



Permanent Local Housing Allocation  
(PLHA) Owner-Occupied Housing  
Rehabilitation  
Program Guidelines



September 17, 2025



Authorized by: \_\_\_\_\_  
Merritt Perry, City Manager

Resolution NO.

**CITY OF ARCATA  
PLHA OWNER-OCCUPIED HOUSING REHABILITATION  
PROGRAM GUIDELINES**

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**CITY OF ARCATA  
OWNER-OCCUPIED HOUSING REHABILITATION  
PROGRAM GUIDELINES**

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**THE CITY OF ARCATA  
PLHA OWNER-OCCUPIED HOUSING REHABILITATION  
PROGRAM GUIDELINES**

**Adopted September 17, 2025**

**1.0. GENERAL**

The City of Arcata, hereinafter referred to as the “City”, has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer PLHA funded housing rehabilitation programs. The Owner-Occupied Housing Rehabilitation Loan Program described herein and hereinafter referred to as the “Program” in these City of Arcata PLHA Owner-Occupied Housing Rehabilitation Program Guidelines (“Guidelines”) is designed to provide assistance to eligible homeowners for correction of health and safety items, as well as code violations, located within the Program’s eligible area. The Program provides this assistance in the form of either amortized loans or 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 the “housing unit”. The Program will be administered by the City of Arcata, hereinafter referred to as the “Program Operator”.

**1.1. PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be made 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 people, including those qualified individuals with handicaps, have access to the Program.

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. Waiting List/Homeowner Contact**

The Program Operator will utilize a waiting list. In response to a homeowner’s request, the homeowner completes and submits a pre-application form and is placed on the waiting list. Homeowners are offered the opportunity to qualify for assistance by waiting list priority on a first-come, first-served basis.

The Program Operator will contact homeowners by mail, telephone, and/or e-mail to advise of funding availability. Once contacted, 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 any of the required documentation within the 30-day period, the homeowner's name will be removed from the waiting list, and the homeowner will receive notification of that removal. A homeowner may request to return to the waiting list, placed on the bottom position, six months after they were removed. Should the waiting list be exhausted, the Program Operator will conduct community-wide outreach in a manner equitable to all populations in the City.

#### B. Application/Interview

An application packet is provided to the homeowner for completion and submittal to the Program Operator, along with supporting documents. An interview is scheduled with the applicant. During the interview, the Program is fully explained, and application forms and required documentation are reviewed.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that cannot be resolved, the City reserves the right to deny assistance to the household. An applicant may also voluntarily take their name off the waiting list. An applicant who removes their name from the waitlist may re-apply after six months have elapsed from the time of removal.

Third-party verification may be obtained for income and outstanding debts. Preliminary title reports and drive-by cost estimates may also be obtained. Participants in the Program are those deemed eligible upon completion of this process.

#### C. Bid Solicitation

A housing unit bid walk-through date and time are scheduled. The homeowner is responsible for soliciting his/her own bids. Invitations to bid are distributed to all eligible contractors in an effort to obtain three reasonable bids. Bid results will be provided to participating contractors upon request.

The homeowner shall ensure contractors are licensed and bonded by the State of California Contractors Licensing Board. Contractors must also provide homeowners with evidence of Workers' Compensation Insurance and Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least \$2,000,000 per occurrence. Additional insurance requirements can be found in the Agreement of Understanding Between Homeowner, Contractor and City of Arcata (Attachment E).

#### D. Loan Request/Approval

An underwriting report will be 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). The City's Loan Advisory Committee

comprised of the City's Community Development Director, Finance Director, and Contracts & Special Projects Manager will review the applicant and property eligibility; contract terms; Program Operator's recommendation; and other factors to evaluate the approval of the Program Loan. The Loan Advisory Committee shall utilize loan terms included in these Guidelines but may make adjustments to accommodate any special conditions as long as they are consistent with the funding source requirements. Section 1.3 of these Guidelines provides additional information on the loan approval process. Once approved, loan documents are executed and the loan is funded.

#### E. Execution of Loan Documents

Upon approval of a Program loan, the borrower shall have 90 days to sign all the necessary documents and agreements and close the loan. Prior to execution of the loan documents, the borrower shall be provided with a checklist outlining the borrower's obligations and shall sign a Statement of Understanding regarding these Guidelines. The City's Loan Advisory Committee may approve a 90-day extension of the closing of the loan if the delay is due to bad weather or other factors beyond the reasonable control of the borrower.

#### F. Start-Up/Field Inspections

The Program Operator monitors date of start-up and may perform field inspections on a regular basis. The Program Operator may visit the job site regularly 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 and does not exceed funding limits.

The Program Operator reviews the work status with the homeowner and with the contractor 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.

#### G. Change Orders

Written change orders are required when the homeowner requests any changes in the Scope of Work, such as eliminating an item completely, eliminating one item and substituting another, or adding items. The change order will state the change and the 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 Program Operator to evaluate prior to signing-off on the change order.

#### H. Progress Payments

Ninety percent (95%) of the contract amount is distributed to the contractor in the form of progress payments during construction. The final five-percent (5%) 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 and Building Inspector that contractor has requested payment from the homeowner. 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.

