

# City of Capitola Agenda

Mayor: Sam Storey  
Vice Mayor: Dennis Norton  
Council Members: Ed Bottorff  
Stephanie Harlan  
Michael Termini  
Treasurer: Christine McBroom



## CAPITOLA CITY COUNCIL REGULAR MEETING

THURSDAY, MARCH 27, 2014

CITY HALL COUNCIL CHAMBERS  
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

**CLOSED SESSION – 6:00 PM**  
**CITY MANAGER'S OFFICE**

*An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council on closed session items only. There will be a report of any final decisions in City Council Chambers during the City Council's Open Session Meeting.*

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION** (Govt. Code §54957)  
City Council's Performance Evaluation of the City Attorney

**CONFERENCE WITH REAL PROPERTY NEGOTIATOR** (Govt. Code § 54956.8)  
Property: New Brighton Middle School Gymnasium (City of Capitola, Owner)  
City Negotiator: City Manager  
Negotiating Parties: City of Capitola; Soquel Union Elementary School District  
Under Negotiation: Real Property Sale

**REGULAR MEETING OF THE CAPITOLA CITY COUNCIL – 7:00 PM**

*All matters listed on the Regular Meeting of the Capitola City Council Agenda shall be considered as Public Hearings.*

**1. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Council Members Stephanie Harlan, Dennis Norton, Ed Bottorff, Michael Termini, and Mayor Sam Storey

**2. REPORT ON CLOSED SESSION**

**3. ADDITIONAL MATERIALS**

*Additional information submitted to the City Council after distribution of the agenda packet.*

**4. ADDITIONS AND DELETIONS TO AGENDA**

**5. PUBLIC COMMENTS**

*Oral Communications allows time for members of the Public to address the City Council on any item not on the Agenda. Presentations will be limited to three minutes per speaker. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the minutes. A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.*

**6. CITY COUNCIL / CITY TREASURER / STAFF COMMENTS**

*City Council Members/City Treasurer/Staff may comment on matters of a general nature or identify issues for staff response or future council consideration.*

**7. BOARDS, COMMISSIONS AND COMMITTEES APPOINTMENTS**

A. Consider nominating a Council Member to serve as a regular member of Santa Cruz Local Agency Formation Commission (LAFCO), and direct staff to forward the City Council's nomination to the City Selection Committee for appointment.

**RECOMMENDED ACTION:**

Nominate a Council Member to serve as a regular member of LAFCO.

**8. CONSENT CALENDAR**

*All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the public or the City Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Government.*

*Note that all Ordinances which appear on the public agenda shall be determined to have been read by title and further reading waived.*

A. Consider approving the City Council Minutes of the Special Joint Budget Session held on February 20, 2014; and the Regular Meeting held on March 13, 2014.

**RECOMMENDED ACTION:**

Approve Minutes.

**CAPITOLA CITY COUNCIL REGULAR MEETING - Thursday, March 27, 2014**

- B. Approval of City Check Register Reports dated February 21, 2014; February 28, 2014; March 7, 2014; and March 14, 2014.  
RECOMMENDED ACTION:  
Approve the City Check Register Reports.
- C. Consider an Administrative Policy regarding Mandated Reporting of Child Abuse or Neglect.  
RECOMMENDED ACTION:  
Approve Administrative Policy.

**9. GENERAL GOVERNMENT / PUBLIC HEARINGS**

*General Government items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.*

- A. Presentation by Santa Cruz County Regional Transportation Commission Executive Director George Dondero, and Regional Transportation Plan Project Manager Ginger Dykaar, regarding the 2014 Regional Transportation Preliminary Draft Plan.  
RECOMMENDED ACTION:  
Receive presentation.
- B. Consider a Resolution approving the 2014 Community Development Block Grant (CDBG) Program grant application; consider a Resolution approving the City's Housing Rehabilitation Guidelines and Homebuyer Assistance Guidelines; and consider a Resolution approving the City's CDBG Program Income Reuse Plan.  
RECOMMENDED ACTION:  
Adopt Resolutions and Program Guidelines.
- C. Consider a Resolution approving the Agreement and Election to Prefund Other Post Employment Benefits (OPEB) through California Public Employees Retirement System (CalPERS); consider a Resolution approving the Delegation of Authority to Request Disbursements; authorize \$42,000 to be deposited in the California Public Employees Retirement Benefit Trust Fund (CERBT); and approve amending the City's Investment Policy to reflect contributions made to a qualified OPEB Trust Fund.  
RECOMMENDED ACTION:  
Adopt Resolutions, authorize \$42,000 to be deposited in the CalPERS CERBT; and approve amending the City's Investment Policy to reflect contributions made to a qualified OPEB Trust Fund.
- D. Consider a Resolution supporting the passage of Assembly Bill 2026 relating to increased transparency in the sale of mobile homes.  
RECOMMENDED ACTION:  
Adopt Resolution.

**10. ADJOURNMENT**

Adjourn to the next Regular Meeting of the City Council on Thursday, April 10, 2014, at 7:00 PM, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

## **CAPITOLA CITY COUNCIL REGULAR MEETING - Thursday, March 27, 2014**

**Note:** Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes “final.” Please be advised that in most instances the decision become “final” upon the City Council’s announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

**Notice regarding City Council:** The Capitola City Council meets on the 2nd and 4th Thursday of each month at 7:00 p.m. (or in no event earlier than 6:00 p.m.), in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

**Agenda and Agenda Packet Materials:** The City Council Agenda and the complete Agenda Packet are available for review on the City’s website: [www.cityofcapitola.org](http://www.cityofcapitola.org) and at Capitola City Hall and at the Capitola Branch Library, 2005 Wharf Road, Capitola, on the Monday prior to the Thursday meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola. Need more information? Contact the City Clerk’s office at 831-475-7300.

**Agenda Materials Distributed after Distribution of the Agenda Packet:** Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

**Americans with Disabilities Act:** Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk’s office at least 24-hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

**Televised Meetings:** City Council meetings are cablecast “Live” on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed “Live” on the City’s website at [www.cityofcapitola.org](http://www.cityofcapitola.org) by clicking on the Home Page link “**Meeting Video**”. Archived meetings can be viewed from the website at anytime.



# CITY COUNCIL AGENDA REPORT

MEETING OF MARCH 27, 2014

FROM: CITY CLERK'S OFFICE

SUBJECT: NOMINATION OF A CITY COUNCIL MEMBER TO THE SANTA CRUZ LOCAL AGENCY  
FORMATION COMMISSION (LAFCO)

---

**RECOMMENDED ACTION:** Nominate a Council Member to serve as a regular member of Santa Cruz Local Agency Formation Commission (LAFCO), and direct staff to forward the City Council's nomination to the City Selection Committee for appointment.

**BACKGROUND:** Currently Council Member Bottorff serves as an alternate member on LAFCO with a four-year term expiring on May 5, 2014.

**DISCUSSION:** This matter is before the City Council to make a nomination of a Council Member to serve as a regular member on LAFCO with a term commencing May 5, 2014, and expiring on May 7, 2018. The City's nomination would be forwarded to the City Selection Committee for final appointment.

**FISCAL IMPACT:** None

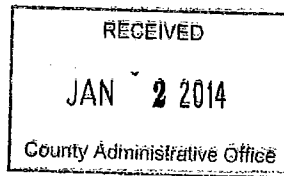
**ATTACHMENTS**

1. Letter dated January 2, 2014, regarding "City Positions on LAFCO" from Patrick McCormick

Report Prepared By: Susan Sheddon  
City Clerk

Reviewed and Forwarded  
By City Manager: 

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Cruz Local Agency  
Formation Commission  
701 Ocean Street, Room 318-D  
Santa Cruz, California 95060  
Phone: (831) 454-2055

January 2, 2014

Email: [info@santacruzlafco.org](mailto:info@santacruzlafco.org)  
Website: [www.santacruzlafco.org](http://www.santacruzlafco.org)

City Selection Committee  
c/o Susan A. Mauriello  
701 Ocean Street, Room 520  
Santa Cruz, CA 95060

SUBJECT: CITY POSITIONS ON LAFCO

Dear Ms. Mauriello:

Under state law, the cities in Santa Cruz County appoint two council members to be regular members of LAFCO and one council member to be an alternate. The appointments are made by the City Selection Committee, for which you function as the clerk. I am writing to alert the City Selection Committee of appointments that it should consider in 2014.

The current city representatives on LAFCO are:

Regular Member	Santa Cruz	Don Lane
Regular Member	Watsonville	Daniel Dodge
Alternate	Capitola	Ed Bottorff.

Santa Cruz's term ends on May 5, 2014.

The City Selection Committee should begin the process to make appointments to fill the regular member and alternate member positions before May 5, 2014. For many years the cities have followed a system by which the cities rotate through the LAFCO positions so that each city is in the alternate seat before moving into a regular seat. This system also provides for each city to have a regular seat for four years in any eight-year period. If the cities continue with this system:

- Santa Cruz would rotate off the Commission on May 5, 2014;
- Capitola's term as alternate member would end and its term as a regular member would begin on May 5, 2014; and
- Scotts Valley would fill the alternate seat on May 5, 2014, and move into a regular seat when Watsonville rotates off the Commission on May 4, 2015.

LAFCO terms are for four years; so, the upcoming regular member term begins on May 5, 2014 and ends on May 7, 2018.

The copies of this letter going to the cities of Capitola and Scotts Valley will serve to remind those cities to submit their nominations to you for consideration by the City Selection Committee.

Please contact me if additional information would be helpful.

Very truly yours,



Patrick M. McCormick  
Executive Officer

cc: Mayors and City Clerks of Capitola, Santa Cruz, Scotts Valley, and Watsonville

Reference: Government Code Sections 56334-56337





## CITY COUNCIL AGENDA REPORT

### MEETING OF MARCH 13, 2014

FROM: OFFICE OF THE CITY CLERK

SUBJECT: MINUTES OF THE FEBRUARY 20, 2014, SPECIAL JOINT BUDGET SESSION; AND THE MARCH 13, 2014, REGULAR CITY COUNCIL MEETING

---

**RECOMMENDED ACTION:** Approve the subject minutes as submitted.

**DISCUSSION:** Attached for City Council review and approval are the minutes of the subject meeting.

**ATTACHMENTS:**

1. February 20, 2014, Special Joint Budget Session
2. March 13, 2014, Regular City Council Meeting

Report Prepared By: Susan Sneddon, CMC  
City Clerk

Reviewed and Forwarded  
By City Manager: 

THIS PAGE INTENTIONALLY LEFT BLANK

**CAPITOLA CITY COUNCIL/SUCCESSOR AGENCY  
TO THE FORMER REDEVELOPMENT AGENCY  
SPECIAL JOINT BUDGET STUDY SESSION MINUTES  
THURSDAY, FEBRUARY 20, 2014 - 6:00 PM**

**1. ROLL CALL AND PLEDGE OF ALLEGIANCE**

PRESENT: Council Members Dennis Norton, Michael Termini, Council Member Ed Bortoff (arrived at 6:25 p.m.), and Mayor Sam Storey

ABSENT: Council Member Stephanie Harlan

City Treasurer Christine McBroom was present.

**2. PUBLIC COMMENT (None provided)**

**3. CITY COUNCIL / CITY TREASURER / STAFF COMMENTS (None provided)**

**4. GENERAL GOVERNMENT / PUBLIC HEARINGS**

**A. Receive Mid-Year 2013/2014 Fiscal Year Budget Financial Report. [330-05/780-30]**

Council Member Storey discussed Soquel Creek Water District's tiered water use rates. He suggested having a budget line item for the City's utilities separate from contract services, and suggested having a special City Council meeting to discuss the City's overall water use.

**ACTION**

**Motion made by Council Member Termini, seconded by Council Member Bottorff, to receive mid-year report and amend the Fiscal Year 2013-2014 Budget based on the attached budget adjustment; and authorize the elimination of a 900 hour part time Parking Enforcement Officer (PEO) and the addition of one full time PEO, and authorize the Police Department to fill the position. The motion carried with the following vote: AYES: Council Members Norton, Bottorff, Termini, and Mayor Storey. NOES: None. ABSENT: Council Member Harlan. ABSTAIN: None.**

**B. Review of prior year's Budget Principles and determination of the Budget Principles for the 2014/2015 Fiscal Year. [330-05/780-30]**

There was Council consensus to include the following to the Budget Principles for the 2014/2015 Fiscal Year:

- Long-term wharf maintenance;
- Develop a City Facilities Fund;
- Develop additional parking standards for the Capitola Municipal Code;
- Develop a Green Building Program;
- 2-year application cycle for the Community Based Health & Human Services Providers Program Grants;
- Open the Rispin Mansion;
- Research economic development options;
- Continue efforts to develop a parking structure to free up the lower Pacific Cove property;
- Re-examine an In-lieu Program;

**Item #: 8.A. Attach 1.pdf**

**12483 THURSDAY, FEBRUARY 20, 2014**

**CAPITOLA CITY COUNCIL/SUCCESSOR AGENCY BUDGET STUDY SESSION MINUTES**

- Continue to seek opportunities to reduce the City's water use;
- Consider a Village Internet Project;
- "Welcome to Capitola" Sign Art Project.
- Amend last year's principles to reflect current project statuses.

**ACTION**      **Motion made by Council Member Norton, seconded by Council Member Bottorff, to adopt budget principles for the 2014-2015 Fiscal Year that will serve as a guide in staff's preparation of the draft annual budget. The motion carried with the following vote: AYES: Council Members Norton, Bottorff, Termini, and Mayor Storey. NOES: None. ABSENT: Council Member Harlan. ABSTAIN: None.**

**5.      ADDITIONAL MATERIALS (None provided)**

**6.      ADJOURNMENT**

Mayor Storey adjourned the special meeting at 7:28 p.m. to the next Regular Meeting of the City Council to be held on Thursday, February 27, 2014, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_, CMC  
Susan Sneddon, City Clerk

**MINUTES WERE UNANIMOUSLY APPROVED ON MARCH 27, 2014**

**CAPITOLA CITY COUNCIL  
REGULAR MEETING MINUTES  
THURSDAY, MARCH 13, 2014 - 7:00 PM**

**CLOSED SESSION – 6:30 PM  
CITY MANAGER’S OFFICE**

**CALL TO ORDER**

Mayor Storey called the meeting to order at 6:30 PM. He announced the item to be discussed in Closed Session, as follows:

**CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9)**

Rae Ellen Leonard vs. the City of Capitola et al.  
[United States District, Case #C13-3714]

Mayor Storey noted that there was no one in the audience; therefore, the City Council recessed at 6:35 p.m. to the Closed Session in the City Manager's Office.

**REGULAR MEETING OF THE CAPITOLA CITY COUNCIL – 7:00 PM**

1. **ROLL CALL AND PLEDGE OF ALLEGIANCE**  
Council Members Stephanie Harlan, Dennis Norton, Ed Bottorff, Michael Termini and Mayor Sam Storey  
City Treasurer Christine McBroom was present.
2. **PRESENTATIONS [120-40]**
  - A. Proclamation declaring March 13, 2014, as Capitola Book Café Day. [120-40]  
Mayor Storey presented certificate of completion to the following former Capitola Book Café owners.
3. **REPORT ON CLOSED SESSION [520-25]**  
City Attorney Barisone stated that City Council received a status report regarding the following existing litigation: Rae Ellen Leonard vs. the City of Capitola et al. There was no reportable action.
4. **ADDITIONAL MATERIALS** (None provided)
5. **ADDITIONS AND DELETIONS TO AGENDA** (None provided)
6. **PUBLIC COMMENTS** (None provided)
7. **CITY COUNCIL / CITY TREASURER / STAFF COMMENTS**  
Council Member Harlan stated that Capitola Historical Museum will have an open house displaying a new exhibit on March 22<sup>nd</sup>.  
City Treasurer McBroom stated that the City's Finance Advisory Committee will be meeting on March 18<sup>th</sup> to discuss the mid-year budget, and the possibility of a City measure asking the voters if they want to change the City Treasurer position to appointed rather an elected.
8. **BOARDS, COMMISSIONS AND COMMITTEES APPOINTMENTS**
  - A. Consider an appointment to the Library Ad Hoc Committee. [230-10]  
City Manager Goldstein stated that the City's Library Ad hoc Committee will be taking a two-month hiatus.

12488 CAPITOLA CITY COUNCIL MEETING MINUTES - Thursday, March 13, 2014

**ACTION** Motion made by Council Member Termini, seconded by Council Member Norton, to not make an appointment to the Library Ad Hoc Committee at this time; to continue advertising for appointments to this Committee; and to consider appointment(s) to this Committee at the May 8, 2014, City Council meeting.

**9. CONSENT CALENDAR**

Steve Piercy, local resident, requested that Item #9.E. be pulled for discussion.

Council Member Harlan stated that she spoke with staff at the County's Tobacco Education Coalition regarding the adoption of the City's Ordinance pertaining to smoking regulations prohibiting the sale of tobacco products within 1,000 feet of public libraries. She stated that she will be meeting with the County's Tobacco Education Coalition about the City's annual tobacco-use report card.

- A. Consider approving the City Council Minutes of the Regular Meeting held on February 27, 2014.
- B. Receive Planning Commission Action Minutes for the Regular Meeting of March 6, 2014. [740-50]
- C. Adoption of Ordinance No. 944 amending Sections 8.38.030 and 8.38.112(B) pertaining to Smoking Regulations prohibiting the sale of tobacco products within 1,000 feet of public libraries [2nd Reading]. [460-70]
- D. Consider a contract amendment for Carolyn Flynn to perform Housing and Grant Administration Services. [500-10 A/C: Flynn, Carolyn]
- E. Consider approving a contract with Kimley-Horn and Associates, Inc. for completion of a Safe Routes to School Study in the amount of \$43,000 as part of a Safe Routes to School Grant received by the City on behalf of the Soquel Union Elementary School District. [500-10 A/C: Kimley-Horn and Associates, Inc.]
- F. Adoption of Resolution No. 3982 amending the Classification Plan to add previously authorized Environmental Projects Manager, and amend the Mid-Management Memorandum of Understanding. [600-10]
- G. Consider the authorization to recruit and hire a Senior Accountant, and restore the City Manager's hiring authority for authorized positions. [650-05]

**ACTION** Motion made by Council Member Termini seconded by Council Member Harlan, to approve the first reading of the Ordinance the following Consent Calendar items: 9.A.; 9.B.; 9.C.; 9.D.; 9.F.; and 9.G. The motion was passed unanimously.

The following Item 9.E. was pulled from the Consent Calendar.

- 9.E. Consider approving a contract with Kimley-Horn and Associates, Inc. for completion of a Safe Routes to School Study in the amount of \$43,000 as part of a Safe Routes to School Grant received by the City on behalf of the Soquel Union Elementary School District. [500-10 A/C: Kimley-Horn and Associates, Inc.]

Steve Percy, local resident, provided support for this program.

There was Council consensus for staff to bring the results of the Safe Routes to School Study to the City Council.

**ACTION** Motion made by Council Member Bottorff, seconded by Council Member Termini, to approve a contract with Kimley-Horn and Associates, Inc. for completion of a Safe Routes to School Study in the amount of \$43,000 as part of a Safe Routes to School Grant received by the City on behalf of the Soquel Union Elementary School District. The motion was passed unanimously.

**10. GENERAL GOVERNMENT / PUBLIC HEARINGS**

A. Presentation provided by Rosemary Menard, City of Santa Cruz Water Director, regarding the current drought and long term water supply issues. [1160-10]

Presentation was received.

**City Treasurer McBroom** stated that, due to a conflict of interest, she will recuse herself from participating on Item 10.B. regarding designating one yellow loading zone and two 24-minute green zones at 1066 41st Avenue because she is in negotiations for a purchase of office space that is within 500 feet of the subject property. She left the dais.

B. Consider a Resolution designating one yellow loading zone and two 24-minute green zones at 1066 41st Avenue. [470-40]

**ACTION** Motion made by Norton, seconded by Council Harlan, to adopt Resolution No. 3983 designating a yellow loading zone, two green 24-Minute parking zones, and three 2-Hour parking spaces in front of 1066 41<sup>st</sup> Avenue. The motion was passed unanimously.

**City Treasurer McBroom** returned to the dais.

C. Consider authorizing the acceptance of a Capitola Public Safety Foundation Grant of \$3,250.96 for the purchase of Police Department firearms equipment, and authorize a budget adjustment in the amount of \$3,250.96 for Fiscal Year 2013-2014. [485-10/370-40/330-10]

**ACTION** Motion made by Harlan, seconded by Council Bottorff, to authorize the acceptance of a Capitola Public Safety Foundation Grant of \$3,250.96 for the purchase of Police Department firearms equipment, and authorize a budget adjustment in the amount of \$3,250.96 for Fiscal Year 2013-2014. The motion was passed unanimously.

**11. ADJOURNMENT**

Mayor Storey adjourned the meeting at 8:30 p.m. to the next Regular Meeting of the City Council to be held on Thursday, March 27, 2014, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_, CMC  
Susan Sneddon, City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK





## CITY COUNCIL AGENDA REPORT MEETING OF MARCH 27, 2014

FROM: FINANCE DEPARTMENT  
SUBJECT: CITY CHECK REGISTER REPORT

**RECOMMENDED ACTION:** Approve the attached Check Register Reports for Feb 21, Feb 28, Mar 7, and Mar 14

**DISCUSSION:** Check Registers are attached for:

Date	Starting Check #	Ending Check #	Total Checks/EFT	Amount
2/21/14	75447	75501	55	\$82,007.86
2/28/14	75502	75549	48	\$139,593.84
3/7/14	75550	75616	68	\$218,641.69
3/14/14	75617	75677	61	\$284,763.99

The check register of Feb 14, 2014 ended with check #75446

Following is a list of checks issued for more than \$10,000.00, and a brief description of the expenditure:

Check	Issued to:	Dept.	Purpose	Amount
75448	Atchison, Barisone, Condotti	CM	Jan 2014 Legal Services	\$12,420.32
75455	Earthworks Paving	CM	Progress Pymt, 41 <sup>st</sup> Ave Median	\$14,900.00
75475	PG&E	PW	Monthly Gas & Electric	\$14,025.95
75508	Bear Elec Solutions	PW	Signal Cabinet, 41 <sup>st</sup> Ave	\$33,829.00
75517	DC & E, Inc	CDD	Gen Plan Update	\$65,752.32
75554	American Traffic Solutions	PD	FY13/14 Semi-Annual Fees	\$47,607.65
75607	Walsh Construction	PW	Pac Cove Parking Lot	\$34,064.58
20143	CalPERS Health	FIN	Mar 2014 Health Ins	\$63,379.42
75617	SCC Bank	FIN	Pac Cove Financing Pymt	\$82,532.87
75645	HydroScience Engineers	PW	Stormwater Mgmt Program	\$12,105.00
75667	Water Rock Construction	PW	Progress Pymt, Pac Cove Lot	\$136,189.00

**ATTACHMENTS:**

1. Check Register for Feb 21, 2014
2. Check Register for Feb 28, 2014
3. Check Register for Mar 7, 2014
4. Check Register for Mar14, 2014

Report Prepared By: Linda Benko  
AP Clerk

Reviewed and Forwarded  
by City Manager: 

THIS PAGE INTENTIONALLY LEFT BLANK

Checks dated 2/21/14 numbered 75447 to 75501 for a total of \$82,007.86 have been reviewed and authorized for distribution by the City Manager.

As of 2/21/14 the unaudited cash balance is \$

**CASH POSITION - CITY OF CAPITOLA 2/21/14**

	<u>Net Balance</u>
General Fund	\$ 1,050,081
Contingency Reserve Fund	\$ 1,421,996
Worker's Comp. Ins. Fund	\$ 114,153
Self Insurance Liability Fund	\$ 158,246
Stores Fund	\$ 2,653
Information Technology Fund	\$ 126,501
Equipment Replacement	\$ 216,333
Compensated Absences Fund	\$ 71,128
<b>TOTAL UNASSIGNED GENERAL FUNDS</b>	<b>\$ 3,161,090</b>

The Emergency Reserve Fund balance is \$676,905.54 (not included above).

  
 \_\_\_\_\_  
 Jamie Goldstein, City Manager

2/21/14  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Christine McBroom, City Treasurer

3/7/2014  
 \_\_\_\_\_  
 Date

## City Checks Issued 2/21/14

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75447	02/21/2014 Invoice 503373027 503370969	Open	Date 02/01/2014 02/01/2014	Description 3/1/14-5/31/14 38th Ave. 3/1/14-5/31/14 422 Capitola Ave.	ADT SECURITY SERVICES, INC.	\$256.38
75448	02/21/2014 Invoice 368424	Open	Date 02/10/2014	Description Wood chips	APTOS LANDSCAPE SUPPLY, INC.	\$331.25
75449	02/21/2014 Invoice Jan2014	Open	Date 02/18/2014	Description Jan 2014 Legal Services	ATCHISON, BARISONE, & CONDOTTI	\$12,420.32
75450	02/21/2014 Invoice Jan-Feb2014	Open	Date 02/18/2014	Description Charges to City Charge Card, Jan-Feb Fund 1000, Gen Fund=\$1521.40 Fund 2211, IT=\$2531.61	BANK OF AMERICA	\$4,053.01
75451	02/21/2014 Invoice POA2-21-14	Open	Date 02/19/2014	Description POA Dues, 2-21-14	CAPITOLA PEACE OFFICERS ASSOC.	\$1,561.25
75452	02/21/2014 Invoice 9793011	Open	Date 02/06/2014	Description Animal intake forms	COMMUNITY PRINTERS	\$207.76
75453	02/21/2014 Invoice 28750-89	Open	Date 02/06/2014	Description Website Hosting, Gen Plan Update Fund 1313, Gen Plan Update	CRUZIO THE INTERNET STORE INC.	\$39.95
75454	02/21/2014 Invoice Jan2014	Open	Date 01/31/2014	Description Jan 2014 Drinking Water, All Sites	CRYSTAL SPRINGS WATER CO.	\$166.50
75455	02/21/2014 Invoice 930a	Open	Date 02/03/2014	Description Progress Payment, 41st Ave Median Art F. Fund 1315, Public Art	EARTHWORKS PAVING, INC.	\$14,900.00
75456	02/21/2014 Invoice 96671	Open	Date 01/29/2014	Description K-9 retirement badge for Katie	ENTENMANN-ROVIN	\$69.75
75457	02/21/2014 Invoice 7508294 7528079	Open	Date 01/31/2014 02/06/2014	Description Jute pins Quad bubblers - CH	EWING IRRIGATION	\$74.13
75458	02/21/2014 Invoice 242191	Open	Date 02/05/2014	Description Plants - CH	FARWEST NURSERY	\$71.73

## City Checks Issued 2/21/14

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75459	02/21/2014	Open			FLYERS ENERGY, LLC	\$2,022.20
	Invoice		Date	Description		Amount
	14-934167		02/06/2014	453 Gal Ethanol		\$1,715.99
	14-934168		02/06/2014	80 Gal Diesel		\$306.21
75460	02/21/2014	Open			GOLDFARB & LIPMAN, LLP	\$266.00
	Invoice		Date	Description		Amount
	111030		01/25/2014	Dec2013 Legal Services		\$266.00
75461	02/21/2014	Open			GONZALEZ, MARK	\$379.59
	Invoice		Date	Description		Amount
	Feb2014		02/12/2014	Reimb Travel Exp		\$379.59
75462	02/21/2014	Open			HEALTH EDUCATION SERVICES	\$335.05
	Invoice		Date	Description		Amount
	17312		02/07/2014	Batteries for AED's		\$335.05
75463	02/21/2014	Open			ICMA RETIREMENT TRUST 457	\$4,539.16
	Invoice		Date	Description		Amount
	ICMA2-21-14		02/19/2014	Retirement Plan Contribution, 2-21-14		\$4,539.16
75464	02/21/2014	Open			KBA Docusys	\$127.24
	Invoice		Date	Description		Amount
	243273		02/04/2014	Photocopy Exp, Acct CO12 Fund 2211, IT		\$127.24
75465	02/21/2014	Open			McMENAMIN, GEORGE	\$687.50
	Invoice		Date	Description		Amount
	riparian 18		02/19/2014	Riparian Restoration FY 13/14		\$687.50
75466	02/21/2014	Open			MEGAPATH COVAD COMMUNICATION	\$690.45
	Invoice		Date	Description		Amount
	48795033		01/28/2014	T-1 Line Fund 2211, IT		\$690.45
75467	02/21/2014	Open			MID-COUNTY AUTO SUPPLY	\$463.31
	Invoice		Date	Description		Amount
	369189		01/24/2014	Parts for Shop Truck, F-150		\$6.50
	369511		01/27/2014	Fleet Supplies		\$5.43
	369504		01/27/2014	Auto parts, PW '91 F-150		\$15.70
	369477		01/27/2014	Returned Parts		(\$10.62)
	369475		01/27/2014	Auto parts, PW F-150		\$92.43
	369488		01/27/2014	Auto Parts, PW F-150		\$30.83
	369590		01/28/2014	Auto parts, PD041		\$67.10
	368832		01/22/2014	Brakes, PD111		\$255.94
75468	02/21/2014	Open			MISSION LINEN SUPPLY	\$1,009.41
	Invoice		Date	Description		Amount
	158899-Jan14		01/31/2014	Jan 2014 Mat, Mop, Uniform Cleaning		\$1,009.41
75469	02/21/2014	Open			MYSTAIRE	\$6,262.25
	Invoice		Date	Description		Amount
	2969		01/31/2014	Drying cabinet for evidence		\$6,262.25

## City Checks Issued 2/21/14

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75470	02/21/2014 Invoice 33488	Open	Date 01/30/2014	Description Payroll System Training Visit Fund 2211, IT	NEW WORLD SYSTEMS	\$1,753.41
75471	02/21/2014 Invoice FOCS288529 FOCS288548	Open	Date 01/31/2014 02/05/2014	Description Electrical System Repair, PD072 Electrical Diagnostic, PD 072	NORTH BAY FORD	\$325.00
75472	02/21/2014 Invoice 581872	Open	Date 02/10/2014	Description Auto Repair, 2006 Honda	OCEAN HONDA	\$352.09
75473	02/21/2014 Invoice 91790	Open	Date 02/03/2014	Description Asphalt patching Fund 1310, Gas Tax	OLIVE SPRINGS QUARRY, INC.	\$328.76
75474	02/21/2014 Invoice 6005-3522204 6005-3522317 6007-6122552 6007-6122554 4793202 6013-4765469	Open	Date 01/29/2014 01/29/2014 01/30/2014 01/30/2014 02/05/2014 02/05/2014	Description Concrete supplies Misc. Scissors Paint tray Parking meter removal supplies Shop Supplies, Fleet	ORCHARD SUPPLY HARDWARE	\$264.81
75475	02/21/2014 Invoice Feb2014	Open	Date 02/18/2014	Description Monthly Elec Fund 1000, Gen Fund=\$5519.49 Fund 1300, SLESF=\$67.96 Fund 1310, Gas Tax=\$6842.04 Fund 1311, Wharf Fund=\$1596.46	PACIFIC GAS & ELECTRIC	\$14,025.95
75476	02/21/2014 Invoice Feb2014a	Open	Date 02/18/2014	Description Pac Cove MHP Elec and Gas	PACIFIC GAS & ELECTRIC	\$186.80
75477	02/21/2014 Invoice 249905	Open	Date 02/03/2014	Description Office Supplies, City Hall Fund 2210, Stores	PALACE ART & OFFICE SUPPLIES	\$28.36
75478	02/21/2014 Invoice 18643	Open	Date 02/05/2014	Description NBG parking lot lights	PHIL ALLEGRI ELECTRIC, INC.	\$277.00
75479	02/21/2014 Invoice 416257	Open	Date 01/28/2014	Description USB Adapter and High Voltage Putty Fund 2211, IT	SANTA CRUZ ELECTRONICS, INC.	\$13.96

# City Checks Issued 2/21/14

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75480	02/21/2014	Open			SOQUEL NURSERY GROWERS, INC.	\$187.09
	Invoice		Date	Description		Amount
	318293		02/05/2014	City Hall plants		\$187.09
75481	02/21/2014	Open			STAPLES	\$188.34
	Invoice		Date	Description		Amount
	Feb2014Stmt		02/05/2014	IT Supplies		\$188.34
				Fund 2211, IT		
75482	02/21/2014	Open			STOP & LISTEN INC.	\$496.00
	Invoice		Date	Description		Amount
	14297		02/10/2014	Digital Audio Recorder, Museum		\$496.00
75483	02/21/2014	Open			T & T PAVEMENT MARKINGS	\$1,221.74
	Invoice		Date	Description		Amount
	2014064		01/29/2014	Pavement markers		\$1,221.74
				Fund 1310, Gas Tax		
75484	02/21/2014	Open			THE HARTFORD -PRIORITY ACCOUNT	\$1,849.65
	Invoice		Date	Description		Amount
	6647579-9		02/18/2014	Mar2014 Life & Long Term Dis Ins.		\$1,849.65
75485	02/21/2014	Open			UNITED PARCEL SERVICE	\$6.05
	Invoice		Date	Description		Amount
	954791064		02/08/2014	Shipping		\$6.05
75486	02/21/2014	Open			UNITED WAY OF SCC	\$50.00
	Invoice		Date	Description		Amount
	UW-Feb2014		02/19/2014	Employee Contr to UW, Feb 2014		\$50.00
75487	02/21/2014	Open			US Bank Institutional Trust-Western Reg	\$358.91
	Invoice		Date	Description		Amount
	PARS2-21-14		02/19/2014	Retirement Plan Contr, Employee Funded		\$358.91
75488	02/21/2014	Open			WATSONVILLE BLUEPRINT	\$18.45
	Invoice		Date	Description		Amount
	44092		01/24/2014	4215-4400 Capitola Rd. Lomak PIR		\$18.45
				Fund 2210, Stores		
75489	02/21/2014	Open			WESTERN EXTERMINATOR COMPAN'	\$100.00
	Invoice		Date	Description		Amount
	1947462		01/31/2014	City Hall		\$50.00
	1947463		01/31/2014	Turnouts		\$50.00
75490	02/21/2014	Open			WESTERN PACIFIC SIGNAL, LLC	\$371.88
	Invoice		Date	Description		Amount
	18481		02/07/2014	Sign face replacement forSpeed signs		\$371.88
75491	02/21/2014	Open			Athiva Services	\$98.00
	Invoice		Date	Description		Amount
	13-041		02/14/2014	Refund for 2178 41st Ave.		\$98.00
75492	02/21/2014	Open			Barabba, Vince	\$2,578.00
	Invoice		Date	Description		Amount
	13-150		02/14/2014	Refund for 209 Fanmar Way		\$2,578.00

## City Checks Issued 2/21/14

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount	
75493	02/21/2014 Invoice 13-160	Open	Date 02/14/2014	Description Refund for 115 San Jose Ave.	Capitola Associates LLC	\$598.00	
75494	02/21/2014 Invoice 13-176	Open	Date 02/14/2014	Description Refund for 504 Bay Ave.	Capitola Gayles, Inc.	\$2,360.00	
75495	02/21/2014 Invoice 13-153	Open	Date 02/14/2014	Description Refund for 141 Magellan	Horn, Kieran	\$578.00	
75496	02/21/2014 Invoice 2014-00000399	Open	Date 02/12/2014	Description Decor for the Police Department	Howard, Kathi	\$209.74	
75497	02/21/2014 Invoice 13-172	Open	Date 02/14/2014	Description Refund for 822 Bay Ave.	Northwest Signs	\$20.00	
75498	02/21/2014 Invoice 13-173	Open	Date 02/14/2014	Description Refund for 4200 Auto Plaza Drive	Santa Cruz Seaside Company	\$1,180.00	
75499	02/21/2014 Invoice 2014-00000400	Open	Date 02/12/2014	Description SLI Gonzalez-POST	Sheraton san Diego Hotel & Marina	\$283.68	
75500	02/21/2014 Invoice 2014-00000401	Open	Date 02/14/2014	Description Refund cite 14136994	Walls, Pamela	\$86.00	
75501	02/21/2014 Invoice 13-1090	Open	Date 02/14/2014	Description Refund for 1840 Wharf Rd.	White, Linda	\$678.00	
Check Totals:				Count	55	TOTAL	\$82,007.86



Checks dated 2/28/14 numbered 75502 to 75549 for a total of \$139,593.84 have been reviewed and authorized for distribution by the City Manager.

As of 2/28/14 the unaudited cash balance is \$2,876,722

**CASH POSITION - CITY OF CAPITOLA 2/28/14**

	<u>Net Balance</u>
General Fund	\$ 772,419
Contingency Reserve Fund	\$ 1,421,996
Worker's Comp. Ins. Fund	\$ 114,153
Self Insurance Liability Fund	\$ 158,246
Stores Fund	\$ 2,665
Information Technology Fund	\$ 119,784
Equipment Replacement	\$ 216,333
Compensated Absences Fund	\$ 71,128
TOTAL UNASSIGNED GENERAL FUNDS	<u>\$ 2,876,722</u>

The Emergency Reserve Fund Balance is \$569,705.54 (not included above).

