

MINOR HOME REHABILITATION PROGRAM GUIDELINES FOR THE LOS OSOS WASTEWATER CONNECTIONS PROJECT

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Project Basics

Applicants to the County of San Luis Obispo's Minor Home Repair Program, hereinafter referred to as the "Program," for the Los Osos Wastewater Connections Project, hereinafter referred to as "Project, must comply with the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) requirements for the Program.

In order to implement the completion of the Project and use federal funds to assist CDBG-income eligible homeowners the County developed guidelines based partly on the CDBG regulations. The Program will help the County document meeting the federal objectives of the CDBG funds by providing a benefit to the low- and moderate-income persons or households in Los Osos. In summary, the Program will:

- Provide the County the required household information to determine household (income) eligibility under the CDBG program, and
- Provide information to the County on the house address requesting assistance for the County to conduct an environmental review, and
- The County will complete the necessary federal environmental review document for the proposed work, and
- The County will obtain price quotes in compliance with procurement standards from contractors required by 2 CFR 200.320 and verify that contractors are not debarred or suspended from receiving federal funds by the U.S. Department of Labor (DOL) and doing outreach to women, minority and Section 3 business concerns, and
- Execute the necessary agreements with the County, homeowner and contractor, and
- Not beginning any work on the home until the County issues a Notice to Proceed for that home.
- Conduct an on-site property "walk through" to identify possible lateral locations and assess impacts to existing landscaping, driveway, walkways, fencing, for example, for reimbursement purposes.
- Contractor completes the needed repair work.
- Compliance with the applicable County of San Luis Obispo codes, including the California Plumbing Code will ensure that the rehabilitation (i.e.: sewer lateral connection and septic system decommissioning) will comply with CDBG and HUD requirements. This standard ensures that all houses rehabilitated with HUD funds adequately address and protect public health, safety and welfare.

At the time of work completion, the County Department of Planning and Building, hereinafter referred to as "Planning and Building," will sign off the issued building permits for compliance with applicable codes.

1. GENERAL PROVISIONS

A. Purpose of the Program

The County of San Luis Obispo Minor Home Rehabilitation Program (“Program”) is designed to assist low and moderate-income homeowners in the unincorporated community of Los Osos to retain the housing currently occupied by CDBG income-eligible homeowners by assisting homeowners with installing sewer laterals and decommission their septic system. Assistance will be in the form of a forgivable loan, secured by a Promissory Note secured by a Deed of Trust (see Section 5. D. -Term of Assistance), based on performance, available to achieve cost-effective repairs for low and moderate-income households. The policies and procedures contained herein dictate the approved method of operation of the Program.

THIS PROGRAM INVOLVES THE INSTALLATION OF SEWER LATERALS CONNECTING SINGLE-FAMILY HOMES TO THE NEW LOS OSOS WASTEWATER SYSTEM. THE SEWER LATERALS WILL CONNECT TO EXISTING SEWAGE SEPTIC SYSTEM PIPES LOCATED OUTSIDE THE HOUSES.

FOR HOUSES BUILT BEFORE 1978, THE CONTRACTOR IS TO AVOID PAINTED SURFACES DUE TO THE POSSIBILITY OF LEAD-BASED PAINT AND IS TO FOCUS ON THE INSTALLATION OF THE SEWER LATERAL AND DECOMMISSIONING OF THE SEPTIC SYSTEM. REHABILITATION/REPAIRS CAN NOT BE UNDERTAKEN ON DETERIORATED OR LOOSE PAINT, VISIBLE SURFACE DUST, PAINT CHIPS, OR ANY REHABILITATION OR REPAIR ON THE HOUSE THAT WOULD INVOKE THE REQUIREMENTS OF 24 CFR PART 35 (LEAD-BASED PAINT POISONING PREVENTION IN CERTAIN RESIDENTIAL STRUCTURES).

THE CONTRACTORS ARE NOT AUTHORIZED TO DISTURB OR MAKE REPAIRS ON PAINTED SURFACES.

The intent of the Minor Home Rehabilitation Program Guidelines for the Los Osos Wastewater Connections Project, hereinafter referred to as the “Guidelines,” is to establish procedures to carry out the intent of the County of San Luis Obispo and HUD assist owner-occupied, single-family residential units connect to the new Los Osos Wastewater System, hereinafter referred to as the “Public Sewer System.” The Program will help bring existing homes up to property standards, make homes livable and efficient, and strengthen neighborhoods. The Program is not for homeowners who intend to sell their property upon completion of the lateral installation.

This document may be administratively amended from time to time by Planning and Building to improve the efficiency of implementation, provided such amendments are consistent with local, state, and federal laws and regulations.

The focus of this Program is to help income eligible homeowners located within the San Luis Obispo County Wastewater Assessment District No.1 as recorded in the official records of the San Luis Obispo County Clerk-Recorder’s Office, on February 27, 2008 (“the Service Area”) install sewer laterals to connect to the new Public Sewer System. The County of San Luis Obispo will work with residents to ensure there is a quality housing stock compliant with state and federal groundwater pollution laws. It is understood that fully functioning

homes protect the occupants and add value to the overall neighborhood, thus increasing the livability of the entire County.

B. Program Funding Source

The funding source for the Program is the CDBG program, administered by HUD. San Luis Obispo County receives funds from HUD on an annual basis to implement housing and community development activities in San Luis Obispo County.

Community Development Block Grant Program

The federal Housing and Community Development Act of 1974, as amended (42 USC 5301), established the CDBG program. The primary federal objective of the CDBG program is the development of viable urban communities by providing decent housing and a suitable living environment, to low- and moderate-income households. Specific rules and regulation related to implementation of the CDBG program are in the Code of Federal Regulations (24 CFR Part 570).

C. Program Scope

The Program provides financial assistance to income eligible homeowners in the unincorporated community of Los Osos that are required to connect their sewer lateral to the Public Sewer System and decommission the septic system. The work at the homeowner's property will hereinafter be referred to as the "Contract Work."

The Program can provide up to \$10,000 assistance in the form of a forgivable loan for the Contract Work.

