

REPORT

DATE ISSUED: August 6, 2008 REPORT NO: HCR 08-89
ATTENTION: Chair and Members of the Housing Commission
For the Agenda of August 15, 2008
SUBJECT: Standardization of Existing Agreements for the Administration of Housing
Enhancement Loan Programs in City Redevelopment Areas

REQUESTED ACTION:

- 1) Approve amendments to standardize the Agreements and Scopes of Services between the City Redevelopment Agency and the San Diego Housing Commission for the administration of Housing Enhancement Loan Programs in the existing Redevelopment Areas of City Heights, Crossroads and Linda Vista;
- 2) Approve the incorporation of the existing Mount Hope and Southcrest Areas into the expanded Southeastern San Diego Area in Southeastern Economic Development Corporation's (SEDC) Area of Influence.

STAFF RECOMMENDATION:

- 1) Authorize the Interim President and Chief Executive Officer of the Housing Commission to execute the amended standardized Agreements and Scopes of Services with the City Redevelopment Agency to administer the respective Housing Enhancement Loan Programs for the existing Redevelopment Areas of City Heights, Crossroads and Linda Vista, and the incorporation of the existing Mount Hope and Southcrest Areas into the expanded Southeastern San Diego Area in SEDC's Area of Influence.
- 2) Approve an increase of \$1,000,000 for the Housing Commission's Fiscal Year 2009 budget for owner-occupied Housing Rehabilitation loans to incorporate the tax increment housing set-aside funds for the newly expanded Southeastern San Diego Area Program into the approved Fiscal Year 2009 Housing Commission Budget.

BACKGROUND:

The San Diego Housing Commission has administered Housing Rehabilitation Programs on behalf of the City Redevelopment Agency and SEDC for several years, beginning with the Redevelopment Areas of Mount Hope (1991), Southcrest (1997), City Heights (2003), Crossroads (2004), and Linda Vista (2005). In addition, two new Redevelopment Area Housing Enhancement Loan Programs (HELP) were recently approved for North Park and San Ysidro (HCR 08-59 and HAR 08-23).

The action requested by this report will facilitate program administration by standardizing the various Redevelopment Area Agreements and Scopes of Services while still permitting some loan amount distinctions among specific Redevelopment Areas. The attached Agreement and Scope of Services for the approved North Park Redevelopment Area (Attachment 1) will be the model for standardization and each Redevelopment Area will have a separately executed Agreement to allow for minor variations. Each Redevelopment Area is funded from accrued Tax Increment Housing Set-Aside funds from its individual Redevelopment Project Area. The proposed standardized programs would provide up to \$20,000 (in Linda Vista, Crossroads, and Southeastern San Diego) or \$25,000 (in City Heights, North Park, and San Ysidro) of three percent deferred payment loans forgivable over a ten-year period to owner-occupants of properties within the individual Redevelopment Areas who earn no greater than

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100% of Area Median Income (AMI) (currently \$72,100 for a four person household). These loans would be for exterior enhancement as well as health and safety hazard elimination. An additional \$5,000 can be added to each loan as an incentive to make energy or water conservation improvements in all areas except the expanded Southeastern San Diego Area (see map, Attachment 2), where \$10,000 is proposed to be added to the loan for that purpose. An administrative fee of 15% of each funded loan would be provided to the Housing Commission for program administration and would come from the annually budgeted amount from each Redevelopment Area.

FISCAL CONSIDERATIONS:

The proposed Fiscal Year 2009 Redevelopment Area Housing Rehabilitation Program Loan budgets derived from tax increment housing set-aside funds from each of the Redevelopment Areas and the projected number of homeowners to be assisted are as follow:

Redevelopment Area	FY 2009 Proposed Budget	Homeowners Assisted
City Heights	\$ 1,422,472	47 to 57
Crossroads	\$ 352,798	14 to 17
Linda Vista	\$ 190,818	7 to 9
San Ysidro	\$ 434,783	14 to 17
North Park	\$ 408,696	13 to 16
Southeastern San Diego	\$ 1,000,000	29 to 43
Total Redevelopment Areas	\$ 3,809,567	124 to 159

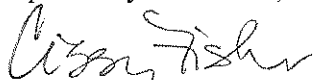
ENVIRONMENTAL REVIEW:

A contract for the administration of a housing rehabilitation program funded by the Redevelopment Agency is "not a project" for the purposes of the California Environmental Qualities Act (CEQA) and is not subject to review under the National Environmental Protection Act (NEPA) as no federal funds are involved.

