994</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16.24</td>
<td>.00</td>
<td>16.24</td>
<td>10154050</td>
<td>33381924050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.34</td>
<td>.00</td>
<td>20.34</td>
<td>10154082</td>
<td>45966674082</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.79</td>
<td>.00</td>
<td>11.79</td>
<td>10154490</td>
<td>91564484490</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60.91</td>
<td>.00</td>
<td>60.91</td>
<td>10155020</td>
<td>63983385020</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>63.70</td>
<td>.00</td>
<td>63.70</td>
<td>10155127</td>
<td>43154195127</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.35</td>
<td>.00</td>
<td>10.35</td>
<td>10156009</td>
<td>33454186009</td>
</tr>
</tbody>
</table>

---

**Check Total:**

- 511.32
- 3770.00
- 624.45

---

**Consent Calendar Item 10**
### Cash Disbursement Detail Report

**City of Fortuna**

**Run By:** Rachael Henry

**Check Listing for 11-15 Bank Account:** 1020

**Check Disbursement Detail Report ID:** PY-DP

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055557</td>
<td>11/04/15</td>
<td>PAC03</td>
<td>PACIFIC GAS &amp; ELECTRIC CO</td>
<td>381.56</td>
<td>0.00</td>
<td>381.56</td>
<td>10156230</td>
<td>40689526230</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17949.03</td>
<td>0.00</td>
<td>17949.03</td>
<td>10156357</td>
<td>27889626357</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.92</td>
<td>0.00</td>
<td>21.92</td>
<td>10156485</td>
<td>44193066485</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1635.14</td>
<td>0.00</td>
<td>1635.14</td>
<td>10156726</td>
<td>44469516726</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>103.34</td>
<td>0.00</td>
<td>103.34</td>
<td>10158180</td>
<td>51174998180</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>372.87</td>
<td>0.00</td>
<td>372.87</td>
<td>10158379</td>
<td>51382078379</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.35</td>
<td>0.00</td>
<td>10.35</td>
<td>10159507</td>
<td>65641318897</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>515.39</td>
<td>0.00</td>
<td>515.39</td>
<td>10159662</td>
<td>43566719662</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>150.46</td>
<td>0.00</td>
<td>150.46</td>
<td>10159729</td>
<td>47733469507</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>141.39</td>
<td>0.00</td>
<td>141.39</td>
<td>10159807</td>
<td>17524449729</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055558</td>
<td>11308</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055559</td>
<td>090622</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055560</td>
<td>101515</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055561</td>
<td>1649502</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055562</td>
<td>111115</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055563</td>
<td>76417</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055564</td>
<td>84386</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>055565</td>
<td>39985</td>
</tr>
</tbody>
</table>

**Check Total:** 44657.80

### Check Listing for 11-15 Bank Account

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055558</td>
<td>11/04/15</td>
<td>PAC18</td>
<td>PACIFIC ECO RISK</td>
<td>600.00</td>
<td>0.00</td>
<td>600.00</td>
<td>11308</td>
<td>NPDES TESTING</td>
</tr>
<tr>
<td>055559</td>
<td>11/04/15</td>
<td>PEO01</td>
<td>PEOPLEFACTS, LLC</td>
<td>21.30</td>
<td>0.00</td>
<td>21.30</td>
<td>090622</td>
<td>PRE-EMPLOYMENT CREDIT CHE</td>
</tr>
<tr>
<td>055560</td>
<td>11/04/15</td>
<td>PUR01</td>
<td>PURCHASE POWER</td>
<td>47.39</td>
<td>0.00</td>
<td>47.39</td>
<td>101515</td>
<td>OVERLIMIT FEE/FINANCE CHARITY</td>
</tr>
<tr>
<td>055561</td>
<td>11/04/15</td>
<td>RAY01</td>
<td>RAY'S FOOD PLACE</td>
<td>38.86</td>
<td>0.00</td>
<td>38.86</td>
<td>1649502</td>
<td>KENNEL SUPPLIES</td>
</tr>
<tr>
<td>055562</td>
<td>11/04/15</td>
<td>REM01</td>
<td>R.E.M.I.F.</td>
<td>287.73</td>
<td>0.00</td>
<td>287.73</td>
<td>111115</td>
<td>NOVEMBER LIFE &amp; EAP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>123.00</td>
<td>0.00</td>
<td>123.00</td>
<td>101915</td>
<td>DRUG/ALCOHOL TEST</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>110115</td>
<td>NOVEMBER MEDICAL, DENTAL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>105015.50</td>
<td>0.00</td>
<td>105015.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Check Total:** 105426.23

### Check Listing for 11-15 Bank Account

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055563</td>
<td>11/04/15</td>
<td>REM02</td>
<td>REMOTE SATELLITE SYSTEMS</td>
<td>64.48</td>
<td>0.00</td>
<td>64.48</td>
<td>76417</td>
<td>MONTHLY AIR/SRVC FEE FY 1</td>
</tr>
<tr>
<td>055564</td>
<td>11/04/15</td>
<td>RIV02</td>
<td>RIVERWALK VETERINARY HOSP</td>
<td>280.00</td>
<td>0.00</td>
<td>280.00</td>
<td>84386</td>
<td>SPAY/SPAY NEUTER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>420.00</td>
<td>0.00</td>
<td>420.00</td>
<td>94599</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td>0.00</td>
<td>10.00</td>
<td>94665</td>
<td>SPAY/NEUTER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>105.50</td>
<td>0.00</td>
<td>105.50</td>
<td>94784</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>240.00</td>
<td>0.00</td>
<td>240.00</td>
<td>94798</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td>0.00</td>
<td>10.00</td>
<td>94836</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>305.00</td>
<td>0.00</td>
<td>305.00</td>
<td>94894</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.00</td>
<td>0.00</td>
<td>20.00</td>
<td>95016</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100.00</td>
<td>0.00</td>
<td>100.00</td>
<td>95050</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100.00</td>
<td>0.00</td>
<td>100.00</td>
<td>95337</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>426.00</td>
<td>0.00</td>
<td>426.00</td>
<td>95505</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>81.00</td>
<td>0.00</td>
<td>81.00</td>
<td>95550</td>
<td>SPAY/NUETER SERVICES</td>
</tr>
</tbody>
</table>

**Check Total:** 2097.50

### Check Listing for 11-15 Bank Account

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>055565</td>
<td>11/04/15</td>
<td>RWS01</td>
<td>RWS SERVICES</td>
<td>56.70</td>
<td>0.00</td>
<td>56.70</td>
<td>39985</td>
<td>MICROPHONE - PD</td>
</tr>
</tbody>
</table>

**Check Total:** 56.70
<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Number</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Payment Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>055565</td>
<td>11/04/15</td>
<td>RWS01</td>
<td>RWS SERVICES</td>
<td>90.72</td>
<td>.00</td>
<td>90.72</td>
<td>40011</td>
<td>ANTE NA - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055566</td>
<td>11/04/15</td>
<td>RYE02</td>
<td>ALICE RYE</td>
<td>451.72</td>
<td>.00</td>
<td>451.72</td>
<td>102915</td>
<td>TRAVEL REIMBURSEMENT</td>
</tr>
<tr>
<td>055567</td>
<td>11/04/15</td>
<td>SCO02</td>
<td>SCOTTY'S CUTTERS EDGE</td>
<td>161.99</td>
<td>.00</td>
<td>161.99</td>
<td>87429</td>
<td>PUMP PARTS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.31</td>
<td>.00</td>
<td>4.31</td>
<td>87466</td>
<td>SUPPLIES - PARKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.86</td>
<td>.00</td>
<td>11.86</td>
<td>87565</td>
<td>GENERATOR REPAIR PARTS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055568</td>
<td>11/04/15</td>
<td>SEQ02</td>
<td>SEQUOIA GAS STATION</td>
<td>28.87</td>
<td>.00</td>
<td>28.87</td>
<td>324365</td>
<td>EQUIPMENT FUEL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22.18</td>
<td>.00</td>
<td>22.18</td>
<td>416341</td>
<td>EQUIPMENT FUEL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25.35</td>
<td>.00</td>
<td>25.35</td>
<td>423505</td>
<td>EQUIPMENT FUEL</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055569</td>
<td>11/04/15</td>
<td>SHE14</td>
<td>SHERLOCK RECORDS MANAGEME</td>
<td>56.00</td>
<td>.00</td>
<td>56.00</td>
<td>1343</td>
<td>MONTHLY RECORD STORAGE SE</td>
</tr>
<tr>
<td>055570</td>
<td>11/04/15</td>
<td>SPR01</td>
<td>SPRINGVILLE SAFETY &amp; SUPP</td>
<td>40.72</td>
<td>.00</td>
<td>40.72</td>
<td>37615</td>
<td>FIRST AID SUPPLIES</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.87</td>
<td>.00</td>
<td>21.87</td>
<td>37616</td>
<td>SAFETY VEST</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055571</td>
<td>11/04/15</td>
<td>STA04</td>
<td>SWRCB</td>
<td>80.00</td>
<td>.00</td>
<td>80.00</td>
<td>102315</td>
<td>EXAM FEES - H. LOPEZ</td>
</tr>
<tr>
<td>055572</td>
<td>11/04/15</td>
<td>STA05</td>
<td>STAPLES CONTRACT AND COMM</td>
<td>5.36</td>
<td>.00</td>
<td>5.36</td>
<td>2024174</td>
<td>SUPPLIES - FINANCE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>285.87</td>
<td>.00</td>
<td>285.87</td>
<td>2024175</td>
<td>SUPPLIES - PD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055573</td>
<td>11/04/15</td>
<td>STA08</td>
<td>STATEWIDE TRAFFIC SAFETY</td>
<td>8077.50</td>
<td>.00</td>
<td>8077.50</td>
<td>9000970</td>
<td>LIGHTING SYSTEMS</td>
</tr>
<tr>
<td>055574</td>
<td>11/04/15</td>
<td>STE21</td>
<td>DENNIS STEVENS</td>
<td>200.00</td>
<td>.00</td>
<td>200.00</td>
<td>102815</td>
<td>TRAVEL EXPENSE</td>
</tr>
<tr>
<td>055575</td>
<td>11/04/15</td>
<td>SUD01</td>
<td>SUDDENLINK</td>
<td>184.95</td>
<td>.00</td>
<td>184.95</td>
<td>111115</td>
<td>INTERNET SERVICE 8/15-6/1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>69.95</td>
<td>.00</td>
<td>69.95</td>
<td>110115</td>
<td>RIVERLODGE INTERNET 2015-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>055576</td>
<td>11/04/15</td>
<td>SUP06</td>
<td>SUPERIOR INSTALLS</td>
<td>1836.00</td>
<td>.00</td>
<td>1836.00</td>
<td>980</td>
<td>CRANE BUMPER</td>
</tr>
<tr>
<td>Check Number</td>
<td>Check Date</td>
<td>Vendor Name</td>
<td>Gross Amount</td>
<td>Discount Amount</td>
<td>Net Amount</td>
<td>Invoice #</td>
<td>Payment Information</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-----------------</td>
<td>------------</td>
<td>------------</td>
<td>---------------------------------------</td>
<td></td>
</tr>
<tr>
<td>055577</td>
<td>11/04/15</td>
<td>SWRCB</td>
<td>2474.44</td>
<td>0.00</td>
<td>2474.44</td>
<td>LW1001624</td>
<td>LARGE WATER SYSTEM FEES</td>
<td></td>
</tr>
<tr>
<td>055578</td>
<td>11/04/15</td>
<td>SYMBOLARTS</td>
<td>50.00</td>
<td>0.00</td>
<td>50.00</td>
<td>24416618</td>
<td>BADGE REPAIR - PD</td>
<td></td>
</tr>
<tr>
<td>055579</td>
<td>11/04/15</td>
<td>TELEDYNE ISCO, INC</td>
<td>88.02</td>
<td>0.00</td>
<td>88.02</td>
<td>020099858</td>
<td>RUBBER TUBING</td>
<td></td>
</tr>
<tr>
<td>055580</td>
<td>11/04/15</td>
<td>TERMINIX PROCESSING CTR</td>
<td>94.00</td>
<td>0.00</td>
<td>94.00</td>
<td>349527236</td>
<td>RIVERLODGE PEST CONTROL S</td>
<td></td>
</tr>
<tr>
<td>055581</td>
<td>11/04/15</td>
<td>USA BLUEBOOK</td>
<td>78.30</td>
<td>0.00</td>
<td>78.30</td>
<td>771658</td>
<td>PVC VALVES</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>775136</td>
<td>LAB SUPPLIES</td>
<td></td>
</tr>
</tbody>
</table>

| Check Total             | 129.24 | 0.00 | 129.24 |

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Check Date</th>
<th>Vendor Name</th>
<th>Gross Amount</th>
<th>Discount Amount</th>
<th>Net Amount</th>
<th>Invoice #</th>
<th>Payment Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>055582</td>
<td>11/04/15</td>
<td>US BANK EQUIPMENT FINANCE</td>
<td>520.71</td>
<td>0.00</td>
<td>520.71</td>
<td>290458967</td>
<td>COPIER LEASE 15/16</td>
</tr>
<tr>
<td>055583</td>
<td>11/04/15</td>
<td>WESTERN INDUSTRIAL PARTS</td>
<td>63.26</td>
<td>0.00</td>
<td>63.26</td>
<td>894538</td>
<td>SUPPLIES</td>
</tr>
<tr>
<td>055584</td>
<td>11/04/15</td>
<td>WIL02</td>
<td>32.35</td>
<td>0.00</td>
<td>32.35</td>
<td>22941</td>
<td>TRIMMER HEAD</td>
</tr>
<tr>
<td>055585</td>
<td>11/04/15</td>
<td>YBO24</td>
<td>13.42</td>
<td>0.00</td>
<td>13.42</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR BA</td>
</tr>
<tr>
<td>055586</td>
<td>11/04/15</td>
<td>YC009</td>
<td>8.82</td>
<td>0.00</td>
<td>8.82</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR CH</td>
</tr>
<tr>
<td>055587</td>
<td>11/04/15</td>
<td>YC010</td>
<td>10.90</td>
<td>0.00</td>
<td>10.90</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR CO</td>
</tr>
<tr>
<td>055588</td>
<td>11/04/15</td>
<td>YG003</td>
<td>147.07</td>
<td>0.00</td>
<td>147.07</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR GA</td>
</tr>
<tr>
<td>055589</td>
<td>11/04/15</td>
<td>YG008</td>
<td>31.12</td>
<td>0.00</td>
<td>31.12</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR GI</td>
</tr>
<tr>
<td>055590</td>
<td>11/04/15</td>
<td>YK001</td>
<td>132.01</td>
<td>0.00</td>
<td>132.01</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR KO</td>
</tr>
<tr>
<td>055591</td>
<td>11/04/15</td>
<td>YK005</td>
<td>62.34</td>
<td>0.00</td>
<td>62.34</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR KR</td>
</tr>
<tr>
<td>055592</td>
<td>11/04/15</td>
<td>YP008</td>
<td>234.86</td>
<td>0.00</td>
<td>234.86</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR PA</td>
</tr>
<tr>
<td>055593</td>
<td>11/04/15</td>
<td>YS003</td>
<td>125.62</td>
<td>0.00</td>
<td>125.62</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR SM</td>
</tr>
<tr>
<td>055594</td>
<td>11/04/15</td>
<td>YY001</td>
<td>10.50</td>
<td>0.00</td>
<td>10.50</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR UL</td>
</tr>
<tr>
<td>055595</td>
<td>11/04/15</td>
<td>YW006</td>
<td>36.37</td>
<td>0.00</td>
<td>36.37</td>
<td>0000B51001</td>
<td>MQ CUSTOMER REFUND FOR WI</td>
</tr>
</tbody>
</table>

| Check Total             | 621719.03 | 0.00 | 621719.03 |

| Total Disbursements     | 621719.03 | 0.00 | 621719.03 |
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Mike Johnson, General Services Superintendent

THRU: Regan M Candelario, City Manager

SUBJECT: Declaration of Surplus City Property and Authorization to Dispose of Surplus Personal Property; Resolution No. 2015-37

STAFF RECOMMENDATION:

Adopt Resolution No. 2015 – 37 to declare City property surplus and authorize disposition.

EXECUTIVE SUMMARY:

The City has accumulated some City property, including vehicles and equipment that is no longer of use to the City. The council is asked to declare the following City property surplus:

<table>
<thead>
<tr>
<th>Item</th>
<th>Approx Value</th>
<th>Condition</th>
<th>Disposition Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hagedorn 200 Spreader</td>
<td>$2,000</td>
<td>Good, no longer used</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>1979 Myers Sewer Rodder #35</td>
<td>$300</td>
<td>Poor,</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>Utility trailer</td>
<td>$200</td>
<td>Poor, rusted deck, patched frame</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>2 – Camper shells for Ford Ranger pick up’s</td>
<td>$100.00 ea</td>
<td>Poor, broken glass</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>1982 Diamond Tack Oil Tank w/pump #26</td>
<td>$200.00</td>
<td>Poor</td>
<td>Sell at Auction</td>
</tr>
</tbody>
</table>

The California Constitution and Government Code 37350, 37351 provides for a city to dispose of City property in any way it chooses if the disposition is for the common benefit. The proposed disposition methods are presented in the table above.

The items listed for auction will be placed in a Public Auction taking place December 5, 2015 in Fortuna. Proceeds will be deposited into the City’s General Fund.

Any items the City is unable to dispose of through the proposed methods will be disposed of by recycling, donation, or other appropriate method for the common benefit.
RECOMMENDED COUNCIL ACTION:

Adopt Resolution 2015-37 by approval of consent calendar.

Attachments:

Resolution No. 2015-37 : A Resolution Of The City Council Of The City Of Fortuna Declaring Certain City Property Surplus And Authorizing The Disposal Of Surplus City Property
RESOLUTION 2015-37

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FORTUNA DECLARING CERTAIN PERSONAL PROPERTY SURPLUS AND AUTHORIZING THE DISPOSAL OF SURPLUS PERSONAL PROPERTY

WHEREAS, the City of Fortuna has determined that the following vehicles and equipment will no longer be used by the City:

<table>
<thead>
<tr>
<th>Item</th>
<th>Approx Value</th>
<th>Condition</th>
<th>Disposition Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hagedorn 200 Spreader</td>
<td>$2,000</td>
<td>Good, no longer used</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>1979 Myers Sewer Rodder #35</td>
<td>$300</td>
<td>Poor,</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>Utility trailer</td>
<td>$200</td>
<td>Poor, rusted deck, patched frame</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>2 – Camper shells for Ford Ranger pick up’s</td>
<td>$100.00 ea</td>
<td>Poor, broken glass</td>
<td>Sell at auction</td>
</tr>
<tr>
<td>1982 Diamond Tack Oil Tank w/pump #26</td>
<td>$200.00</td>
<td>Poor</td>
<td>Sell at Auction</td>
</tr>
</tbody>
</table>

WHEREAS, the California Constitution and Government Code Section 37350, 37351 allows for the disposal of surplus personal property by a city in any way it chooses if the disposal is for the common benefit.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fortuna hereby declares that the listed personal property is surplus and may be disposed of in the proposed manner, or other manner which is for the common benefit.

BE IT FURTHER RESOLVED that any items the City is unable to dispose of through the proposed methods will be disposed of by recycling, donation, or other appropriate method for the common benefit.

BE IT FURTHER RESOLVED that all monies received from the sale of said items shall be deposited in the City of Fortuna’s General Fund.

PASSED AND ADOPTED BY THE Fortuna City Council this 16th day of November, 2015.

AYES:  
NOES:  
ABSENT:  

Tami Trent, Mayor Pro Tem

ATTEST:  

Linda McGill CMC, City Clerk
DATE: November 16, 2015

TO: Honorable Mayor and City Councilmembers

FROM: Regan M. Candelario, City Manager

SUBJECT: Informational Memorandum, Water Conservation Update

STAFF RECOMMENDATION:

Review memorandum

EXECUTIVE SUMMARY:

In an effort to keep the City Council and the Community informed, please review the attached memorandum from the Public Works Department. Please note that Fortuna continues to be a leader in the area of conservation. Our Staff have done an excellent job of keeping on top of changing regulations and responding to the issues at hand. Doug Culbert deserves extra credit for “extra” the task of managing the City conservation efforts during these statewide drought conditions.

FISCAL IMPACT

There is no fiscal impact regarding this informational memorandum.

RECOMMENDED ACTION:

Informational Item. Receive staff report by Consent Agenda Vote.

Attachment:

1. Water Conservation Memo
Regan,

Currently the State required water reduction target for the City of Fortuna is 24%. We are required to meet this reduction goal between June 2015 and February 2016. During the month of October our reduction was only 6% less than the benchmark month of October 2013, which brings our cumulative percentage down to 19.0%. This is five percent below our target reduction of 24%. It is likely that we had a low reduction for the month of October because it is difficult reduce the consumption of water during a month that is typically one of the lowest months of the year for water consumption.

We will likely receive an enforcement letter in December from the State Water Resources Control Board, as we did in September (for not meeting our August reduction target) and be moved into the category of agencies that are 5-9% off their marks. This order will be an Informational Order only, and will require us to summarize our conservation program as well as our enforcement actions and identify what changes we are planning to make in order to meet our goal by February, 2016.

In order to meet the State mandated goals, the City will need to reduce consumption to less than 24 MG per month in the remaining time period to meet our goal. This would be an unprecedented low consumption of water, as the least amount the City has consumed within the last three years was 26.1 MG in February of this year. Therefore it will be difficult to meet this goal even if we take an extremely aggressive approach.

Staff will be developing options to further reduce water usage and will provide you with recommendations as to how best to achieve the mandated conservation goals. Please keep in mind that we are 20% below the state average for per capita usage and one of the lowest in our region. Achieving the additional required reduction will be a difficult, but not impossible task.

Thank you,

Doug Culbert
Utility Superintendent
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Marie Essig, Finance Director

THRU: Regan M. Candelario, City Manager

SUBJECT: Public Hearing: Approve the Community Development Block Grant (CDBG) Business Retention and Expansion Assistance Guidelines, Micro-Enterprise Financial Assistance Guidelines, Owner-Occupied and Owner-Investor Rehabilitation, and Homebuyer Guidelines; Resolution 2015-39

STAFF RECOMMENDATION:
Adopt Resolution 2015-39 to approve the Community Development Block Grant (CDBG) business retention and expansion assistance guidelines, micro-enterprise financial assistance guidelines, owner-occupied and owner-investor rehabilitation, and homebuyer guidelines.

EXECUTIVE SUMMARY:
City Council adopted a Community Development Block Grant (“CDBG”) Reuse Plan in November 2014. The Reuse Plan outlines how the City would “reuse” funds repaid from loans made over the last 25 years. The Reuse Plan stated that the City would use CDBG funds on an eligible CDBG project or program. CDBG guidelines require that a project must provide benefit to a qualified area and is site specific while a program provides benefits to a qualified individual. In all cases the goal of CDBG is to serve lower-income residents of Fortuna.

The City of Fortuna does not qualify as a low-income area; consequently, the City is not eligible to provide funds for CDBG qualified projects; with one exception: architectural barrier removal. The City of Fortuna is expected to begin an architectural barrier removal project in January 2016.

Currently, there are four (4) qualified CDBG loan programs that are available for eligible city residents:

1. Business (for profit) Assistance. Loans to business owners who are located, or will be locating in Fortuna, and agree to hire verified lower-income individuals.
2. Micro-Enterprise Loans. Loans to individuals, who live in Fortuna, are verified low-income and have fewer than five employees.
3. Rehabilitation Loans. Loans to individuals living in Fortuna that are verified low-income and have health and safety issues that need improving. Or loans to individuals who own buildings within the City boundaries and rent to verified low-income residents.
4. **Homebuyer Assistance Loans.** Loans to verified low-income individuals to purchase a home located in Fortuna.

The CDBG Program encourages, and requires, jurisdictions to revolve funds. The City’s current CDBG Program Income balance is $630,000. In order to show a good faith effort to spend these funds the City needs to revolve at least a portion of these funds in this fiscal year. In order to offer these loan programs specific guidelines must be adopted for the programs. Staff recommends that Council adopt all four proposed loan programs.

Before implementing available programs, CDBG requires that the City Council adopt program guidelines heard at a public hearing. The attached guidelines are based on CDBG guidelines and incorporate federal requirements. There is some latitude on the terms of the loans; however federal requirements cannot be modified or waived. Due to the complexity of the federal requirements related to CDBG programs, City staff will rely on the assistance of the County of Humboldt’s CDBG staff to process and approve loan applications and will seek assistance from additional consultants familiar with CDBG federal regulations if necessary to ensure full compliance with federal regulations.

**RECOMMENDED COUNCIL ACTION:**

1. Receive staff presentation and review Council questions with staff.
2. Open Public Hearing.
4. Motion to adopt Resolution 2015-39 and read by title only. Roll Call Vote

Attachments:
- Business Expansion & Retention Assistance Program Guidelines
- Microenterprise Financial Assistance Program Guidelines
- Owner Occupied & Owner Investor Rehabilitation Program Guidelines
- Homebuyer Guidelines
RESOLUTION 2015-39

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FORTUNA ADOPTING THE COMMUNITY DEVELOPMENT BLOCK GRANT BUSINESS RETENTION AND EXPANSION ASSISTANCE GUIDELINES, MICRO-ENTERPRISE FINANCIAL ASSISTANCE GUIDELINES, OWNER-OCUPIED AND OWNER-INVESTOR REHABILITATION, AND HOMEBUYER GUIDELINES.

WHEREAS, the City of Fortuna receives regular repayments from loans made from Community Development Block Grants, known as CDBG Program Income, from the State of California Housing and Community Development Community Development Block Grant funds; and

WHEREAS, the City of Fortuna City Council understands that the State requires that CDBG Program Income funds be re-circulated (revolving) and spent on Community Development Block Grant eligible projects; and

WHEREAS, The City of Fortuna City Council adopted a Reuse Plan that commits to spending Program Income in a manner consistent with federal regulations; and

WHEREAS, the City of Fortuna City Council wishes to have maximum spending opportunities and wishes to adopt the following Guidelines to assist in that endeavor:

- Business Retention and Expansion Assistance (Exhibit A)
- Micro-Enterprise Financial Assistance (Exhibit B)
- Owner-Occupied And Owner-Investor Rehabilitation (Exhibit C)
- Homebuyer Guidelines (Exhibit D)

NOW, THEREFORE, BE IT RESOLVED, the City of Fortuna City Council adopts Business Retention and Expansion Assistance, Micro-Enterprise Financial Assistance, Owner-Occupied and Owner-Investor Rehabilitation, and Homebuyer Guidelines.

BE IT FURTHER RESOLVED, the City Manager or his designee is authorized to make minor changes and corrections, that do not change the terms, as needed and requested by the State of California.

PASSED, APPROVED, AND ADOPTED this 16th day of November, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____________________
Tami Trent, Mayor Pro Tem

ATTEST:

_____________________
Linda McGill, City Clerk
City Of Fortuna

Community Development Block Grant

Owner Occupied
&
Owner Investor
Rehabilitation Program
Guidelines

Adopted__________
TABLE OF CONTENTS

1.0 GENERAL
   1.1 PROGRAM OUTREACH AND MARKETING
   1.2 APPLICATION PROCESS AND SELECTION
   1.3 LOAN PROCESS
   1.4 CONFLICT OF INTEREST REQUIREMENTS

2.0 APPLICANT QUALIFICATIONS
   2.1 INCOME LIMITS
   2.2 INCOME QUALIFICATION CRITERIA
   2.3 HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS

3.0 PROPERTY ELIGIBILITY
   3.1 CONDITIONS
   3.2 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
   3.3 NOTIFICATIONS AND DISCLOSURES

4.0 THE PROGRAM LOAN
   4.1 MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
   4.2 AFFORDABILITY PARAMETERS FOR HOMEOWNERS
   4.3 RATES AND TERMS
   4.4 GRANTS
   4.5 APPRAISAL/VALUE
   4.6 INSURANCE
   4.7 LOAN SECURITY, PROGRAM LOAN SERVICING AND MAINTENANCE

5.0 PROGRAM LOAN SERVICING AND MAINTENANCE
   5.1 PAYMENTS ARE VOLUNTARY
   5.2 RECEIVING LOAN REPAYMENTS
   5.3 LOAN SERVICING POLICIES AND PROCEDURES
   5.4 LOAN MONITORING PROCEDURES
   5.5 DEFAULT AND FORECLOSURE
   5.6 SUBORDINATIONS

6.0 CONSTRUCTION
   6.1 STANDARDS
   6.2 ELIGIBLE CONSTRUCTION COSTS
   6.3 ELIGIBLE PROJECT COSTS
   6.4 REPAIR CALLBACKS
   6.5 OWNER BUILDER
   6.6 SWEAT EQUITY

7.0 EXCEPTIONS
   7.1 AMENDMENTS
   7.2 EXCEPTIONS

8.0 DISPUTE RESOLUTION AND APPEALS PROCEDURES
   8.1 PROGRAM COMPLAINT
   8.2 GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR
<table>
<thead>
<tr>
<th>ATTACHMENT A:</th>
<th>INCOME AND ASSET DEFINITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATTACHMENT B:</td>
<td>CURRENT INCOME LIMITS; AND CDBG STANDARDS FOR ROOM AND BATHROOM ADDITION</td>
</tr>
<tr>
<td>ATTACHMENT C:</td>
<td>RESIDENTIAL ANTI-DISPLACEMENT AND TEMPORARY RELOCATION ASSISTANCE PLAN</td>
</tr>
<tr>
<td>ATTACHMENT D:</td>
<td>LOAN SERVICING POLICIES AND PROCEDURES FOR THE CITY OF FORTUNA</td>
</tr>
<tr>
<td>ATTACHMENT E:</td>
<td>LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM</td>
</tr>
</tbody>
</table>
1.0 GENERAL
The above named entity, hereinafter referred to as the “Sponsor”, has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer CDBG housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the "Program" is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program's eligible area, as described in 3.0. The Program provides this assistance in the form of deferred payment loans used to finance the cost of necessary repairs that will provide the owner occupant or income-qualified tenant with a healthy, safe, sanitary, energy efficient, and code compliant home, referred to herein as “housing unit”. The City of Fortuna as the Sponsor will refer participants to the County of Humboldt, the “Program Operator”.

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 Sponsor will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

A. The Fair Housing Lender and Accessibility logos 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. 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 will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2 APPLICATION PROCESS AND SELECTION
A. Waiting List/Homeowner Contact. The Sponsor will utilize a waiting list. In response to an owner occupant (OO) request will an Application and placed on the waiting list.

Owner investor (OI) applicants will be notified that relocated tenants will receive payments for increased housing costs, payment for moving and related expenses and appropriate advisory services, and a copy of the County “Residential Anti-
displacement and Relocation Assistance Plan", (Attachment C). In addition, they will be given a draft General Information Notice to provide to the tenants. The notice will explain to the tenants that temporary relocation benefits will be provided if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. After providing evidence of Notice of Delivery they will be placed on the waiting list.

B. **Application/Interview.** When the homeowner reaches the top of the list the Program Operator will schedule an interview, within 10 business days. The program is fully explained and application forms and documentation are reviewed. Then the homeowner has 20 business days to complete and return any missing documentation.

C. **Income Verification.** Third Party verification is obtained for income and outstanding debts of the owner-occupant, or the tenants in the case of the owner investor. Title report and drive-by cost estimates are also obtained. Households selected for participation in the County’s Housing Rehabilitation Program are those determined eligible upon completion of this process.

D. **Household Selection.** Households selected for participation in the Sponsor’s Housing Rehabilitation Program are those determined eligible upon completion of processes described in B. and C. above.

E. **Notification of Acceptance or Denial.** Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.

F. **Initial Inspection/Work Write-Up/Estimate.** Prospective units are inspected by the Program Operator to determine eligibility and acceptability of properties for participation in the program.

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Local Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 6.1.E & F) and cleared by a certified LBP inspector/assessor. If it is a rehabilitation project funded solely by the CalHome program, the LBP requirement will not apply.

Measurements and observations are noted about the property, including special conditions with potential cost consequences (dilapidated outbuildings, absence of curb and gutter when required by code, etc.). A floor plan and site plan, as needed, are drawn for the home and property, including all appurtenances.

Findings are noted on an inspection form and later used to prepare the work write-up. Estimated costs are determined by the Program Operator who has experience in the building industry, in reviewing contractor bids and verifying costs with material suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

An initial pre-rehabilitation value and post-rehabilitation value will be calculated. Refer to section 4.5 for the method for determining pre-rehabilitation and after rehabilitation value. The market estimate or appraised value will be used to calculate loan to value ratio.
G. **Bid Solicitation.** A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers’ Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least $1,000,000.

Cost reasonableness is determined by comparing the bids received with the cost estimate prepared by the Program Operator. Selected Bids should be within 10% of the Program Operator’s cost estimate, otherwise an explanation must be provided to the file for any bid selected exceeding 10% of the estimate. Provided the bid is within 10% of the estimate the decision is up to the Participant. The participant will be encouraged to accept the lowest reasonable bid.

The Program Operator determines eligibility of the contractor by contacting the State Contractors License Board and checking the Federal List of Debarred Contractors. The contractor is also required to provide a self-certification stating that he/she is not on the Federal debarred list. Once determined eligible, the contractor is then notified of provisional award of bid (pending loan approval).

H. **Loan Request/Approval.** An underwriting report will be prepared on behalf of the homeowner by the Program Operator. The loan report will include the cost of construction, a contingency fund, and other project costs (listed in Section 6.3.) Providing there are no problems, the loan will be approved, the loan documents will be executed and the loan will be funded.

I. **Pre-Construction Conference.** A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

J. **Start-Up/Field Inspections.** The Program Operator monitors date of start-up and performs field inspections on a regular basis. The Program Operator will visit the job site regularly in order to check the scope of work, inspect materials, and to confirm the job is on schedule and within budget. The Program Operator works with the Sponsor’s Building Inspector to ensure the work meets building codes, while not exceeding funding limits.

The Program Operator reviews the work status with the homeowner and with the contractor in order to remedy any developing problems quickly and to ensure that both are satisfied with the construction process. At the completion of each phase, the Program Operator inspects the work and the homeowner authorizes contractor payments.

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted.
K. **Change Orders.** Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the Sponsor for approval prior to Program Operator signing-off on the change order.

L. **Progress Payments.** Ninety percent of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner and notifies the Program Operator that he/she has done so. Upon favorable inspection by the homeowner, Program Operator, and Building Inspector when applicable, the payment authorization is signed by the homeowner and submitted for payment.

M. **Final Inspections/Notice of Completion/Final Payment.** When the project is completed, the Program Operator inspects the work item by item with the homeowner, the contractor, and/or the Sponsor staff. The Sponsor staff or Building Inspector performs a final inspection. Any corrections or deficiencies are noted and corrected by the contractor. Upon favorable final inspections, a Notice of Completion is prepared, signed by the homeowner, and then recorded with the County Recorder. The final ten-percent (10%) retention payment is released 35 days after the recording of the Notice of Completion.

1.3 **LOAN PROCESS**
The Sponsor must approve all loans and grants. The Sponsor may approve assistance with financing exceeding 100 percent of after-rehabilitation value as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

1.4 **CONFLICT OF INTEREST REQUIREMENTS**
When the Sponsor’s program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. Owner/builders are reimbursed from loan funds for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement from loan funds occurs after the installation is verified by the Program Operator to be part of the scope of work. Owner/builders are not reimbursed for labor.

2.0 **APPLICANT QUALIFICATIONS**
2.1 **INCOME LIMITS**
All homeowners 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 the County’s area median income (AMI), adjusted for household size, as published by HCD each year. See Attachment C.


**Household:** means one or more persons who will occupy a housing unit. Unborn children count in family size determination.