D. Minimum Property Standards

The Program must comply with the County of San Luis Obispo building codes and the California Plumbing Codes for the connection of the sewer laterals and decommissioning the septic system. All Contract Work must be performed according to San Luis Obispo County's specifications and with all applicable county building codes.

Compliance with the applicable county codes will ensure that the Program will comply with CDBG and HUD requirements to follow the 2006 International Property Maintenance Code as the minimum property standard. This standard ensures that all houses rehabilitated with HUD funds adequately address and protect public health, safety and welfare.

2. PROGRAM ADMINISTRATION AND FUNDS

The Program is administered by the Department of Public Works, hereinafter referred to as "Public Works," and Planning and Building. Both departments will play a supporting role in the administration of the Program, such as intake, qualifying applicants and income verifications, contractor selection, and other responsibilities as needed to document compliance with applicable federal regulations and to implement the Program. Planning and Building will be responsible for payment processing, contract development, and monitoring.

3. OUTREACH AND APPLICABLE FEDERAL REQUIREMENTS

A. Outreach

Community members are informed of the details of the rehabilitation and eligibility requirements through area newspapers, advertisements, public brochures, flyers, newspaper articles, advertisements, public meetings, private interviews, the County's website and other affirmative marketing efforts. Pre-qualification and marketing criteria will focus upon income eligibility and rehabilitation needs. Persons who do not speak English or persons with disabilities who wish to participate in the Program that need assistance should contact the County at (805) 781-5600 so that appropriate arrangements can be made. Para información en Español llame al (805) 781-5787.

B. Fair Housing

This Program will be implemented in ways consistent with the County's commitment to Fair Housing. The County of San Luis Obispo is an equal opportunity, fair housing lender, providing affordable financing for housing rehabilitation performed in accordance with the adopted Program. The County does not warrant any construction work, or provide any insurance coverage.

No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds based on his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.

C. Uniform Relocation Act

Relocation Expenses: This Program is subject to the acquisition and relocation provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended ("Uniform Relocation Act") and Section 104(d) of the Housing and Community Development Act of 1974.

Under the Uniform Relocation Act, at 49 CFR 24.2(a) (9) (ii) (E), a nonexclusive listing of persons who do not qualify as displaced persons includes an owner occupant(s) who move(s) as a result of rehabilitation or demolition of the real property.

In the event, for any reason, the owner is displaced as a result of the owner's voluntary participation in the Program, any costs or relocation will be the sole responsibility of the owner, and the County shall not be liable for any persons or households being displaced as a result of the voluntary participation in the Program.

D. Federal and State Labor Standards

Federal Labor Standards requirements, under the Davis-Bacon Act, are triggered when Contract Work over \$2,000 if financed in whole or in part with CDBG funds. It requires that workers receive no less than the prevailing wages being paid for similar work in the same area.

However, the provision under the Davis-Bacon Act to pay the federal prevailing wage does not apply to the rehabilitation/Contract Work for residential structures containing less than

eight units, such as single-family homes. This exemption to the Davis-Bacon Act is per the federal Housing and Community Development Act of 1974.

In addition, Section 1720(c)(6)(C) of the State Labor Code, indicates that the rehabilitation/Contract Work for privately owned residential projects is not subject to the requirements of applicable state prevailing wage laws.

Because the Program targets the Contract Work for single-family, owner occupied housing, the Program is exempt from the Federal and State Labor Standards for payment of the prevailing wages.

Excluded Parties List System (EPLS)

No contracts may be awarded to any party that is debarred or suspended per Executive Order 12549 or is otherwise excluded from participation in federal assistance programs described below:

- Under suspension, debarment, voluntary exclusion, or determination of ineligibility by any Federal agency;
- Has not been suspended, debarred, voluntarily excluded or determined ineligible for any federal agency within the past 3 years;
- Has a proposed debarment pending; and
- Has been indicated, convicted, or had a civil judgement rendered against it by a court of competent jurisdiction in any manner involving fraud or official misconduct within the past 3 years.

While all Program funds are subject to the requirements of these Guidelines, there may be additional special provisions and limitations on the funding source. Consequently, the provision of this manual may be amended from time to time, as determined by Planning and Building and/or in accordance with the requirements enforced by HUD through its CDBG program in accordance with 24 CFR 92.205, 24 CFR 92.254(b), 24 CFR 570.202, 24 CFR 200, 24 CFR 570.503, 570.503(b)(5)(I), 570.604, 24 CFR 570.606. 570.201, and 49 CFR 24.

4. TYPE AND TERM OF PROGRAM ASSISTANCE

A. Type of Assistance

The County will use CDBG funds to assist income eligible homeowners. The Program will provide up to \$10,000 in CDBG funds per home as a forgivable loan at a 0% interest rate for eligible Contract Work. Included in this amount are contingencies such as building permits, engineering fees (if any), contracted labor, materials, septic tank pumping, and other costs directly associated with the installation of the sewer lateral and decommissioning of the septic tank.

The County reserves the right to exceed \$10,000 per home on a case-by-case basis. Public Works and Planning and Building must approve all requests to exceed the \$10,000 limit. If the request is granted, Public Works will issue a Notice to Proceed letter to the selected contractor. Otherwise, Public Works will review and approve contractor quotes.

Quotes exceeding \$10,000 shall identify why the Contract Work must exceed this threshold to comply with State and local codes and ordinances. Accepted reasons for exceeding this threshold include, but are not limited to the following: long or irregular lot shape for access to the Public Sewer System; requires the installation of a grinder pump, for example.

The funds will be administered by Public Works and Planning and Building and will be paid directly to the selected contractor on behalf of the homeowner. Assistance to the homeowner, in the form of a deferred payment loan, does not have to be repaid unless the property is sold within two years after the execution of the restricted covenants (see Section 5. D, Term of Assistance).

5. HOUSEHOLD SELECTION AND ELIGIBILITY

Eligibility will be assessed based on the following:

A. Completed Applications

Only completed applications will be reviewed for eligibility. Applications containing incomplete information will not be processed.