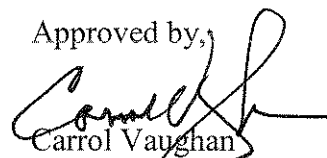
KEY STAKEHOLDERS & PROJECTED IMPACTS:

The potential beneficiaries of these loans are 159 owner-occupants of residences located within the six subject redevelopment areas indicated in this report whose household incomes are no greater than 100% AMI. The subject redevelopment areas are located in Council Districts 3, 4, 6, 7 and 8 within the City of San Diego.

Respectfully submitted,


Cissy Fisher
Housing Finance Director

Approved by,


Carrol Vaughan

Interim President & Chief Executive Officer

Attachments:

1. Agreement and Guidelines for the North Park Redevelopment Housing Enhancement Loan Program
2. SEDC Area of Influence Map

**AGREEMENT
BY AND BETWEEN
THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
AND
THE CITY OF SAN DIEGO HOUSING COMMISSION
IN CONNECTION WITH THE NORTH PARK REDEVELOPMENT HOUSING
ENHANCEMENT LOAN PROGRAM**

THIS AGREEMENT [Agreement] is made and entered into on this _____ day of _____, 2008, by and between the Redevelopment Agency of the City of San Diego, a public body, corporate and politic [Agency], and the San Diego Housing Commission, a public agency [Commission], collectively referred to herein as the Parties, with reference to the following:

RECITALS

WHEREAS, the North Park Redevelopment Project Area [Project Area] is a redevelopment project area adopted by the Agency pursuant to the California Community Redevelopment Law (California Health and Safety Code Section 33000 et seq.); and

WHEREAS, the Agency is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Project Area; and

WHEREAS, pursuant to Health and Safety Code Section 33334.2, the Agency must set aside not less than twenty percent (20%) of tax increment funds generated in a project area to be used for the purposes of increasing, improving, and preserving the community's supply of low- and moderate- income housing available at affordable housing cost to persons and families of low- or moderate- income, lower income households, very low income households, and extremely low income households, that is occupied by these persons and families; and

WHEREAS, in accordance with Health and Safety Code Section 33334.2, the provision of homeownership and housing rehabilitation and enhancement opportunities for low- and moderate- income households are eligible uses of the 20% housing set-aside funds described above; and

WHEREAS, the Agency believes that housing rehabilitation and enhancement is an important factor in promoting neighborhood and community stability, encouraging private investment, and improving the local housing stock; and

WHEREAS, the Agency established the North Park Redevelopment Housing Enhancement Loan Program [Program] as part of an overall redevelopment program to increase, improve, and preserve the supply of low- and moderate- income housing occupied by persons and families of extremely low-, very low-, low- and moderate- income within the Project Area and the surrounding neighborhoods [collectively referred to as the Greater North Park Community], as defined in the map attached hereto as Exhibit "A" and incorporated herein by this reference; and

ARTICLE 1: PURPOSES AND SCOPE OF AGREEMENT AND PROGRAM

1.1 Purpose of Agreement: The Parties acknowledge and agree that the purpose of this Agreement is for the Agency to retain the services of the Commission to administer and manage the Program on behalf of the Agency for the benefit of eligible owner-occupants located within the Greater North Park Community and to take all actions necessary to implement the Guidelines for the Program approved by the Agency [Program Guidelines] attached hereto as Exhibit "B" and incorporated herein by this reference, including, without limitation, the management and expenditure of Agency Funds allocated toward the Program and entering into and executing a Memorandum of Lien Affecting Real Property with each participant which establishes the terms, conditions, and requirements for participation in the Program in accordance with the Program Guidelines.

1.2 Compliance with California Community Redevelopment Law: The Parties acknowledge and agree that the Commission's administration and management of the Program including, without limitation, ensuring compliance with the affordability requirements, shall be performed in accordance with all applicable law including, without limitation, the Community Redevelopment Law.