#### I. Final Inspections/Notice of Completion/Final Payment

When the project is completed, the Program Operator inspects the work item-by-item with the homeowner and the contractor, and 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 five-percent (5%) retention payment is released after the Notice of Completion is signed by the homeowner borrower and approved by the Program Operator.

### 1.3. LOAN PROCESS

All loans must be approved by the City's Loan Advisory Committee. The Program Operator will assess the property's debt-to-value ratio, which includes the Program loan and any other recorded debt or liens. Property value may be estimated by the Program Operator using assessed value or comparable sales methods; a formal appraisal is not required. A debt-to-value ratio of up to 90% may be considered, subject to Loan Advisory Committee approval. If the homeowner disagrees with the Program Operator's valuation, they may obtain a full appraisal at their own expense to determine the property's value.

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 with written notification of approval or denial. Any reason for denial will be provided to the applicant in writing.

### 2.0. APPLICANT QUALIFICATIONS

#### 2.1. INCOME LIMITS

All homeowners must certify that they meet the current household income eligibility requirements set by the PLHA Program and have their household income documented by the Program Operator. All applicants must have incomes at or below 80% of the County's area median income (AMI), with priority given to households at or below 60 % AMI, adjusted for household size as published by HCD each year.

The link to the official HCD-maintained income limits for Funded activities is:

<https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf>

**Household:** means one or more persons who will occupy a housing unit, without regard to age or income. Unborn children will be counted in family size determination. Household membership must be documented through the person's residence as a part of the household prior to applying to the Program. Documentation for residence includes mail, paystubs, registration for college, driver's license, or other legal identification.

**Annual Income:** is the gross amount of income of all adult household members (18 years old and older) that is anticipated to be received during the coming 12-month period.

**2.1.1 OWNER-OCCUPIED REQUIREMENTS**

To be eligible, the home must be occupied by the legal owner and be the borrower’s principal residence. “Borrowers Principal Residence” shall mean occupancy at the property for at least ten (10) months of each year. Household income must be equal to, or less than, the applicable HCD income limits. The owner-occupants will be required to provide income documentation.

Owner-occupants’ housing and/or debt ratios are considered, and a credit report will be required. If an owner-occupant has a mortgage, verification that all payments are current and there have been no late payments in the previous 12 months will be required.

**2.2. INCOME QUALIFICATION CRITERIA**

Projected annual gross income of the household will be used to determine whether they are above or below the published HCD income limits. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and, if necessary, third-party verification of employment forms sent to employers. Other documentation necessary to confirm or calculate a household’s income or assets may be required if deemed necessary by the City. All documentation shall be dated within six months prior to loan closing, kept in the applicant file, and held in strict confidence.

**A. HOUSEHOLD INCOME DEFINITION:**

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period and will be used to determine program eligibility. For income counted, gross amounts (before any deductions have been taken) are used; the types of income not considered are the income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household’s projected income must be used, rather than past earnings, when calculating income.

**B. ASSETS:**

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income. For example, interest earned on a savings account would be counted as part of annual income, but the value of the savings account would not be included in the annual income calculation.

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 as assets.

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:

[https://files.hudexchange.info/resources/documents/HUD\\_P5\\_Inclusions\\_Exclusions.pdf](https://files.hudexchange.info/resources/documents/HUD_P5_Inclusions_Exclusions.pdf)

### **2.3. HOMEOWNER ELIGIBILITY AND RESIDENCY REQUIREMENTS**

The City requires property to be owner-occupied to participate in the Program. Owner-occupied units must be the owner's principal place of residence, and the owner must be on the title. 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. If a homeowner sells, transfers title or discontinues residence in the rehabilitated property for any reason, the loan becomes due and payable.
- B. If a homeowner converts the property to a rental unit, or any commercial or non-residential use, the loan is due and payable.
- C. A loan may be transferable under the following limited circumstances:
  - 1. The transfer of the property to the surviving joint tenant by devise, descent or operation of the law, on the death of borrower joint tenant.
  - 2. A transfer of the property where the borrower's spouse becomes an owner of the property.
  - 3. 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 borrower's spouse becomes an owner of the property.
  - 4. A transfer to an inter vivos trust in which 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 current income limits.

- B. Eligible units must be located within the city limits of Arcata.
- C. Property must contain a legal residential structure intended for continued residential occupancy.
- D. Housing unit types eligible are: single-family detached houses, manufactured homes, duplexes, or condominiums.
- E. Housing units being used as short-term rentals are not eligible for rehabilitation loans.
- F. All repair work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated.

### **3.2. VOLUNTARY OWNER-OCCUPIED RESIDENTIAL REHABILITATION**

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, the owner-occupant is encouraged to stay with family or friends, but if there are circumstances in which there is no suitable alternative, and the owner-occupant would be faced with hardship, the City may provide a reasonable amount of financial assistance. Financial assistance may be provided for actual costs incurred from the applicant's loan proceeds.

## **4.0. THE PROGRAM LOAN**

### **4.1. MINIMUM AND MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

The City of Arcata will only approve housing rehabilitation loans that are \$10,000 or greater. Any applications for housing rehabilitation loans that are less than \$10,000 must be deemed an emergency.