B. HUD Maximum Income Limits per Household

For eligibility purposes, the GROSS annual income for ALL household members cannot exceed 80 percent of the median family income as determined by HUD for San Luis Obispo County as shown in the following chart:

2017 MAXIMUM INCOME CHART	
HOUSEHOLD SIZE	MAXIMUM INCOME (80% of the Area Median)
1	\$45,750
2	\$52,300
3	\$58,850
4	\$65,350
5	\$70,600
6	\$75,850
7	\$81,050
8	\$86,300

*Source: U.S. Department of Housing and Urban Development. These income figures are subject to change annually. Income levels effective as of April 14, 2017.

Determination of Gross Income

To be income eligible, the household income must be equal to or less than the applicable income limits shown above. The owner will be required to provide income documentation per Exhibit 3.1 – 24 CFR Part 5 Annual Income Inclusions, of the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005) per 24 CFR Part 5 – General HUD Program Requirements; Waivers (commonly referred to as “Part 5.”

Annual Gross Calculation

Income is defined as the gross amount, before any deductions have been taken, of income that is anticipated to be received by all household members and persons on title during the upcoming twelve (12) months. Income of household members under the age of 18 or a full-time student under the age of 25 is not counted. Income must be verified no earlier than six (6) months from the date the forgivable loan is made. Income may be verified through income tax returns, pay stubs, bank statements, and through other means deemed necessary by the County of San Luis Obispo and HUD income eligibility guidance.

The following section presents the Part 5 asset inclusions and exclusions as identified in in Exhibits 3.1 and 3.2 of the in the Technical Guide for Determining Income and Allowances for HOME Program (Third Edition, January 2005)

Sources of Income

Annual Income Inclusions (24 CFR Part 5.609)

This part presents the Part 5 income inclusions as stated in the Code of Federal Regulations (24 CFR Part 5.609(b)). Sources of income used in determining gross annual household income include but is not limited to the following:

Annual Income from wages, salaries, tips, etc.

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

Business Income

2. 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;

Interest & Dividend Income

3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in 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;

Retirement & Insurance Income

4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in number 14 of Income Exclusions).

Unemployment & Disability Income

5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).

Welfare Assistance Payments

6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) are included in annual income:

- Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
- Are otherwise excluded from the calculation of annual income per the Income Exclusions below 24 CFR Part 5.609(c).

If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

- the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; **plus**
- the maximum amount that the assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.

Alimony, Child Support, & Gift Income

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.

Armed Forces Income

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

Annualization of income

9. If it is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclical income), or the PHA believes that past income is the best available indicator of expected future income, the PHA may annualize the income anticipated for a shorter period, subject to a redetermination at the end of the shorter period.

Annual Income Exceptions (24 CFR Part 5.609(c))

This part presents the Part 5 income exceptions as stated in the Code of Federal Regulations (24 CFR Part 5.609(c)). The following exceptions shall apply in the determination of gross income:

Income of Children

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

Foster Care Payments

2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).

Inheritance and Insurance Income

3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in number 5 above (Payment and Disability Income, 24 CFR Part 5.609(b)(5))).

Medical Expense Reimbursements

4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

Income of Live-in Aids

5. Income of a live-in aide (as defined in 24 CFR 5.403).

Student Financial Aid

6. Subject to 24 CFR Part 5.609(b) (9) of the Federal regulations, the full amount of student financial assistance paid directly to the student or to the educational institution.

"Hostile Fire" Pay

7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Self-Sufficiency Program Income

8. (a) Amounts received under training programs funded by HUD.

(b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).

(c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.

(d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.

(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.

Gifts

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

Reparation Payments

10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

Income from Full-time Students

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

Adoption Assistance Payments

12. Adoption assistance payments in excess of \$480 per adopted child.

13. *[Reserved]*

Social Security & SSI Income

14. Deferred periodic amounts from supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

Property Tax Refunds

15. 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.

Home Care Assistance

16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home, or

Other Federal Exclusions

17. 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 Public Housing Authorities and housing owners identifying the benefits that qualify for this exclusion. Updates will be published (by the Federal government) and distributed when necessary.

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

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;

- Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
- Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Main Indian Claims Settlement Act of 1980 (35 U.S. C. 1721);
- The first \$2,000 of per capita shares received from judgement 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 for funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veteran's employment programs, state job training programs and career intern programs, AmeriCorps).
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;
- Any allowance paid under the provisions of 38 U.S. C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;

- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Federal Income Tax Returns

All household members and all persons shown on the title shall be required to provide a copy of their Federal Income Tax Return for the most recent calendar year. The Federal Tax Return will be used as a basis to verify gross income as well as household composition.

C. Ownership

Applicants must be listed on the deed as the property owner and must occupy the home as their primary residence at the time of application and for the duration of assistance. The County tax record(s) will be the primary source of information to determine ownership.

The applicant household must hold majority title to the property. An existing mortgage will not prohibit participation in the Program.

- Applicant is listed as the property owner (a title search will be conducted).
- Mortgage payments must be current.
- Properties held by a life estate are eligible. However, the County will require annual certifications of occupancy by the income eligible homeowner(s).
- If the property is owned by more than one individual, all owners must sign required legal documents relating to the rehabilitation project, including, but not limited to, the deed of trust and rehabilitation contract, even if one of the owners do not reside in the property to be rehabilitated.
- In cases where more than one owner occupant is listed on the title and deed of trust, if one of the owner occupants ceases to live at the property for any reason, then the CDBG loan is assumable if the other owner-occupant who is vested in title provides documentation that he/she will continue to occupy the home as his principal residence and that the new household continues to be income eligible for the Program. If the new owner-occupant and household are not income eligible for the Program, then the CDBG loan becomes immediately due and payable.

D. Term of Assistance

Forgivable Loan Secured by Restricted Covenants

The County provides financial assistance in the form of a forgivable loan for a two (2) year term at a 0% interest rate to CDBG income-eligible households in Los Osos for the

Contract Work. The term of the forgivable loan will begin on the date the Building Permit is finalized by Planning and Building.