1.3 Independent Administration/Management: The Parties acknowledge and agree that the Commission's administration and management of the Program shall be performed independently and separately from, but may be done in conjunction and coordination with, the Commission's other housing programs. Any and all costs incurred by the Commission and paid for by Agency Funds pursuant to this Agreement shall be directly related and solely attributable to the administration and management of the Program and not the Commission's other housing programs. Similarly, the loan and use of any Agency Funds shall be done pursuant to the Program and not the Commission's other housing programs.

1.4 Purpose of Program: The Parties acknowledge and agree that the purpose of the Program is to provide financial assistance to extremely low, very-low, low and moderate-income owner-occupants [Participants] of one- and two- unit residential properties located within the Greater North Park Community to be used for the purposes of rehabilitating and enhancing the interior and exterior conditions of their dwellings and/or providing water conserving landscape improvements and/or energy conserving improvements to their properties [Project(s)]. To be eligible to participate in the Program, a Participant's gross household income may not exceed one hundred percent (100%) of the AMI for San Diego County.

1.5 Agency Funds: The Parties acknowledge and agree that the Agency has allocated Agency Funds in the total amount not to exceed Four Hundred Seventy Thousand Dollars (\$470,000.00) to fund the loans provided pursuant to the Program and to pay for the administrative costs associated with the Commission's administration and management of the Program. The Commission shall manage and expend the Agency Funds only for Program Purposes and in the designated amounts as authorized by this Agreement. The Commission shall not commit any additional funds of the Agency in the implementation of the Program in excess of the Agency Funds approved and allocated by the Agency. The Agency may, however, in its sole discretion, approve additional financial allocations to the Program to be used for Program Purposes.

4.1.3 The Commission shall thoroughly evaluate each applicant and the subject property and render a written determination on the eligibility of the applicant and the property to participate in the Program according to the Program Guidelines.

4.1.4 The Commission shall thoroughly evaluate each improvement proposed by each applicant and render a written determination on the eligibility of each improvement for Agency financial assistance according to the Program Guidelines.

4.1.5 The Commission shall confirm that all documents required to be submitted by an applicant in order to qualify as a Participant, pursuant to the Program Guidelines, have been properly submitted to the Commission and are deemed complete.

4.1.6 The Commission shall determine the amount of the loan which a Participant may be eligible to receive from the Agency toward his/her Project. In this regard, the Commission shall consult with the Agency as needed. The Commission shall request all necessary information from the Participant upon which to render this determination.

4.1.7 The Commission shall confirm that, once a Project is approved and prior to the commencement of any work on a Project, the Participant and the Commission enter into and execute the Memorandum of Lien Affecting Real Property [Memorandum of Lien], which evidences the loan amount and the terms and conditions of the loan and imposes a ten (10) year deed restriction on the subject property. The Memorandum of Lien shall be in a form mutually agreed upon by the Commission and the Participant consistent with the Program Guidelines and substantially in the form of the Memorandum of Lien attached as Exhibit "A" to the Program Guidelines (Exhibit "B" attached hereto). Commencement of work without an executed Memorandum of Lien will automatically disqualify a Participant from being eligible to participate in the Program. The Commission shall confirm that the Memorandum of Lien is recorded against the subject property in the records of the County Recorder for San Diego County.

4.1.8 The Commission shall secure all personnel necessary to administer and manage the Program in accordance with the terms of this Agreement including, but not limited to, marketing and outreach specialists, inspectors familiar with the City's codes, regulations, and permit processes, and sufficiently knowledgeable personnel to perform all necessary contract and subcontract administration and loan processing services.

4.1.9 The Commission shall comply with all monitoring requirements imposed by law including, without limitation, the monitoring requirements of the Agency set forth in the California Community Redevelopment Law.