**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.

2.1.1 **OWNER-OCCUPIED REQUIREMENTS**
To be eligible, household income must be equal to or less than the applicable HCD income limits. Owner will be required to provide income documentation. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income (Attachment A).

Owner-occupants housing and/or debt ratios are not considered, nor is a credit report required, as the funding provided creates no additional monthly financial obligation. If an owner-occupant has a mortgage, it is verified that all payments are current and that no late payments have been received in the past twelve months.

2.1.2 **OWNER-INVESTOR REQUIREMENTS**
There are no restrictions on the income of the owner-investor unless the owner-investor is a member of the Low-Mod group and is interested in qualifying for a Deferred Payment Loan (see Section 4.3.2.C.).

The eligibility will be determined by the Tenants, not the owner.

Owner-investor housing and debt ratios are considered, and a credit report is required, since the funding provided may create an additional monthly financial obligation. If an owner-investor has a mortgage on the property to be rehabilitated it is verified that all payments are current and that no late payments have been received in the past twelve months.

2.1.3 **TENANT REQUIREMENTS**
If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation and income will be projected for 12 months based on current income (Attachments A).

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 for HOME and CDBG, as shown in the most recent HCD program-specific guidance at [http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html](http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html), will be followed to independently determine and certify the household’s annual gross income. 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. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. Two types of income that are not considered would be income of minors and of 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.

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 savings account – not the asset value, which is counted in annual income.)

An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash, including: 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.

2.3 HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS
The Sponsor’s Housing Rehabilitation Program allows for owner-occupied and owner-investor/tenant occupied properties to participate in the Program.

Owner-occupied units must be the owner’s principal place of residence. A photocopy of a recent utility bill will verify proof of occupancy. No unit to be rehabilitated will receive financial assistance if it is currently occupied by an over-income household or does not meet the eligibility standards outlined in these guidelines.

2.3.1 OWNER-OCUPIED
A. Continued residency is monitored regularly, under the terms of the original loan. Generally, this is within the first 60 days of the each fiscal year. Occupancy will be verified by the submission of a current utility bill.

B. In the event that a homeowner sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable, unless the following conditions are met:

The homeowner who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence. Upon approval of the Sponsor, the heir may be permitted to assume the loan at the
rate and terms the heir qualifies for under current participation guidelines. If the heir does not meet applicable eligibility requirements, the loan is due and payable.

C. If a homeowner converts the property to a rental unit, or any commercial or non-residential use, the loan is due and payable, unless the loan was funded with CDBG and tenant and homeowner meet eligibility requirements as described in Section 2.3.2. below.

2.3.2. OWNER INVESTOR REQUIREMENTS

A. If the owner-investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.

B. An owner-investor may convert a rental property to his or her personal residence if all conditions below exist:
   1. He or she can prove that the previous tenant was not evicted without cause.
   2. He or she is income eligible.
   3. He or she requests approval from the Sponsor.

C. If an owner-investor converts the rental property to his or her personal residence, but is not income eligible, the loan is due and payable.

D. If the owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

E. Over-income rental households occupying units in a project which will receive financial assistance for other eligible units will be allowed to stay in their respective units. To prevent owners from evicting ineligible tenants before applying for the Program, the owner must certify that no tenant has been forced to move without cause during the previous six months.

3.0 PROPERTY ELIGIBILITY

3.1 CONDITIONS

A. No unit will be eligible if a household’s income exceeds the prescribed income limits (Attachment B).

B. Units to be rehabilitated must be located within the unincorporated areas of Humboldt County.

C. Property must contain a legal residential structure intended for continued residential occupancy. This may be a stick built home or a manufactured home on a permanent foundation.

D. All repair work will meet Local Building Code standards. The priority will be the elimination of health and safety hazards, and then code compliance. However, if certain components of the house are sound and were built to code prescribed at the time of installation, no repair or alteration will be made to those components. Section
8 Housing Quality Standards are required on rentals.

3.2 **ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of occupants or public danger or is otherwise undesirable because of the nature of the project. Relocated persons will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the Sponsor’s “Residential Anti-displacement and Relocation Assistance Plan” (Attachment C).

Owner-occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Program Operator. In cases where relocation is determined to be necessary by the Sponsor/Program Operator, assistance may be provided for actual costs incurred from the applicant’s loan proceeds or as a grant (see Section 4.4. for allowable grants).

3.3 **NOTIFICATION AND DISCLOSURES**

A. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows:

The Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Product Safety Commission will be given to all owners regardless of the cost of rehabilitation or paint test findings. If lead-based paint is found through testing or if presumed, a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When Lead hazards are present, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided (Attachment E).

B. Tenants located in properties that will receive housing rehabilitation will be provided a notice outlining their relocation rights and benefits (Attachment C).

C. 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.

D. 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.

4.0 **THE PROGRAM LOAN**

4.1 **MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. For CDBG funded programs the maximum assistance for rehabilitation/reconstruction will not exceed $50,000 per unit. Funds are subject to availability.
4.2 AFFORDABILITY PARAMETERS FOR HOMEOWNERS

A. Total indebtedness against property shall not exceed 100% of after-rehabilitation value as determined by “Estimates of value” and or appraisal. An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 4.5.

B. Any bid within 10% of the Program Operator’s estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

4.3 RATES AND TERMS

4.3.1 OWNER-OCUPANTS

A. Homeowners are eligible for Deferred Payment Loans (DPL), at three percent (3%) interest, evidenced by a Promissory Note and secured by a Deed of Trust, with no payback required for 30 years unless the borrower sells or transfers title or discontinues residence in the dwelling. Payments may be made voluntarily on a DPL. If it is determined by the Sponsor that repayment of a CalHome or CDBG Program loan at the maturity date causes a hardship to the homeowner, the Sponsor may opt the following:

1. Amend the note and deed of trust to defer repayment of the amount due at maturity, that is balance of the original principal plus the accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time;

2. Convert the debt at loan maturity; that is the balance of the original principal plus any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.

B. If the homeowner dies, and if the heir(s) to the property live(s) in the house and is/are income eligible, the heir(s) may be permitted, upon approval of the Sponsor, to assume the loan at the rate and terms the heir(s) qualifies for under current participation guidelines. CalHome loans are not assumable.

C. If the homeowner dies and the heir(s) is/are not income eligible, the loan becomes all due and payable.

D. If a homeowner converts the rehabilitated property to any residential-rental, commercial or non-residential use, the loan becomes all due and payable, unless they meet requirements outlined in Section 2.3.2.

E. As specified in the Rehabilitation Loan Agreement, all applicants who participate in the Program must maintain the property at post-rehabilitation conditions for the term of the loan. Should the property not be maintained accordingly, the loan shall be considered in default and becomes all due and payable, and if necessary, foreclosure
proceedings will be initiated. A method of inspection will be established by the Sponsor.

4.3.2. **OWNER-INVESTORS**
The rate and terms for an owner-investor may vary depending on the owner’s financial situation below are the options available:

A. **Amortized Loan - Below Market Interest Rate (BMIR) loan at 3 percent simple interest, secured by a deed of trust and with a maximum term of 15 years.**

B. **DPL for a Low-Mod owner-investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. DPL terms are the same as those described in 4.3.2.A. above.**

C. **Rent Limitation Agreement (RLA)**
   An owner-investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which will be recorded. This agreement will specify:
   
   1. **Maximum Rents.** In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.
   
   2. **Base Rent -- Vacant Unit.** If the house is vacant, rent charges shall not exceed 30 percent of 80 percent of the Sponsor median income for the appropriate household size in that unit. Owner-investor shall affirmatively seek low-mod households. Where such efforts do not result in eligible low-mod tenants, the owner-investor shall contact the Sponsor for guidance.
   
   3. **Base Rent -- Occupied Unit.** If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.
   
   4. **Terms.** BMIR finance will require rent limitation for a minimum of 5 years, and continue for the full term of the loan.
   
   5. **Verification.** Each year during the term of the Agreement, the borrower shall provide the Sponsor with a written list of current occupants' names and monthly rents by January 15th. The Sponsor may verify this information with the occupant.
   
   6. **Compliance.** Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be initiated.

D. **Maintenance Agreement**
As specified in the Rehabilitation Loan Agreement, an owner-investor who participates in the Program must maintain the property at post-rehabilitation conditions for the term of the loan(s). Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings may be initiated.
4.4 **GRANTS**

Grants may be available in when one of the following factors applies:

1. **Senior Citizen**
   a. Must be at least 62 years old
   b. Up to $5,000 in conjunction with a rehab loan

2. **Handicapped**
   a. For only handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed
   b. Up to $7,500.

3. **Lowest Targeted Income Group**
   a. With gross annual income less than 50 percent of County median income
   b. Up to $5,000 in conjunction with a loan

4. **Lead-Based Paint Costs**
   a. All actual costs of lead-based paint evaluation and reduction activities.
   b. Up to $5,000 in conjunction with a rehab loan

5. **Relocation assistance.** See Relocation Assistance Plan (Attachment C).
   a. Owner-Occupant – Limit of $2,000.
   b. Residential Tenant – Assistance will be provided at the level necessary to comply with the Uniform Relocation Act (URA) and Section 104(d) of the Housing and Community Development Act of 1974.

4.5 **APPRAISAL/VALUE**

A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The Sponsor or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance date, which is the date the promissory note is signed), and located within one mile of the subject property. The participants’ file will include the estimate of value and document the basis for the value estimates. If three comparable SOLD properties cannot be found, or if there is any question regarding the After-Rehab Value, the value will be determined by a licensed appraiser, as described in Section 4.5.B. below.

B. A licensed appraiser determines the After-Rehab Value for rehabilitation projects, when the “Estimates of value” method cannot be used. For rehabilitation projects the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. The cost of the appraisal will be paid by the Sponsor, not by the homeowner. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed 100% of the combined loan-to-value limit, as described in Section 4.2.A above.

4.6 **INSURANCE**

A. **FIRE INSURANCE.** The homeowner shall maintain fire insurance on the property for the duration of the program loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the Sponsor as Loss Payee for the amount of the program loan(s). A binder shall be provided to the County. Should the fire insurance not be maintained accordingly, the loan may be considered in default and become due and payable, and if necessary, foreclosure proceedings
may be initiated.

B. **FLOOD INSURANCE.** For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all other encumbrances. This policy must designate the Sponsor as Loss Payee and a binder shall be provided to the Sponsor and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

4.7 **LOAN SECURITY**
A. Loan security for all owner-occupied rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.

B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.

C. Entering a subordinate lien is acceptable. However, the Sponsor will not subordinate a first lien position once established.

5.0 **PROGRAM LOAN SERVICING AND MAINTENANCE**

5.1 **PAYMENTS ARE VOLUNTARY**
Borrowers may begin making voluntary payments at any time. No pre-penalties apply.

5.2 **RECEIVING LOAN REPAYMENTS**
A. Program loan payments will be made to:
   
   **City of Fortuna**
   Attn: Finance Department
   621 11th Street
   Fortuna, CA 95540

B. The Sponsor will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County’s appropriate Program Income Account. The Sponsor will accept loan payments from borrowers prepaying deferred loans, from borrowers making payments in full upon sale or transfer of the property, and homeowners of tenant occupied units. All loan payments are payable to the County. The Sponsor 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.

5.3 **LOAN SERVICING POLICIES AND PROCEDURES**
See Attachment D 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.

5.4 **LOAN MONITORING PROCEDURES**
Homeowners will be required to submit proof of occupancy in the form of a copy of a current utility bill between January 1 and March 1 of each year for the term of the loan. In addition for the term of the loan in order to verify that there is current insurance in place the county will be named additional insured.

5.5 DEFAULT AND FORECLOSURE
If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Loan Servicing Policy and Procedure, adopted by the County (Attachment D).

5.6 SUBORDINATIONS
Subordinations can only be done in conjunction with rehabilitation of the unit under the following circumstances:

A. The new primary loan is no greater than the balance of the loan being refinanced, except the costs of refinancing the loan may be added to the principal balance.

B. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner’s payment.

C. The refinanced loan must have an impound account for taxes and insurances.

D. There can be no cash out or refunded in escrow.

6.0 CONSTRUCTION

6.1 STANDARDS
A. All repair work will meet Local Building Code standards. Priority will be the elimination of health and safety hazard.

1. California Codes to consider, including amendments for:
   a. Building
   b. Plumbing
   c. Electrical

2. Local Ordinances to consider, including amendments for:
   a. Flood Management
   b. Geo-hazard Management
   c. Streamside Management, and
   d. Fire safe Ordinance

However, if a certain component of the house is sound and built to code prescribed at the time, no repair or alteration will need to be made.

B. Contracting Process
1. Contracting will be done on a competitive basis.

2. The homeowner will be the responsible agent, but the Sponsor and/or its Program Operator will prepare the work write-up, prepare and advertise the bid package, and assist the owner in negotiating the construction contract.
3. The Sponsor does not warrant any construction work, or provide insurance coverage.

C. Approved Contractors
1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' License Board.

2. Contractors will be checked against HUD’s list of federally debarred contractors. No award will be granted to a contractor on this list.

3. Contractors must have public liability and property damage insurance, and worker’s compensation, unemployment and disability insurance, to the extent required by State law, and name the County as additional insured.

4. Contractor must agree to comply with all federal and state regulations.

D. Owner/Builders must meet all above requirements and be pre-approved by the Sponsor. They will be the primary contractor on the job.

1. With careful consideration and written approval by the Sponsor, Homeowners may function as an owner/builder on the job. The loan amount will include all items in the accepted bid or in-house cost estimate, without sweat equity. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.

2. Once started the job must be completed as specified in the initial write-up.

3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.

4. An owner/builder will be required to have a valid contractor’s license to perform the rehabilitation work themselves.

E. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 3.3.A.

F. Units constructed prior to 1978 will be assumed to have lead, and be inspected according to the following HUD regulations. For specific guidance refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.

G. Green Building Alternative. Program participants will be given the option of a green building alternative. If they choose this option, any item that is within the scope of work may be repaired with the following items:

1. Use engineered Lumber
   a) Beams and Headers
   b) Wood I-Joists or web trusses for floors and ceilings
2. Use Oriented Strand Board (OSB) on floor, wall and roof sheathing
3. Provide effective air sealing
   a) Seal sole plates
   b) Seal exterior penetrations at plumbing, electrical and other penetrations
   c) Seal top plate penetrations at plumbing, electrical, cable and other penetrations
   d) Weather-strip doors and attic access openings
   e) Seal penetrations in interior equipment closets and rooms
   f) Seal around bathtub drain penetrations in raised floors
4. Install and flash windows in compliance with manufacturer’s recommended window installation protocols
5. Exterior doors shall be:
   a) Insulated or solid core
   b) Flush, paint or stain grade shall be metal clad or have hardwood faces.
   c) Factory primed on six sides with a one year warranty.
6. Select durable non-combustible roofing materials which carry a three-year contractor installation guarantee.
7. Install ENERGY STAR ® Ceiling Fans in living areas and all bedrooms; install a whole house fan with insulated louvers; or install an economizer.
8. Install ENERGY STAR ® built-in appliances in each unit, including but not limited to: dishwashers, refrigerators, and clothes washers.
9. Install gas storage water heater with an Energy Factor (EF) of .62 or greater and a capacity of at least 30 gallons for one- and two-bedroom units and 40 gallons for three-bedroom units.
10. Use water saving fixtures or flow restrictors.
    a) Kitchen and Service Areas <2 gallons per minute (gpm).
    b) Bathroom Sinks ≤ 1.5 gallons per minute (gpm).
    c) Showers and bathtubs ≤ 2.5 gallons per minute (gpm).
11. Use Low-VOC paint and stain.
    a) Flat interior wall/ceiling paints and stains < 50 gpl VOCs.
    b) Non-flat wall/ceiling paints and stains < 150 gpl VOCs.
12. Floor Coverings
    a) Light and medium traffic areas shall have vinyl or linoleum at least 3/32” in thickness.
    b) Heavy traffic areas shall have vinyl or linoleum at least 1/8” in thickness.
    c) Carpet shall comply with U.S. Department of Housing and Urban Development/Federal Housing Administration UM 44C, or alternatively, cork, bamboo, linoleum, or hardwood floors shall be provided in all other floor areas.

6.2 ELIGIBLE CONSTRUCTION COSTS
"Rehabilitation" means repairs and improvements to a substandard residential structure, including manufactured homes, necessary to make it meet rehabilitation standards. "Rehabilitation standards" means applicable state or local building or housing standards adopted pursuant to the State Housing Law. Rehabilitation includes replacing failed or
incipient repair items. Rehabilitation does not include replacement of personal property. Rehabilitation includes reconstruction.

“Reconstruction” means the demolition and reconstruction of an owner-occupied residential structure. Grantees must document that the reconstruction costs are less than newly constructed housing and that the estimated cost of the reconstructed housing (excluding demolition, site preparation and temporary relocation) is less than the fair market value of the reconstructed housing and land combined. Documentation will be maintained in each loan file by completing the Test for Reconstruction. The Test for Reconstruction will be included in projects using HOME funds.

Additionally, the Sponsor must determine that the project's value after reconstruction will exceed the value of the loans in total.

The residential structure to be reconstructed must be a structure with cooking, eating, sleeping, and sanitation facilities which has been legally occupied as a residence within the preceding 12 months. Fifth wheels or recreational vehicles, for example, are not considered dwellings and therefore are not eligible under this Program.

Like for like requires that the structure being demolished must be replaced with a like structure (replace manufactured housing with manufactured housing, for example). However, additions may be approved when required by Codes/Ordinances or to alleviate overcrowding (Attachment B).

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

Depending on the outcome of the Statutory Worksheet (Environmental test), a reconstructed project may require Authority from the State before funds are committed to the project.

Allowable rehabilitation\reconstruction costs include:

A. Cost of building permits and other related government fees.
B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
C. Rehabilitation or Replacement of a manufactured home not on a permanent foundation will not be allowed. Manufactured homes on permanent foundation will be allowed.
D. Rehabilitation of a manufactured home may include the replacement of the unit with a used manufactured home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.
E. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.
   1. Health and Safety Issues. Eligible costs include, but are not limited to, energy-related improvements, lead-based paint hazard evaluation and reduction activities,
improvements for handicapped accessibility, repair or replacement of major housing systems. A driveway may be considered part of rehabilitation if it is determined to be a health and safety issue.

2. **Code and Regulation Compliance.** Eligible costs include, but are not limited to, additional work required to rehabilitate and modernize a home, and bring it into compliance with current building codes and regulations. Painting and weatherization are included.

3. **Demolition.** Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

4. **Upgrades.** CDBG allows the addition of additional bedrooms and bathrooms if the need can be demonstrated per HUD’s overcrowding guidelines listed in Attachment B.

5. **General Property Improvements.** General Property Improvements are only allowed if the house has health and safety issues or code violations. Eligible costs include, but are not limited to, installation of a stove, refrigerator, and/or dishwasher; and repair or installation of fencing.

All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be limited to 15 percent of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced only due to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

Items that are not built in such as a refrigerator or a fence may only be replaced due to incipient failure or documented medical condition of the homeowner and must be of moderate quality. General property improvements for reconstruction would allow for the construction of a garage and/or a driveway.

6. **Rehabilitation Standards.** All repair work once stated will meet State and Local Building Code standards. The priority will be the elimination of health and safety hazards and code compliance.

7. **Green Building.** When elected green building alternatives may be used as enumerated in Section 6.1 G.

### 6.3 **Eligible Project Costs**

In addition to construction costs expenses related to the paperwork for processing and insuring a loan application are eligible project costs and may be included in the loan. These include:

- Appraisal
- Property Report/Title Insurance
- Building Plans
- Recording Fees
- Fire/Course of Construction Insurance
- Flood Insurance
- Disposal Bin
- Storage Expenses
- Termite Report
- Lead Paint Testing (not CalHome eligible)
- Land Survey Credit Report
- Grading Plan

Costs are based on charges incurred by the County, or its Program Operator, for these products and/or services.

Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the Sponsor for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g. planning, engineering, construction management, including inspections and work write-ups).

6.4 **REPAIR CALLBACKS**
Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

Once a Notice of Completion is filed any disagreements that may arise regarding warranties would be between the homeowner and the contractor.

6.5 **OWNER-BUILDERS**
The Sponsor will determine if a homeowner will be allowed to be an owner builder on a case by case basis in accordance with Section 6.1.D. Owner/builders must have a valid contractor's license to perform the rehabilitation work themselves.

6.6 **SWEAT EQUITY - PARTIAL WORK**
The Sponsor will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 6.1.E. Those performing a portion of the work, must demonstrate to the Sponsor they have capacity for that part of the work and there must be a Contractor with a valid contractor's license to perform the bulk of their rehabilitation work.

7.0 **EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

7.1 **AMENDMENTS**
The Sponsor may make amendments to these Program Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the City Council and submitted to the separate HCD Programs for approval.

7.2 **EXCEPTIONS**
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.

7.2.1 **PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

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

B. The Sponsor shall make a determination of the exception based on the recommendation of the Program Operator. The request may be presented to the County's governing body for decision.

8.0 **DISPUTE RESOLUTION AND APPEALS PROCEDURES**

8.1 **PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the County’s Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County. The Sponsor will then schedule a meeting with the homeowner and Program Operator’s staff. A written response will be made within fifteen (15) working days after that meeting. If the applicant is not satisfied with the decision, a request for an appeal may be filed with the County’s governing body. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

8.2 **GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR**

Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

“Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.”
INCOME INCLUSIONS

INCOME INCLUSIONS

(1) 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) The net income from 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, 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 paragraph (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) 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 (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;

(5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
(6) **Welfare Assistance.**

(a) Welfare assistance received by the family.

(b) 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 ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) **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; and

(8) **All regular pay, special pay, and allowances** of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

(9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph “financial assistance” does not include loan proceeds for the purpose of determining income.

*(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)*
INCOME EXCLUSIONS

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) 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) 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 paragraph (5) under Income Inclusions;

(4) 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 a live-in aide, as defined in 24 CFR 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

(8) Employment Training Funds
   (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

   (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-aside 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, child care, 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 owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident- initiative coordination. No resident may receive more than one such stipend during the same period of time; or

   (e) Incremental earnings and benefits resulting to any family member from
participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. 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.

(9) Temporary, nonrecurring, or sporadic income (including gifts);

(10) 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. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

(11) Earnings in excess of $480 for each full-time student 18 years or older excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;

(14) 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;

(15) 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 the developmentally disabled family member at home; or

(16) 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 set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

(a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);

(b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

(c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])
(d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);

(e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);

(f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);

(g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-04);

(h) 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 (25 U.S.C. 1407-1408);

(i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);

(j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42U.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;

(k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agent-product liability litigation, M.D.L. No. 381 (E.D.N.Y);

(l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);

(m) 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 (42 U.S.C. 9858q);

(n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);

(o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);

(p) Allowances, earnings, and payments to AmeriCorps participants under
the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

(q) 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 (38 U.S.C. 1805);

(r) 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 (42 U.S.C. 10602); and

(s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).
2015 MEDIAN FAMILY INCOME FOR HUMBOLDT COUNTY*
(Effective June 2015)

<table>
<thead>
<tr>
<th>Number of Persons in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% of AMI</td>
<td>$32,850</td>
<td>$36,400</td>
<td>$40,950</td>
<td>$45,500</td>
<td>$49,150</td>
<td>$52,800</td>
<td>$56,450</td>
<td>$60,100</td>
</tr>
</tbody>
</table>

*Sponsor will insert the limits for the county in which the Program is located, and 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/incNote.html](http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html)

CDBG STANDARDS FOR ROOM AND BATHROOM ADDITIONS
(This chart is used as a guide to overcrowding in CDBG Programs)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Maximum No. of Persons in the Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRO</td>
<td>1</td>
</tr>
<tr>
<td>0-BR</td>
<td>1</td>
</tr>
<tr>
<td>1-BR</td>
<td>2</td>
</tr>
<tr>
<td>2-BR</td>
<td>4</td>
</tr>
<tr>
<td>3-BR</td>
<td>6</td>
</tr>
<tr>
<td>4-BR</td>
<td>8</td>
</tr>
<tr>
<td>5-BR</td>
<td>10</td>
</tr>
<tr>
<td>6-BR</td>
<td>12</td>
</tr>
</tbody>
</table>

- Opposite sex children under 6 years of age may share a bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom, with no more than 2 per bedroom.
- Adults not in a partnership, may have their own bedroom
- 4 or more people - a second bathroom may be added*
- 8 or more people - a third bathroom may be added*
- Same rules apply to mobile home units.

*this is CDBG best practice
The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require all grantees of Community Development Block Grant (CDBG) funds or Home Investment Partnership (HOME) funds to follow a written Residential Anti-displacement and Relocation Assistance Plan (Plan) for any activities which could lead to displacement of occupants whose property is receiving funds from these or other federal funding sources. Having been developed in response to both aforesaid federal legislations, this Plan is intended to inform the public of the compliance of the City of Fortuna (and its Program Operator) with the requirements of federal regulations 24 CFR 570.606 under state recipient requirements and Section 104(d) of the Housing and Community Development Act of 1974 and 24 CFR 92 of the HOME federal regulations. The Plan will outline reasonable steps, which the County will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The County’s governing body has adopted this plan via a formal resolution.

This Plan will affect rehabilitation activities funded by the U.S. Department of Housing and Urban Development (HUD) under the following program titles: HOME, CDBG, Urban Development Action Grant (UDAG), Special Purpose Grants, Section 108 Loan Guarantee Program, and such other grants as HUD may designate as applicable, which take place within the County’s jurisdiction limits.

The County will provide permanent relocation benefits to all eligible "displaced" households either owner occupied or rental occupied units which are permanently displaced by the housing rehabilitation program (See Section E below.). In addition, the County will replace all eligible occupied and vacant occupiable low income group dwelling units demolished or converted to a use other than low income group housing as a direct result of rehabilitation activities. This applies to all units assisted with funds provided under the Housing and Community Development Act of 1974, as amended, and as described in the Federal Regulations 24 CFR 570.496(a), Relocation, Displacement and Acquisition: Final Rule dated July 18, 1990 (Section 104(d)) and 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Regulations Final Rule and Notice (URA) dated March 2, 1989.

All County programs/projects will be implemented in ways consistent with the County’s commitment to Fair Housing. Participants will not be discriminated against on the basis of race, color, religion, age, ancestry, national origin,
sex, familial status, or handicap. The County will provide equal relocation assistance available: 1) to each targeted income group household displaced by the demolition or rehabilitation of housing or by the conversion of a targeted income group dwelling to another use as a direct result of assisted activities; and 2) to each separate class of targeted income group persons temporarily relocated as a direct result of activities funded by HUD programs.

A. Minimizing Permanent Displacement and Temporary Relocation Resulting from Housing Rehabilitation or Reconstruction Activities

Consistent with the goals and objectives of activities assisted under the Act, the County will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:

1. Provide proper notices with counseling and referral services to all tenants so that they understand their relocation rights and receive the proper benefits. When necessary assist permanently displaced persons to find alternate housing in the neighborhood.

2. Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.

3. Encourage owner investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during the course of rehabilitation or pay expenses on behalf of replaced tenants.

4. Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.

5. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities.

B. Lead Based Paint Mitigation Which Causes Temporary Relocation:

On September 15, 2000, the Final Rule for Lead Based Paint Hazard Control went into effect. Among other things, it requires that federally-funded rehabilitation must use safe work practices so that occupants and workers can be protected from lead hazards. **At no time should the tenant-occupant(s) be present in work areas or designated adjacent areas while LHC activities are taking place in any dwelling unit interior, common area, or exterior.** As such, occupants may not be allowed to remain in their units during the time that lead-based paint hazards are being created or treated. Once work that causes lead hazards has been completed, and the unit passes clearance, the occupants can return. **The tenant-occupants may not reoccupy a work area or adjacent area until**
post-lead hazard reduction clearance standards have been achieved and verified with laboratory results. The final rule allows for certain exceptions: programs:
1. The work will not disturb lead-based paint, or create dust-lead or soil-lead hazard; or
2. The work is on exterior only and openings are sealed to prevent dust from entering the home, the work area is cleaned after the work is completed, and the residents have alternative lead free entry; or
3. The interior work will be completed in one period of less than 8-daytime hours and the work site is contained to prevent the release of dust into other areas of the home; or
4. The interior work will be completed within five (5) calendar days, the work site is contained to prevent the release of dust, the worksite and areas within 10 feet of the worksite are cleaned at the end of each day to remove any visible dust and debris, and the residents have safe access to kitchen and bath and bedrooms.

If temporary relocation benefits are not provided because the County believes that the project meets one of the above criteria, then proper documentation must be provided in the rehabilitation project file to show compliance. It is up to the County to ensure that the owner occupant or tenant in the project does not get impacted by lead paint mitigation efforts. In most cases where lead paint mitigation is taking place, occupants (tenants or owners) will be strongly encouraged to relocate even for just a few days until a final lead clearance can be issued by a certified lead based paint assessor. Occupants who are temporarily relocated because of lead based paint mitigation are entitled to the same relocation benefits as those who are relocated because of substantial rehabilitation or reconstruction activities.

B. Temporary Relocation of Owner Occupants:
Owner occupants are not allowed to stay in units that are hazardous environments during lead based paint mitigation. When their home is having lead based paint mitigation work done which will not make it safe to live in, then they are eligible for temporary relocation benefits up to $3,000, which will be provided as a grant. In the same way, a unit requiring substantial rehabilitation (with or without lead based paint mitigation) which will not allow the family to access a bath or kitchen facility, or if the unit is being demolished and reconstructed, then the family will be eligible for temporary relocation benefits up to $3,000, which will be provided as a grant. In no case shall the grant for temporary relocation exceed $3,000 for any one-owner occupant.
Owner occupants will be encouraged to move in with family or friends during the course of rehabilitation, since they are voluntarily participating in the program. The housing rehabilitation loan specialist and/or the rehabilitation construction specialist will complete a temporary relocation benefits form (See Appendix C) to document that the owner occupant understands that they must relocate during the course of construction and what benefits they wish to be reimbursed for as part of their relocation.

C. Temporary Relocation of Residential Tenants:
If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenant or the public, or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. The contract administrator or rehabilitation specialist will make determination of the need for temporary relocation. The temporary relocation period will not exceed 180 days. All conditions of temporary relocation will be reasonable. Any tenant required to relocate temporarily will be helped to find another place to live which is safe, sanitary and of comparable value and they have the first right to move back into the original unit being rehabilitated at the same rent or lower. He or she may move in with family and friends and still receive full or partial temporary assistance based on eligible cost incurred. The housing rehabilitation loan specialist and/or the rehabilitation specialist will ensure that each tenant occupied unit under the program will receive a General Information Notice (GIN) (as soon as possible after a loan application is received) and the tenant will receive a Notice of Non-displacement (after loan approval), and each tenant occupied unit will have a temporary relocation benefits form completed for them. (See Appendix C). These notices will document that each tenant understands what their relocation rights are, and if they must relocate during the course of construction, that they receive the proper counseling and temporary relocation benefits.

A tenant receiving temporary relocation shall receive the following:

1. Increased housing costs (e.g. rent increase, security deposits) and

2. Payment for moving and related expenses, as follows:
   a. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;

   b. Packing, crating, unpacking, and uncrating of personal property;

   c. Storage of personal property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;
d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;

e. Insurance for the replacement value of personal property in connection with the move and necessary storage;

f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft or damage is not reasonably available;

g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;

h. Any costs of credit checks required to rent the replacement dwelling;

i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expenses: 1) Interest on a loan to cover moving expenses; or 2) Personal injury; or 3) Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant before the Grantee; or 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

D. Rehabilitation Activities Requiring Permanent Displacement

The County’s rehabilitation program will not typically trigger permanent displacement and permanent displacement activities fall outside of the scope of this plan. If a case of permanent displacement is encountered, then the staff responsible for the rehabilitation program will consult with County’s legal counsel to decide if they have the capacity to conduct the permanent displacement activity. If local staff does not have the capacity, then a professional relocation consultant will be hired to do the counseling and benefit determination and implementation. If local staff does wish to do the permanent displacement activity then they will consult and follow the HUD Relocation Handbook 1378.

E. Rehabilitation Which Triggers Replacement Housing

If the County’s rehabilitation program assists a property where one or more units are eliminated then under Section 104 (d) of the Housing and Community Act of 1974, as amended applies and the County is required to replace those lost units. An example of this would be a duplex unit, which is converted into a single-family unit. In all cases where
rehabilitation activities will reduce the number of housing units in the jurisdiction, then the County must document that any lost units are replaced and any occupants of reduced units are given permanent relocation benefits. (This does not apply to reconstruction or replacement housing done under a rehabilitation program where the existing unit(s) is demolished and replaced with a structure equal in size without in loss number of units or bedrooms.)

Replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the County to provide funds for an activity that will directly result in such demolition or conversion, the County will make this activity public (through a noticed public hearing and/or publication in a newspaper of general circulation) and submit to the California Department of Housing and Community Development or the appropriate federal authority the following information in writing:

1. A description of the proposed assisted activity;

2. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as targeted income group dwelling units as a direct result of the assisted activity;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;

5. The source of funding and a time schedule for the provision of the replacement dwelling units;

6. The basis for concluding that each replacement dwelling unit will remain a targeted income group dwelling unit for at least 10 years from the date of initial occupancy; and,

7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit with two one-bedroom units) is consistent with the housing needs of targeted income group households in the jurisdiction.

The Program Operator for the County is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The County is responsible for ensuring requirements
are met for notification and provision of relocation assistance, as described in Section 570.606, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

E. Record Keeping and Relocation Disclosures/Notifications

The County will maintain records of occupants of federally funded rehabilitated, reconstructed or demolished property from the start to completion of the project to demonstrate compliance with section 104(d), URA and applicable program regulations. Each rehabilitation project, which dictates temporary or permanent or replacement activities, will have a project description and documentation of assistance provided. (See sample forms in HUD Relocation Handbook 1378, Chapter 1, Appendix 11, form HUD-40054).

Appropriate advisory services will include reasonable advance written notice of (a) the date and approximate duration of the temporary relocation; (b) the address of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period; (c) the terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling.

Notices shall be written in plain, understandable primary language of the persons involved. Persons who are unable to read and understand the notice (e.g. illiterate, foreign language, or impaired vision or other disability) will be provided with appropriate translation/communication. Each notice will indicate the name and telephone number of a person who may be contacted for answers to questions or other needed help. The notices and process below is only for temporary relocation. If permanent relocation is involved then other sets of notice and noticing process and relocation benefits must be applied (See HUD relocation handbook 1378 for those forms and procedures) The Temporary Relocation Advisory Notices to be provided are as follows:

1. General Information Notice: As soon as feasible when an owner investor is applying for Federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered a General Information Notice that the project has been proposed and that the tenant will be able to occupy his or her present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not exceed current rent or 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that the rehabilitation can be completed, suitable housing will be made available and he or she will
be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons. See Exhibit A for sample notice to be delivered personally or by certified mail.

2. Notice of Non Displacement: As soon as feasible when the rehabilitation application has been approved, the tenant will be informed that they will not be permanently displaced and that they are eligible for temporary relocation benefits because of lead based paint mitigation or substantial rehabilitation, or reconstruction of their unit. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance. See Exhibit B for sample notice to be delivered personally or by certified mail.

3. Disclosure to Occupants of Temporary Relocation Benefits: This form is completed to document that the County is following its adopted temporary relocation plan for owner occupants and tenants. See Exhibit C for a copy of the disclosure form.

4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the County is attempting to provide permanent displacement benefits then there are a number of other forms which are required. Staff will consult HUD’s Relocation Handbook 1378 and ensure that all the proper notices are provided for persons who are permanently displaced as a result of housing rehabilitation activities funded by CDBG or other federal programs.
Dear __________,

On ___(date)___, (property owner) submitted an application to the ______ ______ for financial assistance to rehabilitate the building which you occupy at ___(address)___.