The loan will be secured by recorded liens on the homeowner's property (as a "soft second" lien), to secure performance and ensure that the homeowners meet the requirements to deem the property eligible and benefit to income-eligible households.

The County will record an Affordability and Recapture Agreement, and a Promissory Note secured by a Deed of Trust, collectively referred to as the "Recorded Documents," to secure the loan after the Building Permit has a final status. All owners listed on the benefiting property's title, whether or not they reside on the property, must sign the documents.

The Recorded Documents will be released and forgiven upon maturation of the loan based on full performance of the homeowner's obligations as detailed in these Guidelines. The Recorded Documents may also be released and forgiven if there is a change in title or occupancy of the dwelling in accordance with the terms of these Guidelines and the Recorded Documents between the County and the homeowner.

Forgivable Loan Term by Restricted Covenants

Homeowners receiving assistance from the County are required to have the home remain their principal place of residence and continuously live in the home for not less than the two (2) year term of the forgivable loan. The loan will be forgiven at a rate of 50% per year or 1/24 per month during the time that the homeowner occupies the home as their principal residence. If the homeowner(s) no longer occupy(ies) the home as their principal residence during the two-year loan term, the homeowner(s) will be obligated to pay the County the prorated amount of the loan.

Change of Title-Owner/Occupants

If an owner occupant sells, transfers title, discontinues residence in the rehabilitated or purchased property for any reason, or if the owner converts use of the residence to a commercial or other non-residential use, the loan shall become immediately due and payable, subject to the following exceptions:

1. The owner occupant sells or otherwise transfers title of the property to a qualifying income group household. In this case, the County will consider subordinating the loan and continuing all or part of the lien as a deferred loan.
2. The home is transferred to an heir, who occupies the residence, and is income eligible. In this case, the heir may be permitted, upon approval of the County, to assume the loan at the rate and terms, if the heir's income qualifies for under current participation Guidelines. If the heir is not income eligible, the loan shall become immediately due and payable.
3. There is more than one owner-occupant who is listed on the title and deed of trust and one of the owner occupants ceases to live at the property for any reason. The CDBG loan is assumable if the other owner-occupant provides documentation that he/she will continue to occupy the home as his/her principal residence and that the new household continues to be income eligible for the Program. If the new owner-occupant and household are not

income eligible for the Program, then the CDBG loan becomes immediately due and payable.

Loan Monitoring

The loans shall be monitored on an annual basis to ensure compliance with the terms of the Guidelines, including but not limited to, owner-occupancy and insurance requirements. Homeowners in default of the Recorded Documents the County shall have sixty (60) calendar days from the date of notification to correct the event of default.

The County will ask the Homeowner to provide proof of residency at the Property via the submittal of, but not limited to, one of the following: homeowners' insurance, and the latest utility bill(s). The documentation provided must contain the homeowners' name and property address.

E. Conflict of Interest

Applicants can be denied participation in the Program if a conflict of interest exists. A conflict of interest exists if an applicant is an employee officer, elected official or appointed official of the County of San Luis Obispo, and the applicant:

- Exercises or has exercised any functions or responsibilities with respect to funds for this Program.
- Participation in the decision-making process related to funds for the Program.
- Is in a position to gain inside information with regard to Project activities.

6. PROPERTY SELECTION AND ELIGIBILITY

Eligibility will also be assessed on the following:

A. Location

Applicants must live in the community of Los Osos and be required to install a sewer lateral to connect to the Public Sewer System.

B. Nature and Extent of Repairs

As part of determining eligibility for this Program, all properties will be inspected to determine the extent of the Contract Work. Depending on the lot size, location of the house relative to the street, topography, some properties will require longer laterals or may require the installation of a sump pump. All property owners must identify if the septic tank will be abandoned or repurposed.

C. Type of Structures

An eligible property must have an existing single-family residence that is the principal residence of the applicant. Structures eligible for this Program are single-family or manufactured homes located on the legal parcel containing one residence. Rental and second residential units are not eligible for assistance under this Program.

D. Maximum Number of Loans per Property

A property may only receive one loan award from this Program to install the Contract Work.

E. Insurance

Applicant must provide the following proof of insurance:

- Proof of homeowner's Insurance
Flood Insurance, if the property lies in the one-hundred-year floodplain zone. Documentation of flood insurance must be provided with the application for assistance.

F. Eligible Improvements

Eligible costs associated with the Contract Work, when incidental to the installation of the sewer lateral includes reconstruction or replacement of fencing, sod, concrete sidewalks, and paved driveway areas excavated for the purpose of installing the lateral. Both Public Works and Planning and Building will have the discretion to determine if other costs are eligible for payment per the CDBG regulations.

G. Ineligible Improvements

Generally, items not associated or affected by the Contract Work that are not eligible for payment, including but not limited to:

- Portable Items: garden furniture and miscellaneous garden appliances (BBQs') or play equipment
- Swimming pools: any repair, modification or removal
- Excessive landscaping: extensive shrubbery, sod, trees, garden materials, fixtures, equipment or landscaping of a type or quality which exceeds that customarily used in the locality for properties of the same general type as the property to be rehabilitated.
- The Program will not fund repair needs that represent duplicate payments, or that have already been funded by another public, non-profit assistance or insurance program.

Costs **not** covered by the loan include:

- Moving Furnishings and Landscaping: It is the applicant's responsibility to move all furnishings and landscaping to be saved during excavation. The contractor is not responsible for the removal of furnishings or landscaping that will be saved. The applicant is responsible for the removal of all furnishing and landscaping to be saved prior to the commencement of work by the contractor.

H. Right of Entry

The homeowner must authorize the County, its officers, agents, employees and independent contractors permission to enter upon the property to conduct a pre-construction site inspections, develop a work write-up plan, for the purpose of conducting the federally environmental review, for competitive procurement to hire a contractor for the Contract Work and other elements of the Project, including, but not limited to the County's inspection for the work conducted on the property, decommissioning the septic system or as otherwise necessary to complete the Contract Work.

A work write-up with an estimate of the work to be performed will be prepared for every property by the County and contractors that consist of a detailed list of eligible work, including the addition of a pump, and decommissioning the septic system which requires access to the property.