Maximum assistance shall not exceed \$60,000. The maximum amount of a Program loan for any single parcel of property is limited as follows:

- A. Assistance may not exceed \$60,000 per unit unless, on a case-by-case basis and after review and approval by the Arcata City Manager and the Program Operator, it is determined that an amount in excess of \$60,000 per housing unit is appropriate; provided, in no event shall any Program loan exceed \$100,000 per housing unit. Owner-investor units are not eligible for PLHA funding.
- B. A borrower may supplement a Program loan with the borrower's own funds or may borrow funds from other sources to be secured by the property to accomplish the proposed rehabilitation. If other loan funds are secured by the property, in the case of OOR, the borrower's housing costs (mortgage, taxes, insurance, and debt service payments on all loans) shall not exceed 42-45% of a borrower's gross annual income. A borrower will not be eligible for a second Program loan on the same property until:

- The borrower's Program loan account(s) are in good standing;
- The proposed project meets all Program Guidelines requirements; and
- The combined total for all existing and proposed Program loans on the property do not exceed \$60,000 per housing unit, unless authorized as set forth above.

## **4.2. RATES AND TERMS**

### **4.2.1. OWNER-OCCUPANTS**

Homeowners are eligible for either an Amortized Loan with a fixed simple interest rate of 1.5% for households at or below 80% AMI, or a Deferred Payment Loan at a fixed simple interest rate of 1.5% at or below 60% AMI. Loans will be evidenced by a Promissory Note and secured by a Deed of Trust. For the Deferred Payment loan, there will be no payback required for 15 years unless the borrower sells, transfers title, or discontinues residence in the dwelling or if the borrower converts the property to a rental unit or any commercial or non-residential use. Payments may be made voluntarily on a Deferred Payment Loan.

### **4.2.2. ALL LOANS SHALL BE SUBJECT TO THE FOLLOWING:**

- A. Interest: In the event of multiple draws during the construction period, interest will accrue on each draw beginning as of the date of each separate draw. However, at the election of, and at the sole discretion of, the Arcata City Manager, interest during the construction period may be waived.
- B. Extended Term: The Arcata City Manager may authorize an extended term beyond the term specified for Program loans as set forth above if exceptional and special circumstances are established as provided.
- C. Accelerating Events: Failure to comply with the owner-occupancy requirements, at the election of the City, may result in the acceleration of all principal and accrued interest which shall then be immediately due and payable (an "accelerating event"), and, if borrower fails to take appropriate action to eliminate the accelerating event, foreclosure proceedings may be instituted.

## **4.3 INSURANCE**

### **4.3.1 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). Evidence of insurance shall be provided to the City for the duration of the loan. Should the fire insurance not be maintained accordingly, the loan may be considered in default and become due and payable, and if necessary foreclosure proceedings may be initiated.

### **4.3.2 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 borrower's file. Evidence of coverage shall be provided to the Program Operator for the duration of the loan.

### **4.4. 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 and Promissory Note in favor of the City.
- B. Entering a subordinate lien is acceptable. However, the City will not subordinate a first lien position once established.

### **5.0. PROGRAM LOAN SERVICING AND MAINTENANCE**

#### **5.1. RECEIVING LOAN REPAYMENTS**

Program loan payments will be made to:

- A. The City of Arcata  
Attn: Finance Department  
736 F Street  
Arcata, CA 95521
- B. The City of Arcata 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 PLHA Revolving Loan Fund. The City 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 the third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

#### **5.2. LOAN SERVICING POLICIES AND PROCEDURES**

See Attachment B for the City's Loan Servicing Policies and Procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: the loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

#### **5.3. LOAN MONITORING PROCEDURES**

Continued residency may be monitored in August of each year for the term of the loan. If monitoring is conducted, occupancy will be verified by the submission of the following:

- Proof of occupancy in the form of a copy of a current utility bill;
- Certification of Occupancy stating unit's continued use as a residence;
- Verification that Property Taxes are current; and
- Verification of current required insurance policies.

#### **5.4. DEFAULT AND FORECLOSURE**

If an owner defaults on a loan and foreclosure procedures are instituted, they shall be carried out according to the City of Arcata's Loan Servicing Policies and Procedures, attached to these guidelines as Attachment B.

#### **5.5. SUBORDINATIONS**

The City may approve a request to subordinate a loan, 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 insurance.
- E. The refinancing terms must be acceptable to the City.
- F. There can be no cash out.

#### **6.0. CONSTRUCTION**

##### **6.1. STANDARDS**

All repair and rehabilitation work will meet Local Building Code standards. At a minimum, health and safety hazards must be eliminated. City may also require elimination of code deficiencies. 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.

A. Contracting Process

1. Contracting will be done on a competitive basis.
2. The homeowner will be the responsible agent.
3. The City does not warrant any construction work or provide insurance coverage.

B. 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 must have public liability and property damage insurance, and worker's compensation, unemployment and disability insurance, to the extent required by State law.
3. Contractor must agree to comply with all federal and state regulations.
4. Contractor and homeowner must agree to comply with the terms of the Agreement of Understanding Between Owner, Contractor and City of Arcata.

