



CITY OF RIVERBANK HOUSING REHABILITATION PROGRAM GUIDELINES

STATE OF CALIFORNIA
HOUSING AND COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT
(CDBG)
CAL-HOME

Resolution No. 2018-015

April 10, 2018



CITY OF RIVERBANK
HOUSING REHABILITATION
PROGRAM GUIDELINES

I. APPLICANT ELIGIBILITY

A. Conflict of Interest

No member of the governing body of the locality and no other official, employee, or agent of the city government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the city ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. (Owner/builders are reimbursed for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement occurs after the installation is verified by the Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor.) The City reserves the right to determine if the owner is capable of owner/builder rehabilitation work.

B. Income

1. Owner Occupant - To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner will be required to provide income documentation. (See attached Annual Household Income Definition). These limits are subject to update from time to time by the HCD.
2. Owner Investor - There are no restrictions on the income of the owner investor unless the owner investor is a member of the Targeted Income Group (TIG) and is interested in qualifying for a Deferred Payment Loan. Owner Investor will be required to commit to a Rental Limitation Agreement for the life of the loan in which the tenant will be member of the Target Income Group (TIG). City reserves the right to rank property priority to owner occupant.
3. Tenant - If a rental is currently occupied, the tenant's household income must be equal to or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation. (See attached Annual Household Income Definition).

C. Occupancy

No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has been forced to move without cause

during the previous six months.

D. Temporary Relocation

1. Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to the health and safety of a tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive increased housing costs, payment for moving and related expenses, and appropriate advisory services as detailed in the City of Riverbank's "Single Family Temporary Relocation plan", which is available upon request.
2. Owner occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the project coordinator/construction supervisor. The Single Family Temporary Relocation Plan, which is available upon request.

E. Fair Housing

This program will be implemented in ways consistent with the City's commitment to Fair Housing. 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 Community Development Block Grant (CDBG) and CALHOME funds on the basis of 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.

II. PROPERTY ELIGIBILITY

- A. Location - Units to be rehabilitated must be located within Riverbank's city limits.
- B. Rehabilitation Standards - All repair work will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards.
- C. Property Improvements - All improvements must be physically attached to the property and permanent in nature. General property improvements (i.e. sidewalks, approaches, fences, detached garages) should be limited to 25% of the rehabilitation loan amount. Luxury items are not permitted.
- D. Lead-Based Paint - Program participants rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Chapter 20 CDBG Management Manual, Lead-Based Paint Requirements for guidance. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, and should be considered during program design.

III. FINANCING

A. Owner Occupant

1. Limits - An eligible owner may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance with CDBG funds is \$150,000. Total indebtedness against the property will not exceed 100 percent of after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the city.

2. Types of Financing and Terms

- a. Below Market Interest Rate Loan (BMIR) - Participants, whose monthly housing costs are less than 30% of their gross monthly income, shall receive a BMIR at 3% simple annual interest, for 15 years and/or until paid in full, with a minimum payment of \$50.00 per month.
- b. Deferred Payment Loans (DPL) . Participants, whose monthly housing costs are more than 30% of their gross monthly income shall receive a non-interest bearing loan, secured by a deed of trust, for a deferred period of 15 years, at which time no payback is required until the participant sells or transfers title or discontinues residence in the dwelling within the deferred loan period. Upon maturity of the deferment period, participant will initiate monthly payment schedule for 15 to 20 years (to be determined based on clients affordability) and/or until paid in full, with a minimum payment of \$50.00 per month.
- c. Grants . recipients of a grant are limited to CDBG Lead Base Paint mandates, Mold remediation, and or ADA barrier removal on sidewalks and approaches. Grant will be subject to a \$10,000.00 project cap. All grants will be on a 5 year amortized period, in which 1/5 of the loan will be forgiven each year. If the house is sold, transferred, or refinanced within the stated period, the remaining amount of the grant will be due and payable.
- d. Prepayments- At no time will a prepayment penalty be applicable. Payments may be made voluntarily on a DPL. Owner to submit prepayment letter to staff for account setup.
- e. Property Owner Responsibility - In the event the rehabilitation process enters into preconstruction expenses, such as architectural expenses, engineering expenses, energy calculation expenses, and appraisals in which the property owner withdraws from the project without just cause, the City may request property owner to repay such expenses.