The Right of Entry will be included in an agreement between the County and the homeowner and will be limited in time and shall automatically expire upon the final payment by the County to the contractor for the Contract Work.

7. IMPLEMENTATION PROCEDURES

The following implementation procedures may be modified by Planning and Building to reflect current or updated CDBG and other applicable federal requirements.

A. Loan Application

Applicants must complete the full application packet to be considered for assistance through the Program. Only complete applications will be processed. The application packet must include:

- a. Household Income Verification Application. If application certification date is over one-year old, update income verification will be needed.
- b. Proof of ownership of the property (i.e., deed)
- c. Copy of the most recent Federal Income Tax Returns, including all schedules and attachments for all persons in the household ages 18 and over.
- d. Third party verification of employment, if requested.
- e. Other income documentation (supply a copy of the award letter or a copy of the check or direct deposit statement):
 1. Social Security/SSI
 2. Retirement
 3. Disability
 4. Temporary Assistance for Needy Families (TANF)
 5. Rental Receipts
 6. Most recent statement from all bank and investment accounts
- f. Proof of residency (i.e., electricity or water bill)
- g. Copy of Social Security Card for all household members.
- h. Copy of current identification of household members 18 and older (i.e., driver's license or State of California ID card)

B. Environmental Review

Planning and Building must conduct a site visit to begin the preparation of the federal National Environmental Policy Act (NEPA) by completing a project specific environmental review document under 24 CFR Part 58.

The document must consider the required site specific federal environmental review documents for the proposed Contract Work. The homeowner shall NOT commence work or hire a contractor, incur or obligate Program funds until the County completes the necessary environmental review documents and contacts the homeowner as to this effect. **Costs incurred or obligated prior to receipt of a formal commitment letter from the County of San Luis Obispo committing a specific amount of funds to the project is at the risk and expense of the applicant/homeowner.**

- Property must not be located in a Special Flood Hazard Area (i.e., subject to inundation by the 1% Annual Chance Flood per FEMA) in order to be eligible for the Program.

- No work is to commence without such approval and the incorporation of California State Historic Preservation Officer (SHPO) stipulations, if any, into the write-up. Any violations of SHPO requirements may result in cancellation of an entire Project. Of specific concern are possible buried historical resources.

- No work is to commence without review for rare and endangered plant and/or animal species and incorporation of stipulations by the County, if any, into the work write-up. Any violations of federal, state and local requirements may result in cancellation of an entire Project

The County reserves the right to terminate assistance if historical preservation costs shall exceed the financial assistance limits of this Program.

To prepare the environmental review document the County must obtain a plot plan showing the proposed work in accordance with the attached sample plot plan. The plot plan should be on a single piece of paper, using a straight edge, legible and neat, to show the proposed work as follows:

- Property address, and owner shall be noted
- Draw outline of house and all other buildings, driveways, stone walls, property lines, proposed lateral location, other lateral connections (if any), sewer location, driveways, landscaping, septic tank and leach lines location, pump location(s), type of bedding material and other relevant information detailing proposed work
- Show building orientation in relation to road
- Draw proposed lateral work and label all.
- Show mainline sewer in roadway or easement and label direction of flow
- Include a north arrow and scale on all plot plans and setbacks/distance (approximate).
- Include all information as requested by labeling all items

Planning and Building will notify Public Works as to the completion of the federal environmental review documents for each property. The completion of this process allows both the County and the homeowner to begin the federal procurement process to hire a contractor for the Contract Work.

C. Execution of Restricted Covenants with Homeowner

After the completion of the environmental review document, the County will prepare the Recorded Documents between the County and the homeowner to secure the forgivable loan to meet the federal requirements for benefit to income eligible homeowners.

The County will record the Recorded Documents after the Building Permit is finalized by Planning and Building.

D. Initial Property Inspection

Once the County has determined that the applicant meets the basic income and property eligibility requirements, the County will arrange for one or more inspections of the property with the homeowner.

The inspection will help prepare the work write-up. The inspection(s) will include an evaluation of the necessary Contract Work.

E. Work Write-Up

A work write-up with an estimate of the Contract Work to be performed will be prepared for every property by the County consisting of a detailed list of eligible work, including the addition of a pump, and decommissioning the septic system.

The work write-up is the document on which the County translates the assessment of needs into specifics of the exact work that is to be performed at the subject property. It will describe the nature and extent of the work, the type of materials to be used, and the quantities involved. The work write-up will become the Scope of Contract Work that will become a part of the construction documents.

Preparing a Work Write-Up

The work write-up should comply with the following format:

- Accurately describe the work to be performed in clear and concise terms that are readily understandable to the property owner and the County.
- Avoid abbreviations of technical terms, types of materials and/or equipment
- Identify work items.
- Include any additional information which may be helpful to the homeowner, the County and the contractor and its subcontractors in preparing an accurate quote proposal.

Property Owner's Approval of Work Write-Up

After completing the work write-up, the work write-up should be presented to the property owner for approval. The County will go over each item on the work write-up to be sure the property owner understands exactly what is to be done. The County should make it clear that the repair work is to include only the items on the Work Write-Up.

Upon the completion of the work write up, the next step is to prepare the construction documents that will identify all the work permitted according to the policies and procedures needed to complete the required work so that contractors quoting the work will understand exactly what is required.

F. Contractor Qualifications

Contractors interested in participating in the Program must be on the County's *Approved Contractor List* in order to be qualified for this Project. This is a requirement of the Program's environmental permits. Alternatively, a qualified contractor can be used who is not on the list provided any workers doing the Contract Work receive the Project's environmental training. The County will provide the environmental training at no cost to the contractor.

The contractor and its subcontractors must be appropriately licensed and meet the County's minimum requirements for doing contract work as defined by the County. The contractors must secure, maintain and provide proof of insurance, as a minimum:

- Contractor's and subcontractor's property damage coverage in the minimum amount of \$1,000,000;
- Contractor's Liability Coverage (bodily Injury) in the minimum amount of \$1,000,000;
- Worker's Compensation (statutory limits);
- Include San Luis Obispo County as a named insured on all policies of insurance and such policy shall provide that the County be notified regarding renewal or cancellation.