**6.2 AGREEMENT OF UNDERSTANDING BETWEEN OWNER, CONTRACTOR AND CITY OF ARCATA**

A. The contractor and homeowner are responsible for creating the scope of work and construction contract, which is binding between them. The City is not a party to the contract and only holds the funds specified within it. The contractor will provide materials and labor as outlined in the contract, and any changes made must be agreed upon in writing and approved by Program Operator. Payment will be processed based on the City's verification of labor and materials. Disputes will be resolved through binding arbitration.

B. In addition, both parties must comply to the terms of the 'Agreement of Understanding Between Owner, Contractor and City of Arcata' and sign the agreement, with the Program Operator authorizing construction and all terms are met (Attachment E).

**6.3. ELIGIBLE CONSTRUCTION COSTS**

“Rehabilitation” means, in addition to the definition in Section 50096 of the Health and Safety Code, repairs and improvements to a substandard residential structure are necessary to make it meet rehabilitation standards. As used in this section, “substandard residential structure” has the same meaning as the term “substandard building,” as defined in subdivision (f) of Section 17920 of the Health and Safety Code. 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 does not include reconstruction.

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).

Allowable rehabilitation costs for a primary housing unit 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. Owner-occupied rehabilitation activity delivery fees 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).
- D. Rehabilitation will address the following issues in the order listed below. Eligible costs are included for each item.
  1. Health and Safety Issues. Eligible costs include, but are not limited to, energy-related improvements, lead-based paint hazard evaluation and reduction activities, improvements for handicapped accessibility, repair, or replacement of major housing systems. A driveway may be considered part of rehabilitation if it is determined to be a health and safety issue.
  2. Code and Regulation Compliance. Eligible costs include, but are not limited to, additional work required to rehabilitate and modernize a home and bring it into compliance with current building codes and regulations. Painting and weatherization are included.
  3. Demolition. Eligible costs include, but are not limited to, the tear down and disposal of dilapidated structures when they are a part of the reconstruction of an affordable housing unit. If a garage or carport is detached, it may not be rehabilitated but may be demolished if it is determined to be a health and safety issue.
  4. Rehabilitation Standards. All repair work related to health and safety conditions will meet State and Local Building Code standards. The priority will be the elimination of health and safety hazards and code compliance.

**6.4. ELIGIBLE PROJECT COSTS**

Expenses related to eligibility, permits, building plans and recording fees are eligible project costs and may be included in the loan.

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.

**6.5. INELIGIBLE COSTS**

The following are prohibited uses of funds:

- A. Refinancing existing loans or payoff of personal obligations with PLHA funds.
- B. Costs associated with the rehabilitation or repair of property owned by a mobile home park owner.
- C. Insurance of any kind may not be purchased with PLHA funds.
- D. Relocation assistance is not an eligible expense with PLHA funds.

**6.5. REPAIR CALLBACKS**

Contractors will comply with State law regarding all labor and material warranties. All labor and material shall meet Federal Housing Administration (“FHA”) minimum specifications.

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

**7.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

**7.1. AMENDMENTS**

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

**7.2. EXCEPTIONS**

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

**7.2.1 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The City or its Program Operator may initiate consideration of an exception and prepare a report to be presented to the Loan Advisory Committee. 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 about the exception based on the recommendation of the Program Operator. The request shall be presented to the Loan Advisory Committee for a decision.

**8.0. DISPUTE RESOLUTION AND APPEALS PROCEDURES**

**8.1. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the City's Owner-Occupied Rehabilitation Program should be made to the Program Operator. The Program Operator will then schedule a meeting with the City's Loan Advisory Committee. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the Loan Advisory 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.

**8.2. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR**

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

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

**ATTACHMENT A**  
**OWNER OCCUPIED HOUSING REHABILITATION MARKETING PLAN**

**SUMMARY**

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

All marketing related to the Owner-Occupied 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 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 B  
LOAN SERVICING POLICIES AND PROCEDURES  
FOR THE CITY OF ARCATA**

The City of Arcata, hereafter called “Sponsor,” has adopted these policies and procedures in order to preserve its financial interest in properties, whose “Borrowers” have been assisted with public funds. The Sponsor 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 Sponsor has formulated this document to comply with state regulations regarding the use of these public funds and any property restrictions 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 borrowers who are obligated to do so under amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date. Monthly payments are applied first to the late payment penalties and collection fees, then to loan interest and principal.

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

All loan payments are payable to the Sponsor. The Sponsor currently maintains loan amortization software. The Sponsor may, at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

The Sponsor will maintain a financial record-keeping system to calculate interest and principal and record payments. These payments will be posted first to outstanding interest and then to principal. Payments shall be deposited and accounted for in Sponsor’s PLHA Revolving Loan Account. Loan payments will be made to the City of Arcata and sent to the address below:

City of Arcata  
Finance Department  
Attn. Finance Department  
736 F St.  
Arcata, CA 95521

When all debt to the Sponsor has been satisfied, a Notice of Reconveyance will be issued to Borrower. The Notice of Reconveyance will release, without warranty, all the estate, title, and interest acquired by the Sponsor under the Deed of Trust for the property.