  
 \_\_\_\_\_  
 Tori Hannah, Finance Director

2/28/2014  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Christine McBroom, City Treasurer

3/7/14  
 \_\_\_\_\_  
 Date

## City Checks Issued 2/28/14

Check Number	Invoice Number	Status	Invoice date	Description	Payee Name	Transaction Amount
75502	02/28/2014 Invoice 5415	Open	Date 02/18/2014	Description Sweeper brooms Fund 1310, Gas Tax	ACME ROTARY BROOM SERVICE	\$2,080.27
75503	02/28/2014 Invoice 45763	Open	Date 02/24/2014	Description Keys for Larry	ALLSAFE LOCK COMPANY	\$2.17
75504	02/28/2014 Invoice 76726	Open	Date 02/10/2014	Description Nozzles	ALWAYS UNDER PRESSURE	\$126.41
75505	02/28/2014 Invoice 368836	Open	Date 02/20/2014	Description Top soil/mulch	APTOS LANDSCAPE SUPPLY, INC.	\$240.32
75506	02/28/2014 Invoice 5045444	Open	Date 01/31/2014	Description City Phone and T-1 Line Service Fund 1000, Gen Fund=\$1559.93 Fund 2211, IT=\$609.18	AT&T/CALNET 2	\$2,169.11
75507	02/28/2014 Invoice 40807	Open	Date 02/22/2014	Description Wharf Meter Reading, Feb2014 Fund 1311, Wharf Fund	AUTOMATION TEST ASSOCIATES	\$25.00
75508	02/28/2014 Invoice 1293	Open	Date 02/25/2014	Description Signal Cabinet Replacement, 41st Ave Fund 1310, Gas Tax Fund	BEAR ELECTRICAL SOLUTIONS, INC.	\$33,829.00
75509	02/28/2014 Invoice 166704	Open	Date 02/14/2014	Description Wood - Prospect pathway	BIG CREEK LUMBER	\$58.93
75510	02/28/2014 Invoice 2242 2292 2285	Open	Date 01/29/2014 02/09/2014 02/07/2014	Description Uniform Exp., S. Ryan Uniform Exp, Mitchell Uniform Exp, Explorer Peterson	CALIFORNIA COAST UNIFORM CO	\$965.65
75511	02/28/2014 Invoice JP48353	Open	Date 01/31/2014	Description Five ACER monitors Fund 2211, IT	CDW GOVERNMENT INC.	\$583.69
75512	02/28/2014 Invoice 2014-00000405	Open	Date 02/24/2014	Description Winter 2014 LAST INST.PAYMENTS	CHARLEBOIS, FREDERIC	\$90.35
75513	02/28/2014 Invoice Mar2014	Open	Date 02/11/2014	Description Internet Access Fund 2211, IT	Charter Communications	\$135.00

## City Checks Issued 2/28/14

Check Number	Invoice Number	Status	Invoice date	Description	Payee Name	Transaction Amount
75514	02/28/2014	Open			CLARK, DAVE	\$127.40
	Invoice		Date	Description		Amount
	2014-00000404		02/24/2014	Winter 2014 LAST INST.PAYMENTS		\$127.40
75515	02/28/2014	Open			CLEAN SOURCE	\$2,839.05
	Invoice		Date	Description		Amount
	1991092		01/28/2014	Cleaning supplies		\$1,467.97
	1193388		02/11/2014	Cleaning supplies		\$1,371.08
75516	02/28/2014	Open			CVS PHARMACY INC.	\$57.97
	Invoice		Date	Description		Amount
	20140221		02/21/2014	Office supplies-PD		\$57.97
75517	02/28/2014	Open			DESIGN, COMMUNITY & ENVIRONMENT, INC.	\$65,752.32
	Invoice		Date	Description		Amount
	53000		01/31/2014	Jan 2014 Prof Services, Gen Plan Update		\$5,884.86
	52762		12/31/2013	Dec 2013 Prof Services, Gen Plan Update		\$449.66
	53093		10/31/2013	Oct 2013 Prof Services, Gen Plan Update		\$59,417.80
				Fund 1313, Gen Plan Update		
75518	02/28/2014	Open			EWING IRRIGATION	\$60.29
	Invoice		Date	Description		Amount
	7532104		02/07/2014	Irrigation supplies - CH		\$24.90
	7541273		02/11/2014	irrigation supplies		\$35.39
75519	02/28/2014	Open			FERGUSON ENTERPRISES, INC.	\$546.48
	Invoice		Date	Description		Amount
	2945470		02/04/2014	Esplanade showers		\$546.48
75520	02/28/2014	Open			FIRST ALARM	\$202.80
	Invoice		Date	Description		Amount
	708162		02/14/2014	Comm Ctr Burglary Lease 3/1/14-5/31/14		\$202.80
75521	02/28/2014	Open			FLYERS ENERGY, LLC	\$2,133.27
	Invoice		Date	Description		Amount
	14-936830		02/14/2014	100 Gal Diesel		\$389.37
	14-936829		02/14/2014	447 Gal Ethanol		\$1,743.90
75522	02/28/2014	Open			HAWKINS TRAFFIC SAFETY SUPPLY	\$259.04
	Invoice		Date	Description		Amount
	21241		02/04/2014	Banding supplies		\$259.04
75523	02/28/2014	Open			HOWELLS, NANCY	\$70.20
	Invoice		Date	Description		Amount
	2014-00000409		02/24/2014	Winter 2014 LAST INST.PAYMENTS		\$70.20
75524	02/28/2014	Open			HYDROSCIENCE ENGINEERS INC.	\$8,244.60
	Invoice		Date	Description		Amount
	January 2014		02/26/2014	Development Review Process/PW Design		\$8,244.60
75525	02/28/2014	Open			INK, BRUCE	\$56.94
	Invoice		Date	Description		Amount
	2014-00000406		02/24/2014	Winter 2014 LAST INST.PAYMENTS		\$56.94

## City Checks Issued 2/28/14

Check Number	Invoice Number	Status	Invoice date	Description	Payee Name	Transaction Amount
75526	02/28/2014	Open			JAMES P ALLEN & ASSOC	\$1,260.00
	Invoice		Date	Description		Amount
	024414		02/24/2014	Arborist Services-Bradford Pear Trees		\$1,080.00
	021814		02/25/2014	Arborists Services Bugge on Capitola Ave		\$180.00
75527	02/28/2014	Open			KBA Docusys	\$83.48
	Invoice		Date	Description		Amount
	244526		02/11/2014	Contract C12162-01, Acct CO12, IR2525		\$83.48
				Fund 2211, IT		
75528	02/28/2014	Voided	Incorrect Amount	02/28/2014	KERKO, BRYAN, T.	\$0.00
	Invoice		Date	Description		Amount
	2-4		02/21/2014	Incorrec Invoice Amount Entered		\$0.00
				Fund 1310, Gas Tax Fund		
75529	02/28/2014	Open			LIUNA PENSION FUND	\$633.60
	Invoice		Date	Description		Amount
	Feb2014		02/21/2014	Pension Dues, Employee Funded		\$633.60
75530	02/28/2014	Open			Mainstreet Media dba GOODTIMES	\$400.00
	Invoice		Date	Description		Amount
	00090343		01/30/2014	Advertising-Rec		\$400.00
75531	02/28/2014	Open			MID-COUNTY AUTO SUPPLY	\$298.49
	Invoice		Date	Description		Amount
	369966		01/30/2014	Oil Change, Woodchipper		\$8.09
	370141		01/31/2014	Relay, PD111		\$39.11
	370044		01/31/2014	Auto parts, CSO 1		\$51.55
	369974		01/30/2014	Shop Vehicle, '91 F-150		\$100.00
	369815		01/29/2014	Fleet Supplies		\$15.56
	370359		02/04/2014	Auto Parts, PW F-250		\$21.89
	370262		02/03/2014	Auto Parts, PD041		\$62.29
75532	02/28/2014	Open			MILLER'S TRANSFER & STORAGE CO	\$192.55
	Invoice		Date	Description		Amount
	85284		02/03/2014	Monthly Storage & Records Handling		\$192.55
75533	02/28/2014	Open			NORTH BAY FORD	\$348.67
	Invoice		Date	Description		Amount
	240138		02/14/2014	Condenser Assy, PD 082		\$348.67
75534	02/28/2014	Open			ORCHARD SUPPLY HARDWARE	\$426.92
	Invoice		Date	Description		Amount
	6011-6061711		01/31/2014	Misc.		\$2.15
	6011-4792516		02/03/2014	Misc.		\$18.47
	6011-4792543		02/03/2014	Misc.		\$41.84
	6011-4792551		02/03/2014	Misc.		\$15.20
	6013-3525003		02/03/2014	Light bulb		\$17.39
	6007-6123460		02/03/2014	Shims		\$3.89
	6011-3522988		02/04/2014	Misc		\$18.90
	6011-4793153		02/05/2014	Sawzall blades		\$21.74
	6005-7113270		02/06/2014	Misc.		\$19.41
	6008-8192423		02/06/2014	Casters - work table		\$60.83

## City Checks Issued 2/28/14

Check Number	Invoice Number	Status	Invoice date	Description	Payee Name	Transaction Amount
					ORCHARD SUPPLY HARDWARE (cont)	
	6008-7062659		02/10/2014	Wet patch - CPD		\$38.02
	6011-4794612		02/10/2014	Spray paint		\$9.75
	6005-3523803		02/11/2014	Wet patch - CPD		\$44.50
	6011-4795480		02/13/2014	Bonding adhesive		\$13.04
	6012-4765737		02/18/2014	Misc.		\$65.71
	6007-6124888		02/11/2014	Sports supplies		\$36.08
75535	02/28/2014	Open			PACIFIC GALLERY & CUSTOM FRAMING	\$142.14
	Invoice		Date	Description		Amount
	12077		02/19/2014	Gator Board, Museum		\$142.14
75536	02/28/2014	Open			PALACE ART & OFFICE SUPPLIES	\$342.11
	Invoice		Date	Description		Amount
	250655		02/06/2014	Office supplies-PD		\$136.75
	250679		02/06/2014	Office supplies-PD		\$13.68
	9004651		02/23/2014	Museum Supplies		\$130.50
	252877		02/24/2014	Office Supplies, City Hall		\$61.18
				Fund 1000, Gen Fund=\$280.93		
				Fund 2210, Stores=\$61.18		
75537	02/28/2014	Open			POT, TRENISE	\$46.15
	Invoice		Date	Description		Amount
	2014-00000407		02/24/2014	Winter 2014 LAST INST.PAYMENTS		\$46.15
75538	02/28/2014	Open			PUBLIC ENGINES, INC./CRIME REPOF	\$597.00
	Invoice		Date	Description		Amount
	19011		12/01/2013	Crime Rpts Subscription Svc, Qtrly Pmt		\$597.00
75539	02/28/2014	Open			SANTA CRUZ SENTINEL	\$492.00
	Invoice		Date	Description		Amount
	0000727448		02/25/2014	Ad for Recreation Assistant		\$492.00
75540	02/28/2014	Open			SCC ANIMAL SERVICES AUTHORITY	\$5,000.00
	Invoice		Date	Description		Amount
	Jan2014		02/20/2014	Animal Control Contract Services		\$5,000.00
75541	02/28/2014	Open			SOQUEL UNION ELEMENTARY SCHO	\$1,628.95
	Invoice		Date	Description		Amount
	14-42		02/12/2014	SCC Sanitation Sewer Charge, Opal Cliffs		\$1,628.95
75542	02/28/2014	Open			SPRING VALLEY WHOLESALE NURSE	\$1,176.13
	Invoice		Date	Description		Amount
	4403		02/20/2014	Queen Anne palms - Esplanade		\$1,176.13
75543	02/28/2014	Open			SWIFT, CAROLYN	\$600.00
	Invoice		Date	Description		Amount
	001		02/23/2014	Compilation of History Brief for Gen Plan		\$600.00
				Fund 1313, Gen Plan Update		

# City Checks Issued 2/28/14

Check Number	Invoice Number	Status	Invoice date	Description	Payee Name	Transaction Amount
75544	02/28/2014	Open			UNITED PARCEL SERVICE	\$2.44
	Invoice		Date	Description		Amount
	954791074		02/15/2014	Shipping-PD		\$2.44
75545	02/28/2014	Open			UPEC LIUNA LOCAL 792	\$1,141.25
	Invoice		Date	Description		Amount
	UPEC-Feb2014		02/19/2014	Union Dues, Feb 2014, Employee Funded		\$1,141.25
75546	02/28/2014	Open			ZIMMERMAN, CINDY	\$136.50
	Invoice		Date	Description		Amount
	2014-00000408		02/24/2014	Winter 2014 LAST INST.PAYMENTS		\$136.50
75547	02/28/2014	Open			National Stormwater Center	\$1,548.00
	Invoice		Date	Description		Amount
	14-1819		02/24/2014	Certified Stormwater Inspector Training		\$1,548.00
75548	02/28/2014	Open			SOQUEL CREEK WATER DISTRICT	\$2,396.20
	Invoice		Date	Description		Amount
	Jan-Feb14		02/10/2014	Semi-Monthly Water Usage, Irrigation (ear Fund 1000, Gen Fund=\$2176.22 Fund 1311, Wharf Fund=\$219.98		\$2,396.20
75549	02/28/2014	Open			Q IMAGE STUDIO	\$45.00
	Licensee Type		Licensee Numbe	Transaction Date	Transaction Type	
	Business			2196 02/25/2014	Pre-Payment	
Check Totals:				Count	48	TOTAL \$139,593.84

Checks dated 3/7/14 numbered 75550 to 75616 plus one EFT for a total of \$218,641.69 have been reviewed and authorized for distribution by the City Manager.

As of 3/7/14 the unaudited cash balance is \$2,564,095

**CASH POSITION - CITY OF CAPITOLA 2/28/14**

	<u>Net Balance</u>
General Fund	\$ 471,765
Contingency Reserve Fund	\$ 1,421,996
Worker's Comp. Ins. Fund	\$ 114,153
Self Insurance Liability Fund	\$ 158,684
Stores Fund	\$ 96
Information Technology Fund	\$ 109,940
Equipment Replacement	\$ 216,333
Compensated Absences Fund	\$ 71,128
TOTAL UNASSIGNED GENERAL FUNDS	<u>\$ 2,564,095</u>

The Emergency Reserve Fund balance is \$676,905.54 (not included above).

  
 \_\_\_\_\_  
 Jamie Goldstein, City Manager

\_\_\_\_\_  
 3/7/14  
 Date

\_\_\_\_\_  
 Christine McBroom, City Treasurer

\_\_\_\_\_  
 Date

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75550	03/07/2014	Open			A TOOL SHED	\$148.00
	Invoice		Date	Description		Amount
	956675-5		02/21/2014	Barricades - 41st & Capitola Rd.		\$28.00
	958145-5		03/04/2014	Skid steer sweeper - Esplanade cu		\$120.00
75551	03/07/2014	Open			ACME ROTARY BROOM SERVICE	\$1,814.21
	Invoice		Date	Description		Amount
	5150		07/30/2013	Sweeper brooms		\$1,814.21
				Fund 1310, Gas Tax		
75552	03/07/2014	Open			AFLAC	\$466.76
	Invoice		Date	Description		Amount
	786873		02/21/2014	Feb2014 Suppl Health Ins, Employee Fun		\$466.76
75553	03/07/2014	Open			ALLSAFE LOCK COMPANY	\$140.79
	Invoice		Date	Description		Amount
	45737		02/19/2014	Rekey Computer Room in City Hall		\$61.79
	45718		02/12/2014	Broken hinge, NB Gym		\$79.00
				Fund 1000, Gen Fund=\$79.00		
				Fund 2211, IT=\$61.79		
75554	03/07/2014	Open			AMERICAN TRAFFIC SOLUTIONS, INC	\$47,607.65
	Invoice		Date	Description		Amount
	21514		02/10/2014	13/14 first half		\$47,607.65
75555	03/07/2014	Open			APTOS LANDSCAPE SUPPLY, INC.	\$45.22
	Invoice		Date	Description		Amount
	368829		02/20/2014	Top Soil		\$45.22
75556	03/07/2014	Open			BAY PHOTO LAB	\$109.73
	Invoice		Date	Description		Amount
	3696761		02/25/2014	Museum Display Expense		\$109.73
75557	03/07/2014	Open			BRINKS AWARDS & SIGNS	\$578.09
	Invoice		Date	Description		Amount
	70110		02/18/2014	JG Comp ribbons		\$578.09
75558	03/07/2014	Open			BSN SPORTS INC.	\$398.96
	Invoice		Date	Description		Amount
	95873272		02/10/2014	Sports supplies		\$398.96
75559	03/07/2014	Open			CALE AMERICA INC.	\$200.37
	Invoice		Date	Description		Amount
	131675		02/06/2014	Parts		\$49.50
	131713		02/14/2014	Decals		\$150.87
75560	03/07/2014	Open			CALIF LAW ENFORCEMENT ASSOC	\$514.50
	Invoice		Date	Description		Amount
	Mar2014		02/21/2014	Long Term Disability Ins, PD		\$514.50
75561	03/07/2014	Open			CAPITOLA PEACE OFFICERS ASSOC	\$1,573.75
	Invoice		Date	Description		Amount
	POA3-7-14		03/05/2014	POA Dues, Employee Funded		\$1,573.75



## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75562	03/07/2014 Invoice 2014-00000418	Open	Date 03/03/2014	Description Winter Inst.Payment 2014 later	CHARLEBOIS, FREDERIC	\$75.00
75563	03/07/2014 Invoice 0038586-Feb14	Open	Date 02/21/2014	Description Internet Access Fund 2211, IT	Charter Communications	\$1,083.69
75564	03/07/2014 Invoice 9767066	Open	Date 02/04/2014	Description Ammo, targets-PD Fund 1300, SLESF	CHEAPER THAN DIRT	\$3,004.95
75565	03/07/2014 Invoice 7327278	Open	Date 03/05/2014	Description Membership, Sneddon	CITY CLERKS ASSOC OF CALIF	\$210.00
75566	03/07/2014 Invoice 12180	Open	Date 02/06/2014	Description Jan2014 Cleaning Services Fund 1000, Gen Fund=\$3716.80 Fund 1311, Wharf Fund=\$217.50	CLEAN BUILDING MAINTENANCE	\$3,934.30
75567	03/07/2014 Invoice SW1268/UWFF1260	Open	Date 02/28/2014	Description Professional Services 1/1/14-2/28/14	COASTAL WATERSHED COUNCIL	\$5,727.45
75568	03/07/2014 Invoice 45734	Open	Date 02/18/2014	Description Code Electronic Update	CODE PUBLISHING COMPANY INC.	\$235.95
75569	03/07/2014 Invoice 40387200	Open	Date 02/22/2014	Description Copier Lease Pymt, Acct 371362 Fund 2210, Stores	DE LAGE LANDEN FINANCIAL SERVIC	\$335.61
75570	03/07/2014 Invoice CEPO	Open	Date 02/27/2014	Description Reimburse Education Expense	DEITER, MICHELE	\$1,100.00
75571	03/07/2014 Invoice 958	Open	Date 02/27/2014	Description Check Valve, Esplanade Fund 1315, Public Art Fund	EARTHWORKS PAVING CONTRACTOI	\$6,130.23
75572	03/07/2014 Invoice 0097264-in	Open	Date 2/21/2014	Description Police Badge-Booth	ENTENMANN-ROVIN	\$83.05
75573	03/07/2014 Invoice 2522221-Mar14	Open	Date 02/21/2014	Description Extra storage-PD	EXTRA SPACE STORAGE OF SC INC	\$331.00

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75574	03/07/2014 Invoice 242191c	Open	Date 02/05/2014	Description Correct Inv 242191	FARWEST NURSERY	\$5.30 \$5.30
75575	03/07/2014 Invoice 14-938934 14-938927	Open	Date 02/20/2014 02/20/2014	Description 80 Gal Diesel 477 Gal Ethanol	FLYERS ENERGY, LLC	\$2,240.23 \$320.32 \$1,919.91
75576	03/07/2014 Invoice 167	Open	Date 02/16/2014	Description Ergonomic Consulting, Safty	GRAHAM-GARCIA, BARBARA	\$250.00 \$250.00
75577	03/07/2014 Invoice 240822	Open	Date 10/02/2013	Description SIRE Software Fund 2211, IT	HYLAND SOFTWARE	\$8,628.00 \$8,628.00
75578	03/07/2014 Invoice ICMA3-7-14	Open	Date 03/05/2014	Description Retirement Plan Contribution, Employee F	ICMA RETIREMENT TRUST 457	\$4,239.16 \$4,239.16
75579	03/07/2014 Invoice 16875	Open	Date 02/17/2014	Description JAN 2014 Plan Check Fees	INTERWEST CONSULTING GROUP IN	\$394.78 \$394.78
75580	03/07/2014 Invoice LIUNA-Feb2014	Voided	Payment made previ Date 02/19/2014	03/07/2014 Description LIUNA Pension Dues, Feb 2014	LIUNA PENSION FUND	\$0.00 \$633.60
75581	03/07/2014 Invoice PC-Mar14	Open	Date 03/05/2014	Description Replenish Petty Cash	MARCHESE, HELEN	\$516.13 \$516.13
75582	03/07/2014 Invoice 371172 371045 371029 371065 371064 371049 371047 370546 370714 370596	Open	Date 02/11/2014 02/10/2014 02/10/2014 02/10/2014 02/10/2014 02/10/2014 02/10/2014 02/10/2014 02/05/2014 02/06/2014 02/05/2014	Description Auto parts, Honda Motorcycles Auto parts, PW F-250 Rotor & Brake pad, PW F-250 Return Auto Parts Auto Parts, PW F-250 Return Brake Rotor Brake rotor, PW F-250 Auto Parts, Sweeper Auto parts, PD071 Auto Parts, Fleet	MID-COUNTY AUTO SUPPLY	\$434.14 \$5.57 \$139.35 \$218.06 (\$9.05) \$5.89 (\$101.28) \$101.28 \$23.82 \$20.97 \$29.53
75583	03/07/2014 Invoice 2013-021	Open	Date 03/03/2014	Description Contract Services, Public Works	MORRISON, EDWARD	\$2,500.00 \$2,500.00

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75584	03/07/2014 Invoice 32884	Open	Date 02/10/2014	Description Q3 2013 Sales Tax Reporting System	MUNISERVICES, LLC	\$1,186.00
75585	03/07/2014 Invoice 240147	Open	Date 02/17/2014	Description Parts, PW F-150	NORTH BAY FORD	\$28.62
75586	03/07/2014 Invoice 6011-4793488 6007-6125321 6011-4155593 6011-4155644 6007-2435550 6007-2435573 6008-8193353 6005-2435315 6007-7116712 6007-7146714 6007-2437962 6005-6125057	Open	Date 02/06/2014 02/13/2014 02/14/2014 02/14/2014 02/14/2014 02/14/2014 02/18/2014 02/20/2014 02/20/2014 02/20/2014 02/26/2014 02/19/2014	Description Rubber boots - Steve N. Tarp Drill bits Concrete patch Misc. Primer Drill bits Broom Plants - CH Plants - CH Tools, Corp Yd/Fleet PW F-250, Parks	ORCHARD SUPPLY HARDWARE	\$395.17
75587	03/07/2014 Invoice 8661	Open	Date 01/31/2014	Description Environmental Sampling, Pac Cove Pkg Lr Fund 1200, CIP	PACIFIC CREST ENGINEERING INC.	\$4,206.80
75588	03/07/2014 Invoice 252130 252569 9005752 253728 9005777	Open	Date 02/19/2014 02/21/2014 02/27/2014 02/28/2014 02/27/2014	Description Office Supplies, City Hall Office supplies-PD Museum Display Supplies Office Supplies, City Hall Detective supplies Fund 1000, Gen Fund=\$223.91 Fund 2210, Stores=\$197.68	PALACE ART & OFFICE SUPPLIES	\$421.59
75589	03/07/2014 Invoice 630811	Open	Date 02/28/2014	Description Postage machine rental 3/16-6/15/14	PITNEY BOWES INC.	\$146.82
75590	03/07/2014 Invoice 20140219	Open	Date 02/19/2014	Description Postage Reload, City Hall Meter Fund 2210, Stores	PITNEY BOWES INC.	\$2,020.99
75591	03/07/2014 Invoice EIA10279a	Voided	Incorrect Amount Date 02/01/2014	03/07/2014 Description Feb2014 Dental & Vision Ins.	PREFERRED BENEFIT INSURANCE AI	\$0.00

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75592	03/07/2014 Invoice	Open			ProBUILD COMPANY LLC	\$137.64
	30083063		02/13/2014	Spikes		\$75.76
	30081443		02/07/2014	Wood		\$61.88
				Fund 1000, Gen Fund=\$61.88		
				Fund 1311, Wharf Fund=\$75.76		
75593	03/07/2014 Invoice	Open			SANTA CRUZ AUTO PARTS INC.	\$399.34
	185573		02/13/2014	Parts for PD Honda Motorcycles		\$246.48
	185511		02/13/2014	Auto Parts, 2006 Honda		\$97.90
	14508-161274		02/18/2014	Primer for Honda Motorcycles		\$54.96
75594	03/07/2014 Invoice	Open			SCC ENVIRONMENTAL HEALTH SVC	\$285.00
	IN0069400		02/18/2014	Site Mitigation Oversight Charges, Pac Co		\$285.00
				Fund 1200, CIP		
75595	03/07/2014 Invoice	Open			SCC HUMAN SERVICES DEPT	\$989.00
	CEDS-FY13-14		02/14/2014	Comp. Econ. Development Strategy Cost !		\$989.00
75596	03/07/2014 Invoice	Open			SCC INFORMATION SERVICES	\$1,226.98
	March 2014		02/25/2014	March 2014 Open query scan		\$521.99
	R224-Q4CY2013		02/19/2014	Radio Shop Charges, Oct-Dec2013		\$704.99
75597	03/07/2014 Invoice	Open			SANTA CRUZ ELECTRONICS, INC.	\$54.07
	416959		02/11/2014	Power Supply		\$54.07
				Fund 2211, IT		
75598	03/07/2014 Invoice	Open			SANTA CRUZ MUNICIPAL UTILITIES	\$566.00
	2014-00000416		02/24/2014	WATER BILLS FOR STREET MEDIANS		\$566.00
75599	03/07/2014 Invoice	Open			SOQUEL CREEK WATER DISTRICT	\$560.27
	Jan-Feb14-Late		02/18/2014	Semi-monthly water use		\$560.27
75600	03/07/2014 Invoice	Open			SPRINT	\$3,087.98
	974855313-146		02/06/2014	City Cell Phone Service		\$3,087.98
75601	03/07/2014 Invoice	Open			STOP COMPANY	\$51.70
	3870		02/28/2014	Barricades		\$51.70
75602	03/07/2014 Invoice	Open			TOTLCOM	\$225.00
	221331		02/19/2014	Phone System Maintenance		\$225.00
				Fund 2211, IT		

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75603	03/07/2014 Invoice 954791084	Open	Date 02/22/2014	Description Shipping for case 14c-00331	UNITED PARCEL SERVICE	\$59.33
75604	03/07/2014 Invoice 5127	Open	Date 02/21/2014	Description Comm Assessment Proj, Yr 20	UNITED WAY OF SCC	\$1,000.00
75605	03/07/2014 Invoice 247706328 247884687	Open	Date 02/19/2014 02/21/2014	Description Contract 500-0332356, Canon IR1750 Contract 500-0296803, IR2525 Fund 1000, Gen Fund=\$98.97 Fund 2211, IT Fund=\$80.48	US BANCORP EQUIPMENT FINANCE	\$179.45
75606	03/07/2014 Invoice PARS3-7-14	Open	Date 03/05/2014	Description Retirement Contr, Employee Funded	US Bank Institutional Trust	\$359.24
75607	03/07/2014 Invoice 80133 80133a	Open	Date 03/05/2014 03/05/2014	Description Jan 18 - March 5 Jan 18-Mar 5 Fund 1200, CIP	WALSH CONSTRUCTION AND ASSOC	\$34,064.58
75608	03/07/2014 Invoice 44395 44368	Open	Date 02/11/2014 02/10/2014	Description Scan Plans Plan copies for Fisher Fund 1000, Gen Fund=\$138.23 Fund 2210, Stores=\$14.11	WATSONVILLE BLUEPRINT	\$152.34
75609	03/07/2014 Invoice 2014-00000413	Open	Date 02/28/2014	Description Class partial refund	Bass, Cheryl	\$14.00
75610	03/07/2014 Invoice 2014-00000414	Open	Date 02/28/2014	Description Class partial refund	Cummins, Susan	\$12.60
75611	03/07/2014 Invoice 13-180	Open	Date 02/27/2014	Description Refund Tree Removal Deposit	Heck, Chris	\$500.00
75612	03/07/2014 Invoice 2001890-002	Open	Date 03/05/2014	Description Class refund	Miller, Diane	\$62.10
75613	03/07/2014 Invoice 13-173c	Open	Date 03/03/2014	Description Refund for 4200 Auto Plaza Drive	Toyota of Santa Cruz	\$1,180.00

## City Checks Issued 3/7/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75614	03/07/2014 Invoice 20011891-002	Open	Date 03/05/2014	Description Class refund	Van Ooy, Theodore	\$90.90 \$90.90
75615	03/07/2014 Invoice 2014-00000415	Open	Date 02/28/2014	Description Class refund	Willingham, Laura	\$112.00 \$112.00
75616	03/07/2014 Invoice EIA10279x	Open	Date 03/05/2014	Description Dental & Vision Claims Paid, Jan2014	PREFERRED BENEFIT INS ADMIN.	\$6,429.76 \$6,429.76
20143	03/07/2014 Invoice Mar-14	Open	Date 2/15/2014	Description Mar 2014 Employee Health Ins	CalPERS Health Insurance	\$63,379.42 \$63,379.42
Check Totals:				Count	68	TOTAL \$218,641.69

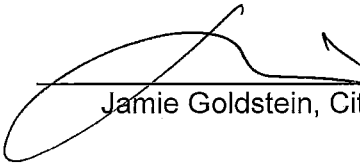
Checks dated 3/14/14 numbered 75617 to 75677 for a total of \$284,764 have been reviewed and authorized for distribution by the City Manager.

As of 3/14/14 the unaudited cash balance is \$2,496,965

**CASH POSITION - CITY OF CAPITOLA 3/14/14**

	<u>Net Balance</u>
General Fund	\$ 410,301
Contingency Reserve Fund	\$ 1,421,996
Worker's Comp. Ins. Fund	\$ 114,153
Self Insurance Liability Fund	\$ 153,226
Stores Fund	\$ (112)
Information Technology Fund	\$ 109,940
Equipment Replacement	\$ 216,333
Compensated Absences Fund	\$ 71,128
TOTAL UNASSIGNED GENERAL FUNDS	<u>\$ 2,496,965</u>

The Emergency Reserve Fund balance is \$676,905.54 (not included above).

  
 \_\_\_\_\_  
 Jamie Goldstein, City Manager

\_\_\_\_\_  
 3/14/14  
 Date

\_\_\_\_\_  
 Christine McBroom, City Treasurer

\_\_\_\_\_  
 Date

## City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75617	03/10/2014	Open			SANTA CRUZ COUNTY BANK	\$82,532.87
	Invoice		Date	Description		Amount
	PC-3		03/10/2014	Pac Cove Financing Lease Pmt		\$82,532.87
75618	03/11/2014	Open			UNITED STATES POSTAL SERVICE	\$4,700.00
	Invoice		Date	Description		Amount
	2847 LS		03/11/2014	Postage Rec Late Spring brochure		\$4,700.00
75619	03/14/2014	Open			ADAMS ASHBY GROUP, LLC	\$1,800.00
	Invoice		Date	Description		Amount
	1069		03/07/2014	CDBG Grant Application Progress Billing		\$1,800.00
75620	03/14/2014	Open			ALLSAFE LOCK COMPANY	\$44.00
	Invoice		Date	Description		Amount
	45698		01/30/2014	Deadbolt for interview room-PD		\$44.00
75621	03/14/2014	Open			APTOS LANDSCAPE SUPPLY, INC.	\$224.08
	Invoice		Date	Description		Amount
	369139		02/25/2014	Firbark - City Hall		\$224.08
75622	03/14/2014	Open			B & B SMALL ENGINE REPAIR	\$186.06
	Invoice		Date	Description		Amount
	300454		02/26/2014	Chainsaw supplies		\$186.06
75623	03/14/2014	Open			BAYSIDE OIL II, INC.	\$105.00
	Invoice		Date	Description		Amount
	11566		02/18/2014	Used Oil Filter Pickup		\$55.00
	934601		02/18/2014	Used Oil Disposal Fee		\$50.00
75624	03/14/2014	Open			BEAR ELECTRICAL SOLUTIONS, INC.	\$616.00
	Invoice		Date	Description		Amount
	1311		02/28/2014	Feb 2014 Routine Traffic Signal Maint.		\$616.00
75625	03/14/2014	Open			BIG CREEK LUMBER	\$343.49
	Invoice		Date	Description		Amount
	172989		02/28/2014	Wood for beach closure		\$106.45
	173997		03/04/2014	Wharf storm repair		\$237.04
75626	03/14/2014	Open			BOBBY'S PIT STOP INC.	\$1,295.18
	Invoice		Date	Description		Amount
	336593		01/07/2014	Smog Inspection,2000 F-150 Pickup		\$40.75
	336885		01/29/2014	Cam Caster Adjustment Kit Installation, PD08:		\$307.80
	336805		01/24/2014	Smog Inspection, 2004 Chevy Tahoe		\$40.75
	336927		01/30/2014	Replace Steering Shaft, Align Tires, PD041		\$620.63
	337119		02/13/2014	Smog Inspection, 1990 F-150		\$40.75
	337087		02/11/2014	Smog Inspection, 2006 F-250		\$40.75
	337070		02/10/2014	Smog Inspection, 2006 Crown Vic, PD061		\$40.75
	337004		02/05/2014	Smog Inspection, 1999 F-250		\$40.75
	337011		02/05/2014	Smog Inspection, 2006 Chevy Impala		\$40.75
	336990		02/04/2014	Smog Inspection, 2008 F-350		\$40.75
	336972		02/03/2014	Smog Inspection, 1997 F-350		\$40.75



## City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75627	03/14/2014 Invoice 131730	Open	Date 02/19/2014	Description Cable light bar to main board	CALE AMERICA INC.	\$88.07
75628	03/14/2014 Invoice 2684111	Open	Date 03/06/2014	Description Public Rcds Act Training, Wilson-PD	CALIF PEACE OFFICERS ASSOC.	\$250.00
75629	03/14/2014 Invoice March6	Open	Date 03/12/2014	Description Meeting Registration, March 6 2014	CALIF SOCIETY OF MUNI FINANCE OFFICERS	\$80.00
75630	03/14/2014 Invoice	Voided	Incorrect Amount Date	03/14/2014 Description	CDW GOVERNMENT INC.	\$0.00
75631	03/14/2014 Invoice 20140127	Open	Date 01/27/2014	Description Dec 2013 Emerg Housing Assistance	COMMUNITY ACTION BOARD OF SCC	\$5,566.67
75632	03/14/2014 Invoice 35936184	Open	Date 02/28/2014	Description Fuel-PD	CONOCO-PHILLIPS FLEET SERVICES	\$22.78
75633	03/14/2014 Invoice 28750-91	Open	Date 03/02/2014	Description Website Hosting, Gen Plan Update	CRUZIO THE INTERNET STORE INC.	\$39.95
75634	03/14/2014 Invoice 210026	Open	Date 02/28/2014	Description Fence rental, Pac Cove	D & G SANITATION	\$77.94
75635	03/14/2014 Invoice 14-3988	Open	Date 03/06/2014	Description Jr Guard patches	EMBROIDERY WORKS	\$995.90
75636	03/14/2014 Invoice 7600799	Open	Date 02/26/2014	Description Irrigation supplies City Hall	EWING IRRIGATION	\$64.82
75637	03/14/2014 Invoice CASAT23941 CASAT24006	Open	Date 02/19/2014 02/24/2014	Description Shop Tools, Fleet Brake Components	FASTENAL COMPANY	\$593.88
75638	03/14/2014 Invoice 2-566-18033	Open	Date 02/27/2014	Description Shipping Expense, various depts	FEDERAL EXPRESS	\$153.65
75639	03/14/2014 Invoice 2981635	Open	Date 02/27/2014	Description Repair kit	FERGUSON ENTERPRISES, INC.	\$23.32

## City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75640	03/14/2014 Invoice 32	Open	Date 03/06/2014	Description Feb 2014 Services, BIA	FERRASCI-HARP, AMY	\$750.00
75641	03/14/2014 Invoice 14-941637 14-941633	Open	Date 02/28/2014 02/28/2014	Description 135 Gal Diesel 438 Gal Ethanol	FLYERS ENERGY, LLC	\$2,321.61
75642	03/14/2014 Invoice	Voided	Date	Description 03/14/2014	FREITAS & FREITAS, INC.	\$0.00
75643	03/14/2014 Invoice Mar2014	Open	Date 03/06/2014	Description Reimb BIA Expenses	HANNA, CARIN	\$1,410.84
75644	03/14/2014 Invoice March 2014	Open	Date 03/11/2014	Description Insurance for Renters of Community Center	HUB INTERNATIONAL OF CA INS SVC	\$314.98
75645	03/14/2014 Invoice Feb2014	Open	Date 03/04/2014	Description Professional Services 2/1-3/2/14	HYDROSCIENCE ENGINEERS INC.	\$12,105.00
75646	03/14/2014 Invoice 3714	Open	Date 03/07/2014	Description Backflow tests	JIM CLARK BACKFLOW	\$550.00
75647	03/14/2014 Invoice 2-4c 2-5	Open	Date 02/21/2014 03/10/2014	Description Construction Mgmt, Pac Cove Pkg Lot Project Professional Services Feb 1-28, 2014	KERKO, BRYAN T.	\$7,937.50
75648	03/14/2014 Invoice 20140215	Open	Date 02/15/2014	Description Uniform cleaning	KING'S CLEANERS	\$691.75
75649	03/14/2014 Invoice 11389702	Open	Date 02/28/2014	Description Armored Car Service, Mar 2014	LOOMIS	\$793.22
75650	03/14/2014 Invoice 63516	Open	Date 03/07/2014	Description Pavers and Freight	McNEAR BRICK & BLOCK	\$2,777.64
75651	03/14/2014 Invoice 35601	Open	Date 02/19/2014	Description New helmet 14c-00331	METRO MOBILE COMMUNICATIONS	\$794.04

## City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75652	03/14/2014 Invoice IN1434147	Open	Date 02/19/2014	Description Gloves	MICROFLEX CORP #774353	\$396.23
					Amount	\$396.23
75653	03/14/2014 Invoice 371606 372127 371973 372147	Open	Date 02/14/2014 02/19/2014 02/18/2014 02/19/2014	Description Auto Parts, Fleet Supply Air Filter, Spark Plugs, F-250 Battery Cables Misc Supplies, Fleet	MID-COUNTY AUTO SUPPLY	\$299.20
					Amount	\$182.94
					Amount	\$54.95
					Amount	\$28.55
					Amount	\$32.76
75654	03/14/2014 Invoice Feb2014	Open	Date 02/28/2014	Description Feb2014 Mat, Mop, & Coverall Cleaning	MISSION LINEN SUPPLY	\$875.64
					Amount	\$875.64
75655	03/14/2014 Invoice MBA11-0410a	Open	Date 02/12/2014	Description Claim Settlement, MBCOC	MONTEREY BAY AREA SELF INSURANCE	\$1,958.04
					Amount	\$1,958.04
75656	03/14/2014 Invoice MBA11-1229d	Open	Date 02/12/2014	Description Claim Settlement, Jimenez	MONTEREY BAY AREA SELF INSURANCE	\$3,500.00
					Amount	\$3,500.00
75657	03/14/2014 Invoice 240381	Open	Date 02/27/2014	Description Retainer, PD 111	NORTH BAY FORD	\$8.11
					Amount	\$8.11
75658	03/14/2014 Invoice 6007-2438371 6007-6128216 6007-2438454 6012-4095990 6011-4798377 6013-4150661 6013-4150663	Open	Date 02/28/2014 02/27/2014 02/28/2014 02/24/2014 02/25/2014 02/26/2014 02/26/2014	Description Tools, Fleet Tools, Fleet Tools for parking Folding saw Plants Hand tools Misc.	ORCHARD SUPPLY HARDWARE	\$422.57
					Amount	\$73.36
					Amount	\$105.55
					Amount	\$76.09
					Amount	\$23.91
					Amount	\$19.75
					Amount	\$76.09
					Amount	\$47.82
75659	03/14/2014 Invoice 255012	Open	Date 03/10/2014	Description Elections Materials, City Clerk	PALACE ART & OFFICE SUPPLIES	\$207.86
					Amount	\$207.86
75660	03/14/2014 Invoice PAPA-2014a	Open	Date 03/12/2014	Description Membership, Kotila & Franchi	PESTICIDE APPLICATORS PROF ASSOC.	\$90.00
					Amount	\$90.00
75661	03/14/2014 Invoice 050-379637 050-380078	Open	Date 03/03/2014 03/05/2014	Description Container 629b50 Mar 18-Apr 17 2014 container 704b50 Mar 20-Apr 19 2014	PODS ENTERPRISES INC.	\$334.96
					Amount	\$167.48
					Amount	\$167.48

## City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75662	03/14/2014 Invoice 30085606	Open	Date 02/24/2014	Description Hose clamps - Park Ave.	ProBUILD COMPANY LLC	\$25.07
75663	03/14/2014 Invoice 4	Open	Date 01/23/2014	Description Council Dinner 1/23/14	PRUSSIA, JULIET	\$200.00
75664	03/14/2014 Invoice 7719-578849	Open	Date 02/19/2014	Description PG&E Box & Lid, Esplanade Sidewalk Proj.	ROYAL WHOLESALE ELECTRIC	\$413.25
75665	03/14/2014 Invoice 14508-162482	Open	Date 02/27/2014	Description Misc Auto Supplies, fleet	SANTA CRUZ AUTO PARTS INC.	\$97.01
75666	03/14/2014 Invoice 0166825-in	Open	Date 09/27/2013	Description Radio supplies-Digitac Pkg	VISION COMMUNICATION	\$4,503.06
75667	03/14/2014 Invoice Progress #4 v0	Open	Date 03/12/2014	Description Progress payment	WATER ROCK CONSTRUCTION CORP.	\$136,189.00
75668	03/14/2014 Invoice 44377 44663	Open	Date 02/18/2014 02/26/2014	Description Scan Plans Plans for 3/5/14 PC McGregor	WATSONVILLE BLUEPRINT	\$1,182.45
75669	03/14/2014 Invoice 2028928 2036848	Open	Date 02/28/2014 02/28/2014	Description City Hall, Feb2014 Turnouts/beach, Feb2014	WESTERN EXTERMINATOR COMPANY	\$100.00
75670	03/14/2014 Invoice 3/9/14	Open	Date 03/09/2014	Description Award frames for 187 PC case	WILSON, LORRIE	\$86.96
75671	03/14/2014 Invoice Cruzio2989-162	Open	Date 03/11/2014	Description Reimburse for Cruzio bill payment	Legare, Elise	\$72.27
75672	03/14/2014 Invoice 962	Open	Date 03/05/2014	Description Mar 1 Labor or Expose Tidal Gates	Sakamoto, Donald	\$300.00
75673	03/14/2014 Invoice 2014-00000427	Open	Date 03/06/2014	Description Retund cite CP243814	Sarnataro, Ryan	\$41.00

# City Checks Issued 3/14/2014

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
75674	03/14/2014 Invoice 2014-00000426	Open	Date 03/14/2014	Description SLI school POST Sloma	Sheraton Garden Grove-Anaheim	\$294.84 \$294.84
75675	03/14/2014 Invoice 2014-00000423	Open	Date 03/11/2014	Description Class refund	York, Christy	\$119.00 \$119.00
75676	3/14/2014 Invoice 20140301	Open	Date 3/1/2014	Description Feb 2014 Contract Services, EIR, Pac Cove Ir	FREITAS & FREITAS, INC.	\$2,635.00 \$2,635.00
75677	3/14/2014 Invoice 20140922	Open	Date 2/27/2014	Description Reimb Travel Expenses, Leadership Tng	SLOMA, CLIFF	\$162.23 \$162.23
Check Totals:				Count	61	TOTAL \$284,763.99

THIS PAGE INTENTIONALLY LEFT BLANK



## CITY COUNCIL AGENDA REPORT

### MEETING OF MARCH 27, 2014

FROM: CITY MANAGER'S DEPARTMENT

SUBJECT: APPROVE ADMINISTRATIVE POLICY REGARDING MANDATED REPORTING  
OF CHILD ABUSE OR NEGLECT

**RECOMMENDED ACTION:** Approve the proposed administrative policy, Mandated Reporting of Child Abuse or Neglect.

**BACKGROUND:** On January 1, 2013, amendments to the California Child Abuse and Neglect Reporting Act (CANRA) came into effect. As a result this policy is to provide direction on the implementation of CANRA.