Procurement of contractors to perform the work will be conducted through Program policies and procedures developed for this Project.

No contracts may be awarded to a contractor or subcontractors that are debarred or suspended per the federal requirements in these Guidelines (see Section 3. D. – Federal and State Labor Standards).

G. Contractor Responsibilities

Contractors must agree to comply with the Guidelines as well as all federal regulations found in 24 CFR 570 and as they pertain to the CDBG program. The contractor is responsible for their quality of work, the work of his employees and work performed by any subcontractors and their employees in compliance with state and local codes and regulations.

The contractors must provide the County the following paperwork upon receiving a Notice of Award per these Guidelines.

The contractor shall supervise and direct the work using his/her best skill and attention, and shall maintain a professional appearance while completing the work. The contractor is responsible for all means, methods, techniques and construction procedures and for coordinating all portions of the Contract Work. The contractor shall also ensure the appropriate conduct of his/her employees, including subcontractors, and shall not employ any person unskilled in the task assigned.

Prior to the Notice of Award the contractor must name all of the contractors and/or subcontractors responsible for performing each item of work and are not debarred or suspended per the federal requirements of these Guidelines.

The contractor shall provide and pay for all labor, materials, equipment, tools, construction equipment and machinery, transportation and other services or facilities necessary to execute and complete the work unless otherwise noted in the contract documents. The contractor is responsible for giving all notices and complying with all laws, ordinances, rules, regulations, and orders regarding the work issued by any public authority including all permits, fees, and licenses necessary to complete the work.

Participating contractors must obtain all permits that are required to perform the authorized scope of work. The contractor must comply with all applicable county, state and federal regulations covering the issuance and inspections of any work permitted. Furthermore, all contractors and subcontractors must possess trade or other professional licenses as may be required by the County of San Luis Obispo and the State of California.

The contractor shall keep the worksite free from any accumulation of waste materials or rubbish. At the completion of the work, the contractor shall remove all waste materials from the worksite, along with all of his/her tools, construction equipment, machinery, excess soil and surplus materials.

The contractor shall warrant that all materials and equipment incorporated in the work will be new, unless otherwise noted in the contract documents. Additionally, the contractor shall warrant that all work will be of good quality, free from faults and defects, and in conformance with the specifications in the contract. Any work not meeting these standards shall be deemed defective, and it will be the contractor's responsibility to remedy any problems arising from poor workmanship.

The contractor is responsible for providing all manufacturers' warranties to the homeowner and copies to the County. The contractor will submit payment requests that include required supporting documentation upon completion of the Contract Work directly to the County. The contractor shall submit ALL Contract Work receipts, including those of any subcontractors, to the County for eligible costs incurred for the installation and decommissioning the septic tank. Under HUD's direction and guidance, the County cannot pay for Project costs incurred if receipts and any back-up documentation are not included in the invoice.

The contractor shall restore or replace all removed or damaged paving, curbing, sidewalks, fences, sod or other disturbed surfaces in a condition equal to that before the work began, to the satisfaction of Public Works.

The contractor must warrant all work performed by contractor and subcontractors for a period of one (1) year from the date of completion (final inspection and acceptance by owner) of the entire Contract Work. The contractor will correct any defects in materials or workmanship, including trench settlements, which occur during that period at no additional costs to the homeowner or County.

The responsible contractor shall respond to warranty calls within seven (7) days of receipt of written notice by the homeowner per the Contractor's General Warranty Form.

Contractor shall also submit the "Conditional Waiver and Release of Final Payment" form to the County upon submittal of the final invoice.

Prior to all work, the contractor shall carefully inspect the area for "present" existing condition and take video or photographs of the area that will be excavated, including all landscaping, fencing, patios, driveways, outdoor furniture, saunas, pools, fireplaces and any other structures on or near the area of excavation.

All work shall be conducted in accordance with the latest adopted version of the California Plumbing code, the latest edition of the San Luis Obispo County's Public Works Improvement Standards, the San Luis Obispo County Municipal Code, the Encroachment Permit Conditions (if any work is in the public right-of-way), California Manual of Uniform Traffic Control Devices, State Streets and Highways Code, State Vehicle Code, and shoring in accordance with CAL/OSHA Construction Safety Orders.

Per federal regulations, the contractor must retain all relevant documentation, including copies of invoices, contracts, for example, per 2 CFR Part 200.333, Retention Requirement of Records, for a period of three (3) years after the final payment.

H. The Contractor Selection Process

Public Works will conduct a request for competitive quotes to do the Contract Work in order to secure the lowest price and best value, and to satisfy the Program's requirements for providing open and fair competition. The County must ensure it complies with federal procurement requirements and the quote is responsive and the contractor and subcontractors have the necessary state and local licenses to perform the work. Public Works will solicit quotes on behalf of the homeowner and will secure an agreement with the contractor to do the Contract Work.

I. Quote Content

Itemized quotes are to be submitted on a County provided Quote Form to the designated location on or prior to a specified due date and time.

The contractor's quote must include a firm amount for each item listed in the construction documents. The contractor must include the following information in the quote:

- Price quotes received from contractors will provide sufficient budget line item pricing details for materials and labor.
- Detailed scope of Contract Work and description
- Detailed site plan with existing and proposed improvements
- The contractor must name all of the contractors and/or subcontractors responsible for performing each item of work.
- All quotes submitted for the Program will either be hand delivered or mailed directly to Public Works.

The County will evaluate the quote and determine which contractor is selected.

J. Quote Review

Late quotes WILL NOT be accepted. Any quotes received after the due date and time specified shall not be considered.

All quotes will be recorded and the apparent low quote will be reviewed to ensure it is complete and responsive to the construction documents. The lowest quote is NOT guaranteed an award. Prior to an award to a contractor, the County must ensure the contractor and subcontractors, if any, are not debarred or suspended per the Federal requirements of these Guidelines.

The County will review the quotes to determine that the lowest quote is complete, responsive and there are no issues prohibiting the award.