This notice is to inform you that, if the assistance is provided and the building is rehabilitated, you will not be displaced. Therefore, we urge you not to move anywhere at this time. (If you do elect to move for reasons of your choice, you will not be provided relocation assistance.)

If the application is approved and Federal assistance is provided for the rehabilitation, you will be able to lease and occupy your present apartment (or another suitable, decent, safe and sanitary apartment in the same building) upon completion of the rehabilitation. Of course, you must comply with standard lease terms and conditions.

After the rehabilitation, your initial rent, including the estimated average monthly utility costs, will not exceed the greater of (a) your current rent/average utility costs, or (b) 30 percent of your gross household income. If you must move temporarily so that the rehabilitation can be completed, suitable housing will be made available to you for the temporary period, and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in housing costs.

Again, we urge you not to move. If the project is approved, you can be sure that we will make every effort to accommodate your needs. Because Federal assistance would be involved, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

This letter is important and should be retained. You will be contacted soon. In the meantime, if you have any questions about our plans, please contact (name) , ___(title)___, at ___(telephone number)___, (address) _____________.

Sincerely,

(name)  
(title)
Dear [Name]:

On [date], we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On [date], the owner's request was approved, and the repairs will begin soon.

This is a notice of non-displacement. You will not be required to move permanently as a result of the rehabilitation. This notice guarantees you the following:

1. You will be able to lease and occupy your present apartment [or another suitable, decent, safe and sanitary apartment in the same building/complex] upon completion of the rehabilitation. Your monthly rent will remain until after construction is completed. If increased after construction is done, your new rent and estimated average utility costs will not exceed local fair market rents for your community. Of course, you must comply with all the other reasonable terms and conditions of your lease.

2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact [Name], [Title], at [Phone #], [Address]. Remember; do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

[Name and Title]
DISCLOSURE TO OCCUPANT OF TEMPORARY RELOCATION BENEFITS

Top to be completed at time of loan application submittal or Home Visit

Property Address: ________________________________

__ Rental Unit    __Owner/Occupied Unit

The rehabilitation loan specialist working on behalf of the City/County of __________________________

________________________ has explained the temporary relocation services and benefits available under the current rehabilitation program relocation plan.

I/we have been advised that the City/County of _______________ rehabilitation construction specialist will inform me if I need to be temporarily relocated and will to assist me with scheduling any necessary moves and answer any questions about assistance as needed.

Acknowledged:

Occupant Signature  Occupant Signature  Date

______________________  ________________  ____________

Complete this at time of acceptance of Work Write Up with initials by occupant

The rehabilitation construction specialist for the City/County of __________________________

has explained the Rehabilitation Scope of Work for our house and I/we agree that it will:

____ Not require I/we to be relocated. (If initialed then STOP here and sign bottom.)

____ Yes, I/we need to be temporarily relocated. (Complete rest of form if initialed.)

Start date and duration of relocation:

____ Starting on or about _______ we will move for all or part of the rehabilitation project.

____ Approximate length of temporary relocation: _______ Number of days.

For temporary relocation, I/We elect to (check all that apply):

____ Relocate with friends and family.

____ Relocate into a suitable temporary housing unit identified by rehab specialist.

____ Relocate furnishings only into a temporary storage unit.

____ I/We have been told what our relocation benefits are and elect Not to be reimbursed for any eligible relocation expenses.

____ I/We have been told what our relocation benefits are and want to be reimbursed for:

By signing, occupant(s) acknowledge receipt of copy of this form:

Occupant Signature  Occupant Signature  Date

______________________  ________________  ____________
CITY OF FORTUNA

LOAN SERVICING POLICIES AND PROCEDURES

The City of Fortuna, hereafter called “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties, whose “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) process 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 due 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 second mortgage. 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 with an endorsement naming the City of Fortuna as additional insured will be required at close of escrow. The lender will 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, if possible. 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 owner-occupant loans the Lender will verify the Borrower is the primary occupant, via utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, 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, and the original legal documents allow it, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant (depends on the HCD program).

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 income eligible. 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.

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
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.

   Also, provisions of Section 5.2 and 5.3 of these guidelines still apply, which state that the loan must:
   1. be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
   2. not have a temporary interest rate buy-down;
   3. have a term “all due and payable” in no fewer than 30 years; and;
   4. Not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, the request will be considered 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) change in title or use without approval; 4) 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. **Short Sale Policy**

   **State Recipients may approve short sales without state approval.** However, when conducting routine monitoring, the State will review the files for short sale requests to ensure the requirements of this memo have been met.

   The State Recipient has three major sets of responsibilities. First, the State Recipient must counsel the borrower as to their best interests. Second, the State Recipient must be a prudent lender. Third, the State Recipient must follow federal regulatory requirements. The State expects the State Recipient to fulfill all three sets of responsibilities.

   In their first set of responsibilities, to counsel the borrowers as to their best interests, the State Recipient must take the following actions:
   - **Assist the borrower to retain their home.** This involves a discussion with the borrower of the reasons why the borrower is requesting a short sale, a discussion of alternatives to short sale such as loan modifications, and counseling the borrower about the possible tax consequences of a short sale. This discussion does not replace professional foreclosure counseling.
   - **Discuss with the borrower the advantages of remaining in the home (such as having, stable, affordable housing payments) versus other options such as renting where the rent may be higher than the mortgage payments and may go up over time.**
   - **Discourage the short sale if borrowers have affordable housing payments and appear to be seeking a short sale simply to escape what may be a temporary “under-water” situation.**

   In their second set of responsibilities, as prudent lender, a State Recipient asked to approve a short sale must take the following actions:
• If it is not possible for the borrower to retain their home, recover loan proceeds to the extent possible
• Verify that the proposed sales price is approximately fair market value
• Negotiate the best possible “deal” with the first lender, e.g. some communities have reported that first lenders routinely allow $2,000 to $3,000 of the first lender’s proceeds to go to the State Recipient in short sale situations
• Ensure the following documentation is in the file for later State review:
  • A description of the State Recipient’s discussions with the borrower, addressing all of the issues identified above.
  • An estimate of fair market value
  • A description of the State Recipient’s negotiations with the primary lender
  • Documents pertaining to the escrow

In the State’s view, this language requires the State Recipient, after exhausting all reasonable efforts to counsel the borrower and recover loan proceeds, to allow a borrower to sell their home without having to repay the State Recipient any more than net proceeds. In a short sale scenario, other lenders, realtors and escrow agents will require the State Recipient’s approval for the short sale to proceed. This approval cannot be withheld if the State Recipient has provided the necessary counseling and has worked to recover loan proceeds to the extent possible.

If a mortgage debt is cancelled or forgiven, the canceled amount may be taxable for the borrower. The State Recipient should direct the borrower to seek the assistance of a tax consultant or attorney who can provide qualified advice regarding the potential taxable obligation. The Mortgage Forgiveness Debt Relief Act of 2007 (currently applies to debt forgiven in 2007 through 2012) may allow the borrower to exclude all or a portion of the canceled debt from taxation. A link to IRS’ website that discusses the Act is: http://www.irs.gov/individuals/article/0,,id=179414,00.html. California has a similar forgiveness law that excludes forgiven debt from state tax and conforms to the federal act. The State Recipient must file IRS Form 1099-C for each loan that is canceled or forgiven.

9. **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.

Any transaction that involves a shortage in the repayment of the HOME promissory Note amount requires HCD review prior to the State Recipient’s approval of the short sale.

The Short Sale Request form (available online) must be submitted electronically to the jurisdiction’s HOME, CDBG, or CalHome Program Representative along with a Preliminary Title Report (current ALTA policies may also be used). Additional supporting documentation may be required after the request form and preliminary title report have been received.

HCD will review and approve/disapprove the Request, which outlines the circumstances of a household’s short sale, but not the short sale itself. Since the State Recipient is the lien holder, all short sale transaction terms must be negotiated and approved by the State Recipient. The Short Sale Request, HCD approval and all supporting documents must be maintained by the jurisdiction in the project file.
# ATTACHMENT E

## Lead-Based Paint

**Visual Assessment, Notice of Presumption, And Hazard Reduction Form**

### Section 1: Background Information

<table>
<thead>
<tr>
<th>Property Address:</th>
<th>No LBP found or LBP exempt □</th>
</tr>
</thead>
</table>

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 and Acknowledgement of Receipt of pamphlet *Protection Your Family from Lead in Your Home.*

**Printed Name:**  
**Signature:**  
**Date:**

### Section 6: Contact Information

<table>
<thead>
<tr>
<th>Organization:</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Contact Name:</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Address:</th>
<th></th>
</tr>
</thead>
</table>

| Phone: |  |
City of Fortuna

Community Development Block Grant
Microenterprise Financial Assistance Program

Adopted November 2015
# TABLE OF CONTENTS

1. **INTRODUCTION** ................................................................. 1

2. **MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW**
   1. Program Administration ......................................................... 1
   2. Program Service Area ............................................................. 1
   3. Funding Source for Loans and Grants ......................................... 2

3. **CDBG PROGRAM REQUIREMENTS**
   1. Eligible Program Applicants .................................................... 2
   2. Ineligible Program Applicants .................................................. 2
   3. Eligible Use of Funds ............................................................. 2
   4. Ineligible Use of Funds .......................................................... 3
   5. Microenterprise Technical Assistance Availability ....................... 3
   6. Meeting Microenterprise Definition Requirement ....................... 3
   7. Meeting CDBG National Objective Requirement ....................... 3
   8. Other CDBG Federal Laws and Regulations .............................. 4

4. **APPLICATION PROCESSING FOR LOANS / GRANTS**
   1. Program Marketing and Outreach ............................................. 5
   2. Equal Opportunity Compliance .............................................. 6
   3. Loan Application Process ...................................................... 6
   4. Program Loan Approval Committee (LAC) ................................. 6
   5. Loan Applicant Confidentiality .............................................. 6
   6. Dispute Resolution/Appeals Procedure .................................. 6
   7. Exceptions / Special Circumstances ....................................... 7
   8. Loan Closing Process and Disbursing Funds ............................ 7

5. **LOAN TERMS AND SECURITY**
   1. Two Types of Financial Assistance ......................................... 7
   2. Loan Terms and Fees .......................................................... 8
   3. Collateral and Security Requirement ...................................... 8
   4. Loan Security Position ........................................................ 8
   5. Loan-to-Value Ratio ............................................................ 8
   6. Debt Service Coverage ........................................................ 8

6. **LOAN UNDERWRITING PROCESS**
   1. General Credit Requirements ............................................... 9
   2. Management Capacity Market Demand .................................. 9
   3. Additional Project Underwriting Criteria ................................. 9

7. **LOAN SERVICING**
   1. Loan Collection and Servicing ............................................. 10
8. **GRANTS FOR MICRO BUSINESS EXPANSION**
   1. Small Grants for Limited Expansion Activities .............................................. 11
   2. Underwriting and Administration of Grants .................................................. 11

**ATTACHMENT A:** GRANTEE’S EXECUTED RESOLUTION ADOPTING GUIDELINES

**ATTACHMENT B:** MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION FORMS

**ATTACHMENT C:** SAMPLE LOAN AND GRANT AGREEMENT FORMS

**ATTACHMENT D:** GRANTEE’S SAMPLE BUSINESS LOAN SERVICING POLICIES
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM GUIDELINES

1.0 INTRODUCTION
The City of Fortuna, hereafter referred to as the “Grantee” has established a microenterprise financial assistance program, hereafter called the “Program.” The Program is designed to stimulate economic growth and create businesses that will improve the living conditions of residents in the community. The Program provides affordable financing to eligible businesses to start up or expand. The Program is useful for small startup businesses as the loan or grant terms are flexible and can be tailored to the needs of the business. These financial assistance guidelines have been formally adopted by the Grantee and approved by the California Department of Housing and Community Development, hereafter called the “Department.” See Attachment A for a copy of the adopting resolution.

2.0 MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATION
The Grantee will hire a Program Administrator. The Program Administrator will:

- Originate microenterprise financial assistance loans and/or grants;
- Market the Program;
- Accept and process applications;
- Complete 24 Code of Federal Regulations Part 5 Income Eligibility qualification and document an adequate number of employees;
- Underwrite and recommend approval of loans and grants;
- Ensure a timely loan closing and disbursement of funds;
- Maintain loan files and fiscal records;
- Administer state grants and program income used to fund this program; and
- Work with program participants and ensure compliance with these program guidelines.

The Grantee’s Administrator will serve as the primary contact with the Department. The Grantee will follow these adopted program guidelines.

2.2 PROGRAM SERVICE AREA
Financing under this Program is available to all eligible businesses or persons located in the Grantee’s jurisdictional limits. Financing under this Program may be made available to City of Fortuna residents. These CDBG funds may not be used in entitlement jurisdictions that receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD) entitlement program. Funds may not be provided to program participants outside of Grantee’s jurisdiction without Department written approval.

2.3 FUNDING SOURCE FOR LOANS AND GRANTS
The Program is paid for with CDBG funds provided by HUD to the Department. As such, these funds have a number of federal requirements that must be met, as described below. CDBG funds are either awarded to the Grantee through a competitive NOFA process or originate from local CDBG program income (PI) funds administered under the Grantee’s PI Reuse Plan approved by the Department in writing.
3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE PROGRAM APPLICANTS
All eligible applicants must meet the definition of a microenterprise. For CDBG purposes:

- A microenterprise is defined as a commercial enterprise that has five (5) or fewer employees, one or more of whom owns the enterprise; or

- Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.

Eligible applicants must have a physical business address in the program service area. Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the program service area.

Eligible applicants documented as meeting the definition of microenterprise are hereafter referred to as "program participants."

3.2 INELIGIBLE PROGRAM APPLICANTS
An ineligible existing business applicant is one that has a physical business location outside of the service area. An ineligible person applying for the program is one with a residence outside of the service area. Nonprofits are not an eligible microenterprise business. An applicant not currently participating in a microenterprise TA or financial assistance program offered in the same service area as this program is not eligible.

3.3 ELIGIBLE USE OF GRANT OR LOAN FUNDS
The Grantee will review the project scope of work proposed by the business. The Grantee and the loan/grant applicant will collect third party cost estimates for all project costs at the application stage. CDBG funds are restricted to certain eligible costs, such as:

- Operating capital for staff salaries or leasing space;
- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment (FF&E);
- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards; and
- Marketing materials and advertising with website development and servicing.

3.4 INELIGIBLE USE OF FUNDS
Funds under this Program will not reimburse expenses incurred prior to Grantee approval of loan or grant. Program funds will not be used to pay off non-business debt, such as personal credit cards not associated with the business. Loan funds may not be used for personal expenses such as buying a
new family car or making repairs to a participant’s home. CDBG funds may not be shifted from one approved type of cost to another without resubmitting to the Grantee for approval. Funds may not be used to support other businesses in which the borrower may have an interest.

3.5 MICROENTERPRISE TECHNICAL ASSISTANCE AVAILABILITY
The Grantee will require all loan applicants for this Program to attend one or more technical assistance (TA) classes offered by a Grantee-approved local Small Business Development Center (SBDC) or other local private for profit/nonprofit business development agency. Each applicant must have a letter of recommendation from the local SBDC or approved TA agency which states, at a minimum, that the applicant has completed or updated a professional business plan, has adequate management capacity and a defined financial management system in place to operate the existing or proposed business successfully. The local business development agency will confirm that the business and the owner are both financially sound and possess the capacity to execute the new business plan in order to be successful with the use of CDBG funds.

3.6 MEETING CDBG MICROENTERPRISE DEFINITION REQUIREMENT
Loan applicants for this Program must meet the CDBG definition of a microenterprise business. The CDBG definition is a business that has five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term “employee” includes all owners of the business on the payroll, even if the owner’s “salary draws” are not on a regular basis. The Grantee will require the business to provide third-party records documenting the current number of employees on the payroll, including all owners of the business. To be eligible for CDBG microenterprise financial assistance, the microenterprise business owner(s) must also be income eligible per Section 3.7 of these guidelines.

3.7 MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT
Under federal regulations, use of CDBG funds for microenterprise activities must meet the national objective of benefit to low/moderate income persons under the Limited Clientele definition. As such, all microenterprise owners must be documented as meeting HUD’s low/moderate income definition prior to receiving any Program services. This is in addition to meeting the “definition” of a microenterprise, as described above in Section 3.6. The Grantee will verify the microenterprise owner(s) meet HUD’s low/moderate income requirement by completing the Part 5 income verification process. Financial assistance program applicants must submit documentation to complete the Part 5 income verification process to determine program eligibility. (Separate files will be maintained by the Grantee for each CDBG Microenterprise Program).

As with other microenterprise program activities, if the Grantee determines that the applicant income information is not accurate and the program participant is over HUD’s income limits, then all Program services must cease immediately.

3.8 OTHER CDBG FEDERAL REGULATIONS
There are a number of other federal laws and state regulations that are triggered with use of CDBG funding. The Grantee, if applicable, will take the lead and ensure compliance with these requirements. Any impacts on a proposed project will be explained at the time of loan application screening so that the loan applicant knows and understands how the project might be impacted by these overlays.
An environmental review is required by HUD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any activities commencing with the business and the review must encompass all aggregated activities for the business. The environmental review will comply with HUD’s regulations regarding the National Environmental Policy Act (NEPA). The Grantee is required to complete and certify the NEPA review along with any State environmental review under California’s Environmental Quality Act (CEQA). The level of environmental review is determined by the type of proposed project and the associated activities. The loan applicant will be informed of any additional loan processing time due to the NEPA review. No costs will be charged to the applicant for this process.

Federal Davis-Bacon regulations and related compliance Acts are required when utilizing CDBG funding for construction which may add additional costs to projects. In addition, state prevailing wage may be triggered with the use of CDBG funding. The Grantee will work with applicants to ensure that funded business projects are in compliance with state and federal prevailing wage laws. Applicants will be informed of any additional time, costs or administrative work required due to the prevailing wage regulations and any additional costs may be incorporated into the business loan.

Federal acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The Grantee will work with loan applicants to ensure that the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Federal regulations require the use of CDBG program income (PI) first when the Grantee is operating a loan program activity with an open grant that is the same as an existing PI revolving loan account (RLA) activity.

All businesses receiving funds under this Program will be required to obtain a Dun and Bradstreet DUNS number. The DUNS number is free and can be obtained online. A copy of the printout with the applicable DUNS number should kept in the program participant file.

Verification must be provided to the Grantee that all businesses and participants are not on the federal debarred list.

The Department requires the Grantee collect certain income and demographic data from all Program applicants and participants.

No conflict of interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program.

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.
Exceptions to this policy can be made only after Grantee’s legal counsel makes a written determination that potential conflicts are acceptable.

4.0 PROGRAM OPERATIONS AND LOAN PROCESSING

4.1 PROGRAM MARKETING AND OUTREACH
Program marketing will be conducted by the Grantee or the Program Operator. Examples of marketing include media coverage with advertisements in local media, distribution of marketing brochures and presentations to local chamber of commerce and business networking organizations, elected bodies, real estate groups, local commercial banks, etc. The SBDC will be used as a referral agency.

4.2 EQUAL OPPORTUNITY COMPLIANCE
This Program will be implemented in ways consistent with the Grantee’s commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

4.3 LOAN APPLICATION PROCESSING
Loan applications will be processed on a first come, first served basis after the microenterprise has received adequate technical assistance required under this program. See Attachment B for microenterprise financial assistance application forms. The Grantee will accept loan applications and review for income eligibility, number of employees and financial viability. Applications that do not meet basic requirements of the Program will be returned with an explanation of needed requirements. The Grantee will interview the applicants and review the application for funding in combination with these program guidelines. A site visit may be conducted if the business is in operation. The Grantee will compile a loan package with all the credit, financial, and underwriting information required for loan analysis. All loan documents from application through loan approval and disbursement of CDBG funds will be contained in a project file for future monitoring by the Department.

4.4 PROGRAM LOAN ADVISORY COMMITTEE
The Loan Advisory Committee (LAC) shall be responsible for reviewing funding proposals and making recommendations on loan terms and approval to the Grantee. The LAC shall be two members of Fortuna staff assigned by the City Manager and the Program Administrator.

LAC loan review will take place for each loan applicant prior to funding. LAC meetings will be scheduled by Administrator once a loan has been underwritten and is ready for review and approval. LAC members are responsible for reviewing each loan application funding proposals and making recommendations to the Grantee on loan terms and approval. LAC may request additional information and/or attach contingencies for final approval and loan closing. A quorum of the LAC should be in attendance for loan review. A quorum will consist of a simple majority of the appointed committee.

4.5 LOAN APPLICANT CONFIDENTIALITY
All personal and business financial information will be kept confidential. Program participant files with
personal and business confidential information will be kept in locked cabinets.

4.6 DISPUTE RESOLUTION/APPEALS PROCEDURE
Any person applying for a financial assistance loan through the CDBG program has the right to an appeal if their application is denied. The appeal must be made in writing to the Grantee within 90 days of the date of application denial. A written response to the appeal will be provided to the applicant by the Grantee within 30 days of receipt of the applicant’s appeal letter.

4.7 EXCEPTIONS / SPECIAL CIRCUMSTANCES
Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines.

4.8 LOAN CLOSING PROCESS
Upon local LAC and City approval, submittal of the CDBG Loan/Grant Certification Form to HCD and meeting of all special conditions of funding, the Grantee will prepare for the loan closing.

Local title companies may process all loan closings, especially when real property is being secured. The Grantee will prepare the escrow loan closing documents; prepare title and lien searches; and UCC-1 filings, as appropriate. Escrow loan closing costs may be paid with Program funds. After closing, the Grantee requests funds from the Department or local finance department (depending on the source of funds; open grant or local program income funds).

All agreements and documents should be reviewed by the Grantee’s legal counsel, as necessary. See Attachment C of these guidelines for the Grantee’s Sample Loan and Grant Agreement Forms.

CDBG funds will only be disbursed for reimbursement to the borrower for documented eligible project expenses or may be paid directly to third party vendors for project costs. Ongoing operating costs for the business for working capital will be reimbursed based on monthly documented costs.

5.0 LOAN TERMS AND SECURITY

5.1 TWO TYPES OF FINANCIAL ASSISTANCE
Eligible microenterprise businesses may be awarded up to $50,000 in loan funds with this Program. Loans made with this Program require repayment. If a loan applicant requires more than $50,000, the applicant may be eligible for a business assistance loan, which requires job creation.

Grants funds may also be awarded with this Program. Grants of up to $10,000 are allowable under CDBG guidelines for eligible microenterprise businesses/owners that are not able to afford or support a loan. An applicant may not receive both a grant and a loan simultaneously with this program. If a business receives a grant and is successful, such that the business documents the ability to support debt, a financial assistance loan application may be processed. Grant applicants receive the same review and analysis of financial feasibility of the business and personal financials, but loan rates and terms with collateral and security do not apply. The purpose of grants will be to assist the eligible microenterprise owner to scale up the business so that it is financeable. Examples of eligible uses of grant funds include:

- Technical assistance or training that is essential to developing the applicant as a business owner, and is otherwise not available through other sources, such as the NC-SBDC.
• Specific equipment necessary to scale up a hobby into a business (e.g. a commercial size mixer).
• Materials or research needed to test the product or service marketability with potential customers (e.g. trade show fees for taking sample products to customers).
• An action or set of actions that will result in the business expanding, being licensed, and delivering products or services to customers.

5.2 LOAN TERMS AND FEES
Loan terms can range from one to twenty-five years, depending on the type of financing and the security being offered by business. Typically, the loan terms are longer and more flexible than those used by conventional commercial Lenders.

The interest rate and other terms for loans will vary based on cash flow needs of the business, but typically the rate for loans will be 3% simple interest. In certain cases, interest only payments may be available for up to six (6) months based on the need of the business for cash flow.

A loan servicing fee may be charged to the borrower upon close of the loan. This fee will be used to set up the loan servicing entity. Borrowers will be provided with a loan disclosure detailing all fees associated with the loan transaction. There is no loan pre-payment penalty.

5.3 COLLATERAL AND SECURITY REQUIREMENTS
All loans should be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. Types of collateral may include:
• Liens on real property with Deeds of Trust;
• Liens on machinery, equipment, or other fixtures;
• Lease assignments, as appropriate;
• Grantee Named as Beneficiary on Life Insurance;
• Other collateral, as appropriate; and
• Personal and corporate guarantees.

5.4 LOAN SECURITY POSITION
All loans will be secured in the strongest possible position to ensure loan repayment in the event of a default. Loans may be secured in a second or third lien position.

5.5 LOAN-TO-VALUE RATIO (LTV)
All loans will be secured to the highest degree possible, up to and more than 100% of collateral value. In some instances, the collateral being used to secure the loan may already be fully encumbered by another Lender, in which case the LTV ratio may exceed 100%. The Grantee may choose to lien these assets although they are over encumbered.

5.6 DEBT SERVICE COVERAGE
The business must show that the loan payment will be covered by the projected revenue of the business. In addition, the business owner should be able to pay themselves a reasonable living wage. Typical debt coverage ratios for the program are 1.25; coverage as low as 1.10 will be accepted on a case by case basis.
The debt ratio will be calculated for the borrower’s personal financials as well as the business financials. Borrower’s personal financials and debt service levels must be reviewed to ensure the existing or proposed microenterprise business is not adversely impacted by negative personal financials. In the same way, the business must contribute to the borrower’s financial health. This is necessary because the financials of the borrower and business are closely tied.

6.0 LOAN UNDERWRITING PROCESS

6.1 GENERAL CREDIT REQUIREMENTS
In the private sector, credit scoring is a generally accepted means to underwrite certain loans, particularly small loans where the cost of underwriting can exceed the interest and fee income generated by that loan. The standard in the banking industry is a credit scoring system developed by the Fair Isaac Corporation. This system uses a formula that is applied to raw data in consumer credit files of the three largest credit-reporting bureaus. The result is known as the FICO score. The FICO credit score ranges from 300 to 850 and quantifies an individual’s creditworthiness. In general, a credit score of 680 or above is considered an acceptable risk, scores at or below 620 are considered poor risks.

Applicants with FICO scores 620 and below will require targeted analysis, economic impact assessment, and mitigation for the identified credit risk.

6.2 MANAGEMENT AND CAPACITY REQUIREMENTS
A Loan Applicant must show:

- Ability to operate a business successfully;
- Adequate borrowing ability or equity to operate with the new loan payments, on a sound financial basis;
- The proposed loan is of sound value and provides for the current and future needs of the business; and
- The past earning records and future prospects of profits.

6.3 ADDITIONAL PROJECT UNDERWRITING CRITERIA
Each project/business will be evaluated based on how it has performed in the past and its future financial forecasts:

- The amount of private dollars used as leveraging funds;
- The past financial viability of the proposed project;
- The future financial viability of the proposed project;
- The demonstrated need for the funds; and
- Personal financial strength of borrowers.

7.0 LOAN SERVICING

7.1 LOAN COLLECTION AND SERVICING
The Grantee may act as the collection agent or they will contract with County of Humboldt as the loan collection agent for its CDBG economic development loans or the Grantee. The duties of the collection agent will include the following:

- Loan payment collection and accounting;
• Return all loan payments and payoffs to the Grantee;
• Agent will provide monthly receipts of loan payments;
• Provide quarterly statements on each loan;
• Undertake loan collections, including asset liquidation;
• Obtain annual financial statements from each business to assess health of the business; and
• Negotiate any change in repayment terms to avoid foreclosure.

See Attachment D of these guidelines for samples of the Grantee’s business loan servicing policies. These policies and procedures include: collection of loan payments, occupancy restrictions and monitoring, changes in title or transfers of title, changes in use, being current on insurance and property tax, default and foreclosure process.

The Grantee’s staff will also be responsible for securing the services of a loan servicing agent. The loan servicing agent will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by one agency experienced in collecting and servicing business loans. The Grantee’s staff will work closely with the loan servicing agent in monitoring the Grantee’s existing economic development loans. The loan servicing agent will give monthly reports on the status of loan payments to be reviewed by the Grantee’s Program over site staff and fiscal staff as well. If the loan servicing agent needs to visit a borrower to talk about late payments or discuss how the business is doing, then the Grantee’s staff shall be invited to attend the meeting as well.

The Grantee’s staff and loan servicing agent will alert members of the LAC if there are any problems or concerns regarding repayments of existing loans. This includes recommendations to foreclose and declare defaults. The governing body will make the final decisions regarding loan collection in conjunction with legal counsel and staff.

Loan servicing or Grantee staff will complete required Department CDBG financial reports for program income. Loan servicing for Grantee staff will complete the proper quarterly and annual program income reports for review, approval, signature and submittal by the Grantee to the Department CDBG program representative. Grantee staff will consult and monitor the loan servicing agent in the same way the Operator is monitored.

8.0 GRANTS FOR MICROENTERPRISE BUSINESS EXPANSION

8.1 SMALL GRANTS FOR LIMITED EXPANSION ACTIVITIES
The Grantee may make small grants of up to $3,000 to eligible existing microenterprise businesses. The microenterprise business must be participating in the Grantee’s or other agency technical assistance program and grant funds may be provided upon completion of technical assistance activities.

The grants compliment the training provided by the technical assistance activities provided by the Grantee or other agency. The technical assistance activities focus primarily on development of business/marketing plans and financial management capacity building. As such, examples of good uses of grant funds to strengthen capacity of microenterprise businesses are: 1) payment for marketing costs such as business cards, logo/branding design and development, flyers and publications/ advertisements, web site enhancement or development; 2) payment for computers.
and/or software to implement improved financial and accounting systems or software systems to help manage inventory or billings/invoices.

8.2 UNDERWRITING AND ADMINISTRATION OF GRANTS
The Grantee will only make grants available to eligible existing microenterprise businesses that have successfully completed the technical assistance courses needed for expansion of their business. The owners must have FICO credit scores of 620 or above, unless there is a reasonable explanation of negative credit history that shows poor credit occurred for reasons beyond the owner’s control (divorce, identity thief, health issues or tragic accident, etc.). The Grantee will also require documentation that the grant funded activities will have a positive impact on the future profitability and sustainability of the business. This will be done through analysis of future financial projections/proformas for the business that include the impact of the grant funded activities. Lastly, the Grantee must receive third-party cost estimates of the grant eligible costs being requested.

Grant funds will be disbursed to the business as a reimbursement of costs or can be directly to third-party vendors. Microenterprise grantees will be required to sign a grant agreement stipulating eligible costs, payment process and reporting procedures.
ATTACHMENT B

MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION FORMS
City of Fortuna Micro-Enterprise Loan Program

Participant Application Form
(All members living in the household 18 and over, must fill out this application)

PART I: Personal Information

Applicant: ____________________________________________________________ Social Security Number: _______ - ____ - _______
Gender: Female ☐ Male ☐
Date of Birth: _______ / _____ / _______ Veteran: ☐
Street: _______________________________________________ Apt #: __________
City: ___________________________ State: _______ Zip Code: _______________
Home Phone: (____) __________ Work Phone: (____) _________ Email: _________________

Household Member: ____________________________________________________
Social Security Number: _______ - ____ - _______ Gender: Female ☐ Male ☐
Date of Birth: _______ / _____ / _______ Veteran: ☐
Home Phone: (____) _________ Work Phone: (____) _________ Email: __________________

Place of Residence

Address of your current residence:

Monthly Rent/Mortgage payment: $___________

How long have you lived at this address: _______ Years _________Months

If less than three years what is prior address:
____________________________________________________________________

Emergency Contact Information

Please list a relative or friend not living with you:
Name: _________________________________ Phone: (____) __________
Street: _______________________________ Apt #: ______
City: _________________________________ State: ______ Zip Code:_____

Adopted: 07/07/2015
PART II: Requested Loan/Grant Amount & Purpose

Requested Loan Amount: $____________________________
(Not to exceed $50,000)

Requested Grant Amount: $____________________________
(Not to exceed $3,000)

For what purposes will the financing be used? (check all that apply)

☐ Start-up costs
☐ Expansion Costs
☐ Rent
☐ Inventory
☐ Supplies
☐ Marketing Materials
☐ Equipment
☐ Working capital
☐ Fixtures/Furnishings
☐ Training
☐ Other _____________________

Is your business located in City of Fortuna?  ☐ Yes  ☐ No

Are you a graduate of a Micro-Enterprise training program?  ☐ Yes  ☐ No

If Yes, please list the name of the program and the month & year Completed:
____________________________________________________

How will this loan/grant benefit your company? Be specific on expenditures:
____________________________________________________
**PART III: Income Certification Household Information**

My/Our total household size is ______ persons (this includes unborn children as well- a doctor’s note will need to be provided in this case). The following people are members of my household (live in my house):

**Household Information**

<table>
<thead>
<tr>
<th>Name</th>
<th>Social Security #</th>
<th>Age</th>
<th>Gender</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bank Account information- Applicant #1**

*Please submit the last 6 months of bank statements.*

Do you have a checking account?  Yes  No  Amount in account: $________________________

Bank: _____________________________ Address ______________________________

Account #________________________

Do you have a 2nd checking account? Yes  No  Amount in account: $________________________

Bank: _____________________________ Address ______________________________

Account #________________________

Do you have a savings account? Yes  No  Amount in account: $________________________

Bank: _____________________________ Address ______________________________

Account #________________________

Do you own stocks, bonds, a 401k, or other investments? Yes  No  Value of investments: $________________

Name of Stock: __________________________

Address: _____________________________ Account #:__________________________

**Bank Account information- Household Member**

*Please submit the last 6 months of bank statements.*

---

1 “Household” includes 1) your financial dependents (for example, your dependent children), 2) anyone you depend on financially (for example, your parents), or 3) anyone with whom you are financially interdependent (for example, your spouse or partner). Your “household” may or may not be the same as the people you live with.
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Amount in account: $_________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have a checking account?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank: ______________________________  Address ___________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account #________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a 2nd checking account?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank: ______________________________  Address ___________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account #________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a savings account?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank: ______________________________  Address ___________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account #________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you own stocks, bonds, a 401k, or other investments?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of Stock: _______________________________________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address: ____________________________  Account #________________________</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Income Information**

Income of all household members over the age of 18 (if you child lives at home and is over 18 and is a student, please provide proof of college enrollment - please list gross income (before taxes). Fill in each blank. If there’s nothing to write, please enter N/A.

**Applicant #1 Income Information:** *(Please provide most current paystub or award letter, if you are self employed, please provide the most current tax year completed by a 3rd party Tax preparer.)*

Name of Employer: 
Are you self employed? 
(If so, please fill out completely and attach your most recent 3rd party prepared tax return)

Address, City, State & Zip code: 

Name of Manager or Human Resources Director & contact number: 

Your Position Title: 
How many hours per week do you work?
How long have you been employed?

Monthly Salary before Taxes:
Do you receive tips?

Do you have a second job? If so, please list that information in this box (same info as required above please):

Do you receive any or all of the following (please circle one)*: & how much per month? $________
- Social Security
- CalWorks
- Food Stamps
- Unemployment
- Veterans’ Benefits

*If you said yes to any of these choices in this box, please attach your award letter with your annual or monthly amounts that you receive.

Do you receive Child Support? __________ If so, how much? ____________________________

Do you receive Alimony Payments? __________ If so, how much? ____________________________

**Applicant #2 Income Information: (Please provide most current paystub or award letter if you are self employed, please provide the most current tax year completed by a 3rd party Tax preparer.))

Name of Employer:
Are you self employed?
(If so, please fill out completely and attach your most recent 3rd party prepared tax return)

Employer Address, City, State & Zip code:

Name of Manager or Human Resources Director & contact number:

Your Position Title:
How many hours per week do you work:

How long have you been employed?:

Adopted: 07/07/2015
Monthly Salary before Taxes:

Do you receive tips?