**DISCUSSION:** CANRA sets forth legal obligations of persons who are "mandated reporters" of child abuse or neglect. As a designated mandated reporter, employees are required to report suspected child abuse or neglect in their professional capacity, or within the scope of ones employment, in which they observe or have knowledge of a person, under the age of 18 years, whom they know or reasonably suspect has been the victim of child abuse or neglect.

The California Child Abuse and Neglect Reporting Act ("CANRA," *Penal Code sections 11164-11174.4*) requires certain professionals, known as mandated reporters, to report known or suspected instances of child abuse or neglect to law enforcement.

Mandated reporters include:

- Teachers;
- Instructional Aides;
- An administrator of a day camp;
- An administrator or employee of a youth recreation program or youth organization;
- An administrator or employee whose duties require direct contact and supervision of children;
- An administrator or employee of a licensed community care or child day care facility;
- Athletic coaches employed by a private or public school;
- Peace officers;
- All employees of a police department, sworn or non-sworn;
- Computer technician.

In addition, this policy has designated the following positions as mandated reporters: City Manager, All Department Directors and all Recreation Department Employees.

## Item #: 8.C. Staff Report.pdf

AGENDA STAFF REPORT MARCH 27, 2014  
MANDATED REPORTING OF CHILD ABUSE OR NEGLECT

### **CANRA's Basic Reporting Provisions:**

- "Reasonable suspicion" occurs when it is objectively reasonable for a person (based upon facts that could cause a reasonable person in a like position, drawing-- when appropriate -- on his or her training and experience) to suspect child abuse or neglect.
- If you are a mandated reporter and you reasonably suspect abuse has occurred, you must make two reports. First, you must report by telephone immediately. Then, you also must file a written report within 36 hours of receiving the information concerning the incident.

If you are a mandated reporter and fail to make a report, or report in an untimely manner, they may be charged with a misdemeanor punishable by up to six months in jail or a \$1,000 fine or both.

Mandated reporters will be required to sign a statement acknowledging their obligations under the CANRA's provisions.

**FISCAL IMPACT:** Training costs are minimal.

### **ATTACHMENT:**

1. Draft Administrative Policy

**Report Prepared By:** Lisa G. Murphy  
Administrative Services Director

**Reviewed and Forwarded  
by City Manager:** 





## ADMINISTRATIVE POLICY

Number: \_\_\_\_\_  
 Issued: \_\_\_\_\_  
 Jurisdiction: City Council

## Mandated Reporting of Child Abuse or Neglect

I. PURPOSE

To provide direction on implementing the California Child Abuse and Neglect Reporting Act (CANRA); which is intended to protect children from abuse and neglect.

II. POLICY

It is the policy of the City of Capitola to establish and designate certain City staff as mandated reporters pursuant to Penal Code § 11164-11174.3 and identify the responsibilities of such designated mandated reporters.

III. DEFINITIONS

A. For purposes of this policy, a "mandated reporter" is defined as any of the following:

1. A full-or part-time City employee designated by this policy (Exhibit A);
2. Any and all City employees whose duties require regular contact with children;
3. Any and all City employees who supervise employees whose duties involved regular contact with children;
4. Any and all City employees who work at Capitola Police Department.

City Volunteers are not designated mandated reporters. (Penal Code § 11165.7.)

B. Child. A child is any person under the age of 18 years.

C. Child Abuse or Neglect includes:

- physical injury or death inflicted by other than accidental means,
- "sexual abuse" (Penal Code Section 11165.1),
- "neglect" (Penal Code Section 11165.2),
- willful harming or injury of a child or endangering the person or health of a child (Penal Code Section 11165.3),
- unlawful corporal punishment or injury (Penal Code Section 11165.4).

D. Reasonable suspicion: "Reasonable suspicion" means that it is objectively reasonable for a person to entertain a suspicion, based upon facts that could cause a reasonable person in a like position, drawing on his or her training and experience, to suspect child abuse or neglect. "Reasonable suspicion" does not require certainty that child abuse or neglect has occurred nor does it require a specific medical indication of child abuse or neglect.

IV. PROCEDURE: Mandated reporters shall report suspected child abuse or neglect as follows:

- A. Immediately, or as soon as practically possible: Call Capitola Police Department at (831) 471-1141 or in case of an emergency call 9-1-1.
- B. Within 36 hours of receiving the information concerning an incident: Complete California Department of Justice (DOJ) Form Suspected Child Abuse Report (Form SS8572; Exhibit B) and hand deliver the DOJ Form SS8572 to the officer taking the report. The DOJ Form (SS8572) is online at [http://ag.ca.gov/childabuse/pdf/ss\\_8572.pdf](http://ag.ca.gov/childabuse/pdf/ss_8572.pdf).

1. At the time of mandated reporting and/or a phone call to the Capitola Police Department, mandated reporters shall provide the following information, if known:
  - a. Name, business address, and telephone number of the mandated reporter (self or subordinate)
  - b. Child's name, address, and present location
  - c. Names, addresses, and telephone numbers of the child's parents or guardians
  - d. The information that gave rise to the suspicion of child abuse and the source of that information
  - e. Name, address, telephone number, and other relevant personal information of person(s) who might have abused the child
2. Mandated reporters under this policy are not excused from making a report where some of this information is not known or is uncertain.
3. Mandated reporters are encouraged to also report suspected child abuse or neglect to their immediate supervisor. However, making a report to a supervisor, a coworker, or some other person is not a substitute for making the required mandated report to Capitola Police Department as listed above. Reporting suspected child abuse or neglect to supervisors is entirely voluntary.

#### V. IMMUNITY AND CONFIDENTIALITY OF MANDATED REPORTERS

Mandated reporters are not civilly or criminally liable for their required reports (Penal Code § 11172(a)). Additionally, the identity of any mandated reporter who makes a report, and the report itself is confidential and disclosed only among appropriate agencies (Penal Code § 11167(d)).

Questions regarding mandated reporter immunity and confidentiality shall be directed to the City Manager, or the City's Administrative Services Director.

#### VI. PENALTY FOR FAILURE TO REPORT ABUSE OR IMPEDING REPORT

A mandated reporter who fails to make a required report, or any City supervisor or City other City employee who impedes or inhibits a report, is guilty of a misdemeanor punishable by up to six months in jail, a fine of \$1,000, or both (Penal Code § 11166 (c)). Where the abuse results in death or excessive bodily injury, the mandated reporter and any person who impeded or inhibited the report shall be punished by up to one year in jail, a fine of \$5,000, or both (Penal Code § 11166.01 (b)).

It is not anticipated that a failure to make a required report would form an independent basis for employee discipline, but any final determination on this issue shall be made by the City Manager on a case-by-case basis, taking into account all the circumstances of the situation and the position held by the employee.

#### VII. WRITTEN ACKNOWLEDGEMENT OF LEGAL RESPONSIBILITY TO REPORT ABUSE

Mandated reporters are required to sign a written statement provided by the City, which states that the employee acknowledges his/her legal reporting obligations and will comply with mandated reporter laws. Exhibit C functions as a notification to each mandated reporter that he/she is a mandated reporter and an acknowledgement from that he/she has been notified. All mandated reporter must complete Exhibit C within four (4) weeks of the effective date of this Administrative Policy, for future employees written acknowledgment shall be received upon hire or within four (4) weeks of their start date.

VIII. TRAINING OF A MANDATED REPORTER

Training Requirements: The City recommends that every mandated reporter, as listed in Appendix A, complete an approved method of training within thirty (30) days of their appointment. Additionally, the City will make training available to other City employees, officials, and volunteers who are not otherwise a mandated reporter.

This policy is approved and authorized by:

---

Jamie Goldstein  
City Manager

Exhibits:

- A. Mandated Reporter Positions
- B. Suspected Child Abuse Report (Form SS 8572)
- C. Required Statement of Mandated Reporter -Form

Administrative Procedure \_\_\_\_\_  
Mandated Reporting of Child Abuse or Neglect

**EXHIBIT A**  
**MANDATED REPORTER POSITIONS – CITY OF CAPITOLA**

“Mandated Reporter” for purposes of reporting child abuse or neglect generally includes all City employees who have direct contact or supervisory control over children and children programs.

State law (Penal Code §11165.7) includes an extensive list of categories of employment for mandated reporters. The following positions are excerpts from that list, as the positions would apply to City employees and programs:

- Teachers
- Instructional Aides
- An administrator of a day camp
- An administrator or employee of a youth recreation program or youth organization
- An administrator or employee whose duties require direct contact and supervision of children
- An administrator or employee of a licensed community care or child day care facility
- Athletic coaches employed by a private or public school
- Peace officers
- All employees of a police department, sworn or non-sworn
- Computer technicians

In addition to the above positions, the City specifically has included as mandated reporters the following positions:

- City Manager
- All Department Directors
- All Recreation Department Employee's

**EXHIBIT B – SUSPECTED CHILD ABUSE REPORT**

To Be Completed by Mandated Child Abuse Reporters

Pursuant to Penal Code Section 11166

PLEASE PRINT OR TYPE

CASE NAME: \_\_\_\_\_

CASE NUMBER: \_\_\_\_\_

<b>A.</b>	<b>REPORTING PARTY</b>	NAME OF MANDATED REPORTER		TITLE		MANDATED REPORTER CATEGORY					
		REPORTER'S BUSINESS/AGENCY NAME AND ADDRESS			Street	City	Zip	DID MANDATED REPORTER WITNESS THE INCIDENT? <input type="checkbox"/> YES <input type="checkbox"/> NO			
		REPORTER'S TELEPHONE (DAYTIME) ( )		SIGNATURE		TODAY'S DATE					
<b>B.</b>	<b>REPORT NOTIFICATION</b>	<input type="checkbox"/> LAW ENFORCEMENT <input type="checkbox"/> COUNTY PROBATION		AGENCY							
		<input type="checkbox"/> COUNTY WELFARE / CPS (Child Protective Services)									
		ADDRESS			Street	City	Zip	DATE/TIME OF PHONE CALL			
		OFFICIAL CONTACTED - TITLE				TELEPHONE ( )					
<b>C.</b>	<b>VICTIM</b>	NAME (LAST, FIRST, MIDDLE)				BIRTHDATE OR APPROX. AGE	SEX	ETHNICITY			
		ADDRESS			Street	City	Zip	TELEPHONE ( )			
		PRESENT LOCATION OF VICTIM				SCHOOL	CLASS	GRADE			
		PHYSICALLY DISABLED? <input type="checkbox"/> YES <input type="checkbox"/> NO	DEVELOPMENTALLY DISABLED? <input type="checkbox"/> YES <input type="checkbox"/> NO	OTHER DISABILITY (SPECIFY)			PRIMARY LANGUAGE SPOKEN IN HOME				
		IN FOSTER CARE? <input type="checkbox"/> YES <input type="checkbox"/> NO	IF VICTIM WAS IN OUT-OF-HOME CARE AT TIME OF INCIDENT, CHECK TYPE OF CARE: <input type="checkbox"/> DAY CARE <input type="checkbox"/> CHILD CARE CENTER <input type="checkbox"/> FOSTER FAMILY HOME <input type="checkbox"/> FAMILY FRIEND <input type="checkbox"/> GROUP HOME OR INSTITUTION <input type="checkbox"/> RELATIVE'S HOME				TYPE OF ABUSE (CHECK ONE OR MORE) <input type="checkbox"/> PHYSICAL <input type="checkbox"/> MENTAL <input type="checkbox"/> SEXUAL <input type="checkbox"/> NEGLECT <input type="checkbox"/> OTHER (SPECIFY)				
		RELATIONSHIP TO SUSPECT				PHOTOS TAKEN? <input type="checkbox"/> YES <input type="checkbox"/> NO	DID THE INCIDENT RESULT IN THIS VICTIM'S DEATH? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> UNK				
<b>D.</b>	<b>INVOLVED PARTIES</b>	<b>SIBLINGS</b>									
		NAME		BIRTHDATE	SEX	ETHNICITY	NAME		BIRTHDATE	SEX	ETHNICITY
		1. _____				3. _____					
		2. _____				4. _____					
<b>D.</b>	<b>INVOLVED PARTIES</b>	<b>PARENTS/GUARDIANS</b>									
		NAME (LAST, FIRST, MIDDLE)				BIRTHDATE OR APPROX. AGE	SEX	ETHNICITY			
		ADDRESS			Street	City	Zip	HOME PHONE ( )	BUSINESS PHONE ( )		
		NAME (LAST, FIRST, MIDDLE)				BIRTHDATE OR APPROX. AGE	SEX	ETHNICITY			
<b>D.</b>	<b>INVOLVED PARTIES</b>	<b>SUSPECT</b>									
		SUSPECT'S NAME (LAST, FIRST, MIDDLE)				BIRTHDATE OR APPROX. AGE	SEX	ETHNICITY			
		ADDRESS			Street	City	Zip	TELEPHONE ( )			
		OTHER RELEVANT INFORMATION									
<b>E.</b>	<b>IDENT INFORMATION</b>	IF NECESSARY, ATTACH EXTRA SHEET(S) OR OTHER FORM(S) AND CHECK THIS BOX <input type="checkbox"/> IF MULTIPLE VICTIMS, INDICATE NUMBER: _____									
		DATE / TIME OF INCIDENT				PLACE OF INCIDENT					
		NARRATIVE DESCRIPTION (What victim(s) said/what the mandated reporter observed/what person accompanying the victim(s) said/similar or past incidents involving the victim(s) or suspect)									

**EXHIBIT C**  
**REQUIRED STATEMENT OF MANDATED REPORTER**  
**STATEMENT ACKNOWLEDGING REQUIREMENT TO REPORT CHILD ABUSE**

<b>Name:</b>	<b>Title:</b>	<b>Department:</b>

California law requires certain people to report known or suspected child abuse or neglect. You have been identified as one of those people – a “mandated reporter.” Prior to commencing your employment or contracting relationship with the City of Capitola (“City”), California law requires you sign a statement to the effect that you have knowledge of the relevant provisions of the Child Abuse and Neglect Reporting Act (CANRA) and will comply with those provisions. (Cal. Penal Code 11166.5.). These provisions have been provided with this form and the complete statute can be found online at the following link:

[http://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=PEN&division=&title=1.&part=4.&chapter=2.&article=2.5](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PEN&division=&title=1.&part=4.&chapter=2.&article=2.5). The following are your responsibilities under state law. Please review all this information carefully, and then sign/date this acknowledgment indicating your receipt and understanding. If you have any questions or concerns about your duties or about this form, please contact the City’s Human Resources Office.

-----  
By signing where indicated below, I acknowledge my understanding that:

- My employment/contracting status with the City, which requires me to have contact with persons under age 18, makes me a Mandated Reporter as defined in Penal Code section 11165.7.
- I must make a mandated report when, in my professional capacity and/or within the scope of my employment, I obtain knowledge of or observe a person under the age of 18 years whom I know or reasonably suspect has been the victim of child abuse or neglect.
- “Reasonable suspicion” means it is objectively reasonable for a person to entertain a suspicion, based upon facts that could cause a reasonable person in a like position, drawing, when appropriate, on his or her training and experience, to suspect child abuse or neglect. It does not require certainty that child abuse or neglect has occurred, nor does it require a specific medical indication of child abuse or neglect; any ‘reasonable suspicion’ of child abuse or neglect is sufficient to trigger my reporting obligation. (Penal Code § 11166(a)(1).)
- The following issues or circumstances trigger mandatory reports (pursuant to Penal Code sections 11165 *et seq.*):
  - Physical injury inflicted by other than accidental means.
  - Sexual abuse meaning sexual assault or sexual exploitation of a child.
  - Neglect meaning the negligent treatment, lack of treatment, or the maltreatment of a child by a person responsible for the child’s welfare under circumstances indicating harm or threatened harm to the child’s health or welfare.
  - Willful harming or injuring or endangering a child meaning a situation in which any person inflicts, or willfully causes or permits a child to suffer, unjustifiable physical pain or mental suffering, or causes or permits a child be placed in a situation in which the child or child’s health is endangered.
  - Unlawful corporal punishment or injury willfully inflicted on a child and resulting in a traumatic condition.

- If I reasonably suspect that a child is being abused, I must make a telephone report to the CITY OF CAPITOLA POLICE DEPARTMENT immediately or as soon as practically possible by telephone, and I must prepare and send a written report within 36 hours of receiving the information concerning the incident. The written report must include the information described in CANRA § 11167(a) and may be submitted on form SS 8572, available online at [http://aq.ca.gov/childabuse/pdf/ss\\_8572.pdf](http://aq.ca.gov/childabuse/pdf/ss_8572.pdf).
- If I reasonably suspect a child is being abused, I may consult with my supervisor or management, and we may agree to file a joint report. However, I understand that even if my supervisor disagrees with me, if I reasonably suspect a child is being abused as described above, I must make a report. (See Penal Code 11166(h).)
- I am required to call the Capitola Police Department about suspected child abuse or neglect. But I am not required to share information about suspected abuse with my supervisor or management, or with the parents of the alleged victim.
- My identity as the mandated reporter making the report will be kept confidential unless I either consent to disclosure, a court orders such disclosure, or disclosure is necessary among the agencies and personnel involved in investigating the report or processing related charges or custodial arrangements.
- I may not be disciplined, terminated, retaliated against, or otherwise discriminated against or harassed for making a mandated report of reasonably suspected child abuse.
- I have civil and criminal immunity when making a mandated report required by law.
- It is a misdemeanor to fail to comply with mandated reporting laws, and I can be held criminally liable for failing to make a mandated report of suspected abuse. Potential penalties for failing to comply with my mandated reporter duties include imprisonment for up to six (6) months in County jail, a fine of up to \$1000, or both. I further understand I may also be civilly liable for failure to make a mandated report.

**ACKNOWLEDGEMENT OF RESPONSIBILITY**

I have carefully reviewed and understand the information provided to me with this form, and I have knowledge of my responsibility to report known or suspected child abuse or neglect in compliance with CANRA. I agree to comply with my duties as a mandated reporter pursuant to California law. I further understand a copy of this acknowledgement will be kept on file.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

THIS PAGE INTENTIONALLY LEFT BLANK





## CITY COUNCIL AGENDA REPORT

MEETING OF MARCH 27, 2014

FROM: DEPARTMENT OF PUBLIC WORKS

SUBJECT: 2014 SANTA CRUZ COUNTY REGIONAL TRANSPORTATION PLAN

**RECOMMENDED ACTION:** Receive a report on the 2014 Santa Cruz County Regional Transportation Plan from the Santa Cruz County Regional Transportation Commission and authorize the Mayor to send a comment letter based on input received at tonight's meeting.

**BACKGROUND:** The Santa Cruz County Regional Transportation Commission is in the process of updating the Regional Transportation Plan (RTP). The RTP is a state-mandated document that identifies transportation needs in Santa Cruz County over the next twenty-two years. It estimates the amount of funding that will be available and identifies planned transportation projects. The plan is an essential first step in securing funding from federal, state and local sources. As required by state law, the RTP includes a discussion of highways, local streets and roads, bicycle and pedestrian facilities, transit services, specialized transportation services for seniors and people with disabilities, and airports. The RTC worked with partner agencies including local jurisdiction staff to develop and prioritize project lists. A program level Environmental Impact Report was performed that covers the Metropolitan Transportation Plan and the RTPs for all three counties in the Monterey Bay. Individual projects listed in the 2014 RTP must still undergo separate design and environmental processes, and can only be implemented as local, state and federal funds become available.

**DISCUSSION:** The three main components of the RTP are the policy element, the financial element and the action element. An additional component to the 2014 RTP is a performance analysis to assess how well the plan advances the targets included in the policy element. Public input was sought during the development of each of these elements. An Executive Summary of the RTP is included at Attachment 1. The full document of Draft 2014 RTP is available on the Commission's website (<http://www.sccrtc.org/2014-rtp>) and at front counter at Capitola City Hall.

The City of Capitola has thirty-nine projects listed in the plan. These projects range from accessibility improvements, implementing the City's approved bicycle plan, road improvement projects, and regional transportation efforts. An excerpt from the RTP with the list of Capitola projects is included as Attachment 2.

Comments are encouraged on the Draft RTP and are due by 5:00 pm on April 8, 2014. Oral comments are welcome at the council meeting and written comments on the Draft RTP should be submitted to RTC. A draft comment letter to the RTP is included for the Council's consideration as Attachment 3.

**FISCAL IMPACT:** The City receives various local, State, and Federal transportation grants for funding on local projects.

### **ATTACHMENTS**

1. Draft 2014 Santa Cruz County Regional Transportation Plan - Executive Summary
2. Draft RTP Project List for Capitola
3. Draft letter

Report Prepared By: Steven Jesberg  
Public Works Director

Reviewed and Forwarded  
By City Manager:

THIS PAGE INTENTIONALLY LEFT BLANK

## Draft 2014 Santa Cruz County Regional Transportation Plan

# Executive Summary

The Santa Cruz County Regional Transportation Commission (herein referred to as the “RTC” or “Commission”) periodically completes a Regional Transportation Plan according to state guidelines to guide short- and long-range transportation planning and project implementation for the county. This 2014 Regional Transportation Plan (called the “2014 RTP”) is the RTC’s comprehensive planning document that provides guidance for transportation policy and projects through the year 2035. The RTC voluntarily adopted a sustainability framework for the 2014 RTP using the Sustainable Transportation Analysis and Rating System (STARS) to identify the goals, policies and thus the projects and programs to achieve a more sustainable transportation system. Sustainability is defined as balancing economic, environmental and equity interests. Individual projects listed in the 2014 RTP must still undergo separate design and environmental processes, and can only be implemented as local, state and federal funds become available. This RTP, along with those from Monterey and San Benito Counties, will be incorporated into a Metropolitan Transportation Plan (MTP) covering the three-county Monterey Bay area that will meet state and federal guidelines.

The following is a summary of each chapter in the 2014 RTP.

### Chapter 1 – Why Sustainability?

The transportation system not only enables us to get around but it is also interlinked with our health and safety, the quality of the natural environment, and the economic vitality of our region. The 2014 Santa Cruz County Regional Transportation Plan endeavors to work towards a sustainable transportation system that addresses the challenges that face transportation in Santa Cruz County now and in the future. The challenges discussed in Chapter 1 include:

- System Preservation – Maintenance needs for the existing transportation network are increasing. Roadway, bikeway, sidewalk, bridge and other repairs must be addressed in parallel with capacity and operational enhancements. If ongoing routine maintenance needs are not addressed, the cost of deferred maintenance will grow exponentially, leaving little funding for new projects.
- Safety – The numbers of fatal and injury motor vehicle collisions are being reduced nationally, statewide and locally. As we continue to successfully improve the safety for individuals that drive cars, the fatality rates for individuals that bicycle and walk, the most vulnerable transportation users, also need to be addressed.
- Congestion – Traffic congestion exists in Santa Cruz County and will not go away in the foreseeable future. Population growth and region-wide jobs to housing imbalances that encourage driving as the mode of choice result in more drivers making more automobile trips.

## EXECUTIVE SUMMARY

The frequent traffic jams on Highway 1 are the most obvious example of congestion on county roadways.

- **Environmental and Public Health** - A sustainable transportation system can play a vital role in the environmental health of Santa Cruz County and the health of its residents. Greenhouse gas emissions (GHG) have global environmental and public health affects, and air pollutants can affect both environmental and public health on a regional scale. The link between limited use of active transportation, such as biking and walking, and adult and childhood obesity is increasingly strengthened through research. Strategies for addressing this concern are being discussed at federal, state and local levels.
- **Energy** – Transportation relies heavily on fossil fuel which is a finite commodity. It cannot be assumed that fossil fuel will be abundant and inexpensive into the foreseeable future. The International Energy Agency (IEA) 2012 World Energy Outlook states that “the world is still failing to put the global energy system onto a more sustainable path.”
- **Economy** – The economic vitality of a region can be affected by transportation in a number of ways. Improved access is likely to positively affect businesses through faster goods movement and increased tourist activity. Implementation of transportation projects can provide jobs, and the smaller the percentage of household income that goes to transportation, the greater the amount of money that is available to go back into the local economy.
- **Funding** - Existing funding sources are insufficient to finance major transportation improvements and ongoing maintenance. New revenue sources will be needed to make major modifications to our transportation system and to eliminate the growing backlog of maintenance needs.

The 2014 RTP endeavors to work toward a sustainable transportation system that addresses these challenges and results in safer, healthier and more efficient travel choices that provide improved multimodal access to opportunities such as jobs, education, and healthcare for our residents.

## Chapter 2 – Transportation Network

Santa Cruz County has a rich multi-modal transportation network. The county’s existing transportation network comprises a broad range of transportation facilities and modes. These include state highways, local streets and roads, an extensive bus system, a specialized transport system for seniors and people with disabilities, bikeways, sidewalks, an airport and a rail line. The most notable improvements to the highways have been on Highway 1. In the last decade, improvements were made to Highway 1 on Mission St, the Highway 1 and 17 interchange and most recently, new auxiliary lanes between Soquel and Morrissey.

The RTC recently purchased the Santa Cruz Branch Rail line that extends between Davenport and Watsonville on behalf of the community. This purchase will allow the RTC to preserve the corridor for existing and future transportation uses, including freight rail, passenger rail service/transit, and bicycle and pedestrian facilities. The Master Plan and Environmental Impact Report for the Monterey Bay Sanctuary Scenic Trail, a network of multiuse trails with the spine along the rail line, have been completed and funding for design and construction on two main segments of the trail has been programmed.

## EXECUTIVE SUMMARY

Transportation system management and transportation demand management programs are also components of the transportation network. Transportation System Management (TSM) projects incorporate operational improvements that improve traffic flow and safety. Examples include signal synchronization, new turning lanes, striping, auxiliary lanes and detectors for assessing real time traffic conditions. Transportation Demand Management includes strategies that reduce the number of people that are driving alone. These strategies include increasing the number of people carpooling, bicycling, telecommuting and taking transit through programs such as Commute Solutions and 511 traveler information services.

This multi-modal transportation network is crucial to meeting the travel needs of all county residents, including drivers, non-drivers and commercial traffic.

### Chapter 3 – Travel Patterns

The majority of the population in Santa Cruz County lives and travels within a small area of the county. The areas of the county with higher population density are primarily along the coast (City of Santa Cruz, Capitola, Live Oak, Soquel and Aptos), in the cities of Watsonville and Scotts Valley, and along portions of the San Lorenzo Valley. Although the distances that people travel within Santa Cruz County are not extensive, increasing the diversity of land uses within neighborhoods to improve access to goods and services can result in even greater reductions in trip lengths.

The patterns of travel within Santa Cruz County are very much dependent on the number of people who live, work and visit the county. Population growth in Santa Cruz County between 2000 and 2010 increased by only 3% but future projections indicate that the growth rate will increase to 6% every decade through 2035. Similarly, the number of jobs in Santa Cruz County is forecasted to increase by approximately the same rate as the population.

Much effort on this 2014 RTP and the 2035 Metropolitan Transportation Plan has been focused on prioritizing projects that will reduce greenhouse gas emissions primarily from a reduction in vehicle miles traveled (VMT). One vehicle traveling one mile equals one "vehicle mile traveled." VMT per capita is estimated to decrease by 17% relative to 2005 and total VMT for Santa Cruz County is expected to decrease by 2% by 2035 as population increases.

The 2011-2012 California Household Travel Survey (CHTS) data results for the state show that there has been a doubling of walk, transit and bike trips compared to data collected in 2000 and a reduction of drive alone trips of approximately 10%. Mode share data for Santa Cruz County is not currently available from this CHTS data. However, the 2006-2010 American Communities Survey provides mode share data for the "typical mode taken to work" for Santa Cruz County. This data shows that Santa Cruz County residents are choosing to ride their bike to work more often than in 2000, but carpool less, and the percent of drive alone trips remains the same.

### Chapter 4 – Vision for 2035

The Santa Cruz County Regional Transportation Commission utilized an independent third party rating system called the Sustainable Transportation Analysis and Rating System (STARS) to develop a sustainability framework for the 2014 RTP. The goals, policies, performance measures and targets were developed with extensive public and partner input using STARS to form the foundation for a sustainable

## EXECUTIVE SUMMARY

transportation plan. The measures are shaped by readily available data and are expected to evolve as new data becomes available. The goals for the 2014 RTP are as follows:

Goal 1: Improve people's access to jobs, schools, health care and other regular needs in ways that improve health, reduce pollution and retain money in the local economy.

Goal 2: Reduce transportation related fatalities and injuries for all transportation modes.

Goal 3: Deliver access and safety improvements cost effectively, within available revenues, equitably and responsive to the needs of all users of the transportation system and beneficially for the natural environment.

For the first time, the Santa Cruz County Regional Transportation Plan identified measurable outcomes, called targets that are each linked to a sustainability goal. Incorporating targets into the goals and policies enables the Regional Transportation Commission to assess how well the long range plan will perform over time in advancing the targets. The assessment of performance is provided in Chapter 7.

## Chapter 5 – Financial Plan

Transportation programs and projects in Santa Cruz County are funded from a variety of local, state and federal funding programs. Local sources account for 70% of the transportation revenues, 18% from state and 12% from federal. Based on current and projected revenue sources, approximately \$2.7 billion are reasonably anticipated to be available to finance transportation projects in Santa Cruz County through 2035 (\$125 million per year). The vast majority (75%) of anticipated revenues are committed to specific dedicated uses of which approximately \$1 billion is slated for transit service and capital improvements. A large proportion of these transit revenues come from our county's dedicated half-cent local sales tax for transit. Airport improvements and highway safety also account for a large portion of the dedicated funds.

Discretionary, relatively flexible funding typically available to a variety of types of projects makes up only 25% of the local, state and federal funding (\$675 million). Of this, \$390 million would come from a future countywide sales tax measure and vehicle registration fees, with voters deciding what projects receive those revenues. **The Regional Transportation Commission (RTC) has discretion over less than 6% of the funds** available for transportation projects in the next 22 years (approximately \$7 million per year). These funds are from regional shares of the State Transportation Improvement Program (STIP) and Regional Surface Transportation Program (RSTP).

It is important to note that transportation funding can be incredibly unpredictable. State and federal actions can result in elimination of certain funding programs or diversion of transportation funds to the State General Fund, as has happened regularly to transit funds over the past several years. Inevitably, some of the funding sources assumed within the financial projections for this plan will not actually be realized, depending on a number of factors including decisions made by voters and the state and federal governments.

Even if all of the revenues assumed in this document are realized, projected funds are insufficient to keep up with maintenance, operational, safety, and major improvement needs of the region discussed in Chapter 6. Therefore, this document identifies additional sources for new funds that could potentially become available. The RTC works with entities locally, statewide, and nationally to seek new transportation revenue sources. These could include new local or state gas taxes, transportation impact

## EXECUTIVE SUMMARY

fee programs, statewide transportation bonds, special federal funding programs (such as economic stimulus bills), special state legislative budget requests, and new grants.

## Chapter 6 – Transportation Investments

A list of programs, projects and actions needed to operate, maintain, and improve the transportation system in Santa Cruz County has been developed – based on input from the public and sponsoring agencies -- as part of the Action Element of the RTP. The cost of implementing this list of transportation projects in Santa Cruz County is approximately \$5.6 billion, whereas the estimated funds available through 2035 is approximately \$2.7 billion –half of the estimated need.

Given the significant gap between funding needs for transportation and projected revenues, the projects listed in the RTP must be divided into two groups. Transportation improvements that can be funded with foreseeable transportation revenues between 2014 and 2035 are shown as “Constrained.” This group includes projects with dedicated funding, already funded projects to be constructed in the short term, and planned projects that could be constructed anytime within the 2014 RTP’s 25-year time-line as projected funds become available. Transportation improvements to be implemented only if new revenues are generated or become available show their funding as “Unconstrained.” Some projects are identified with both constrained and unconstrained funds, indicating a need for additional funds to complete the entire project, though portions of those projects may be completed using available funding.

In order to determine which projects are prioritized for the constrained list for the 2014 RTP, the RTC worked with the Sustainable Transportation Council (STC) to utilize the Sustainable Transportation and Analysis Rating System (STARS). RTC also worked closely with AMBAG on a scenario planning process to identify priority projects given financial constraints. Input was solicited from project sponsors, the public, public interest groups and RTC committees throughout the process in developing the final project list that identifies the projects as either constrained and/or unconstrained.

The within projected funds or constrained project list consists of over 300 projects that could be implemented over the twenty-two year timeframe. These projects and programs address the region’s accessibility, economic, safety and environmental sustainability needs over the next 22 years and constitute the 2014 RTP’s constrained project list described in Chapter 6 with the full list of projects and programs provided in Appendix E. During the next 22 years, approximately \$2.7 billion from federal, state, and local funding sources is projected to be available to finance transportation projects in Santa Cruz County. Over 200 projects are on the unconstrained list, for which additional funds will be needed in order to be implemented.

The 2014 RTP assigns future transportation funds to a range of projects and programs designed to maintain the current transportation system, and improve access, safety and environmental and public health by broadening transportation options. Key proposals, based on projected available funding, include:

- Maintenance of the existing transportation network including roads, highways, bike lanes, sidewalks, and transit
- Safety and operational improvements to Highways 1, 9, 17, 129 and 152
- Addition of Auxiliary lanes on Highway 1 between State Park Drive in Aptos and Soquel Ave

## EXECUTIVE SUMMARY

- Bicycle and pedestrian crossings over Highway 1 at Chanticleer and Mar Vista
- Modifications to major arterial roads -- including intersection improvements and bus, pedestrian and bicycle facilities
- Freeway Service Patrol along Highways 1 and 17
- Expanded bus service for high ridership routes to serve University of California Santa Cruz (UCSC), south county and San Jose commuters
- Transit queue jumps and high occupant vehicle signal priority
- Construction of the Monterey Bay Sanctuary Scenic Trail , the Pajaro River Trail, and the San Lorenzo Valley Trail
- Local bicycle and pedestrian projects and programs designed to increase bicycle commuting, and provide safe bicycle and pedestrian routes to schools and key destination areas
- Expansion of specialized transport services in response to projected increases in senior and disabled populations
- Individualized marketing programs to employers to increase carpooling and vanpooling

Development of the RTP project list is a preliminary step towards actual implementation of the projects identified in the 2014 RTP. Prior to the beginning of project construction, a number of steps must be taken which can take from 6 months to 20 years, depending on the particular project's complexity, impacts, level of public interest, funding and environmental requirements, and availability of funds. These steps include: developing a detailed project cost estimate; obtaining local, state and/or federal funds; designing the project; determining the project's environmental impacts; securing right-of-way, if necessary; and throughout the process, incorporating public input.

## Chapter 7 – System Performance

The performance of the 2014 RTP has been analyzed to determine how well the constrained list of transportation projects and programs advance the goals and targets of the RTP. Utilizing the Sustainable Transportation and Analysis Rating System (STARS) and AMBAG's scenario planning effort, it is evident that a balance of project types is best able to advance the plan's performance targets.

The plan makes progress towards and meets many of the targets set forth for the RTP, though funding constraints make it impossible to fully meet all of the targets. The greenhouse gas emissions target as well as the economic benefit target have not only been met but exceeded. **Figure ES.1** describes how the Santa Cruz County 2014 RTP performs for each of the targets.



## EXECUTIVE SUMMARY














Target	Score
<b>Target 1A</b> - Increase the percentage of people that can travel to key destinations within a 30-minute walk, bike or transit trip by 20 percent by 2020 and 40 percent by 2035.	Plan falls short of target 
<b>Target 1B</b> - Reduce per capita fuel consumption and greenhouse gas emissions by 1 percent by 2020 and 5 percent by 2035.	Plan meets target 
<b>Target 1C</b> - Re-invest in the local economy \$5 million/year by 2020 and \$10 million/year by 2035 from savings resulting from lower fuel consumption due to a reduction in vehicle miles traveled.	Plan meets target 
<b>Target 1Di</b> - Improve travel time reliability for vehicle trips.	Measure has decreased relative to existing condition but has improved in comparison to 2035 no project 
<b>Target 1Dii</b> - Improve multimodal network quality for walk and bicycle trips to and within key destinations.	Plan meets target 
<b>Target 1E</b> - Decrease single occupancy mode share by 4 percent by 2020 and by 8 percent by 2035.	Plan falls short of target 
<b>Target 2A</b> - Reduce injury and fatal collisions by mode by 20 percent by 2020 and by 50 percent by 2035.	Measure will be monitored over time to assess progress 
<b>Target 2B</b> - Reduce total number of high collision locations.	Measure will be monitored over time to assess progress 
<b>Target 3A</b> - Increase the average local road pavement condition index to 57 by 2020 and 70 by 2035.	Measure has improved in comparison to status quo budget but has decreased relative to existing conditions 
<b>Target 3B</b> - Reduce the number of transportation facilities in "distressed" condition by 3 percent by 2020 and 5 percent by 2035.	Measure will be monitored over time to assess progress 
<b>Target 3C</b> - Reduce travel times and increase travel options for people who are transportation disadvantaged (TD) due to income, age, race, disability or limited English proficiency by increasing the percentage that are within a 30-minute walk, bike or transit trip to key destinations by 20% by 2020 and 40% by 2035.	Plan falls short of target 
<b>Target 3D</b> - Ensure transportation services (and impacts) are equitably distributed to all segments of the population.	Plan meets target 
<b>Target 3E</b> - Maximize participation from diverse members of the public in planning and project implementation activities.	Plan meets target 

Figure ES.1 – Summary of 2014 Project List Performance for Advancing Targets

EXECUTIVE SUMMARY

## Chapter 8 – Environmental and Air Quality Review

The California Environmental Quality Act of 1970 (CEQA) requires that the environmental effects of the 2014 RTP be analyzed. This analysis was prepared as a separate program-level Environmental Impact Report (EIR) released along with the 2014 RTP. The EIR, prepared in coordination with the Association of Monterey Bay Area Governments (AMBAG), Transportation Agency for Monterey County (TAMC), and the San Benito County Council of Governments (SBCOG), collectively evaluates the Regional Transportation Plans for the Monterey Bay region - Santa Cruz, Monterey, and San Benito Counties. The EIR evaluates changes to the project lists and policies and addresses new information not previously available. The EIR analyzes the potential environmental impacts of the 2014 RTP, including alternative investment scenarios, and identifies potential mitigation measures for impacts of the transportation program for the whole region. The EIR does not analyze impacts of, or mitigations for, individual projects. The respective agency sponsors will conduct a project-specific review, once funding is received and the project is initiated.

Together Santa Cruz, Monterey, and San Benito Counties comprise the North Central Coast Air basin (NCCAB). Many projects in the plan implement the Monterey Bay Unified Air Pollution Control District's (Air District) approved Transportation Control Measures for the region, which are developed to reduce transportation-related emissions by reducing vehicle use or improving traffic flow. The three county region (or NCCAB) is an attainment area for air quality impacts and therefore exempt from the required conformity analysis.

## Chapter 9 – What's Next?

The Santa Cruz County Regional Transportation Plan is a work in progress that will be updated approximately every four years. This chapter identifies a number of considerations that will likely be prominent features of the RTP over the next couple of decades.

Santa Cruz County is susceptible to a wide range of climate change effects. Although there is currently no requirement to include climate adaptation into the RTP, the RTC is aware of the need to undertake efforts to respond to *impacts* of climate change along with the current effort to reduce GHG emissions. Future editions of the RTP may address the impacts of climate change by identifying areas at most risk to sea level rise as well as other additional transportation considerations.

Technological innovations will continue to affect all aspects of society, including transportation. As these technologies become more widely used and information becomes available, they can be incorporated into the RTP. Vehicular Communication Systems, also known as connected vehicles, are one example of an emerging technology in which vehicles can communicate with other vehicles and/or roadside units through wireless technology. Connected vehicles such as cars, trucks, buses, and trains could communicate important safety and mobility information to one another. This ability would save lives, prevent injuries, greatly reduce the cost of traffic collisions, ease traffic congestion, save time and fuel, improve the environment and have significant economic advantages. The RTC will be watching the evolution of this technology for incorporation into future RTPs.

# Final DRAFT Regional Transportation Plan Project List

## Constrained and Unconstrained Projects - Not Escalated

Projects listed by lead agency, in alphabetical order by project name.  
 Project IDs without the letter "P" in front of the number have been also included in the Regional Transportation Improvement Program.  
 "Constrained" represents amount of project cost that could be funded with revenues anticipated through 2035.  
 While some projects have secured funding, this amount does not typically represent committed funds. "Unconstrained" represents amount of project cost that would need additional funding in order to be implemented.