In case two quotes match each other as the lowest quote, the quote submitted earliest will be ranked as the leading quote until it is determined that the leading quote is complete and

responsive with no debarment issues. Otherwise, the second quote will be considered and reviewed.

The County will review all quotes and will notify the selected contractor with a Notice of Award.

K. Cost Reasonableness

After quotes are received, the County will review the lowest quote to compare it to the Work Write-Up estimate to determine the cost reasonableness of the contractor's quote.

The County reserves the right to reject quote received if the cost is unreasonable and prepare a new request for quotes.

L. Notice of Award

After the completion of the federal environmental review the award of the quote may commence.

The County must ensure compliance with HUD's purchasing/contracting policies, particularly as set forth in 2 CFR 200, including a review of the excluded parties list (suspended and debarred contractors; at this revision, the System for Award Management).

Pursuant to the provisions of 24 CFR Part 570.609 of the CDBG regulations, a contractor or subcontractor which is debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs under "Executive Order 12549, "Debarment and Suspension" shall not be used for this Program. A list of excluded contractors is available from the Excluded Parties List System web site at: <https://www.epls.gov/>

In the event that the selected contractor is not the lowest quote for the Contract Work, the County must provide a compelling reason (e.g., the contractor with the lowest quote cannot start work for several weeks) for the award.

Once this step is completed by the County, the County will inform the homeowner that the quote has been awarded.

When an acceptable, eligible quote has been secured and the contractor is selected, Public Works will proceed with the preparation of a contract agreement and the contractor is notified that they must furnish Public Works with:

- A copy of Certificate of Insurance and insurance indemnification endorsements
- State of California contractor's and subcontractor's license numbers
- W-9 form
- Copy of business license.
- Bonding requirements (as required by the State of California Contractors Licensing Board)
- Signed contract agreement

Rehabilitation work/Contract Work will be undertaken only through a written contract agreement between the contractor, the homeowner and the County.

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

M. Homeowner Responsibilities

The homeowner shall be responsible for providing the contractor with access to all areas of the home where repairs/Contract Work is taking place, and shall remove belongings from work areas. The homeowner shall pay for water, and utilities necessary for the proper execution and completion of the Contract Work. The homeowner and other household members should expect to be mildly inconvenienced by the work in progress and by the presence of the workers. The homeowner does not need to be present for various inspections associated with the building permit.

Additional Provisions

State law requires that all home retrofit projects have smoke detectors and carbon monoxide alarms installed in the dwelling. State law and the Program also require low-flow plumbing fixtures as a condition of connecting properties to the Public Sewer System.

Homeowner is also responsible for submitting to Planning and Building the “Self-Verification for Smoke Detectors, Carbon Monoxide (CO) Alarms and Plumbing Fixture Retrofit” form.

The self-verification form must be signed by the property owner as a condition of completing the building permit process. Water conservation program rebates are available to cover costs of the low-flow plumbing fixture retrofits (visit <http://www.slocounty.ca.gov/Departments/Public-Works/Services/Los-Osos-Water-Conservation-Rebate-Program-For-P.aspx>).

In order to secure performance and ensure the homeowner meets CDBG requirements as an income-eligible household, the loan will be evidenced by a Promissory Note secured by Deed of Trust that will be recorded in the Office of the County Clerk-Recorder after the building permit is approval and final. All owners listed on the beneficiary property title, whether or not they reside on the property, must sign the document.

The homeowner will execute the Promissory Note secured by Deed of Trust at the time the agreement between the County and the homeowner enter into an agreement to construct a private sewer lateral and decommission the existing septic system

N. County-Homeowner-Contractor Agreement

The County shall prepare an agreement between the County, the homeowner and the selected contractor, in an amount not to exceed the selected contractor’s quote amount. A copy of this agreement shall be provided to the homeowner and contractor for review.

Homeowners shall not enter into any other agreement with the contractor (verbal or written) during the active term of the agreement.

O. Notice to Proceed

The Notice to Proceed shall be issued after all loan documents are fully executed and recorded. The contractor has thirty (30) days from the date the Notice to Proceed was issued by Planning and Building to complete the Contract Work, except when hazardous conditions exist.

Prerequisites and Notice to Proceed

- Provide a copy of the original building permit to Public Works.
- The property owner will be required to sign off on all repairs that are to be made by the contractors at their property.
- The contractor shall pay all sales; consumer use and other taxes required by law and shall secure all permits, fees and licenses necessary for the execution of work under contract.
- If the contractor does not commence work within ten (10) business days, the homeowner and/or the County may cancel the contract and award the work to the next lowest complete and responsive quote or request new quotes of the Contract Work.
- All work shall be satisfactorily completed within a specified time period listed on the Notice to Proceed and as required by applicable building codes.
- Variations from the work write-up must be documented by a change order and accepted by Public Works.
- The contractor is responsible for submitting written change order proposals for approval by the homeowner, and Public Works prior to beginning any additional/extra work.
- Any additional/extra work done without written authorization from the Owner and the County will be the financial responsibility of the contractor.
- Contractors will provide adequate documentation with change orders to justify the changes along with details and costs for each change item.
- Any change order work initiated by the homeowner and carried out by the contractor will be the financial responsibility of the homeowner as well as any liability arising from the unauthorized additional/extra work.
- All change orders must be reviewed and signed by the County before the approved contract amount and terms are adjusted.

To alleviate the need for change order the following should occur:

1. Initial inspections of the property are thoroughly performed by the Contractor;
2. Contractor has provided the County written notice of conflicts, errors, ambiguities, or discrepancies that the Contractor has discovered in the Work Write-Up, and the written resolution thereof by the County is acceptable to the Contractor
3. The contractor's quote considers the federal requirements which are listed in these Guidelines.

P. Contractor Payment

Request for Payment

Upon completion of work the contractor will submit an original invoice identifying the work items completed and their cost to the County for payment.

Upon completion of Contract Work, including finalization of the Building Permit by Planning and Building, the contractor will submit an original invoice identifying the work

items completed and their cost, including copies of receipts, invoices, labor documents, to the County for payment.