3. Determining Eligibility

The following targeted income group owner occupants who are determined to be eligible for the CDBG program may receive DPL financing:

- Senior Citizens - at least 65 years old.
- Disabled - only for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such

modifications were installed.

B. Owner Investor

An owner investor may qualify for the full cost of the rehabilitation work needed to comply with current Uniform Building Code standards. Maximum assistance from CDBG funds is to be determined by the local jurisdiction. Two underwriting variables to consider are the loan-to-value ratio (does the property constitute sufficient value compared to the size of the loan the borrower is requesting to adequately secure the debt) and the debt-to-income ratio (the ability of the borrower to repay the debt). Total indebtedness against the property will not exceed 100 percent of after rehabilitation value. Rehabilitation costs for CDBG funded projects may be supplemented with personal financing or with other sources of leverage.

C. Maximum Loan. to-Value

The maximum encumbrance will normally be limited to 100 % of the property's after-rehabilitated value.

D. Debt-to-Income Ratio

Applicants whose debt to income ratio exceeds 45% may be considered ineligible to participate in the program.

E. Types and Terms of Financing

1. Amortized loan - Below Market Interest Rate (BMIR) loan at 3 to 5% percent interest, secured by a deed of trust and with a maximum term of 15 years, late fees may be applicable.
2. Deferred Payment Loans - DPL for a TIG owner investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement and recorded Rent Limitation Agreement for life of the loan), as outlined below. Same terms as described in previous paragraph above.
3. Late Fees . For new loans issued under the 2018 guidelines all participants payments will be due on the 1 of each month. Participants will have a grace period of 15 days, after which a \$10 late fee will be applicable to their loan balance.

F. Restrictions

1. Rent Limitation Agreement (RLA)

An owner investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which will be recorded. This agreement will specify:

In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.

2. Base Rent -- Vacant Unit

If the house is vacant, rent charges shall not exceed 30 percent of 80 percent city median income for the appropriate household size in that unit. Owner investor shall affirmatively seek TIG households by contacting the local housing authority. Where such contact does not result in eligible TIG tenants, the owner investor shall contact the city for guidance.

3. Base Rent -- Occupied Unit

If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.

4. Terms

If financing is the combined BMIR/DPL, adherence to these rent limitations will be for five years from the date of Notice of Completion of construction.

If financing is a DPL, adherence to these rent limitations will be for the term of the loan.

Compliance -- Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be initiated.

5. Lead-Based Paint

Program participants, including tenants, rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Chapter 20 CDBG Management Manual, Lead-Based Paint Requirements for guidance. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, and should be considered during program design.

6. Maintenance Agreement

As specified in the Rehabilitation Loan Agreement, an owner investor who participates in the program must maintain the property at post-rehabilitation conditions for a minimum of five years. If the property is not maintained accordingly, the loan will become due and payable and, if necessary, foreclosure proceedings will be initiated.

IV. RECONSTRUCTION FINANCING

A. Limits

An eligible owner may qualify for the full cost of reconstruction work needed. Maximum assistance with CDBG funds is \$220,000.00. Total indebtedness against the property will not exceed 100 percent of after reconstruction value. Reconstruction costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are resources of leverage for the City.

B. Property Improvements

All improvements must be physically attached to the property and permanent in nature. Requested improvements to other than the residence shall be secondary to the necessary improvements to the residence in meeting health and safety improvements, local, and state uniform building codes. An allocation of 25% maybe allowed for property improvements with proper approval of the City of Riverbank.

C. Property Owner Responsibility:

In the event the reconstruction process enters into preconstruction expenses, such as architectural expenses, engineering expenses, energy calculation expenses, and appraisals in which the property owner withdraws from the project without just cause, the City may request property owner to repay such expenses

D. Financing and Terms

1. Below Market Interest Rate Loan (BMIR) - Participants, whose monthly housing costs are less than 30% of their gross monthly income, shall receive a BMIR at 3% simple annual interest for 15 years and/or until paid in full, with a minimum payment of \$50.00 per month.
2. Deferred Payment Loans (DPL) -. Participants, whose monthly housing costs are more than 30% of their gross monthly income shall receive a non-interest bearing loan, secured by a deed of trust, for a deferred period of 15 years, at which time no payback is required until the participant sells or transfers title or discontinues residence in the dwelling within the deferred loan period. Upon maturity of the deferment period, participant will initiate monthly payment schedule for 15 years to 20 years and/or until paid in full, with a minimum payment of \$50.00 per month.
3. Grants - are limited to CDBG Lead Base Paint and Mold testing and remediation in relationship to demolition, and or ADA barrier removal on sidewalks and approaches. Grant will be subject to a \$10,000.00 project cap. All grants will be on a 5 year amortized period, in which 1/5 of the loan will be forgiven each year. If the house is sold, transferred, or refinanced within the stated period, the remaining amount of the grant will be due and payable.
4. Prepayments - At no time will a prepayment penalty be applicable. Payments may be made voluntarily on a DPL. Owner to submit prepayment letter to staff for account setup.