4.1.10 With regard to each loan made by the Agency pursuant the Program, the Commission shall monitor each Participant's compliance with all Program contract and eligibility requirements including, but not limited to, affordable housing and area median income eligibility, ownership, occupancy, and health and safety conditions. In this regard, the Commission shall conduct all necessary inspections to ensure a Participant's compliance with all Program contract and eligibility requirements and to use good faith efforts to detect any

- f. Number of Projects funded and completed to date;
- g. Number of Projects funded but not yet completed to date;
- h. The number of units, including the number of bedrooms per unit, participating in the Program;
- i. Income levels of Participants in the Program;
- j. Description of completed improvements funded by the Agency loan;
- k. Supplemental funds (such as other Commission, City or Agency loans, grants, owner funds, private funds, and/or other loans) used in each Project;
- l. Amount of funds returned to the Agency Account as a result of repayment of the Agency's loans made pursuant to the Program;
- m. Amount of interest earned to date on the Agency Funds;
- n. Amount of Agency Funds transferred from the Agency Account to the Commission's account;
- o. Amount of administrative costs incurred for the administration and management of the Program, including the total compensation paid to the Commission by the Agency for the Commission's services rendered pursuant to this Agreement, as authorized by Section 6 of this Agreement;
- p. Description of marketing efforts performed, and description of the results and needs identified from the marketing efforts; and
- q. Before and after photos of each Project.

4.3 Equal Employment Opportunity Outreach Program: The Commission acknowledges and agrees that it is aware of, and shall comply with, the City's Equal Employment Opportunity Outreach Program and San Diego Municipal Code Sections 22.2701 through 22.2707. The Commission shall not discriminate against any employee or applicant for employment on any basis prohibited by law. The Commission shall provide equal opportunity in all employment practices. The Commission shall ensure that its subcontractors, if any, comply with this program. Nothing in this Section shall be interpreted to hold the Commission liable for any discriminatory practice of its subcontractors. The Commission has submitted and the Agency acknowledges receipt of a current Work Force Report or, if required, a current Equal Employment Opportunity (EEO) Plan.

4.4 Non-Discrimination in Contracting Ordinance: The Commission shall comply

Section 5.4 above, to access the Agency Account.

5.7 The Commission shall monitor the use of Agency Funds including, but not limited to, monitoring loan and payment activity to ensure that sufficient funding continues to be available for potential Participants. The Commission shall inform the Agency when potential loans will fully exhaust Agency Funds available for the Program. At such time that Agency Funds are anticipated to be exhausted, the Commission shall no longer actively market the Program and shall no longer accept applications for loans pursuant to the Program, unless the Agency Funds are replenished.

5.8 Following the execution of this Agreement and upon the request of the Commission's Chief Executive Officer or his/her designee, the appropriated Agency Funds for the Program to initially fund the Program, in the amount not to exceed Four Hundred Seventy Thousand Dollars (\$470,000.00), shall be transferred to the Commission by the Agency for deposit into the Agency Account. Thereafter, any and all funds budgeted by the Agency from time to time in any subsequent years and appropriated for the Program shall be deposited into the Agency Account and classified as Agency Funds.

5.9 The Commission shall maintain the Agency Funds in the Agency Account for the Program, monitor the use of Agency Funds, and ensure that all Agency Funds are clearly accounted for and identified. The Commission shall account for the use and/or reinvestment of the Agency Funds and all interest earned on the Agency Funds in its quarterly and annual reports to the Agency pursuant to the provisions of Section 4.2 of this Agreement. Re-invested funds shall be used to finance additional loans made through the Program and to pay compensation/administrative fees, as provided in Article 6 of this Agreement.

5.10 Should this Agreement be terminated, the Commission shall transfer any and all unused funds in the Agency Account, including all interest earned and any money repaid to the accounts by the Program Participants or otherwise, less any administrative fees as approved by the Agency, to the Agency within thirty (30) calendar days of the notice of termination issued by the Agency or the Commission pursuant to Article 8 of this Agreement. If any loans made from the Agency Account remain outstanding at the time that this Agreement is terminated, the Commission agrees to either continue to administer such loans on behalf of the Agency upon the Agency's approval and forward repayments to the Agency upon receipt, or to assign the loan directly to the Agency or its designee.

ARTICLE 6: COMPENSATION AND METHOD OF PAYMENT

6.1 The Commission shall be fully responsible for managing, administering, and implementing the Program. The Agency shall pay to the Commission in consideration for all services rendered and responsibilities performed by the Commission pursuant to this Agreement in the amount equal to fifteen percent (15 %) of the amount of each Program loan funded during the specific fiscal year, which amount shall also be considered to include the Agency's reimbursement to the Commission for any and all administrative costs/fees incurred by the Commission in the administration, management and implementation of the Program in any Program year.