2. Payment of Property Taxes and Insurance:

To maintain the loan, borrower must maintain property insurance coverage naming the Sponsor 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 Sponsor may procure forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for force-placed insurance will be added to the loan balance.

Borrower must maintain fire insurance on the property for the duration of the program loan. 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. Evidence of insurance must be provided to the City for the duration of the loan.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. Evidence of insurance must be provided to Sponsor for the life of the loan.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes, then the Sponsor may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan.

3. Required Request for Notice of Default:

When the Borrower's loan is in second position behind an existing first mortgage, it is the Sponsor's policy to prepare and record a "Request for Notice of Default" for the subject Deed of Trust. This document requires any senior lien holder listed in the notice to notify the Sponsor of initiation of a foreclosure action. The Sponsor may contact the Borrower and assist them in bringing the first loan current. The Sponsor may also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved.

4. Annual Occupancy Restrictions and Certifications:

The Sponsor may require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. 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 Sponsor in writing of any change. Sponsor and Borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions.

The voluntary or involuntary transfer of title to any interest in the real property causes the whole of the unpaid principal and interest, plus applicable fees, charges and penalties, to be immediately due and payable in full.

If a transfer of the property occurs through one of the follow circumstances, the transferee may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir meets all program qualifications:

1. The transfer of the property to the surviving joint tenant by devise, descent or operation of the law, on the death of Borrower joint tenant.
3. A transfer of the property where the Borrower’s spouse becomes an owner of the property.
4. 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 Borrower’s spouse becomes an owner of the property.
5. A transfer to an inter vivos trust in which Borrower is and remains the beneficiary and occupant of the property.

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If the transferee intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the transferee intends to act as an owner-investor, the loan becomes due and payable. All such changes are subject to review and approval of the Sponsor. Change from owner-occupant to owner-investor is not allowed. This 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 and payable 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 use.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must submit a subordination request to the Sponsor. Upon receiving the proper documentation from the refinance Sponsor, the request will be considered for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Sponsor.

The City may approve a request to subordinate a loan, 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 insurance.
- E. The refinancing terms must be acceptable to the City.
- F. There can be no cash out.

7. Process for Loan Foreclosure:

Upon any condition of loan default, the Sponsor will send out a letter to the Borrower notifying them of the default situation. Defaults include: 1) non-payment; 2) lack of insurance or property tax payment; 3) Borrower selling, transferring title, or failure to occupy the Property as Borrower's principal residence; 4) converting the property to a rental unit or any commercial or non-residential use; 5) default on senior loans; or 6) a default under the any of the Program Finance Documents including but not limited to the City of Arcata Permanent Loan Housing Allocation (PLHA) Owner-Occupied Housing Rehabilitation Loan Guidelines ("the Guidelines") and Exhibits attached to the Guidelines. If the default situation continues, the Sponsor may start a formal process of foreclosure.

A. The Sponsor as Junior Lien Holder: When a senior lien holder starts a foreclosure process and the Sponsor is notified via a Request for Notice of Default, the Sponsor, 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. The Sponsor 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 Sponsor may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance under the existing Promissory Note.

If the Sponsor determines, based on 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 Sponsor does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and initiate foreclose on the property. If there is sufficient value in the property, the Sponsor may pay for the foreclosure process, pay off the senior lien holder, and retain some or all of their investment.

If the Sponsor decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up to 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 Sponsor 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 Sponsor determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to

complete foreclosure, the Lendor's lien may be eliminated due to insufficient sales proceeds. However, the Sponsor may make an application for surplus funds.

#### A. Sponsor as Senior Lien holder

When the Sponsor is in first position as a senior lien holder and monthly payments are required, 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 Sponsor may consider foreclosure. Sponsor'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?
- 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, (e.g., 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 Sponsor 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 Sponsor to prevent foreclosure.

At the end of thirty days, the Sponsor 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 Sponsor of all required documentation to initiate foreclosure and funds required from the Borrower to cancel foreclosure proceedings. The service will keep the Sponsor 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 Sponsor could sell the home themselves under a homebuyer program, 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 Sponsor could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

**ATTACHMENT C  
CERTIFICATION OF OCCUPANCY  
CITY OF ARCATA**

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 D**  
**AGREEMENT OF UNDERSTANDING BETWEEN HOMEOWNER,**  
**CONTRACTOR AND CITY OF ARCATA**

**THIS AGREEMENT** ("Agreement") is made this \_\_\_ day of \_\_\_\_\_, 202\_ ("Effective Date") by and between \_\_\_\_\_, hereinafter referred to as the "OWNER," \_\_\_\_\_, hereinafter referred to as the "CONTRACTOR," and the City of Arcata, hereinafter referred to as the "CITY." OWNER, CONTRACTOR, and CITY may herein be referred to individually as "Party" and collectively as the "Parties." There are no other parties to this Agreement.