For such performance, the County shall pay the contractor an amount not to exceed the amount agreed upon absent prior authorization by the County.

Lack of receipts from the contractor or subcontractors may delay or disallow payment. **Under HUD's direction and guidance, the County cannot pay for Contract Work costs incurred if receipts and back-up documentation are not included in the Contract Work invoice.**

Payment Process

Following receipt of all items, documents, warranties, lien releases and any specified tasks agreed upon, the County shall pay contractor within 30 days of receipt of a payment request including all documentation.

Lack of documentation as identified in these Guidelines will delay payment to the contractor by the County.

The County may retain the final payment request if there are problems with the Contract Work. Upon satisfactory resolution of the matters at issue, County will pay contractor the unpaid portion of the compensation for the work.

Q. Change Orders

A change order occurs when there is any modification to the agreed upon scope of work. The modification may be relatively minor or incorporate a major change. A change order must be executed for any deviation, addition, or deletion made to the original Contract Work specification (even if there is no cost change). Change orders must be in writing and approved by the homeowner, the County, and the contractor.

All change orders must be evaluated for cost reasonableness and for the effect it will have on the amount of assistance approved prior to the change order. The cost analysis of the recommended change will be documented and include a statement verifying that the approved cost is both reasonable and acceptable. The County will establish the cost reasonableness of the change order.

R. Building Inspection and Closeout

Building Permit

The Planning and Building inspector must certify that all work is completed according to all applicable codes and regulations including the work write-up.

At the time of request for final payment, the contractor is responsible for providing the following to the homeowner and copies to the County:

- Lien release from the contractor
- Lien releases from all subcontractors
- All receipts for costs incurred including but not limited to labor, materials, equipment rental, etc.

If the contractor does not complete the Contract Work within the term specified in the agreement, the final payment request may be withheld from the contractor until proper documentation is submitted to the County.

Completion of Work and Work Payments

Check(s) will not be disbursed until the contractor provides the County with a signed warranty form and partial and/or final releases of liens for all work completed. Contractor shall also submit the “Conditional Waiver and Release of Final Payment” form to the County upon submittal of the final invoice.

- For final payment, the contractor must submit payment requests and include required supporting documentation of all expenses upon completion of the Contract Work to the County. The contractor shall submit **ALL** project Contract Work receipts, including those of the subcontractor(s), to the County for eligible costs. Under the CDBG regulations and at HUD’s direction and guidance, the County cannot pay for Contract Work costs incurred if receipts and any back-up documentation are not included in the invoice.

Upon final inspection and approval by the County Building Inspector, and submittal of an invoice, which includes all supporting documentation for costs incurred, will the County process and disburse the final payment.

Data Management

Both Public Works and Planning and Building will record and maintain all file records. All eligibility Project information, receipts, back-up documentation, agreements, Recorded Documents, inspection notes and contractor complaints will be recorded and maintained by the County.

8. APPEALS AND DISPUTE RESOLUTION PROCEDURE

A. Reconsideration of Denial

Participation in the Program is primarily based on geographic boundaries (located within the San Luis Obispo County Wastewater Assessment District No.1), household information, resident-owner occupancy, the property, and the federal income eligibility requirements for the CDBG program.

Therefore, for a reconsideration to have merit, the applicant must bring to light new household information, as well as information pertaining to the property, that was not presented in the original application. This new information must clearly show how the applicant is eligible for participation in the Program.

Applicants may seek reconsideration of a Program participation denial by sending a written request to Public Works for reconsideration postmarked no later than 30 days of receipt of a denial letter. Public Works and Planning and Building will review the request for consistency and compliance with Program rules and federal requirements.

The letter must clearly outline the reasons for reconsideration and include supporting documentation. If the reconsideration is not approved the denial will be final.

B. Contractor/Homeowner Disputes

During construction, or post-construction periods, the applicant has a similar right to have any disputes heard and resolved.

The County representatives are primarily responsible to ensure that the Program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work writes-ups and contract documents. Program representatives attend the meeting between the homeowner and the contractor when the contract documents are signed, and facilitate in the clarification and/or corrections of proposed work so a clear understanding is established between both parties.

During the construction or after completion of construction, the contractor's work is inspected for code compliance by the County's building inspector to approve the building permit.

One-Year Warranty

The homeowner will have a copy of the executed Contractor's General Warranty form which the contractor warrants and guarantees to the homeowner that all work performed and installed in accordance and conformance with the Contract Work in case of defective conditions. Through the warranty, the contractor agrees to make, at its own expense: 1) all repairs or replacement necessary by defective work, including defects in material or workmanship; 2) trench settlement, supplied under terms of this agreement, which become evident within one (1) year from the date of final inspection.

If a situation occurs where the homeowner and the contractor are in conflict, the following procedure will be followed:

Step 1: The homeowner or contractor shall communicate perceived problems or complaints directly to the other party. In an attempt to resolve the differences, each party will give the other party an opportunity to respond and correct the problem. In cases of building code compliance, the County's building inspector from the Department of Planning and Building will be contacted.

Step 2: If Step 1 attempt fails to resolve the problem, the homeowner or contractor have other options which they may choose to utilize.

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

The homeowner may also choose to utilize to contact the California State Licensing Board to submit a complaint to help resolve any issue.

9. PROGRAM CHANGES

At the discretion of the County, the Program may be modified to ensure efficiency and effectiveness of Program funds, or to better comply with CDBG requirements, and to otherwise meet the intent of assisting income eligible households in improving their homes through the Program. In appropriate circumstances, provisions of the policy may be waived by the County unless required by law.

10. DISCLAIMER

Any discussions with or any information given by a County of San Luis Obispo employee regarding application for the County of San Luis Obispo Minor Home Repair Program prior to receipt of a formal commitment letter from the County of San Luis Obispo committing a specific amount of funds to the Project is only for information and may not be considered a binding commitment on the part of San Luis Obispo County to provide funds or technical assistance to the Project.

Any costs incurred prior to receipt of a formal commitment letter from San Luis Obispo County committing a specific amount of funds to the Project is at the risk and expense of the applicant.