Do you have a second job? If so, please list that information in this box:

Do you receive any or all of the following (please circle one)*: & how much per month? $________

Social Security  CalWorks  Food Stamps  Unemployment  Veterans’ Benefits

*If you said yes to any of these choices in this box, please attach your award letter with your annual or monthly amounts that you receive.

Do you receive Child Support? __________ If so, how much? ____________________________

Do you receive Alimony Payments? __________ If so, how much? _______________________

** Assets & Liabilities

Please list all fixed obligations: auto loans, installments, accounts, loans, debts to banks, finance companies and government agencies. (Please cont. on the back of this form if you need more room).

<table>
<thead>
<tr>
<th>Name</th>
<th>Account #</th>
<th>Original Amount</th>
<th>Present Balance</th>
<th>Monthly Payment</th>
<th>Amount past due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following questions apply to both the applicant and co-applicant. If a “Yes” is given to a question in this section, please explain on the back of this form.

<table>
<thead>
<tr>
<th>Question</th>
<th>Applicant 1</th>
<th>Applicant 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you had outstanding judgments?</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>If yes give the following Dates Discharge Date: __________________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filing Date: ___________________________________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is your name on title for any property or home?</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Address: __________________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City/State: __________________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you had property foreclosed upon or given Title of Deed in lieu thereof?</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Are you a co-Maker or Endorser on any Notes or Titles?</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>If yes, please explain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you obligated to Pay Alimony, Child Support?</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>If yes, How much?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you currently own any Real Estate:</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>If so, where? __________________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you obtained Credit under another name:</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>If yes, give name: ___________________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**PART IV: Micro-Enterprise Business Information**

<table>
<thead>
<tr>
<th>Business Name:</th>
<th>Business Phone #:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Physical Address:</th>
<th>Business Mailing Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business E-mail Address:</th>
<th>Business Website Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Type of Ownership:**
- ☐ Sole Proprietor
- ☐ Partnership
- ☐ Other ________________________________

**Number of Employees in Business:** __________

**How long has your business been in operation?** __________

**Nature of Business:** __________________________________________________________

**Types of Products/Services:** __________________________________________________

**Customer Profile:** __________________________________________________________

**Key Customers:** __________________________________________________________

**Major Competitors:** _______________________________________________________

**Major Suppliers:** _________________________________________________________

**Geographical Sales Area:** ________________________________________________

**Business Reference:** Please list a business acquaintance that is familiar with your business.

**Name:** ___________________________ **Phone:** (_____) ______________

**Street:** ___________________________ **Apt #:** ________ **E-mail:** ____________

**City:** ___________________________ **State:** _____ **Zip Code:** ________

---

*Micro-Enterprise* is a business that has less than five employees. Employees include anyone who works in your business: 1) you, 2) your family members (spouse, adult children, parents), and/or 3) anyone you pay to work for you. A household member may or may not be considered an employee.

---

**Adopted:** 07/07/2015
PART V: Applicant Certification

I/we understand that our income will be verified by third party prior to approval of a loan. My/our signature(s) below certifies that all information provided on this application is accurate and complete to the best of my/our knowledge.

Applicant ___________________________ Date ________________

Household Member _______________________ Date ________________
Authorization for Release of Information

To Whom It May Concern:

I/we, the undersigned, have applied through the City of Fortuna for assistance under a State or Federal program. You are hereby authorized to release to the City of Fortuna or its agents, any information necessary for the purpose of eligibility. Such information includes but is not limited to:

Income: history, dates, title, income, hours, etc.

from employment and non-employment sources

   Mortgage Loans: loan balances, dates of loans, payment amount and history, etc.
   Rent History: payment amount and history, etc.
   Other: any related matters of credit.

Privacy Act Notice Statement: The Department of Housing and Urban Development (HUD) through the Community Development Block Grant (CDBG) program is requiring the collection of the information derived from this form to determine an applicant’s eligibility in a CDBG Program and the amount of assistance necessary using CDBG funds. This information will be used to establish level of benefit on the CDBG Program; to protect the Government’s financial interest; and to verify the accuracy of the information furnished. It may be released to the appropriate Federal, State and local agencies when relevant, as well as to civil, criminal or regulatory investigators, and to prosecutors. Failure to provide any information may result in a delay or rejection of your eligibility approval. The Department is authorized to ask for this information by the National Affordable Housing Act of 1990.

Important Authorization: I authorize the City of Fortuna to obtain information about me and my household that is pertinent to eligibility for participation in the CDBG Program.

I acknowledge that:
1. A photographic or facsimile copy of this authorization (being a valid copy of the signatures of the undersigned) may be deemed to be the equivalent of and used as a duplicate original.
2. I have the right to review the file and the information received using this form with a person of my choice to accompany me.
3. I have the right to copy information from this file and to request correction of information I believe inaccurate.
4. All adult household members will sign this form and cooperate with the owner in this process.

_________________________________  _____________  __________________________
Signature                        Date                           Social Security Number

_________________________________  _____________  __________________________
Signature                        Date                           Social Security Number

Adopted: 07/07/2015
Applicant Head of Household

US Department of Housing Race and Ethnic Data Reporting Form

Name: ___________________________ Date: ___________________________

<table>
<thead>
<tr>
<th>Racial Background – Select One</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic or Latino</td>
<td></td>
</tr>
<tr>
<td>Not-Hispanic or Latino</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disability – Select One</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled</td>
<td></td>
</tr>
<tr>
<td>Not Disabled</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Racial Background – check all that apply</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Native American</td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td></td>
</tr>
<tr>
<td>Black or African American</td>
<td></td>
</tr>
<tr>
<td>Native Hawaiian or Other Pacific Islander</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

There is no penalty for persons who do not complete the form.

_____________________________________  __________________________
Signature                                                                                                   Date

Public reporting burden for this collection is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits and voluntary. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is authorized by the U.S. Housing Act of 1937 as amended, the Housing and Urban Rural Recovery Act of 1983 and Housing and Community Development Technical Amendments of 1984. This information is needed to be in compliance with OMB-mandated changes to Ethnicity and Race categories for recording the 50059 Data Requirements to HUD. Owners/agents must offer the opportunity to the head and co-head of each household to “self certify” during the application interview or lease signing. In-place tenants must complete the format as part of their next interim or annual re-certification. This process will allow the owner/agent to collect the needed information on all members of the household. Completed documents should be stapled together for each household and placed in the household’s file. Parents or guardians are to complete the self-certification for children under the age of 18. Once system development funds are provide and the appropriate system upgrades have been implemented, owners/agents will be required to report the race and ethnicity data electronically to the TRACS (Tenant Rental Assistance Certification System). This information is considered non-sensitive and does no require any special protection.
ATTACHMENT C

SAMPLE LOAN AND GRANT AGREEMENT FORMS
MICRO-ENTERPRISE FINANCIAL ASSISTANCE AGREEMENT
ADMINISTERED BY
CITY OF FORTUNA

THIS AGREEMENT (hereinafter referred to as the "Agreement"), is made and entered into this ___th day of ________ 20xx by and among the City of Fortuna (hereinafter referred to as "Lender"), a legal subdivision of the State of California located at 520 E Street, Eureka, California 95501, and _____________________________ (hereinafter referred to as "Borrower") dba ________________________________ (hereinafter referred to as the "Business").

NOW, THEREFORE, intending to be legally bound, the parties agree as follows:

1. LOAN: Lender agrees to loan such funds as Borrower requests up to the maximum principal sum of Dollars and No Cents ($ 0.00) (hereinafter referred to as the "Loan"), bearing interest at a fixed rate of [ ]% per annum from the date of final disbursement of funds or ___ days from the initial disbursement or when the loan has been substantially funded in the opinion of the loan committee, which date occurs sooner. Borrower agrees to use the Loan to capitalize the business in accordance with the terms and conditions of this Agreement and as set forth in Borrower’s Loan Application. The Loan is evidenced by a Promissory Note (hereinafter referred to as the "Note") of the same date herewith made payable to Lender. Repayment of the Loan shall be made as provided in the Note. Borrower shall pay Lender no loan fee.

2. TERM: This Agreement shall be effective as of [DATE], and shall continue in full force and effect for five (5) years from the date of final disbursement of funds or until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interests, costs, expenses, attorneys' fees, and other fees and charges, whichever date is sooner. The parties may modify the term of the Loan only upon written agreement of the parties.

3. SECURITY FOR LOAN: As evidence of and security for the Loan, Borrower will sign and deliver to Lender the following:
   a. A Note for ____________ Dollars and No Cents ($ 0.00) executed by the Borrower, which is attached and incorporated as Exhibit "A" of this Agreement;
   b. A Security Agreement executed by the Borrower, which is attached and incorporated as Exhibit “B” of this Agreement.
   c. An Unconditional and Continuing Guaranty executed by the Guarantor, which is attached and incorporated as Exhibit “C” of this Agreement.
   d. A financing Statement (UCC-1) may be required to include collateralized auto, business equipment, fixtures, and furnishings now in existence and hereinafter acquired by Borrower in connection with this Business.

4. CONDITIONS TO AVAILABILITY OF THE LOAN: Before Lender is obligated to disburse the Loan, Lender must have in its files, in the form and substance satisfactory to Lender, the following:
   a. The original, executed Note evidencing the loan;
   b. The original, executed Security Agreement;
   c. The original, Unconditional and Continuing Guaranty executed by Borrower;
d. Evidence of hazard insurance with a standard mortgage clause naming Lender as beneficiary in the amount of the Loan then outstanding, with replacement coverage guarantee, which includes coverage against business personal property, loss of income, and business liability required to protect the security.

e. A completed Micro-Enterprise Financial Assistance Loan Application with all required documents requested by the Lender, including but not limited to business plans, resume of key management, tax returns, cash flow projections, organizing documents for business, Articles of Incorporation, registration with Secretary of State, lease agreements, etc.

In addition, Lender's obligation to make any Loan disbursements shall be subject to the fulfillment to Lender’s satisfaction of all of the conditions set forth in this Agreement, the Note, the Security Agreement, the Unconditional and Continuing Guaranty, and any and all other promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

5. BORROWER’S REPRESENTATIONS, WARRANTIES, AND COVENANTS: Borrower certifies by its signature that as of the date of this Agreement, as of the date of each disbursement of Loan proceeds, as of the date of any renewal, extension or modification of the Loan, and at all times any indebtedness exists by Borrower to Lender, the statements, assurances, representations, warranties, and covenants set forth in Exhibit E (Parts 1 through 5) of this Agreement are true and correct.

6. SPECIAL TERMS: Borrower agrees that:

a. All of Borrower's records, accounts, documentation, and other materials deemed relevant by Lender shall be accessible at any time to Lender, or its designee, on reasonable prior notice for the purpose of examination or audit during the term of the Loan;

b. Borrower shall provide Lender with yearly financial and operating reports of the Business in a timely manner. Said reports shall include the Borrower's Facility-rental history, aged accounts receivable, a fixed asset schedule, number of full-time employees, and any other detailed reports which Lender or its designee may deem necessary; and

c. Borrower warrants the Business is or will be located within City of Fortuna. Borrower also warrants that if it removes all or a substantial part of the Business from City of Fortuna, all principal and accrued interest then owed to Lender will immediately become due and payable in full.

d. Borrower warrants that s/he is a current resident of the City of Fortuna. In the event Borrower establishes residency outside of the City of Fortuna and/or Lender determines that Borrower has misrepresented the status of his/her residency in the City of Fortuna, Lender may in its sole discretion find Borrower in default of the terms of this Agreement, and all principal and accrued interest then owed to Lender will immediately become due and payable in full.

7. DEFAULT: The entire unpaid principal of the Note, and the interest then accrued thereon, shall become and be immediately due and payable upon the written demand of Lender, without any other notice or demand of any kind or any presentment or protest, if any one of the following events (hereinafter "Event of Default") shall occur and be continuing at the time of such demand, whether voluntarily or involuntarily, or without limitation, occurring or brought about by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rules or regulations of any administrative or governmental body, provided, however, that such sum shall not be then payable if Borrower's payments have been waived, or the time for making Borrower’s
payments has been extended by Lender:

a. If Borrower fails to make payment when due of any installment of principal on the Note, or interest accrued thereon, and such failure to make payment remains un-remedied for forty-five (45) days; or

b. If default shall be made in payment when due of any installment of principal or interest on any of Borrower’s other indebtedness and if such default shall remain un-remedied for forty-five (45) days; or

c. If any representation of warranty by Borrower contained in or made in connection with the execution and delivery of this Agreement, or any certificate furnished pursuant hereto, which is hereby incorporated by reference, shall prove to have been incorrect when made in any material respect; or

d. If Borrower shall become insolvent or shall cease to pay its debts as they mature or shall involuntarily file a petition seeking reorganization of, or the appointment of a receiver, trustee, or liquidation for it or a substantial portion of its assets or to effect a plan or other arrangement with creditors, or shall be adjudicated bankrupt, or shall make a voluntary assignment for the benefit of creditors; or

e. If an involuntary petition shall be filed against Borrower under any bankruptcy, insolvency or similar law seeking the reorganization of or the appointment of any receiver, trustee or liquidator for Borrower, or of a substantial part of the property of Borrower, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of Borrower, and such petition shall not be dismissed, or such writ or warrant of attachment or similar process shall not be released or bonded, within thirty (30) days after filing levy; or

f. If Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement, the Note, Security Agreement, and any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower; or

g. Upon dissolution of the Business or any other termination of the Business's existence as a going business; or

h. Upon death of the Borrower, unless Lender in its sole discretion determines that the Loan and repayment obligations may be assigned or assumed by another qualified entity or individual; or

i. If Guarantor dies or becomes incompetent or insolvent, files a petition in bankruptcy or similar proceedings or is adjudged bankrupt, or revokes or disputes the validity of, or liability under, of the Guaranty; or

j. If a material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired; or

k. Lender in good faith deems itself insecure.

8. JURISDICTION AND VENUE: This Loan Agreement shall be construed in accordance with the laws of the State of California. Any dispute arising hereunder, or relating hereto, shall be litigated in the State of California and venue shall lie in the City of Fortuna unless transferred by court order pursuant to California Code of Civil Procedure sections 394 or 395.

9. SEVERABILITY: If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid, and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality,
validity or enforceability of any other provision of this Agreement.

10. ATTORNEYS' FEES; EXPENSES: Borrower agrees to pay upon demand all of Lender’s costs and expenses, including Lender’s attorneys’ fees and legal expenses, incurred in connection with the enforcement of this Agreement or collection services related to repayment of the Loan. Costs and expenses may include attorneys’ fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services.

11. CAPTION HEADINGS: Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

12. TIME IS OF THE ESSENCE: Time is of the essence in the performance of this Agreement.

13. AUTHORITY TO EXECUTE: Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute and deliver this Agreement. Each party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such party's obligations hereunder have been duly authorized.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date written above.

LENDER: CITY OF FORTUNA

By: _____________________________________
     City Manager        Date

BORROWER:

By:___________________________________
     Date

Owner

Adopted: 07/07/2015
PROMISSORY NOTE

<table>
<thead>
<tr>
<th>PRINCIPAL</th>
<th>LOAN DATE</th>
<th>MATURITY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BORROWER: City of Fortuna
621 11th Street
Fortuna, CA 95540

LENDER: City of Fortuna
621 11th Street
Fortuna, CA 95540

FOR VALUE RECEIVED, I, the undersigned, [insert name of owner and legal name of business], promise to pay to the order of the City of Fortuna, at its office at 520 E Street, Eureka, California, the sum of **Dollars and No Cents ($ 0.00)**, plus interest on the unpaid principal balance at the rate of [ ] percent ( %) per annum. Interest and principal are payable in monthly installments as follows:

Payments of interest and principal in the amount of $ per month shall commence on the 15th day of the month following the date of final distribution of the fund or ________, whichever occurs first, and shall continue to be due on the 15th day of each month thereafter for a total of five (5) years. Any principal balance and interest remaining shall be all due and payable at that time.

Payment on any installment shall first be applied to accrued interest to the date of receipt thereof and then to any unpaid balance, if any, on the principal. This Note may be prepaid in whole or in part at any time without premium or penalty. All prepayments shall first be applied to interest, and then to principal payments in the order of their maturity.

And, I agree, that if any one of said installments or any interest due thereon is not paid within forty-five days (45) days after the same becomes due and payable, the failure to make the payment will be deemed an Event of Default subject to the provision of Section 10 of the Loan Agreement and the entire unpaid principal of the Note, and the interest then accrued thereon, shall become and be immediately due and payable at the option of the holder of the Note, together with reasonable attorney’s fees should this Note be placed in the hands of an attorney for collection.

The makers, endorsers, and sureties hereof severally waive protest, demand presentment, notice of dishonor, and notice of protest in case this Note, or any installment due thereunder, is not paid at maturity, and agree that after maturity of this obligation or any installment thereof, the time of making payment of the same may be extended without prejudice to the holder and without releasing any maker or surety hereof.

This Note will be construed in accordance with and governed by the laws of the State of California.

Borrower has read and understands the provisions of this Note, and acknowledges that the terms and conditions set forth in the parties’ Loan Agreement executed concurrently herewith shall govern the
parties' obligations, responsibilities, and duties during the term of the Loan and in the event any disputes arise between the parties.

By signing below, Borrower agrees to be bound by the terms and conditions set forth herein. Borrower also acknowledges receipt of a copy of this Note.

By: ______________________
    BORROWER

Date: _____________________
EXHIBIT "A"

LOAN DISBURSEMENT SCHEDULE

Disbursement shall be on a third party reimbursement of eligible expenses. Eligible expense reimbursement may be sought after the Loan Agreement and Promissory Note are executed and other conditions precedent to disbursement of funds are fully satisfied, and in accordance with the following schedule:

Upon Loan closing approximately ________________, 20xx, funds available for reimbursement of eligible costs shall not exceed $ 0.00
EXHIBIT "B"

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into by and between ____________________________
____________________ (hereinafter collectively referred to as "Borrower"), and the City of Fortuna (hereinafter
referred to as "Lender"), on this ___th day of ____________, 20xx.

1. GRANT OF SECURITY INTEREST: Borrower is concurrently becoming indebted or otherwise
obligated or liable (such indebtedness, obligations, and liabilities shall hereinafter be collectively
referred to as the "Obligation") to Lender in connection with a Loan Agreement (hereinafter referred
to as the "Agreement") and a Promissory Note (hereinafter referred to as the "Note"), executed on
[DATE]. In order to provide Lender with security for payment and performance of the Obligation,
including but not limited to the payment of the indebtedness evidenced by the Note in the principal
sum of Dollars and No Cents ($ 0.00), (all said security of which hereinafter referred to as the Collateral),
which documents are attached hereto and incorporated herein by reference and made a part hereof, together with all additions to, substitutions for, changes in, or replacements or renewals
of the whole or any part of said Collateral.

2. NO DUTY OF CARE BY LENDER: Lender shall have no duty of care with respect to the Collateral.
Lender shall have no duty: [i] to collect the Collateral or any Proceeds; [ii] to preserve any rights of
Borrower or others against prior or other parties; or [iii] to realize on the Collateral in any particular
manner or seek reimbursement from any particular source.

3. REDUCTION OF OBLIGATIONS OF BORROWER: In addition to the rights and security interest
elsewhere herein set forth, Lender may, at its option, at any time(s) and with or without notice to
Borrower, appropriate and apply to the payment or reduction, either in whole or in part, of any of the
amount owing on the Obligation, whether or not then due, any or all monies now or hereafter in the
possession of Lender, on deposit or otherwise, to the credit or belonging to Borrower. Lender shall
not be obligated to assert or enforce any rights or security interest hereunder or to take any action in
reference thereto, and Lender may in its discretion at any time(s) relinquish its rights as to particular
Collateral without thereby affecting or invalidating its rights hereunder as to any other Collateral.

4. REPRESENTATIONS, WARRANTIES, AND COVENANTS: The representations, warranties, and
covenants contained in Exhibit E of the parties' Loan Agreement, executed on [DATE], is incorporated
herein. Borrower reaffirms that the statements, assurances, representations, warranties, and
covenants set forth in Exhibit E of the Loan Agreement are true and correct.

5. DEFAULT BY BORROWER: In the event of the happening of any one or more of the following events
of default, to wit:
a. The failure of Borrower to pay when due the Obligation on the Note;
b. The filing of any petition in bankruptcy by or against the Borrower or the commencement of any
   proceedings in bankruptcy, or under the Acts of Congress or the State of California relating to the relief of
   Borrowers, by or against Borrower;
c. The making by Borrower of any assignment for the benefit of creditors;
d. The appointment of any receiver of any property of Borrower, or of any endorser or guarantor of any
   Obligation; and/or
e. The failure of Borrower to perform any of Borrower’s duties or otherwise to observe any of the provisions as specified in this Security Agreement, or in any other agreement(s) associated with the Obligation.

Then or at any time after the happening of such event of default, the Obligation then existing shall become immediately due and payable forthwith upon declaration to such effect delivered by the Lender to Borrower without any other presentment, demand, protest, or notice of any kind. Furthermore and if applicable, upon the occurrence of any such event of default, Lender also shall have all of the rights and remedies provided to a Lender by the California Uniform Commercial Code at that time. In addition, Borrower agrees that: [i] in the event that notice is necessary under applicable law, written notice mailed to Borrower at the address set forth in the Agreement ten (10) business days prior to the date of public sale of any of the Collateral subject to the security interest created herein or prior to the date after which private sale or any other disposition of said Collateral will be made shall constitute reasonable notice, but notice given in any other reasonable manner or at any other time shall be sufficient; [ii] in the event of the sale or other disposition of any such Collateral, Lender may apply the proceeds of any such sale or disposition to the satisfaction of Lender’s reasonable attorneys’ fees, legal expenses, and other costs and expenses incurred in connection with Lender’s taking, re-taking, holding, preparing for sale, and selling the Collateral; [iii] without precluding any other methods of sale, the sale of the Collateral shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of secured parties in disposing of similar property, but in any event Lender may sell on such terms as Lender may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind; and [iv] Lender may require Borrower to assemble the Collateral, taking all necessary or appropriate action to preserve and keep it in good condition, and make such available to Lender at a place and time designated by Lender, all at the expense of Borrower. Furthermore, in any such event, to the extent permitted under applicable law, full power and authority is hereby given to Lender to sell, assign, and deliver the whole of the Collateral or any part(s) thereof, at any time(s), at any public or private sale held at any place designated by Lender in any state where part or all of the Collateral is or ever has been located.

6. **NO WAIVER:** No delay on Lender’s part in exercising any power of sale, option, or other right or remedy hereunder, and no notice or demand that may be given to or made upon Borrower by Lender shall constitute a waiver thereof, or limit or impair Lender’s right to take any action, or to exercise any other power of sale, option, or any other right or remedy hereunder, without notice or demand, or prejudice to Lender’s rights or remedies as against Borrower in any respect.

7. **INSURANCE ON COLLATERAL:** That Borrower will maintain insurance at all times with respect to all Collateral against risk of fire (including so-called extended coverage), public liability, spoilage and other risks as Lender may reasonably require, at Borrower’s own expense; such insurance shall be payable to Lender and Borrower as their interests appear; all policies of insurance shall provide for thirty (30) days’ written cancellation notice to the Lender; and Lender may act as attorney-in-fact for Borrower in obtaining, adjusting, settling, and canceling such insurance and endorsing any drafts. At all times until the Obligation is fulfilled, Borrower shall supply Lender with current written proof of insurance for all required coverage and Lender shall be shown to be an additional insured.

8. **WAIVERS BY BORROWER:** Borrower waives any right to require Lender to: [i] proceed against any person; [ii] proceed against or exhaust any Collateral; or [iii] pursue any other remedy in its power.
9. **FINANCING STATEMENTS:** At the request of Lender, Borrower will join with Lender in executing one or more Financing Statements pursuant to the Uniform Commercial Code in form satisfactory to Lender. Borrower hereby authorizes Lender to file Financing Statements signed only by Lender in all places where necessary to perfect Lender's security interest in the Collateral in all jurisdictions where such authorization is permitted by the Uniform Commercial Code. (See Exhibit D.)

10. **MISCELLANEOUS:** This Agreement shall be governed by the laws of the State of California in all respects, in matters of construction, validity, and performance. Any dispute arising hereunder, or relating hereto, shall be litigated in the State of California and venue shall lie in the City of Fortuna unless transferred by court order pursuant to California Code of Civil Procedure sections 394 or 395. None of the terms or provisions of this Security Agreement may be waived, altered, modified, limited, or amended except by an agreement expressly referred hereto and to which Lender consents in writing, duly signed by Lender or its authorized agent. The rights granted to Lender herein shall be supplementary and in addition to those granted in any other agreements with respect to the Obligation. Headings used herein are for convenience only and shall not be deemed to have substantive effect.

BORROWER:

By: ________________________________
    Owner                              Date

LENDER:

By: ________________________________
    City Manager                       Date
EXHIBIT "C"

UNCONDITIONAL AND CONTINUING GUARANTY

FOR VALUABLE consideration, ____________________________ (hereinafter referred to as "Guarantor"), hereby guarantee to the City of Fortuna (hereinafter referred to as "Lender") that ____________________________ (hereinafter referred to as the "Borrower") shall promptly and fully pay any and all liabilities, obligations or indebtedness, of any kind or nature whatsoever, which now exist or may hereafter arise or accrue in any manner from Borrower to the Lender, including renewals, extensions, and modifications thereof and interest or other charges accruing thereon. All such indebtedness, liabilities, and obligations of Borrower to Lender are hereinafter called the "Guaranteed Obligations." If Borrower fails at any time to promptly pay or perform any of the Guaranteed Obligations when due, by acceleration or otherwise, Guarantor promises to pay or perform the same when due immediately upon demand, with all attorneys' fees, court costs, and other out-of-pocket expenses incurred by reason of Borrower's default or incurred in establishing and enforcing payments against the Guarantor.

This is a continuing Guaranty and Guarantor's obligations hereunder shall continue indefinitely as to all Guaranteed Obligations incurred or arising prior to receipt by the Lender of a written notice, signed by Guarantor, of Guarantor's election not to guarantee any new indebtedness of Borrower to the Lender which may thereafter accrue. Such notice shall not release the Guarantor from the obligation to pay Guaranteed Obligations existing at the time such notice is given, or any extension or renewal thereof.

Guarantor waives: (1) notice of acceptance of this Guaranty; (2) notice of any extension of credit given by the Lender to Borrower; (3) notice of the amount of indebtedness of Borrower to the Lender; (4) presentment or demand for payment; (5) notice of dishonor, protest, and notice of protest of non-performance relative to the Guaranteed Obligations; and (6) all other notices to which the Guarantor or Borrower might otherwise be entitled to receive by law. The Lender shall have no duty to inform Guarantor of any fact which the Lender may learn at any time about Borrower's financial condition or any changes therein.

Lender may from time to time and without affecting or impairing Guarantor's liability hereunder sell, release, surrender, exchange, settle, compromise, waive, subordinate, modify or amend, with or without consideration and on such terms and conditions as may be acceptable to the Lender, and any and all of the collateral, security, guarantees, documents, and instruments evidencing the Guaranteed Obligations or the security for the payment thereof, or other obligors thereunder. All settlements, compromises, compositions, accounts stated, and agreed balances entered into between the Lender and Borrower shall be binding upon Guarantor.

Lender need not proceed against Borrower or against any other party liable for any or all of the Guaranteed Obligations or resort to any collateral held as security for any of the Guaranteed Obligations before requiring Guarantor to pay any of the Guaranteed Obligations. Guarantor's liability of this Guaranty is independent of any other guaranties at any time in effect with respect to any of the Guaranteed Obligations.
The laws of the State of California shall govern the interpretations and the validity of this Guaranty. Guarantor consents to the jurisdiction and venue of the Humboldt County Superior Court over Guarantor in any action to enforce this Guaranty, and agrees that if the Guarantor becomes a non-resident of California, service upon the Guarantor wherever found shall be as valid and binding as if personal service had been made upon the Guarantor within the State of California.

A determination (by a court or otherwise) that any or all Guaranteed Obligations are, in whole or in part, unlawful, shall not release the Guarantor from liability under this Guaranty. Guarantor expressly represents that Guarantor is not relying upon the Lender to determine the validity or legality of any of the Guaranteed Obligations.

Lender's failure to enforce the payment of any Guaranteed Obligations, whether or not Borrower is in default, shall not release Guarantor, and Guarantor shall remain liable under this Guaranty for the prompt payment and fulfillment of all Guaranteed Obligations.

This Guaranty shall extend to and bind the heirs, executors, administrators and assigns of Guarantor and shall inure to the benefit of all successors, transferees, assignees, and endorsees of Lender of any or all of the Guaranteed Obligations.

This Guaranty constitutes the entire contract between Lender and Guarantor and no waiver or modifications shall be valid unless in writing.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty this __th day of _______________ ______ 2015

__________________
, GUARANTOR
EXHIBIT “E”

PART 1 OF 5

REPRESENTATIONS AND WARRANTIES

The Borrower represents and covenants the following:

1. **DULY ORGANIZED:** The Borrower is a (corporation, partnership, or sole proprietorship) duly organized, validly existing, and in good standing under the laws of the State of California and has the power to enter into this Loan Agreement and to borrow hereunder.

2. **DULY AUTHORIZED:** The making and performance by the Borrower of this Loan Agreement, and the execution and delivery of the Note, and any Security Agreements and Instruments have been duly authorized by all necessary corporate actions and will not violate any law, rule, regulation, order, writ, judgment, decree, determination, or award presently in effect or result in a breach of or constitute a default under any bank loan or any other agreement or instrument to which the Borrower is a party or by which it is or its property may be bound or affected.

3. **LEGALLY BINDING INSTRUMENTS:** This Loan Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. The parties agree to execute such further documents and instruments as shall be necessary to carry out the terms of this Loan Agreement, and such documents and agreements shall likewise be binding upon the parties and their successors.

4. **NO LEGAL SUITS:** There are no legal actions, suits, or proceedings pending, or to the knowledge of the Borrower, threatened against the Borrower before any court or administrative agency, which if determined adversely to the Borrower, would have a material adverse effect on the financial condition or business of the Borrower.

5. **NOT IN DEFAULT:** The Borrower is not in default of any obligation, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same.

6. **TAXES ARE PAID:** Borrower has paid in full all taxes and assessments levied by any taxing agency, federal, state, or local against Borrower or its personal or real property.

7. **NO ADVERSE CHANGE:** The Borrower certifies that there has been no adverse change since the date of loan application in the financial conditions, organization, operation, business prospects, fixed properties, or personnel of the Borrower.

8. **EVIDENCE OF PROJECT FUNDING:** The Borrower has submitted to the Lender acceptable evidence (e.g., bank commitment letter) of financing or liquidity for the balance of project cost.

9. **HAZARDOUS SUBSTANCES:** The Borrower does not know or believe or have reason to know or believe, that hazardous substances are now, or have been, generated stored, treated, handled, disposed of, released or otherwise located on the property.

10. **FINANCIAL INFORMATION:** Each of Borrower’s financial statements supplied to Lender truly and completely disclosed Borrower’s financial condition as of the date of the statement, and there has been no material adverse change in Borrower’s financial condition subsequent to the date of the most recent financial statement.
supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

11. LIEN PRIORITY: Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any security interests on or affecting any of the collateral directly or indirectly securing repayment of Borrower’s Loan and Note, that would be prior or that may in any way be superior to Lender’s security interests and rights in and to such collateral.

BORROWER:

______________________________  ______________________________
Signature                           Title

______________________________
Print Name

______________________________
Date

Adopted: 07/07/2015
EXHIBIT “E”

PART 2 of 5

AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees to comply with the following covenants from the date hereof until the Lender has been fully repaid with interest, unless the Lender shall otherwise consent in writing:

1. PAYMENT OF THE LOAN: To pay punctually the principal and interest on the Note according to its terms and conditions and to pay punctually any other amounts that may become due and payable to the Lender pursuant to the terms of this Agreement or Note.

2. PAYMENT OF OTHER INDEBTEDNESS: To pay punctually the principal and interest due on any other indebtedness now or hereafter owing the Borrower to the Lender or any other lender.

3. INSURANCE: If appropriate, Borrower to obtain at its sole cost and keep in full force and effect during the term of this agreement broad form property damage, hazard insurance covering fire and extended coverage in amounts at least equal to the unpaid balance of the note naming the Lender as a loss payee, personal injury, employers, and comprehensive form liability insurance in the amount of $1,000,000 per occurrence providing that the Lender, its officers, agents, and employees shall be named insured under the policy, and that the policy shall stipulate that this insurance will operate as primary insurance, and that no other insurance effected by the Lender or other named insured will be called upon to cover a loss covered thereunder. To obtain evidence of fire and extended coverage insurance in the amount of at least the fair market value of the real property and any and all improvements which are the subject of the security described in Paragraph 1 of the Loan Agreement shall be submitted to the Lender within 15 days of the execution of this Agreement naming the LENDER as a loss payee under such policy. Such evidence shall be acceptable to Lender in its sole discretion. A title policy, acceptable to the Lender in its sole discretion, with endorsements required by Lender shall be provided by Borrower.

4. CERTIFICATES OF INSURANCE: If appropriate, to file with LENDER within 15 days of the execution of this agreement, a certificate of insurance and an endorsement which shall provide that no cancellation, major change in coverage, or expiration will be made during the term of this agreement, without 30 days written notice to the LENDER prior to the effective date of such cancellation, or change, in coverage.

5. PAY ALL TAXES: To pay and discharge all personal property taxes, assessments, and governmental charges upon it or against its properties prior to the date on which the penalties attached thereto apply, except that the Borrower shall not be required to pay any such tax, assessment, or governmental charge which is being contested in good faith and by appropriate proceedings. If so requested by Lender, Borrower will provide a bond guaranteeing payment of such taxes or assessments in any case in which Borrower contests any tax and refuses to pay under this section.

6. PROVIDE ADDITIONAL EQUITY: To provide additional equity funds to cover additional project costs incurred as a result of overruns or unanticipated expenses or changes in work orders in the project as specified in the Loan Commitment Letter.

7. MAINTAIN EXISTENCE: To maintain its existence, rights, privilege, and franchises within the State of California and qualify and remain qualified in each jurisdiction in which its present or future operations or its ownership of property requires such qualifications.

Adopted: 07/07/2015

40
8. **PROVIDE FINANCIAL AND JOB INFORMATION:** To maintain adequate records and books of account, in which all of its business and financial transactions will be entered in accordance with generally accepted accounting principles.

Borrower agrees to deliver to the Lender annual financial statements certified by an authorized officer of the Borrower to be true and accurate copies within ninety (90) days of the close of the Borrower’s fiscal year. The Lender retains the right to request audited statements from the Borrower, to be obtained at the Borrower’s expense.

The Borrower agrees to provide job data to the Lender every three (3) months for the period of the Loan or five (5) years, whichever is less. This job data will include but not be limited to the number of new hires, wages, title, starting date or jobs retained that directly relate to this Loan.

The Borrower will comply with record keeping requirements. All records concerning the construction and use of the Loan proceeds, including invoices, receipts and contracts will be kept for a period of not less than three years from the closing of the Loan or completion of construction, whichever is later. All relevant records pertaining to the project shall be accessible and available for inspection or audit by Lender for the same time period. If directed so by the Lender, Borrower shall deliver to the Lender all records, accounts, documentation and other relevant materials relating to the receipt and disbursement of loan funds.

The Borrower further agrees to provide written notice to the Lender of any public hearing or meeting before any administrative or other public agency, which may in any manner affect the chattel, personal property, or real estate securing the Loan.

9. **RIGHT TO INSPECTION:** To grant the Lender, until the Note has been fully repaid with interest, the right at all reasonable hours to inspect the chattel, personal property, and real estate used to secure the Loan, and to provide the Lender free access to the Borrower’s premises for the purpose of such inspection.