6.2 The Commission's compensation, together with reimbursement of any

which arise from or are directly connected with the negligence or failure to perform services or other obligations of this Agreement, or are caused or claimed to be caused by the negligence of their officers, officials, agents, or employees, and all expenses of investigating and defending against same; provided, however, that this indemnification and hold harmless shall not include any claim arising from the established sole negligence or willful misconduct of the other Party, its officers, officials, agents, or employees.

ARTICLE 8: TERMINATION OF AGREEMENT

8.1 Parties' Rights to Terminate for Convenience: Either Party may, at its sole option and for its convenience, terminate this Agreement by providing thirty (30) calendar days' prior written notice of such termination to the other Party. Such notice shall be delivered by certified mail with return receipt for delivery to the non-terminating Party. The termination of the Agreement shall be effective upon receipt of the notice by the non-terminating Party.

8.2 Agency's Right to Terminate for Default: If the Commission fails to perform or adequately perform any obligation required by this Agreement, the Commission's failure shall constitute a default of this Agreement. If the Commission fails to satisfactorily cure a default within ten (10) calendar days of receiving written notice from the Agency specifying the nature of the default, the Agency shall have the right in its sole discretion to immediately terminate this Agreement, and terminate each and every right of the Commission, and any person claiming any rights by or through the Commission under this Agreement. The rights and remedies of the Agency enumerated in this Section are cumulative and shall not limit the Agency's rights under any other provision of this Agreement or otherwise waive or deny any right or remedy at law or in equity, existing as of the date of this Agreement or enacted or established at a later date, that may be available to the Agency against the Commission.

8.3 Completion of Work and Agency's Right to Documents: After termination of this Agreement by the Agency or the Commission, the Commission shall complete any and all additional work necessary for the orderly filing of documents and closing of any Agency Account created in furtherance of the Program and under this Agreement. Notwithstanding the termination of this Agreement, the Agency shall pay the Commission for such work in accordance with Section 6 of this Agreement. The Commission shall deliver to the Agency all reports, files, books, records, letters, calculations, real property related documents, and all other documents and records prepared, received or maintained in the administration, management and implementation of the Program. By delivering such documents as called for in this Section, the Commission discharges the Agency of all of the Agency's further payment obligations and liabilities under this Agreement.

ARTICLE 9: BOOKS, RECORDS AND OTHER DOCUMENTS

9.1 Complete Books, Records and Other Documents: The Commission shall maintain or cause to be maintained complete and accurate reports, files, books, records, letters, calculations, real property related documents, and all other documents and records prepared, received or maintained in the administration, management and implementation of the Program under this Agreement.

11.3 Time of Essence: Time is expressly declared to be of the essence in this Agreement, and of every provision in which time is an element.

11.4 Captions: Article, Section or Paragraph titles and captions contained in this Agreement are inserted as a matter of convenience and for reference, and are not a substantive part of this Agreement.

11.5 Additional Documents: The Parties each agree to sign any additional documents, which are reasonably necessary to carry out this Agreement or to accomplish its intent.

11.6 Benefit and Burden: This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, representatives, successors and assigns. This Agreement is not intended to benefit any person other than the Parties hereto.

11.7 Governing Law: This Agreement has been entered into in the State of California, and shall be interpreted and enforced under California law.

11.8 Attorney's Fees: The prevailing party in any action, including, but not limited to, arbitration, a petition for writ of mandate, and/or an action for declaratory relief, brought to enforce, interpret or reform the provisions of this Agreement shall be entitled to reasonable attorney's fees and costs incurred in such action including, but not limited to, expert's fees and costs, and other costs regardless of whether recoverable as such under statute.

11.9 Signatures: This Agreement may be signed in counterpart.

11.10 Approvals:

11.10.1 Except as otherwise expressly provided in this Agreement, approvals required of the Agency or the Commission in this Agreement shall not be unreasonably withheld or delayed. All approvals shall be in writing. Failure by either Party to approve a matter within the time provided for approval of the matter shall not be deemed a disapproval, and failure by either Party to disapprove a matter within the time provided for approval of the matter shall not be deemed an approval.