**RECITALS**

- A. On \_\_\_\_\_, CITY entered a Standard Agreement with the State of California Department Housing and Community Development to administer a funds through the PLHA Program for rehabilitation or replacement of, or energy efficiency upgrades to, homes owned by Low-income Residents; and
- B. CITY and OWNER have entered a loan agreement based on OWNER's application for exhibit A, attached scope of work ("WORK").
- C. CONTRACTOR has, in good faith, provided OWNER a proposal to perform the WORK.

NOW, THEREFORE, in consideration of the promises and covenants set forth below, the Parties mutually agree as follows:

- 1. **SCOPE OF WORK:** The CONTRACTOR agrees to make complete all WORK, as specified in Exhibit "A," Scope of Work, attached and incorporated herein, on or to the property located at \_\_\_\_\_, [CITY, STATE, ZIP CODE], hereinafter referred to as "PROPERTY", all in strict accordance with documents for the MORE Program administered by the CITY. Subject to the approval of OWNER, CONTRACTOR shall furnish all supervision, labor, materials, machinery, tools, equipment, fixtures and services including transportation services and perform and complete all work described in Exhibit "A," Scope of Work.
- 2. **EXHIBIT "B" – ADDITIONAL PROVISIONS.**
  - a. **SUBCONTRACTORS.** Prior to the execution of this Contract, the CONTRACTOR shall submit in writing for OWNER approval, a list of licensed subcontractors who will be used to perform work under this contract. Requests for substitutions shall be submitted in writing in advance of procurement, and will be subject to approval of the OWNER and CITY. A list of subcontractors approved to perform work under this contract shall be included in Exhibit "B."

- b. **DRAWINGS.** Any additional provisions, including but not limited to, blueprints, drawings, sketches, layouts, shop drawings, and/or other diagrammatic information shall be included in Exhibit "B" ADDITIONAL PROVISIONS, which shall be incorporated and attached hereto.
3. **COMPENSATION:** CITY shall pay CONTRACTOR for services performed in accordance with this Agreement. Total compensation amount not to exceed \$\_\_\_\_\_, not including any additional payments for change orders approved pursuant to paragraph 12 below. Loan proceeds are to be disbursed to the CONTRACTOR for the benefit of the OWNER.
4. **PAYMENT SCHEDULE:** Payment shall be disbursed to CONTRACTOR for the substantial completion of the WORK, on the condition that CONTRACTOR complies with the following provisions:
- a. **INVOICES AND CHANGE ORDERS PAYMENT SCHEDULE.** CONTRACTOR must furnish OWNER and CITY with printed invoice(s) and itemized bill(s) describing each WORK item, per Exhibit "A," including any approved change order(s). Payment will be issued by the CITY upon completion of the WORK. CITY will endeavor to pay undisputed invoices within 30 days of the date received.
  - b. **RELEASE OF LIEN.** Upon substantial completion and prior to issuance of final payment, CONTRACTOR must furnish to OWNER Labor and Lien Releases covering all materials and labor pertaining to the WORK. CONTRACTOR shall furnish to the OWNER for the WORK, a full and unconditional release from any claim or mechanics lien on the PROPERTY, including full and unconditional releases from all subcontractors and material suppliers.
  - c. **INSURANCE, LICENSE, PERMITS.** CONTRACTOR shall procure and maintain throughout the duration of the Agreement all insurance coverages required per Section 9 of this Agreement, as well as all necessary permits and licenses. CONTRACTOR shall give all notices necessary and incident to the due and lawful execution of the WORK. CONTRACTOR must furnish CITY and OWNER with copies of all coverage certificates and required licenses and permits prior to starting WORK.
  - d. **INSPECTION.** CONTRACTOR shall have arranged for all required State Department of Housing and Community Development inspections.
  - e. **PAYMENT REQUESTS NOT TO EXCEED.** CONTRACTOR payment requests shall not be in excess of the value of work completed at any given time.

f. DOWNPAYMENT. Contracts for home improvement under the MORE program less than or equal to \$\_\_\_\_\_ will not include a down payment. Contracts greater than \$\_\_\_\_\_ may be eligible for a 10% down payment, subject to approval by the CITY.

5. **SCHEDULE OF WORK:** CONTRACTOR agrees to the following schedule for the WORK:

a. COMMENCEMENT. CONTRACTOR shall commence work within 10 days of the date of execution of this Agreement, provided that OWNER has prepared the job site in accordance with Exhibits "A" and "B." If OWNER has not prepared the job site prior to the Effective Date, OWNER shall issue a Notice to Proceed to CONTRACTOR when the job site is prepared for WORK. If CONTRACTOR fails to commence work within (30) days of the Effective Date or date of the Owner's issuance of a Notice to Proceed, OWNER shall have the right to terminate this agreement.

b. COMPLETION. CONTRACTOR shall complete all Work within \_\_\_\_\_ **working days** from the Effective Date of this Contract or the date of the Notice to Proceed, whichever is later.

c. UNFORESEEABLE DELAYS. OWNER may grant CONTRACTOR an extension of time in writing for unforeseeable delays beyond the control of and without fault or negligence of CONTRACTOR, including delays caused by the OWNER. OWNER shall notify CITY of any granted time extensions.