All Figures in year 2013, '000s (thousands of dollars)

Project Title	ID	Project Description/Scope	Est total cost	Constrained	Unconstrained
<b>Caltrans</b>					
Collision Reduction & Emergency Projects	CT-P46	Various SHOPP projects that address collision reduction, mandates (including stormwater mandates) and emergency projects. (Constrained=30% of total cost).	\$592,000	\$163,000	\$429,000
District 5 Vista Point Interpretive Display	CT-P44	Development and installation of interpretive displays at various vista point locations (EA05-0T500).	\$693	\$0	\$693
Hwy 17 Access Management/Corridor Study	CT-P41	Prepare a SR 17 study to determine long-range solutions to access, operations and safety on this route. Cost Est. TBD.	\$0	\$0	\$0
Hwy 17/Granite Creek Interchange Reconstruction	SV-P08	Realign/reconfigure the Granite Creek Road over crossing, add bike lanes and sidewalks. (EA 05-49380)	\$8,000	\$0	\$8,000
Hwy 9 Operational & Safety Improvements	CT-P09e	Corridor study to identify need for shoulder widening, turnouts for buses, and turn lanes at spot locations in SLV. Cost Est. TBD.	\$0	\$0	\$0
Minors	CT-P47	Various small SHOPP projects (less than \$1 million) that reduce/enhance maintenance efforts by providing minor operational, pavement rehab, drainage, intersection, electrical upgrades, landscape and barrier improvements. (Constrained=30% of total cost).	\$140,000	\$42,000	\$98,000
State Highway Preservation (bridge, roadway, roadside)	CT-P45	Various SHOPP projects that address bridge preservation, roadway & roadside preservation and limited mobility improvements. (Constrained=30% of cost to maintain).	\$428,000	\$128,000	\$300,000
<b>Caltrans Total</b>			<b>\$1,168,693</b>	<b>\$333,000</b>	<b>\$835,693</b>
<b>CHP - California Highway Patrol</b>					
Hwy 129 Safety Program	CHP-P03	Added CHP enforcement and public education campaign on Highway 129.	\$500	\$0	\$500
Hwy 17 Safety Program	CHP-P01	Continuation of Highway 17 Safety Program in Santa Cruz County at \$100/year. Includes public education and awareness, California Highway Patrol (CHP) enhancement, pilot cars, electronic speed signs.	\$2,200	\$2,200	\$0
Traffic Management	CHP-P02	Patrol of state route system and unincorporated roadways aimed at minimizing traffic collisions and traffic delays; and provide assistance to motorists. COST EST TBD.	\$0	\$0	\$0
<b>CHP - California Highway Patrol Total</b>			<b>\$2,700</b>	<b>\$2,200</b>	<b>\$500</b>
<b>City of Capitola</b>					
38th Ave (Capitola Rd to City limit to south)- Bike lanes/Traffic Calming	CAP-P45	38th Ave - Add bike treatments (such as buffered and/or painted bike lanes, bike boxes, bike signals), traffic calming and wayfinding signage from Capitola Mall to City Limit to south, and bike/ped priority crossing of Capitola Rd to Mall.	\$15	\$15	\$0

All Figures in year 2013, '000s (thousands of dollars)

Project Title	ID	Project Description/Scope	Est total cost	Constrained	Unconstrained
40th Ave (at Deanes Ln)Bike/Ped connection	CAP-P46	40th Avenue N/S bike/pedestrian connection at Deanes Lane.	\$5	\$5	\$0
40th Ave/Clares St Intersection Improvements	CAP-P38	Widen intersection and signalize.	\$1,500	\$0	\$1,500
41st Ave (Soquel to Brommer) Signal Synchronization	CAP-P49	Update synchronization of signals on 41st. Coordinate synchronization of 41st Ave with Portola, Soquel, Capitola and Hwy 1 ramps with County.	\$15	\$15	\$0
41st Ave (Soquel to Portola) Crosswalks	CAP-P47	Evaluate and if found necessary, increase number of crosswalks on 41st to closer to every 300 ft.	\$15	\$15	\$0
41st Ave/Capitola Road Intersection Improvements	CAP-P37	Widen intersection and reconfigure signal phasing.	\$500	\$0	\$500
46th/47th Ave (Clares to Cliff Dr) Bike Lanes/Traffic Calming	CAP-P40	46th/47th from Clares to Portola/Cliff - Add traffic calming and wayfinding signage to connect to Brommer and MBSST.	\$15	\$15	\$0
47th Avenue Traffic Calming and Greenway	CAP-P30	Traffic calming and traffic dispersion improvements along 47th Ave from Capitola Rd to Portola Drive and implementation of greenway, which gives priority to bicycles and pedestrians on low volume, low speed streets including, pedestrian facilities, way finding and pavement markings, bicycle treatments to connect to MBSST.	\$100	\$100	\$0
Auto Plaza Drive Extension to Bay Avenue	CAP-P35	Extend Auto Plaza Drive over Soquel Creek to Bay Avenue. Includes improvements to Auto Plaza Drive.	\$10,000	\$0	\$10,000
Bay Avenue Traffic Calming and Bike/Ped Enhancements	CAP-P29	Traffic calming features along Bay Avenue from Highway 1 to Monterey Avenue, including left turn pocket, buffered pedestrian facilities and bicycle treatments (such as buffered and/or painted bike lanes, bike boxes, bike signals) to address speed inconsistency between bicyclists and vehicles.	\$400	\$400	\$0
Bay Avenue/Capitola Avenue Improvements	CAP 16	Multimodal improvements to intersection. Roundabout.	\$700	\$700	\$0
Bay Avenue/Hill Street Intersection	CAP-P07	Intersection improvements to improve traffic flow. Roundabout.	\$200	\$0	\$200
Bay Avenue/Monterey Avenue Intersection Modification	CAP-P32	Multimodal improvements to the intersection. Include signalization or roundabout along with pedestrian, bicycle treatments (such as buffered and/or painted bike lanes, bike boxes, bike signals) and transit access.	\$300	\$300	\$0
Brommer/Jade/Topaz St Bike Lanes/Traffic Calming (Western City Limit on Brommer to 47thAve)	CAP-P41	Add buffered bike lanes, traffic calming and wayfinding signage and bike/ped priority crossing at 41st Ave, connecting the two N/S neighborhood greenways.	\$15	\$15	\$0
Capitola Intra-City Rail Trolley	CAP-P18	Construct & Operate Weekend Rail Trolley Service. Project includes installation of 3 stations.	\$14,000	\$0	\$14,000
Capitola Jitney Transit Service	CAP-P15	Purchase and operate local transit service.	\$1,000	\$0	\$1,000
Capitola Mall (Capitola Rd to Clares) Bike Path	CAP-P48	Separated bicycle facility through Capitola Mall parking lot to connect 38th Ave bike lanes and 40th Ave.	\$50	\$50	\$0
Capitola Village Enhancements: Capitola Ave	CAP-P34	Multimodal enhancements along Capitola Avenue.	\$1,000	\$1,000	\$0
Capitola Village Multimodal Enhancements - Phase 2/3	CAP-P04b	Multimodal enhancements in Capitola Village along Stockton Ave, Esplande, San Jose Ave, & Monterey Av. Includes sidewalks, bike lanes, bike lockers, landscaping, improve transit facilities, parking, pavement rehab and drainage.	\$3,000	\$2,000	\$1,000
Capitola-wide HOV priority	CAP-P50	Evaluate HOV priority at signals and HOV queue bypass.	\$40	\$40	\$0

All Figures in year 2013, '000s (thousands of dollars)

Project Title	ID	Project Description/Scope	Est total cost	Constrained	Unconstrained
Citywide Bike Projects	CAP-P52	Bike projects based on needs identified through the Bicycle Plan. These projects are in addition to projects listed individually in the RTP.	\$1,000	\$500	\$500
Citywide General Maintenance and Operations	CAP-P06	Ongoing maintenance, repair, and operation of road/street system within the City limits. (Const=\$400K/yr; Unconst=\$400K/yr).	\$17,600	\$12,320	\$5,280
Citywide Sidewalk Program	CAP-P51	Install sidewalks to fill gaps. Annual Cost \$50k/yr.	\$1,000	\$500	\$500
Citywide Traffic Calming	CAP-P17	Install traffic calming/neighborhood livability improvements.	\$1,400	\$0	\$1,400
Clares St Bike Lanes/Sharrows (Capitola Rd to 41st Ave)	CAP-P42	Evaluate and if found necessary, add bike lanes/sharrows to Clares.	\$5	\$5	\$0
Clares St/41st Ave Bicycle Intersection Improvement	CAP-P43	Bike treatments (such as buffered and/or painted bike lanes, bike boxes, bike signals) at Clares across 41st.	\$5	\$5	\$0
Clares Street Pedestrian Crossing west of 40th Ave	CAP-P16	Construct signalized ped x-ing 0.20 miles west of 40th Ave.	\$500	\$500	\$0
Clares Street Traffic Calming	CAP 11	Implementation of traffic calming measures: chicanes, center island median, new bus stop, and road edge landscape treatments to slow traffic. Construct new safe, accessible ped x-ing at 42nd and 46th Av.	\$425	\$425	\$0
Cliff Drive Improvements (combine with CAP 31 and 33)	CAP-P05	Installation of sidewalks, pedestrian crossing and slope stabilization of embankment including seawall.	\$1,500	\$0	\$1,500
Gross/41st Ave Bicycle Intersection Improvement	CAP-P44	Bike treatments (such as buffered and/or painted bike lanes, bike boxes, bike signals) from Gross E/B to 41st N/B.	\$15	\$15	\$0
Hwy 1/41st Avenue Interchange	CAP-P01	Implement 41st Avenue & Bay Ave/Porter Ave single interchange improvements as detailed and expensed in Hwy 1 HOV project (RTC 24) as a stand alone project if the RTC project does not proceed. (\$117M)	\$0	\$0	\$0
Monterey Avenue at Depot Hill	CAP-P28	Improve vehicle ingress and egress to Depot Hill along Escalona Ave and improve pedestrian facilities.	\$250	\$0	\$250
Monterey Avenue Multimodal Improvements	CAP-P12	Installation of sidewalks and bike lanes in area near school and parks.	\$350	\$350	\$0
Park Avenue Sidewalks	CAP 15	Installation of sidewalks, plus crosswalks at Cabrillo and Washburn to improve access to transit stops. Links Cliffwood Heights neighborhood to Capitola Village. Currently only 4 short segments of sidewalk exist.	\$500	\$500	\$0
Park Avenue/Kennedy Drive Improvements	CAP-P09	Construct intersection improvements. Traffic signal	\$350	\$0	\$350
Stockton Ave Bridge Rehab	CAP-P07p	Replace bridge with wider facility that includes standard bike lanes and sidewalks.	\$2,500	\$0	\$2,500
Upper Capitola Avenue Improvements	CAP-P03	Installation of bike lanes and sidewalks on Capitola Av. (Bay Av.-SR 1) and sidewalks on Hill St. from Bay Av. to Capitola Av.	\$1,300	\$1,300	\$0
Upper Pacific Cove Parking Lot Pedestrian Trail and Depot Park Metro Development	CAP 17	Construct 4 foot wide pedestrian pathway along City owned Upper Pacific Cove Parking lot, adjacent to rail line (680'). Includes new signal for ped crossing over Monterey Avenue. Includes a new metro shelter located and landscaped setting along the rail corridor/Park Ave.	\$300	\$300	\$0
Wheelchair Access Ramps	CAP-P27	Install wheelchair access/curb cut ramps on sidewalks citywide.	\$25	\$25	\$0
<b>City of Capitola Total</b>			<b>\$61,895</b>	<b>\$21,415</b>	<b>\$40,480</b>

THIS PAGE INTENTIONALLY LEFT BLANK

<date>

Mr. George Dondero  
Executive Director  
Santa Cruz County Regional Transportation Commission  
1523 Pacific Avenue  
Santa Cruz, CA 95060

Subject: City of Capitola Comments on the  
Draft 2014 Regional Transportation Plan

Dear Mr. Dondero:

The City Council for the City of Capitola appreciates the efforts of the Santa Cruz County Regional Transportation Commission in completion of the 2014 Regional Transportation Plan and your presentation to our Council on March 27, 2014. Based on Council and staff's review of the plan, and input received at the council meeting the City of Capitola has the following comments on the draft plan.

1. The City supports the active development of the Rail corridor as a ped/bike facility. Independent of the establishment of potential rail services , we encourage the commission to seek ways to make this corridor open for pedestrians and bicycles.
2. The single biggest factor affecting vehicular congestion in the City of Capitola is capacity issues along the Highway 1 corridor. The City's data shows how afternoon traffic is diverted onto City streets as drivers avoid Highway 1. This leads to an imbalance on Park Ave. and other streets where each day there are more than 1,300 more trips in the eastbound direction as compared to the westbound direction. The Highway 1 auxiliary lane projects completed on the portions south of Highway 17 have proven successful and the City supports the next phase of this project from Soquel Drive to 41<sup>st</sup> Avenue.
3. <tbd at Council Meeting>

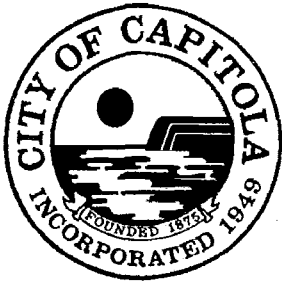
The City of Capitola recognizes the joint efforts required by our local agencies to maintain and improve our transportation systems and look forward to work with your agency in the future in meeting the goals and objectives outlined in the 2014 RTP.

Sincerely,

Sam Storey  
Mayor

THIS PAGE INTENTIONALLY LEFT BLANK





## CITY COUNCIL AGENDA REPORT

MEETING OF MARCH 27, 2014

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

SUBJECT: 2014 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM APPLICATION FOR HOUSING REHABILITATION AND HOMEBUYER ASSISTANCE; AND THE CDBG PROGRAM GUIDELINES AND PROGRAM INCOME REUSE PLAN

### **RECOMMENDED ACTION:**

- 1) Hold a public hearing on the Community Development Block Grant (CDBG) Program application for Housing Rehabilitation and Homebuyer Assistance Program; and
- 2) Adopt the attached Resolution approving the grant application for \$500,000 and execution of a grant agreement (Attachment 1); and
- 3) Adopt the attached Resolution (Attachment 2) approving the City's Housing Rehabilitation Guidelines and Homebuyer Assistance Guidelines (Attachments 3 and 4); and
- 4) Adopt the attached Resolution (Attachment 5), approving the City's CDBG Program Income Reuse Plan (Attachment 6).

**BACKGROUND:** The City Council held a public hearing on February 27, 2014, to receive public comment on the 2014 CDBG Program, and directed staff to prepare a grant application to re-establish the City's Housing Rehabilitation and Homebuyer Assistance Programs. Applications are due April 11, 2014. In order to submit an eligible application, the Council must hold two public hearings to discuss the potential application and allow for public input. This hearing serves as the second public hearing and will allow the public to comment on this grant application. It is anticipated the grant awards will be announced in July 2014.

**DISCUSSION:** The grant would make it possible to offer the Housing Rehabilitation and Homebuyer Assistance Programs with a solid funding base, as a "Housing Combination Program": Homeownership Assistance (HA) and Housing Rehabilitation (HR)." This CDBG activity allows the flexibility to transfer funds between home rehabilitation and homebuyer assistance, based on demand and need.

The Housing Rehabilitation Program would provide loans to homeowners who earn less than 80% of median income, and will cover health and safety improvements and energy-saving actions such as weatherization, new windows and installation of solar collection units. The Homebuyer Program would assist buyers who earn under 80% of median income to purchase homes in Capitola by providing gap financing above their first mortgage. Maximum loan amounts are set by CDBG and can be tailored by the City. All loans will be deferred until sale or transfer of the property, at 3% simple interest.

**Grant Application:** The City has operated Housing Rehabilitation and Homebuyer Programs since 1999, through a contract with the Housing Authority. From 2006 to 2010, each program was funded at approximately \$60,000 to \$75,000 per year, providing one to three housing loans

## Item #: 9.B. Staff Report.pdf

AGENDA STAFF REPORT MARCH 27, 2014  
2014 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

annually. For the 2014 round of CDBG funding, the City is eligible to apply for up to \$1 million, for a three-year program. Staff proposes a grant application for \$500,000. This amount would keep both programs going at the historic level for up to three years, and will cover the housing loans, staff time and professional services by the Housing Authority to administer the programs.

CDBG Guidelines: As part of preparing to re-establish these housing programs using CDBG funding, and in order to make the City's application more competitive, the attached CDBG Guidelines have been prepared for adoption by Resolution as shown in Attachment 2.

- 1) **Housing Rehabilitation and Homebuyer Guidelines:** The City Council adopted Guidelines for Rehabilitation and Homebuyer Programs in 2008, to be used for the City's HOME-funded housing loans. The HOME Program is operated by the state Housing and Community Development Department with federal funds, and the City's earlier guidelines are similar to those required by CDBG. The guidelines shown in Attachments 3 and 4 have been updated from the 2008 approved guidelines, according to CDBG current standards, and include the same loan parameters as the City's historic program.
- 2) **CDBG Program Income Guidelines:** The City is also required to update its Program Income Reuse Plan. CDBG Program Income guides how the City will utilize funds from re-paid CDBG loans. The Program Income Reuse Plan is from the CDBG required format, and allocates Program Income to be allocated equally between the Housing Rehabilitation Program and the Homebuyer Assistance Program.

**FISCAL IMPACT:** If awarded, this grant would add \$500,000 to the City's Community Development Block Grant Fund.

### **ATTACHMENTS:**

1. Draft Resolution approving the CDBG grant application for Rehab and Homebuyer Programs;
2. Draft Resolution approving the Housing Rehabilitation Guidelines and Homebuyer Guidelines;
3. Draft Housing Rehabilitation Guidelines;
4. Draft Homebuyer Guidelines;
5. Draft Resolution approving the City's CDBG Program Income Reuse Plan;
6. Draft Program Income Reuse Plan.

**Report Prepared By:** Carolyn Flynn  
Housing & Grants Coordinator

**Reviewed and Forwarded  
By City Manager:** 

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA APPROVING A 2014/2015 APPLICATION FOR FUNDING FOR A HOUSING REHABILITATION AND HOMEBUYER ASSISTANCE PROGRAM, AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE GENERAL ALLOCATION OF THE STATE CDBG PROGRAM**

**WHEREAS**, the California department of Housing and Community Development has issued a Notice of Funding Availability for the 2014/2015 Community Development Block Grant Program; and

**BE IT RESOLVED** by the City Council of the City of Capitola as follows:

SECTION 1:

The City Council has reviewed and hereby approves an application for \$500,000 for the following activities Homebuyer Assistance and Rehabilitation Assistance Combo Program.

SECTION 2:

The City has determined that federal Citizen Participation requirements were met during the development of this application.

SECTION 3:

No cash match is required for this application.

SECTION 4:

The City Manager or interim designee is hereby authorized and directed to sign this application and act on the City's behalf in all matters pertaining to this application.

SECTION 5:

If the application is approved, the City Manager or interim designee is authorized to enter into and sign the grant agreement and any subsequent amendments with the State of California for the purposes of this grant.

SECTION 6:

If the application is approved, the City Manager, interim designee or designee is authorized to sign Funds Requests and other required reporting forms.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Capitola held on March 27, 2014 by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_  
Liz Nichols, Deputy City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
APPROVING THE CITY OF CAPITOLA'S HOMEBUYER ASSISTANCE AND  
HOUSING REHABILITATION PROGRAM**

**WHEREAS**, the City of Capitola receives funding from the State of California Department of Housing and Community Development (HCD), Community Development Block Grant (CDBG) Program; and,

**WHEREAS**, these funds will be used for homebuyer assistance program and housing rehabilitation program to benefit qualified applicants; and,

**WHEREAS**, the City of Capitola is required to develop and approve guidelines in compliance with the CDBG Program for the operation the housing rehabilitation program and homebuyer assistance program

**NOW, THEREFORE BE IT RESOLVED** by the City Council of the City of Capitola hereby approves the Housing Rehabilitation Program Guidelines and the Homebuyer Assistance Program Guidelines which have been attached.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Capitola held on March 27, 2014, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_  
Liz Nichols, Deputy City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK

# City of Capitola Housing Rehabilitation Assistance Guidelines



For:

Community Development Block Grant (CDBG) Program  
HOME Investment Partnerships Program  
CalHome Program



CDBG Approved (3/20/2014)  
City Council Approved (date)  
HCD Version 12/10

CITY OF CAPITOLA  
HOUSING REHABILITATION 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. APPRAISAL
  - 4.5. INSURANCE REQUIREMENTS
  - 4.6. LOAN SECURITY
- 5.0. PROGRAM GRANTS**
- 6.0. PROGRAM LOAN SERVICING AND MAINTENANCE**
  - 6.1. PAYMENTS ARE VOLUNTARY
  - 6.2. RECEIVING LOAN REPAYMENTS
  - 6.3. LOAN SERVICING POLICIES AND PROCEDURES
  - 6.4. LOAN MONITORING PROCEDURES
  - 6.5. DEFAULT AND FORECLOSURE
  - 6.6. SUBORDINATIONS
- 7.0. CONSTRUCTION**
  - 7.1. STANDARDS
  - 7.2. ELIGIBLE CONSTRUCTION COSTS
  - 7.3. ELIGIBLE PROJECT COSTS
  - 7.4. REPAIR CALLBACKS
  - 7.5. SWEAT EQUITY
- 8.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**
  - 8.1. AMENDMENTS
  - 8.2. EXCEPTIONS
- 9.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**
  - 9.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE
  - 9.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR
- 10.0 OWNER-INVESTOR LOANS**



CITY OF CAPITOLA  
HOUSING REHABILITATION PROGRAM GUIDELINES

ATTACHMENTS TABLE OF CONTENTS

ATTACHMENT A:	24 CFR PART 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS – FOR CDBG & HOME
ATTACHMENT A-1:	TITLE 25 SECTION 6914 GROSS INCOME INCLUSIONS – FOR CALHOME
ATTACHMENT B:	ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS – FOR CDBG & HOME
ATTACHMENT B-1:	TITLE 25 SECTION 6914 GROSS INCOME EXCLUSIONS – FOR CALHOME
ATTACHMENT C:	MAXIMUM PURCHASE PRICE AFTER-REHAB VALUE LIMIT; HOME SUBSIDY LIMIT PER UNIT – SECTION 221(d)(3); CURRENT INCOME LIMITS; BEDROOM & BATHROOM ADDITION STANDARDS
ATTACHMENT D:	MARKETING PLAN
ATTACHMENT E:	RESIDENTIAL ANTIDISPLACEMENT AND RELOCATION ASSISTANCE PLAN
ATTACHMENT F:	LOAN SERVICING POLICIES AND PROCEDURES
ATTACHMENT G:	FORECLOSURE POLICY
ATTACHMENT H:	CERTIFICATION OF OCCUPANCY
ATTACHMENT I:	LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM

DRAFT

**Introduction**

This Manual sets forth policies and procedures for the City of Capitola Housing Rehabilitation Program. This Program provides funds for owner-occupied and owner-investor residential properties of 1-4 units. Funding is supplied through various sources, as available, including the state of California Community Development Block Grant (CDBG) Program, the California Home Investment Partnership Program (HOME), and the state Cal Home Program. The Housing Rehabilitation Program is administered by the Housing Authority of the County of Santa Cruz and is designed to provide home rehabilitation opportunities to low- income buyers and tenants within the City of Capitola.

Homebuyer Program Mailing Address:

City of Capitola  
Community Development Department  
420 Capitola Avenue  
Capitola, CA 95010

Telephone:

831-475-7300

Fax:

831-479-8879

Program Operator:

Housing Authority of the County of Santa Cruz  
2931 Mission Street  
Santa Cruz, CA 95060-5709

Telephone:

831-464-5940

DRAFT

**CITY OF CAPITOLA**

**HOUSING REHABILITATION**

**PROGRAM GUIDELINES**

**1.0. GENERAL**

The above-named entity, hereinafter referred to as the "City", has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer one or more HCD-funded housing rehabilitation programs. The rehabilitation program described herein and hereinafter referred to as the "Program" is designed to provide assistance to eligible homeowners and owner-investors for correction of eligible health and safety items, property improvements, water and energy efficiency upgrades and code violations for properties located within the City of Capitola. The Program provides this assistance in the form of deferred payment loans used to finance the cost of necessary repairs that will provide the homeowner with a healthy, safe, sanitary and code-compliant home, referred to herein as "housing unit". The Program will be administered by the County of Santa Cruz Housing Authority hereinafter referred to as 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 City 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. A Fair Housing Marketing Plan can be found as Attachment D. 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 homeownership education classes to help educate homeowners about credit, budgeting, predatory lending, foreclosure prevention and home maintenance, as well as future responsibilities.
- 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 City 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 Program Operator will utilize a waiting list for the Owner-Occupied Rehabilitation Program. In response to a homeowner's request, the homeowner is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance on a first-come, first served basis. The Program Operator will contact homeowners by mail and/or by telephone to advise of funding availability. The homeowner has 30 days to complete and return the loan application and supporting documentation. Should a homeowner fail to respond to the initial contact for assistance or to provide

## Item #: 9.B. Attach 3.pdf

any of the required documentation within the 30-day period, the homeowner's name will be removed from the waiting list. If the homeowner desires assistance at a later time, he/she will be placed on the waiting list at that time.

Should the waiting list be exhausted, the Program will be marketed in accordance with the City's Marketing Plan. See **Attachment D**.

### B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with all supporting documentation. An interview is scheduled with the applicant. The Program is fully explained; application forms and documentation are reviewed. Verifications are obtained for income, assets, employment, benefits, and mortgage. Title report and appraisals are also obtained.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that can't be resolved, the City reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

### C. Household Selection

Households selected for participation in the City's Housing Rehabilitation Program are those determined eligible by the Program Operator in accordance with these Guidelines, after completion of processes described in A. and B. above.

### D. Initial Inspection/Work Write-Up/Estimate

Prospective units are inspected by the Program Operator, a certified housing inspector, or a City representative 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. 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. **Note: CalHome-funded projects do not require LBP compliance. CDBG projects shall refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual.**

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 by the Program Operator to prepare the work write-up. Estimated costs are determined by the Program Operator who has years of experience in the building industry, and in reviewing contractor bids and verifying cost with materials suppliers. The homeowner reviews the completed work write-up and cost estimate, and the approved write-up is incorporated into bid documents.

### E. 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. 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). Notices of non-award are mailed to participating contractors.

Cost reasonableness is determined by comparing the bids received with the cost estimate prepared by the Program Operator. 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. The homeowner is encouraged to accept the lowest reasonable bid.

#### F. Loan Request/Approval

A report and loan request are prepared on behalf of the homeowner by the Program Operator. The loan request includes the cost of construction, a contingency fund, and other project costs (listed in Section 6.3.). A Housing Committee meeting is scheduled to hear the loan request. Section 1.3 provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

#### G. 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.

#### H. 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 City'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.

#### I. 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 City for approval prior to Program Operator signing-off on the change order.

#### J. Progress Payments

Ninety percent (90%) 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 City or City's Building Inspector, the payment authorization is signed by the homeowner and submitted for payment.

## Item #: 9.B. Attach 3.pdf

### K. 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 City. The City's 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. The final ten-percent (10%) retention payment is released 35 days after the recording of the Notice of Completion.

### 1.3. LOAN PROCESS

The City must approve all loans and grants. The Housing Committee 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. However, if the project is CalHome funded, the total financing cannot be more than 105 percent of the after-rehabilitation value. For CDBG and HOME-funded loans, the amount of assistance provided will not exceed the City's County maximum HOME subsidy limit per bedroom as defined by Section 221 (d)(3) and the total financing can not exceed the Maximum After-Rehabilitation Value. **See Attachment C.**

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 City's program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance, and Section 92.356 of the HOME Final Rule shall be followed for HOME 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 for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement 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. 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 income limits in place at the time of loan approval will apply when determining applicant income eligibility. The link to the official HCD-maintained income limits for HOME and CDBG Funded activities is:

<http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>, and for CalHome-funded activities:

<http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k6.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.

To be eligible, the owner-occupant household income must be equal to or less than the applicable HCD income limits in Attachment C, and listed below. 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. See Attachment A for HOME and CDBG. See Attachment A-1 for CalHome. Refer to Asset Inclusions and Exclusions for further guidance to the types of assets to be included or excluded when calculating gross annual income. See Attachment B.

Owner-occupant's 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.

**HOUSEHOLD INCOME LIMITS FOR SANTA CRUZ COUNTY\***  
(Limits are effective 3/15/2013)

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
<b>80% of Area Median Income</b>	\$51,800	\$59,200	\$66,600	\$74,000	\$79,950	\$85,850	\$91,800	\$97,700

**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.

The link to Annual Income Inclusions and Exclusions is:  
[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB\\_AnnualIncomeInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc)

See Attachment A: HOME and CDBG 24 CFR Part 5 Annual Income Inclusions and Exclusions and Attachment A-1: CalHome Title 25 Section 6914 Annual Income inclusions and Exclusions (State)

**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.)

## Item #: 9.B. Attach 3.pdf

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

The Link to Asset Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC\\_AnnualIncomeAssetInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc)

See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions

### 2.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS

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.

- A. Continued residency is monitored between January 1 and 15 of each year for the term of the loan. Occupancy will be verified by the submission of the following:
  - 1. Proof of occupancy in the form of a copy of a current utility bill; and/or
  - 2. Statement of unit's continued use as primary residence of the owner.
- B. In the event that an 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 City, 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. **Note: Loans provided by CalHome are not assumable.**

- 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 Section 12.0 below.
- D. If the loan is funded with a CalHome Loan it is not transferable except under the following limited circumstances:
  - (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant;
  - (b) A transfer of the Property where the spouse becomes an owner of the property;
  - (c) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or
  - (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

### 3.0. PROPERTY ELIGIBILITY

#### 3.1. CONDITIONS

- A. No unit will be eligible if a household's income exceeds the prescribed income limits listed in Attachment C.



- B. Units to be rehabilitated must be located within the incorporated areas of the City's jurisdiction.
- C. Property must contain a legal residential structure intended for continued residential occupancy.
- D. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. For CDBG the priority will be the elimination of health and safety hazards. City may also require elimination of code deficiencies. When HOME funds are used for housing rehabilitation, the property must meet all applicable current codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. 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 may be required on rentals by City when CDBG funds are used.

### 3.2. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

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 City/Program Operator, assistance may be provided for actual costs incurred from the applicant's loan proceeds or as a grant (see **Section 5. for allowable grants**). HOME-funded projects will provide relocation assistance in the form of a grant, which shall be included in the maximum assistance amount.

**Note:** Relocation benefits are not a requirement under CalHome, but are acceptable and may be covered by loan proceeds.

Tenants of units owned by Owner-Investors (see Section 10.0) 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 City's "Residential Anti-displacement and Relocation Assistance Plan" (**Attachment E**). See **Section 10 Owner-Investors**.

### 3.3. NOTIFICATION AND DISCLOSURES - Not required by CalHome

- 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 I**).
- B. Tenants located in properties that will receive housing rehabilitation will be provided a notice outlining their relocation rights and benefits (**Attachment E**). See Section 10 Owner-Investors.

## 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 and HOME funded programs, maximum assistance shall not exceed the City's County maximum HOME Subsidy Limit per bedroom as designated by Section 221(d)(3). See **Attachment C**.

#### 4.2. AFFORDABILITY PARAMETERS FOR HOMEOWNERS

- A. Total indebtedness against property shall not exceed 100 percent of after-rehabilitation value as determined by "Estimates of value" or an appraisal, for CDBG or HOME projects. An estimate of after-rehab value will be made prior to making a commitment of funds using the method outlined in Section 4.5. Note: This does not apply to CalHome projects.
- B. HOME funded units' after-rehabilitation value shall not exceed the HOME Program Purchase Price/Value Limit for City's County as updated by HUD and published on the HCD Website. **See Attachment C.**
- C. Total indebtedness against property shall not exceed 105 percent of the after-rehabilitation value as determined by an appraisal for CalHome projects. An estimate of After-Rehab Value will be made prior to making a commitment of funds using the method outlined in Section 4.5. Note: This does not apply to HOME or CDBG projects.
- D. Costs may be supplemented with personal financing and/or credit will be provided for volunteer labor ("sweat equity") valued at \$10 per hour as per Section 6.1.D., or with other loan or grant programs, which are sources of leverage for the City.
- E. 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

- 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. **Note: If it is determined by the City that repayment of a CalHome or CDBG Program loan at the maturity date causes a hardship to the homeowner, the City 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 City, to assume the loan at the rate and terms the heir(s) qualifies for under current participation guidelines. **Note: 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 5.0.
- 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 City.

#### 4.4. APPRAISAL

- A. The After-Rehab Value for rehabilitation projects is determined using the "Estimates of value" method. The City 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. The purpose of the "Estimates of value" is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (See Attachment C). If three comparable properties cannot be found, or if there is any question regarding the After-Rehab Value, the ARV 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 City, not by the homeowner. The purpose of the appraisal is to determine that the after-rehabilitation value of the housing unit will not exceed the permitted amount per HCD Program regulations (See Attachment C), and that the combined loans will not exceed the maximum combined loan-to-value limit, as described in Section 4.2.A above.
- C. The After-Rehab Value for reconstruction projects is determined by a licensed appraiser. The After-Rehab Value for reconstruction projects is determined by an appraisal completed off the building plans and specifications for the new home. The cost of the appraisal will be paid by the City, not by the homeowner. The purpose of the appraisal is to determine that the After-Rehabilitation Value Limit of the housing unit will not exceed the permitted amount per HCD Program regulations (See Attachment C).

#### 4.5. INSURANCE REQUIREMENTS

##### 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 City as Loss Payee for the amount of the Program loan(s). A binder shall be provided to the City.

In the event the applicant fails to make the fire insurance premium payments in a timely fashion, the City at their option, may make such payments for a period not to exceed 60 days. The City may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the City under this Program. The premium may be paid by the Program loan for one year. **Note: HOME funds can not be used to pay insurance cost beyond those identified as initial loan costs. Note: CalHome funds can not be used to pay insurance at any time.**

##### 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 City as Loss Payee and a binder shall be provided to the City and maintained in the borrowers file. The premium may be paid by the Program loan for one year. **Note: HOME funds cannot be used to pay insurance cost beyond those identified as initial loan costs. Note: CalHome funds cannot be used to pay insurance at any time.**

#### 4.6. 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 City.
- 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 City will not subordinate a first lien position once established.

## 5.0 PROGRAM GRANTS

- A. CDBG funded programs may provide rehabilitation grants as follows: A grant of up to \$7,500 is available for any one of the following qualifying factors:
  - 1. Senior Citizen - at least 62 years old; or
  - 2. Handicapped – for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed; or
  - 3. Lowest Targeted Income Group – with gross annual income less than 50% of County median income; or
  - 4. Equity maintenance – if financing rehabilitation entirely with a loan would cause indebtedness to exceed 100% of after-rehabilitation value.
- B. HOME and CDBG provide grants for all actual costs of lead-based paint evaluation and reduction activities.
- C. HOME and CDBG provide grants for relocation assistance. See Relocation Assistance Plan, **Attachment E**.
  - 1. Owner-Occupant – Limit of \$3,000

## 6.0. PROGRAM LOAN SERVICING AND MAINTENANCE

### 6.1. OWNER-OCCUPANT BORROWERS PAYMENTS ARE VOLUNTARY

The assistance offered to borrowers will be in the form of deferred payments, as such no regular payments are required. However, Owner-Occupant borrowers may begin making voluntary payments at any time should they choose to do so.

### 6.2. RECEIVING LOAN REPAYMENTS

- A. Program loan payments will be made to:  
*City of Capitola  
420 Capitola Avenue  
Capitola, CA 95010*
- B. The City 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 City's appropriate Program Income Account, as required by all three HCD programs. The Program City 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 City. The City 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.

### 6.3. LOAN SERVICING POLICIES AND PROCEDURES

See **Attachment F** 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.

#### 6.4. LOAN MONITORING PROCEDURES

Homeowners will be required to submit each of the following to the City between January 1 and 15 of each year for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a residence;
- Declaration that other title holders do not reside on the premises;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

#### 6.5. DEFAULT AND FORECLOSURE

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Program Foreclosure Policy adopted by the City, and attached to these guidelines as **Attachment G**.

#### 6.6. SUBORDINATIONS

The City may approve a request to subordinate a loan, in order for the owner to refinance the property, under the following conditions:

- A. The lien position of the City loan will remain the same or be advanced.
- B. 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.
- C. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduce the owner's payment.
- D. The refinanced loan must have an impound account for taxes and insurances.
- E. The refinancing terms must be acceptable to the City.
- F. CDBG allows refinancing with CDBG funds in conjunction with only rehabilitation of the unit

### 7.0 CONSTRUCTION

#### 7.1. STANDARDS

- A. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. For CDBG the priority will be the elimination of health and safety hazards. City may also require elimination of code deficiencies. When HOME funds are used for housing rehabilitation, the property must meet all applicable current codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. 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 may be required on rentals by City when CDBG funds are used.
- B. Contracting Process
  1. Contracting will be done on a competitive basis.
  2. The homeowner will be the responsible agent, but the 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 City does not warrant any construction work, or provide insurance coverage.

## Item #: 9.B. Attach 3.pdf

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

D. Occupants of units constructed prior to 1978 will receive proper notification of Lead-Based Paint (LBP) hazards as identified in Section 3.3.A. **Note: Units funded solely with CalHome funds are not required to comply with LBP regulations.**

E. Units constructed prior to 1978 will also be inspected according to the following HUD regulations. **Note: Units funded solely with CalHome funds are not required to comply with LBP regulations.** For CDBG funded programs please refer to Chapter 20, Lead-Based Paint Requirements for guidance in the CDBG Grant Management Manual

1. If the total amount of Federal assistance or the total amount of rehabilitation hard cost is up to and including \$5,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Clearance of disturbed work areas; and
  - (c) Notifications listed in Section 3.3.A.
2. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$5,000 up to and including \$25,000, the following is required:
  - (a) Paint testing or presume LBP;
  - (b) Risk assessment; and
  - (c) Clearance of unit.

If LBP hazards are identified, interim controls will be implemented. This level will also require a notice of "Abatement of Lead Hazards Notification" at least five days prior to starting work.

3. If the amount of Federal assistance or the total amount of rehabilitation hard cost is more than \$25,000, the following is required:
  - (a) Items (a), (b), and (c) of 2. above;
  - (b) Abatement of all LBP hazards identified or produced;
  - (c) Use of interim controls on exterior surfaces not disrupted by rehab; and all notices listed above in Sections 3.3.A. and 6.1.F.2.
4. All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement.

### 7.2. ELIGIBLE CONSTRUCTION COSTS

"Rehabilitation" means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to Section 1704 of

Title 25, California Code of Regulations. Rehabilitation also includes room additions to alleviate overcrowding. Rehabilitation also means repairs and improvements where necessary to meet any locally-adopted standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

Rehabilitation includes reconstruction. Federal law and policy allows the use of HOME funds to demolish and reconstruct owner-occupied residential structures. Reconstruction is defined as the demolition and construction of a structure. The City and/or Program Operator must document that the reconstruction costs are less than the cost to rehabilitate the existing substandard housing. This will be done using the State's CDBG Test for Reconstruction, for projects funded with CDBG funds; or, using the State's HOME Test for Reconstruction, for projects funded with HOME funds. Additionally, the City must determine that the project's value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the City (see Attachment C, One-Family).

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 by the HCD Program when required by Codes/Ordinances or to alleviate overcrowding. (See Attachment C)

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. 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.
- D. Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the City 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).
- 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.

## Item #: 9.B. Attach 3.pdf

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  
Eligible costs include additional bedrooms and bathrooms if the need can be demonstrated per HUD's or City's overcrowding guidelines listed in **Attachment C**. The Program will not fund additions to a home for a den or family room, or for any luxury items. The CalHome Program's requirement is that a bedroom or bathroom can be added to omit overcrowding, and this is up to the City to decide what is overcrowding.
5. General Property Improvements, including Water and Energy Efficiency  
Eligible costs include, but are not limited to, installation of a stove, refrigerator, and/or dishwasher; and repair or installation of fencing, repair or replacement of principal fixtures and components of existing structures (e.g., the heating system), Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, wall and attic insulation, and conversion/modification/replacement of heating and cooling equipment, including the use of solar energy equipment, improvements to increase the efficient use of water through such means as water savings faucets and shower heads and the repair of water leaks.

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 due only to incipient failure or documented medical condition of the homeowner, and must be of moderate quality.

6. Rehabilitation Standards

All repair work related to health and safety conditions will meet Local Building Code standards. The priority will be the elimination of health and safety hazards and code compliance.

### 7.3. ELIGIBLE PROJECT COSTS

Project costs for all expenses related to the paperwork for processing and insuring a loan application include:

- Appraisal
- Property Report/Title Insurance
- Building Plan
- Termite Report
- Lead Paint Testing
- Land Survey
- Grading Plan
- Recording Fees
- Fire/Course of Construction Insurance
- Flood Insurance
- Disposal Bin
- Storage



Costs are based on charges currently incurred by the City, or its Program Operator, for these products and/or services. Any cost increases charged to the City/Program Operator for these products and/or services will be passed on to the homeowner and included in the loan. All fees are subject to change and are driven by the market.