10. **NOTICE OF DEFAULT:** To give written notice to the Lender of any event within 15 days of the event that constitutes an Event of Default under this Loan Agreement as described in Article VI herein or that would, with notice or lapse of time or both, constitute an Event of Default under this Loan.

11. **INDEMNIFY AND HOLD HARMLESS:** Borrower shall indemnify and hold harmless both the Lender and Administrator, their officers, agents’ and employees from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, activities giving rise to strict liability, or defects in design by the Borrower or any person directly or indirectly employed by or acting as agent for Borrower in the performance of this Loan Agreement, including the concurrent or successive passive negligence of the Lender and Administrator, their officers, agents or employees.

   It is understood that the duty of Borrower to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Lender reserves the right to object to Borrower’s selection of counsel, and Borrower acknowledges and affirms that independent counsel shall be retained to represent Lender’s interests in the event of any potential or actual conflicts of interest.

   Acceptance of insurance certificates and endorsements required under this Loan Agreement does not relieve Borrower from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.
12. **EXPENSES OF COLLECTION OR ENFORCEMENT:** To pay the Lender, if the Borrower defaults on any provision of this Loan Agreement, in addition to any other amounts that may be due, an amount equal to the costs and expenses of collection, enforcement, or correction or waiver of the default incurred by the Lender's rights under the Note and this Loan Agreement; the prevailing party shall be entitled to its reasonable attorney's fees.

13. **OTHER INSURANCE:** If provided as security, to maintain life insurance on Borrower in the amount of Loan. The life insurance policy will be a term policy. The Borrower will assign the amount of insurance to the Lender and submit an acknowledged copy from the insurance company of the assignment.

14. **NULL AND VOID COVENANTS:** In the event that any provision of this Loan Agreement or any other instrument executed at closing or the application thereof to any person or circumstances shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement shall nevertheless remain in full force and effect, and to this end, all covenants, conditions, and agreements described herein are deemed separate.

15. **COLLATERAL:** To provide and maintain all collateral property or equipment in good condition and at the original site identified in the loan application.

16. **HAZARDOUS SUBSTANCES:** Comply with all applicable laws, regulations, ordinances, licenses, permits, rules and other codes pertaining to hazardous substances. The Borrower shall indemnify and hold harmless from all liability, claims, penalties, fines, losses damages and expenses of any kind, including, without limitation, clean-up costs and reasonable attorney fees, incurred by Lender as a result of Borrowers breach of the provisions of the Deed of Trust, as a result of Borrower's breach of warranty regarding hazardous substances, or as a result of the presence of hazardous substances on the property.

17. **OPERATIONS:** Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

18. **NOTICES OF CLAIMS AND LITIGATION:** Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

19. **ADDITIONAL INFORMATION:** Furnish such additional information and statements, as Lender may request from time to time.

20. **OTHER AGREEMENTS:** Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

21. **PERFORMANCE:** Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement and all documents executed in connection with this Agreement, as well as any and all other agreements entered into between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Adopted: 07/07/2015
22. **LOAN PROCEEDS:** Use all Loan proceeds solely for the following specific purposes: [INSERT DESCRIPTION].

**BORROWER:**

_________________________  ____________________________
Signature                  Title

_________________________  ____________________________
Print Name                Date
The Borrower covenants and agrees that, from the date hereof until payment in full of the Note, unless the Lender shall otherwise consent in writing, the Borrower will not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this Loan Agreement including, but not limited to, the following covenants. Any breach of these covenants would constitute an Event of Default, and the rights of default by the Lender may be executed.

1. ENCUMBER THE BORROWER’S ASSETS: The Borrower will not further encumber its assets or incur indebtedness in addition to that now existing and that provided for in this Loan Agreement, except indebtedness incurred in the ordinary course of business and payable within one year.

2. SELL THE BORROWER’S ASSETS: The Borrower will not sell or transfer all or a substantial part of its assets except those usually sold in the ordinary course of the business. The following items will not be sold, transferred, or removed from the site during the life of this loan: [INSERT LIST OF ITEMS]

3. LEASE OR SUBLEASE PROPERTY: The Borrower will not lease or sublease all or any portion of the property to be acquired, constructed, or rehabilitated as described in Section 1.03, with the proceeds of this Loan.

4. CHANGE OWNERSHIPS: The principles of the Borrower will not permit, without the written permission of the Lender, any material change in the ownership structure, control, or operation of the Borrower including, but not limited to: (1) merger into or consolidation with any other person, firm, or corporation; (2) changing the nature of its business as carried on at the date hereof; (3) substantial distribution, liquidation, or other disposal of the Borrower’s assets to the stockholders or any other party.

5. CHANGE THE PROJECT: The Borrower will neither permit nor suffer to exist, without prior written Lender consent, any material change in the project’s plans and/or specifications submitted to the Lender as per the Loan Application. Material change will include any significant variance in the accepted plans and specifications, increases in contract prices, and/or additional obligations with respect to the construction and acquisition of assets.

BORROWER:

_________________________________________  ________________________________
Signature                                      Title

_________________________________________
Print Name

_____________________________________
Date

Adopted: 07/07/2015
EXHIBIT “E”
PART 4 of 5
MISCELLANEOUS

1. WAIVER OF NOTICE: No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. No modification or waiver or any provision of this Loan Agreement or of the Note, nor any consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

2. AMENDMENTS WRITING REQUIRED: The Lender hereby expressly reserves all rights to amend any provisions of this Loan Agreement, to consent to or waive any departure from the provisions of this Loan Agreement, to amend or consent to, or waive departure from the provisions of the Note, and to release or otherwise deal with any collateral security for payment of the Note provided, however, that all such amendments be in writing and executed by the Lender and the Borrower.

3. NOTICES: All notices, consents, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party hereto if mailed by certified mail, prepaid, to the Lender at its address set forth a the beginning of this Loan Agreement, and to the Borrower at the address set forth at the end of this Loan Agreement or at such other addresses as any party may have designated in writing to any other party hereto. This section does not limit other means of delivering written notice if said notices are actually received.

4. PAYMENTS: The Borrower will make payments to the Lender in accordance with the terms and conditions and instructions contained in this Loan Agreement and the Note.

5. SURVIVAL OF REPRESENTATIONS AND WARRANTIES: All agreements, representations, and warranties made by the Borrowers herein or any other document or certificate delivered to the Lender in this transaction survive the delivery of this Agreement, the Note and the Security Agreements hereunder, and shall continue in full force and effect so long as the Note is outstanding.

6. SUCCESSORS AND ASSIGNS: This Loan Agreement shall be binding upon the Borrower, its successors, and assigns, except that the Borrower may not assign or transfer its rights without prior written consent of the Lender. This Agreement shall inure to the benefit of the Lender and, except as otherwise expressly provided in particular provisions hereof, all subsequent holders of the Note. Borrower acknowledges that Lender contemplates and may assign the Note and this Loan Agreement and consents to such assignments.

7. COUNTERPARTS: This Loan Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8. GOVERNING LAW: This Loan Agreement and the Note and Security Agreements, Financing Statements, and Deed of Trust shall be deemed contracts made under the laws of the State of California and for all purposes shall be construed in accordance with the laws of said State.
9. **WAIVER:** Failure by Lender at any time to require performance by Borrower of any of the provisions of this Loan Agreement shall in no way affect Lender's rights hereunder to enforce the same, nor shall any waiver by Lender of any breach hereof be held to be a waiver of any succeeding breaches or a waiver of this non-waiver clause.

10. **COMPLIANCE WITH LAWS:** Comply with all state, federal, or local laws, ordinances, and regulations, now or hereafter in effect, applicable to the conduct of Borrower’s properties, businesses and operations.

11. **ADDITIONAL ASSURANCES:** Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all security interests.

**BORROWER:**

_________________________________________  _______________________________________
Signature                                                                 Title

_________________________________________  _______________________________________
Print Name                                                                       Date
EXHIBIT “E”
PART 5 of 5
PROJECT ASSURANCE

The Borrower hereby assures and certifies that he/she will comply with all regulations, policies, guidelines, and requirements as they relate to the City of Fortuna Micro-Enterprise Financial Assistance Program. Also, the Borrower assures and certifies to the City of Fortuna Micro-Enterprise Financial Assistance Program that the project:

1. Will comply with Title VI of the Civil Rights Act of 1964 (Public Law 88-352) whereby no person in the United States shall on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the City of Fortuna Micro-Enterprise Financial Assistance Program by which the Borrower receives Federal financial assistance and will immediately take any measures necessary to effectuate this agreement.

2. Will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C §2000d) prohibiting employment discrimination where: 1) the primary purpose of the financial assistance is to provide employment, or 2) discriminatory employment practices will result in unequal treatment of persons who are or should be benefiting from the loan-aided activities.

3. Will comply with Section 112 of Public Law 92-65 and Title III of Public Law 94-135 whereby the Borrower assures that no person in the United States shall on the grounds of sex or of age be excluded from participating in, be denied the benefits of, or otherwise be subject to discrimination in connection with loan-aided activities.

4. Will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 State 975 approved December 31, 1976. Section 102 (a) requires on and after March 1975

5. Will comply with Section 106 of the National Historic Preservation Act of 1966 as amended (16 U.S.C 470 et seq.), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 U.S.C 469a-1 et seq.) by: a) consulting with the State’s Historic Preservation Officer on the conduct of investigation, as necessary to identify properties listed in or eligible for inclusion in the National Register (see 36 CFR Part 880.8) by the activity, and notifying of existence of any such properties; and b) complying with all requirements established by the State to avoid or mitigate adverse missing effects.

6. Will give the Lender, through any authorized representative, the access and right to examine all records, books, papers, or documents related to the Loan.

7. Will comply with Section 2 of the Public Works and Economic Development Act of 1965, which states that under the provisions of this Act, new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one labor area to another.

8. Will assure that any building or facility financed in whole or in part by any funds provided under the City of Fortuna’s Micro Enterprise Financial Assistance Program will be designed, construed or altered so as to assure ready access to and use of such building or facility by the physically handicapped. This provision applies only to firms which deal directly with the general public in the normal and usual course of their
business, and to facilities in which business is customarily transacted by and with members of the general public.

9. Will ensure that the facilities under its ownership, lease or supervision, which shall be utilized in the accomplishment of the project, are not listed on the Environmental Protection Agency’s (EPA) list of Violating Facilities and that it will notify the Lender of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.

10. Will comply with all requirements imposed by the Federal-sponsoring agency concerning special requirements of law, program and other administrative requirements.

11. Will comply with the Davis Bacon Act, as amended (40 U.S.C. 276a to 276a-5).

BORROWER:

Signature ____________________________

Title ____________________________

Print Name ____________________________

Date ____________________________

STATE OF CALIFORNIA
CITY OF FORTUNA

On ____________, 20XX, before me, ________________, the undersigned, a notary personally appeared XXXXXXXXXX who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and accurate.

WITNESS my hand, and official seal.

__________________________________

__________________________________, NOTARY PUBLIC

Adopted: 07/07/2015
ATTACHMENT D

GRANTEE’S BUSINESS LOAN SERVICING POLICIES

LOAN SERVICING POLICIES AND PROCEDURES

The City of Fortuna, hereafter called "Lender", has adopted these policies and procedures in order to preserve its financial interest in properties whose "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 that are associated with them. The policies and procedures are broken down into the following areas: 1) loan repayments; 2) required payment of taxes, assessments, liens and insurance; 3) required Request for Notice of Default; 4) required noticing and limitations on any changes in title, occupancy, use, or location of property; 5) requests for subordination; 6) process for loan 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 Installment Notes, which are amortized promissory notes, or Lender may use a designated loan collection company to collect payments. Late fees will be charged for payments received after the assigned monthly date as described in loan documents. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments.

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

2. Payment of Taxes, Assessments, Liens and Insurance:
In general, as part of keeping a CDBG loan from going into default, borrower must maintain all-risks insurance coverage with respect to collateral or other property as designated in the loan documents and related commercial security agreements, naming the Lender as loss payee in first position or as additional insured if the loan is a junior lien. Lender may file a UCC financing statement to perfect Lender's security interest. 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 real property is located in a 100 year flood plain, the Borrower will be required to carry flood insurance. A certificate of insurance for flood insurance, if applicable, and for any other insurance required per terms of the loan will be required at close of escrow. The Lender will request verification of insurance coverage on an annual basis as long as the debt is outstanding.

Property taxes must be kept current during the term of the loan for property acquired with loan proceeds or for property designated as security for the CDBG loan or other activity debt, as described in the loan documents. If the Borrower fails to maintain payment of property taxes, then the Lender may pay the taxes and add the balance of the tax payment plus any penalties to the balance of the loan.
3. **Request for Notice of Default:**
When the Borrower's CDBG 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 the Borrower 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, Lender may contact any other senior lien holders regarding the status of loans.

4. **Required Noticing and Restrictions on Any Changes of Title, Occupancy, Use, or Location of Collateralized or Secured Property:**
In all cases where there is a change in title or occupancy or use or location of property that directly or indirectly relates to any agreements between Lender and Borrower, the Borrower must notify the Lender in writing of any change. No change in Borrower's name or principal residence will take effect until after Lender has received notice. All such changes are subject to the review and approval of the Lender's Loan Committee.

5. **Requests for Subordination:**
When a Borrower wishes to refinance property financed in whole or in part with CDBG funds, Borrower must make a subordination request to the Lender. The Lender may consider subordination of the 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 debt costs of the business 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.

6. **Process for Loan Foreclosure:**
Upon any condition of loan default, including: 1) non-payment; 2) failure to comply with or perform other terms, obligations, covenants or conditions contained in the Note or related documents; 3) false statements; 4) death or insolvency of borrower; 5) creditor or forfeiture proceedings; or 6) any other event of default as described in the promissory note, Lender may declare the entire unpaid principal and interest balance immediately due. Upon loan default, Lender will send a letter to Borrower notify Borrower of the default situation.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender as 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, 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 Lender must determine if it is cost effective to protect the Lender's position by paying off the senior lien holder in total and restructuring the debt. If the Lender does not have sufficient funds to pay the senior lien holder in full, then the Lender may choose to cure the senior lien holder and foreclose on the property. As long as there is sufficient value in the property, the Lender may be able to pay for the foreclosure process and pay off the senior lien holder and retain some or all of the Lender's investment.

If the Lender decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four to six months from the date of recording of the "Notice of Default." If the Lender fails to reinstate the senior lien holder before five 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.
City Of Fortuna

Community Development Block Grant

Owner Occupied
&
Owner Investor
Rehabilitation Program
Guidelines

Adopted__________
# CITY OF FORTUNA
## O HOUSING REHABILITATION PROGRAM GUIDELINES
### PROGRAM GUIDELINES

## TABLE OF CONTENTS

1.0 **GENERAL**
   1.1 PROGRAM OUTREACH AND MARKETING
   1.2 APPLICATION PROCESS AND SELECTION
   1.3 LOAN PROCESS
   1.4 CONFLICT OF INTEREST REQUIREMENTS

2.0 **APPLICANT QUALIFICATIONS**
   2.1 INCOME LIMITS
   2.2 INCOME QUALIFICATION CRITERIA
   2.3 HOMEOWNER ELIGIBILITY & RESIDENCY REQUIREMENTS

3.0 **PROPERTY ELIGIBILITY**
   3.1 CONDITIONS
   3.2 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
   3.3 NOTIFICATIONS AND DISCLOSURES

4.0 **THE PROGRAM LOAN**
   4.1 MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
   4.2 AFFORDABILITY PARAMETERS FOR HOMEOWNERS
   4.3 RATES AND TERMS
   4.4 GRANTS
   4.5 APPRAISAL/VALUE
   4.6 INSURANCE
   4.7 LOAN SECURITY, PROGRAM LOAN SERVICING AND MAINTENANCE

5.0 **PROGRAM LOAN SERVICING AND MAINTENANCE**
   5.1 PAYMENTS ARE VOLUNTARY
   5.2 RECEIVING LOAN REPAYMENTS
   5.3 LOAN SERVICING POLICIES AND PROCEDURES
   5.4 LOAN MONITORING PROCEDURES
   5.5 DEFAULT AND FORECLOSURE
   5.6 SUBORDINATIONS

6.0 **CONSTRUCTION**
   6.1 STANDARDS
   6.2 ELIGIBLE CONSTRUCTION COSTS
   6.3 ELIGIBLE PROJECT COSTS
   6.4 REPAIR CALLBACKS
   6.5 OWNER BUILDER
   6.6 SWEAT EQUITY

7.0 **EXCEPTIONS**
   7.1 AMENDMENTS
   7.2 EXCEPTIONS

8.0 **DISPUTE RESOLUTION AND APPEALS PROCEDURES**
   8.1 PROGRAM COMPLAINT
   8.2 GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR
TABLE OF CONTENTS (continued)

ATTACHMENT A: INCOME AND ASSET DEFINITIONS
ATTACHMENT B: CURRENT INCOME LIMITS; and CDBG STANDARDS FOR ROOM and BATHROOM ADDITION
ATTACHMENT C: RESIDENTIAL ANTI-DISPLACEMENT AND TEMPORARY RELOCATION ASSISTANCE PLAN
ATTACHMENT D: LOAN SERVICING POLICIES AND PROCEDURES FOR THE CITY OF FORTUNA
ATTACHMENT E: LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM
CITY OF FORTUNA
OWNER OCCUPIED HOUSING REHABILITATION
PROGRAM GUIDELINES

1.0 GENERAL
The above named entity, hereinafter referred to as the “Sponsor”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer CDBG housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the “Program” is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area, as described in 3.0. The Program provides this assistance in the form of deferred payment loans used to finance the cost of necessary repairs that will provide the owner occupant or income-qualified tenant with a healthy, safe, sanitary, energy efficient, and code compliant home, referred to herein as “housing unit”. The City of Fortuna as the Sponsor will refer participants to the County of Humboldt, the “Program Operator”.

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 Sponsor will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

A. The Fair Housing Lender and Accessibility logos 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. 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 will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2 APPLICATION PROCESS AND SELECTION
A. Waiting List/Homeowner Contact. The Sponsor will utilize a waiting list. In response to an owner occupant (OO) request will an Application and placed on the waiting list.

Owner investor (OI) applicants will be notified that relocated tenants will receive payments for increased housing costs, payment for moving and related expenses and appropriate advisory services, and a copy of the County “Residential Anti-
displacement and Relocation Assistance Plan", (Attachment C). In addition, they will be given a draft General Information Notice to provide to the tenants. The notice will explain to the tenants that temporary relocation benefits will be provided if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. After providing evidence of Notice of Delivery they will be placed on the waiting list.

B. Application/Interview. When the homeowner reaches the top of the list the Program Operator will schedule an interview, within 10 business days. The program is fully explained and application forms and documentation are reviewed. The then homeowner has 20 business days to complete and return any missing documentation.

C. Income Verification. Third Party verification is obtained for income and outstanding debts of the owner-occupant, or the tenants in the case of the owner investor. Title report and drive-by cost estimates are also obtained. Households selected for participation in the County’s Housing Rehabilitation Program are those determined eligible upon completion of this process.

D. Household Selection. Households selected for participation in the Sponsor’s Housing Rehabilitation Program are those determined eligible upon completion of processes described in B. and C. above.

E. Notification of Acceptance or Denial. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.

F. Initial Inspection/Work Write-Up/Estimate. Prospective units are inspected by the Program Operator to determine eligibility and acceptability of properties for participation in the program.

If the home is a pre-1978 unit, the initial inspection will also include paint testing by a certified Lead-Based Paint (LBP) inspector/assessor or presumption of LBP. Local Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 6.1.E & F) and cleared by a certified LBP inspector/assessor. If it is a rehabilitation project funded solely by the CalHome program, the LBP requirement will not apply.

Measurements and observations are noted about the property, including special conditions with potential cost consequences (dilapidated outbuildings, absence of curb and gutter when required by code, etc.). A floor plan and site plan, as needed, are drawn for the home and property, including all appurtenances.

Findings are noted on an inspection form, and later used to prepare the work write-up. Estimated costs are determined by the Program Operator who has experience in the building industry, in reviewing contractor bids and verifying costs with material suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

An initial pre-rehabilitation value and post-rehabilitation value will be calculated. Refer to section 4.5 for the method for determining pre-rehabilitation and after rehabilitation value. The market estimate or appraised value will be used to calculate loan to value ratio.
G. **Bid Solicitation.** A bid walk-through date and time are scheduled. The homeowner may choose to solicit his/her own bids or request that the Program Operator solicit bids on his/her behalf. Invitations to bid are mailed to all eligible contractors on file in efforts to obtain three reasonable bids. Bid results will be provided to participating contractors.

Contractors must be licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide Program Operator with evidence of Workers' Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least $1,000,000.

Cost reasonableness is determined by comparing the bids received with the cost estimate prepared by the Program Operator. Selected bids should be within 10% of the Program Operator’s cost estimate, otherwise an explanation must be provided to the file for any bid selected exceeding 10% of the estimate. Provided the bid is within 10% of the estimate the decision is up to the Participant. The participant will be encouraged to accept the lowest reasonable bid.

The Program Operator determines eligibility of the contractor by contacting the State Contractors License Board and checking the Federal List of Debarred Contractors. The contractor is also required to provide a self-certification stating that he/she is not on the Federal debarred list. Once determined eligible, the contractor is then notified of provisional award of bid (pending loan approval).

H. **Loan Request/Approval.** An underwriting report will be prepared on behalf of the homeowner by the Program Operator. The loan report will include the cost of construction, a contingency fund, and other project costs (listed in Section 6.3.) Providing there are no problems, the loan will be approved, the loan documents will be executed and the loan will be funded.

I. **Pre-Construction Conference.** A pre-construction conference is scheduled with homeowner, contractor, and Program Operator. The Program Operator reviews the Owner-Contractor Construction Contract, including the work write-up, start date, pay schedule, and date of completion, with the homeowner and contractor. The construction contract and Notice to Proceed are executed.

J. **Start-Up/Field Inspections.** The Program Operator monitors date of start-up and performs field inspections on a regular basis. The Program Operator will visit the job site regularly in order to check the scope of work, inspect materials, and to confirm the job is on schedule and within budget. The Program Operator works with the Sponsor’s Building Inspector to ensure the work meets building codes, while not exceeding funding limits.

The Program Operator reviews the work status with the homeowner and with the contractor in order to remedy any developing problems quickly and to ensure that both are satisfied with the construction process. At the completion of each phase, the Program Operator inspects the work and the homeowner authorizes contractor payments.

The Program Operator will refer back to original plans and specifications to verify the work was completed as contracted.

K. **Change Orders.** Written change orders are required when the homeowner requests any changes in the write-up, such as eliminating an item completely, eliminating one
item and substituting another, or adding items. The change order will state the change and dollar value for the change. The change order must be signed by both the contractor and the homeowner, and submitted to the Program Operator for approval. If the change order exceeds the approved financing, the homeowner will be asked to provide additional funds or a report and request for additional funds may be presented to the Sponsor for approval prior to Program Operator signing-off on the change order.

L. Progress Payments. Ninety percent of the contract amount is distributed to the contractor in the form of progress payments during construction. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The contractor requests a progress payment from the homeowner and notifies the Program Operator that he/she has done so. Upon favorable inspection by the homeowner, Program Operator, and Building Inspector when applicable, the payment authorization is signed by the homeowner and submitted for payment.

M. Final Inspections/Notice of Completion/Final Payment. When the project is completed, the Program Operator inspects the work item by item with the homeowner, the contractor, and/or the Sponsor staff. The Sponsor staff or Building Inspector performs a final inspection. Any corrections or deficiencies are noted and corrected by the contractor. Upon favorable final inspections, a Notice of Completion is prepared, signed by the homeowner, and then recorded with the County Recorder. The final ten-percent (10%) retention payment is released 35 days after the recording of the Notice of Completion.

1.3 LOAN PROCESS
The Sponsor must approve all loans and grants. The Sponsor may approve assistance with financing exceeding 100 percent of after-rehabilitation value as needed in cases where no other financial resources are available to cover the cost of the improvements and where clear and convincing documentation exists, justifying why the exception is needed.

In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time the application is considered. Homeowners will be provided written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

1.4 CONFLICT OF INTEREST REQUIREMENTS
When the Sponsor’s program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. Owner/builders are reimbursed from loan funds for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement from loan funds occurs after the installation is verified by the Program Operator to be part of the scope of work. Owner/builders are not reimbursed for labor.

2.0 APPLICANT QUALIFICATIONS

2.1 INCOME LIMITS
All homeowners 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 the County’s area median income (AMI), adjusted for household size, as published by HCD each year. See Attachment C.

The link to the official HCD-maintained income limits for HOME and CDBG Funded activities is: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35699.pdf

**Household:** means one or more persons who will occupy a housing unit. Unborn children count in family size determination.

**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.

### 2.1.1 **OWNER-_OCCUPIED REQUIREMENTS**

To be eligible, household income must be equal to or less than the applicable HCD income limits. Owner will be required to provide income documentation. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income (Attachment A).

Owner-occupants housing and/or debt ratios are not considered, nor is a credit report required, as the funding provided creates no additional monthly financial obligation. If an owner-occupant has a mortgage, it is verified that all payments are current and that no late payments have been received in the past twelve months.

### 2.1.2 **OWNER-INVESTOR REQUIREMENTS**

There are no restrictions on the income of the owner-investor unless the owner-investor is a member of the Low-Mod group and is interested in qualifying for a Deferred Payment Loan (see Section 4.3.2.C.).

The eligibility will be determined by the Tenants, not the owner.

Owner-investor housing and debt ratios are considered, and a credit report is required, since the funding provided may create an additional monthly financial obligation. If an owner-investor has a mortgage on the property to be rehabilitated it is verified that all payments are current and that no late payments have been received in the past twelve months.

### 2.1.3 **TENANT REQUIREMENTS**

If a rental is currently occupied, the tenant’s household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation and income will be projected for 12 months based on current income (Attachments A).

### 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 for HOME and CDBG, as shown in the most recent HCD program-specific guidance at http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html, will be followed to independently determine and certify the household’s annual gross income. 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. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. Two types of income that are not considered would be income of minors and of 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.

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 savings account – not the asset value, which is counted in annual income.)

An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash, including: 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.

2.3 HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS
The Sponsor’s Housing Rehabilitation Program allows for owner-occupied and owner-investor/tenant occupied properties to participate in the Program.

Owner-occupied units must be the owner’s principal place of residence. A photocopy of a recent utility bill will verify proof of occupancy. No unit to be rehabilitated will receive financial assistance if it is currently occupied by an over-income household or does not meet the eligibility standards outlined in these guidelines.

2.3.1 OWNER-OCUPIED
A. Continued residency is monitored regularly, under the terms of the original loan. Generally, this is within the first 60 days of the each fiscal year. Occupancy will be verified by the submission of a current utility bill.

B. In the event that a homeowner sells, transfers title, or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable, unless the following conditions are met:

The homeowner who received the loan dies and the heir to the property meets income requirements and intends to occupy the home as his/her principal residence. Upon approval of the Sponsor, the heir may be permitted to assume the loan at the rate and terms the heir qualifies for under current participation guidelines. If the heir does not meet applicable eligibility requirements, the loan is due and payable.
C. If a homeowner converts the property to a rental unit, or any commercial or non-residential use, the loan is due and payable, unless the loan was funded with CDBG and tenant and homeowner meet eligibility requirements as described in Section 2.3.2. below.

2.3.2. OWNER INVESTOR REQUIREMENTS
   A. If the owner-investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
   
   B. An owner-investor may convert a rental property to his or her personal residence if all conditions below exist:
      1. He or she can prove that the previous tenant was not evicted without cause.
      2. He or she is income eligible.
      3. He or she requests approval from the Sponsor.
   
   C. If an owner-investor converts the rental property to his or her personal residence, but is not income eligible, the loan is due and payable.
   
   D. If the owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.
   
   E. Over-income rental households occupying units in a project which will receive financial assistance for other eligible units will be allowed to stay in their respective units. To prevent owners from evicting ineligible tenants before applying for the Program, the owner must certify that no tenant has been forced to move without cause during the previous six months.

3.0 PROPERTY ELIGIBILITY

3.1 CONDITIONS
   A. No unit will be eligible if a household’s income exceeds the prescribed income limits (Attachment B).
   
   B. Units to be rehabilitated must be located within the unincorporated areas of Humboldt County.
   
   C. Property must contain a legal residential structure intended for continued residential occupancy. This may be a stick built home or a manufactured home on a permanent foundation.
   
   D. All repair work will meet Local Building Code standards. The priority will be the elimination of health and safety hazards, and then code compliance. However, if certain components of the house are sound and were built to code prescribed at the time of installation, no repair or alteration will be made to those components. Section 8 Housing Quality Standards are required on rentals.
3.2 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of occupants or public danger or is otherwise undesirable because of the nature of the project. Relocated persons will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the Sponsor's "Residential Anti-displacement and Relocation Assistance Plan" (Attachment C).

Owner-occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Program Operator. In cases where relocation is determined to be necessary by the Sponsor/Program Operator, assistance may be provided for actual costs incurred from the applicant's loan proceeds or as a grant (see Section 4.4. for allowable grants).

3.3 NOTIFICATION AND DISCLOSURES
A. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as follows:

The Lead Hazard Information Pamphlet published by the EPA/HUD/Consumer Product Safety Commission will be given to all owners regardless of the cost of rehabilitation or paint test findings. If lead-based paint is found through testing or if presumed, a Notice of Lead Hazard Evaluation or Presumption will also be supplied. When Lead hazards are present, a Notice of Lead Hazard Reduction Activity and a Lead Hazard Evaluation Report will also be provided (Attachment E).

B. Tenants located in properties that will receive housing rehabilitation will be provided a notice outlining their relocation rights and benefits (Attachment C).

C. 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.

D. 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.

4.0 THE PROGRAM LOAN

4.1 MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
An eligible homeowner may qualify for the full cost of rehabilitation/reconstruction work needed to comply with State and local codes and ordinances. For CDBG funded programs the maximum assistance for rehabilitation/reconstruction will not exceed $50,000 per unit. Funds are subject to availability.
4.2 **AFFORDABILITY PARAMETERS FOR HOMEOWNERS**

A. Total indebtedness against property shall not exceed 100% of after-rehabilitation value as determined by “Estimates of value” and or appraisal. An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 4.5.

B. Any bid within 10% of the Program Operator’s estimate may be selected, otherwise an explanation must be provided to the file for a bid selected exceeding 10% of the estimate.

4.3 **RATES AND TERMS**

4.3.1 **OWNER-OCCUPANTS**

A. Homeowners are eligible for Deferred Payment Loans (DPL), at three percent (3%) interest, evidenced by a Promissory Note and secured by a Deed of Trust, with no payback required for 30 years unless the borrower sells or transfers title or discontinues residence in the dwelling. Payments may be made voluntarily on a DPL. If it is determined by the Sponsor that repayment of a CalHome or CDBG Program loan at the maturity date causes a hardship to the homeowner, the Sponsor may opt the following:

1. Amend the note and deed of trust to defer repayment of the amount due at maturity, that is balance of the original principal plus the accrued interest, for up to an additional 30 years (at 0% additional interest). This may be offered one time;

2. Convert the debt at loan maturity; that is the balance of the original principal plus any accrued interest, to an amortized loan, repayable in 15 years at 0% additional interest.

B. If the homeowner dies, and if the heir(s) to the property live(s) in the house and is/are income eligible, the heir(s) may be permitted, upon approval of the Sponsor, to assume the loan at the rate and terms the heir(s) qualifies for under current participation guidelines. CalHome loans are not assumable.

C. If the homeowner dies and the heir(s) is/are not income eligible, the loan becomes all due and payable.

D. If a homeowner converts the rehabilitated property to any residential-rental, commercial or non-residential use, the loan becomes all due and payable, unless they meet requirements outlined in Section 2.3.2.

E. As specified in the Rehabilitation Loan Agreement, all applicants who participate in the Program must maintain the property at post-rehabilitation conditions for the term of the loan. Should the property not be maintained accordingly, the loan shall be considered in default and becomes all due and payable, and if necessary, foreclosure proceedings will be initiated. A method of inspection will be established by the Sponsor.

4.3.2 **OWNER-INVESTORS**
The rate and terms for an owner-investor may vary depending on the owner's financial situation. Below are the options available:

A. Amortized Loan - Below Market Interest Rate (BMIR) loan at 3 percent simple interest, secured by a deed of trust and with a maximum term of 15 years.

B. DPL for a Low-Mod owner-investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. DPL terms are the same as those described in 4.3.2.A above.

C. Rent Limitation Agreement (RLA)
   An owner-investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which will be recorded. This agreement will specify:
   1. **Maximum Rents.** In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.
   2. **Base Rent -- Vacant Unit.** If the house is vacant, rent charges shall not exceed 30 percent of 80 percent of the Sponsor median income for the appropriate household size in that unit. Owner-investor shall affirmatively seek low-mod households. Where such efforts do not result in eligible low-mod tenants, the owner-investor shall contact the Sponsor for guidance.
   3. **Base Rent -- Occupied Unit.** If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.
   4. **Terms.** BMIR finance will require rent limitation for a minimum of 5 years, and continue for the full term of the loan.
   5. **Verification.** Each year during the term of the Agreement, the borrower shall provide the Sponsor with a written list of current occupants' names and monthly rents by January 15th. The Sponsor may verify this information with the occupant.
   6. **Compliance.** Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be initiated.

D. Maintenance Agreement
   As specified in the Rehabilitation Loan Agreement, an owner-investor who participates in the Program must maintain the property at post-rehabilitation conditions for the term of the loan(s). Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings may be initiated.

### 4.4 GRANTS

Grants may be available in when one of the following factors applies:

1. **Senior Citizen**
   a. Must be at least 62 years old
b. Up to $5,000 in conjunction with a rehab loan

2. Handicapped
   a. For only handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed
   b. Up to $7,500.

3. Lowest Targeted Income Group
   a. With gross annual income less than 50 percent of County median income
   b. Up to $5,000 in conjunction with a loan

4. Lead-Based Paint Costs
   a. All actual costs of lead-based paint evaluation and reduction activities.
   b. Up to $5,000 in conjunction with a rehab loan

5. Relocation assistance. See Relocation Assistance Plan (Attachment C).
   a. Owner-Occupant – Limit of $2,000.
   b. Residential Tenant – Assistance will be provided at the level necessary to comply with the Uniform Relocation Act (URA) and Section 104(d) of the Housing and Community Development Act of 1974.

4.5 APPRAISAL/VALUE
   A. The After-Rehab Value for rehabilitation projects is determined using the “Estimates of value” method. The Sponsor or Program Operator determines estimates of value based on the sale prices of at least three (3) comparable properties, sold within the last six months (within one year of the assistance date, which is the date the promissory note is signed), and located within one mile of the subject property. The participants’ file will include the estimate of value and document the basis for the value estimates. If three comparable SOLD properties cannot be found, or if there is any question regarding the After-Rehab Value, the value will be determined by a licensed appraiser, as described in Section 4.5.B. below.

   B. A licensed appraiser determines the After-Rehab Value for rehabilitation projects, when the “Estimates of value” method cannot be used. For rehabilitation projects the appraiser determines the value of the unit with the rehabilitation building plans and specifications included. The cost of the appraisal will be paid by the Sponsor, not by the homeowner. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed 100% of the combined loan-to-value limit, as described in Section 4.2.A above.

4.6 INSURANCE
   A. FIRE INSURANCE. The homeowner shall maintain fire insurance on the property for the duration of the program loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the Sponsor as Loss Payee for the amount of the program loan(s). A binder shall be provided to the County. Should the fire insurance not be maintained accordingly, the loan may be considered in default and become due and payable, and if necessary, foreclosure proceedings may be initiated.