IV. RESIDENCY REQUIREMENTS

A. Owner Occupant

Owner occupants will be required to submit to the City between January 1st and March 30th of each year for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill.
- Statement of units continued use as a residence.
- Declaration that other title holders do not reside on the premises.

In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.

If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the City of Riverbank, to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.

If the owner occupant dies and the heir is not income eligible, the loan is due and payable.

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

B. Owner Investor

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

An owner investor may convert a rental property to his or her personal residence if all of the following conditions exist:

- He or she can prove that the previous tenant was not evicted without cause.
- He or she is income eligible.
- He or she requests approval from the city.

If an owner investor converts a rental property, rehabilitated with CDBG funds, to his or her personal residence, but he or she is not income eligible, the loan is due and payable.

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

V. DEFAULT AND FORECLOSURE

If an owner defaults on a loan, and foreclosure procedures are initiated, they shall be carried out according to the Loan Servicing Policies and Procedures adopted by the City, which is available upon request.

VI. INSURANCE

A. Fire Insurance

The applicant shall maintain fire insurance on the property for the duration of the 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 loan(s). A Proof of Insurance Certificate shall be provided to the city.

In the event the applicant fails to make the fire insurance premium payments in a timely fashion, the City of Riverbank, at its discretion, may make such payments for a period not to exceed 60 days. The city may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City of Riverbank make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the city under this program.

B. Flood Insurance

In areas designated by HUD as flood prone, the owner is required to maintain flood insurance in an amount adequate to secure the Rehabilitation Loan. This policy must designate the city as Loss Payee. The premium may be paid by the Rehabilitation Loan for one year.

VII. LOAN OR GRANT APPROVAL

All loans and grants must be approved by the CDBG Loan Review Committee. In order to obtain CDBG financing, applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.

VIII. REPAIR CALLBACKS

In the event that a contractor must be called back to make corrections on rehabilitation work items that are not covered by the one year warranty

IX. PROGRAM COMPLAINT AND APPEAL PROCEDURE

Complaints concerning the CDBG Program should be made to the Project Manager first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the City. The City will then schedule a meeting with the CDBG Loan Review Committee. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with the City Council. Final appeal may be filed in writing to HCD within one year after denial or the filing of the Project Notice of Completion.

X. 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.

XI. CONTRACTING PROCEDURES

- All housing rehabilitation work must be carried out using the CDBG adopted housing rehabilitation guidelines.
- The city will prepare, advertise the bid package, and assist the homeowner in negotiating the contract.
- The homeowner will select the contractor.
- All contractors must be checked and cleared with HUD's federal debarred list of contractors.
- All contractors must be actively licensed and bonded with the State of California.
- All contractors must have public liability insurance to the city required limits, Workmen's Compensation Insurance, unemployment and disability insurance.
- All contractors must comply with CDBG federal and state regulations.
- A Notice of Completion must be recorded with the County Recorder.

XII. SWEAT EQUITY

Participants who wish to perform sweat equity will sign a written commitment itemizing the work they will perform, a time schedule for completion, and a dollar value of the contribution.

Owners that contribute sweat equity that involves painting will not participate in activities that include the abatement or mitigation of lead paint hazards without first being trained on Safe Work Practices as required by HUD and provide documentation of such in the project file.

XIII. AMENDMENTS

Amendments to these guidelines may be made by the City and submitted to HCD for approval.

XIV. EXCEPTIONS

Exceptions to these guidelines will require City Council and HCD approval.