#### **7.4. REPAIR CALLBACKS**

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

### **8.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

#### **8.1. AMENDMENTS**

The City may make amendments to these Participant Guidelines. Any changes made shall be in accordance with federal and state regulations, shall be approved by the City's Housing Committee and/or local governing body and submitted to HCD for approval.

#### **8.2. 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.

##### **8.2.1 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The City or its Program Operator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City's/Program Operator's recommended course of action and any written or verbal information supplied by the applicant.
- B. The City shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the City's housing committee and/or governing body for decision.

### **9.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

#### **9.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the City'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 City. The City will then schedule a meeting with the City's Housing Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with the local 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.

#### **9.2. 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

## Item #: 9.B. Attach 3.pdf

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.

### 10.0 OWNER-INVESTOR LOANS (eligible under only CDBG-funded programs)

The rehabilitation program described below is designed to also provide assistance to owner-investors for correction of eligible health and safety items, and property improvements for properties located within the City of Capitola. Owner-Investors interested in rehabilitation of residential rental properties with 1-4 units or converting non-residential structures to residential uses should contact the City's Community Development Director. Owner-Investor loans will be made as funds are available, with priority given to owner-occupied applicants.

#### 10.1 INCOME REQUIREMENTS

- A. There are no restrictions on the income of the owner-investor of an eligible rental property with 1-4 units, unless the owner-investor is a member of the HUD Low/Mod Income Group and is interested in qualifying for a Deferred Payment Loan (see Section 4.3.2.C.).  
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. Specific ratios and scores will not be set for this activity, as each project will be unique and reviewed on an individual basis. 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 month, then they are eligible.
- B. 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. See Attachments A and B.

#### 10.2 PROPERTY AND RESIDENCY 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 City.
- 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.

F. Residential Tenant – Relocation 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. **Note: HOME funds cannot be used for tenant-occupied units.**

### 10.3 RATES AND TERMS

A. The rate and terms for an owner-investor may vary depending on the owner's financial situation. Below are the options available:

1. Amortized Loan - Below Market Interest Rate (BMIR) loan at 3 percent interest, secured by a deed of trust and promissory note with a maximum term of 15 years for non-Low/Mod owner investors.
2. Deferred Payment Loan (DPL) for a HUD Low/Mod income 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 above.

B. 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 *against the property*. This agreement will specify:

1. 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 City area median income for the appropriate household size in that unit. Owner-investor shall affirmatively seek HUD Low/Mod income households. Where such efforts do not result in an eligible HUD Low/Mod income tenant, the owner-investor shall contact the City 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 financing will require a rent limitation agreement for a minimum of 10 years. DPL financing will require rent limitations for the full term of the loan.

5. Verification -- Each year during the term of the Agreement, the borrower shall provide the City with a written list of current occupants' names and monthly rents by January 15<sup>th</sup>. The City 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.

## Item #: 9.B. Attach 3.pdf

### 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 will be initiated.

DRAFT

## ATTACHMENT A

## 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

## Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> <li>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and</li> <li>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; <b>plus:</b></li> <li>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</li> </ul>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<p>a. Amounts received under training programs funded by HUD.</p> <p>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).</p> <p>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</p> <p>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</p> <p>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</p>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living

	<p>at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.</p>
<p>17. Other Federal Exclusions</p>	<p>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:</p> <ul style="list-style-type: none"> <li>▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;</li> <li>▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);</li> <li>▶ Payments received under the Alaskan Native Claims Settlement Act;</li> <li>▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;</li> <li>▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;</li> <li>▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.</li> <li>▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);</li> <li>▶ 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;</li> <li>▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;</li> <li>▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);</li> <li>▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the <u>In Re Agent Orange</u> product liability liHUD Low/Mod Incomeation, M.D.L. No. 381 (E.D.N.Y.);</li> <li>▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;</li> <li>▶ 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;</li> <li>▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).</li> <li>▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;</li> <li>▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;</li> <li>▶ 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;</li> <li>▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and</li> <li>▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.</li> </ul>

ATTACHMENT A-1

Title 25 Section 6914 Gross Income Inclusions – For CalHome activities

“Gross income” shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income.

“Income” shall consist of the following:

(a) Except as provided in subdivision (b), “Exclusions”, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

(1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;

(2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);

(3) Interest and dividends;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay;

(6) Public Assistance. If the public assistance payment includes any amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

(B) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,

(7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts from persons not residing in the dwelling;

All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse.



## ATTACHMENT B-For CalHome

**PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS**

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

**Inclusions**

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

**Exclusions**

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

ATTACHMENT B-1

Title 25 Section 6914 Gross Income Inclusions – For CalHome activities

(b) The following items shall not be considered as income:

(1) Casual, sporadic or irregular gift items;

(2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;

(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;

(4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for a subsistence are to be included in income;

(5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;

(6) Relocation payments made pursuant to federal, state, or local relocation law;

(7) Foster child care payments;

(8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is an excess of the amount actually charged the eligible household;

(9) Payments received pursuant to participation of the following volunteer programs under the ACTION Agency:

(A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.

(B) National Older American Volunteer Program for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

## ATTACHMENT C

**MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMIT FOR SANTA CRUZ COUNTY**  
(HOME Value Limits as of 1/1/2014)

COUNTY NAME	One-Family
SANTA CRUZ	\$383,000

**HOME SUBSIDY LIMITS PER UNIT – SECTION 221(d)(3) FOR SANTA CRUZ COUNTY**  
(Limits are effective 5/8/2012)

COUNTY NAME	O-BDR	1-BDR	2-BDR	3-BDR	4-BDR
SANTA CRUZ	\$132,260	\$151,616	\$184,364	\$238,507	\$261,807

**FAMILY INCOME LIMITS FOR SANTA CRUZ COUNTY\***  
(Limits are effective 3/15/2013)

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
<b>80% of AMI</b>	\$51,800	\$59,200	\$66,600	\$74,000	\$79,950	\$85,850	\$91,800	\$97,700

\*City 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>

**CITY STANDARDS FOR BEDROOM AND BATHROOM ADDITIONS TO ALLEVIATE OVERCROWDING**

Maximum No. of Persons in the Household	Number of Bedrooms	Number of Bathrooms
1	SRO	1
1	0-BR	1
2	1-BR	1
4	2-BR	2
6	3-BR	2
8	4-BR	3
10	5-BR	3
12	6-BR	4

- Opposite sex children under 6 years of age may share a bedroom, up to 2 children per 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, up to 2 children per bedroom.
- Adults not in a partner relationship 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.

The chart above is used as a guide to overcrowding.

ATTACHMENT D

HOUSING REHABILITATION MARKETING PLAN

**SUMMARY**

The City will continue its efforts to market the Housing Rehabilitation Program in a manner that will reach all community members.

All marketing related to the Housing Rehabilitation Program is publicized in both English and Spanish. All marketing materials include information identifying the City's commitment to fair housing laws and affirmative marketing policy, and are widely distributed. Equal opportunity is emphasized in written materials and oral presentations. A record is maintained by the City identifying what marketing materials are used, and when and where they are distributed.

Forms of marketing may include fliers, brochures, newspaper ads, articles and public service announcements. Fliers and brochures are distributed at local government buildings, other public buildings and through the mail, as well as to businesses that assist those not likely to apply without special outreach. Advertisements and articles are published in newspapers that are widely circulated within the community.

Established working relationships with local lending agencies also aid in informing the public by facilitating the distribution of informational fliers to households seeking financial assistance for repairs that are unable to obtain conventional financing.

Informational meetings are offered to potential participants to explain Program requirements. Often, minimal formal outreach efforts are required as the need for assistance generally exceeds funds available. However, marketing measures are actively performed in order to maintain a healthy interest list.

Characteristics on all applicants and participants are collected and compared with the City's demographics. Should the City find that there are underserved segments of the population, a plan to better serve them will be developed and implemented.

**MARKETING FORMS**

- Fliers
- Brochures
- Newspaper Ads and Articles
- Public Service Announcements
- Public Informational Meetings

**MARKETING VENUES**

- Local Government Buildings
- Local Public Services Buildings
- Private Businesses
- Lending Agencies
- Real Estate Offices
- Newspaper
- Radio
- Mail

## ATTACHMENT E

RESIDENTIAL ANTI-DISPLACEMENT AND TEMPORARY RELOCATION PLAN  
Version 2

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 Capitola (City) 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 City will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The City'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 City's jurisdiction limits.

The City 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 City 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 City programs/projects will be implemented in ways consistent with the City'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 City 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 City 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

## Item #: 9.B. Attach 3.pdf

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 City 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 City 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.

### C. Temporary Relocation of Owner Occupants:

Owner occupants are not allowed to stay in units which 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.

**D. 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.

**E. Rehabilitation Activities Requiring Permanent Displacement**

The City'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 City'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.

**F. Rehabilitation Which Triggers Replacement Housing**

If the City'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 City 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 City 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 City to provide funds for an activity that will directly result in such demolition or conversion, the City 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 City is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The City 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.



### G. Record Keeping and Relocation Disclosures/Notifications

The City 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 for only 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 Appendix 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 Appendix 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 City is following it's adopted temporary relocation plan for owner occupants and tenants. **See Appendix C for a copy of the disclosure form.**
4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the City 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.

APPENDIX A TO RELOCATION PLAN

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)

APPENDIX B TO RELOCATION PLAN(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)



## ATTACHMENT F

**LOAN SERVICING POLICIES AND PROCEDURES  
FOR THE CITY OF CAPITOLA**

The City of Capitola, hereafter called "City," has adopted these policies and procedures in order to preserve its financial interest in properties, whose "Borrowers" have been assisted with public funds. The City 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 City has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

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

1. Loan Repayments:

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

For Notes which are deferred payment loans, the City must accept voluntary payments on the loan. Loan payments will be credited 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 City as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the City may take out force placed 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 naming the City as a lender loss payee will be required at close of escrow. The City 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 City 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 City 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 City's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of City's loan. This document requires any senior lien holder listed in the notice to notify the City of initiation of a foreclosure action. The City will then have time

## Item #: 9.B. Attach 3.pdf

to contact the Borrower and assist them in bringing the first loan current. The City 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 City is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

### 4. Annual Occupancy Restrictions and Certifications:

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

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

In all cases where there is a change in title or occupancy or use, the Borrower must notify the City in writing of any change. City 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 City. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

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

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

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the City 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 City. The City will subordinate their loan only 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 payoffs

or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

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

#### 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; or 4) default on senior loans, the City will send out a letter to the Borrower notifying them of the default situation. If the default situation continues, the City may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the City is notified via a Request for Notice of Default, the City, 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. City 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 City 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 City 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 City 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 City 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 City 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 City 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 City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.

#### City as Senior Lien holder

When the City 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 City may consider foreclosure. City'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 City?

## Item #: 9.B. Attach 3.pdf

- 3) Can the Borrower sell the property and pay off the City?
- 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 City 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 City to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the City 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 City 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 City 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 City 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 City could contract with a local real estate broker to list and sell the home and use those funds for Program income-eligible uses.



## ATTACHMENT G

CITY OF CAPITOLA'S  
FORECLOSURE POLICYCity As Junior Lien holder

It is the City of Capitola's (City's) policy to prepare and record a "Request for Notice" on all junior liens (any lien after the first position) placed on properties financed by a loan.

This document requires any senior lien holder to notify the City of initiation (recording of a "Notice of Default") of a foreclosure only. This is to alert the junior lien holder that they are to monitor the foreclosure with the senior lien holder. When the City is in a third position and receives notification of foreclosure from only one senior lien holder, it would be in their best interest to contact both senior lien holders regarding the status of their loans.

The junior lien holder may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges, advances (fire insurance premiums, property taxes, property protection costs, etc.), and foreclosure costs (fees for legal counsel, recordings, certified mail, etc.)

Once the City has the information on the reinstatement amount, staff must then determine if it is cost effective to protect their position by reinstating the senior lien holder, keeping them current by submitting a monthly payment thereafter, foreclosing on the property possibly resulting in owning the property at the end of foreclosure, protecting the property against vandalism, and paying marketing costs (readying the home for marketing, paying for yard maintenance, paying a real estate broker a sales commission).

If the City 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 City 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 City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.

City As Senior Lien holder

When the City is in a first position, or the 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 City may consider foreclosure. City staff will consider the following factors before initiating foreclosure:

- Can the loan be cured (brought current or paid off) by the owner without foreclosure?
- Can the owner refinance with a commercial lender and pay off the City?
- Can the owner sell the property and pay off the City?

## Item #: 9.B. Attach 3.pdf

- Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 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 City may opt to initiate foreclosure. The owner 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 City to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the City 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 City 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 City 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 City would then contact a real estate broker to market the home.

ATTACHMENT H  
CERTIFICATION OF OCCUPANCY  
CITY OF CAPITOLA

I/we \_\_\_\_\_ declare as follows:  
(Please Print Occupant's Name(s))

That I/we am/are currently occupying as my/our principal place of residence the real property commonly known as:

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip code)

Daytime Phone Number: \_\_\_\_\_

Executed on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, CA (Date)  
(City)

I/we declare under penalty of perjury that the foregoing is true and correct.

Signature(s) of all occupants:

Occupant: \_\_\_\_\_

Occupant: \_\_\_\_\_

Occupant: \_\_\_\_\_

Occupant: \_\_\_\_\_

Occupant: \_\_\_\_\_

## ATTACHMENT I

## LEAD-BASED PAINT

## VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM

<b>Section 1: Background Information</b>			
Property Address:			No LBP found or LBP exempt <input type="checkbox"/>
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>
<b>Section 2: Visual Assessment.</b> 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 <input type="checkbox"/>			
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).			
<b>Section 3: Notice of Presumption.</b> 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 <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>			
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.			
<b>Section 4: Notice of Lead-Based Paint Hazard Reduction Activity.</b> 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 <input type="checkbox"/> No <input type="checkbox"/>		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 <u>lead-based paint remaining</u> 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)			
<b>Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity and Acknowledgement of Receipt of pamphlet <i>Protection Your Family from Lead in Your Home</i>.</b>			
Printed Name:		Signature:	Date:
<b>Section 6: Contact Information</b>		Organization:	
Contact Name:		Contact Signature:	
Date:	Address:	Phone:	

# City of Capitola Homebuyer Assistance Program Guidelines



For:

CalHome Program  
Community Development Block Grant (CDBG) Program and  
HOME Investment Partnerships Program

Serving the City of Capitola

CDBG Approved (date)  
City Council Approved (date)

HOMEBUYER PROGRAM GUIDELINES

Table of Contents

- 1.0. GENERAL
  - 1.1. PROGRAM OUTREACH AND MARKETING
  - 1.2. APPLICATION PROCESS AND SELECTION
  - 1.3. THE HOME PURCHASE PROCESS
  - 1.4. HOMEBUYER COSTS
  - 1.5. HOMEBUYER EDUCATION
  - 1.6. CONFLICT OF INTEREST REQUIREMENTS
  - 1.7. NON-DISCRIMINATION REQUIREMENTS
- 2.0. APPLICANT QUALIFICATIONS
  - 2.1. CURRENT INCOME LIMITS
  - 2.2. INCOME QUALIFICATION CRITERIA
  - 2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER
- 3.0. HOUSING UNIT ELIGIBILITY
  - 3.1. LOCATION AND CHARACTERISTICS
  - 3.2. CONDITIONS
  - 3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE
  - 3.4. PROPER NOTIFICATION AND DISCLOSURES
- 4.0. PURCHASE PRICE LIMITS
- 5.0. THE PRIMARY LOAN
  - A. QUALIFYING RATIOS
  - B. INTEREST RATE
  - C. LOAN TERM
  - D. IMPOUND ACCOUNT
- 6.0. THE PROGRAM LOAN
  - A. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE
  - B. NON-RECURRING CLOSING COSTS
  - C. AFFORDABILITY PARAMETERS FOR HOMEBUYERS
  - D. RATES AND TERMS FOR PROGRAM LOANS
  - E. LOAN-TO-VALUE RATIO
- 7.0. PROGRAM LOAN REPAYMENT
  - 7.1. PAYMENTS ARE VOLUNTARY
  - 7.2. RECEIVING LOAN REPAYMENTS
  - 7.3. DUE UPON SALE OR TRANSFER
  - 7.4. LOAN SERVICING POLICIES AND PROCEDURES
  - 7.5. LOAN MONITORING PROCEDURES
- 8.0. PROGRAM LOAN PROCESSING AND APPROVAL
  - 8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN
  - 8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING
  - 8.3. ESCROW PROCEDURES
- 9.0. SUBORDINATE FINANCING
- 10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES
  - 10.1. DEFINITION OF EXCEPTION
  - 10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES
- 11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

TABLE OF CONTENTS (CONTINUED)  
ATTACHMENTS

ATTACHMENT A:	24 CFR PART 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS
ATTACHMENT B:	ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS
ATTACHMENT C:	MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMITS; HOME SUBSIDY LIMITS PER UNIT-SECTION 221(D)(3); CURRENT INCOME LIMITS
ATTACHMENT D:	LOAN SERVICING POLICIES AND PROCEDURES
ATTACHMENT E:	SELLER'S LEAD-BASED PAINT DISCLOSURE
ATTACHMENT F:	DISCLOSURE TO SELLER WITH VOLUNTARY, ARM'S LENGTH, PURCHASE OFFER
ATTACHMENT G:	INSTRUCTIONS TO HOMEBUYER
ATTACHMENT H:	LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION FORM
ATTACHMENT I:	HOMEBUYER PROGRAM LEAD COMPLIANCE DOCUMENT CHECKLIST

**Introduction**

This Manual sets forth policies and procedures for the City of Capitola Homebuyer Program. Program funding is supplied through various sources, as available, including the state of California Community Development Block Grant (CDBG) Program, Building Equity and Growth in Neighborhoods (BEGIN) Program, the California Home Investment Partnership Program (HOME), the state Cal Home Program, and the City of Capitola's Housing Trust Fund. The Homebuyer Program is administered by the Housing Authority of the County of Santa Cruz and is designed to provide home ownership opportunities to low- income buyers within the City of Capitola.

Homebuyer Program Mailing Address:      City of Capitola  
Community Development Department  
420 Capitola Avenue  
Capitola, CA 95010

Telephone:    831-475-7300  
Fax:    831-479-8879

Program Operator:                                Housing Authority of the County of Santa Cruz  
2931 Mission Street  
Santa Cruz, CA 95060-5709

Telephone:    831-464-5940



## CITY OF CAPITOLA HOMEBUYER PROGRAM GUIDELINES

### 1.0. GENERAL

The City of Capitola, hereinafter referred to as the "City," has entered into a contractual relationship with the California Department of Housing and Community Development ("HCD") to administer one or more HCD-funded homebuyer programs. The homebuyer program described herein (the "Program") is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as "housing units", located within the Program's eligible area, as described in Section 3.1.A. The Program provides this assistance in the form of deferred payment "silent" second priority loans as "Gap" financing toward the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers as their primary residence. The Program will be administered by the Housing Authority of the County of Santa Cruz, (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 City 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 homebuyers about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.
- B. The Program Operator will work with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.
- C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The City 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 maintains a waiting list of applicants, when needed. Each applicant is asked to complete an application form, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed applications are processed on a first-come-first-served basis. Applications are deemed complete only if all information is completed, the application is signed and dated, and a primary lender's pre-qualification letter is attached to the application. Incomplete applications are returned to the applicant and will not be date/time stamped until complete.
- B. When the application is processed, Program eligibility is confirmed and the applicant is invited to a briefing regarding participation in the Program. At the briefing the application is reviewed and the potential homebuyer is given a

**Item #: 9.B. Attach 4.pdf**

“Preliminary Eligibility Letter” for the Program along with the following forms: 1) Program Brochure; 2) Instructions to Home Buyer, Attachment G; 3) List of Participating Lenders; 4) Sellers Lead-Based Paint Disclosure; Attachment E; 5) EPA Booklet Protect Your Family from Lead in Your Home; and 6) Discloser to Seller, Attachment F.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that can't be resolved, the City reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

- C. Each applicant must participate in individual Homebuyer Counseling provided by the Program Operator or another Housing Counseling Program recommended by the Program Operator 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**

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.

<b>DEBT SERVICE EXAMPLE</b>			
<b>FOR A FAMILY OF 3, EARNING \$5,416 PER MONTH (equal to \$64,956/ year, under income limit)</b>			
<b>HOUSING PAYMENTS</b>		<b>TOTAL OVERALL PAYMENTS</b>	
Principal & Interest Payment	\$1304	\$1,637	Housing
Insurance	83	<u>+350</u>	Other Debt Service
Taxes	<u>250</u>	\$1,987	Total Debt Service
Total Housing Expense	\$1,637	(Overall debt service per month is 37% of \$5,416) (PITI is 30% of \$5,416)	
<b>OTHER HOUSEHOLD DEBT SERVICE</b>			
	Car Payment	\$	300
	Credit Card Payment	<u>50</u>	
	Total Other Debt	\$	350
A \$1,304 per month loan payment equates to borrowing \$250,000 at 4.75% for a 30 year term.			

<b>SUBSIDY CALCULATION FOR A FAMILY OF THREE EARNING \$5,416 PER MONTH</b>	
Purchase Price of Property	\$ 300,000
Less Primary loan amount	250,000
Less down payment of 1%	<u>3,000</u>

Equals "GAP"	\$ 47,000
Plus estimated allowable settlement charges	<u>9,500</u>
Equals Total Subsidy	\$ 56,500

- A. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), homebuyer shall provide seller with a disclosure containing the following provisions:
- 1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
  - 2) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser;
  - 3) The housing unit will be subject to inspection. The housing unit must comply with local codes at the time of construction and local health and safety standards.
  - 4) All housing units built prior to January 1, 1978 will require a lead paint disclosure to be signed by both the homebuyer and Seller (Attachment E);
  - 5) Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance;
  - 6) The seller understands that the housing unit must be either: currently owner-occupied, newly constructed, or vacant for three months prior to submission of the purchase offer.
  - 7) If the seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.
- B. Applicant submits executed standard form purchase and sale agreement and primary lender prequalification letter to Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.
- C. Program Operator submits recommendation to the City for approval or denial, including the reasons for the recommendation. City determines Applicant's approval or denial, and instructs Program Operator to notify Applicant. Program Operator provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the Program's appeal procedures.
- D. When Primary Lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents.
- E. At the time of escrow closing, the City 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 City as insured is also required.

**1.4. HOMEBUYER COSTS**

- A. Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the City. 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.
- B. Homebuyer must contribute a minimum down payment of one percent (1%) of the purchase price, but may contribute

more if desired.

- C. City 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 35% of the gross household income. The Program Operator will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program

1.5. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future homebuyer with informative homebuyer education training, can bring success to the City, Program Operator, 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 city-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 City's program contains Federal funds, the applicable Conflict of Interest requirements of 24 CFR Section 570.611 shall be followed for CDBG assistance, and Section 92.356 of the HOME Final Rule shall be followed for HOME assistance.

1.7. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the City'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 SANTA CRUZ COUNTY

All applicants must certify that they meet the household income eligibility requirements for the applicable HCD program(s). For CDBG and HOME-funded programs, the income limit is 80% of Area Median Income (AMI)—please see Table below. All applicants must have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility.

**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.

INCOME LIMITS FOR SANTA CRUZ COUNTY\*  
(Limits are effective 3/15/2013)

*Number of Persons in Household*

	1	2	3	4	5	6	7	8
80% of Area Median Income	\$51,800	\$59,200	\$66,600	\$74,000	\$79,950	\$85,850	\$91,800	\$97,700

\*City will update the income limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is: <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>

## 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 at <http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>, will be followed to independently determine and certify the household's annual gross income. The Program Operator should compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third-party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

### A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. 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 live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

The link to Annual Income Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB\\_AnnualIncomeInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc)

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

### B. ASSETS:

There is no assets limitation. Income from assets, however, is recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles 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, for example, penalties or fees for converting financial holdings, and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

The Link to Asset Inclusions and Exclusions is:

[http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC\\_AnnualIncomeAssetInclusionsExclusions.doc](http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc)

See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions

## 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

## Item #: 9.B. Attach 4.pdf

the income eligibility requirements and is/are not currently on title to real property. Persons may be on title of a manufactured home unit, who are planning to sell the unit as part of buying a home located on real property. Documentation of homebuyer status will be required for all homebuyers. CDBG-funded programs may assist eligible homebuyers who are not "first-time" homebuyers.

HOME and CalHome-funded Programs are required to use the following definition of an eligible homebuyer, which is a "first-time homebuyer" from 8201(l) Title 25 California Code of Regulations:

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

1. a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
2. a single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
3. an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance, a dwelling unit whose structure is:
  - a. not permanently affixed to a permanent foundation in accordance with local or state regulations; or
  - b. not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

### 3.0. HOUSING UNIT ELIGIBILITY

#### 3.1. LOCATION AND CHARACTERISTICS

- A. Housing units to be purchased must be located within the City of Capitola.
- B. Housing unit types eligible for the homebuyer Program are new or previously owned single-family residences; condominiums; or manufactured homes in mobilehome parks, in common-interest developments or on a single-family lot and placed on a permanent foundation system. HOME does not allow manufactured homes unless on a permanent foundation system.
- 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 with an endorsement naming the City as loss payee in order to close escrow.
- 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 not a reasonable inventory of homes of this size, etc.) and the City's Housing Committee approves the exception request.

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

- 2) The Program Operator, a certified housing inspector, or a City 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. Only new construction and homes built within the previous 12 months and not previously occupied are not subject to a home inspection.
- 3) Upon completion of all work required by the Program Operator, City, pest inspector and/or certified housing inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off on all required construction work assuring that each housing unit receiving Program assistance is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.

B. Per Section 8208 of the State HOME regulations, no additional HOME assistance, including rehabilitation funds, may be provided during the period starting one year following the filing of the Project Completion Report through the end of the Affordability Period.

The HOME Affordability Period is as follows (amount does not include Activity Delivery Costs paid to the State Recipient by HCD):

Amount of HOME Assistance	Period of Affordability in Years
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

C. Lead-Based Paint Hazards: All housing units built prior to 1978 for which HOME or CDBG funding is anticipated are subject to the requirements of this section 3.2.C. 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. HOME and 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 City’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 H).
- 2) **Disclosure:** Prior to the homebuyer’s obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment E), *“Seller’s Lead-based Paint Disclosure”* notice must be provided by the seller to the homebuyer.
- 3) **Inspections:** The Inspector shall conduct a “Visual Assessment” of all the dwelling unit’s painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.
- 4) **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the Program Operator shall obtain copies of the contractor’s and workers’ appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.

## Item #: 9.B. Attach 4.pdf

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

### 3.3 ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner-occupied or have been vacant for three months prior to the acceptance of a contract to purchase. 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-occupied homes are included in the Program and relocation becomes necessary, the activity will be carried out in compliance with City'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 and HOME) is provided. Requirements governing real property acquisition are described in Chapter VIII. The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps in regard to tenants of housing to be acquired, rehabbed or demolished, including tenants who will not be relocated even temporarily.

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

Section 104(d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME or CDBG, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a HOME or 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 F) 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

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

*Note: For HCD funded Programs the home purchase price of owner-occupied and homebuyer properties must be limited as follows: For HOME and CDBG-funded Programs the value cannot exceed the Section 203(b)*



*Maximum Purchase Price/After-Rehabilitation Value Limits as established by HCD and HUD. For CalHome-funded Programs, the purchase price can not exceed 100% of the area median purchase price as established by comparable sales or information provided by the California Real Estate Association;*

MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMIT FOR SANTA CRUZ COUNTY (Section 203(b)  
(HOME Value Limits as of 1/1/2014)

SANTA CRUZ	\$383,000
------------	-----------

## 5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the City, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the "primary loan").

### A. QUALIFYING RATIOS

The front-end (housing) debt-to-income ratio shall be between 28% and 35% and is the percentage of a borrower's gross monthly income (before deductions) that would cover the cost of the loan principal and interest payment, property taxes, property insurance, mortgage insurance, and HOA dues, if any.

The back-end (total) debt-to-income ratio shall be between 28% and 40% and is the percentage of a borrower's gross monthly income that would cover the cost of housing as described in the paragraph above, plus any other monthly debt payments like car or personal loans and credit card debt, as well as child support and alimony payments.

### B. INTEREST RATE

The primary loan must have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA. No temporary interest rate buy-downs are permitted.

### C. 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.

### D. 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

### A. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE

The amount of Program assistance to a homebuyer toward purchase of a home shall not exceed the maximum HOME subsidy limit for City's County per bedroom as designated by Section 221(d)(3) and shall never exceed more than 49% of the total indebtedness. **See Attachment C.** Any approved grant amount for lead-based paint evaluation and reduction activities or for relocation assistance shall be included in this amount.

### B. 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.

**C. AFFORDABILITY PARAMETERS FOR HOMEBUYERS**

The actual amount of a buyer's Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.0.A. Each borrower shall receive only the subsidy needed to allow them to become homeowners ("the Gap") while keeping their housing costs affordable. The Program Operator will use the "front-end ratio" of housing-expense-to-income to determine if the amount of the proposed primary loan is acceptable and, ultimately, the Program subsidy amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment, and the amount of the primary loan.

**D. RATE AND TERMS FOR PROGRAM LOAN**

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 40 years.

The Program loan's interest rate shall be 3% simple interest.

All Program loan payments shall be deferred until the applicant sells, transfers title, or discontinues residence in the purchased property, 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.

**E. COMBINED LOAN-TO-VALUE RATIO**

The loan-to-value ratio for a Program loan, 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 Capitola  
420 Capitola Avenue  
Capitola, CA 95010

**B.** The City 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 City'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 City. The City may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

**7.3. DUE UPON SALE OR TRANSFER**

In the event that an owner sells, transfers title, or discontinues residence in the purchased property for any reason, the

principal balance of the DPL is due and payable, except:

- A. The owner shall be assured a fair return on investment including the owner's investment and any capital improvement. If the Net proceeds are insufficient for the City to recapture the balance of Program Loan owed, the City shall share the Net proceeds with the owner in proportion to each party's investment in the property. The Net proceeds are the sales price less repayment of the primary loan, and closing costs.
- B. If the owner of the property dies, and the heir to the property meets income requirements, the First-Time Homebuyer definition, and intends to occupy the home as a principal residence, the heir may be permitted, upon approval of the City, to assume the loan at the rate and terms the heir qualifies for under the current participation guidelines. If the property owner dies and the heir does not meet eligibility requirements, the loan is due and payable.
- C. 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.
- D. 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 D on loan defaults for further information on property restrictions.

#### 7.4. 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.

#### 7.5. LOAN MONITORING PROCEDURES

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

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

### 8.0. PROGRAM LOAN PROCESSING AND APPROVAL

#### A. Loan Processing

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 City'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) current third party income verifications and verifications of assets; 5) homeownership education certificate, if applicable; and 6) signed underwriting transmittal summary and final signed loan application, both from primary lender. Staff will work with local lenders to ensure qualified participants receive only the benefit from the City's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

#### 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 City and documentation of such maintained in the loan file. The City 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 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 contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

**8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN**

Once the loan approval package has been completed the Program Operator will submit it to the City for approval. City 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 homebuyer.

**8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING**

The homebuyer(s) sign promissory notes, loan agreements, deeds of trust, and statutory lending notices (Truth In Lending (TIL), etc.); the Deeds of Trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for copy of Notice of Default are also recorded with the County Clerk/Recorder.

**8.3. ESCROW PROCEDURES**

The escrow/title company shall review the escrow instruction provided by the Program lender and shall issue a California Land Title Association (CLTA) and the American Land Title Association (ALTA) after closing. The CLTA policy is issued to the homebuyer and protects them against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA is issued to each lender providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything which can be determined 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 City may make amendments to these Participation Guidelines. Any changes shall be made in accordance with regulations and approved by the City's Housing Committee. Changes shall then be sent to HCD for approval.

### **10.1. DEFINITION OF EXCEPTION**

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

### **10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The City or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City's recommended course of action and any written or verbal information supplied by the applicant.
- B. The City shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the City's Housing committee and/or governing body for a decision.

## **11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE**

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal must be made in writing and filed with the City. The City will then schedule a meeting with the Housing Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the Committee's decision, a request for an appeal may be filed with the City's governing body. Final appeal must be filed in writing with HCD within one year after denial.

## ATTACHMENT A

## 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

## Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> <li>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and</li> <li>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; <b>plus:</b></li> <li>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</li> </ul>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

## Item #: 9.B. Attach 4.pdf

### Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> <li>a. Amounts received under training programs funded by HUD.</li> <li>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).</li> <li>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.</li> <li>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</li> <li>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.</li> </ul>
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on



Refunds	the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>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:</p> <ul style="list-style-type: none"> <li>▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;</li> <li>▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);</li> <li>▶ Payments received under the Alaskan Native Claims Settlement Act;</li> <li>▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;</li> <li>▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;</li> <li>▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.</li> <li>▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);</li> <li>▶ 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;</li> <li>▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;</li> <li>▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);</li> <li>▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the <u>In Re Agent Orange</u> product liability litigation, M.D.L. No. 381 (E.D.N.Y.);</li> <li>▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;</li> <li>▶ 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;</li> <li>▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).</li> <li>▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;</li> <li>▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;</li> <li>▶ 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;</li> <li>▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and</li> <li>▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment</li> </ul>

**Item #: 9.B. Attach 4.pdf**

	Act of 1998.
--	--------------

**ATTACHMENT B**  
**PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS**

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

**Inclusions**

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

**Exclusions**

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

ATTACHMENT C

MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMIT FOR SANTA CRUZ COUNTY  
(HOME Value Limits as of 1/1/2014)

COUNTY NAME	One-Family
SANTA CRUZ	\$383,000

HOME SUBSIDY LIMITS PER UNIT – SECTION 221(d)(3) FOR SANTA CRUZ COUNTY  
(Limits are effective 5/8/2012)

COUNTY NAME	O-BDR	1-BDR	2-BDR	3-BDR	4-BDR
SANTA CRUZ	\$132,260	\$151,616	\$184,364	\$238,507	\$261,807

## ATTACHMENT D

**LOAN SERVICING POLICIES AND PROCEDURES  
FOR CITY OF CAPITOLA**

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

1. Loan Repayments:

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

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

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the Lender may take out force placed 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 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 require that Borrowers submit 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.

## Item #: 9.B. Attach 4.pdf

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

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

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

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

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

### 6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the Lender. The Lender will subordinate their loan only when there is no "cash out" as part of the refinance. No cash out means that there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt payoffs 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 5.0.B and 5.0.C of these guidelines still apply, which state that the loan must:

- a) 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;
- b) not have a temporary interest rate buy-down;
- c) have a term "all due and payable" in no fewer than 30 years; and;
- d) 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 by the housing committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

### 7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) 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.

#### 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.

ATTACHMENT E  
SELLERS LEAD-BASED PAINT DISCLOSURE  
Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards  
Lead Warning Statement

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

**Seller's Disclosure**

- (a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):
  - (i)  Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).  
\_\_\_\_\_
  - (ii)  Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.
- (b) Records and reports available to the seller (check (i) or (ii) below):
  - (i)  Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).  
\_\_\_\_\_
  - (ii)  Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

**Purchaser's Acknowledgment (initial)**

- (c)  Purchaser has received copies of all information listed above.
- (d)  Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.
- (e)  Purchaser has (check (i) or (ii) below):
  - (i)  received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or
  - (ii)  waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards (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.

**Certification of Accuracy**

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

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



ATTACHMENT F

Disclosure to Seller with Voluntary, Arm's Length Purchase Offer

DECLARATION TO SELLER

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/City \_\_\_\_\_ 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

Seller's Acknowledgement

As the Seller I/we understand that the \_\_\_\_\_ 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 program, the property must be currently owner-occupied, vacant for three months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

Vacant at least 3 months;  Owner-occupied;  New; or  Being Purchased by Occupant

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

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

## ATTACHMENT G

## CITY OF CAPITOLA

## INSTRUCTIONS TO HOMEBUYER

- A. Participant works with lender of choice to obtain the primary lender's pre-qualification letter.
- B. After consultation with Program Operator regarding approved bedroom and bathroom maximums (always 3 bedrooms and 2 bathrooms unless extenuating circumstances justify more to be approved), participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. The HOME Program allows only homes vacant for three months or more prior to the date of the purchase contract, unless the current tenant is purchasing the home.
- C. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Lender provides the Program Operator with a copy of:
- real estate sales contract
  - residential loan application and credit report
  - verified income documentation
  - disclosure statement
  - proof of personal funds for participation in program
  - breakdown of closing costs
  - structural pest control clearance
  - appraisal with photos and preliminary title report
- D. Program Operator reviews paperwork to determine program eligibility and financing affordability for participant.
- E. Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and homeownership responsibilities.
- F. Program Operator has home inspected to document health & safety and code compliance. Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action. Only new construction and homes built within the previous 12 months and not previously occupied are not subject to a home inspection.
- G. Program Operator requests loan approval from City's Housing Committee. Following loan approval, Program Operator prepares Deed of Trust, Promissory Note, Request for Notice of Default, Grant Agreement, Owner-Occupant Agreement with City and Escrow Instructions, and requests check and deposits same into escrow.
- H. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow closeout information. After receipt of recorded loan documents, Final HUD-1, Insurance Loss Payee Certification and Final Title Insurance Policy (Program Operator) closes out the loan file.

ATTACHMENT H  
LEAD-BASED PAINT  
VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM

<b>Section 1: Background Information</b>			
Property Address:			No LBP found or LBP exempt <input type="checkbox"/>
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>

<b>Section 2: Visual Assessment.</b> 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 <input type="checkbox"/>	
Attachment A: Summary where deteriorated paint was found.	

<b>Section 3: Notice of Presumption.</b> 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 <input type="checkbox"/> and/or Lead-based paint <i>hazards</i> are presumed to be present <input type="checkbox"/>	
Attachment B: Summary of Presumption:	

<b>Section 4: Notice of Lead-Based Paint Hazard Reduction Activity.</b> 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 <input type="checkbox"/> No <input type="checkbox"/>	Start & Completion Dates:
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types.	
Attachment D: Location of building components with <u>lead-based paint remaining</u> 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)	

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

<b>Section 6: Contact Information</b>		Organization:	
Contact Name:		Contact Signature:	
Date:	Address:	Phone:	

ATTACHMENT I

Homebuyer Program Lead Compliance Document Checklist

The following documents should be in each Homebuyer unit file to document compliance with the lead requirements:

Document Name	Purpose	✓
Lead Safe Housing Rule Screening Sheet	Documents exemptions	
Physical inspection form (HQS or equivalent)	Documents visual assessment results	
Seller Certification	Seller certifies that paint was stabilized by qualified workers and that safe work practices were followed during paint stabilization	
Clearance Report and Clearance Review Worksheet	Documents that unit passed clearance	
Disclosure Form	Documents that buyer received disclosure and pamphlet.	
Lead Hazard Reduction Notice	Documents that buyer received required lead hazard reduction notification.	

This was taken from the HUD Website at:

<http://www.hud.gov/offices/cpd/affordablehousing/training/leadsafe/usefulforms/index.cfm#crosscutting>

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
APPROVING AND ADOPTING AN UPDATED COMMUNITY DEVELOPMENT BLOCK  
GRANT PROGRAM INCOME REUSE PLAN**

**WHEREAS**, the City of Capitola receives funding from the State of California Department of Housing and Community Development (HCD), Community Development Block Grant (CDBG) Program; and,

**WHEREAS**, activities funded by CDBG have the potential to result in the generation, return or repayment of funds, known as CDBG Program Income; and,

**WHEREAS**, HCD requires an approved Program Income Reuse Plan for the disposition of program income and has issued new requirements for the content of those plans;

**NOW, THEREFORE BE IT RESOLVED** by the City Council of the City of Capitola:

SECTION 1

The City Council has reviewed and hereby approves the revised CDBG Program Income Reuse Plan.

SECTION 2

The City Council has determined that federal Citizen Participation requirements were met during the adoption of this plan.