   B. FLOOD INSURANCE. For homes in a 100-year flood zone, the owner is required to maintain flood insurance in an amount adequate to secure the Program loan and all
other encumbrances. This policy must designate the Sponsor as Loss Payee and a binder shall be provided to the Sponsor and maintained in the borrowers file. The premium may be paid by the Program loan for one year.

4.7 **LOAN SECURITY**
A. Loan security for all owner-occupied rehabilitation stick-built homes will be secured by the real property and improvements, and will also include a Deed of Trust, Promissory Note and Loan Agreement in favor of the County.

B. A manufactured home in a mobile home park or on leased land that is not on a permanent foundation will be secured by an HCD 480.7 or an HCD 484 Statement of Lien, and will also include a Promissory Note and Loan Agreement.

C. Entering a subordinate lien is acceptable. However, the Sponsor will not subordinate a first lien position once established.

5.0 **PROGRAM LOAN SERVICING AND MAINTENANCE**

5.1 **PAYMENTS ARE VOLUNTARY**
Borrowers may begin making voluntary payments at any time. No pre-penalties apply.

5.2 **RECEIVING LOAN REPAYMENTS**
A. Program loan payments will be made to:

   City of Fortuna
   Attn: Finance Department
   621 11th Street
   Fortuna, CA 95540

B. The Sponsor will be the receiver of loan payments or recapture funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the County's appropriate Program Income Account. The Sponsor will accept loan payments from borrowers prepaying deferred loans, from borrowers making payments in full upon sale or transfer of the property, and homeowners of tenant occupied units. All loan payments are payable to the County. The Sponsor 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.

5.3 **LOAN SERVICING POLICIES AND PROCEDURES**
See Attachment D 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.

5.4 **LOAN MONITORING PROCEDURES**
Homeowners will be required to submit proof of occupancy in the form of a copy of a current utility bill between January 1 and March 1 of each year for the term of the loan. In addition for the term of the loan in order to verify that there is current insurance in place the county will be named additional insured.

5.5 **DEFAULT AND FORECLOSURE**
If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Loan Servicing Policy and Procedure, adopted by the County (Attachment D).

5.6 **SUBORDINATIONS**

Subordinations can only be done in conjunction with rehabilitation of the unit under the following circumstances:

A. The new primary loan is no greater than the balance of the loan being refinanced, except the costs of refinancing the loan may be added to the principal balance.

B. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payment.

C. The refinanced loan must have an impound account for taxes and insurances.

D. There can be no cash out or refunded in escrow.

6.0 **CONSTRUCTION**

6.1 **STANDARDS**

A. All repair work will meet Local Building Code standards. Priority will be the elimination of health and safety hazard.

1. California Codes to consider, including amendments for:
   a. Building
   b. Plumbing
   c. Electrical

2. Local Ordinances to consider, including amendments for:
   a. Flood Management
   b. Geo-hazard Management
   c. Streamside Management, and
   d. Fire safe Ordinance

   However, if a certain component of the house is sound and built to code prescribed at the time, no repair or alteration will need to be made.

B. Contracting Process

1. Contracting will be done on a competitive basis.

2. The homeowner will be the responsible agent, but the Sponsor and/or its Program Operator will prepare the work write-up, prepare and advertise the bid package, and assist the owner in negotiating the construction contract.

3. The Sponsor does not warrant any construction work, or provide insurance coverage.

C. Approved Contractors

1. Contractors are required to be licensed with the State of California, and be active and in good standing with the Contractors' License Board.
2. Contractors will be checked against HUD's list of federally debarred contractors. No award will be granted to a contractor on this list.

3. Contractors must have public liability and property damage insurance, and worker's compensation, unemployment and disability insurance, to the extent required by State law, and name the County as additional insured.

4. Contractor must agree to comply with all federal and state regulations.

D. Owner/Builders must meet all above requirements and be pre-approved by the Sponsor. They will be the primary contractor on the job.

1. With careful consideration and written approval by the Sponsor, Homeowners may function as an owner/builder on the job. The loan amount will include all items in the accepted bid or in-house cost estimate, without sweat equity. Upon completion of the total job, the labor saved through sweat equity will be a credit against the agreed upon project cost, which included labor prior to the commitment of sweat equity, thereby providing a credit to the original job cost estimate such that the loan balance will equal the actual net project cost for outside labor and materials.

2. Once started the job must be completed as specified in the initial write-up.

3. If the project has lead paint hazards, the homeowner must provide documentation of lead paint training for each person to be working on the house prior to signing the sweat equity agreement or starting work. Lead hazard worker certifications will not be necessary if the project does not have lead paint (built after 1978 or tested negative for lead paint), or the project is cleared of lead hazards by a certified lead inspector, and the work performed by the homeowner will not create additional lead hazards.

4. An owner/builder will be required to have a valid contractor's license to perform the rehabilitation work themselves.

E. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 3.3.A.

F. Units constructed prior to 1978 will be assumed to have lead, and be inspected according to the following HUD regulations. For specific guidance refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.

G. Green Building Alternative. Program participants will be given the option of a green building alternative. If they choose this option, any item that is within the scope of work may be repaired with the following items:

1. Use engineered Lumber
   a) Beams and Headers
   b) Wood I-Joists or web trusses for floors and ceilings

2. Use Oriented Strand Board (OSB) on floor, wall and roof sheathing

3. Provide effective air sealing
   a) Seal sole plates
   b) Seal exterior penetrations at plumbing, electrical and other penetrations
c) Seal top plate penetrations at plumbing, electrical, cable and other penetrations
d) Weather-strip doors and attic access openings
e) Seal penetrations in interior equipment closets and rooms
f) Seal around bathtub drain penetrations in raised floors

4. Install and flash windows in compliance with manufacturer’s recommended window installation protocols

5. Exterior doors shall be:
a) Insulated or solid core
b) Flush, paint or stain grade shall be metal clad or have hardwood faces.
c) Factory primed on six sides with a one year warranty.

6. Select durable non-combustible roofing materials which carry a three-year contractor installation guarantee.

7. Install ENERGY STAR® Ceiling Fans in living areas and all bedrooms; install a whole house fan with insulated louvers; or install an economizer.

8. Install ENERGY STAR® built-in appliances in each unit, including but not limited to: dishwashers, refrigerators, and clothes washers.

9. Install gas storage water heater with an Energy Factor (EF) of .62 or greater and a capacity of at least 30 gallons for one- and two-bedroom units and 40 gallons for three-bedroom units.

10. Use water saving fixtures or flow restrictors.
   a) Kitchen and Service Areas < 2 gallons per minute (gpm).
   b) Bathroom Sinks <= 1.5 gallons per minute (gpm).
   c) Showers and bathtubs <= 2.5 gallons per minute (gpm).

11. Use Low-VOC paint and stain.
   a) Flat interior wall/ceiling paints and stains < 50 gpl VOCs.
   b) Non-flat wall/ceiling paints and stains < 150 gpl VOCs.

12. Floor Coverings
   a) Light and medium traffic areas shall have vinyl or linoleum at least 3/32” in thickness.
   b) Heavy traffic areas shall have vinyl or linoleum at least 1/8” in thickness.
   c) Carpet shall comply with U.S. Department of Housing and Urban Development/Federal Housing Administration UM 44C, or alternatively, cork, bamboo, linoleum, or hardwood floors shall be provided in all other floor areas.

6.2 ELIGIBLE CONSTRUCTION COSTS

"Rehabilitation" means repairs and improvements to a substandard residential structure, including manufactured homes, necessary to make it meet rehabilitation standards. "Rehabilitation standards" means applicable state or local building or housing standards adopted pursuant to the State Housing Law. Rehabilitation includes replacing failed or incipient repair items. Rehabilitation does not include replacement of personal property. Rehabilitation includes reconstruction.

"Reconstruction” means the demolition and reconstruction of an owner-occupied residential structure. Grantees must document that the reconstruction costs are less than newly constructed housing and that the estimated cost of the reconstructed housing
(excluding demolition, site preparation and temporary relocation) is less than the fair market value of the reconstructed housing and land combined. Documentation will be maintained in each loan file by completing the Test for Reconstruction. The Test for Reconstruction will be included in projects using HOME funds.

Additionally, the Sponsor must determine that the project’s value after reconstruction will exceed the value of the loans in total.

The residential structure to be reconstructed must be a structure with cooking, eating, sleeping, and sanitation facilities which has been legally occupied as a residence within the preceding 12 months. Fifth wheels or recreational vehicles, for example, are not considered dwellings and therefore are not eligible under this Program.

Like for like requires that the structure being demolished must be replaced with a like structure (replace manufactured housing with manufactured housing, for example). However, additions may be approved when required by Codes/Ordinances or to alleviate overcrowding (Attachment B).

Temporary relocation benefits must be planned for and budgeted into the total allowable subsidy for the project, but if required would be in the form of a grant.

Depending on the outcome of the Statutory Worksheet (Environmental test), a reconstructed project may require Authority from the State before funds are committed to the project.

Allowable rehabilitation/reconstruction costs include:

A. Cost of building permits and other related government fees.
B. Cost of architectural, engineering, and other consultant services which are directly related to the rehabilitation of the property.
C. Rehabilitation or Replacement of a manufactured home not on a permanent foundation will not be allowed. Manufactured homes on permanent foundation will be allowed.
D. Rehabilitation of a manufactured home may include the replacement of the unit with a used manufactured home and the cost to repair it, as long as the unit has been occupied and not used as a demonstration model. Should the unit meet the criteria for reconstruction a new manufactured home can be used for replacement and all cost associated with the purchase and transportation can be added to the loan.
E. Rehabilitation will address the following issues in the order listed. Eligible costs are included for each item.

1. Health and Safety Issues. Eligible costs include, but are not limited to, energy-related improvements, lead-based paint hazard evaluation and reduction activities, improvements for handicapped accessibility, repair or replacement of major housing systems. A driveway may be considered part of rehabilitation if it is determined to be a health and safety issue.

2. Code and Regulation Compliance. Eligible costs include, but are not limited to, additional work required to rehabilitate and modernize a home, and bring it into
compliance with current building codes and regulations. Painting and weatherization are included.

3. **Demolition.** Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished, if it is determined to be a health and safety issue.

4. **Upgrades.** CDBG allows the addition of additional bedrooms and bathrooms if the need can be demonstrated per HUD’s overcrowding guidelines listed in Attachment B.

5. **General Property Improvements.** General Property Improvements are only allowed if the house has health and safety issues or code violations. Eligible costs include, but are not limited to, installation of a stove, refrigerator, and/or dishwasher, and repair or installation of fencing.

   All improvements must be physically attached to the property and permanent in nature. Non-code property improvements (fencing, landscaping, driveway, etc.) will be limited to 15 percent of the rehabilitation loan amount. Any cash contribution by the property owner will be considered a general property improvement and be included in this percentage. Luxury items are not permitted. Items such as refrigerators, stoves and dishwashers that are not built-in may be replaced only due to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

   Items that are not built in such as a refrigerator or a fence may only be replaced due to incipient failure or documented medical condition of the homeowner and must be of moderate quality. General property improvements for reconstruction would allow for the construction of a garage and/or a driveway.

6. **Rehabilitation Standards.** All repair work once stated will meet State and Local Building Code standards. The priority will be the elimination of health and safety hazards and code compliance.

7. **Green Building.** When elected green building alternatives may be used as enumerated in Section 6.1 G.

### 6.3 Eligible Project Costs

In addition to construction costs expenses related to the paperwork for processing and insuring a loan application are eligible project costs and may be included in the loan. These include:

- Appraisal
- Property Report/Title Insurance
- Building Plans
- Recording Fees
- Fire/Course of Construction Insurance
- Flood Insurance
- Disposal Bin
• Storage Expenses
• Termite Report
• Lead Paint Testing (not CalHome eligible)
• Land Survey Credit Report
• Grading Plan

Costs are based on charges incurred by the County, or it’s Program Operator, for these products and/or services.

Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the Sponsor for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g. planning, engineering, construction management, including inspections and work write-ups).

6.4 **REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet FHA minimum specifications.

Once a Notice of Completion is filed any disagreements that may arise regarding warranties would be between the homeowner and the contractor.

6.5 **OWNER-BUILDERS**

The Sponsor will determine if a homeowner will allowed to be an owner builder on a case by case basis in accordance with Section 6.1.D. Owner/builders must have a valid contractor’s license to perform the rehabilitation work themselves.

6.6 **SWEAT EQUITY – PARTIAL WORK**

The Sponsor will determine if Sweat Equity will be allowed on a case by case basis in accordance with Section 6.1.E. Those performing a portion of the work, must demonstrate to the Sponsor they have capacity for that part of the work and there must be a Contractor with a valid contractor’s license to perform the bulk of their rehabilitation work.

7.0 **EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

7.1 **AMENDMENTS**

The Sponsor may make amendments to these Program Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the City Council and submitted to the separate HCD Programs for approval.

7.2 **EXCEPTIONS**

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.

7.2.1 **PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

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

B. The Sponsor shall make a determination of the exception based on the recommendation of the Program Operator. The request may be presented to the County’s governing body for decision.

8.0 DISPUTE RESOLUTION AND APPEALS PROCEDURES

8.1 PROGRAM COMPLAINT AND APPEAL PROCEDURE
Complaints concerning the County’s Rehabilitation Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the County. The Sponsor will then schedule a meeting with the homeowner and Program Operator’s staff. A written response will be made within fifteen (15) working days after that meeting. If the applicant is not satisfied with the decision, a request for an appeal may be filed with the County’s governing body. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

8.2 GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR
Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

“Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.”
INCOME INCLUSIONS AND EXCLUSIONS
24 CFR 5.609(b) and (c)

INCOME INCLUSIONS

(1) 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) The net income from 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, 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 paragraph (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) 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 (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**

(5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
(6) **Welfare Assistance.**

(a) Welfare assistance received by the family.

(b) 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 ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) **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; and

(8) **All regular pay, special pay, and allowances** of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

(9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph “financial assistance” does not include loan proceeds for the purpose of determining income.

*(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)*
INCOME EXCLUSIONS

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) 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) 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 paragraph (5) under Income Inclusions;

(4) 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 a live-in aide, as defined in 24 CFR 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

(8) Employment Training Funds
   (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

   (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-aside 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, child care, 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 owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident- initiative coordination. No resident may receive more than one such stipend during the same period of time; or
(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. 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.

(9) Temporary, nonrecurring, or sporadic income (including gifts);

(10) 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. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

(11) Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;

(14) 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;

(15) 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 the developmentally disabled family member at home; or

(16) 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 set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

(a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 (b));

(b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
(c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])

(d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);

(e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);

(f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]; (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, AmeriCorps);

(g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L- 94-540, 90 Stat. 2503-04);

(h) 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 (25 U.S.C. 1407-1408)

(i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu)

(j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program

(k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agent-product liability litigation, M.D.L. No. 381 (E.D.N.Y)

(l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721)

(m) 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 (42 U.S.C. 9858q)

(n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[jj]);

(o) Payments by the Indian Claims Commission to the Confederated Tribes
and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433)

(p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d));

(q) 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 (38 U.S.C. 1805);

(r) 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 (42 U.S.C. 10602); and

(s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).
2015 MEDIAN FAMILY INCOME FOR HUMBOLDT COUNTY*
(Effective June 2015)

<table>
<thead>
<tr>
<th>Number of Persons in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% of AMI</td>
<td>$32,850</td>
<td>$36,400</td>
<td>$40,950</td>
<td>$45,500</td>
<td>$49,150</td>
<td>$52,800</td>
<td>$56,450</td>
<td>$60,100</td>
</tr>
</tbody>
</table>

*Sponsor will insert the limits for the county in which the Program is located, and 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/incNote.html](http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html)

CDBG STANDARDS FOR ROOM AND BATHROOM ADDITIONS
(This chart is used as a guide to overcrowding in CDBG Programs)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Maximum No. of Persons in the Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRO</td>
<td>1</td>
</tr>
<tr>
<td>0-BR</td>
<td>1</td>
</tr>
<tr>
<td>1-BR</td>
<td>2</td>
</tr>
<tr>
<td>2-BR</td>
<td>4</td>
</tr>
<tr>
<td>3-BR</td>
<td>6</td>
</tr>
<tr>
<td>4-BR</td>
<td>8</td>
</tr>
<tr>
<td>5-BR</td>
<td>10</td>
</tr>
<tr>
<td>6-BR</td>
<td>12</td>
</tr>
</tbody>
</table>

- Opposite sex children under 6 years of age may share a bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom, with no more than 2 per bedroom.
- Adults not in a partnership, may have their own bedroom
- 4 or more people – a second bathroom may be added*
- 8 or more people – a third bathroom may be added*
- Same rules apply to mobile home units.
- **this is CDBG best practice**
The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require all grantees of Community Development Block Grant (CDBG) funds or Home Investment Partnership (HOME) funds to follow a written Residential Anti-displacement and Relocation Assistance Plan (Plan) for any activities which could lead to displacement of occupants whose property is receiving funds from these or other federal funding source. Having been developed in response to both aforesaid federal legislations, this Plan is intended to inform the public of the compliance of the City of Fortuna (and its Program Operator) with the requirements of federal regulations 24 CFR 570.606 under state recipient requirements and Section 104(d) of the Housing and Community Development Act of 1974 and 24 CFR 92 of the HOME federal regulations. The Plan will outline reasonable steps, which the County will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The County’s governing body has adopted this plan via a formal resolution.

This Plan will affect rehabilitation activities funded by the U.S. Department of Housing and Urban Development (HUD) under the following program titles: HOME, CDBG, Urban Development Action Grant (UDAG), Special Purpose Grants, Section 108 Loan Guarantee Program, and such other grants as HUD may designate as applicable, which take place within the County’s jurisdiction limits.

The County will provide permanent relocation benefits to all eligible “displaced” households either owner occupied or rental occupied units which are permanently displaced by the housing rehabilitation program (See Section E below.). In addition, the County will replace all eligible occupied and vacant occupiable low income group dwelling units demolished or converted to a use other than low income group housing as a direct result of rehabilitation activities. This applies to all units assisted with funds provided under the Housing and Community Development Act of 1974, as amended, and as described in the Federal Regulations 24 CFR 570.496(a), Relocation, Displacement and Acquisition: Final Rule dated July 18, 1990 (Section 104(d)) and 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Regulations Final Rule and Notice (URA) dated March 2, 1989.

All County programs/projects will be implemented in ways consistent with the County’s commitment to Fair Housing. Participants will not be discriminated
against on the basis of race, color, religion, age, ancestry, national origin, sex, familial status, or handicap. The County will provide equal relocation assistance available 1) to each targeted income group household displaced by the demolition or rehabilitation of housing or by the conversion of a targeted income group dwelling to another use as a direct result of assisted activities; and 2) to each separate class of targeted income group persons temporarily relocated as a direct result of activities funded by HUD programs.

A. Minimizing Permanent Displacement and Temporary Relocation Resulting from Housing Rehabilitation or Reconstruction Activities

Consistent with the goals and objectives of activities assisted under the Act, the County will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:

1. Provide proper notices with counseling and referral services to all tenants so that they understand their relocation rights and receive the proper benefits. When necessary assist permanently displaced persons to find alternate housing in the neighborhood.

2. Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.

3. Encourage owner investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during the course of rehabilitation or pay expenses on behalf of replaced tenants.

4. Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.

5. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities.

B. Lead Based Paint Mitigation Which Causes Temporary Relocation:

On September 15, 2000, the Final Rule for Lead Based Paint Hazard Control went into effect. Among other things, it requires that federally-funded rehabilitation must use safe work practices so that occupants and workers can be protected from lead hazards. **At no time should the tenant-occupant(s) be present in work areas or designated adjacent areas while LHC activities are taking place in any dwelling unit interior, common area, or exterior.** As such, occupants may not be allowed to remain in their units during the time that lead-based paint hazards are being created or treated. Once work that causes lead hazards has been
completed, and the unit passes clearance, the occupants can return. **The tenant-occupants may not reoccupy a work area or adjacent area until post-lead hazard reduction clearance standards have been achieved and verified with laboratory results.** The final rule allows for certain exceptions: programs:

1. The work will not disturb lead-based paint, or create dust-lead or soil-lead hazard; or

2. The work is on exterior only and openings are sealed to prevent dust from entering the home, the work area is cleaned after the work is completed, and the residents have alternative lead free entry; or

3. The interior work will be completed in one period of less than 8-daytime hours and the work site is contained to prevent the release of dust into other areas of the home; or

4. The interior work will be completed within five (5) calendar days, the work site is contained to prevent the release of dust, the worksite and areas within 10 feet of the worksite are cleaned at the end of each day to remove any visible dust and debris, and the residents have safe access to kitchen and bath and bedrooms.

If temporary relocation benefits are not provided because the County believes that the project meets one of the above criteria, then proper documentation must be provided in the rehabilitation project file to show compliance. It is up to the County to ensure that the owner occupant or tenant in the project does not get impacted by lead paint mitigation efforts. In most cases where lead paint mitigation is taking place, occupants (tenants or owners) will be strongly encouraged to relocate even for just a few days until a final lead clearance can be issued by a certified lead based paint assessor. Occupants who are temporarily relocated because of lead based paint mitigation are entitled to the same relocation benefits as those who are relocated because of substantial rehabilitation or reconstruction activities.

**B. Temporary Relocation of Owner Occupants:**

Owner occupants are not allowed to stay in units that are hazardous environments during lead based paint mitigation. When their home is having lead based paint mitigation work done which will not make it safe to live in, then they are eligible for temporary relocation benefits up to $3,000, which will be provided as a grant. In the same way, a unit requiring substantial rehabilitation (with or without lead based paint mitigation) which will not allow the family to access a bath or kitchen facility, or if the unit is being demolished and reconstructed, then the family will be eligible for temporary relocation benefits up to $3,000, which...
will be provided as a grant. In no case shall the grant for temporary relocation exceed $3,000 for any one-owner occupant.

Owner occupants will be encouraged to move in with family or friends during the course of rehabilitation, since they are voluntarily participating in the program. The housing rehabilitation loan specialist and/or the rehabilitation construction specialist will complete a temporary relocation benefits form (See Appendix C) to document that the owner occupant understands that they must relocate during the course of construction and what benefits they wish to be reimbursed for as part of their relocation.

C. Temporary Relocation of Residential Tenants:
If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenant or the public, or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. The contract administrator or rehabilitation specialist will make determination of the need for temporary relocation. The temporary relocation period will not exceed 180 days. All conditions of temporary relocation will be reasonable. Any tenant required to relocate temporarily will be helped to find another place to live which is safe, sanitary and of comparable value and they have the first right to move back into the original unit being rehabilitated at the same rent or lower. He or she may move in with family and friends and still receive full or partial temporary assistance based on eligible cost incurred. The housing rehabilitation loan specialist and/or the rehabilitation specialist will ensure that each tenant occupied unit under the program will receive a General Information Notice (GIN) (as soon as possible after a loan application is received) and the tenant will receive a Notice of Non-displacement (after loan approval), and each tenant occupied unit will have a temporary relocation benefits form completed for them. (See Appendix C). These notices will document that each tenant understands what their relocation rights are, and if they must relocate during the course of construction, that they receive the proper counseling and temporary relocation benefits.

A tenant receiving temporary relocation shall receive the following:

1. Increased housing costs (e.g. rent increase, security deposits) and

2. Payment for moving and related expenses, as follows:
   a. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;


b. Packing, crating, unpacking, and uncrating of personal property;

c. Storage of personal property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;

d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;

e. Insurance for the replacement value of personal property in connection with the move and necessary storage;

f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft or damage is not reasonably available;

g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;

h. Any costs of credit checks required to rent the replacement dwelling;

i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expenses:
   1) Interest on a loan to cover moving expenses; or
   2) Personal injury; or
   3) Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant before the Grantee; or
   4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

D. Rehabilitation Activities Requiring Permanent Displacement
The County’s rehabilitation program will not typically trigger permanent displacement and permanent displacement activities fall outside of the scope of this plan. If a case of permanent displacement is encountered, then the staff responsible for the rehabilitation program will consult with County’s legal counsel to decide if they have the capacity to conduct the permanent displacement activity. If local staff does not have the capacity, then a professional relocation consultant will be hired to do the counseling and benefit determination and implementation. If local staff does wish to do the permanent displacement activity then they will consult and follow the HUD Relocation Handbook 1378.

E. Rehabilitation Which Triggers Replacement Housing
If the County’s rehabilitation program assists a property where one or more units are eliminated then under Section 104 (d) of the Housing and Community Act of 1974, as amended applies and the County is required to replace those lost units. An example of this would be a duplex unit, which is converted into a single-family unit. In all cases where rehabilitation activities will reduce the number of housing units in the jurisdiction, then the County must document that any lost units are replaced and any occupants of reduced units are given permanent relocation benefits. (This does not apply to reconstruction or replacement housing done under a rehabilitation program where the existing unit(s) is demolished and replaced with a structure equal in size without in loss number of units or bedrooms.)

Replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the County to provide funds for an activity that will directly result in such demolition or conversion, the County will make this activity public (through a noticed public hearing and/or publication in a newspaper of general circulation) and submit to the California Department of Housing and Community Development or the appropriate federal authority the following information in writing:

1. A description of the proposed assisted activity;

2. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as targeted income group dwelling units as a direct result of the assisted activity;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;

5. The source of funding and a time schedule for the provision of the replacement dwelling units;

6. The basis for concluding that each replacement dwelling unit will remain a targeted income group dwelling unit for at least 10 years from the date of initial occupancy; and,

7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit
with two one-bedroom units) is consistent with the housing needs of targeted income group households in the jurisdiction.

The Program Operator for the County is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The County is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in Section 570.606, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

E. Record Keeping and Relocation Disclosures/Notifications
The County will maintain records of occupants of federally funded rehabilitated, reconstructed or demolished property from the start to completion of the project to demonstrate compliance with section 104(d), URA and applicable program regulations. Each rehabilitation project, which dictates temporary or permanent or replacement activities, will have a project description and documentation of assistance provided. (See sample forms in HUD Relocation Handbook 1378, Chapter 1, Appendix 11, form HUD-40054)

Appropriate advisory services will include reasonable advance written notice of (a) the date and approximate duration of the temporary relocation; (b) the address of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period; (c) the terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling.

Notices shall be written in plain, understandable primary language of the persons involved. Persons who are unable to read and understand the notice (e.g. illiterate, foreign language, or impaired vision or other disability) will be provided with appropriate translation/communication. Each notice will indicate the name and telephone number of a person who may be contacted for answers to questions or other needed help. The notices and process below is only for temporary relocation. If permanent relocation is involved then other sets of notice and noticing process and relocation benefits must be applied (See HUD relocation handbook 1378 for those forms and procedures) The Temporary Relocation Advisory Notices to be provided are as follows:

1. General Information Notice: As soon as feasible when an owner investor is applying for Federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered a General Information Notice that the project has been proposed and that the tenant will be able to occupy
his or her present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not exceed current rent or 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that the rehabilitation can be completed, suitable housing will be made available and he or she will be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons. See Exhibit A for sample notice to be delivered personally or by certified mail.

2. **Notice of Non Displacement**: As soon as feasible when the rehabilitation application has been approved, the tenant will be informed that they will not be permanently displaced and that they are eligible for temporary relocation benefits because of lead based paint mitigation or substantial rehabilitation, or reconstruction of their unit. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance. See Exhibit B for sample notice to be delivered personally or by certified mail.

3. **Disclosure to Occupants of Temporary Relocation Benefits**: This form is completed to document that the County is following its adopted temporary relocation plan for owner occupants and tenants. See Exhibit C for a copy of the disclosure form.

4. **Other Relocation/Displacement Notices**: The above three notices are required for temporary relocation. If the County is attempting to provide permanent displacement benefits then there are a number of other forms which are required. Staff will consult HUD’s Relocation Handbook 1378 and ensure that all the proper notices are provided for persons who are permanently displaced as a result of housing rehabilitation activities funded by CDBG or other federal programs.
Dear __________,

On __________, __________ submitted an application to the _______ _______ for financial assistance to rehabilitate the building which you occupy at __________.

This notice is to inform you that, if the assistance is provided and the building is rehabilitated, you will not be displaced. Therefore, we urge you not to move anywhere at this time. (If you do elect to move for reasons of your choice, you will not be provided relocation assistance.)

If the application is approved and Federal assistance is provided for the rehabilitation, you will be able to lease and occupy your present apartment (or another suitable, decent, safe and sanitary apartment in the same building) upon completion of the rehabilitation. Of course, you must comply with standard lease terms and conditions.

After the rehabilitation, your initial rent, including the estimated average monthly utility costs, will not exceed the greater of (a) your current rent/average utility costs, or (b) 30 percent of your gross household income. If you must move temporarily so that the rehabilitation can be completed, suitable housing will be made available to you for the temporary period, and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in housing costs.

Again, we urge you not to move. If the project is approved, you can be sure that we will make every effort to accommodate your needs. Because Federal assistance would be involved, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

This letter is important and should be retained. You will be contacted soon. In the meantime, if you have any questions about our plans, please contact __________, __________, at __________, __________.

Sincerely,

__________
__________

__________
__________
(date)

Dear ________:

On (date), we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On (date), the owner's request was approved, and the repairs will begin soon.

This is a notice of non-displacement. You will not be required to move permanently as a result of the rehabilitation. This notice guarantees you the following:

1. You will be able to lease and occupy your present apartment [or another suitable, decent, safe and sanitary apartment in the same building/complex] upon completion of the rehabilitation. Your monthly rent will remain until after construction is completed. If increased after construction is done, your new rent and estimated average utility costs will not exceed local fair market rents for your community. Of course, you must comply with all the other reasonable terms and conditions of your lease.

2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact (name), (title), at (phone #), (address)_________. Remember; do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

(name and title)
DISCLOSURE TO OCCUPANT OF TEMPORARY RELOCATION BENEFITS
Top to be completed at time of loan application submittal or Home Visit

Property Address: ________________________
___ Rental Unit ___Owner/Occupied Unit

The rehabilitation loan specialist working on behalf of the City/County of ____________________ has explained the temporary relocation services and benefits available under the current rehabilitation program relocation plan.

I/we have been advised that the City/County of ____________________ rehabilitation construction specialist will inform me if I need to be temporarily relocated and will assist me with scheduling any necessary moves and answer any questions about assistance as needed.

Acknowledged:

Occupant Signature   Occupant Signature   Date

Complete this at time of acceptance of Work Write Up with initials by occupant

The rehabilitation construction specialist for the City/County of ____________________ has explained the Rehabilitation Scope of Work for our house and I/we agree that it will:

____ Not require I/we to be relocated. (If initialed then STOP here and sign bottom.)
____ Yes, I/we need to be temporarily relocated. (Complete rest of form if initialed.)

Start date and duration of relocation:
____ Starting on or about _______ we will move for all or part of the rehabilitation project.
____ Approximate length of temporary relocation: _______ Number of days.

For temporary relocation, I/We elect to (check all that apply):
____ Relocate with friends and family.
____ Relocate into a suitable temporary housing unit identified by rehab specialist.
____ Relocate furnishings only into a temporary storage unit.

____ I/We have been told what our relocation benefits are and elect Not to be reimbursed for any eligible relocation expenses.

____ I/We have been told what our relocation benefits are and want to be reimbursed for: ___

By signing, occupant(s) acknowledge receipt of copy of this form:

Occupant Signature   Occupant Signature   Date
CITY OF FORTUNA
LOAN SERVICING POLICIES AND PROCEDURES

The City of Fortuna, hereafter called “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties whose “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) process 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 due 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 second mortgage. 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 with an endorsement naming the City of Fortuna as additional insured will be required at close of escrow. The lender will 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, if possible. 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 owner-occupant loans the Lender will verify the Borrower is the primary occupant, via utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, 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, and the original legal documents allow it, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant (depends on the HCD program).

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 income eligible. 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.

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 refinancing 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.

Also, provisions of Section 5.2 and 5.3 of these guidelines still apply, which state that the loan must:
1. be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
2. not have a temporary interest rate buy-down;
3. have a term “all due and payable” in no fewer than 30 years; and;
4. Not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, the request will be considered 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) change in title or use without approval; 4) 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. **Short Sale Policy**

State Recipients may approve short sales without state approval. However, when conducting routine monitoring, the State will review the files for short sale requests to ensure the requirements of this memo have been met.

The State Recipient has three major sets of responsibilities. First, the State Recipient must counsel the borrower as to their best interests. Second, the State Recipient must be a prudent lender. Third, the State Recipient must follow federal regulatory requirements. The State expects the State Recipient to fulfill all three sets of responsibilities.

In their first set of responsibilities, to counsel the borrowers as to their best interests, the State Recipient must take the following actions:

- Assist the borrower to retain their home. This involves a discussion with the borrower of the reasons why the borrower is requesting a short sale, a discussion of alternatives to short sale such as loan modifications, and counseling the borrower about the possible tax consequences of a short sale. This discussion does not replace professional foreclosure counseling.
- Discuss with the borrower the advantages of remaining in the home (such as having, stable, affordable housing payments) versus other options such as renting where the rent may be higher than the mortgage payments and may go up over time.
- Discourage the short sale if borrowers have affordable housing payments and appear to be seeking a short sale simply to escape what may be a temporary "under-water" situation.
In their second set of responsibilities, as prudent lender, a State Recipient asked to approve a short sale must take the following actions:

- If it is not possible for the borrower to retain their home, recover loan proceeds to the extent possible
- Verify that the proposed sales price is approximately fair market value
- Negotiate the best possible “deal” with the first lender, e.g. some communities have reported that first lenders routinely allow $2,000 to $3,000 of the first lender’s proceeds to go to the State Recipient in short sale situations
- Ensure the following documentation is in the file for later State review:
  - A description of the State Recipient’s discussions with the borrower, addressing all of the issues identified above.
  - An estimate of fair market value
  - A description of the State Recipient’s negotiations with the primary lender
  - Documents pertaining to the escrow

In the State’s view, this language requires the State Recipient, after exhausting all reasonable efforts to counsel the borrower and recover loan proceeds, to allow a borrower to sell their home without having to repay the State Recipient any more than net proceeds. In a short sale scenario, other lenders, realtors and escrow agents will require the State Recipient’s approval for the short sale to proceed. This approval cannot be withheld if the State Recipient has provided the necessary counseling and has worked to recover loan proceeds to the extent possible.

If a mortgage debt is cancelled or forgiven, the canceled amount may be taxable for the borrower. The State Recipient should direct the borrower to seek the assistance of a tax consultant or attorney who can provide qualified advice regarding the potential taxable obligation. The Mortgage Forgiveness Debt Relief Act of 2007 (currently applies to debt forgiven in 2007 through 2012) may allow the borrower to exclude all or a portion of the canceled debt from taxation. A link to IRS’ website that discusses the Act is: [http://www.irs.gov/individuals/article/0,,id=179414,00.html](http://www.irs.gov/individuals/article/0,,id=179414,00.html). California has a similar forgiveness law that excludes forgiven debt from state tax and conforms to the federal act. The State Recipient must file IRS Form 1099-C for each loan that is canceled or forgiven.

9. **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.

Any transaction that involves a shortage in the repayment of the HOME promissory Note amount requires HCD review prior to the State Recipient’s approval of the short sale.

The Short Sale Request form (available online) must be submitted electronically to the jurisdiction’s HOME, CDBG, or CalHome Program Representative along with a Preliminary Title Report (current ALTA polices may also be used). Additional supporting documentation may be required after the request form and preliminary title report have been received.