In the event that the CONTRACTOR fails to comply with the foregoing schedule in subparagraphs 5 "a" or "b" above, OWNER shall have the right to terminate this Agreement upon written notice in accordance with Section 14.

6. **COMPLIANCE WITH CODES.** CONTRACTOR shall perform all work in accordance with local codes and requirements, and manufacturer's recommendations whether or not covered by specifications and drawings for the work.

7. **ASSIGNMENT.** CONTRACTOR shall not assign the contract without prior written consent of CITY and OWNER.

8. **GURANTEES:** CONTRACTOR shall guarantee all work, labor, and materials for a period of at least one (1) year from the date of the final inspection of all work required by the contract. CONTRACTOR shall furnish OWNER with all manufacturers' and suppliers' written guarantees, warranties and operating

instructions covering materials, appliances, and fixtures supplied or installed under this contract.

9. **INSURANCE.** Prior to the commencement of any WORK, CONTRACTOR shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the CITY, insurance on all of its operations, with insurance carriers, and in amounts acceptable to CITY as required by the contract, including the following coverages:
- a. **Comprehensive General Liability.** A policy covering CGL on an “occurrence” basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$2,000,000 per occurrence.
    - i. The CGL policy shall be endorsed to include as additional insured the City of Arcata, its officials, employees and agents.
    - ii. The provisions of this Paragraph shall not be construed as limiting in any way the extent to which the CONTRACTOR may be held responsible for the payment of damages to any persons or Site resulting from the CONTRACTOR'S activities, or actions or in-actions of any person or persons for which the CONTRACTOR is otherwise responsible.
  - b. **Automobile Liability Insurance.** Auto liability coverage for owned and non-owned automobiles with limits no less than \$2,000,000 per accident for bodily injury and property damage.
  - c. **Worker's Compensation Insurance.** covering all employees and volunteers as required by the State of California, with Statutory Limits on a state-approved policy form, and Employer’s Liability insurance with a limit of no less than \$1,000,000 per accident for bodily injury or disease.
  - d. Contractor shall include in all subcontracts and require of all subcontractors all insurance and indemnity requirements and provisions of the Contract that are applicable to any subcontractor’s scope of work. Subcontractor’s responsibility for defense and indemnity obligations shall survive the termination or completion of this Contract for the full period of time allowed by law.

Any conditions or exclusions that limit or reduce the coverage(s) must be disclosed before starting work at the jobsite. The failure of the OWNER to enforce in a timely manner any of the provisions of this Agreement shall not act as a waiver to enforcement of any of these provisions at a later date in the performance of this agreement.

10. **INDEMNIFICATION.** To the fullest extent permitted by law, CONTRACTOR shall defend, indemnify, hold harmless and release the CITY, its elected and appointed councils, commissions, directors, officers, employees, agents,

and representatives (“City’s Agents”) from and against any and all actions, claims, loss, cost, damage, injury (including, without limitation, disability, injury or death of an employee of Contractor or its subcontractors), expense and liability of every kind, nature and description to the extent caused in whole or in part by Contractor’s negligence or relate to acts or omissions of Contractor, or any direct or indirect subcontractor, employee, contractor, representative or agent of Contractor, or anyone that Contractor controls (collectively “Liabilities”). Such obligations to defend, hold harmless and indemnify City and City’s Agents shall not apply to the extent that such Liabilities are caused in whole or in part by the negligence, active negligence, or willful misconduct of City or City’s Agents, but shall apply to all other Liabilities. With respect to third party claims against the Contractor, the Contractor waives any and all rights of any type of express or implied indemnity against City and City’s Agents. This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable to or for Contractor or its agents under workers’ compensation acts, disability benefits acts or other employee benefit acts. Contractor’s responsibility for defense and indemnity obligations shall survive the termination or completion of this Contract for the full period of time allowed by law.

11. **CHANGE ORDERS.** All CONTRACTOR and OWNER change orders shall be submitted to all Parties in writing and, at minimum, have all the information required under the CONTRACTORS’ State Law, Business and Professions Code, Section 7159. Change orders shall be approved by all Parties before implementation of the work described therein. Any CONTRACTOR’s change orders not authorized in writing by CITY and OWNER will not be paid. All change orders will specify exact items, sums, changes in Exhibit “A”, and changes in the completion dates.
  
12. **CONFORMITY WITH LAW AND SAFETY:** Contractor shall observe and comply with all applicable laws, ordinances, codes and regulations of governmental agencies, including federal, state, municipal and local governing bodies having jurisdiction over any or all of the scope of Services, including all provisions of the Occupational Safety and Health Act of 1979 as amended, all California Occupational Safety and Health Regulations, the California Building Code, the American with Disabilities Act, any copyright, patent or trademark law and all other applicable federal, state, municipal and local safety regulations, appropriate trade association safety standards, and appropriate equipment manufacturer instructions. All work performed by Contractor must be in accordance with these laws, ordinances, codes and regulations. Contractor’s failure to comply with any laws, ordinances, codes or regulations applicable to the performance of the work hereunder shall constitute a breach of contract. In cases where standards conflict, the standard providing the highest degree of protection shall prevail.