SECTION 3

The City Manager of the City of Capitola is hereby authorized and directed to act on the City's behalf in all matters pertaining to the use of Program Income, except where action by the City Council is expressly required.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Capitola held on March 27, 2014, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_  
Liz Nichols, Deputy City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK



COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
(CDBG)  
PROGRAM INCOME (PI) REUSE PLAN  
WITH  
JURISDICTIONAL CERTIFICATIONS

*This Agreement provides official notification of the Jurisdiction's PI Reuse Plan's (hereinafter, "PI Reuse Plan") approval under the State's administration of the Federal Community Development Block Grant Program (hereinafter, "CDBG" or "the Program") for Non-entitlement jurisdictions pursuant to the provisions of 42 U.S. Code (U.S.C.) 5301 et seq., 24 Code of Federal Regulations (CFR) Part 570, Subpart I, and 25 California Code of Regulations (CCR), Sections 7050 et seq. The Program is listed in the Catalog of Federal Domestic Assistance as 14.228 - CDBG Community Development Block Grant Program.*

*By completing this PI Reuse Plan and signing the end of this document, the Authorized Representative certifies the Jurisdiction has read, understands and will adhere to the Program Income (PI) Reuse Plan detailed in the first section of this document, the PI definitions and rules in the second section of this document, and Department of Housing and Community Development (the Department herein) terms and conditions in the third section of this document.*

---



---

**SECTION ONE: PROGRAM INCOME (PI) REUSE PLAN**

---



---

JURISDICTION: \_\_\_\_\_

GOVERNING BODY ADOPTED ON: \_\_\_\_\_

This PI Reuse plan establishes policies and procedures for the administration and utilization of PI received as a direct result of eligible activities funded under the State of California CDBG Program (Department). All revenue received from CDBG funded activities are required to be used per this adopted plan.

DISTRIBUTION OF PROGRAM INCOME

*Introduction: There are six (6) methods of distribution for PI listed below. The four (4) non-Revolving Loan Account obligation methods are optional and can be used on a case-by-case basis as needed for activity funding by the Jurisdiction.*

*The use of one or more Revolving Loan Account (RLA) is mandatory under this adopted PI Reuse Plan.*

The \_\_\_\_\_ certifies that PI will only be distributed, as follows:

## Item #: 9.B. Attach 6.pdf

### 1. Deposit into Revolving Loan Accounts (RLAs)

The following RLAs are hereby established to utilize the \_\_\_\_\_ PI. *If an RLA activity is not going to be utilized, zero percent (0%) is to be indicated in percentage area below.* One or more of the RLAs will be utilized annually. The allocation of received PI to each RLA is as follows:

- A. \_\_\_\_\_ (*insert percentage, 0 to 100 percent (0%-100%)*) of PI received will be deposited into the **Housing Rehabilitation – Single Family (1-4 Units)** Revolving Loan Account (**HR-RLA**).
- B. \_\_\_\_\_ (*insert percentage, 0 to 100 percent (0%-100%)*) of PI received will be deposited into the **Homeownership Assistance** Revolving Loan Account (**HA-RLA**).
- C. \_\_\_\_\_ (*insert percentage, 0 to 100 percent (0%-100%)*) of PI received will be deposited into the **Business Assistance** Revolving Loan Account (**BA-RLA**).
- D. \_\_\_\_\_ (*insert percentage, 0 to 100 percent (0%-100%)*) of Received PI will be deposited into the **Microenterprise Financial Assistance** Revolving Loan Account (**ME-RLA**).

### 2. PI Waiver Activity

The \_\_\_\_\_ may utilize the Department's PI Waiver process to commit PI to eligible activities that are not considered RLAs. The \_\_\_\_\_ will follow all PI Waiver procedural requirements as stated in the Program Income chapter of the Grant Management Manual (GMM). The \_\_\_\_\_ will obtain prior Department approval before expending any PI funds on a Waiver project. A PI Waiver project can only be approved if the total project/program cost for the proposed activity is on hand in the Jurisdiction's PI account. The \_\_\_\_\_ understands that PI Waiver activities are limited to two "active" projects and/or programs and will remain active until close out has been completed and approved by the Department.

### 3. Committal to Funding Application

The \_\_\_\_\_ may choose to commit non-obligated RLA funds to one or more activities in an annual CDBG application for funding. Committed PI can only be expended when application and activities with committed PI are awarded, contracted, and have all special conditions cleared. PI committed to an application for grant funding must have the PI on hand at the time of application submittal and may not remove or add to the PI amount committed without prior Department approval.

**4. Augmenting Funding to An Awarded Activity/Project**

\_\_\_\_\_ may request that the Department allow PI to be added to a funded activity/project due to a funding short fall. To obtain Department approval, the \_\_\_\_\_ will submit justification to their CDBG Representative outlining in detail the need/reason for the augmentation of funding.

If the Department approves the augmentation (requires a Department contract amendment) the \_\_\_\_\_ would need to complete a Citizen Participation process before the Department would begin a contract amendment process.

This option only applies to awarded activities/projects and the Department will not approve adding a new activity to an awarded contract.

**5. Fund Program Income General Administration (PI GA) Activities**

The \_\_\_\_\_ may set aside up to seventeen percent (17%) of PI received from activities funded with CDBG funds for payment of eligible General Administration costs. The \_\_\_\_\_ may choose to move the PI GA to eligible CDBG activities, as noted above, but once the funds are removed from the PI GA account they cannot be put back at a later date.

**6. Return to the Department**

The \_\_\_\_\_ has the option to return PI back to the Department.

ADMINISTRATIVE PROCESS FOR DISTRIBUTION OF  
PROGRAM INCOME

*Introduction: CDBG is a federal funding source and requires a Citizen Participation process as part of utilizing any of the six (6) methods of distribution for PI listed above.*

*Below is a general description of how to conduct proper Citizen Participation process for each of the six (6) distribution methods. See the Department's current Grant Management Manual (GMM) Chapter on Citizen Participation for specific information and sample documents.*

\_\_\_\_\_ certifies that:

1. The PI Reuse Plan will be formally adopted via public hearing and resolution of \_\_\_\_\_'s Governing Body, executed by Authorized Representative and fully executed by the Department. After the PI Reuse Plan is executed, the Jurisdiction reserves the right to set aside up to seventeen percent (17%) of PI received for payment of eligible GA costs. RLA activities which have PI funds being deposited into them may be activated with written Departmental approval.

## Item #: 9.B. Attach 6.pdf

The PI Reuse Plan may be amended by the \_\_\_\_\_'s Governing Body to change the distribution percentages in a RLA via public hearing and resolution, and receipt of the Department's written approval.

2. All PI Waiver requests will be submitted for the Department's written approval. After the Department's review of the activity for Eligibility and National Objective compliance, the PI Waiver will be formally adopted via public hearing and resolution of the \_\_\_\_\_'s Governing Body, as part of the PI Waiver Special Condition Clearance process.
3. PI committed to an open CDBG Contract to augment funding for an activity or committed to a pending application for grant funds will be formally adopted via public hearing and approval via resolution for an annual application submittal. Department approval and PI must be on hand.
4. Once a PI Reuse Plan has been executed by the Department, it is then in effect. GA PI funds can then be expended for eligible costs. GA PI funds will not be expended once the Reuse Plan is terminated by either party or the Reuse Plan has reached the 5 year expiration.
5. PI will be returned to the Department after a public hearing and formal resolution is passed by the \_\_\_\_\_'s Governing Body.
6. Each of the above administrative processes must be in compliance with the CDBG Citizen Participation process as specified in federal regulations at 24 CFR 570.486, Local Government Requirements.

### ADMINISTRATION OF ELIGIBLE ACTIVITIES AFTER DISTRIBUTION

*Introduction: Administration of all CDBG eligible activities conducted under the distribution methods must be conducted in compliance with all current State and federal regulations and policies.*

*The \_\_\_\_\_ will follow the Department's guidance for administering RLA activities, PI Waiver activities, or activities funded with PI committed to an open grant contract per the Department's current GMM Chapter regarding PI.*

*If ineligible activities or costs are paid for with CDBG PI, those funds must be returned to the \_\_\_\_\_ PI account using local jurisdiction funds.*

#### **1. RLA Administration**

The \_\_\_\_\_ certifies that the four RLAs under this PI Reuse Plan will be administered under the following criteria:

- A. RLAs with a balance must be "**substantially revolving**," which means on an annual basis at least 60 percent (60%) of the funds in an RLA must be used for loans which will be repaid to a PI account, based on the distribution noted in this plan. Up to the remaining 40 percent (40%) may be expended on non-revolving activities, which include Activity Delivery (AD), and grants for the same activity as the RLA.

**Note: General Administration costs are not considered part of the jurisdiction's RLA Activities and should not be used in the consideration of "substantially revolving".**

- B. A RLA which is the same activity as any funded open grant activity will be "substantially expended" before grant funds are requested for the grant activity.

The Department considers "**substantially expended**", to mean having no more than \$5,000 in a RLA.

- C. PI funds shall not be transferred between RLAs after execution of this Plan without following the proper CDBG Citizen Participation process, which includes a public hearing resulting in a certified resolution being submitted to the Department for written approval. However, the transfer of PI between RLAs each fiscal year, in the aggregate amount of \$5,000 or less, is not be subject to the Citizen Participation requirement, as stated above; but does require prior written Department approval.
- D. All PI funded activities shall be provided to project activities located within the boundaries of the \_\_\_\_\_.

If an additional jurisdiction(s) receives benefit, a Joint Power's Agreement (JPA) between Jurisdictions(s) is required. The \_\_\_\_\_ must receive written approval from the Department prior to implementation and prior to parties' execution of the JPA between the parties.

- E. The \_\_\_\_\_ will submit program guidelines specific to each RLA activity for written Department approval. Once approval is issued to the Jurisdiction, the RLA will then be deemed active.
- F. This PI Reuse Plan will not be executed by the Department until all RLAs have clear distribution percentages listed above, and have Department approved program guidelines.

All CDBG PI Reuse Plans are limited to a five (5) year term from the date of execution.

PI funds within an RLA cannot be expended until this PI Reuse Plan is executed.

- G. Reporting on RLAs and other PI Activities will be required per the Department's current policies, including financial accounting of PI received and expended for RLAs and other PI Activities. Additionally, PI performance (National Objective data and beneficiary demographics) reported as HUD required accomplishment information will be required to be submitted in a timely manner or the Jurisdiction understands that it will be required to repay a PI account for ineligible cost or activities.

## Item #: 9.B. Attach 6.pdf

- H. AD costs are **only eligible** if one or more projects are funded and accomplishments (such as beneficiaries), for those activity(ies), on an annual basis, are reported on.

### 2. **Eligible RLA Activities**

The four (4) RLA(s) listed below each have a single eligible CDBG program activity. The \_\_\_\_\_ certifies that all CDBG rules pertaining to each eligible activity will be followed.

#### A. **Housing Rehabilitation Revolving Loan Account**

The CDBG eligible activity under this RLA is a single-family housing rehabilitation program. The program will be used for the purpose of making loans to rehabilitate residential units (1-4 units), occupied by income eligible households. The CDBG National Objective of benefit to Low/Moderate-income (Low/Mod) households will be met by limiting program participants to households that have an annual income at or below eighty percent (80%) of HUD median income limits for the \_\_\_\_\_'s **county**. Households will be income qualified based on the income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Rehabilitation of "projects" (projects with five (5) or more units on one site) is not allowed under this RLA. Projects with five or more units must be funded via the annual grant process or through the PI Waiver process.

Jurisdictions wishing to include tenant occupied projects for the Housing Rehabilitation program must submit separate (distinguishable from the Owner Occupied Housing Rehabilitation guidelines) guidelines outlining the unique tenant occupied rules and processes.

The review and funding of requests for CDBG loans or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines that have been adopted by \_\_\_\_\_ and approved in writing by the Department.

No more than 19 percent (19%) of program funds expended from this RLA shall be used for AD costs.

#### B. **Homeownership Assistance (Homebuyer) Revolving Loan Account**

The CDBG eligible activity under this RLA is acquisition of single family housing. The program will be used for the purpose of making loans to assist income eligible homebuyers to purchase a residential property (1-4 units). The CDBG National Objective of benefit to Low/Mod-income households will be met by limiting program participants to households that have an annual income at or below eighty percent (80%) of HUD median income limits. Households will be income qualified based on income calculation method specified in 24 CFR Part 5 and in accord with the Department's Income Manual.

The review and funding of requests for CDBG loans or grant assistance under this RLA shall be conducted under the Homeownership Assistance Program Guidelines that have been adopted by the \_\_\_\_\_ and approved in writing by the Department.

No more than 8 percent (8%) of the funds expended from this RLA shall be used for AD costs.

**C. Business Assistance Revolving Loan Account**

The CDBG eligible activity of Special Economic Development will be conducted under this RLA. Specifically, the RLA will fund a business assistance program that provides direct financial assistance for eligible businesses that propose projects which create or retain permanent jobs. The CDBG National Objective being met by the Special Economic Development activity will typically be benefit to Low/Mod-income persons. As such, at least fifty one percent (51%) of the full time job positions created or retained will be made available to persons whose households have an annual income at or below 80 percent (80%) or less of the \_\_\_\_\_'s **county** median income. Income eligibility is based on the income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Business assistance projects under this RLA program may also meet the National Objective of elimination of slums and blight, but this must be approved by the Department in writing as part of the initial business's loan application.

Local review and underwriting of business assistance projects requesting a CDBG loan under this RLA shall be conducted under the Business Assistance Program Guidelines that have been adopted by \_\_\_\_\_ and approved in writing by the Department.

Each individual project funding request made under this RLA program must be submitted for Department review and written approval, prior to closing the loan.

No more than 15 percent (15%) of the total funds expended for business assistance activities shall be used for AD costs.

**D. Microenterprise Assistance Revolving Loan Account**

The CDBG eligible activity of direct financial assistance to eligible microenterprise businesses will be conducted under this RLA. Specifically, the RLA will fund a microenterprise direct financial assistance program that provides financial assistance to start up or existing microenterprise businesses. Eligible businesses must meet the HUD definition of microenterprise. A microenterprise is defined as a business that has five (5) or fewer employees including the owner(s). The only CDBG National Objective which will be used for this activity is benefit to Low/Mod-income households. As such, micro business owners assisted

under this program must be documented as having an annual household income at or below 80 percent (80%) of the Jurisdiction's **county** median income, based on income calculation method specified in 24 CFR Part 5, and in accord with the Department's Income Manual.

Local review and underwriting of microenterprise business assistance projects requesting a CDBG loan or grant under this RLA shall be conducted under the Microenterprise Financial Assistance Program Guidelines that have been adopted by the \_\_\_\_\_ and approved in writing by the Department.

Each individual project funding request made under this RLA program must be submitted for Department review and written approval, prior to closing the loan.

No more than 15 percent (15%) of the total funds expended for business assistance activities shall be used for AD costs.

**3. Administration of Non-RLA Program Income Expenditures**

**A. Program Income Waiver Eligible Activities**

\_\_\_\_\_ certifies that the PI Waiver Submission Process below will be followed if a PI Waiver is to be requested:

- 1) This process will involve discussion at a properly noticed public hearing, held in front of the \_\_\_\_\_'s Governing Body, and submission of a Certified Resolution as part of a PI Waiver Request to the Department, in accordance with current Department policy, and any subsequent policy, regulation, or statutory-guidance, in writing, from The Department.
- 2) Final commitment and expenditure of PI Waiver funds will not commence until clearance of all required Special Conditions have been met, and written Department approval has been issued to the \_\_\_\_\_.
- 3) Reporting on PI Waiver activities will take place per current Departmental policies and include financial accounting of PI received and expended for PI Waivers and PI Waiver activity performance.
- 4) PI Waiver activities must be fully funded with program income already on hand. Therefore, future PI may not be pledged to the PI Waiver activity.
- 5) Only two (2) PI Waiver agreements may be open and active at any one time.



**B. Program Income Committed in an Annual Grant Application and Included in an Open Grant Agreement**

\_\_\_\_\_ certifies that the PI Committed to a funded Annual CDBG Application will be:

- 1) Funded with PI currently on hand;  
***Future PI may not be pledged to an open grant activity.***
- 2) Expended first and prior to requesting grant funds;
- 3) Administered in accordance with terms and conditions of the grant contract with the Department; and,
- 4) Reported using the Department's current PI and fiscal reporting forms. All PI activity performance data will be reported using grant and fiscal reports.

**C. Program Income Added to an Existing Open Grant**

\_\_\_\_\_ certifies that the PI committed to an existing CDBG Grant will be:

- 1) Approved by the Department, with a Grant Amendment fully executed before PI can be committed to a grant activity.
- 2) Funded with PI currently on hand.  
***Future PI may not be pledged to an open grant activity.***
- 3) Expended first and prior to requesting grant funds.
- 4) Administered in accordance with terms and conditions of the grant contract with the Department.
- 5) Reported using the Department's current PI and fiscal reporting forms. All PI activity performance data will be reported using grant and fiscal reports.

**4. Program Income General Administration (PI GA) Cost Limitation and Activities**

\_\_\_\_\_ certifies that no more than 17 percent (17%) of the total amount of PI received annually will be expended for PI GA costs. These funds will accumulate annually and be carried from one fiscal year to the next if unexpended.

If more funds are expended than what is available in PI GA, the Jurisdiction will be required to return the over-expended GA amount back into their PI Account. *Additionally, any ineligible PI GA costs will also be required to be returned to their PI Account.*

## Item #: 9.B. Attach 6.pdf

GA eligible costs for PI are the same as open grant agreements with the Department. See the current CDBG Grant Management Manual (GMM) for list of eligible activities and allowable costs.

PI GA activity costs will be reflected on fiscal reports submitted to the Department as per current reporting forms and policies.

### **A. Planning Activities**

The \_\_\_\_\_ reserves the option of utilizing PI, within the 17 percent (17%) PI GA annual cap to fund planning studies for CDBG eligible activities.

All proposed planning activities must receive written Department approval prior to expending PI on the activity.

Eligible planning activities funded with PI are the same as open grant agreements with the Department. See current NOFA for a list of eligible planning studies.

All planning activities must have a final product (report or study) resulting from the expenditure of PI.

Upon completion of the planning activity, the study must be formally accepted by the Jurisdiction and submitted to the Department for review.

The planning activity costs will be reflected on fiscal reports submitted to the Department.

### **B. Loan Portfolio and Asset Management Policies and Costs**

The \_\_\_\_\_ certifies that it has asset management policies and loan portfolio servicing policies that are in compliance with HUD standards per 24 CFR Part 570. The use of CDBG funds creates public financial assets. The public financial assets created can be in the form of loans or other repayment instruments which result in PI. Financial assets may also be in the form of real property or chattel (equipment and fixtures). All assets created from the use of CDBG funds must be administered in compliance with OMB Circulars A-87, A-122 A-133, 24 CFR Part 85.

Loan payment tracking and collection systems must be put in place for collection purposes of all loans funded with CDBG. In addition, loan servicing policies and procedures must be in place to service the loan assets, ensuring repayment.

Costs of managing the portfolio of CDBG funded loans may be charged to PI under GA within the allowable limits set by the Department.

---

---

## SECTION TWO: JURISDICTION ASSERTIONS AND CERTIFICATIONS

---

---

### 1. Requirements of Program Income

The PI Reuse Plan is intended to satisfy the requirements specified in federal statute and regulation at Section 104(j) of the Housing and Community Development Act ("the Act"), as amended in 1992 and 24 CFR 570.489(e) and (f). These statutory and regulatory sections permit a unit of local government to retain PI for CDBG-eligible community development activities. Under federal guidelines adopted by the State of California's CDBG Program, local governments are permitted to retain PI as long as the local government has received advance approval from the State of a local plan that will govern the expenditure of the PI. This plan has been developed to meet that requirement.

\_\_\_\_\_ certifies that their PI will be used to fund eligible CDBG activities that meet a National Objective and any public benefit requirements. Eligible activities, National Objective and public benefit requirements are specified in Federal Statute at Sections 104(b), 105(a) of The Housing and Community Development Act of 1974, and in Federal Regulations at 24 CFR 570.482 and 24 CFR 570.483. The Jurisdiction understands, if it is determined that an activity/project funded with PI that does not meet a National Objective and/or meet the public benefit requirement, the Jurisdiction will be required to use its own local funds to repay the PI Account.

### 2. Definition of Program Income

"Program Income" means gross income earned by the Jurisdiction from grant-funded activities and is subject to CDBG regulatory requirements pursuant to 24 CFR, Part 570.489(e) - Program Administrative Requirements as amended in the CDBG Final Rule, 24 CFR, Part 570.504 - Program Income, 24 CFR Part 85 – Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments, and OMB Circulars A-87 and A-122 as applicable. These regulations include the requirement that the Jurisdiction record the receipt and expenditure of PI as part of the financial transactions of the grant activity(ies).

For activities generating PI that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation. Examples of PI include but are not limited to: payments of principal and interest on housing rehabilitation or business loans made using CDBG funds; interest earned on PI pending its disposition; interest earned on funds that have been placed in a revolving loan account; net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds; and, income (net of costs that are incidental to the generation of the income) from the use or rental of real property that has been acquired, constructed or improved with CDBG funds and that is owned (in whole or in part) by the participating jurisdiction or sub-recipient.

**3. Federal Nature of Program Income**

\_\_\_\_\_ certifies that per 24 CFR 570.489(e)(2)(i), as amended in the CDBG Final Rule May 23, 2012, all PI received through a RLA, will be counted as PI regardless of the amount, and all PI generated through an open grant that is \$35,000 or less may either be:

- A. Counted and reported as PI, allowing the Jurisdiction to include that amount in its PI GA (17%) calculation; or,
- B. Not counted as PI and reported as such, which “de-federalizes” the funds, and allows them to be deposited into the Jurisdiction’s General Fund. Supporting accounting records and documentation must be in the Jurisdiction’s file to substantiate the calculations reported.

If PI is generated from a loan that is made partially from a RLA and partially from another source, then the PI accounting and reporting must reflect the correct amounts and proportions of PI from the RLA (counted and reported as PI Income) versus the amount generated from the other source, which may be accounted for and reported using either of the methods above.

**4. Definition of Excessive Program Income**

\_\_\_\_\_ certifies that if there is excessive PI (\$500,000 or more), which includes GA, at the end of the fiscal year they will be required to submit a plan (included in the Reporting form) for expending the funds to the Department for review and approval. The \_\_\_\_\_ understands that if no plan is submitted, or the plan is not approved by the Department, it risks having to return the PI to the Department. The \_\_\_\_\_ agrees to use the Semi Annual PI Report forms to describe the reason(s) for the excessive amount and the method(s)/plan(s)/reason(s) the \_\_\_\_\_ will use to reduce the amount over the coming year.

Should the Jurisdiction choose to ‘accumulate’ PI to fund a project that will cost more than \$500,000, the Jurisdiction must identify the project in their Semi Annual PI Report form with a detailed narrative about the project and the expected timing for the project to start and complete, with completion including the meeting of a national objective. Approval of a PI balance above \$500,000 will be made on a case-by-case basis.

**5. Reporting of Program Income**

\_\_\_\_\_ certifies that CDBG PI will be accounted for using the Department’s fiscal year (July 1 to June 30). All receipts and expenditures of PI in accordance with this PI Reuse Plan will be monitored and reported per the Department’s fiscal year cycle. \_\_\_\_\_ certifies that they will report using the Department’s reports/forms and will submit them in a timely manner.

**6. Duration of This Program Income Reuse Plan**

\_\_\_\_\_ and the Jurisdiction's Governing Body understand that this document is effective for five (5) years from the execution date by the authorized CDBG representative listed in this Agreement unless otherwise notified by the Department.. The Department has the Authority to void the Agreement with notice for cause.

**7. Status of Program Income Upon Leaving State Non-Entitlement CDBG Program and Entering the CDBG Entitlement Program**

\_\_\_\_\_ certifies that the Jurisdiction's Governing Body may move the PI earned under the State program to the Entitlement Program if/when the Jurisdiction is authorized and chooses to participate in the CDBG Entitlement Program provided the Jurisdiction's Governing Body certifies that the \_\_\_\_\_ has:

- A. Officially elected to participate in the Entitlement Grant Program;
- B. Agrees to use such PI in accordance with Entitlement Program requirements; and,
- C. Sets up Integrated Disbursement Information System (IDIS) access and agrees to enter receipt of PI into IDIS.
- D. The \_\_\_\_\_ submits the above to the State and receives the Department's approval to no longer report State CDBG PI to the Department.

**8. Status of Program Income Upon Entering the State Non-Entitlement CDBG Program from the Entitlement CDBG Program**

\_\_\_\_\_ certifies that the Jurisdiction's Governing Body will inform the Department in writing of the Jurisdiction's decision to either:

- A. Retain program income generated under Entitlement grants and continue to comply with Entitlement program requirements for program income; or
- B. Retain the program income and transfer it to the State CDBG program, in which case the Jurisdiction will certify that it will comply with the state's rules for program income and the requirements of 24 CFR 570.489(e) and (f).

**9. Amendment of PI Reuse Plan**

\_\_\_\_\_ certifies that it will adopt and submit for Department written approval a new version of this plan as updates are released by the Department.

---

---

## SECTION THREE: DEPARTMENT TERMS, CONDITIONS AND AUTHORIZATION

---

---

**TERMS AND CONDITIONS:** \_\_\_\_\_ certifies that all terms and conditions listed below have been read and understood, and will be implemented and followed:

**1. Authority & Purpose**

This Agreement provides official notification of the Jurisdiction's PI Reuse Plan's (hereinafter, "PI Reuse Plan") approval under the State's administration of the Federal Community Development Block Grant Program (hereinafter, "CDBG" or "the Program") for Non-entitlement jurisdictions pursuant to the provisions of 42 U.S. Code (U.S.C.) 5301 et seq., 24 Code of Federal Regulations (CFR) Part 570, Subpart I, and 25 California Code of Regulations (CCR), Sections 7050 et seq. The Program is listed in the Catalog of Federal Domestic Assistance as 14.228 - CDBG Community Development Block Grant Program.

In accepting the PI Reuse Plan Approval, the Jurisdiction agrees to comply with the terms and conditions of this Agreement, all exhibits hereto and the representations contained in the Jurisdiction's PI Reuse Plan. Any changes made to the PI Reuse Plan after this Agreement is accepted must receive prior written approval from the Department of Housing and Community Development (Department).

**2. Distribution for Reuse of PI**

A. The Jurisdiction shall perform PI funded activities as described in the Distribution for Reuse in the PI Reuse Plan. All written materials or alterations submitted as addenda to the original PI Reuse Plan and which are approved in writing by the Department are hereby incorporated as part of the PI Reuse Plan.

The Department reserves the right to require the Jurisdiction to modify any or all parts of the PI Reuse Plan in order to comply with CDBG requirements. The Department reserves the right to review and approve all Work to be performed by the Jurisdiction in relation to this Agreement. Any proposed revision to the Work must be submitted in writing for review and approval by the Department and may require an amendment to this Agreement. Approval shall not be presumed unless such approval is made in writing by the Department.

B. The PI funded activities shall principally benefit Low/Mod-income persons or households (Low/Mod) whose income is no more than 80 percent (80%) of the median area income.

### 3. **Sufficiency of Funds and Termination**

The Department may terminate this Agreement at any time for cause by giving at least 14 days written notice to the Jurisdiction. Termination shall consist of violations of any terms and/or special conditions of this Agreement, upon the request of HUD, or withdrawal of the Department's expenditure authority.

### 4. **Meeting National Objectives**

All activities performed under this Agreement must meet one of the National Objectives determined by the HUD regulations as included in the Application authorized under Title I of the Housing and Community Development Act of 1974, as amended.

- A. Benefit to HUD defined Low/Mod-income person or household (LMI). The term Low/Mod-income is defined under CDBG as no more than 80 percent (80%) of the median area income, as determined by HUD, per Federal Regulation 24 CFR, Part 570.483(b); and/or;
- B. Prevention or elimination of slums or blight. In order for an activity to meet the National Objective of elimination of slums and blight, the activity must take place in an area that meets the definition of a blighted area and the project must be shown to eliminate blight or prevent further blight per Federal Regulation 24 CFR, Part 570.483(c).
- C. For Microenterprise Assistance activities, the Jurisdiction must only meet the benefit to Low/Mod-income person or household (LMI) National Objective.

### 5. **Inspections of Activities**

- A. The Department reserves the right to inspect any activity(ies) performed hereunder to verify that the activity(ies) is in accordance with the applicable federal, State and/or local requirements and this Agreement.
- B. The Jurisdiction shall inspect any activity performed by contractors and subrecipients hereunder to ensure that the activity(ies) is in accordance with the applicable federal, State and/or local requirements and this Agreement.

The Jurisdiction agrees to require that all activity(ies) found by such inspections not to conform to the applicable requirements be corrected, and to withhold payment to its contractor or subcontractor, respectively, until it is so corrected.

### 6. **Insurance**

The Jurisdiction shall have and maintain in full force and effect during the term of this Agreement such forms of insurance, at such levels as may be determined by the Jurisdiction and the Department to be necessary for specific components of the activity(ies) described in this Reuse Plan.

7. **Contractors and Subrecipients**

- A. The Jurisdiction shall not enter into any agreement, written or oral, with any contractor or subrecipient without the prior determination that the contractor or subrecipient is eligible to receive CDBG funds and is not listed on the Federal Consolidated List of Debarred, Suspended, and Ineligible Contractors.
- 1) Contractors are defined as program operators or construction contractors who are procured competitively.
  - 2) Subrecipients are defined as public or private non-profit agencies or organizations and certain (limited) private for-profit entities who receive CDBG funds from an awarded jurisdiction to undertake eligible activities.
- B. An agreement between the Jurisdiction and any contractor or subrecipient shall require:
- 1) Compliance with the applicable State and federal requirements of this Agreement, which pertain to, among other things, labor standards, non-discrimination, Americans with Disabilities Act, Equal Employment Opportunity, and Drug-Free Workplace; and, Compliance with the applicable provisions relating to Labor Standards/Prevailing Wages. In addition to these requirements, all contractors and subcontractors shall comply with the applicable provisions of the California Labor Code.
  - 2) Maintenance of, at minimum, the State-required Workers' Compensation Insurance for those employees who will perform the activity(ies) or any part of it.
  - 3) Maintenance of, if so required by law, unemployment insurance, disability insurance and liability insurance, which is reasonable to compensate any person, firm, or corporation, who may be injured or damaged by the contractor, or any subcontractor in performing the activity(ies) or any part of it.
  - 4) Compliance with the applicable Equal Opportunity Requirements described in this Agreement.
- C. Contractors shall:
- 1) Perform the activity(ies) in accordance with federal, State and local housing and building codes, as are applicable.
  - 2) Provide security to assure completion of the project by furnishing the borrower and construction lenders with Performance and Payment Bonds, or other security approved in advance in writing by the Department.



## D. Subrecipients shall:

- 1) Retain all books, records, accounts, documentation, and all other materials relevant to this Agreement for a period of five (5) years from date of termination of this Agreement, or five (5) years from the conclusion or resolution of any and all audits or litigation relevant to this Agreement, and any amendments, whichever is later.
- 2) Permit the State, federal government, the Bureau of State Audits, the Department and/or their representatives, upon reasonable notice, unrestricted access to any or all books, records, accounts, documentation, and all other materials relevant to the agreement for the purpose of monitoring, auditing, or otherwise examining said materials.

### 8. **Obligations of the Jurisdiction with Respect to Certain Third Party Relationships**

The Jurisdiction shall remain fully obligated under the provisions of this Agreement notwithstanding its designation of any third party or parties for the undertaking of all or any part of the Activities funded under this agreement with respect to which assistance is being provided under this Agreement to the Jurisdiction.

The Jurisdiction shall comply with all lawful requirements of the Department necessary to ensure that the Program, with respect to which assistance is being provided under this Agreement to the Jurisdiction, is carried out in accordance with the Department's Assurance and Certifications, including those with respect to the assumption of environmental responsibilities of the Department under Section 104(g) of the Housing and Community Development Act of 1974.

### 9. **Periodic Reporting Requirements**

During the term of this Agreement, the Jurisdiction must submit the following reports by the dates identified, respectively, or as otherwise required at the discretion of the Department. The Jurisdiction's performance under this Agreement will be based, in part, on whether it has submitted the reports on a timely basis.

- A. **Semi-Annual PI Expenditure/Performance Report**: Submit by January 31 and July 31 of each year regardless of whether or not the Jurisdiction has any unspent PI. PI Waivers or open Grants with no accomplishment are not excluded to the reporting requirement.
- B. **Annual Federal Overlay Reporting**: Submit by July 31 starting from the contract effective date to subsequent June 30, and for each State Fiscal Year. Annual Reporting includes but is not limited to: Section 3, and Minority Owned Business/Women Owned Business (MBE/WBE).

## Item #: 9.B. Attach 6.pdf

- C. Wage Compliance Reports: Semi-annual Wage Compliance Reports are to be submitted by October 7 and April 7 during the entire construction period. The final Wage Compliance Report is to be submitted thirty (30) days after construction is completed.
- D. Any other reports that may be required as a Special Condition of this Agreement.

### 10. Monitoring Requirements

The Department shall perform a program and/or fiscal monitoring of the activity(ies). The Jurisdiction shall be required to resolve any monitoring findings to the Department's satisfaction by the deadlines set by the Department. If findings are not adequately resolved in a timely manner, the Department may deduct points from the Jurisdiction's performance score on future applications.

Additionally, the Department reserve the right to suspend a jurisdiction's authority to expend PI (Waiver, RLA and/or PI attached to an open grant) based on significant compliance issues, reporting concerns or serious lack of cooperation in clearing PI monitoring findings.

### 11. Signs

If the Jurisdiction places signs stating that the Department is providing financing, it shall indicate in a typeface and size commensurate with the Department's funding portion of the project that the Department is a source of financing through the CDBG Program.

### 12. Audit/Retention and Inspection of Records

- A. The Jurisdiction must have intact, auditable fiscal records at all times. If the Jurisdiction is found to have missing audit reports from the SCO during the term of this Agreement, the Jurisdiction will be required to submit a plan to the State, with task deadlines, for submitting the audit to the SCO. If the deadlines are not met, the Jurisdiction will be subject to termination of this Agreement and disencumbrance of the funds awarded. The Jurisdiction's audit completion plan is subject to prior review and approval by the Department.
- B. The Jurisdiction agrees that the Department or its designee will have the right to review, obtain, and copy all records pertaining to performance of this Agreement. The Jurisdiction agrees to provide the Department or its designee with any relevant information requested and shall permit the Department or its designee access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with California Public Contract Code (PCC) Section 10115 et seq., Government Code (GC) Section 8546.7 and 2 CCR 1896.60 et seq. The Jurisdiction further agrees to maintain such records for a period of five (5) years after final

payment under this Agreement. The Jurisdiction shall comply with the caveats and be aware of the penalties for violations of fraud and for obstruction of investigation as set forth in PCC 10115.10.

- C. An expenditure which is not authorized by this Agreement or which cannot be adequately documented shall be disallowed and must be reimbursed to the Department or its designee by the Jurisdiction.
- D. Absent fraud or mistake on the part of the Department, the determination by the Department of the allowability of any expenditure shall be final.
- E. For the purposes of annual audits under OMB Circular A-133 (The United States Office of Management and Budget Circular for Audits of States and Local Governments), Jurisdiction shall use the Federal Catalog Number 14.228 for the State CDBG Program.
- F. Notwithstanding the foregoing, the Department will not reimburse the Jurisdiction for any audit cost incurred after the expenditure deadline of this Agreement.
- G. The jurisdiction understands that the expenditure of PI is covered under the OMB A-133 Single Audit Requirements and will meet all these requirements and report said PI Expenditure along with grant funds each fiscal year.

**13. Conflict of Interest of Members, Officers, or Employees of Contractors, Members of Local Governing Body, or other Public Officials**

Pursuant to 24 CFR 570.611, no member, officer, or employee of the Jurisdiction, or its designees or agents, no member of the Governing Body of the locality in which the program is situated, and no other public official of such locality or localities who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to a CDBG-assisted activity or its proceeds, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one (1) year thereafter. The Jurisdiction shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

**14. Waivers**

No waiver of any breach of this Agreement shall be held to be a waiver of any prior or subsequent breach. The failure of the Department to enforce at any time the provisions of this Agreement or to require at any time performance by the Jurisdiction of these provisions shall in no way be construed to be a waiver of such provisions nor to affect the validity of this Agreement or the right of the Department to enforce these provisions.

15. **Litigation**

- A. If any provision of this Agreement, or an underlying obligation, is held invalid by a court of competent jurisdiction, such invalidity, at the sole discretion of the Department, shall not affect any other provisions of this Agreement and the remainder of this Agreement shall remain in full force and effect. Therefore, the provisions of this Agreement are, and shall be, deemed severable.
- B. The Jurisdiction shall notify the Department immediately of any claim or action undertaken by or against it which affects or may affect this Agreement or the Department, and shall take such action with respect to the claim or action as is consistent with the terms of this Agreement and the interests of the Department.

16. **Lead-Based Paint Hazards**

Activity(ies) performed with assistance provided under this Agreement are subject to lead-based paint hazard regulations contained in Title 8 (Industrial Relations) and Title 17 (Public Health) of the CCR and 24 CFR, Part 35 (Lead Disclosure). Any grants or loans made by the Jurisdiction with assistance provided under this Agreement shall be made subject to the provisions for the elimination or mitigation of lead-based paint hazards under these Regulations. The Jurisdiction shall be responsible for the notifications, inspections, and clearance certifications required under these Regulations.

17. **Prevailing Wages**

- A. Where funds provided through this Agreement are used for construction work, or in support of construction work, the Jurisdiction shall ensure that the requirements of California Labor Code (LC), Chapter 1, commencing with Section 1720, Part 7 (pertaining to the payment of prevailing wages and administered by the California Department of Industrial Relations) are met.
- B. For the purposes of this requirement “construction work” includes, but is not limited to rehabilitation, alteration, demolition, installation or repair done under contract and paid for, in whole or in part, through this Agreement. All construction work shall be done through the use of a written contract with a properly licensed building contractor incorporating these requirements (the “construction contract”). Where the construction contract will be between the Jurisdiction and a licensed building contractor, the Jurisdiction shall serve as the “awarding body” as that term is defined in the LC. Where the Jurisdiction will provide funds to a third party that will enter into the construction contract with a licensed building contractor, the third party shall serve as the “awarding body.” Prior to any disbursement of funds, including but not limited to release of any final retention payment, the Department may require a certification from the awarding body that prevailing wages have been or will be paid.

**18. Compliance with State and Federal Laws and Regulations**

- A. The Jurisdiction agrees to comply with all State laws and regulations that pertain to construction, health and safety, labor, fair employment practices, equal opportunity, and all other matters applicable to the Jurisdiction, its subcontractors, contractors or subcontractors, and the Reuse activity(ies), and any other State provisions as set forth in this Agreement.
- B. The Jurisdiction agrees to comply with all federal laws and regulations applicable to the CDBG Program and to the activity(ies), and with any other federal provisions as set forth in this Agreement.

**19. Anti-Lobbying Certification**

The Jurisdiction shall require that the language of this certification be included in all contracts or subcontracts entered into in connection with this activity(ies) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and no more than \$100,000 for such failure.

"The undersigned certifies, to the best of his or her knowledge or belief, that:

- A. No federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement; and,
- B. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions."

**20. Bonus or Commission, Prohibition Against Payments of**

The assistance provided under this Agreement shall not be used in the payment of any bonus or commission for the purpose of:

- A. Obtaining the Department's approval of the Application for such assistance; or,
- B. The Department's approval of the Applications for additional assistance; or,
- C. Any other approval or concurrence of the Department required under this Agreement, Title I of the Housing and Community Development Act of 1974, or the State regulations with respect thereto; provided, however, that reasonable fees for bona fide technical, consultant, managerial or other such services, other than actual solicitation, are not hereby prohibited if otherwise eligible as program costs.

**21. Citizen Participation**

The Jurisdiction is subject to the requirements concerning citizen participation contained in Federal Regulations at 24 CFR, Part 570.486, Local Government Requirements, Part 91.105 and 91.115.

**22. Clean Air and Water Acts**

This Agreement is subject to the requirements of the Clean Air Act, as amended, 42 USC 1857 et seq., the Federal Water Pollution Control Act, as amended, 33 USC 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 CFR, Part 15, as amended from time to time.

**23. Conflict of Interest of Certain Federal Officials**

No member of or delegate to the Congress of the United States, and no resident commissioner, shall be admitted to any share or part of this Agreement or to any benefit to arise from the same. The Jurisdiction shall report all perceived or actual conflicts of interest cases to the State for review before financial benefits are given.

**24. Environmental Requirements**

The Jurisdiction shall comply with the provisions of the National Environmental Policy Act (NEPA) by following the procedures contained in 24 CFR, Part 58. The Jurisdiction shall not undertake any activity that would have an adverse environmental impact or limit the choice of reasonable alternatives under 24 CFR, Part 58.22 until HUD or the Department has issued an environmental clearance.

## 25. Equal Opportunity

### A. The Civil Rights, Housing and Community Development, and Age Discrimination Acts Assurances

During the performance of this agreement, the Jurisdiction assures that no otherwise qualified person shall be excluded from participation or employment, denied program benefits, or be subjected to discrimination based on race, color, national origin, sex, age, handicap, religion, familial status, or religious preference, under any activity funded by this Agreement, as required by Title VI of the Civil Rights Act of 1964, Title I of the Housing and Community Development Act of 1974, as amended, the Age Discrimination Act of 1975, the Fair Housing Amendment Act of 1988, and all implementing regulations.