HCD will review and approve/disapprove the Request, which outlines the circumstances of a household’s short sale, but not the short sale itself. Since the State Recipient is the lien holder, all short sale transaction terms must be negotiated and approved by the State Recipient. The Short Sale Request, HCD approval and all supporting documents must be maintained by the jurisdiction in the project file.
## Lead-Based Paint

### Visual Assessment, Notice of Presumption, And Hazard Reduction Form

### Section 1: Background Information

<table>
<thead>
<tr>
<th>Property Address:</th>
<th>No LBP found or LBP exempt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select one:</td>
<td>Visual Assessment □</td>
</tr>
<tr>
<td></td>
<td>Presumption □</td>
</tr>
<tr>
<td></td>
<td>Hazard Reduction □</td>
</tr>
</tbody>
</table>

### 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.

<table>
<thead>
<tr>
<th>Visual Assessment Date:</th>
<th>Report Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check if no deteriorated paint found □</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Date of Presumption Notice:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead-based paint is presumed to be present □ and/or Lead-based paint hazards are presumed to be present □</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Date of Hazard Reduction Notice:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Hazard Reduction Notice? Yes □ No □</td>
</tr>
</tbody>
</table>

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 and Acknowledgement of Receipt of pamphlet Protection Your Family from Lead in Your Home.

| Printed Name: | Signature: | Date: |

### Section 6: Contact Information

<table>
<thead>
<tr>
<th>Contact Name:</th>
<th>Organization:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Signature:</td>
<td></td>
</tr>
<tr>
<td>Date:</td>
<td>Address:</td>
</tr>
</tbody>
</table>
City of Fortuna

Community Development Block Grant
Homebuyer
Program Guidelines

Adopted: November 2015
HOMEBUYER PROGRAM GUIDELINES--TABLE OF CONTENTS

1.0 GENERAL ................................................................. 4
1.1 PROGRAM OUTREACH AND MARKETING ............. 4
1.2 APPLICATION PROCESS AND SELECTION ............... 5
1.3 THE HOME PURCHASE PROCESS ......................... 5
1.4 BUYER COSTS ..................................................... 7
1.5 HOMEBUYER EDUCATION .................................... 7
1.6 CONFLICT OF INTEREST REQUIREMENTS ............. 7
1.7 NON-DISCRIMINATION REQUIREMENTS ................ 7
2.0 APPLICANT QUALIFICATIONS ..................................... 7
2.1 CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE ....................................................... 7
2.2 INCOME QUALIFICATION CRITERIA ......................... 8
2.3 DEFINITION OF AN ELIGIBLE HOMEBUYER ............ 9
3.0 HOUSING UNIT ELIGIBILITY .................................... 9
3.1 LOCATION AND CHARACTERISTICS ....................... 9
3.2 CONDITIONS ...................................................... 9
3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE ................................................................. 10
3.4 PROPER NOTIFICATION AND DISCLOSURES .............. 11
4.0 PURCHASE PRICE LIMITS ........................................... 11
5.0 THE PRIMARY LOAN .................................................. 11
5.1 QUALIFYING RATIOS .............................................. 11
5.2 INTEREST RATE .................................................... 12
5.3 LOAN TYPE AND TERM .......................................... 12
5.4 IMPOUND ACCOUNT ............................................. 12
6.0 THE PROGRAM LOAN ................................................ 12
6.1 MAXIMUM LOAN AMOUNT ..................................... 12
6.2 NON-RECURRING CLOSING COSTS ......................... 12
6.3 AFFORDABILITY PARAMETERS FOR BUYERS ............. 12
6.4 RATE AND TERMS FOR PROGRAM LOANS ............... 12
6.5 LOAN TO VALUE RATIO ........................................... 13
7.0 PROGRAM LOAN REPAYMENT .................................... 13
7.1 PAYMENTS ARE VOLUNTARY .................................. 13
7.2 RECEIVING LOAN PAYMENTS ................................ 13
7.3 DUE UPON SALE OR TRANSFER ............................ 13
7.4 LOAN SERVICING POLICIES AND PROCEDURES ....... 13
7.5 LOAN MONITORING PROCEDURES ....................... 13
8.0 PROGRAM LOAN PROCESSING AND APPROVAL ......... 14
8.1 LOAN PROCESSING ................................................ 14
8.2 COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN ..................................................... 15
8.3 PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING .......................................................... 15
8.4 ESCROW PROCEDURES ........................................... 15
9.0 SUBORDINATE FINANCING ....................................... 15
10.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES ........... 15
10.1 DEFINITION OF EXCEPTION .................................. 15
10.2 PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES .... 15
11.0 DISPUTE RESOLUTION AND APPEALS PROCEDURE ...... 15

APPENDICES ........................................................................................................................................................ 17

ATTACHMENT A ...................................................................................................................................................... 18
ATTACHMENT B .......................................................................................................................................................... 23
Maximum Purchase Price After-Rehab Value Limits ................................................................. 23
Home Subsidy Limits per Unit-Section 221(d)(3); Current Income Limits ....................................... Error! Bookmark not defined.
ATTACHMENT C ...................................................................................................................................................... 24
Loan Servicing Policies and Procedures..................................................................................................................... 24
ATTACHMENT D ........................................................................................................................................................ 30
Sellers Lead-Based Paint Disclosure ........................................................................................................................... 30
ATTACHMENT E ........................................................................................................................................................ 31
Disclosure to Seller with Voluntary, Arm's Length Purchase Offer ............................................................................ 31
ATTACHMENT F ........................................................................................................................................................ 33
Instructions to Home Buyer ........................................................................................................................................... Error! Bookmark not defined.
ATTACHMENT G ........................................................................................................................................................ 33
Lead-Based Paint ......................................................................................................................................................... 33
ATTACHMENT H ........................................................................................................................................................ 34
Homebuyer Program Lead Compliance Document Checklist .......................................................................................... 34
CITY OF FORTUNA
HOMEBUYER PROGRAM GUIDELINES

1.0 GENERAL
The City of Fortuna, hereinafter referred to as the “Sponsor” has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer CDBG funded homebuyer programs. The homebuyer program described herein (the “Program”) is designed to provide assistance to eligible homebuyers in purchasing eligible 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 units that will be occupied by the homebuyers. The Program will be administered by the County of Humboldt (“Program Operator”).

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, sexual orientation, or any other arbitrary factor be excluded, denied benefits or subjected to discrimination under the Program. The Program Operator will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

A. The Fair Housing Lender and Accessibility logos 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. The Program may sponsor homebuyer classes to help educate families about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.

B. The Sponsor and Program Operator will work closely with local real estate agents and lenders to explain the Program requirements for eligible properties and borrowers, and to review Program processes. Local real estate agents and mortgage loan processors 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 Sponsor and Program Operator will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.
1.2 APPLICATION PROCESS AND SELECTION
A. The Program Operator may refer applicants on their waiting list to City of Fortuna Homebuyer Program. The Program Operator will maintain a waiting list of applicants. Each applicant is asked to complete a pre-application form, which asks for information concerning income, employment, and demographic data to establish preliminary eligibility for Program participation. The Sponsor may also refer inquiries to the Program Operator, in which case the participant will be immediately processed as noted in 1.2 B. below.

B. Once the applicant’s name comes to the top of the waiting list their Program eligibility is confirmed and they are invited to submit a complete application which asks for detailed income and employment information. Applications are only deemed complete if all information is completed, and the application is signed and dated. Participant is given 10 days to submit this information. Upon completion of income certification the Participant is briefed on detailed requirements for participation in the Program.

C. Each applicant must participate in individual Homebuyer Counseling provided by a Program Operator approved third party and receive a certificate of completion.

D. The potential homebuyer is given 90 days in order to find a qualified home and begin securing a primary loan for the housing unit. If during the 90-day time frame, the potential homebuyer is unable to purchase a home, an extension may be given. However, if it appears the potential homebuyer cannot participate in the Program, the reservation of funds expires and the next person on the waiting list is given an opportunity to participate in the Program.

1.3 THE HOME PURCHASE PROCESS
A. 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. The Program Operator will analyze a homebuyer’s finances to determine how much the buyer could afford to borrow from the lender towards homeownership.

<table>
<thead>
<tr>
<th>HOUSING PAYMENTS</th>
<th>TOTAL OVERALL PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal &amp; Interest Payment</td>
<td>$865</td>
</tr>
<tr>
<td>Insurance</td>
<td>82</td>
</tr>
<tr>
<td>Taxes</td>
<td>233</td>
</tr>
<tr>
<td>Total Housing Expense</td>
<td>$1,180 (Overall debt service per month is 41% of $3,388)</td>
</tr>
<tr>
<td>(PITI is 35% of $3,388)</td>
<td></td>
</tr>
</tbody>
</table>

DEBT SERVICE
FOR A FAMILY OF FOUR EARNING $3,388 PER MONTH

<table>
<thead>
<tr>
<th>OTHER HOUSEHOLD DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Payment</td>
</tr>
<tr>
<td>Credit Card Payment</td>
</tr>
<tr>
<td>Total Other Debt</td>
</tr>
</tbody>
</table>

A $865 per month loan payment equates to borrowing $143,000 at 5.88% for a 30 year term.
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), buyer 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; and

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

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

4) All units built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the Buyer and Seller (Attachment D);

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 if acquired with CDBG funds the property must be either: currently owner-occupied, newly constructed, a renter purchasing the unit, or vacant at the time of submission of the purchase offer. (Does not apply to CalHome housing units.)

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 prequalification letter to Sponsor. The purchase and sale agreement will be contingent on the household and property meeting Program eligibility requirements and receiving Program loan approval. Sponsor verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.

D. Sponsor determines Applicant’s approval or denial, and provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the Program’s appeal procedures.

E. When Primary Lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents.
F. At the time of escrow closing, the Sponsor shall be named as an additional loss payee on fire, flood (if required), 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. A policy of Title Insurance naming the Sponsor as insured is also required.

1.4 BUYER COSTS

Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Sponsor. The Program’s down payment requirement (below) is in place even if the Primary Lender has a lower down payment requirement. If the Primary Lender has a higher down payment requirement, there is no additional down payment requirement required by the Program.

A. Homebuyer must contribute a minimum down payment of one percent (1%) of the purchase price, but may contribute more if desired.

B. Sponsor will not provide more than fifty percent (50%) of the acquisition cost (purchase price plus all closing costs). The subsidy will write down the cost of the primary lender’s loan so that the payments of PITI are within approximately 28 to 33% of the gross household income. The Sponsor 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 Sponsor and the Program 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 attend a Sponsor-approved homebuyer education class. The homebuyer education class will cover such topics as the following: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; impact of refinancing and loan servicing. Methods of homebuyer counseling and education may include, but are not limited to: one-on-one counseling between homebuyer, counselor and family/individual and/or group workshops and informational sessions. Tools of instruction may include fliers, brochures, power point presentations, worksheets, etc.

1.6 CONFLICT OF INTEREST REQUIREMENTS

When the Sponsor’s program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance.

1.7 NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Sponsor’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 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 the County's area median income (AMI), adjusted for household size, as published by HCD. (Attachment B).

**Household**: means one or more persons who will occupy a housing unit. Unborn children count in family size (a doctors note will be required for verification of pregnancy).

**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.

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 Sponsor 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. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used; 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.


Attachment A: HUD Annual Income Inclusions and Exclusions

**NOTE**: Non-occupant co-signers will not be required to submit income and asset documentation. Co-signers income will not be included in the household income determination. Co-signers are acceptable as long as their names do not appear on the Grant Deed or Deed of Trust.

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 savings account - not the asset value, which is counted in annual income.)

C. **Asset Value**: 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. In addition, if total assets exceed $5,000 they will be imputed and considered to provide 2% income, regardless of the actual or projected income.

Income qualification criteria for CDBG, as shown in the most recent HCD program-specific guidance at http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html, will be followed to independently determine and certify the household’s annual gross income.

2.3  DEFINITION OF AN ELIGIBLE HOMEBUYER
For CDBG, an eligible homebuyer means an individual or individuals or an individual and his or her spouse who meets the income eligibility requirements.

3.0  HOUSING UNIT ELIGIBILITY

3.1  LOCATION AND CHARACTERISTICS
A. Housing units to be purchased must be located within the eligible area. The eligible area is the City of Fortuna.
B. Housing unit types eligible for the homebuyer Program are new or previously owned: single-family detached houses, half-plexes, condominiums, or manufactured homes in mobile home parks, in a common-interest development or on a single family lot.
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 be required to provide proof of flood insurance in order to close escrow. The City must be named as additional insured, “loss payee”.
E. Housing must be “modest”, so it may not exceed three bedrooms and two bathrooms unless there are documented extenuating circumstances (e.g. it would create an overcrowding situation, there is no a reasonable inventory of homes of this size, etc.) or the additional bedroom(s) are unheated.

3.2  CONDITIONS
A. Construction Inspection and Determining Need for Repairs. Once the participating homebuyer has executed a purchase agreement for a housing unit, 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) If the housing unit was constructed prior to 1978 then the lead-based paint requirements of Section 3.2.E will apply.
2) A certified housing inspector, or a Program Operator representative will walk through the housing unit, determine if it is structurally sound, and identify any code related and health and safety deficiencies that need to be corrected. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller.
3) Upon completion of all work required by the Program Operator, 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 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. CDBG allows purchase and rehabilitation concurrently, but after a property is purchased using this Program, unless a commitment is made to rehabilitate the property in conjunction with the purchase such property shall not be eligible for the Sponsor’s housing rehabilitation program for a minimum of five years from the date of recording the Program’s deed of trust.

C. All housing units built prior to 1978 are subject to Lead-Based Paint Hazard inspection and the requirements of this section. 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. 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, these programs may incorporate the costs into the calculation of Program assistance.

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 the most recent copy of and asked to read the EPA pamphlet “Protect Your Family From Lead in Your Home” (EPA 747-K-94-001). A signed receipt of the pamphlet will be kept in the Sponsor’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 F).

2) Disclosure: Prior to the homebuyer’s obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment D), “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 Sponsor 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.

D. 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) if applicable, ensure a completed Lead Compliance Document Checklist is placed in each purchaser’s file (see Attachment G).

3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner occupied or have been vacant for at least three months prior to the acceptance of a contract to purchase. The exception is if the Tenant has been renting the unit they are proposing to purchase. A unit is ineligible if its purchase would result in the displacement of a tenant. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. However, if tenant properties are added to the Program and relocation becomes necessary, the activity will be carried out in compliance with Sponsor’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 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 will 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 E) 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. (required for federally-funded programs).

4.0 **PURCHASE PRICE LIMITS**

For CDBG the purchase price cannot exceed 10% of the area median purchase price as established by comparable sales or information provided by the California Real Estate Association.


5.0 **THE PRIMARY LOAN**

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the “primary loan”).

5.1 **QUALIFYING RATIOS**

The Front-End Ratio shall be between 28% and 33% and is the percentage of a borrower’s gross monthly income (before deductions) that would cover the cost of PITI (Loan Principal Payment + Loan Interest Payment + Property Taxes + Homeowners Insurance).

The Back-End Ratio shall be between 30% and 40% and is the percentage of a borrower’s gross monthly income that would cover the cost of PITI plus any other monthly debt payments like car or personal loans and credit card debt, as well as child support and alimony payments.
5.2 **INTEREST RATE**

The first, primary, loan must be fully amortized and have a fixed interest rate that does not exceed the current market rate. No temporary interest rate buy-downs are permitted.

5.3 **LOAN TYPE AND 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.

In the case of the acquisition of a manufactured home that is not on a permanent foundation, the loan shall be fully amortized and have a term “all due and payable” in no fewer 15 years.

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 PROGRAM ASSISTANCE**

Maximum Loan Assistance may not exceed 49% of the primary loan. Any approved “grant” amount for lead-based paint evaluation and reduction activities or for relocation assistance will not be included in this amount.

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 Sponsor 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 first loan.

6.4 **RATE AND TERMS FOR PROGRAM LOANS**

All Program assistance to individual households shall be made in the form of deferred payment (interest and principal) loan (DPL).

The Program loan’s term shall be for 30 years, or the length of the Primary lien, whichever is longer.

The interest rate shall be 3%. The Sponsor may forgive all or a portion of the accrued interest for hardship cases, wherein the homebuyer is elderly or disabled, has lived in the house over 10-years, and due to market conditions when upon sale would lose all equity. This would be determined on a case by case basis. Loan principal shall not be forgiven.

All Program loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the primary loan. Loan principal shall not be forgiven, and the loan period cannot be extended.
6.5 **LOAN TO VALUE RATIO**

The loan-to-value ratio, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to 5 percent 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.

7.2 **RECEIVING LOAN PAYMENTS**

A. Program loan payments will be made to:

   City of Fortuna  
   621 11th Street  
   Fortuna, CA 95540

B. The Sponsor will be the receiver of loan payments or recaptured funds and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the Sponsor’s Program Income Account, as required by HCD programs. The Program lender will accept loan payments from borrowers prepaying deferred loans, and from borrowers making payments in full upon sale or transfer of the property. All loan payments are payable to the Sponsor. The Sponsor may at its discretion, contract with a firm to collect and distribute payments and/or complete all loan servicing aspects of the Program.

C. With partial payments, the Sponsor will post payments first to outstanding interest, and secondarily to principle.

7.3 **DUE UPON SALE OR TRANSFER**

In the event that an owner sells, transfers title, or discontinues residence in the purchased property for any reason, the principal balance of the DPL is due and payable, including if an owner wants to convert the property to a rental unit, or any commercial or non-residential use, the loan is due and payable. Exceptions may be made if the property is inherited or rented to a lower-income qualified participant.

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 C on loan defaults for further information on property restrictions.

7.4 **LOAN SERVICING POLICIES AND PROCEDURES**

See Attachment C 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**

Sponsor, or their agent, will monitor Borrowers and Properties 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

8.0 PROGRAM LOAN PROCESSING AND APPROVAL

8.1 Loan Processing

A.  Loan Processing

All homebuyers or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Sponsor’s Program loan documents executed as well as all the information from the Primary Lender. The Primary 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) homeownership education certificate, if applicable; and 5) signed underwriting transmittal summary and final signed loan application, both from primary lender. Program Operator will work with local lenders to ensure qualified participants receive only the benefit from the Sponsor’s Program needed to purchase the housing unit and that leveraged funds will be used when possible.

B.  Creditworthiness

Qualifying ratios are only a rough guideline in determining a potential borrower’s creditworthiness. 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 Sponsor and documentation of such maintained in the loan file. The Sponsor may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

C.  Documents from Primary Lender

After initial review of the qualified homebuyer’s application packet, the County as 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 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.

8.2 COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

Once the loan approval package has been completed the Sponsor will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the buyer.

8.3 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.

8.4 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 by only 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

With today’s high costs, in order for a low-income household to obtain a home, several funding sources might be required. Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All subordinate liens must have the payments deferred and the term must be for at least as long as the term of the Program loan.

10.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The Sponsor may make amendments to these Participation Guidelines, with prior approval by the Board of Supervisors and CDBG. Any exceptions to Participant Guidelines shall be made in accordance with regulations and approved by the Board of Supervisors.

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 PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES

A. The Sponsor or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Sponsor's recommended course of action and any written or verbal information supplied by the applicant.

B. Once the Sponsor has made a determination of the exception the request can be presented to the Board of Supervisors 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. All appeals must be
made in writing. The Program Operator’s written response will be made within thirty (30) working days. If the applicant is not satisfied with the decision, a request for an appeal may be filed with the Fortuna City Council. Final appeal must be filed in writing with HCD within one year after denial.
APPENDICES
INCOME INCLUSIONS AND EXCLUSIONS

24 CFR 5.609(b) and (c)

INCOME INCLUSIONS

(1) 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) The net income from 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, 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 paragraph (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) 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 (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**

(5) Payments in lieu of earnings, such as unemployment, disability compensation,
worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;

(6) Welfare Assistance.

(a) Welfare assistance received by the family.

(b) 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 ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) 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; and

(8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

(9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph “financial assistance” does not include loan proceeds for the purpose of determining income.

*(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)*

INCOME EXCLUSIONS

(1) Income from employment of children (including foster children) under the age of
18 years;

(2) 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) 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 paragraph (5) under Income Inclusions;

(4) 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 a live-in aide, as defined in 24 CFR 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

(8) Employment Training Funds
   (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

   (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-aside 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, child care, 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 owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident- initiative coordination. No resident may receive more than one such stipend during the same period of time; or

   (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. 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.

(9) Temporary, nonrecurring, or sporadic income (including gifts);

(10) 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. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

(11) Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;

(14) 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;

(15) 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 the developmentally disabled family member at home; or

(16) 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 set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

(a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7U.S.C. 2017 [b]);

(b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

(c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])

(d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);

(e) Payments or allowances made under the Department of Health and Human Services’ Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);

(f) Payments received under programs funded in whole or in part under the Job
Training Partnership Act (29 U.S.C. 1552[b]; (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);

(g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 9-4-540, 90 Stat. 2503-04);

(h) 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 (25 U.S.C. 1407-1408);

(i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);

(j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;

(k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agent-Product liability litigation, M.D.L. No. 381 (E.D.N.Y);

(l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);

(m) 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 (42 U.S.C. 9858q);

(n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);

(o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);

(p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

(q) 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 (38 U.S.C. 1805);

(r) 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 (42 U.S.C. 10602); and

(s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).
Maximum Purchase Price


---

### 2015 MEDIAN FAMILY INCOME FOR HUMBOLDT COUNTY*

*(Effective June 2015)*

<table>
<thead>
<tr>
<th>Number of Persons in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>80% of AMI</strong></td>
<td>$32,850</td>
<td>$36,400</td>
<td>$40,950</td>
<td>$45,500</td>
<td>$49,150</td>
<td>$52,800</td>
<td>$56,450</td>
<td>$60,100</td>
</tr>
</tbody>
</table>

*Sponsor will insert the limits for the county in which the Program is located, and 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/incNote.html](http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html)
ATTACHMENT C
Loan Servicing Policies and Procedures

CITY OF FORTUNA

The City of Fortuna, hereafter called “Lender” has adopted these policies and procedures in order to preserve its financial interest in properties, whose “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) process 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 due 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 second mortgage. 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 with an endorsement naming the City of Fortuna as additional insured will be required at close of escrow. The lender will 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, if possible. 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 owner-occupant loans the Lender will verify the Borrower is the primary occupant, via utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, 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, and the original legal documents allow it, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant (depends on the HCD program).

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 income eligible. 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.

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.

Also, provisions of Section 5.2 and 5.3 of these guidelines still apply, which state that the loan must:

1. be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
2. not have a temporary interest rate buy-down;
3. have a term “all due and payable” in no fewer than 30 years; and;
4. Not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, the request will be considered 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) change in title or use without approval; 4) 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 them selves. 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. **Short Sale Policy**

State Recipients may approve short sales without state approval. However, when conducting routine monitoring, the State will review the files for short sale requests to ensure the requirements of this memo have been met.

The State Recipient has three major sets of responsibilities. First, the State Recipient must counsel the borrower as to their best interests. Second, the State Recipient must be a prudent lender. Third, the State Recipient must follow federal regulatory requirements. The State expects the State Recipient to fulfill all three sets of responsibilities.

In their first set of responsibilities, to counsel the borrowers as to their best interests, the State Recipient must take the following actions:

- Assist the borrower to retain their home. This involves a discussion with the borrower of the reasons why the borrower is requesting a short sale, a discussion of alternatives to short sale such as loan modifications, and counseling the borrower about the possible tax consequences of a short sale. This discussion does not replace professional foreclosure counseling.
- Discuss with the borrower the advantages of remaining in the home (such as having, stable, affordable housing payments) versus other options such as renting where the rent may be higher than the mortgage payments and may go up over time.
- Discourage the short sale if borrowers have affordable housing payments and appear to be seeking a short sale simply to escape what may be a temporary “under-water” situation.

In their second set of responsibilities, as prudent lender, a State Recipient asked to approve a short sale must take the following actions:

- If it is not possible for the borrower to retain their home, recover loan proceeds to the extent possible
- Verify that the proposed sales price is approximately fair market value
- Negotiate the best possible “deal” with the first lender, e.g. some communities have reported that first lenders routinely allow $2,000 to $3,000 of the first lender’s proceeds to go to the State Recipient in short sale situations
- Ensure the following documentation is in the file for later State review:
  - A description of the State Recipient’s discussions with the borrower, addressing all of the issues identified above.
  - An estimate of fair market value
  - A description of the State Recipient’s negotiations with the primary lender
  - Documents pertaining to the escrow

In the State’s view, this language requires the State Recipient, after exhausting all reasonable efforts to counsel the borrower and recover loan proceeds, to allow a borrower to sell their home without having to repay the State Recipient any more than net proceeds. In a short sale scenario, other lenders, realtors and escrow agents will require the State Recipient’s approval for the short sale to proceed.
This approval cannot be withheld if the State Recipient has provided the necessary counseling and has worked to recover loan proceeds to the extent possible.

If a mortgage debt is cancelled or forgiven, the canceled amount may be taxable for the borrower. The State Recipient should direct the borrower to seek the assistance of a tax consultant or attorney who can provide qualified advice regarding the potential taxable obligation. The Mortgage Forgiveness Debt Relief Act of 2007 (currently applies to debt forgiven in 2007 through 2012) may allow the borrower to exclude all or a portion of the canceled debt from taxation. A link to IRS’ website that discusses the Act is: http://www.irs.gov/individuals/article/0,,id=179414,00.html. California has a similar forgiveness law that excludes forgiven debt from state tax and conforms to the federal act. The State Recipient must file IRS Form 1099-C for each loan that is canceled or forgiven.

9. **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.
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 (NOT PERMISSIBLE FOR HOME AND CDBG).

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.

Certificate 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.

<table>
<thead>
<tr>
<th></th>
<th>Date</th>
<th></th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller</td>
<td></td>
<td>Seller</td>
<td></td>
</tr>
<tr>
<td>Purchaser</td>
<td>Date</td>
<td>Purchaser</td>
<td>Date</td>
</tr>
<tr>
<td>Agent</td>
<td>Date</td>
<td>Agent</td>
<td>Date</td>
</tr>
</tbody>
</table>
DECLARATION

This is to inform you that ______________________ would like to purchase the property, located at ______________________, 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, however, 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, ______________________ 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: ______________________. If you have any questions about this matter, please contact ______________________ at ______________________.

Sincerely,

____________________________________
Title

____________________________________  ______________________
Buyer                                   Date

____________________________________  ______________________
Buyer                                   Date

Form continues on next page with Seller’s Acknowledgment
Disclosure to Seller with Voluntary, Arm's Length Purchase Offer (Page 2)

Acknowledgement

Inasmuch as the Buyers (name of buyers) of this property (address), may be assisted with Federal funds through the City of Fortuna Homebuyer Assistance Program, prior to making an offer to purchase, buyer shall provide seller with a statement of the following provisions:

The City of Fortuna will not use its power of eminent domain to acquire the property if negotiations fail to result in an amicable agreement. The sale of the property is considered a voluntary transaction and as such is not regulated by the Uniform Relocation Act.

The estimated fair market value of the property is $_____________ and was estimated by ________________, to be finally determined by professional appraisal prior to close of escrow.

_________________________________   _____________________

Buyer Date

_________________________________   _____________________

Buyer Date

Acknowledgement

As the Seller I/we understand that the (affiliation and title of 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’s or County’s) program, the property must be currently owner-occupied, vacant for four 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;
- [ ] 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
## Section 1: Background Information

<table>
<thead>
<tr>
<th>Property Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select one:</td>
</tr>
<tr>
<td>Visual Assessment</td>
</tr>
</tbody>
</table>

## Section 2: Visual Assessment

Fill out Sections 1, 2, and 6. If paint stabilization is performed, fill out Sections 4 and 5 after the work is completed.

<table>
<thead>
<tr>
<th>Visual Assessment Date:</th>
<th>Report Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check if no deteriorated paint found</td>
<td></td>
</tr>
</tbody>
</table>

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. Post and/or provide to occupant w/in 15 days of presumption.

<table>
<thead>
<tr>
<th>Date of Presumption Notice:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead-based paint is presumed to be present</td>
</tr>
</tbody>
</table>

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. Post and/or provide to occupant w/in 15 days of work completed.

<table>
<thead>
<tr>
<th>Date of Hazard Reduction Notice:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Hazard Reduction Notice? Yes</td>
</tr>
<tr>
<td>Start &amp; Completion Dates:</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Organization Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Name:</td>
</tr>
<tr>
<td>Contact Signature:</td>
</tr>
<tr>
<td>Date:</td>
</tr>
<tr>
<td>Address:</td>
</tr>
<tr>
<td>Phone:</td>
</tr>
</tbody>
</table>
The following documents should be in each Homebuyer unit file to document compliance with the lead requirements.

<table>
<thead>
<tr>
<th>Document Name</th>
<th>Purpose</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Safe Housing Rule Screening Sheet</td>
<td>Documents exemptions</td>
<td></td>
</tr>
<tr>
<td>Physical inspection form (HQS or equivalent)</td>
<td>Documents visual assessment results</td>
<td></td>
</tr>
<tr>
<td>Seller Certification</td>
<td>Seller certifies that paint was stabilized by qualified workers and that safe work practices were followed during paint stabilization</td>
<td></td>
</tr>
<tr>
<td>Clearance Report and Clearance Review Worksheet</td>
<td>Documents that unit passed clearance</td>
<td></td>
</tr>
<tr>
<td>Disclosure Form</td>
<td>Documents that buyer received disclosure and pamphlet.</td>
<td></td>
</tr>
<tr>
<td>Lead Hazard Reduction Notice</td>
<td>Documents that buyer received required lead hazard reduction notification.</td>
<td></td>
</tr>
</tbody>
</table>
STAFF REPORT
City Council Business Agenda Item

DATE: November 16, 2015
TO: Honorable Mayor and City Councilmember’s
FROM: Kevin Carter, Deputy Director of Public Works
THRU: Regan M. Candelario, City Manager

STAFF RECOMMENDATION:
Hold a public hearing concerning Unmet Transit Needs and forward all public comment received to HCAOG for consideration.

EXECUTIVE SUMMARY:
Each year, the Transportation Development Act (TDA) Statutes require the Humboldt County Association of Governments (HCAOG), as the Regional Transportation Planning Agency (RTPA), to hold an Unmet Transit Needs Hearing for the purpose of evaluating the best methods of providing public transportation. It is local policy for HCAOG to request each member entity hold a public hearing on unmet transit needs. These local hearings are in addition to HCAOG’s required public hearing and there purpose is to broaden the hearing forum. The local hearings also provide City Council Members and County Board of Supervisors an opportunity to hear and respond to local comments. All persons and groups known to have interest in transit related matters are notified in advance of these hearings. The appropriate public notices are also published in the local print media. The public is encouraged to offer any comments or possible solutions to various transit needs. By holding a public hearing at a Council meeting, the Council is acknowledging the receipt of public comments.

The City of Fortuna provides two transportation systems to serve Fortuna residents; the City operated Dial-A-Ride (DAR) system, and the Humboldt Transit Authority’s, Regional Redwood Transit System (RTS). RTS is a commuter service and covers a 65-mile stretch of Highway 101 from Trinidad to Scotia. Service runs from 5:30 am to 10:30 pm Monday through Friday, and from 8:30 am to 8:00 pm on Saturday and Sunday. There are 29 southbound and 29 northbound trips on weekdays, 9 southbound and 9 northbound trips on Saturdays and 4 northbound and 4 southbound trips on Sundays. Adult Fares average $3 for a one-way trip and a monthly-unlimited pass may be purchased for $59.00.

The Fortuna Transit Bus Service is a Dial-A-Ride (DAR) system; the City operates two buses Monday through Friday from 8:00 a.m. - 4:30 p.m. The Fortuna Transit Service is available to persons over the age of 50 or disabled persons living within the city limits of Fortuna. Riders may call for bus service anytime during the previous calendar month for doctor’s appointments, one week in advance to reserve a ride for hair, work, lunch site and other non-medical
appointments and the day of or day before for shopping, visiting friends & banking. Riders are picked up at their homes and delivered to their destination, when they are ready to return home or travel to another destination they call the park office and we dispatch a bus for service.

Staff continues to monitor expenses and revenues to insure compliance with the State Mandated 10% fare box recovery ratio. The fares for rides are $2 per ride or $20 for a prepaid punch card for 15 rides.

The primary purpose of TDA funds is to provide various types of transportation services to the public that are financially "reasonable" to fund and secondarily to provide funds for roadway repair projects. Before HCAOG can allocate funds for purposes “not directly related to public transportation services, specialized transportation services, or facilities provided for the exclusive use of pedestrians and bicycles” (PUC Sec. 99401.5), HCAOG must first implement the unmet transit needs process. Because the primary purpose of the TDA is to fund transit, the unmet transit needs process is used to prove that there are no “unmet transit needs” that are “reasonable to meet” prior to funding street and road projects.

Tonight Council will not be asked to make a finding on Unmet Transit Needs. You are to receive public comment concerning transit needs and to forward findings on to HCAOG. If the RTPA and the HCAOG Board finds that there are no unmet transit needs or that there are no unmet transit needs which are reasonable to meet, the City of Fortuna may then expend excess TDA funds for non-transit purposes. A finding that there are unmet transit needs, including those that are reasonable to meet, delivers a mandate to the respective entity to set aside funds, to implement a program to meet those needs deemed “reasonable to meet.”

**FINANCIAL IMPACT**

At this time the amount of TDA funds that will be available to the City is unknown. The amount of funds and how they will be spent will be discussed and decided at a future Council meeting.

**RECOMMENDED COUNCIL ACTION:**

1. Receive staff presentation and review Council questions with staff.
2. Open the Public Hearing.
3. Motion to close the Public Hearing. Voice vote.
4. Motion to forward comments received during the public hearing to HCOAG for consideration of Unmet Transit Needs. Voice Vote

Attachments:

- A. HCAOG Letter to Humboldt County CAO, City Managers
- B. HCAOG SYNOPSIS: Citizen Participation for Assessing Unmet Transit Needs
- C. HCAOG Published Public Hearing Schedule
September 28, 2015

Dear City Managers, CAO, Transit Operators:


Each year, the Humboldt County Association of Governments (HCAOG), as the Regional Transportation Planning Agency (RTPA), conducts a citizen participation process to assess unmet transit needs within Humboldt County. The State Transportation Development Act (TDA) requires HCAOG to hold at least one public hearing each year to receive public comments regarding unmet transit needs. Prior to allocating TDA funds for non-transit purposes, HCAOG must evaluate and make findings regarding the existence of needs in Humboldt County.

The HCAOG UTN public hearing will be held on November 19, 2015. In addition to HCAOG’s statutorily required public hearing, HCAOG encourages its JPA member entities to conduct separate hearings to receive comments for their respective jurisdictions.

HCAOG is requesting its member agencies to also conduct UTN public hearings during the month of November. It is requested that public hearing dates be provided to debra.dees@hcaog.net by Tuesday, October 6. HCAOG will publish a 30-day notice display ad in the Times Standard which will include a schedule of all hearing dates, times, and locations.

A synopsis of the UTN process is attached for your information as well as a FY 2016-17 UTN Timeline. Please contact Debra Dees, Associate Planner at debra.dees@hcaog.net or 707-444-8208 if you have any questions.

Sincerely,

Debra Dees
Associate Planner

Attachment:
(1) UTN Synopsis
(2) 2016-17 UTN Timeline
HCAOG
Humboldt County Association of Governments

SYNOPSIS:
Citizen Participation Process for Assessing Unmet Transit Needs

Transportation Development Act
California’s Transportation Development Act (TDA) legislates funding for transit purposes primarily, and for non-transit purposes under certain conditions. TDA funds are distributed through the Regional Transportation Planning Agencies (RTPA) throughout the state. An RTPA must assess its jurisdiction’s “unmet transit needs” prior to allocating any TDA funds for purposes not directly related to public transit or facilities used exclusively by pedestrian and bicyclists.

Public Process to Make a Finding
Each year, HCAOG conducts a citizen participation process to receive public comment concerning transit needs within the RTPA jurisdiction. The HCAOG Social Services Transportation Advisory Council (SSTAC) leads the process to solicit broad input from transportation-dependent and transportation-disadvantaged persons. With recommendations from the SSTAC, at the end of the process the Board shall find that:
(a) there are no unmet transit needs; or
(b) there are no unmet transit needs which are reasonable to meet; or
(c) there are unmet transit needs, including those that are reasonable to meet. (Section 99401.5)
The Board shall make this finding as a result of testimony received, and based on HCAOG’s adopted definitions (see box).