XIV. HUD INCOME LIMITS ADJUSTED FOR FAMILY SIZE FOR CITY

From time to time, HUD provides the Annual Household Income Definition/Income Limits to all jurisdictions, including the City. The City will use the most up to date Income Limits established by HUD to determine eligibility. <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>

XIII. ATTACHMENTS

The following documents are attached and form a part of these guidelines:

- Attachment A-Annual Household Income Definition
- Attachment B-Single Family Temporary Relocation Plan*
- Attachment C-Loan Servicing Policies and Procedures*

*(*Note to Readers: The Residential Anti-displacement and Relocation Assistance Plan is available upon request. The CDBG Foreclosure Policy is also available upon request.)*

ATTACHMENT A

ANNUAL HOUSEHOLD INCOME DEFINITION

For the purposes of determining eligibility in accordance with HCD income guidelines Annual Income **will** include, for all members of the household:

1. Gross wages and salary before deductions.
2. Net income from self-employment.
3. Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
4. Periodic cash benefits from public assistance and other compensation, including AFDC, SSI, Worker's Compensation, State Disability Insurance and Unemployment benefits.
5. Interest earned on savings and investments.

Annual Income will **not** include:

1. Non-cash income such as food stamps or vouchers received for the purpose of food or housing.
2. Capital gains or losses.
3. One time unearned income such as scholarship and fellowship grants; accident, health or casualty insurance proceeds; prizes or gifts; inheritances.
4. Payments designated specifically for medical or other costs, foster children or their non-disposable income.
5. Income from employment of children under the age of 18.

This is not meant to be a complete list. Grantee will make the final decision in situations where the classification of income is not clear. Any exceptions or other deviations from this definition of annual income will be considered by the Grantee.

EXHIBIT C

CITY OF RIVERBANK

HOUSING REHABILITATION PROGRAM
SINGLE FAMILY TEMPORARY RELOCATION PLAN

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

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

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

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

direct result of activities funded by HUD programs.

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

- A. Consistent with the goals and objectives of activities assisted under the Act, the **City** will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by HUD programs:
1. Provide proper notices with counseling and referral services to all tenants so that they understand their relocation rights and receive the proper benefits. When necessary assist permanently displaced persons to find alternate housing in the neighborhood.
 2. Stage rehabilitation of assisted households to allow owner occupants and/or tenants to remain during minor rehabilitation.
 3. Encourage owner investors to temporarily relocate tenants to other available safe and sanitary vacant units on the project site area during the course of rehabilitation or pay expenses on behalf of replaced tenants.
 4. Encourage owner occupant to temporarily move in with family or friends during the course of the rehabilitation, since they are voluntarily participating and not entitled to relocation benefits, unless health and safety threats exist, as explained below.
 5. Require owner investors who participate in assisted rehabilitation to agree to continue to rent to Low Income Group tenants and agree to rent limitations, for a period of at least 5 years.
 6. Provide counseling and referral services to assist displaced persons in finding alternate housing in the neighborhood.
 7. Work with area landlords, real estate brokers, and/or hotel/motel managements to locate vacancies for households facing temporary relocation.
 8. When necessary use public funds, such as CDBG funds, to pay moving costs and provide relocation/displacement payments to households permanently displaced by assisted activities.
- B. Lead Based Paint Mitigation Which Causes Temporary Relocation: On September 15, 2000 the Final Rule for Lead Based Paint Hazard Control (LHC) went into effect. Among other things, it requires that federally-funded rehabilitation must use safe work practices so that occupants and workers can be protected from lead hazards. **At no time should the tenant-occupant(s) be present in work areas or designated adjacent areas while LHC activities are taking place in any dwelling unit interior,**

common area, or exterior. As such, occupants may not be allowed to remain in their units during the time that lead-based paint hazards are being created or treated. Once work that causes lead hazards has been completed, and the unit passes clearance, the occupants can return. **The tenant-occupants may not reoccupy a work area or adjacent area until post-lead hazard reduction clearance standards have been achieved and verified with laboratory results.** The final rule allows for certain exceptions:

1. The work will not disturb lead-based paint, or create dust-lead or soil-lead hazard; or
2. The work is on exterior only and openings are sealed to prevent dust from entering the home, the work area is cleaned after the work is completed, and the residents have alternative lead free entry; or
3. The interior work will be completed in one period of less than 8-daytime hours and the work site is contained to prevent the release of dust into other areas of the home; or
4. The interior work will be completed within five (5) calendar days, the work site is contained to prevent the release of dust, the worksite and areas within 10 feet of the worksite are cleaned at the end of each day to remove any visible dust and debris, and the residents have safe access to kitchen and bath and bedrooms.