### B. Rehabilitation Act of 1973 and the "504 Coordinator"

The Jurisdiction further agrees to implement the Rehabilitation Act of 1973, as amended, and its regulations, 24 CFR, Part 8, including, but not limited to, for Jurisdiction's with fifteen (15) or more permanent full or part time employees, the local designation of a specific person charged with local enforcement of this Act, as the "504 Coordinator."

### C. The Training, Employment, and Contracting Opportunities for Business and Lower-Income Persons Assurance of Compliance

- 1) The activity(ies) to be performed under this Agreement are subject to the requirements of Section 3 of the HUD Act of 1968, as amended, 12 U.S.C. 1701u. Recipients, contractors and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of Section 3 covered assistance to Section 3 residents in the order of priority provided in 24 CFR, Part 135.34(a)(2).
- 2) The parties to this Agreement will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of HUD set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Agreement. The parties to this Agreement certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- 3) The Jurisdiction will include these Section 3 clauses in every contract and subcontract for Work in connection with the activity(ies) and will, at the direction of the Department, take appropriate action pursuant to the contract or subcontract upon a finding that the Jurisdiction or any contractor or subcontractor is in violation of regulations issued by the Secretary of HUD, 24 CFR, Part 135 and, will not let any contract unless the Jurisdiction or contractor or subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.

- 4) Compliance with the provisions of Section 3, the regulations set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Agreement shall be a condition of the federal financial assistance provided to the activity(ies), binding upon the Jurisdiction, its successors, and assigns. Failure to fulfill these requirements shall subject the Jurisdiction, its contractors and subcontractors and its successors, to such sanctions as are specified by 24 CFR, Part 135 and those sanctions specified by this Agreement.

D. Assurance of Compliance with Requirements Placed on Construction Contracts of \$10,000 or More

The Jurisdiction hereby agrees to place in every contract and subcontract for construction exceeding \$10,000 the Notice of Requirement for Affirmative Action to ensure Equal Employment Opportunity (Executive Order 11246), the Standard Equal Employment Opportunity, and the Construction Contract Specifications. The Jurisdiction furthermore agrees to insert the appropriate Goals and Timetables issued by the U.S. Department of Labor in such contracts and subcontracts.

**26. Flood Disaster Protection**

- A. This Agreement is subject to the requirements of the Flood Disaster Protection Act (FDPA) of 1973 (Public Law 93-234). No portion of the assistance provided under this Agreement is approved for acquisition or construction purposes as defined under FDPA, Section 3 (a) of said Act, for use in an area identified by the Secretary of HUD as having special flood hazards which is located in a community not then in compliance with the requirements for participation in the national flood insurance program pursuant to FDPA, Section 102(d) of said Act.
- B. The use of any assistance provided under this Agreement for such acquisition or construction in such identified areas in communities then participating in the national flood insurance program shall be subject to the mandatory purchase of flood insurance requirements of FDPA, Section 102(a) of said Act.
- C. Any contract or agreement for the sale, lease, or other transfer of land acquired, cleared or improved with assistance provided under this Agreement shall contain certain provisions. These provisions will apply if such land is located in an area identified by the Secretary of HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001 et seq.
- D. These provisions shall obligate the transferee and its successors or assigns to obtain and maintain, during the ownership of such land, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under FDPA, Section 102(s) of the Flood Disaster Protection Act of 1973. Such provisions shall be required



notwithstanding the fact that the construction on such land is not itself funded with assistance provided under this Agreement.

## 27. Federal Labor Standards Provisions

The Jurisdiction shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of:

- A. Davis-Bacon Act (40 U.S.C. 3141-3148) requires that workers receive no less than the prevailing wages being paid for similar work in their locality. Prevailing wages are computed by the Federal Department of Labor and are issued in the form of federal wage decisions for each classification of work. The law applies to most construction, alteration, or repair contracts over \$2,000.
- B. "Anti-Kickback Act of 1986" (41 U.S.C. 51-58) prohibits any person from (1) providing, attempting to provide, or offering to provide any kickback; (2) soliciting, accepting, or attempting to accept any kickback; or (3) including directly or indirectly, the amount of any kickback prohibited by clause (1) or (2) in the contract price charged by a subcontractor to a prime contractor or a higher tier subcontractor or in the contract price charged by a prime contractor to the United States.
- C. Contract Work Hours and Safety Standards Act - CWHSSA (40 U.S.C. 3702) requires that workers receive "overtime" compensation at a rate of one to one-half (1-1/2) times their regular hourly wage after they have worked forty (40) hours in one week.
- D. Title 29, Code of Federal Regulations CFR, Subtitle A, Parts 1, 3 and 5) are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

The Jurisdiction shall maintain documentation that demonstrates compliance with hour and wage requirements of this part. Such documentation shall be made available to the Department for review upon request.

## 28. Procurement

The Jurisdiction shall comply with the procurement provisions in 24 CFR, Part 85.36: Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments.

## 29. Non-Performance

The Department shall review the actual National Objective and/or Public Benefit achievements of the Jurisdiction. In the event that the National Objective and/or Public Benefit requirements are not met, the Department will require the recapture of the entire PI expended on that project/activity. Additional remedies may include suspending the Jurisdiction's authority to use PI funds until the Jurisdiction has developed capacity to ensure future PI funds will be used for eligible activities that will meet a National Objective.

**30. Relocation, Displacement, and Acquisition**

The provisions of the Uniform Relocation Act, as amended, 49 CFR, Part 24, and Section 104(d) of the Housing and Community Development Act of 1974 shall be followed where any acquisition of real property is carried out by the Jurisdiction and assisted in whole or in part by funds allocated by CDBG.

**31. Uniform Administrative Requirements**

The Jurisdiction shall comply with applicable Uniform Administrative Requirements as described in 24 CFR, Section 570.502, including cited Sections of 24 CFR, Part 85.

**32. Section 3**

The Jurisdiction will comply with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing Regulations at 24 CFR, Part 135.

**33. Affirmatively Furthering Fair Housing**

The Jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the Jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

**34. General Contract Conditions**

The following conditions apply to all activities, including set aside activities. The Jurisdiction must meet the conditions within ninety (90) days of this Agreement's execution. Failure to meet the following Special Conditions may result in termination of this Agreement.

A. Environmental Compliance

The Jurisdiction shall have satisfied all National Environmental Policy Act (NEPA) requirements and California Environmental Quality Act (CEQA) requirements. CEQA shall be approved by the Jurisdiction. The level of compliance varies by activity. NEPA review must be completed by the Jurisdiction for each activity and approved in writing by Department staff prior to incurring costs on the activity(ies).

B. Acquisition/Relocation Compliance

The Jurisdiction must document its compliance with the Uniform Relocation Act, Section 104(d) before release of funds by the Department. The Jurisdiction must submit a specific relocation assistance plan for each activity which may result in temporary or permanent displacement. For projects where there will be temporary or permanent displacement, the Jurisdiction must submit signed General Information Notices (GINs) from

each tenant who was residing in the project at the time of Application submittal. If the Jurisdiction believes that there will be no displacement as a result of their activities, they must submit a letter explaining why no displacement or relocation will occur, which will be subject to written approval by the Department.

C. Site Control

The Jurisdiction shall demonstrate site control of the proposed project property by submitting evidence of one or more of the following to the Department:

- 1) Fee title;
- 2) A leasehold interest on the project property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit compliance with all Program requirements;
- 3) An option to purchase or lease;
- 4) A disposition and development agreement with a public agency;
- 5) A land sale contract, or other enforceable agreement for the acquisition of the property; or,
- 6) All easements and right-of-ways (required for completion of the CDBG project) must be obtained.

D. Funding Commitments and Project Cost Estimates

All funding required for project completion must be documented and committed. If all funding is not committed, the Department shall terminate this Agreement. If the Jurisdiction has applied for other funding prior to the execution of this Agreement, the Jurisdiction must notify the Department as soon as that application is approved or denied. If the Jurisdiction must apply for other funding after the execution date of this Agreement, the Jurisdiction must apply at the earliest possible opportunity offered by the other funding source(s) and notify the Department as soon as that application is approved or denied.

A current third-party cost estimate must be provided by the engineer or architect for the project.

E. Activity Administration Documentation

There are four methods of administering and/or completing RLA activities:

- 1) Use of in-house staff only;
- 2) Subrecipient agreement(s) with qualified non-profit(s);

## Item #: 9.B. Attach 6.pdf

- 3) Consultants/contractors/others obtained through federal procurement procedures; and,
- 4) Any combination of the above methods.

The Jurisdiction must provide the following documentation demonstrating that one or more of these methods were used for the GA of the RLA and for all activities carried out under this Agreement.

- 1) Use of in-house staff only: If not previously provided in the Application, submit staff resumes and duty statements that clearly identify that Jurisdiction staff has capacity and experience to complete administration of the proposed activities in the Application.
- 2) Subrecipient agreement(s) with qualified non-profit(s): Subrecipients, and their respective agreements with the Jurisdiction must adhere to all Program requirements. Submit the subrecipient agreement that was executed between the non-profit and the \_\_\_\_\_. (Submitting draft documents for review prior to execution is recommended.) The scope of work in the subrecipient agreement must match the description of activity in this Agreement. Any parts of the activity description in this Agreement not covered by the subrecipient agreement must have separate procurement information. If the subrecipient is using CDBG funds to hire other consultants or subrecipients to do part or all of the Work then the procurement documentation or additional subrecipient agreements must be provided to the Department for review and approval.
- 3) Consultants: Submit procurement documentation that all third-party consultants are procured in accordance with Federal Procurement Procedures and the Grant Management Manual, as follows:

A copy of the document used to notify prospective consultants, such as a Request for Proposal or similar document.

A list of all bid respondents, showing respondents' contact information and the dollar amount of each proposal.

A brief description of the process used to select the consultant/contractor/other, including the rationale for the selection.

Additional information may be found in the Grant Management Manual, Program Operators.

### F. Compliance With All Loans and/or Grant Agreements

Pursuant to this Agreement, the Jurisdiction must comply with State and Federal Laws and Regulations that pertain to matters applicable to the Jurisdiction. Prior to disbursement of any funds under this Agreement, the

Jurisdiction shall be in compliance with all loan and/or grant agreements to which it is a party, which are administered by the Department.

G. Easements and Rights-of-Way

If required for the completion of a CDBG project, the Jurisdiction must obtain all easements and rights-of-ways required for completion of the CDBG project within twelve (12) months of execution of this Agreement. Failure to obtain these may result in termination of this Agreement.

H. Section 504 Accessibility Requirements

- 1) Section 504 Regulations apply when CDBG funds are used on a new construction housing or public facility project or when an existing public facility or housing project with fifteen (15) or more units is being purchased and/or “substantially” rehabilitated. Qualified CDBG assisted housing projects are required to have a certain percentage of the units designed for and accessible to persons with mobility and sensory impairments.
- 2) For a federally assisted new construction housing project, Section 504 requires five percent (5%) of the dwelling units, or at least one unit, whichever is greater, to meet Uniform Federal Accessibility Standards or a standard that is equivalent or stricter, for persons with mobility disabilities. An additional two percent (2%) of the dwelling units, or at least one unit, whichever is greater, must be accessible for persons with hearing or visual disabilities.
- 3) Under Section 504, alterations are substantial (i.e. substantially rehabilitated ) if they are undertaken to a housing project that has 15 or more units and the cost of the alterations is seventy-five percent (75%) or more of the replacement cost of the completed facility; and require that a minimum of five percent (5%) of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with mobility disabilities and an additional two percent (2%) of the dwelling units, or at least one unit, whichever is greater, shall be made accessible to persons with hearing or visual disabilities.
- 4) The Jurisdiction shall provide documentation satisfactory to the Department verifying that the required housing units or public facility described in the project comply with the accessibility standards. CDBG funds will not be released until the necessary documentation is provided. All CDBG funded programs must, to the greatest degree possible, be conducted in buildings which meet Section 504 accessibility standards.

## Item #: 9.B. Attach 6.pdf

### I. Grantee's Data Universal Numbering System (DUNS)

The Jurisdiction shall provide the Department with a DUNS number for any contractor or subcontractor prior to release of any funds under this Agreement.

## 35. Community Development Activity Conditions

### A. Homeownership Assistance

If the Work to be performed under this Agreement involves Homeownership Assistance, the following additional special conditions apply:

- 1) Program Guidelines: The Jurisdiction must submit a copy of its Homeownership Assistance Program Guidelines and its PI Re-Use Plan to the Department for review and approval within ninety (90) days of the execution date of this Agreement.
- 2) If the Jurisdiction proposed to assist homebuyers to purchase newly constructed units in its CDBG application under the Homeownership Assistance activity, the following requirements must be met:
  - a) The units must have been available for sale to the general public;
  - b) Development of the new subdivision must not be dependent upon the funding of the homebuyer loan;
  - c) CDBG funds shall not be used for construction; and,
  - d) Homeownership Assistance loans will not be approved prior to the foundation of the housing being in place.

### B. Housing Rehabilitation

If the Work to be performed under this Agreement involves Housing Rehabilitation, the following additional special conditions apply:

- 1) Program Guidelines: The Jurisdiction must submit a copy of its Housing Rehabilitation Program Guidelines and its PI Re-Use Plan to the Department for review and approval.
- 2) Affordable Rent: If the Jurisdiction's Housing Rehabilitation Program provides for rehabilitating rental properties, the Jurisdiction must submit to the Department its provisions for assuring affordable rent for the LMI occupants. Jurisdiction may include this information as part of the Housing Rehabilitation Program Guidelines.

**36. Economic Development Activity-Specific Conditions****A. Restrictions on CDBG-Assisted Public Property**

CDBG funds can be used by the Jurisdiction to purchase or rehabilitate public property. The change of use of real property provisions contained in 24 CFR 570.489(i) apply to real property within the unit of general local government's control (including activities undertaken by subrecipients), which was acquired or improved in whole or in part using CDBG funds in excess of the threshold for small purchase procurement (currently \$100,000). The restrictions shall apply from the date CDBG funds are first spent for the property until five (5) years after completion of the project. See the Federal Regulations for the full text of this regulation. The Jurisdiction must provide documentation of proper restriction on assisted property.

**B. Business Assistance Activity**

- 1) Jurisdictions implementing Business Assistance (BA) Loans, shall submit program guidelines that ensure compliance with CDBG underwriting requirements as described in 24 CFR 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements" and with public benefit requirements contained in 24 CFR 570.482(f).
- 2) Jurisdictions implementing a BA loan shall provide a written Employment Agreement required to be executed between the Jurisdiction and the business owner [requirements of the Employment Agreement are described in 24 CFR 570.506 (b), (5), and (6)]. The written Employment Agreement must include a commitment by the business that the jobs are to be created or retained by the termination date of this Agreement and that at least fifty-one percent (51%) of all jobs created or retained (on a FTE basis) will be held by LMI persons. The Employment Agreement shall specify that, prior to receiving assistance, the business shall agree to:
  - a) Provide a listing, by job title, of the permanent jobs projected to be created;
  - b) Identify which jobs, if any, are part-time and the annual hours of work for each position;
  - c) Identify which jobs are projected to be filled by LMI; and,
  - d) Provide periodic reporting (semi-annual) not limited to: listing jobs, by job title, of all the permanent jobs actually filled, and which of those jobs are held by members of the LMI.

C. Microenterprise Assistance Activities

- 1) Jurisdictions implementing a Microenterprise Assistance activity for technical assistance and/or microenterprise loans, shall submit program guidelines that ensure compliance with CDBG requirements. Specifically, guidelines must ensure that all beneficiaries of the program are eligible micro enterprises, per HUD definitions. A microenterprise must:
  - a) Have all owners of the business documented as meeting HUD family income eligibility standards; and,
  - b) Have documentation that the business's owners and employees are five (5) or fewer in number.
- 2) When implementing a Microenterprise Program, the program guidelines shall include the proposed benefits, eligible activities and ongoing evaluation of program services. The guidelines will include a Beneficiary Tracking Plan, which defines the goals; identifies the roles and responsibilities of the service providers; identifies the market and focuses the outreach; defines the screening and referral process; and, tracks the beneficiaries through the program's level of service. The Beneficiary Tracking Plan shall also describe the roles and responsibilities of the Jurisdiction and/or program operator for meeting the reporting requirements of the State CDBG Program.
- 3) When implementing a Microenterprise Program that is part of an integrally-related component of a larger project where non-LMI persons will be extended training and supportive services, shall submit guidelines including the methodology describing how CDBG funds will only be used towards the assistance of LMI to LMI persons under the Jurisdiction's activity.
- 4) Jurisdictions implementing a Microenterprise activity for loans to microenterprises made with Grant funds or PI funds, shall submit guidelines that ensure compliance with CDBG underwriting requirements as described in 24 CFR, Part 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements."
- 5) If under this Agreement, a Microenterprise Façade Improvement activity is being implemented, the Jurisdiction shall submit program guidelines that ensure compliance with CDBG National Objective requirements, as described in 24 CFR 570, Appendix A, "Guidelines and Objectives for Evaluating Project Costs and Financial Requirements."



D. Required Agreements for Assisted Businesses

The Jurisdiction shall execute a written agreement between the Jurisdiction and the business receiving CDBG funds (loans or grants) under this Agreement to ensure compliance with CDBG State and federal regulations. The written agreement shall contain language to ensure each business complies with the terms of this Agreement, Exhibit A, as well as each of the criteria as set forth in 24 CFR 570.506 (b)(4) and (c).

- 1) Each agreement between the Jurisdiction and the business(es) shall be submitted to the Department for review and written approval, prior to execution by the business and \_\_\_\_\_.
- 2) Each agreement shall require the business to report employee information periodically (semi-annual) to the Jurisdiction. The report shall list each job position by job title and number of annual hours worked and LMI status. The report shall list all the permanent jobs actually created or retained, and identify which of those job positions are held by members of the LMI. Additionally, the report shall include the demographics of job holders (ethnicity/race, disability, status, gender, and head of household status).
- 3) Each agreement shall require the business(es) submit a Data Universal Numbering System (DUNS) number and be verified as not being on the current federal debarred list, prior to receiving any CDBG financial assistance. The agreement shall require proof of proper insurance for secured collateral and protecting the Jurisdiction. The agreement shall reference this Agreement between the Department and the Jurisdiction. The agreement shall contain all other special conditions as directed by the Department or local loan committee. The agreement shall include but is not limited to the following conditions:
  - a) Maintaining a specific annual debt service level; and,
  - b) Requiring a quarterly review of the businesses financial statements with the owner and accounting staff.

37. Community and Economic Development Planning Activities

A. Non-Implementation Activity

In some cases, the Department may allow a Jurisdiction to first complete a Household Income Survey and/or a Market Study in order to document low-income benefit for the proposed study. In such cases, the Jurisdiction must conduct the survey according to CDBG standards and submit the survey for review and written approval by the Department, prior to initiating any further study activities. All Non-Implementing/Planning Activities pursuant to this Agreement must be funded with PI General Administration (PI GA).

**Item #: 9.B. Attach 6.pdf**

B. Implementation Activity

Implementation Activities are not permitted under this Agreement using PI GA funds.

**Certified Approving Resolution Is Attached**

***I certify that the foregoing is true and correct, and will follow all requirements of this agreement. I understand that my certification also acknowledges that serious compliance issue with the above requirements could result in the State suspending \_\_\_\_\_ authority to expend PI or may require \_\_\_\_\_ to return unused PI to the State until the \_\_\_\_\_ clears the serious compliance issues.***

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Name and Title of Authorized Representative

\_\_\_\_\_  
Signature of CDBG Section Chief

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Name of CDBG Section Chief



## CITY COUNCIL AGENDA REPORT

### MEETING OF MARCH 27, 2014

FROM: FINANCE DEPARTMENT

SUBJECT: OTHER POST EMPLOYMENT BENEFITS TRUST FUND

#### RECOMMENDED ACTION:

1. Adopt the Resolution approving the Agreement and Election to Prefund Other Post Employment Benefits (OPEB) through California Public Employees Retirement System (CalPERS);
2. Adopt a Resolution for Delegation of Authority to Request Disbursements form;
3. Approve a budget amendment in the amount of \$12,000 to fully fund the Annual Required Contribution; and
4. Authorize \$42,000 to be deposited in the California Public Employees Retirement Benefit Trust Fund (CERBT);
5. Approve amending the City's Investment Policy to reflect contributions made to a qualified OPEB Trust Fund.

**BACKGROUND:** The City purchases healthcare benefits for active employees through CalPERS. To participate in the healthcare program, contracting agencies are required to provide access to healthcare for their retirees. The City of Capitola currently pays the legally required minimum benefit contribution of \$119 per month for each participating retired employee. All retiree health care costs above this minimum amount are borne by the retiree. Retiree healthcare benefits are subject to the requirements of Governmental Accounting Standards Board (GASB) Statement 45 – Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions. These requirements include completion of an actuarial study every three years and the annual disclosure of the City's long-term health care liability and annual funding contributions. Organizations may choose to prefund OPEB obligations by contributing to an irrevocable OPEB trust fund, with the goal of earning interest on long-term investments to mitigate obligations and reduce the total cost of benefits over time. In the Fiscal Year 2013/2014 Budget, the Council appropriated \$30,000 to prefund OPEB obligations; however the City must select a qualified OPEB trust provider. The trust funds being considered do not require the City to make annual or minimum contributions; and allow the withdrawal of funds to meet current retiree health benefits at anytime.

**DISCUSSION:** On January 22, 2014, the City received an updated actuarial report to comply with OPEB requirements. This document contains the City's actuarially determined OPEB obligation and the annual contribution needed to pay for the City's unfunded retiree health liabilities amortized over a 30 year period. The City's most recent actuarial report, completed by Steve Itelson, LLC, indicated that the City's projected unfunded liability based on a "pay as you go" basis was \$1,011,800, with an annual contribution of \$97,700 (Attachment 1). If the City chooses to begin prefunding the obligation, the unfunded liability could be reduced to as low as \$657,500, with an actuarially determined contribution of \$69,900. Funds placed in an irrevocable trust would also be eligible to receive a higher investment return than current City investments.

## Item #: 9.C. Staff Report.pdf

AGENDA STAFF REPORT MARCH 27, 2014

### OTHER POST EMPLOYMENT BENEFITS TRUST FUND

The following chart contrasts the City's current "pay as you go" strategy with three strategies that assume the City is setting aside funds in an irrevocable trust.

Strategy / Portfolio	Investment Return	Annual Contribution	Unfunded Liability
"Pay as You Go"	4.25%	\$97,700	\$1,011,800
Funding 100% - Conservative	6.25%	78,900	776,900
Funding 100% - Growth	7.5%	69,900	657,500

Staff evaluated three major trust OPEB administered programs: (1) California Public Employees Retirement Benefit Trust Fund (CERBT); (2) Public Agency Retirement Services (PARS); and (3) International City/County Manager Association Retirement Corporation (ICMA-RC) (Attachment 2). These three organizations are the major trust providers handling California public agency funds in compliance with the GASB 45 requirement. CERBT is administered by California Public Employee Retirement System (CalPERS), while PARS provides the City with supplemental retirement services in-lieu of social security benefits for temporary and seasonal employees. Staff is recommending the City deposit funds in CERBT's Trust Fund, with a growth asset allocation portfolio – Strategy 1, based on the following factors:

- CalPERS has been administering public pension plans for the past 80 years. They have proven experience in administering employer-sponsored plans, a history of risk-adjusted investment performance, and low administrative fees. Their regular pension investment portfolio, which is similar to Strategy 1, had a 10-year average rate of return of 7.1%. The OPEB trust funds are projected to yield an expected long term rate of return of 6.39% - 7.61%, depending on the asset allocation strategy.
- CERBT is the largest public sector OPEB trust fund provider in California, with over 379 participating agencies. This includes 95 cities, 13 counties, 31 schools, districts, offices of education; 6 superior courts, and 233 Special Districts and other Public Agencies. CERBT assets have a current market value of \$3.3 billion.
- Program fees are currently 0.14%, as compared to other plans which vary from 0.42% to 1.70%.
- CERBT is a self-funded program, in which participating employers pay for program costs, functioning like the Public Employees Retirement Fund. All costs are compiled and deducted from the investment return of the fund. Costs are assessed against average daily balances of investments within the fund, rather than the month beginning, or month ending balances.
- As consistent with the other OPEB plans, CERBT does not require an annual OPEB contribution. Although the Certification of OPEB Funding Policy requires the City to indicate proposed funding, this information is primarily used to assist the CERBT in developing investment strategies. If needed, the City can choose to reduce or discontinue funding the plan in any given year. The City also has the ability to withdraw funds to cover current retiree health payments during periods of fiscal uncertainty.
- CERBT is subject to public sector law and regulations; active oversight from an administrative board, and the institutional transparency legally required of public governance meetings and public records.

AGENDA STAFF REPORT MARCH 27, 2014  
OTHER POST EMPLOYMENT BENEFITS TRUST FUND

Comparative information, along with investment packages were reviewed with the Finance Advisory Committee (FAC) on March 18, 2014. In addition to supporting staff's recommendation to place funds in CERBT – Asset Allocation Strategy 1, the FAC is recommending fully funding the actuarially determined annual contribution for retiree benefits. This would require a \$12,000 allocation from the General Fund. It is anticipated that these funds could be provided from the projected General Fund surplus of \$690,900. This actuarial information, along with resolutions establishing a Trust Agreement and delegating disbursement authority; and amending the City's investment policy is needed to establish an OPEB Trust Fund.

**FISCAL IMPACT:** The City has budgeted for a \$30,000 contribution to an OPEB trust fund, as well as the annual "pay as you go" payments of approximately \$28,000. An additional appropriation of \$12,000 is needed to fully fund the actuarially determined contribution. The attached budget adjustment transfers the \$12,000 from the General Fund Surplus to the OPEB Trust Fund. It is estimated that by establishing and funding an OPEB Trust Fund that the City will achieve long-term savings on its retiree health costs.

**ATTACHMENTS:**

1. OPEB Actuarial Report, dated January 22, 2014;
2. Trust Comparison;
3. Resolution to approve an Agreement and Election to Prefund Other Post Employment Benefits through CalPERS;
4. Resolution for Delegation of Authority to Request Disbursements;
5. Budget Amendment.
6. City Investment Policy

**Report Prepared By:** Tori Hannah  
Finance Director

**Reviewed and Forwarded  
by City Manager:**



THIS PAGE INTENTIONALLY LEFT BLANK

**ACTUARIAL ANALYSIS OF RETIREE  
MEDICAL BENEFITS  
CITY OF CAPITOLA  
AS OF JULY 1, 2013**

**Prepared by:  
Steven T. Itelson  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries**

**January 22, 2014**

**STEVEN T. ITELSON, F.S.A.**

**CONSULTING ACTUARY  
1309 Diamond Street  
San Francisco, CA 94131  
(415) 648-8589  
email: itelson@comcast.net**

January 22, 2014

City of Capitola  
420 Capitola Avenue  
Capitola, CA 95010

Enclosed is my actuarial valuation of the retiree health program for Capitola employees as of July 1, 2013. The report is based on assumptions stated in the appendix, and on data provided by the City's staff, which I have limited ability to verify. Summaries of the data are included in appendices.

The valuation results are also based on my understanding of the existing benefit design, which is summarized in Appendix E. Only the benefits paid by Capitola are included in the valuation.

On the basis of the foregoing, I certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted principles and practices which are consistent with the applicable standards of practice of the Actuarial Standards Board. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions in this report.

To the extent that future actuarial experience varies from the assumptions used in this report, the actual costs in future years will vary from those presented herein.

Sincerely,



Steven T. Itelson,  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries

Enclosure



**CONTENTS**

SUMMARY ..... 1

INTRODUCTION..... 2

ACCOUNTING STANDARDS ..... 3

VALUATION RESULTS ..... 4

EXPERIENCE REVIEW..... 11

PARTICIPANT DATA..... 12

**APPENDICES**

A. ACTUARIAL TERMINOLOGY ..... 13

B. ACTUARIAL ASSUMPTIONS ..... 15

C. EMPLOYEE CENSUSES ..... 19

D. RETIREE CENSUS..... 21

E. PLAN SUMMARY ..... 22

**SUMMARY OF ACTUARIAL ANALYSIS  
OF RETIREE HEALTH PROGRAM**

The City of Capitola provides medical insurance benefits to all retirees. Retirees must have 5 years of service in the California Public Employees' Retirement System (PERS) to receive a pension; this requirement is waived for industrial disability retirements. Capitola provides the PERS Minimum Employer Contribution which is \$115 monthly for 2013 and \$119 for 2014. It increases with the healthcare component of the Consumer Price Index. See Appendix E for a plan summary.

The Governmental Accounting Standards Board (GASB) published Statement Number 45 in 2004. GASB 45 sets rules for computing expenses for retiree health and welfare benefits. Expense (called Annual OPEB Cost or AOC) is determined similarly to the way it is for pensions. Working employees accrue a prorated share of the financial present value of the retiree benefits each year. This valuation is done to comply with GASB 45.

Three alternatives have been run. If the City continues on the pay-as-you-go basis, the City's expense on the GASB 45 basis for 2013-14 is \$96,617. The Plan is 0% funded, since there are no assets. The Unfunded Actuarial Accrued Liability (UAAL) is \$1,011,800 which is 20.98% of covered payroll (\$4,821,600).

If Capitola funds the plan using a Trust with a high equity percentage, a 7.5% assumption might be used. On this basis the AOC is \$72,946 and the UAAL is \$657,500 (13.64% of payroll). If Capitola funds using a low-equity Trust, a 6.25% assumed rate of return might be used. This results in an AOC of \$80,365 and the UAAL is \$776,900 (16.11% of payroll).

The assumptions used in this actuarial valuation are shown in Appendix B. They include alternative interest rates, covered payroll rising 3% annually, and the PERS Minimum benefit increasing 4% annually. The mortality, retirement, and turnover rates used are the same as used in the City's pension costs.

## INTRODUCTION

This report gives the results of an actuarial valuation of the City's Post-Employment Benefits Other than Pensions. These benefits are abbreviated as OPEB or OPEBs.

There was no requirement to accrue expenses for a retiree health benefit plan until 2004, when the GASB issued Statements 43 and 45 for such rules in public agencies. GASB 43 requires actuarial reporting by the retiree health benefit trust fund, if there is one. GASB 45 requires that an employer's expense be determined using actuarial methods so that costs accrue over the employees' working lifetimes.

This report summarizes the valuation of the City's retiree medical program to comply with GASB 45. The actuarial calculations are summarized in the Valuation Results section (see page 4). The Experience Review (page 10) discusses what has occurred over the past five years. The Participant Data section shows what the assumptions forecast for the ways the current employees will leave the workforce (page 11).

Appendix A (page 12) is a glossary of actuarial terms used in this report. The actuarial assumptions and methods are shown in detail in Appendix B (page 14). They include rates of retiree mortality and rates at which the employees leave the work force for retirement, death, and other turnover. These assumptions are the ones used in your pension valuations for PERS. The Projected Unit Credit actuarial method has been used. Appendices C (page 18) and D (page 20) are distributions of the eligible employees and retirees, respectively. Appendix E (page 21) is the summary of benefit provisions. Only the retiree health benefits paid by the City are included in the actuarial projections and the summary.

## ACCOUNTING STANDARDS

Accounting rules for public employers are promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 45 on employer expense for post-employment benefits other than pensions (OPEB) was published in June 2004. GASB 45 sets the Annual OPEB Cost (AOC) as the expense.

The accounting rules require the AOC to be computed using one of six actuarial cost methods; the Projected Unit Credit method was used in this valuation. Actuarial methods allocate costs to time periods, with the Normal Cost being the portion of present value allocated to the current year and Actuarial Accrued Liability (AAL) the portion allocated to the past. The Annual Required Contribution (ARC) is the Normal Cost plus amortization of Unfunded AAL (UAAL, or the AAL less assets) over 30 years. The amortization is done as a level percentage of increasing payroll. This expense will be expressed in dollars and as a percentage of covered payroll. See Appendix A (page 13) for a glossary.

If an agency does not contribute the full ARC to a trust fund, the excess of ARC over contributions (which includes benefits paid) is to be shown in financial statements as a Net OPEB Obligation (NOO). After the first year, the Annual OPEB Cost consists of the ARC plus adjustments for interest and amortization of the NOO. If the contributions exceed the GASB 45 expense, the NOO is negative – it is an asset.

Public employers with less than 200 participants (employed plus retired) are required to have actuarial studies every three years to determine this expense. In the non-valuation years, the same percentage of wages as the prior valuation will be used for the ARC. All post-employment benefits other than pensions, such as retiree dental, vision and life insurance plans, are included. These rules should be discussed with the City's auditors.

### VALUATION RESULTS

The Governmental Accounting Standards Board (GASB) Statement 45 requires a minimum expense of the actuarial normal cost plus amortization of the UAAL over 30 years as a level percentage of increasing payroll. This total is called the Annual Required Contribution (ARC). Since the ARC has not been contributed to a trust fund, there is a Net OPEB Obligation (NOO) of \$359,713 as of June 30, 2013 shown in the City's financial statements. The expense includes the ARC plus interest on the NOO minus amortization of the NOO.<sup>1</sup> There were no retiree medical assets as of June 30, 2013. For all sets of results shown, the plan is 0% funded.

Covered payroll is \$4,821,600; certain results are shown in relation to it per GASB 45.

#### Scenario 1 – Continue-Pay-as-You-Go Basis

This scenario has the City pay benefits month by month as has been done for years. A rate of 4.5% per year has been used to discount expected benefits back to present value. The expense (Annual OPEB Cost or AOC) for 2013-14 is \$96,617. The ARC of \$97,700 is 2.03% of covered payroll. The total Unfunded Actuarial Accrued Liability (UAAL) is \$1,011,800 which is 20.98% of covered payroll. The main results are:

Present Value Future Benefits		
Current Employees	862,900	
Current Retirees	<u>564,700</u>	
Total		1,427,600
Actuarial Accrued Liability		
Current Employees	447,100	
Current Retirees	<u>564,700</u>	
Total		1,011,800
Assets		0
Unfunded AAL (UAAL)		1,011,800
Amortization of Unfunded AAL	48,600	
Normal Cost for Year	<u>49,100</u>	
Total ARC		97,700
ARC as percentage of payroll	2.03%	
Add: Interest on NOO		16,187
Subtract: Amortization of NOO		<u>17,270</u>
Expense (AOC)		96,617

<sup>1</sup> The NOO is the part of the UAAL that has been recognized on the balance sheet. Since amortization of the full UAAL is part of the expense, amortization of NOO is subtracted here to avoid charging for it twice.

**Item #: 9.C. Attach 1.pdf**

The 2011 valuation showed the ARC to be \$88,300 which was 1.89% of covered payroll. The UAAL was \$1,006,400 and was expected to rise.

Table 1 shows a year-by-year projection on the pay-as-you go basis. The NOO increases to over \$1 million. There are 33 retirees receiving benefits of \$83,000 annually by the end of 15 years. The projection excludes future employees.

Amounts are shown in dollars for the 2013-14 fiscal year. To use this valuation for fiscal years beginning in 2014 and 2015, the dollar amounts must be converted to percentages of covered payroll using a consistent basis from year to year.

Although the projection in Table 1 is shown for 15 years, the ARC will be revised based on future actuarial valuations. These will be at least triennial per GASB requirements.

**Scenario 2 – Fund the Plan, 7.5% Investment Return**

In this alternative, the City contributes the ARC to a Trust fund and the Trust pays the premiums monthly. Alternatively, the City contributes the net difference of ARC minus benefits paid to the Trust. The ARC is \$69,900 for 2013-14; this is 1.45% of covered payroll. The UAAL is \$657,500 which is 13.64% of covered payroll. The AAL is 0% funded. These results are items for disclosure under GASB Statement 45. The expense and actuarial liabilities are as follows as of July 1, 2013:

Present Value Future Benefits		
Current Employees	442,900	
Current Retirees	<u>406,700</u>	
Total		849,600
Actuarial Accrued Liability		
Current Employees	250,800	
Current Retirees	<u>406,700</u>	
Total		657,500
Assets		0
Unfunded AAL		657,500
Amortization of Unfunded AAL	43,700	
Normal Cost for Year	<u>26,200</u>	
Total ARC		69,900
ARC as percentage of payroll	1.45%	
Add: Interest on NOO		26,978
Subtract: Amortization of NOO		<u>23,932</u>
Expense (AOC)		72,946

Table 2 shows a year-by-year projection. The number of retirees and their benefits is the same as in Table 1. Since the ARC is \$69,900 and expected benefits are \$29,800, the Trust receives the difference of \$40,100. The Trust would receive about \$40,000 per year. By 15 years from now, the assets are projected to exceed \$1.1 million. It is assumed the Trust earns 7.5% per year. This requires a substantial percentage of the Trust investments to be in equities. There are alternative Trust providers available.

GASB 45 requires that agencies contribute the full ARC to a Trust in order to use the assumed rate of return on the Trust in determining expense. If the City were to contribute, for example, only \$20,000 to the Trust, the discount rate for determining expense would be lowered.

### Scenario 3 – Fund the Plan, 6.25% Investment Return

A valuation has been run using a 6.25% investment return assumption. This could be for use of a lower-equity investment portfolio for which a long term assumption of 6.25% is appropriate. The City would be contributing the full ARC, with part going to pay benefits and the remainder into the Trust. The ARC is \$78,900 which is 1.64% of covered payroll. The UAAL of \$776,900 is 16.11% of payroll. The main results are:

Present Value Future Benefits		
Current Employees	574,800	
Current Retirees	<u>462,600</u>	
Total		1,037,400
Actuarial Accrued Liability		
Current Employees	314,300	
Current Retirees	<u>462,600</u>	
Total		776,900
Assets		0
Unfunded AAL		776,900
Amortization of Unfunded AAL	45,400	
Normal Cost for Year	<u>33,500</u>	
Total ARC		78,900
ARC as percentage of payroll	1.64%	
Add: Interest on NOO		22,482
Subtract: Amortization of NOO		<u>21,017</u>
Expense (AOC)		80,365

**TABLE 1**  
**City of Capitola Retiree Health Plan**  
**City Continues Pay-As-You-Go Financing**  
**NOO is Net OPEB Obligation**

<b>Fiscal Year Begin</b>	<b>Number Retirees</b>	<b>Annual Benefits</b>	<b>Annual OPEB Cost</b>	<b>NOO Year End</b>
2013	21	29,800	96,617	426,500
2014	22	32,500	99,000	493,000
2015	23	35,600	101,000	558,000
2016	25	38,700	102,000	621,000
2017	26	42,200	103,000	682,000
2018	27	45,600	104,000	740,000
2019	28	49,200	104,000	795,000
2020	29	52,900	104,000	846,000
2021	29	56,400	105,000	895,000
2022	30	60,000	104,000	939,000
2023	31	63,900	103,000	978,000
2024	31	67,700	101,000	1,011,000
2025	32	71,400	99,000	1,039,000
2026	32	75,400	95,000	1,059,000
2027	33	79,500	90,000	1,070,000
2028	33	83,000	83,000	1,070,000



Table 3 is a projection on this basis. The numbers of retirees and amounts of benefit are the same as in Tables 1 and 2. With the higher contributions and lower rate of return, the assets are projected to reach \$1,180,000 by the end of year 2028-29.

Suppose the City contributes \$20,000 to a Trust that is expected to earn 7.5% per year. The total GASB 45 contribution of benefits paid plus Trust contributions would be about \$50,000. This is about halfway between the ARC using 7.5% and the pay-as-you-go cost of \$29,800. An interest assumption about halfway between the 4.5% for pay-as-you-go and 7.5% for fully funding would be used. For this valuation the 6.25% valuation is deemed reasonable. The City would show the expense to be \$80,365 as shown above. Benefits paid plus Trust contributions would be less than the AOC so the NOO would continue to rise. With lower annual contributions but the same rate of return, Trust assets would be lower than in Table 2.

It is likely that GASB will issue new standards similar to pension Statements GASB 67 and GASB 68; if so, the UAAL will move from footnotes to the balance sheet.