CONTRACTOR shall employ or cause to be employed Lead Safe Work Practices to minimize lead contaminates in the jobsite environment which may be disturbed in the performance of the work.

13. **RESOLUTION OF DISPUTES.** Disputes arising between OWNER and CONTRACTOR shall be resolved as follows:

All claims and disputes relating to this contract shall be decided by arbitration in accordance with the rules of the American Arbitration Association for the construction industry. Notice of the demand for arbitration shall be filed in writing with the other party to this agreement, and shall be made within a reasonable time after the dispute has arisen. Should either party bring suit in court to enforce the terms hereof, any judgment awarded shall include court costs and reasonable attorney's fees to the prevailing party.

14. **TERMINATION – CONTRACTOR AT FAULT.**

- a. If CONTRACTOR is absent from PROPERTY thirty (30) consecutive calendar days without prior written approval from OWNER, this contract may be terminated by OWNER in accordance with subparagraph b.
- b. In the event the CONTRACTOR fails to perform or refuses to complete the work as set forth in the schedule herein, or fails or refuses to use due diligence in performing the required alterations and improvements, and in further event that such failure, refusal or default continues for 72 hours after delivery to CONTRACTOR of a written notice to cure such default, then the OWNER may terminate this contract by written notice to CITY and to CONTRACTOR, and upon delivery of such notice, CONTRACTOR shall immediately surrender possession of the premises and remove all equipment and uninstalled materials there from.

15. **TERMINATION AT WILL.** The OWNER at its sole option may terminate this agreement with 72 Hours written notice. Should a termination be made other than for CONTRACTOR'S failure to perform or the CONTRACTOR'S breach of this agreement, OWNER shall pay CONTRACTOR the cost of the work actually completed by the CONTRACTOR in its performance of the agreement, plus 10% of such amount as and for CONTRACTOR'S overhead and profit, less, however, all sums paid CONTRACTOR prior thereto pursuant to this Agreement, and any deductions from the contract price made by the OWNER in accordance herewith, provided, however, the total amount to be received by the CONTRACTOR pursuant to this agreement shall not in aggregate exceed the contract price. As a condition precedent to CONTRACTOR'S right to receive payment pursuant to this Paragraph, CONTRACTOR shall, upon request by OWNER, provide written evidence satisfactory to OWNER, including but not limited to cancelled checks, paid invoices, releases, and such other documentation as OWNER may require, substantiating

CONTRACTOR'S claims of CONTRACTOR against OWNER. Payment pursuant to this Paragraph shall be subject to all the terms and conditions of, and procedures for, payment set forth in this Agreement.

16. **INTEREST OF MEMBERS, OFFICERS, EMPLOYEES OF A PUBLIC BODY, MEMBERS OF LOCAL GOVERNING BODY, OR OTHER PUBLIC OFFICIALS.** No member, officer, or employee of the CITY or its designees or agents, no member of the governing body of the localities who exercises any functions or responsibilities with respect to the program during his tenure or for one (1) year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program assisted under this Agreement.
17. **PROHIBITION OF KICKBACKS.** The CONTRACTOR hereby attests that it nor any of its officers, partners, owners, agents, representatives, employees, or parties in interest has not in any way colluded, conspired, connived or agreed, directly or indirectly with any other bidder, firm, or person to submit a collusive or a sham bid or to fix any overhead or profit or cost element of the bid price or prices in connection with this CONTRACT agreement. Furthermore, both the OWNER and the CONTRACTOR agree that no part of the funds provided under this agreement shall be used in payment of any bonus or commission for the purpose of obtaining any other benefit to the OWNER or CONTRACTOR or its officers, partners, owners, agents, representatives, employees, or parties in interest.
18. **INDEPENDENT CONTRACTOR:** Parties intend that CONTRACTOR, in performing WORK, shall act as an independent contractor and shall have control of his work and the manner in which it is performed. CONTRACTOR shall be free to contract for similar services to be performed for others while under this contract with OWNER and CITY, provided no conflict of interest is created. CONTRACTOR is not to be considered an agent or employee of CITY. CONTRACTOR agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes. CONTRACTOR agrees to indemnify and hold CITY harmless from any liability which it may incur to the United States or to the State of California as a consequence of CONTRACTOR'S failure to pay, when due, all such taxes and obligations. In case CITY is audited for compliance regarding any withholding or other applicable taxes, CONTRACTOR agrees to furnish CITY with proof of payment of taxes on these earnings.
19. **NOTICES.** Any notice or communication required under this Agreement will be in writing, addressed to the appropriate party at its address on the signature page,

and given either personally, by registered or certified mail, postage prepaid, by a commercial courier service, and/or via email to the email address provided herein.

THE PARTIES HAVE READ THE FOREGOING AND UNDERSTAND AND AGREE TO EACH AND EVERY PROVISION BY THEIR SIGNATURES BELOW.

City of Arcata

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

City Manager

Date: \_\_\_\_\_

Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Owner

Date: \_\_\_\_\_

Contractor

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

CA Contractor's License #

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**  
**SCOPE OF WORK**