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

- C. Rehabilitation Temporary Relocation of Owner Occupants: The program administrator or construction supervisor will make a determination of the need for temporary relocation. Owner occupants are not allowed to stay in units which are hazardous environments during lead based paint mitigation. When their home is having lead based paint mitigation work done which will not make it safe to live in, then they are eligible for temporary relocation benefits, up to \$900, which will be provided as a grant. In the same way, a unit requiring substantial rehabilitation (with or without lead based paint mitigation) which will not allow the family to access a bath or kitchen facility, or if the unit is being demolished and reconstructed, then the family will be eligible for temporary relocation benefits up to \$900, which will be provided as a grant. Allowable temporary relocation expenses are limited to the security deposit of rental dwelling and a cap of 5

months rent. Maximum payments which can be made are based on the Section 8 Fair Market Rent Rates for Stanislaus County established under the Department of Housing and Urban Development.

Owner occupants will be encouraged to move in with family or friends during the course of rehabilitation, since they are voluntarily participating in the program. The housing rehabilitation loan specialist and/or the rehabilitation construction specialist will complete a temporary relocation benefits form (**See Appendix C**) to document that the owner occupant understands that they must relocate during the course of construction and what benefits they wish to be reimbursed for as part of their relocation.

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

A tenant receiving temporary relocation shall receive the following:

1. Increased housing costs (e.g. rent increase, security deposits) and
2. Payment for moving and related expenses, as follows:
 - a. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;
 - b. Packing, crating, unpacking, and uncrating of personal property;
 - c. Storage of personal property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;
 - d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated

- household appliances and other personal property;
- e. Insurance for the replacement value of personal property in connection with the move and necessary storage;
 - f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft or damage is not reasonably available;
 - g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;
 - h. Any costs of credit checks required to rent the replacement dwelling;
 - i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expenses:
 - 1) Interest on a loan to cover moving expenses; or
 - 2) Personal injury; or
 - 3) Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant before the Grantee; or
 - 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.
- E. **Rehabilitation Activities Requiring Permanent Displacement:** The **City** rehabilitation program will not typically trigger permanent displacement and permanent displacement activities fall outside of the scope of this plan. If a case of permanent displacement is encountered, then the staff responsible for the rehabilitation program will consult with **City** legal counsel to decide if they have the capacity to conduct the permanent displacement activity. If local staff does not have the capacity, then a professional relocation consultant will be hired to do the counseling and benefit determination and implementation. If local staff does wish to do the permanent displacement activity then they will consult and follow the HUD Relocation Handbook 1378.0.
- F. **Rehabilitation Which Triggers Replacement Housing:** If the **City** rehabilitation program assists a property where one or more units are eliminated then under Section 104 (d) of the Housing and Community Act of 1974, as amended applies and the **City** is required to replace those lost units. An example of this would be a duplex unit which is converted into a single family unit. In all cases where rehabilitation activities will reduce the number of housing units in the jurisdiction, then the **City** must document that any lost units are replaced and any occupants of reduced units are given permanent relocation benefits. (This does not apply to reconstruction or replacement housing done under a rehabilitation program where the existing unit(s) is demolished and replaced with a structure equal in size without a lost number of units or bedrooms.)

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

1. A description of the proposed assisted activity;
2. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as targeted income group dwelling units as a direct result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. The location on a map and the approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;
5. The source of funding and a time schedule for the provision of the replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a targeted income group dwelling unit for at least 10 years from the date of initial occupancy; and,
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit with two one-bedroom units) is consistent with the housing needs of targeted income group households in the jurisdiction.

The Grants Coordinator at the **City** is responsible for tracking the replacement of housing and ensuring that it is provided within the required period. The **City** is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in 24 CFR 570.606, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

- G. Record Keeping and Relocation Disclosures/Notifications: The **City** will maintain records of occupants of federally funded rehabilitated, reconstructed or demolished property from the start to completion of the project to demonstrate compliance with section 104(d), URA and applicable program regulations. Each rehabilitation project, which dictates temporary or permanent or replacement activities, will have a project

description and documentation of assistance provided. (See sample forms in HUD Relocation Handbook 1378.0, Chapter 1, Appendix 11, form HUD-40054)

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

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

1. General Information Notice: As soon as feasible when an owner investor is applying for Federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered a General Information Notice that the project has been proposed and that the tenant will be able to occupy his or her present house upon completion of rehabilitation. The tenant will be informed that the rent after rehabilitation will not exceed current rent or 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that the rehabilitation can be completed, suitable housing will be made available and he or she will be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons. **See Appendix A for sample notice to be delivered personally or by certified mail.**
2. Notice of Non Displacement: As soon as feasible when the rehabilitation application has been approved, the tenant will be informed that they will not be permanently displaced and that they are eligible for temporary relocation benefits because of lead based paint mitigation or substantial rehabilitation, or reconstruction of their unit. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance. **See Appendix B for sample notice to be delivered personally or by certified mail.**
3. Disclosure to Occupants of Temporary Relocation Benefits: This form is completed to document that the City is following its adopted temporary relocation plan for owner occupants and tenants. **See Appendix C for a copy of the disclosure form.**

4. Other Relocation/Displacement Notices: The above three notices are required for temporary relocation. If the City is attempting to provide permanent displacement benefits then there are a number of other forms which are required. Staff will consult HUD's Relocation Handbook 1378.0 and ensure that all the proper notices are provided for persons who are permanently displaced as a result of housing rehabilitation activities funded by CDBG or other federal programs.

APPENDIX A

(SAMPLE OF GENERAL INFORMATION NOTICE)

Dear _____,

On _____(date), _____,(property owner), submitted an application to the City of Riverbank for financial assistance to rehabilitate the building which you occupy at _____(address).

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

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

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

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

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

Sincerely,

(name)
(title)

**APPENDIX B
(SAMPLE OF NOTICE OF NON DISPLACEMENT)**

_____ (date)

Dear _____:

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

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

1. You will be able to lease and occupy your present apartment [or another suitable, decent, safe and sanitary apartment in the same building/complex] upon completion of the rehabilitation. Your monthly rent will remain until after construction is completed. If increased after construction is done, your new rent and estimated average utility costs will not exceed local fair market rents for your community. Of course, you must comply with all the other reasonable terms and conditions of your lease.
2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

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

If you have any questions, please contact _____(name), _____(title),
at _____(phone #), _____(address).

Remember, do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,

_____ (name)
_____ (title)

APPENDIX C

DISCLOSURE TO OCCUPANT OF TEMPORARY RELOCATION BENEFITS

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

Property Address: _____
 ___ Rental Unit ___ Owner/Occupied Unit

The rehabilitation loan specialist working on behalf of the City of Riverbank has explained the temporary relocation services and benefits available under the current rehabilitation program relocation plan.

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

Acknowledged:

Occupant Signature Date Occupant Signature Date



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

The rehabilitation construction specialist for the City Riverbank has explained the Rehabilitation Scope of Work for our house and I/we agree that it will:

- ___ Not require I/we to be relocated. **(If initialed then STOP here and sign bottom.)**
- ___ Yes, I/we need to be temporarily relocated. **(Complete rest of form if initialed.)**

Start date and duration of relocation:

- ___ Starting on or about _____ we will move for all or part of the rehabilitation project.
- ___ Approximate length of temporary relocation: _____ Number of days.

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

- ___ Relocate with friends and family.
- ___ Relocate into a suitable temporary housing unit identified by rehab specialist.
- ___ Relocate furnishings only into a temporary storage unit.

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

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

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

Occupant Signature Date Occupant Signature Date

EXHIBIT D

CITY OF RIVERBANK **LOAN SERVICING POLICIES AND PROCEDURES**

The City of Riverbank, here after called "Lender" has adopted these policies and procedures in order to preserve its financial interest in properties whose "Borrowers" have been assisted with public funds. The Lender will go to the greatest extent possible to follow these policies and procedures, but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions which are associated with them.

The policies and procedures are broken down into the follow areas:

1. Require monthly payments or voluntary payments on a loan's principle and interest.
2. Require payment of insurance and property taxes.
3. Require Request of Notice of Default on all prior mortgages.
4. Require Rent Limitation Agreement and Monitoring of investor properties.
5. Loans with annual occupancy restrictions and certifications.
6. Require noticing and limitations on any changes on title or use of property.
7. Require noticing and process for requesting a subordination during a refinance.
8. Process of foreclosure in case of default on the loan.

1. Loan Repayment:

The Lender will collect monthly payments from those borrowers who are obligated to do so under an Installment Note, which are amortized promissory notes, (or Lender may use a designated loan collection company of their choice to collect payments.) Late fees may be charged for payments received after the assigned monthly date.