TABLE 2

**City of Capitola Retiree Health Plan  
ARC Minus Benefits Contributed End of Year  
Assumed Investment Income at 7.5% per Year  
ARC Increases with Payroll at 3% per Year**

<b>Fiscal Yr Begin</b>	<b>Number Retirees</b>	<b>Annual Benefits</b>	<b>City ARC</b>	<b>Assets End of Year</b>
2013	21	29,800	69,900	40,100
2014	22	32,500	72,000	82,600
2015	23	35,600	74,200	127,400
2016	25	38,700	76,400	174,700
2017	26	42,200	78,700	224,300
2018	27	45,600	81,100	276,600
2019	28	49,200	83,500	331,600
2020	29	52,900	86,000	389,600
2021	29	56,400	88,600	451,000
2022	30	60,000	91,300	516,100
2023	31	63,900	94,000	584,900
2024	31	67,700	96,800	657,900
2025	32	71,400	99,700	735,500
2026	32	75,400	102,700	818,000
2027	33	79,500	105,800	905,700
2028	33	83,000	109,000	999,600

TABLE 3

**City of Capitola Retiree Health Plan  
ARC Minus Benefits Contributed End of Year  
Assumed Investment Income at 6.25% per Year  
ARC Increases with Payroll at 3% per Year**

<b>Fiscal Yr Begin</b>	<b>Number Retirees</b>	<b>Annual Benefits</b>	<b>City ARC</b>	<b>Assets End of Year</b>
2013	21	29,800	78,900	49,100
2014	22	32,500	81,300	101,000
2015	23	35,600	83,700	155,400
2016	25	38,700	86,200	212,600
2017	26	42,200	88,800	272,500
2018	27	45,600	91,500	335,400
2019	28	49,200	94,200	401,400
2020	29	52,900	97,000	470,600
2021	29	56,400	99,900	543,500
2022	30	60,000	102,900	620,400
2023	31	63,900	106,000	701,300
2024	31	67,700	109,200	786,600
2025	32	71,400	112,500	876,900
2026	32	75,400	115,900	972,200
2027	33	79,500	119,400	1,072,900
2028	33	83,000	123,000	1,180,000

## EXPERIENCE REVIEW

The purpose of the experience analysis is to compare what happened since the previous valuation with what was forecast by the actuarial assumptions. The period under review is the five years beginning July 1, 2008.

### Benefit Increases

The PERS Minimum Employer Contribution was set by law to be \$97 monthly for 2008 and linked to the healthcare component of the Consumer Price Index. The 2014 Minimum of \$119 represent a compound annual increase of 3.5% per year. The 2011 valuation assumed future increases at 4.5%; this one assumes 4% annually.

### Benefits Declined and Retiree Mortality

In the past five years there have been 18 retirements. Of the 14 Miscellaneous retirees, nine declined benefits; for Police one of the four declined. The total of 10 refusing the benefits out of 18 is consistent with the 50% rate of decline assumed in 2011 and this assumption has been continued.

### Pre-Retirement Decrement Experience

Data provided included censuses as of 2008 and 2011. The number of retirements (service and disability combined) expected in the past five years was 16, with 11 from Miscellaneous and five from Police. This is close to the actual numbers shown above. Data cannot be analyzed by age or service so the PERS assumptions have been retained without adjustment.

Five Miscellaneous employees and four Police who were included in valuation censuses terminated since 2008. The numbers expected were 5.5 for Miscellaneous and 2.1 for Police. There were terminations from those hired between actuarial studies who were excluded from this analysis. This data supports continued use of the PERS vested plus non-vested withdrawal assumptions.

The assumptions project about five employees to retire and four to terminate in the next two years from the 63 current participants.

## PARTICIPANT DATA

### Active Employees

A census of 63 active employees was provided, of whom 42 were Miscellaneous members and 21 were Police. For Police, the average age was 38.4 with average service of 8.1 years. For Miscellaneous participants, the average age was 49.5 and average service was 11.1 years. Distributions of these employees by age and service are in Appendix C. The application of the decrement rates in Appendix B projects the following for these current employees over the next 40+ years:

	Miscellaneous	Police	Total
Service retire	32	11	43
Disability retire	1	6	7
Death before retire	1	0	1
Other termination	8	4	12
Total	42	21	63

The mean retirement age for the service retirements is expected to be 54.3 for Police and 60.8 for Miscellaneous. The total number of retirees receiving benefits year-by-year is given in Tables 1 and 2 in the Valuation Results section; the table includes current retirees.

### Retirees

The July 1, 2013 census included 11 police and nine Miscellaneous retirees. All had the PERS Minimum benefit of \$115 monthly as of July 1, 2013. The average ages were 65.4 for the Miscellaneous retirees and 64.0 for the Police. In 20 years, 12 of the current retirees (or their eligible surviving dependents) are projected to still be receiving City-paid benefits. A distribution of retirees by age and classification is in Appendix D.

## Appendix A

### ACTUARIAL TERMINOLOGY

**NORMAL COST** This represents the cost of the portion of an employee's benefit deemed to be earned in the current year. In pension plans such as the City's, a benefit is earned during each year of service. It is, therefore, relatively easy to visualize the Normal Cost as being the cost for each participant of the benefit earned in the current year. In a program such as a post-retirement health insurance plan, this cost cannot be easily related to a benefit formula. The Projected Unit Credit actuarial cost method has been used here. The Normal Cost is calculated so that the total value of a participant's benefit would be accrued in equal units over his total service to the expected retirement date. Thus, if an employee's total projected service to retirement was 30 years,  $1/30^{\text{th}}$  of the present value of the expected post-retirement benefits would be the Normal Cost. This would be the total annual cost over the long term if (1) the Normal Costs attributable to the past had been fully funded, and (2) experience matched what was assumed in all areas including investment return, premium increase, retirement, turnover, etc.

**ACTUARIAL ACCRUED LIABILITY (AAL)** For employees, this term can be defined retrospectively or prospectively. It is the accumulation of past Normal Costs from date of hire to the valuation date for all current employees. Alternatively, it is the present value of all future benefits less the present value of future Normal Cost payments. For example, for an employee who would have 30 years of service at retirement and has worked 15 years already, it is  $15/30$  of the present value of expected post-retirement benefits. For retirees, the AAL equals the present value of future benefits. There are no future Normal Costs after retirement.

**UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)** is the Actuarial Accrued Liability minus the actuarial value of plan assets. The UAAL is the present value of benefits attributed to the past which have not yet been funded. Amortization of the UAAL is a component of the City's expense.

**AMORTIZATION PAYMENT** The Unfunded Actuarial Accrued Liability is amortized over 30 years beginning July 1, 2008. There are 25 years remaining on this schedule. The same period is used for amortizing the NOO. Payments are set to rise 3% annually, which makes them level in relation to expected covered payroll.

**ANNUAL REQUIRED CONTRIBUTION (ARC)** This consists of the Normal Cost plus the amortization of UAAL. It is the expense assigned to the current year, if the ARC has been paid each year since implementation of GASB 45. In years when an actuarial valuation is not done, the ARC is set to be the same percentage of that year's covered payroll as had been computed in the prior valuation. The ARC includes the benefits paid to current retirees.

**NET OPEB OBLIGATION (NOO)** When an agency does not contribute the ARC to a trust fund, there is an NOO. It equals the City contribution minus the Annual OPEB Cost. This represents the contribution shortfall – how much less than the ARC has been contributed since GASB 45 implementation. It is a liability to disclose on the City's financial statements. The retiree benefits paid are the City's contribution. As of June 30, 2013 the NOO was \$359,713.

**ANNUAL OPEB COST** This is the expense for accounting purposes to show on financial statements. It equals the ARC plus interest on the NOO minus the amortization of that NOO.

**PAY-AS-YOU-GO** This way of financing benefits is not a funding method because no assets are accumulated. The cost allocated to each year is the actual benefits paid.

**Appendix B**

**Actuarial Method and Assumptions**

Method: Projected Unit Credit

Investment return: 7.5% per year, alternatively 6.25% per year if funding

Discount rate: 4.5% used for scenario without funding

General inflation (CPI): 3% per year

Covered payroll increases: 3% per year

**Rates of death and disability for active employees**

California PERS rates for Public Agencies from 2010 Experience Study.

Age	Miscellaneous Male		Miscellaneous Female	
	Death	Disability	Death	Disability
25	.05%	.01%	.03%	.01%
30	.05	.02	.04	.02
35	.07	.06	.05	.09
40	.09	.14	.06	.16
45	.12	.25	.09	.24
50	.18	.33	.13	.31
55	.26	.37	.18	.31
60	.40	.38	.27	.25
65	.61	.32	.42	.20
70	.91	.28	.65	.18

Age	Police Male		Police Female	
	Death	Disability	Death	Disability
25	0.06%	0.33%	0.03%	0.33%
30	0.06	0.66	0.05	0.66
35	0.08	1.00	0.06	1.00
40	0.10	1.33	0.08	1.33
45	0.13	1.66	0.11	1.66
50	0.19	2.00	0.14	2.00
55	0.28	6.81	0.19	6.81
60	0.41	6.88	0.28	6.88



**Rates of Retirement: Miscellaneous Males and Females**

Males and Females: 2.5% at 55 PERS Pensions

California PERS rates for Public Agencies from 2010 Experience Study

Age	Years of Service						
	5	10	15	20	25	30	35+
50	2.61	3.33	4.04	4.75	5.46	6.18	
51	2.06	2.63	3.19	3.75	4.31	4.88	
52	2.06	2.63	3.19	3.75	4.31	4.88	5.44
53	2.61	3.33	4.04	4.75	5.46	6.18	6.89
54	4.26	5.43	6.59	7.75	8.91	10.08	11.24
55	8.80	11.20	13.60	16.00	18.40	20.80	23.20
56	5.50	7.00	8.50	10.00	11.50	13.00	14.50
57	6.05	7.70	9.35	11.00	12.65	14.30	15.95
58	7.15	9.10	11.05	13.00	14.95	16.90	18.85
59	8.25	10.50	12.75	15.00	17.25	19.50	21.75
60	8.80	11.20	13.60	16.00	18.40	20.80	23.20
61	8.25	10.50	12.75	15.00	17.25	19.50	21.75
62	12.10	15.40	18.70	22.00	25.30	28.60	31.90
63	10.45	13.30	16.15	19.00	21.85	24.70	27.55
64	10.45	13.30	16.15	19.00	21.85	24.70	27.55
65	14.30	18.20	22.10	26.00	29.90	33.80	37.70
70	12.54	15.96	19.38	22.80	26.22	29.64	33.06
75	100.00	100.00	100.00	100.00	100.00	100.00	100.00

**Rates of Retirement for Police Males and Females (Percentages)**

California PERS 2010 rates for Public Agencies with 3% at 50 Pension

Age	Years of Service						
	5	10	15	20	25	30	35+
50	7.00	7.00	7.00	13.10	19.30	24.90	
51	5.00	5.00	5.00	9.50	13.90	18.00	
52	6.10	6.10	6.10	11.60	17.10	22.00	27.00
53	6.90	6.90	6.90	13.00	19.20	24.70	30.30
54	7.10	7.10	7.10	13.40	19.70	25.50	31.20
55	9.00	9.00	9.00	17.00	25.00	32.20	39.50
56	6.90	6.90	6.90	13.00	19.10	24.70	30.20
57	8.00	8.00	8.00	15.20	22.30	28.80	35.30
58	8.70	8.70	8.70	16.40	24.20	31.20	38.20
59	9.00	9.00	9.00	17.00	25.10	32.30	39.60
60	13.50	13.50	13.50	25.50	37.65	48.45	59.40
61	9.00	9.00	9.00	17.00	25.10	32.30	39.60
62	11.25	11.25	11.25	21.25	31.38	40.38	49.50
63	9.00	9.00	9.00	17.00	25.10	32.30	39.60
64	9.00	9.00	9.00	17.00	25.10	32.30	39.60
65	100.00	100.00	100.00	100.00	100.00	100.00	100.00

**Rates of Withdrawal for Miscellaneous Males and Females (Percentages)**

California PERS rates for Public Agencies 2010 Experience Study  
Sum of terminated refund and terminated vested rates

Age	Service							
	0	5	10	15	20	25	30	35+
20	17.42							
25	16.74	8.68						
30	16.06	7.90	6.68					
35	15.37	7.11	5.87	5.03				
40	14.68	6.32	5.07	4.24	3.70			
45	14.00	5.54	4.27	3.47	2.90	2.29		
50	13.32	1.16	0.71	0.32	0.21	0.11	0.05	
55	12.62	0.97	0.55	0.23	0.13	0.05	0.01	0.01
60	12.08	0.78	0.38	0.14	0.05	0.01	0.01	0.01
65	12.08	0.62	0.21	0.04	0.01	0.01	0.01	0.01
70	12.08	0.62	0.08	0.02	0.01	0.01	0.01	0.01

**Rates of Withdrawal for Police Males and Females (Percentages)**

California PERS rates for Public Agencies 2010 Experience Study  
Sum of terminated refund and terminated vested rates

Age	Service							
	0	5	10	15	20	25	30	35+
20	10.13							
25	10.13	2.49						
30	10.13	2.49	1.79					
35	10.13	2.49	1.79	1.09				
40	10.13	2.49	1.79	1.09	0.82			
45	10.13	2.49	1.79	1.09	0.82	0.70		
50	10.13	0.86	0.53	0.27	0.17	0.12	0.00	
55	10.13	0.86	0.53	0.27	0.17	0.12	0.00	0.00
60	10.13	0.86	0.53	0.27	0.17	0.12	0.00	0.00

PERS Minimum Employer Contribution: \$115 monthly for 2013, \$119 in 2014 and assumed to increase 4% per annum thereafter.

Family composition: 20% of female employees and 30% of males who take the City retiree health benefits will have a survivor continuing the benefits after the death of the retired employee. Wives are 3 years younger than husbands.

Percentage declining benefit: 50%

**Retiree Mortality Rates:** California PERS 2010 Experience Study

No assumed improvements in mortality

Sample annual rates and life expectancies:

**FEMALE RETIREES**

Age	Life Expectancy (Years)			Rate of Mortality (%)		
	Service Retiree	Industrial Disability Retiree	Spouse	Service Retiree	Industrial Disability Retiree	Spouse
55	30.3	27.9	27.3	0.24	0.55	0.47
60	25.7	23.8	23.0	0.43	0.80	0.72
65	21.3	19.8	18.9	0.78	1.18	1.07
70	17.3	16.0	15.0	1.24	1.72	1.68
75	13.5	12.5	11.5	2.07	2.66	3.08
80	10.0	9.3	8.4	3.75	4.53	5.27
85	7.1	6.6	5.9	7.05	8.02	9.78

**MALE RETIREES**

Age	Life Expectancy (Years)			Rate of Mortality (%)		
	Service Retiree	Industrial Disability Retiree	Spouse	Service Retiree	Industrial Disability Retiree	Spouse
55	27.3	25.8	30.3	0.47	0.56	0.24
60	23.0	21.5	25.7	0.72	0.78	0.43
65	18.9	17.5	21.3	1.07	1.39	0.78
70	15.0	13.9	17.3	1.68	2.24	1.24
75	11.5	10.5	13.5	3.08	3.58	2.07
80	8.4	7.6	10.0	5.27	6.93	3.75
85	5.9	5.6	7.1	9.78	11.80	7.05

Note: **Life expectancy** is the average number of future years of life for those who have attained the specified age. For example, male service retirees age 65 will live for an *average* of 18.9 more years. The **rates of mortality** are the percentages of the retirees at the specific age who die before reaching the next age. For example, 1.07% of male service retirees age 65 are assumed to die before reaching age 66.

**APPENDIX C-1**

Distribution of Police Employees  
By Age and Years of Service  
as of July 1, 2013

Age	Years of Service						Total
	Under 5	5 – 9	10 – 14	15 – 19	20 – 24	25 & Over	
Under 30	2	2					4
30 – 34		2					2
35 – 39	3	3	2				8
40 – 44		1	1	1			3
45 – 49		1			1		2
50 & Over	1				1		2
<b>Total</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>21</b>

There are 20 males and one female in this census. The average age is 38.4 and the average service is 8.1 years.

## APPENDIX C-2

Distribution of Miscellaneous Employees  
By Age and Years of Service  
as of July 1, 2013

Age	Years of Service						Total
	Under 5	5 – 9	10 – 14	15 – 19	20 – 24	25 & Over	
Under 30	1						1
30 – 34	2	2	1				5
35 – 39							0
40 – 44	2		3				5
45 – 49	1	1	2		1		5
50 – 54	3	4	1	2	1	2	13
55 – 59		3		1	3	1	8
60 & Over	1	1	1	2			5
Total	10	11	8	5	5	3	42

There are 20 females and 22 males in this census. The average age is 49.5 and the average service is 11.1 years.

**APPENDIX D**

Distribution of Current Retirees  
By Rounded Age and Classification  
As of July 1, 2013

Age	Police	Miscellaneous	Total
Under 60	2	3	5
60 – 64	3	1	4
65 – 69	6	4	10
70 – 74			0
75 – 79		1	1
80 & Over			0
Total	11	9	20

The average ages for retirees are 64.0 for Police and 65.4 for Miscellaneous. None were identified as disability retirees. All retirees have benefits of \$115 monthly as of July 1, 2013.

## APPENDIX D

**Summary of Current Retiree Health Program  
As Used for Actuarial Valuation  
City of Capitola**

<b>PERS Minimum Benefit</b>	<b>City of Capitola</b>
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	\$115 in 2013, \$119 in 2014, and indexed to the medical component of the Consumer Price Index thereafter.
Benefits End	Paid for life
<b>Post-Retirement Death Benefit</b>	PERS Minimum. Survivors must be receiving continuance of PERS pension
<b>Pre-Retirement Death Benefit</b>	Same as post-retirement death benefit.
<b>Disability Benefit</b>	Same as retirement benefits shown above. Service requirements apply but eligibility is irrespective of age. There is no service requirement if the disability is industrial (service-connected).

THIS PAGE INTENTIONALLY LEFT BLANK



# Trust Comparison

	CERBT	PARS	ICMA-RC
Number of Clients	391+	118+	70+
Total Assets	\$3.8B	\$1.3B	\$325M
Plan Inception Date	2007	1996	2004
Years of Retirement Investing	80	30	42
Allocation Strategies	3	5	23
IRS Section 115 Letter	In progress	X	X
Actuarial Requirements	2 Years	3 Years	3 Years
Total Basis Points – Fees	0.14%	0.50% - 0.60%	0.42% - 1.70%

- All plans offer the following:
  - No requirement to fund in any given year
  - Ability to use funds for annual OPEB costs without a contribution
  - Termination clause which allows portability to another irrevocable trust
    - Timelines vary from 90 -150 days for transfer

Estimated Actuarial costs of \$3,700. The new GASB pronouncement may require cities with under 200 participants to complete an actuarial report every two years.

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
APPROVING THE AGREEMENT TO PREFUND OTHER POST-EMPLOYMENT  
BENEFITS THROUGH CALPERS**

**WHEREAS**, the City Council is the governing body of the City of Capitola; and

**WHEREAS**, the California Public Employees Retirement System (CalPERS) has established the California Employers' Retirement Benefit Trust Fund (CERBT) for California Public Agencies to use to prefund future retiree health and other post-employment benefit costs; and

**WHEREAS**, to participate in the CERBT program, CalPERS requires that the City Council approve the accompanying agreement (Exhibit A).

**NOW, THEREFORE, BE IT HEREBY RESOLVED AND ORDERED** by the City Council of the City of Capitola, hereby adopts the agreement with California Public Employees' Retirement System (CalPERS) to prefund retiree medical benefits through participation in the California Employer's Retiree Benefit Trust Program (CERBT); and approves the certification of the Program Funding Policy (Exhibit B).

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect upon its adoption by this Council.

**I HEREBY CERTIFY** that the above and foregoing Resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 27<sup>th</sup> day of March 2014, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

ATTEST:

\_\_\_\_\_  
Liz Nichols, Deputy City Clerk

\_\_\_\_\_  
Sam Storey, Mayor

EXHIBIT A

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION  
OF

City of Capitola  
(NAME OF EMPLOYER)

---

TO PREFUND OTHER POST EMPLOYMENT  
BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) City of Capitola  
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:        CalPERS  
   Affiliate Program Services Division  
   CERBT (OPEB)  
   P.O. Box 1494  
   Sacramento, CA 95812-1494

Filing in person, deliver to:        CalPERS Mailroom  
   Affiliate Program Services Division  
   CERBT (OPEB)  
   400 Q Street  
   Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

- (a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
  - 2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.
- (b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;
  - 2) prepared in accordance with GASB 43, 45, and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at

Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. If an employer elects to contribute then the contribution amount should not be less than \$5000 or the employer's annual required contribution (ARC), whichever amount is lower. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

#### D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.
- (3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.
- (4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.
- (5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.
- (6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

- (1) The Board may terminate Employer's participation in the Prefunding Plan if:



- (a) Employer gives written notice to the Board of its election to terminate;
  - (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.
- (2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.
- (3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.
- (4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.
- (5) After the Employer's participation in the Prefunding Plan terminates, the governing body of the Employer may request either:
- (a) A trustee to trustee transfer of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.
  - (b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date

preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

#### I. General Provisions

##### (1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

##### (2) Audit.

- (a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.
- (b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such

consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

- (a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:
1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
  2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
  3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
  4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
  5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
  6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to

the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.
- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

#### (4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

#### (5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

#### (6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 27 day of the month of March in the year 2014, authorized entering into this Agreement.

Signature of the Presiding Officer: \_\_\_\_\_

Printed Name of the Presiding Officer: \_\_\_\_\_

Name of Governing Body: City Council

Name of Employer: City of Capitola

Date: March 27, 2014

BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
RAND ANDERSON  
AFFILIATE PROGRAM SERVICES DIVISION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS  
The effective date of this Agreement is: \_\_\_\_\_

EXHIBIT B



**CERTIFICATION OF OPEB FUNDING POLICY &  
GASB 43/45 REPORTING COMPLIANCE**

**SECTION I: Asset Allocation Strategy and Discount Rate Selection**

I certify that

1. My agency chooses the following asset allocation strategy  
Select one Asset Allocation Strategy and the corresponding Discount Rate

<u>Asset Allocation Strategy</u>	<u>Discount Rate with NO MFAD adjustment</u>
<input checked="" type="checkbox"/> Strategy 1	7.61%
<input type="checkbox"/> Strategy 2	7.06%
<input type="checkbox"/> Strategy 3	6.39%

2. My agency elects to use a Margin for Adverse Deviation (MFAD)

<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes
--	------------------------------

\* If "Yes", then identify that MFAD percentage here: 0. \_\_\_\_\_ %

3. The discount rate net of MFAD is \_\_\_\_\_ %

**SECTION II: ARC Funding**

**As the employer, I certify that our funding policy is to contribute consistently an amount that is equal to (select one):**

*(Valuation date should correspond with Item No. 1.0 in Summary of Actuarial Information)*

Full ARC Funding:

- 100 % of the ARC as determined in our OPEB valuation (or AMM) dated January 22, 2014, which used an average actuarial Discount Rate of 7.50 %  
(See Note 1 in Section II)

Partial ARC Funding:

- \_\_\_\_\_ % of the ARC as determined in our OPEB valuation (or AMM if it applies) dated \_\_\_\_\_, 20\_\_\_\_ which used a blended actuarial Discount Rate of \_\_\_\_\_ % where the base short-term investment Discount Rate is \_\_\_\_\_ %

**CERTIFICATION OF OPEB FUNDING POLICY &  
GASB 43/45 REPORTING COMPLIANCE**

We will contribute to the trust using an approach not directly related to the ARC (In the space provided below, please describe your funding approach and how the approach relates to the average discount rate assumption made by your actuary in the OPEB valuation (or AMM if it applies) dated January 22, 2014 which used a blended actuarial Discount Rate of \_\_\_\_\_% where the base short-term investment Discount Rate is \_\_\_\_\_%):

Note 1: The City is anticipating contributing 100% of the ARC, net of pay-as-you-go costs. This contribution is dependant upon the availability of funds in the budget and subject to annual City Council approval.

---



---

**SECTION III: ARC Contribution Method**

**We plan to contribute toward the ARC in the following manner (select one):**

- Contribute our full ARC payments to the trust and seek reimbursements for Pay-go costs
- Contribute our ARC payments to the trust net of Pay-go costs and not seek reimbursements (ARC minus Pay-go = Trust Contribution)
- Other (Please describe):

---



---



---

**SECTION IV: Years of ARC Coverage**

**This OPEB valuation provides ARC amounts for the following periods:**

*(ARC dates should correspond with Item No. 10.0 in Summary of Actuarial Information)*

First Year: From July 1, 202013 through June 30, 2014.  
 Second Year: From July 1, 202014 through June 30, 2015.

The California Employers' Retiree Benefit Trust (CERBT) fund plan includes more than 200 members. We understand that, under GASB 43, paragraph 33, as an employer participating in the CalPERS CERBT, we must obtain an actuarial valuation (or AMM if it applies) on at least a **biennial** basis.

**CERTIFICATION OF OPEB FUNDING POLICY &  
GASB 43/45 REPORTING COMPLIANCE**

We understand that we will be asked to provide accounting information to CalPERS as required in order to facilitate CalPERS compliance with GASB 43 reporting requirements, and we agree to make any information requested available to CalPERS on a timely basis. Our contact information is noted below.

We understand that CalPERS will provide us with our Statement of Plan Net Assets and our Statement of Changes in Plan Net Assets, which can be used to prepare our GASB 45 reporting. CalPERS will report aggregated GASB 43 information pertaining to the Funded Status and Funding Progress.

January 22, 2014

Date of OPEB Valuation (or AMM if it applies)

City of Capitola

Name of Employer

Benjamin Jamie Goldstein, City Manager

Printed Name and Title of Person Signing the Form

03/27/2014

Signature

Date

Tori Hannah

Designated Employer Contact Name for GASB Reporting

831-475-7300

thannah@ci.capitola.ca.us

Phone #

Email Address

**Instructions to complete the form**



## CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

### **SECTION I: Asset allocation Strategy and Discount Rate Selection**

Check the box next to the Asset Allocation Strategy on which you have based your OPEB actuarial valuation or Alternative Measurement Method (AMM) cost report. Each strategy has a different assumed Discount Rate and risk profile. Your CERBT assets will be invested using the Asset Allocation Strategy indicated here.

Check the box to show whether your actuary applied a Margin for Adverse Deviation the expected assumed discount rate for your portfolio. If reducing the expected rate of return for a Margin for Adverse Deviation (MFAD) please indicate the percentage adjustment for the Margin for Adverse Deviation in the location indicated and then indicate the appropriate net rate of return resulting when the full rate of return has been reduced by a MFAD selected by your consulting actuary.

***The choices you check off on this form should match those used by your actuary in the OPEB valuation.***

### **SECTION II: ARC Funding**

- If you are fully funding, check the first box indicating the 100% funding, the applicable Discount Rate, and the valuation date.
- If you are funding at less than 100%, check the second box to indicate the percentage of funding [trust contributions plus paygo (and Implicit Rate Subsidy if applicable) divided by ARC], the valuation date, the Discount Rate, and the Base rate used to blend.
- If you are funding at less than 100% and your contributions are not tied specifically to the ARC, then indicate how you expect to contribute. For example, if you intend to make unreimbursed pay-go payments plus a fixed dollar amount to the trust, then describe this in the space provided.

### **SECTION III: ARC Contribution Method**

Here we ask you to indicate how you expect to make contributions to the trust: Full ARC with reimbursements, ARC net of paygo, or something else (please describe).

### **SECTION IV: Years of ARC Coverage**

Generally, your OPEB valuation will provide two years of ARC coverage. Please identify the specific periods to which the ARC applies.

THIS PAGE INTENTIONALLY LEFT BLANK



DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS

RESOLUTION OF THE

City Council (GOVERNING BODY)

OF THE

City of Capitola (NAME OF EMPLOYER)

The City Council (GOVERNING BODY) delegates to the incumbents

in the positions of City Manager (TITLE) and

Finance Director (TITLE) and/or

Senior Accountant (TITLE) authority to request on

behalf of the Employer disbursements from the Other Post Employment Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used.

By \_\_\_\_\_

Title \_\_\_\_\_

Witness \_\_\_\_\_

Date \_\_\_\_\_

THIS PAGE INTENTIONALLY LEFT BLANK



Date 3/19/2014

Requesting Department Finance Department

Administrative Council

Item # 8.C.  
 Council Date 3/27/2014  
 Council Approval \_\_\_\_\_

Revenues		
Account #	Account Description	Increase/Decrease
1430-00-00-000-3910.100	Transfer In - General Fund	12,000
<b>Total</b>		<b>12,000</b>

Expenditures		
Account #	Account Description	Increase/Decrease
1000-99-99-000-4910.415	Transfer Out - OPEB	12,000
<b>Total</b>		<b>12,000</b>

Net Impact -

Purpose: To fully fund the OPEB Trust Annual Required Contribution  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Department Head Approval \_\_\_\_\_  
 Finance Department Approval \_\_\_\_\_  
 City Manager Approval \_\_\_\_\_

THIS PAGE INTENTIONALLY LEFT BLANK



## ADMINISTRATIVE POLICY

Number: III-1  
Issued: May 9, 1996  
Revised: August 9, 2001  
Confirmed: May 24, 2012  
Confirmed: May 23, 2013  
Revised: March 27, 2014  
Jurisdiction: City Council

INVESTMENT POLICY

The policy for the investment of public funds shall at all times conform, by law, to Section 53601, et seq., of the California Government Code. In order of importance, the investment policy shall:

1. Provide for the safety of the funds
2. Assure the liquidity of the funds
3. Acquire earnings of the funds

This investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council and copies made available upon request.

The Treasurer's investment portfolio contains pooled investments of funds by both the City and of benefit assessment districts within the City. The earnings from pooled investments are shared proportionately with each investor.

City investment funds shall only be invested in the following permitted investments:

1. State of California Local Agency Investment Fund
2. U.S. Treasury T-Bills
3. Negotiable Certificates of Deposit
4. Guaranteed Investment Contracts (GIC) of AAA quality, for a term not to exceed fifteen (15) months\*

The following limitations shall apply to permitted investments:

T-Bills: Total dollar investment not to exceed 60% of total portfolio at time of investment.

Certificates of Deposit:

- A. Total dollar investment not to exceed 20% of total portfolio at time of investment.
- B. Maturity date of securities shall not be more than 365 days from date of purchase.
- C. Issuer must be one of top 20 national or state chartered banks, one of top 20 state or federal savings associations, or one of top 10 state licensed foreign banks as compiled by American Banker from Merrill Lynch.
- D. CD's may be purchased only from the issuer, a federal or state chartered bank, a federal or state association, or a brokerage firm designated as a primary dealer by the Federal Reserve Bank.
- E. The deposit shall not exceed the total of the paid-up capital and the surplus of any depository bank, nor shall the deposit exceed the net worth of any depository association.

City funds placed in a qualified Other Post Employment Benefit (OPEB) Trust Fund for retiree healthcare can be invested in accordance with Government Codes 53620-53622.

Treasurer

[City Council Resolution No. 2788, 5/9/96; Amended 3/22/01 by Resolution No. 3120 and 8/9/01 by Resolution No. 3149;  
Confirmed: 6/12/03; 6/10/04; 6/9/05; 5/25/06; 5/24/07; 6/12/08; 5/28/09; 5/13/10; 5/26/11, 5/24/12, 5/23/13]





## CITY COUNCIL AGENDA REPORT

MEETING OF MARCH 27, 2014

FROM: CITY MANAGER'S DEPARTMENT

SUBJECT: CONSIDER ADOPTING A RESOLUTION SUPPORTING ASSEMBLY BILL 2026  
RELATING TO INCREASED TRANSPARENCY IN THE SALE OF MOBILEHOMES

**RECOMMENDED ACTION:** Consider adopting a Resolution supporting Assembly Bill 2026 relating to increased transparency in the sale of mobilehomes.

**BACKGROUND:** Assembly Bill 2026 will give mobilehome and manufactured home owners and buyers transparency in the approval process for the purchase of a home in a mobilehome park.

**DISCUSSION:** A mobilehome owner whose home is located in a mobile home park may not own the land the unit sits on, and he or she often pays rent and fees for the land and any community spaces. In order to sell a mobile home located in a park, potential buyers often require approval by park management. Home owners trying to sell their home are therefore often reliant on park management to approve the buyer so that the sale can be completed.

Under current State law, park management can approve or deny a buyer based on their "financial means to pay rent." This allows the potential for management to set unreasonably high standards of approval for buyers, such as having exceptionally high credit scores.

AB 2026 would increase transparency in the sale of mobilehomes in parks. This bill would require the buyer to be presumed to have the ability to pay the rent and fees of the park if they have been approved by a state or federally chartered financial institution for a loan to buy the mobilehome. It would also require park management to provide upon request a list of information that will be used to determine if a buyer is eligible to live in the mobilehome park. If the potential buyer is denied, management must provide them with the specific reason for their denial and, upon request, meet with the buyer to reconsider the denial based upon any additional information available at that time.

AB 2026 would require that park management may require repairs or improvements to a sold or transferred mobilehome if such repairs are needed, as determined by an inspection by the appropriate enforcement agency. Park management would be required to provide documentary evidence that the buyer has not complied with rules and regulations in a housing unit within the last three years in order to deny them on those grounds. A buyer could not be denied solely because they own another mobilehome or residence.

**FISCAL IMPACT:** None

**ATTACHMENT:**

1. Draft Assembly Bill
2. Draft Resolution

Report Prepared By: Lisa G. Murphy  
Administrative Services Director

Reviewed and Forwarded  
by City Manager: 

THIS PAGE INTENTIONALLY LEFT BLANK



*California*  
LEGISLATIVE INFORMATION

**AB-2026 Mobilehome parks: sales.** (2013-2014)

CALIFORNIA LEGISLATURE— 2013–2014 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2026**

**Introduced by Assembly Member Stone**

**February 20, 2014**

An act to amend Sections 798.73.5 and 798.74 of the Civil Code, relating to mobilehome parks.

**LEGISLATIVE COUNSEL'S DIGEST**

AB 2026, as introduced, Stone. Mobilehome parks: sales.

Existing law authorizes the management of a mobilehome park, in the case of a sale or transfer of a mobilehome that is sold and that will remain in the park, to require repairs or improvements to the mobilehome, its appearances, or any accessory structure only if specified conditions are met, including that the repair or improvement based upon or required by a local ordinance or state statute or regulation relating to mobilehomes.

This bill would require a determination following an inspection by the appropriate enforcement agency that the repair or improvement is required by the local ordinance or state statute or regulation in order for the management to require the repair or improvement.

Existing law authorizes the management of a mobilehome park to require prior approval of a purchaser of a mobilehome that will remain in the park. Existing law also prohibits management from withholding approval if the purchaser has the ability to pay the rent and charges of the park, except as specified. Existing law authorizes management to require the purchaser to document the amount and source of his or her gross monthly income or other means of support but prohibits management from requiring personal income tax returns as evidence. Existing law permits the management or owner to be held liable for all damages if the approval of a prospective homeowner is withheld for any unauthorized reason.

This bill would delete the authorization to require documentation of financial support and would require the purchaser to be presumed to have the financial ability to pay the rent and charges of the park if he or she has been approved for a loan to purchase the mobilehome, that the purchaser intends to occupy. The bill would prohibit management from withholding approval on the basis that the prospective purchaser will not comply with the rules and regulations of the park. The bill would also prohibit management from withholding approval solely because the purchaser owns another mobilehome or real property residence and from requiring that the mobilehome being purchased be the sole residence of the purchaser. This bill would require the management, if a prospective homeowner is denied approval and if requested, to meet with the purchaser or homeowner at which time the management would be required to reconsider the denial based upon any additional information

**Item #: 9.D. Attach 1.pdf**

provided by the prospective homeowner. This bill would permit the management or owner to be held liable for damages to either the selling homeowner or the prospective homeowner if the approval is withheld for any unauthorized reason.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 798.73.5 of the Civil Code is amended to read:

**798.73.5.** (a) In the case of a sale or transfer of a mobilehome that will remain in the park, the management may only require repairs or improvements to the mobilehome, its appurtenances, or an accessory structure that meet all of the following conditions:

(1) Except as provided by Section 798.83, the repair or improvement is to the mobilehome, its appurtenances, or an accessory structure that is not owned and installed by the management.

(2) The repair or improvement is based upon or is required by a local ordinance or state statute or regulation relating to mobilehomes, or a rule or regulation of the mobilehome park that implements or enforces a local ordinance or a state statute or regulation relating to ~~mobilehomes~~, *mobilehomes, as determined following an inspection by the appropriate enforcement agency, as defined in Section 18207 of the Health and Safety Code.*

(3) The repair or improvement relates to the exterior of the mobilehome, its appurtenances, or an accessory structure that is not owned and installed by the management.

(b) The management, in the case of sale or transfer of a mobilehome that will remain in the park, shall provide a homeowner with a written summary of repairs or improvements that management requires to the mobilehome, its appurtenances, or an accessory structure that is not owned and installed by the management no later than 10 business days following the receipt of a request for this information, as part of the notice required by Section 798.59. This summary shall include specific references to park rules and regulations, local ordinances, and state statutes and regulations relating to mobilehomes upon which the request for repair or improvement is based.

(c) The provisions of this section enacted at the 1999–2000 Regular Session of the Legislature are declarative of existing law as they pertain to allowing park management to enforce park rules and regulations; these provisions specifically limit repairs and improvements that can be required of a homeowner by park management at the time of sale or transfer to the same repairs and improvements that can be required during any other time of a residency.

**SEC. 2.** Section 798.74 of the Civil Code is amended to read:

**798.74.** (a) The management may require the right of prior approval of a purchaser of a mobilehome that will remain in the park and that the selling homeowner or his or her agent give notice of the sale to the management before the close of the sale. Approval ~~cannot~~ *shall not* be withheld if the purchaser has the financial ability to pay the rent and charges of the park unless the management reasonably determines that, based on the purchaser's prior tenancies, he or she will not comply with the rules and regulations of the park. ~~In determining whether the purchaser has the financial ability to pay the rent and charges of the park, the management shall not require the purchaser to submit copies of any personal income tax returns in order to obtain approval for residency in the park. However, management may require the purchaser to document the amount and source of his or her gross monthly income or means of financial support.~~

(b) *For purposes of determining the prior approval of a purchaser pursuant to this section, all of the following shall apply:*

(1) *A purchaser shall be presumed to have the financial ability to pay the rent and charges of the park if the purchaser has been approved by a state or federally chartered financial institution for a loan to purchase the mobilehome that the purchaser intends to occupy and written documentation confirming this fact has been provided to management.*

(2) *Management shall not withhold approval on the basis that the purchaser will not comply with the rules and regulations of the park unless management provides the purchaser with documentary evidence that the*

*purchaser has failed to comply with the rules and regulations during a previous tenancy within the three years preceding the purchaser's application for tenancy.*

*(c) Management shall not withhold approval solely because the purchaser owns another mobilehome or real property residence. Management shall not require that the mobilehome that is the subject of the purchase be the sole residence of the purchaser as a condition of granting approval.*

~~Upon~~

*(d) Upon request of any prospective homeowner who proposes to purchase a mobilehome that will remain in the park, management shall ~~inform~~ provide that person with a list of the information management will require in order to determine if the person will be acceptable as a homeowner in the park.*

~~Within~~

*(e) Within 15 business days of receiving all of the information requested from the prospective homeowner, the management shall notify the seller and the prospective homeowner, in writing, of either acceptance or rejection of the application, and the specific reason or reasons, if rejected. During this 15-day period the prospective homeowner shall comply with the management's request, if any, for a personal interview. If a prospective homeowner is denied approval, within five business days of receiving the denial, the selling homeowner and the prospective homeowner may request an in-person meeting with management. If requested, the meeting shall take place within 10 days, at which time the management shall reconsider its denial based upon any additional information provided by the prospective homeowner. If the approval of a prospective homeowner is withheld for any reason other than those stated in this article, the management or owner may be held liable for all damages to the selling homeowner and the prospective homeowner proximately resulting therefrom.*

~~(b)~~

*(f) If the management collects a fee or charge from a prospective purchaser of a mobilehome in order to obtain a financial report or credit rating, the full amount of the fee or charge shall be credited toward payment of the first month's rent for that mobilehome purchaser. If, for whatever reason, the prospective purchaser is rejected by the management, the management shall refund to the prospective purchaser the full amount of that fee or charge within 30 days from the date of rejection. If the prospective purchaser is approved by the management, but, for whatever reason, the prospective purchaser elects not to purchase the mobilehome, the management may retain the fee, or a portion thereof, to defray its administrative costs under this section.*

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
SUPPORTING THE PASSAGE OF AB 2026  
RELATING TO INCREASED TRANSPARENCY IN THE SALE OF MOBILEHOMES**

**WHEREAS**, more than 700,000 people live in mobilehomes and manufactured homes in California, and California is home to 4,734 mobilehome and manufactured home parks; and

**WHEREAS**, mobilehomes are an affordable alternative for seniors on fixed incomes; and

**WHEREAS**, mobilehome owners do not own the land their home sits on in a mobilehome park; and

**WHEREAS**, the sale of a mobilehome is a three-party transaction between the mobilehome owner, the buyer, and park management; and

**WHEREAS**, current law does not adequately protect mobilehome owners and potential buyers from excessively high standards of approval put in place by park management; and

**WHEREAS**, Assembly Bill 2026, relating to the sale of mobilehomes, provides needed protections and transparency for both owners and buyers in the sale of a mobilehome.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Capitola hereby supports the passage of AB 2026.

**I HEREBY CERTIFY** that the foregoing resolution was passed and adopted by the City Council of the City of Capitola on the 27<sup>nd</sup> day of March, 2014, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Sam Storey, Mayor

ATTEST:

\_\_\_\_\_  
Liz Nichols, Deputy City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK