

Pursuant to the authority vested by Section 50697(d) of the Health and Safety Code and to implement, interpret, and make specific Sections 50690-50699 of the Health and Safety Code, the Department of Housing and Community Development proposes to enact regulations in Title 25, California Administrative Code, as follows:

Subchapter 6.5 is added to Chapter 7 to read:

## 6.5 CALIFORNIA SELF-HELP HOUSING PROGRAM

### Article 1. General

7530 Purpose and Scope

7532 Definitions

### Article 2. Application Process

7540 Application Process

7542 Evaluation Criteria

7544 Conditional Commitment

### Article 3. Technical Assistance Grants

7550 Technical Assistance Grants

7552 Amount and Term of Grants

7554 Technical Assistance Standard Agreement

7556 Disbursement of Funds

### Article 4. Mortgage Assistance: General Provisions

7560 Eligible Uses of Funds

7562 Amount and Terms of Mortgage Assistance

7564 Mortgage Assistance Standard Agreement

### Article 5. Deferred Payment Loans and Other Forms of Mortgage Assistance

7570 Household Eligibility and Amount of Loans

7572 Terms and Conditions of Deferred Payment Loans to Households

7574 Resale and Loan Assumption

7576 Terms and Conditions of Deferred Payment Loans for Cooperatives or Rental Housing Sponsors

7578 Mortgage Subsidy Assistance

### Article 6. Development Assistance

7580 Development Assistance Under the Mortgage Assistance Standard Agreement

7582 Eligible Uses of Funds

7584 Terms and Conditions of Development Assistance

Detailed Analysis

## ARTICLE 1. GENERAL

### Section 7530. Purpose and Scope.

This subchapter implements and interprets the California Self-Help Housing Program, Chapter 7.5 (commencing with Section 50690) of the Health and Safety Code. It establishes procedures for the award and disbursement of loans and grants and establishes policies and procedures for use of these funds to assist self-help construction of housing by low- and moderate-income households.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Sections 50690-50698 of the Health and Safety Code.

### Section 7532. Definitions.

In addition to the definitions contained in Chapter 2 (commencing with Section 50050) and Section 50692 of the Health and Safety Code, the following definitions apply to this subchapter:

"Applicant" means any eligible sponsor applying for funds pursuant to this subchapter.

"Assisted units" means residential units which have been constructed or rehabilitated with technical assistance or funds provided in whole or in part from the Fund and which are, or will be, occupied by eligible households.

"Cooperative" means a limited equity housing cooperative as defined in Health and Safety Code Section 33007.5.

"Department" means the California Department of Housing and Community Development.

"Deferred Payment Loan" means a loan made by the Department to an eligible household, rental sponsor or cooperative from the Fund pursuant to Article 5 of this subchapter.

"Director" means the Director of the Department of Housing and Community Development, or his or her delegate.

"Eligible Household" means: (a) for purposes of technical assistance, a low- or moderate-income household participating in a self-help housing program conducted by an eligible sponsor; and (b) for purposes of mortgage assistance, eligible household means a low-income household participating in a self-help housing program conducted by an eligible sponsor. An eligible household must own, or have the opportunity to own, a residential unit, must be accepted as a member of a limited equity housing cooperative, or a renter, pursuant to Section 7576.

"Eligible Sponsors" means local public entities or nonprofit corporations including cooperatives that are engaged in, or will be engaged in developing, conducting, administering or coordinating programs of assistance which will aid eligible households construct or rehabilitate residential units for their own use.

"Fund" means the Self-Help Housing Fund established by Section 50697.1 of the Health and Safety Code.

"Grantee" means an eligible sponsor that has received a grant or loan from the fund.

"Gross Monthly Income" means gross monthly income as defined in Section 6914, of this Part.

"Low-income households" means the same as lower-income households.

"Lower-income households" means persons and families who meet the requirements of Section 6928 of this Part.

"Moderate-income households" means persons and families who meet the requirements of Section 6930 of this Part.

"Monthly housing costs" means housing costs as set forth in Section 6920 of this Part.

"Project" means a housing development as defined by Section 50073 of the Health and Safety Code. In addition, "project" includes the provision of technical assistance to eligible households.

"Property" means the real property on which the self-help construction has or will be undertaken and includes the improvements thereon.

"Rehabilitation" means rehabilitation as defined in Section 7402 of this Part and specifically excludes items listed in Section 7414(c) 1 through 9 of this Part.

"Rental Housing Development" means a rental housing development as defined in Section 7802 of this Part.

"Rental Sponsor" means an eligible sponsor who is, or will be, the owner of a rental housing development.

"Self-help construction" means owner building or self-help rehabilitation as defined in Section 50692 of the Health and Safety Code and may include mutual self-help housing as defined in Section 50087 of the Health and Safety Code.

"Sweat-equity" means the cost savings to an assisted unit attributable to self-help construction. This amount shall be calculated by subtracting the equity prior to the commencement of work on the assisted unit from the equity at the completion of the assisted unit. For the purposes of this definition, equity means the difference

between the fair market value of the property and the total of all outstanding debts secured by the property plus all payments provided by the owner.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Chapter 2 (commencing with Section 50050) and Section 50692 of the Health and Safety Code.

## ARTICLE 2. APPLICATION PROCESS

### Section 7540. Application Process.

(a) Applications for assistance may be made only in response to a Notice of Funding Availability (NOFA). The Department shall issue the NOFA for technical and mortgage assistance, specifying the amount of funds available, the dates that applications will be accepted, and the general terms and conditions of funding commitments. The Department shall also make information available in each NOFA describing the method used in evaluating applications in response to the NOFA.

(b) An eligible applicant seeking funding shall submit an application for each project containing the following information and material:

- 1) For nonprofit applicants, a copy of the adopted by-laws, and articles of incorporation of the applicant and any amendments thereto; evidence of tax-exempt status; and a current list of members of the governing board, principle officers and employees responsible for implementing the project;
- (2) A detailed description of the project;
- (3) A detailed plan and schedule for the project;
- (4) A description of the type and amount of self-help construction to be utilized in the project;
- (5) A detailed financial plan for the project which identifies the anticipated sources of all financing and proposed specific uses for program funds;
- (6) The work experience of the parties implementing the project;
- (7) Any commitments for financing and other assistance to the project;
- (8) A certified resolution from the applicants' governing boards authorizing the submittal of an application and the execution of the documents and agreements required under the regulations;
- (9) A list of funding sources for previous projects;
- (10) Any other information required by the Department to determine the eligibility or evaluate the feasibility of the project.

(c) Department staff shall review applications and submit recommendations for disposition based on the criteria of Section 7542 and submit them to the Director for the Director's consideration and decision.

(d) Awards to any one sponsor shall not exceed 20 percent of monies available in each NOFA.

(e) A minimum of 20 percent of the Fund shall be set aside for rural areas unless 12 months after issuance of the first NOFA, the lack of eligible applications for technical assistance grants and mortgage assistance would result in unused funds.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

#### Section 7542. Evaluation Criteria.

(a) Applications for funds that serve the largest proportion of low-income households shall receive priority.

(b) In evaluating technical assistance applications, the Department shall include, but not be limited to, the following factors in its evaluation:

- (1) The extent to which the applicant uses available federal, state and local programs and resources in the project;
- (2) The applicant's organizational capacity to carry out the project;
- (3) The project's feasibility;
- (4) The project's cost effectiveness in terms of per unit self-help housing fund costs; and
- (5) The extent to which project participants use self-help labor.

(c) In evaluating mortgage assistance applications, the Department will consider the following factors in addition to the factors listed under (b).

- (1) The extent to which the estimated cost of the units to be constructed or rehabilitated is consistent with the lowest possible cost of residential units in the same area meeting minimum health and safety code standards and local building and land use requirements;
- (2) The extent to which adequate financing for the project is assured;
- (3) The extent to which the grantee provides information on the estimated income levels of the households that are to receive mortgage assistance; and
- (4) The likelihood that the applicant will complete the project within two years of executing an agreement with the Department, pursuant to Section 7562(d) of this Subchapter.

(d) The Department may establish more specific rating and ranking criteria in each Notice of Funding Availability, based on the criteria in (b) and (c) of this section.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7544. Conditional Commitment.

Upon approval by the Director, the recommendation of the Department staff shall constitute a conditional commitment of funds to the applicant subject to the terms of the NOFA, the contents of the application, and such conditions as may be included as part of the Director's approval. The Department and the applicant shall thereafter enter into the Technical Assistance Standard Agreement or the Mortgage Assistance Standard Agreement as appropriate, subject to the applicable provisions of this subchapter.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

ARTICLE 3. TECHNICAL ASSISTANCE GRANTS.

Section 7550. Technical Assistance Grants.

- (a) The Department may make grants for technical assistance to eligible sponsors. Technical assistance funds may be used for the following purposes:
- (1) Assistance, training, and supervision on self-help construction activities and techniques;
  - (2) Assistance in project development which includes, but is not limited to, the preparation of plans for self-help housing, preparation of contracts for professional services, application for project funding, packaging households' applications for assistance, preparation of subdivision maps, review of engineering plans and specifications for construction and rehabilitation projects, and compliance with appropriate requirements of funding agencies and local government;
  - (3) Administrative costs of providing technical assistance for the activity funded by the Department including, but not limited to, wages, salaries and fringe benefits of clerical and management personnel and payment for rent, utilities, communications, printing and travel expenses.

- (b) Technical assistance grants shall not be used for purchase of land, materials, tools and construction equipment, or for any costs of construction.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7552. Amount and Term of Grants.

- (a) The Department shall ensure that not less than 15 percent or more than 25 percent of a NOFA is used for technical assistance grants. However, the Department may adopt different allocation percentages if, 12 months after issuance of a NOFA, the lack of eligible applications for technical assistance grants would result in unused funds.

(b) The Department shall not award a technical assistance grant exceeding \$300,000 for any one project.

(c) The grantee shall complete the project within two years from the effective date of the Technical Assistance Standard Agreement or such lesser term as may be set forth on the application's approval. Extension of the grant term may be made at the discretion of the Director in the event of delays in project implementation beyond the reasonable control of the grantee.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7554. Technical Assistance Standard Agreement (TASA).

(a) A grantee under this Article shall execute a Technical Assistance Standard Agreement (TASA) with the Department.

(b) The TASA shall contain the following terms and conditions:

(1) The minimum number of new and/or rehabilitated units of self-help housing to be occupied by eligible households which will be developed as a direct result of the technical assistance grant.

(2) A budget setting forth the kinds and amounts of allowable expenditures to be made with the grant funds.

(3) The manner, timing and conditions for disbursement of funds to grantees.

(4) A timetable for completion of each stage of the project and for final project completion.

(5) Terms necessary to ensure compliance with these Regulations, and any special conditions imposed by the grant approval.

(6) The remedies of the Department in the event of a breach or violation by the grantee of the terms and conditions of the TASA.

(7) A requirement that the grantee submit to the Department a performance report for each stage of the project. Each report shall describe the progress of the project and shall include the estimated time to completion and a detailed itemized breakdown of grant and other expenditures. The Department shall have the right, without charges or royalty, to publish and distribute all reports, data, memoranda, bulletins or manuals developed or written by the grantee or its officers, employees, or agents in its implementation of the project.

(8) A provision that all books, records, documents and files of the grantee which are maintained for the project shall be available upon notice for inspection by the Department and its representatives.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

#### Section 7556. Disbursement of Funds.

Following grant approval and execution of a TASA, compliance with all applicable conditions therein, and upon submittal of the grantee's request for funds to commence the project, the Department may disburse an advance payment to the grantee. In order to receive an advance payment, the grantee must certify that it does not have available funds to initiate the project. The advance payment shall not exceed a three-month share of the amount budgeted for the total grant. Subsequent disbursements shall be made only to reimburse the grantee for actual and eligible costs incurred pursuant to the Technical Assistance Standard Agreement.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code

Reference: Section 50696 of the Health and Safety Code.

#### ARTICLE 4. MORTGAGE ASSISTANCE: GENERAL PROVISIONS

##### Section 7560. Eligible Uses of Funds.

(a) The Department may commit funds to eligible sponsors for the provision of mortgage assistance to eligible households engaged in self-help construction by either of the following two methods:

(1) As deferred payment loans directly to eligible households pursuant to Section 7572, or to cooperatives, pursuant to Section 7576.

(2) In the form of payment(s) to, or on behalf of, eligible households in order to reduce the mortgage interest costs of the households, pursuant to Section 7578.

(b) Before providing mortgage assistance under (a), eligible sponsors may use the funds for certain development costs pursuant to Article 6.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

##### Section 7562. Amount and Terms of Mortgage Assistance.

(a) The Department shall ensure that not less than 75 percent or more than 85 percent of the Fund is used for mortgage assistance to eligible households. However, the Department may adopt different allocation percentages if, 12 months after issuance of a NOFA, the lack of eligible applications for either technical assistance or mortgage assistance would result in unused funds.

(b) The maximum amount for mortgage assistance for any one project shall not exceed the lesser of \$300,000 or the projected mortgage assistance from the Fund necessary to ensure that eligible households participating in a project pay no more than 30% of their gross monthly income for monthly housing costs.

(c) Mortgage assistance for any one eligible household shall not exceed \$15,000.

(d) The grantee shall provide mortgage assistance directly to or on behalf of eligible households in the form of deferred payment loans or interest subsidies within two years from the effective date of the Mortgage Assistance Standard Agreement.

(e) The Director may increase the limit on mortgage assistance for an eligible household and extend the two-year term if the Department determines that such increase or extension is necessary to avoid special hardship for the eligible household or to ensure the economic feasibility of the project.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7564. Mortgage Assistance Standard Agreement.

(a) A grantee under this Article shall execute a Mortgage Assistance Standard Agreement (MASA) with the Department.

(b) The MASA shall contain the following terms and conditions:

(1) Where funds committed under the MASA are to be used for development assistance pursuant to Article 6 prior to allocation as mortgage assistance to eligible households, the MASA shall contain the terms and conditions set forth in Section 7584.

(2) The grantee shall indicate the estimated income levels of the households that will receive mortgage assistance and such information shall be consistent with the information provided in the approved application, pursuant to Section 7542(c)(3).

(3) Prior to fund disbursement to eligible households, the grantee shall identify each eligible household which will occupy an assisted unit and the amount of mortgage assistance funds for each household.

(4) On or before the sale or conveyance of a newly constructed assisted unit to an eligible household, or on or before the Department's disbursement of funds for an assisted unit to be rehabilitated, the grantee shall ensure that the eligible household which will own and/or occupy the assisted unit executes the Deferred Payment Loan agreement and related documents pursuant to Article 5.

(5) Conditions for the disbursement of mortgage assistance funds to, or on behalf of, eligible households, including the allocation to eligible households of funds which have been used for development assistance shall be specified in the MASA.

(6) For the duration of the MASA, the grantee shall not sell or convey the project, or any portion thereof or interest therein, except as specifically provided in the Agreement.

(7) In the event of a breach of any of its conditions or covenants by the grantee or its successors in interest, the Department shall have the option to

enforce the Agreement by any proceeding at law or in equity. The Department may, at its option, require the grantee or its successor in interest to repay immediately to the State the total amount of the loan then due with simple interest at 10% per annum.

(8) A requirement that the grantee submit a performance report to the Department for each stage of the project. Each report shall describe the progress of the project, and shall include the estimated time to completion and a detailed itemized breakdown of grant and other expenditures. The Department shall have the right, without charges or royalty, to publish and distribute all reports, data, memoranda, bulletins or manuals developed or written by the grantee or its offices, employees or agents in its implementation of the project.

(9) A provision that all books, records, documents and files of the grantee which are maintained for the project shall be available upon notice for inspection by the Department and its representatives.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Sections 50696 and 50697.5 of the Health and Safety Code.

## ARTICLE 5. DEFERRED PAYMENT LOANS AND OTHER FORMS OF MORTGAGE ASSISTANCE

### Section 7570. Household and Amount of Loans. Eligibility

(a) Eligibility for participation with a commitment for mortgage assistance is limited to low-income households. This eligibility shall be determined at the time the sponsor gives final approval for a household's participation in the program, or on approval of permanent financing, whichever is earlier.

(b) For new construction, the maximum deferred payment loan which an eligible household may receive shall be determined as follows:

(1) Determine the amount of total financing required by subtracting from the sales price any downpayment or subsidies other than from the Department;

(2) Calculate 30% of the eligible household's gross monthly income as established at the time permanent financing is approved. From this amount, subtract property taxes, insurance, and utilities and, if required, mortgage insurance and homeowner association fees, to determine the net income available for mortgage payment;

(3) Using the interest rate and term of the first mortgage, calculate the mortgage that the net income in (2) will amortize;

(4) Subtract the amount calculated in (3) from the first mortgage calculated in (1). This amount, if positive, is the allowable mortgage assistance, up to a maximum of \$15,000, for the eligible household.

- (c) An eligible household may receive a deferred payment loan for the rehabilitation of an assisted unit subject to the following conditions:
- (1) The after-rehabilitation loan-to-value ratio, including the Department's loan, shall not exceed 95 percent.
  - (2) The proceeds of the deferred payment loan shall only finance rehabilitation costs directly related to compliance with local code rehabilitation standards.
  - (3) The amount of the deferred payment loan shall not exceed the lesser of the following:
    - (A) \$15,000 or
    - (B) The amount needed to finance the direct cost of the approved rehabilitation work necessary to comply with rehabilitation standards.
  - (4) Priority shall be given to eligible households spending 30 percent or more of their gross monthly income on housing costs. Households spending less than 25 percent of their gross monthly income for housing costs shall provide evidence that necessary financing cannot be obtained from other sources. "Gross monthly income" shall be established at the time the sponsor gives final approval for a household's participation in the program.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

#### Section 7572. Terms and Conditions of Deferred Payment Loans to Households.

- (a) An eligible household receiving a loan pursuant to this Article shall enter into a Deferred Payment Loan Agreement (DPLA) with the Department. The term of the DPLA shall not exceed 20 years.
- (b) The DPLA shall contain the following terms and conditions:
  - (1) The eligible household shall execute a Promissory Note containing the terms set forth in subdivisions (b)(2), (b)(3) and (b)(4) of this section and a Deed of Trust. The Deed of Trust shall be sufficient for recordation and sufficient to secure the obligations of the Promissory Note. The DPLA shall provide for the order of recordation of the Deed of Trust and for its priority with respect to other liens and encumbrances recorded against the assisted unit.
  - (2) The DPLA shall include a provision that the agreement will terminate and the eligible household will be required to repay the outstanding mortgage assistance and accrued interest if the household ceases to occupy the assisted unit as its principal residence, other than as the result of a sale, transfer, or conveyance pursuant to Section 7574.
  - (3) A Deferred Payment Loan shall bear simple interest at seven (7) percent per year for the first ten years of the loan to any one eligible household. Repayment of principal and payment of interest shall be deferred until sale or conveyance of the assisted unit pursuant to Section 7574.
  - (4) The loan principal and accrued interest shall be forgiven at 10 percent per year of the total outstanding amount beginning with the 11<sup>th</sup> year, with

total forgiveness of both interest and principal after 20 years provided that an eligible household remains in compliance with the DPLA.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Sections 50696 and 50697(d) of the Health and Safety Code.

Section 7574. Resale and Loan Assumption.

- (a) The owner of an assisted unit shall notify the Department prior to the sale, transfer or conveyance of the assisted unit or any interest therein.
- (b) The sale, transfer, or conveyance of an assisted unit or interest therein is subject to the following conditions:
  - (1) If the sale or transfer is to a low-income household, the purchaser may assume the deferred payment loan upon completion of terms and conditions set forth in Sections 7572 and 7574(c).
  - (2) If the sale, transfer, or conveyance is not to a low-income household, the deferred payment loan and accrued interest shall be due and payable upon the sale, transfer, or conveyance pursuant to Section 7572.
  - (3) If, at time of resale, the market value of the housing unit is less than the sum of the outstanding balances on permitted mortgages and permitted liens, plus the value of sweat equity, then the amount of mortgage assistance due in repayment, or available for assumption, shall be reduced by the difference between the market value of the housing unit and said sum. The Department shall establish a value for the sweat equity based on information submitted by the grantee and shall determine the fair market value at the time of the proposed resale.
- (c) A low-income household seeking to assume the deferred payment loan shall:
  - (1) Apply to the Department on an approved form;
  - (2) Provide the Department with complete and accurate information as to income and estimated housing costs; and
  - (3) Execute a new Deferred Payment Loan Agreement for the principal balance remaining on the loan.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7576. Terms and Conditions of Deferred Payment Loans for Cooperatives or Rental Sponsors.

(a) Individual households occupying assisted units in cooperatives or in rental housing developments shall not be entitled to Deferred Payment Loans. Such loans may be made to cooperatives or rental sponsors for the benefit of eligible households as follows:

- (1) The loan shall have a term of twenty years and shall bear simple interest at seven percent (7%) per annum, with payments of principal and interest to be deferred except where repayment is required pursuant to this Section and Section 7574;
- (2) The cooperative or rental sponsor agrees to execute a Promissory Note evidencing the loan and a Deed of Trust on the property securing the Note. The Deed of Trust shall be recorded as a lien against the property;
- (3) The proceeds of the loan shall be utilized to reduce the housing costs of eligible households in assisted units in the cooperative or rental housing development, subject to the limits and requirements set forth in Section 7570;

(b) The cooperative or rental sponsor shall enter into a regulatory agreement with the Department that includes but is not limited to, the following provisions:

- (1) The type and number of assisted units to be occupied by eligible households during the term of the loan;
- (2) The manner in which the loan shall result in reduced housing costs or rents for eligible households and long-term rights to occupancy;
- (3) The cooperative or rental sponsor shall not sell, transfer, convey, or encumber its interest or any portion thereof in the property without the prior written approval of the Department;
- (4) The term of the regulatory agreement shall not be less than 20 years; but shall not exceed 20 years from the date of completion of construction or rehabilitation.
- (5) The Deferred Payment Loan and all accrued interest thereon shall be forgiven twenty years after the date of execution of the regulatory agreement provided that the cooperative or rental sponsor has substantially complied with the provisions thereof.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Sections 50696 and 50697(d) of the Health and Safety Code.

Section 7578. Mortgage Subsidy Assistance.

(a) In lieu of assistance provided to eligible households through deferred payment loans, sponsors may propose, in their applications for funding, a method for providing assistance to eligible households to reduce their monthly mortgage interest costs. The Department may accept or reject the proposal, or require the sponsor to amend the proposal.

(b) The Department will use the following criteria in evaluating the proposal for acceptance, rejection, or modification:

- (1) The capability of the Department, sponsor, lender or other party to administer and monitor the payments;
- (2) The extent to which the proposed method will maximize the benefits of program funds for eligible households;
- (3) The extent to which the proposal will encourage resale of the assisted units to low-income households; and
- (4) The adequacy of proposed security to protect the program funds and ensure compliance with program requirements.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

## ARTICLE 6. DEVELOPMENT ASSISTANCE

Section 7580. Development Assistance Under the Mortgage Assistance Standard Agreement.

A grantee may apply for funds awarded under Article 4 for payment of approved development costs pursuant to this Article and applicable provisions of the MASA. For each project, the amount of development assistance shall not exceed the amount of mortgage assistance committed pursuant to Article 4.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7582. Eligible uses of Funds.

Development assistance may be used for costs incurred in connection with self-help construction including the following:

- (a) The cost of acquiring or refinancing the property;
- (b) The cost of site preparation, demolition, and clearing;
- (c) Architectural, engineering, legal, accounting, consulting, and other fees in connection with the planning, execution, and financing of the project;
- (d) The cost of necessary studies, surveys, plans and permits;
- (e) The cost of insurance, interest and financing, taxes and assessments and carrying costs incurred during self-help construction;

(f) Onsite construction costs of labor and material directly for self-help construction;

(g) The cost of offsite improvements, including streets, sewers, and utilities.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

Section 7584. Terms and Conditions of Development Assistance.

(a) As a condition of a commitment of development assistance funds, the following terms and conditions shall be incorporated into the MASA:

(1) The amount, timing and manner of disbursement of development assistance funds by the Department;

(2) A description and allocation of eligible costs to be paid by development assistance funds;

(3) The timing of and manner by which the development assistance shall be provided to eligible households or cooperatives as mortgage assistance. The grantee shall be required to complete the project and provide mortgage assistance to eligible households within two years of the date of commitment of the development assistance; and

(4) Remedies of the Department in the event that the grantee breaches, defaults or violates the development assistance provisions of the MASA.

(5) The order of recordation and the priority to be accorded the Deed of Trust referred to in subdivision (b) below.

(b) Development assistance for the project shall be provided in the form of a loan evidenced by a note in the amount of the approved development assistance and secured by a Deed of Trust in favor of the Department which shall be recorded as a lien against the property.

(c) The note shall bear interest at ten percent (10%) per annum which interest shall be forgiven upon grantee's performance of the development assistance as specified in the MASA. Principal of the development assistance note shall be reduced in increments, and parcels released from the lien of the development assistance Deed of Trust, when mortgage assistance is provided to eligible households in accordance with the MASA.

NOTE: Authority Cited: Section 50697(d) of the Health and Safety Code.

Reference: Section 50696 of the Health and Safety Code.

CHAS/02-2.1