For Straight Notes, which are deferred payment loans; the Lender may accept voluntary payments on the loan. Loan payment will be credited to the accrued interest first and then to principal. The borrower may repay the loan balance at any time with no penalties.

2. Payment of Insurance and Property Taxes:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as "Loss Payee" in first or additional insured if the loan is a second mortgage. If borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The Lender will check insurance on an annual basis at maturity of insurance certificate.

Property taxes must be kept current during the term of the loan. The Lender requires Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Require Request for Notice of Default:

When the Lender's loan is in second position (junior loan) behind an existing first mortgage it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of Lender's loan. This document requires any senior lien holder listed in the notice to notify the Lender of

initiation of a foreclosure action. The Lender will then have time to contact the Borrower and assist them in bringing the first loan current. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the Lender is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Request Rent Limitation Agreement for Investor Properties:

All owner investor properties which receive loans from the Lender will be required to enter into a rent limitation agreement which restricts the tenants' and the rents on the property for a fixed period of time, depending on the public funds used. The rent limitation agreement will be recorded on title of the property and non-compliance with this agreement can lead to foreclosure actions by the Lender. The rent limitation agreement will be monitored annually to ensure that low or very low-income households occupy the assisted investor units and that the rents charged to those households are affordable. In some cases the units must be inspected annually to ensure that they are up to minimum health and safety standards. At the end of the designated affordability periods, the Lender will release the Borrower from the rent limitation agreement.

5. Annual Occupancy Restrictions:

All Borrower's will be required to submit annual proof of occupancy throughout the term of the loan. Documentation submitted must illustrate the resident's name and address. Documents must be within 60 days of current date.

6. Require Noticing and Restrictions on Any Changes of Title or Occupancy:

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

Change from owner-occupant to owner-occupant occurs at a sale, the loan is not assumable and the loan balance is immediately due and payable. If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on family size and household income, provided the heir is in the TIG. If the heir intends to occupy the property and is non-TIG, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan may either be paid in full or converted to an owner/investor interest rate and loan term and a rent limitation agreement is signed and recorded on Title. All such changes are subject to the review and approval of the Lender's Loan Committee.

7. Request for Subordinations:

When a Borrower wishes to refinance the property, they must submit a subordination request to the Lender. The Lender will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the refinance transaction amount; therefore, refinance charges will be covered by Borrower. . There can be no third party debt payoffs or additional encumbrance on the property. Furthermore, the refinance should benefit the Borrower with a lower housing cost and/or a lower interest rate. The total indebtedness on the property should not exceed the current market value. Term periods must stay within existing loan periods. Refinance term periods will be review by the Loan Committee on individual basis.

Upon receiving the proper documentation from the refinance agency, the subordination request will be

considered by the loan committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

8. Process for Loan Foreclosure:

Upon any condition of loan default by Borrower in the areas of:

- A. Default in payment
- B. Lack of compliance of proof of insurance certificate or payment of property tax payment
- C. Violation of rent limitation agreement
- D. Change in title or use of property without Lender's prior approval
- E. Default on senior loans,

The Lender will send out a letter(s) to the Borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount, or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payment, late charges and fees to date. Lender must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note. If the Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

Senior Lien holder

When the Lender is in a first position as a senior lien holder, active collection efforts will begin on any loan that is 60 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 120 days in arrears, at which time the City may consider foreclosure. City staff will consider the following factors before initiating foreclosure:

- Can the loan be cured (brought current or paid off) by the owner without foreclosure?
- Can the rate and term be adjusted to allow for affordable payments such as to avoid foreclosure?
- Can the Borrower refinance with a private lender and pay off the Lender?
- Can the Borrower sell the property and pay off the Lender?
- Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The owner must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the Lender should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and will make all necessary notifications to the owner and junior lien holders. The service will advise the Lender of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the Lender informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the Lender could either sell the home themselves under a homebuyer program or could contact a real estate broker to market the home. Proceeds of the sale of property will be used to fund Program Income eligible items.

Junior Lien holder

It is the Lender's policy to prepare and record a "Request for Notice" on all junior liens (any lien after the first position) placed on properties financed by a loan or loans through publicly funded program(s).

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

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

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

If the City decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the City fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the City's lien may be eliminated due to insufficient sales proceeds.