If the HCAOG Board finds that there are no unmet transit needs, or that there are no unmet transit needs which are reasonable to meet, entities may expend excess (unexpended) TDA funds for non-transit purposes. A finding that there are unmet transit needs, including those that are reasonable to meet, delivers a mandate to the respective entity to set aside funds, given that they are available, to implement a program to meet those needs deemed “reasonable to meet.”

611 I St., Suite B, Eureka, CA 95501  Phone: (707) 444-8288  Fax: 444-8319  Email: debra.dees@hcaog.net
HCAOG
Humboldt County Association of Governments

The TDA directs HCAOG, as the RTPA, to make the finding that there are no unmet transit needs which are reasonable to meet prior to approving fund claims for street and road purposes.

Public Hearings on “Unmet Transit Needs”
HCAOG holds the single statutorily-required public hearing. In addition, HCAOG encourages all member entities to conduct hearings to receive constituent comments. HCAOG encourage entities to notify stakeholders of the public hearings with as much advance notice as is possible. We also encourage entities, to the fullest extent possible, to hold meetings during times that available transit is in service.

After conducting an “Unmet Transit Needs” hearing, the member entity forwards to HCAOG the public hearing’s record of comments or transcript.

Additional Opportunities for Public Comment on “Unmet Transit Needs”
Comments may also be submitted to HCAOG anytime during the year via email, facebook, in person, or telephone at the addresses below. All comments receive the same consideration as those received at the public hearings.

Email: debra.dees@hcaog.net
Facebook: www.facebook.com/hcaog
Mail or in person: HCAOG Office
611 I Street, Suite B
Eureka, CA 95501
Telephone: (707) 444-8208

Report of Findings
HCAOG compiles public testimony and other comments from all entities, and includes it in the Unmet Transit Needs Report of Findings for the upcoming fiscal year. The report also covers demographic information of the transportation-dependent public, existing programs, and includes recommendations for meeting transit demands.

Timely conduct of the hearing process and submittal of the requested documentation allows HCAOG staff to prepare the Report of Findings for the Board to consider and adopt by March 2016, and thereby avoid delays in processing TDA claims for the upcoming fiscal year.

For questions or assistance regarding this Public Participation Process, contact HCAOG at (707) 444-8208 or debra.dees@hcaog.net.

611 I St., Suite B, Eureka, CA 95501  Phone: 444-8208  Fax: 444-8319  Email: debra.dees@hcaog.net
<table>
<thead>
<tr>
<th>Action</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation with SSTAC on data needs for last year’s potential</td>
<td>October 30, 2015</td>
</tr>
<tr>
<td>service and public outreach for this year’s process</td>
<td></td>
</tr>
<tr>
<td>Depending on BLRTS grant award, either assist the BLRTS with their</td>
<td>September 28, 2015</td>
</tr>
<tr>
<td>survey or conduct the focus survey for the outer Blue Lake area.</td>
<td></td>
</tr>
<tr>
<td>Request to cities, County and McKinleyville to schedule UTN public</td>
<td>October 18, 2015</td>
</tr>
<tr>
<td>hearings through November.</td>
<td></td>
</tr>
<tr>
<td>Public Service Announcement, 30-day Notice of Public Hearings and</td>
<td>November 19, 2015</td>
</tr>
<tr>
<td>distribution of schedule in the region. Newspaper publication.</td>
<td></td>
</tr>
<tr>
<td>Sunday, October 18, 2015.</td>
<td></td>
</tr>
<tr>
<td>HCAOG (statutorily required) UTN Public Hearing.</td>
<td></td>
</tr>
<tr>
<td>Comment period for UTN comments to be considered in this year’s</td>
<td>Through December 15,</td>
</tr>
<tr>
<td>Report of Findings.</td>
<td>2015</td>
</tr>
<tr>
<td>Draft UTN Report of Findings to SSTAC.</td>
<td>January 6, 2016</td>
</tr>
<tr>
<td>Draft UTN Report to SCC and TAC.</td>
<td>February 15, 2016 (SCC)</td>
</tr>
<tr>
<td>Approval of UTN Report of Findings by the HCAOG Board.</td>
<td>March 3, 2016 (TAC)</td>
</tr>
<tr>
<td></td>
<td>March 17, 2016</td>
</tr>
</tbody>
</table>
DATE: November 16, 2015

TO: Honorable Mayor and Council Members

FROM: Kevin Carter, Deputy Director of Public Works/Parks

THRU: Regan M. Candelario, City Manager

SUBJECT: Approval to Execute the Certifications and Assurances for the Public Transportation Modernization, Improvement, and Services Enhancement Account (PTMISEA) Bond Program; Resolution 2015-38

STAFF RECOMMENDATION:

Approval of Resolution 2015-38 to execute the Certifications and Assurances for the Public Transportation Modernization, Improvement, and Services Enhancement Account (PTMISEA) Bond Program.

EXECUTIVE SUMMARY:

The Public Transportation Modernization, Improvement, and Services Enhancement Account (PTMISEA) Bond Program was created by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the $19.925 billion available to Transportation, $3.6 billion dollars was allocated to PTMISEA to be available to transit operators over a ten-year period. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement.

The Fortuna Transit Division of the Parks and Recreation Department has successfully negotiated with other local entities through the Humboldt County Association of Governments to be awarded $170,000 in funds to provide for three separate projects within the division. The projects are described as below:

The City of Fortuna Senior/ParaTransit System Enhancement Project 2015 includes three phases. The first phase is the purchase of a bus with the capabilities of paratransit transport. The bus will be a class A, gas powered with capacity for eight passengers & two wheel chair positions. The second phase will be to replace the current hand written dispatch system with a computer based dispatch software, hardware (tablets) which allow increased system reliability and reporting for audits and other programs within the system. The final phase is a transit dispatch center ADA rehabilitation project which will remove barriers from the entrance to the facility as well as interior ADA barrier removal.
The Certifications and Assurances form is required by the California Department of Transportation as a condition of receipt of PTMISEA bond funds, the City must comply with the terms and conditions of the attached document (Exhibit A).

Once the approval of the attached Resolution is completed, staff will move forward with the execution of all documents required by Caltrans to complete the process of accepting and utilizing the available PTMISEA funds.

**FINANCIAL IMPACT:**

The Fortuna Transit System will continue to work forward to receive $170,000 from the PTMISEA program.

**RECOMMENDED COUNCIL ACTION:**

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment; voice vote
4. Motion to approve Resolution 2015-38 and read by title only; Roll call vote.

Attachments:
- Exhibit A – Certifications and Assurances Form
- Exhibit B - Resolution 2015-38 – Authorization for the Execution of the Certificates and Assurances for the Public Transportation Modernization, Improvement, and Service Enhancement Account Bond Program
Exhibit A

Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Bond Program

Certifications and Assurances

Project Sponsor:  Fortuna Transit

Effective Date of this Document:  Date Month, 20xx

The California Department of Transportation (Department) has adopted the following certifications and assurances for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) bond program. As a condition of the receipt of PTMISEA bond funds, project sponsors must comply with these terms and conditions.

A. General

(1) The project sponsor agrees to abide by the current PTMISEA Guidelines

(2) The project sponsor must submit to the Department a PTMISEA Program Expenditure Plan, listing all projects to be funded for the life of the bond, including the amount for each project and the year in which the funds will be requested.

(3) The project sponsor must submit to the Department a signed Authorized Agent form designating the representative who can submit documents on behalf of the project sponsor and a copy of the board resolution appointing the Authorized Agent.

B. Project Administration

(1) The project sponsor certifies that required environmental documentation is complete before requesting an allocation of PTMISEA funds. The project sponsor assures that projects approved for PTMISEA funding comply with Public Resources Code § 21100 and § 21150.

(2) The project sponsor certifies that PTMISEA funds will be used only for the transit capital project and that the project will be completed and remains in operation for its useful life.

(3) The project sponsor certifies that it has the legal, financial, and technical capacity to carry out the project, including the safety and security aspects of that project.

(4) The project sponsor certifies that they will notify the Department of pending litigation, dispute, or negative audit findings related to the project, before receiving an allocation of funds.
(5) The project sponsor must maintain satisfactory continuing control over the use of project equipment and facilities and will adequately maintain project equipment and facilities for the useful life of the project.

(6) Any interest the project sponsor earns on PTMISEA funds must be used only on approved PTMISEA projects.

(7) The project sponsor must notify the Department of any changes to the approved project with a Corrective Action Plan (CAP).

(8) Under extraordinary circumstances, a project sponsor may terminate a project prior to completion. In the event the Project Sponsor terminates a project prior to completion, the Project Sponsor must (1) contact the Department in writing and follow-up with a phone call verifying receipt of such notice; (2) pursuant to verification, submit a final report indicating the reason for the termination and demonstrating the expended funds were used on the intended purpose; (3) submit a request to reassign the funds to a new project within 180 days of termination.

(9) Funds must be encumbered and liquidated within the time allowed in the applicable budget act.

C. Reporting

(1) Per Government Code § 8879.55, the project sponsor must submit the following PTMISEA reports:

   a. Semi-Annual Progress Reports by February 15th and August 15th each year.

   b. A Final Report within six months of project completion.

   c. The annual audit required under the Transportation Development Act (TDA), to verify receipt and appropriate expenditure of PTMISEA bond funds. A copy of the audit report must be submitted to the Department within six months of the close of the year (December 31) each year in which PTMISEA funds have been received or expended.

D. Cost Principles


(2) The project sponsor agrees, and will assure that its contractors and subcontractors will be obligated to agree, that (a) Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allowability of individual project cost items and (b) those parties shall comply with Federal administrative procedures in accordance with 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Every sub-recipient receiving PTMISEA funds as a contractor or sub-contractor shall comply
with Federal administrative procedures in accordance with 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

(3) Any project cost for which the project sponsor has received payment that are determined by subsequent audit to be unallowable under 2 CFR 225, 48 CFR, Chapter 1, Part 31 or 49 CFR, Part 18, are subject to repayment by the project sponsor to the State of California. Should the project sponsor fail to reimburse moneys due to the State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, the State is authorized to intercept and withhold future payments due the project sponsor from the State or any third-party source, including but not limited to, the State Treasurer and the State Controller.

E. Record Retention

(1) The project sponsor agrees, and will assure that its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred project costs and matching funds by line item for the project. The accounting system of the project sponsor, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices. All accounting records and other supporting papers of the project sponsor, its contractors and subcontractors connected with PTMISEA funding shall be maintained for a minimum of three (3) years from the date of final payment and shall be held open to inspection, copying, and audit by representatives of the State and the California State Auditor. Copies thereof will be furnished by the project sponsor, its contractors, and subcontractors upon receipt of any request made by the State or its agents. In conducting an audit of the costs claimed, the State will rely to the maximum extent possible on any prior audit of the Project Sponsor pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by the project sponsor’s external and internal auditors may be relied upon and used by the State when planning and conducting additional audits.

(2) For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of the project sponsor’s contracts with third parties pursuant to Government Code § 8546.7, the project sponsor, its contractors and subcontractors and the State shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such materials available at their respective offices at all reasonable times during the entire project period and for three (3) years from the date of final payment. The State, the California State Auditor, or any duly authorized representative of the State, shall each have access to any books, records, and documents that are pertinent to a project for audits, examinations, excerpts, and transactions, and the project sponsor shall furnish copies thereof if requested.

(3) The project sponsor, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any
other agency of the State of California designated by the State, for the purpose of any investigation to ascertain compliance with this document.

F. Special Situations

(1) A project sponsor may lend its unused funds from one year to another project sponsor for an eligible project, for maximum fund use each fiscal year (July 1 – June 30). The project sponsor shall collect no interest on this loan.

(2) Once funds have been appropriated in the budget act, a project sponsor may begin a project with its own funds before receiving an allocation of bond funds, but does so at its own risk.

(3) The Department may perform an audit and/or request detailed project information of the project sponsor’s PTMISEA funded projects at the Department’s discretion at any time prior to the completion of the PTMISEA program.

I certify all of these conditions will be met.

AGENCY NAME

BY: ________________________________________________________________

AUTHORIZING OFFICER, Title

Unit/Department
RESOLUTION 2015-38

AUTHORIZATION FOR THE EXECUTION OF THE CERTIFICATIONS AND ASSURANCES FOR THE PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT BOND PROGRAM

WHEREAS, the City of Fortuna is an eligible project sponsor and may receive state funding from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) now or sometime in the future for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 88 (2007) named the Department of Transportation (Department) as the administrative agency for the PTMISEA; and

WHEREAS, the Department has developed guidelines for the purpose of administering and distributing PTMISEA funds to eligible project sponsors (local agencies); and

WHEREAS, the City of Fortuna wishes to delegate authorization to execute these documents and any amendments thereto to the City Manager

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Fortuna that the fund recipient agrees to comply with all conditions and requirements set forth in the Certification and Assurances document and applicable statutes, regulations and guidelines for all PTMISEA funded transit projects.

NOW THEREFORE, BE IT FURTHER RESOLVED that the City Manager be authorized to execute all required documents of the PTMISEA program and any Amendments thereto with the California Department of Transportation.

PASSED AND ADOPTED on this 16th day of November, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

______________________________
Tami Trent, Mayor Pro Tem

ATTEST:

______________________________
Linda McGill CMC, City Clerk
DATE: November 16, 2015
TO: Honorable Mayor and Council Members
FROM: Regan M. Candelario, City Manager
SUBJECT: Amend Fortuna Municipal Code Title 14, Chapter 14.18, Section 14.18.050.B.1 and Approve Settlement Agreement and Release with Suddenlink Regarding Public, Educational and Government “PEG” Access Funding; Second Reading and Adoption of Ordinance 2015-718

STAFF RECOMMENDATION:

Receive presentation from Access Humboldt and City Staff on the Settlement Agreement and Release with Suddenlink regarding “PEG” Access Funding.

1. Hold the second reading and adopt Ordinance 2015-718 to amend Fortuna Municipal Code Title 14 Chapter 14.18 Section 14.18.050.B.1 modifying the level of PEG funding required of all cable/video service providers operating in the County, pursuant to Cable/Video Franchises issued by the California Public Utilities Commission pursuant to the Digital Infrastructure and Video Competition Act of 2006.

EXECUTIVE SUMMARY:

Since April of 2014, Suddenlink has been operating under State Cable franchises in accordance with the Digital Infrastructure and Video Competition Act of 2006 (DIVCA). The local DIVCA ordinances for Humboldt County and the Cities Arcata, Blue Lake, Eureka, Ferndale, Fortuna, and Rio Dell required payment of PEG access fees that equal 3% of the gross cable revenues. However, Suddenlink has been paying only 1% since May 2014 and therefore is not in compliance with local DIVCA ordinances.

The source of the disagreement between Suddenlink and the Cities/County with regard to the computation of the proper amount of PEG fees is a section of DIVCA that provides imprecise guidance with regard to how to handle certain upfront PEG payments that occurred in 2006 (see below for further explanation).

DIVCA calls for a formula to calculate PEG fees on a going forward basis (up to a maximum of 3% and a minimum of 1% of gross revenues), based upon the amount of PEG fees paid in 2006 and the percentage of total gross cable revenues in 2006 reflected by the PEG fees paid that year. Because there were upfront lump sum PEG payments in 2006 (the first year of the local franchise), they increased the PEG contribution used to calculate the PEG fee percentage, which was determined to exceed 3%. The legislation provided no guidance as to how to account for upfront lump sum payments.

While we believe that the 3% calculation is technically correct, we recognized the need to reach an agreement with Suddenlink regarding this matter. We also made it clear to Suddenlink that the Cities and County could not agree to modify the Code and reach a Settlement Agreement unless Suddenlink agreed to compensate the Cities/County for the underpayment of PEG fees from the date that the state video
franchises took effect until the effective date of any Settlement Agreement, and to provide certain other assurances with regard to in-kind PEG support.

Access Humboldt contracted with a consultant (Sue Buske of the Buske Group) to conduct negotiations with Suddenlink on behalf of the Cities and County. The attached Ordinance, settlement, and release are the result of those negotiations. The negotiations proceeded over the past 8 months and have resulted in the attached Ordinance and Settlement Agreement and Release.

The Settlement Agreement and Release calls for the following:

1. Cities/County will modify the section of their respective City/County codes dealing with PEG fees provided by holders of State Video Franchises from 3% to 1.401%.
2. Suddenlink agrees to pay 1.401% of gross revenues on a going forward basis to Access Humboldt (the PEG provider designated by the Cities/County).
3. Cities/County agrees to use PEG Fees for PEG purposes in a manner consistent with applicable law.
4. Suddenlink agrees to pay a $64,000 settlement to Access Humboldt as a settlement for underpaid PEG fees since May 2014.
5. Suddenlink agrees that it will:
   a. not challenge the Cities/County right to collect the 1.401% PEG Fee;
   b. not reduce the amount of PEG Fees paid to the Cities/County to an amount below 1.401%;
   c. not deduct from PEG Fees or Franchise Fees paid to the Cities/County the value of Suddenlink’s other non-cash PEG services and facilities provided pursuant to its State Video Franchise, and its obligations under the applicable sections of the Cities/County Codes dealing with state video franchise holders; and
   d. not modify or reduce the other non-cash PEG services and facilities being provided by Suddenlink to the Cities/County as of the Effective Date of this Agreement.

City/County staff has been regularly updated by Access Humboldt and Ms. Buske regarding the progress and settlement options. Staff has reviewed the documents and concurs with Access Humboldt’s recommendation. The attached agreement and release was approved by Council on November 2, 2015.

**FINANCIAL IMPACT:**

The recommended action should result in Suddenlink paying PEG fees in an amount of 1.401%, which is greater than the amount they have been paying over the past 15 months. The Agreement also assures that in-kind PEG support provided by Suddenlink will continue to be provided and not be subtracted from franchise fees or PEG fees. The City of Fortuna budget adopted for FY 15/16 will not change and this action will not require any changes to future fiscal year budgets for the City of Fortuna.

**OTHER AGENCY INVOLVEMENT:**

Access Humboldt
Humboldt County
Cities of Blue Lake, Eureka, Ferndale, Fortuna and Rio Dell
RECOMMENDED COUNCIL ACTION:

1. Receive Access Humboldt and staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Motion to hold the second reading and adopt Ordinance 2015-718 and read by title only. Roll Call Vote.

Attachments:

- **Ordinance 2015-718**: An Ordinance of the City Council of the City Of Fortuna Amending Fortuna Municipal Code Title 14 Chapter 14.18 Section 14.18.050.B.1 (State Video Service Franchises)

- Settlement Agreement and Release
ORDINANCE 2015-718


WHEREAS, in 2010 City of (FORTUNA), Humboldt County, and the Cities of Arcata, Eureka, Blue Lake, Fortuna, Ferndale, and Rio Dell (“Cities/County”) each enacted an ordinance updating its respective government code (“Cities/County Codes”) to include provisions addressing the obligations of the holders of state video franchises issued by the California Public Utilities Commission (“CPUC”) pursuant to the Digital Infrastructure and Video Competition Act (“DIVCA”); and

WHEREAS, commencing on various dates in 2014, Suddenlink began operating its cable system (or portions thereof) located within the Cities/County under the terms and conditions of a state video franchise ("Suddenlink State Video Franchise") granted by the CPUC, and the Cities/County Codes, as these documents may have been and/or may in the future be lawfully amended from time to time in accordance with applicable law; and

WHEREAS, prior to converting to the Suddenlink State Video Franchise, Suddenlink operated its cable system located within the Cities/County under the terms and conditions of local cable franchises granted by the Cities/County; and

WHEREAS, pursuant to the Suddenlink State Video Franchise and applicable sections of the Cities/County Codes governing state video franchises, Suddenlink must among other things provide public, educational, government access funding (“PEG Fee”), in an amount calculated under DIVCA based in part upon the level of PEG funding that was paid under its local cable franchises; and

WHEREAS, various disputes have arisen between Suddenlink and the Cities/County involving certain obligations Suddenlink is required to perform under the Cities/County Codes and Suddenlink’s State Video Franchise, including the calculation and payment of the PEG Fee; and

WHEREAS, the Cities/County and Suddenlink have reached a comprehensive settlement with respect to the disputes, which have been identified by the Cities/County and Suddenlink;

THE CITY COUNCIL OF THE CITY OF FORTUNA DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: DECLARATION OF INTENT

The purpose of this ordinance is to amend TITLE 14 CHAPTER 14.18 SECTION 14.18.050.B.1 of the Fortuna Municipal Code relating to Public, educational, and government access channel capacity, support, interconnection, and signal carriage: PEG Support.
SECTION 2: AMENDMENT

Section 14.18.050.B1 of the Fortuna Municipal Code is replaced to read as follows:

B. PEG Support.

1. Amount of PEG Support Fee. Any state franchise holder shall pay to the city – or, if directed by the city, to the city’s designated PEG provider – a PEG fee equal to 1.401% (percent) of gross revenues, an amount equivalent to the level of PEG funding remitted by the incumbent cable operator to the city’s designated PEG provider during the period of January 1, 2006, to December 30, 2006.

SECTION 3: CONFLICTS

All city policies, ordinances, and parts of ordinances in conflict herewith are hereby repealed.

SECTION 4: EFFECTIVE DATE

This ordinance shall become effective thirty (30) days after its adoption.

INTRODUCED AND FIRST READING PERFORMED on the 2nd day of November 2015, by the following vote:

AYES: Council Member Brown, Strehl, Mayor Pro Tem Trent, Mayor Long
NOES: None
ABSENT: Council Member Gardner
ABSTAIN: None

__________________________________
Sue Long, Mayor

ATTEST:

Linda McGill CMC, City Clerk
SECOND READING PERFORMED AND ADOPTED on the 16th day of November 2015, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

________________________
Sue Long, Mayor

ATTEST:

________________________________
Linda McGill CMC, City Clerk

Approved As To Form:

________________________________
David Tranberg, City Attorney

CERTIFICATE
I, Linda McGill, City Clerk of the City of Fortuna, do hereby certify that Ordinance 2015-718 was INTRODUCED at a regular meeting of the Fortuna City Council held the 2nd day of November 2015, and was thereafter PASSED, ADOPTED AND ORDERED TO PRINT at a regular meeting of the Fortuna City Council held the 16th day of November 2015. I further certify that Ordinance 2015-718 was duly posted and published pursuant to law and the Charter of the City of Fortuna and is a true and correct copy.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Fortuna, California, and this day of 2015.

________________________________
Linda McGill, CMC
City Clerk, City of Fortuna
SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Agreement") is made by and between the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, and Rio Dell, and the County of Humboldt, California (collectively "Cities/County") on the one hand and Cebridge Acquisition, L.P. d/b/a Suddenlink Communications on behalf of itself and its affiliates and their respective predecessors, successors and assigns (collectively "Suddenlink") on the other hand, (individually a “Party” and jointly, “the Parties”), and is effective on the latest date that this Agreement is approved by the governing body of any of the aforementioned Cities/County ("Effective Date").

WHEREAS, in 2010 each of the Cities/County enacted an ordinance updating its respective government code ("Cities/County Codes") to include provisions addressing the obligations of the holders of state video franchises issued by the California Public Utilities Commission ("CPUC") pursuant to the Digital Infrastructure and Video Competition Act ("DIVCA"); and

WHEREAS, commencing on various dates in 2014 Suddenlink began operating its cable system (or portions thereof) located within the Cities/County under the terms and conditions of a state video franchise ("Suddenlink State Video Franchise") granted by the CPUC, and the Cities/County Codes, as these documents may have been and/or may in the future be lawfully amended from time to time in accordance with applicable law; and

WHEREAS, prior to converting to the Suddenlink State Video Franchise, Suddenlink operated its cable system located within the Cities/County under the terms and conditions of local cable franchises granted by the Cities/County; and

WHEREAS, pursuant to the Suddenlink State Video Franchise and applicable sections of the Cities/County Codes governing state video franchises, Suddenlink must among other things provide public, educational, government access funding ("PEG Fee"), in an amount calculated under DIVCA based in part upon the level of PEG funding that was paid under its local cable franchises; and

WHEREAS, various disputes have arisen between Suddenlink and the Cities/County involving certain obligations Suddenlink is required to perform under the Cities/County Codes and Suddenlink’s State Video Franchise including the calculation and payment of the PEG Fee; and

WHEREAS, the Cities/County and Suddenlink now desire to reach a comprehensive settlement with respect to the disputes, which have been identified by the Cities/County and Suddenlink;

NOW, THEREFORE, in consideration of the recitals, covenants and other terms set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:
1. In consideration of the terms of this Agreement and conditioned on the acceptance and execution of this Agreement by Suddenlink, each of the Cities/County will promptly modify its respective Cities/County Code to change the PEG fee to be provided by holders of State Video Franchises from 3% of gross revenues to 1.401% of gross revenues.

2. Notwithstanding the effective date(s) of the foregoing ordinance amendments, commencing as of July 1, 2015 and continuing until the termination (without renewal) of the Suddenlink State Video Franchise, Suddenlink shall pay a PEG Fee of 1.401% of gross revenues to the PEG provider designated by the Cities/County.

3. The Cities/County agree to use the PEG Fees for PEG purposes in a manner consistent with applicable law.

4. No later than 30 days after the Effective Date of this Settlement Agreement, Suddenlink shall pay $64,000 to the PEG provider designated by the Cities/County, as a settlement for underpaid PEG fees owed for the period from the date of conversion to the Suddenlink State Video Franchise to June 30, 2015.

5. Suddenlink agrees that it will:
   a. not challenge the Cities/County right to collect the 1.401% PEG Fee;
   b. not reduce the amount of PEG Fees paid to the Cities/County in cash to an amount below 1.401%;
   c. not deduct from PEG Fees or Franchise Fees paid to the Cities/County the value of Suddenlink’s other non-cash PEG services and facilities provided pursuant to its State Video Franchise and its obligations under the applicable sections of the Cities/County Codes dealing with state video franchise holders.
   d. not modify or reduce the other non-cash PEG services and facilities being provided by Suddenlink to the Cities/County as of the Effective Date of this Agreement.

6. The Parties acknowledge that this Agreement must be separately approved by the governing bodies of the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, and Rio Dell, and the County of Humboldt, California.

7. The Parties acknowledge and agree that this Agreement is the result of compromise of the disputed claims and is not an admission of liability or responsibility or error on the part of the Cities/County or Suddenlink. This Agreement is without prejudice to any Party’s claims or defenses in any future proceedings between the Parties to this Agreement, except to the extent that such claim or defense is inconsistent with the express promises herein.
8. This Agreement is governed by and subject to the laws of the State of California and applicable federal law. The Cities/County and Suddenlink each acknowledge and agree that the releases contained in this Agreement are special releases and that §1542 of the Civil Code of the State of California is not applicable. If and to the extent it should be determined that the releases contained in this Agreement are not special releases, contrary to the acknowledged intention and agreement of the Cities/County and Suddenlink, each party specifically waives the benefit of the provisions of §1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

11. This Agreement may be executed in counterparts, and the counterparts, taken together, shall constitute the original for all purposes.

12. The parties agree to execute any and all documents necessary to effectuate the terms, conditions, purposes and aims of this Agreement.

13. This Agreement constitutes the full and entire agreement among the Parties with respect to the settlement of this dispute, superseding all prior agreements, negotiations and discussions among the Parties; and the Parties acknowledge that there is no other agreement, oral or written, regarding the subject matter of the Agreement. No modification of any of the terms or provisions of this Agreement shall be binding on any Party to this Agreement unless made in writing and signed by a duly authorized representative of such Party.

14. This Agreement shall be binding on Suddenlink and any, voluntary or involuntary successor or assign in whole or in part of: (i) the Suddenlink State Video Franchise as the same may be renewed or extended; or (ii) the cable system controlled by Suddenlink and serving one or more of the Cities/County.

15. This Agreement is freely and voluntarily given by each Party, without any duress or coercion, and after each Party has consulted with its counsel. Each Party has carefully and completely read all of the terms and provisions of this Agreement. Neither Suddenlink, nor the Cities/County will take any action to challenge the validity or enforceability of any provision of this Agreement; nor will they participate with any other person or entity in any such challenge.
16. All notices or other communications required or permitted to be made or given hereunder shall be in writing and shall be mailed overnight delivery or otherwise delivered in an expedited manner (via email or fax) to the below addresses or at such other address as may be specified by the parties in writing:

For: Suddenlink:

Michael Zarrilli
Suddenlink Communications
520 Maryville Centre Drive
Suite 300
St. Louis, MO 63141

For Cities/County:

Sean McLaughlin
Access Humboldt
P.O. Box 157
Eureka, California 95502

17. No waiver of any provision of this Agreement or any breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other or subsequent breach of this Agreement.

18. Each of the officers or agents executing this Agreement on behalf of the respective Parties hereto warrants that he or she is empowered to do so and thereby bind his or her respective corporation.

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement and Release as follows, as of the dates indicated below:

Dated: _______________, 2015

Cebridge Acquisition, L.P. d/b/a Suddenlink Communications on behalf of itself and its affiliates and their respective predecessors, successors and assigns.

By: ______________________________

Its: ______________________________
Dated: _____________________________, 2015
City of Arcata, California
By: _______________________________

Attest
___________________________________
City Clerk
Its: _______________________________

Dated: _____________________________, 2015
City of Blue Lake, California
By: _______________________________

Attest
___________________________________
City Clerk
Its: _______________________________

Dated: _____________________________, 2015
City of Eureka, California
By: _______________________________

Attest
___________________________________
City Clerk
Its: _______________________________

Dated: _____________________________, 2015
City of Ferndale, California
By: _______________________________

Attest
___________________________________
City Clerk
Its: _______________________________
Dated: ___________________, 2015
City of Fortuna, California
By: _____________________________

Attest
___________________________________
City Clerk

Its: _____________________________

Dated: ___________________, 2015
City of Rio Dell, California
By: _____________________________

Attest
___________________________________
City Clerk

Its: _____________________________

Dated: ___________________, 2015
County of Humboldt, California
By: _____________________________

Attest
___________________________________
Clerk of the Board

Its: _____________________________
DATE:  November 16, 2015

TO:  Honorable Mayor and City Councilmembers

FROM:  Regan M. Candelario, City Manager

SUBJECT:  Review, discussion and direction for Staff regarding the current Tentative Agreement for an updated Memorandum of Understanding (MOU) Concerning Working Conditions, Wages and Benefits with the Fortuna Police Employees Association (FPEA)

STAFF RECOMMENDATION:

That the City Council review, discuss and provide direction to Staff regarding the current Tentative Agreement for an updated MOU concerning working conditions, wages and benefits with the FPEA for the term, November 17, 2015 – June 30, 2016, and if appropriate authorize the Lead Negotiator (City Manager) to finalize the MOU.

EXECUTIVE SUMMARY:

The City of Fortuna and the FPEA have been working cooperatively toward improvements to the MOU for the past three years. There have been many formatting improvements making the MOU itself more user friendly as well as agreement upon many working condition and compensation enhancements. However, the term of the MOU is currently out of date and the City and FPEA are working based on prior year MOU conditions. The City and FPEA have met many times and have reached agreement upon 11 of 12 items currently under discussion. The one remaining item (a stipend from the FPEA, item number 4 on the attached Tentative Agreement exhibit A) under discussion represents an increase to compensation. The City and FPEA did not reach agreement on the one remaining stipend item. The City and FPEA moved forward through the impasse procedures. The first step taken was mediation, which was completed on Wednesday November 11 through the services of a State Mediator.

At the request of the FPEA Leadership and with a recommendation from the State Mediator, Staff is presenting the existing 12 point Tentative Agreement for an update to the Memorandum of Understanding (MOU) between the City and Fortuna Police Employees Association (FPEA) for City Council review as a City Council business item. As the City Council is aware, this tentative agreement was discussed previously in Closed Session with the City lead negotiator and a response was provided to the FPEA leadership earlier in the year based on Council direction.

FISCAL IMPACT

If the City Council provides new direction to the Lead Negotiator to approve the stipend request item number 4 on the tentative agreement, the current Fiscal Year City General Fund budget deficit will increase by $50,580. All other fiscal impacts associated with the terms of the proposed Tentative Agreement for the MOU have been included in the current fiscal year budget previously approved by the City Council.
RECOMMENDED ACTION:

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Motion to provide direction to the Lead Negotiator regarding the Tentative Agreement for and updated Memorandum of Understanding (MOU) between the City and the FPEA for the term November 17, 2015 through June 30, 2016; Roll Call Vote.

Attachment:
1. FPEA Tentative Agreement
2. 7/1/2013 – 1/31/2015 Memorandum of Understanding with the Fortuna Police Employees Association
City / FPEA negotiation meeting

Wednesday, November 11, 2015

Tentative Agreement

1. Health Insurance – Agreed
3. COLA – None Agreed
4. Stipend – City to provide a stipend twice per fiscal year of contract term to each member of the association in an amount based on the mid range of each position. The fiscal year total will not to exceed $50,580, stipends to be paid upon adoption and in April.
5. Uniform Allowance – Agreed, retain the status quo
6. Vacation Buy Back – Agreed, City will increase the maximum buy back from 80 to 100 hours
7. CTO Bank Increase – Agreed, City will increase the maximum comp time bank from 120 to 140 hours
8. Relief position – Agreed, retain the status quo
9. Minimum Staffing Levels – Agreed, retain the status quo
10. Split CSO classification – Agreed, retain the status quo
11. Police Vehicle Safety – Agreed, retain the status quo. The City has budgeted for the lease of two new replacement vehicles in FY 15/16.
12. New Holiday Benefit – The City will add one new annual floating holiday starting on July 1, 2015 for the 15/16 FY designated as MLK Day. The FPEA will access this new benefit in the same manner as existing floating holiday benefits.

Note: If the FPEA will agree to this tentative agreement, the FPEA will bring this tentative agreement to their association for approval...and the City lead negotiator will bring this tentative agreement to the City Council in open session.

Jason Kadle
FPEA, Secretary

Charles Ellebrecht
FPEA President

Justin Primofiore
FPEA, Treasurer

Regan M. Candelario
City Manager, Lead Negotiator – City of Fortuna
DATE: November 16, 2015

TO: Honorable Mayor and City Councilmembers

FROM: Regan M. Candelario, City Manager

1. **Upcoming Council Meeting Dates**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday, November 20, 2015</td>
<td>Council Workshop at 8:00 a.m. Location, City Hall</td>
</tr>
<tr>
<td>Monday, December 7, 2015</td>
<td>Council Meeting at 6:00 p.m. Council Chambers at City Hall</td>
</tr>
<tr>
<td>Thursday, December 10, 2015</td>
<td>Council Workshop and Bus Tour at 8:30 a.m. Location, City Corporate Yard 180 Dinsmore Drive</td>
</tr>
</tbody>
</table>

2. **Verbal Report**

1. The City Manager participated in a State of California webinar on November 4 regarding the status of the LAIF (Local Agency Investment Fund). The webinar was very informative and provided positive news about the economy and the stability of the State fund for the City. The State has become more interactive with LAIF participants.

2. The annual CWEA conference was once again held in Fortuna at the River Lodge Conference Center on November 5. The City is both honored to have our local employees and facility win awards and have the conference center utilized by the statewide organization.

3. The City Manager made a presentation to the Humboldt County Economic Development Forum on Friday November 6. The presentation highlighted completed projects, partnerships development in Fortuna, and future projects that will benefit the community.

4. The City Manager will be presenting programs and projects to the Headwaters Board on November 17.

5. The City continues to pursue quality job producing business relocations and expansions. Support from the Consortium has been excellent and has proven to be very valuable to our City economic development efforts.