11.10.2 When this Agreement refers to an act or approval to be performed by the Agency, that act or approval may be performed in writing by the Agency's Executive Director or designee, unless this Agreement specifies otherwise. In this regard, however, the Executive Director or designee, in his/her sole discretion, may refer any approvals required of the Agency that may be approved by the Executive Director or designee to the Agency Board for consideration and action. When this Agreement refers to an act or approval to be performed by the Commission, that act or approval may be performed in writing by the Commission's Chief Executive Officer or designee, unless this Agreement specifies otherwise. Notwithstanding, however, any amendments or modifications of this Agreement, or to any provisions hereof, shall be approved by the governing body of the Agency [Board] and the Commission.



THE CITY OF SAN DIEGO

PROGRAM GUIDELINES
(June 17, 2008)

North Park Redevelopment Housing Enhancement Loan Program

Program Overview: The North Park Redevelopment Housing Enhancement Loan Program [Program] was created by the Redevelopment Agency of the City of San Diego [Agency] as part of an overall redevelopment program to increase, improve, and preserve the supply of low- and moderate- income housing occupied by persons and families of extremely low-, very low-, low- and moderate- income within the North Park Redevelopment Project Area and the surrounding neighborhoods [collectively referred to as the Greater North Park Community], as defined in the map depicted below.

Housing rehabilitation and enhancement has been identified as an important factor for improving neighborhood and community stability, encouraging private investment, and improving the local housing stock. In order to address the needs of the community, the North Park Redevelopment Plan includes goals of improving, promoting and preserving the positive neighborhood characteristics of North Park, promoting varied housing opportunities, improving and enhancing the housing stock within North Park, and supporting and promoting the growth and vitality of the North Park business environment. The Program is a mechanism authorized by the California Community Redevelopment Law to implement and achieve these goals.

The Program is intended to do the following:

- To assist qualified residents of the Greater North Park Community for the purpose of improving the interior and exterior conditions of their residences and reducing energy consumption and landscape related water consumption.
- To repair interior and exterior health and safety hazards that fail housing quality standards.
- To rehabilitate, repair and install exterior improvements, including those improvements that may not be eligible in other housing assistance programs such as fencing, sidewalks and landscaping.
- To enhance the exteriors of properties in an effort to instill pride in the neighborhood and encourage other property owners to make improvements to their properties.
- To supplement, but not replace or compound, any financial assistance received from other financial assistance programs.

1. **ELIGIBILITY CRITERIA**

(A) ELIGIBLE PARTICIPANTS

An eligible Participant must be the record owner of a one- or two- unit residential property (as defined herein) and must maintain and occupy said property as his/her principal place of residence.

In addition, an eligible Participant's gross household income shall not exceed one hundred percent (100%) of the area median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development. "Gross household income" shall mean the combined anticipated or projected gross income for the next twelve (12) month period as annual income of all members of a household. Participants are required to provide all pertinent information requested by the Agency or its designee to establish household income.

Further, an eligible Participant must execute a Memorandum of Lien Affecting Real Property with the Agency or its designee and agree to the recordation of the Memorandum of Lien Affecting Real Property against the subject property in the records of the County Recorder for San Diego County. The Memorandum of Lien Affecting Real Property evidences the loan amount and the terms and conditions of the loan and imposes a ten (10) year deed restriction.

(B) ELIGIBLE PROPERTIES

An eligible property must be a one- or two- unit residential property that is a single-family residence, an attached or unattached residence, a condominium unit, or a townhouse located within the boundaries of the Greater North Park Community as defined herein above.

An eligible property shall not have benefited previously from any financial assistance provided pursuant to the Program. Thus, properties that have received or benefited from financial assistance from the Program are not eligible to participate in the Program for a second time.

(C) ELIGIBLE IMPROVEMENTS

An eligible improvement must contribute to the visual enhancement of the property as viewed from the public right-of-way, or remedy an interior or exterior health and safety hazard that fails housing quality standards, or reduce energy consumption or landscape related water consumption. The Agency Executive Director or designee, in his/her sole discretion, shall determine whether an improvement is eligible for Program assistance.

Examples of eligible improvements include painting, lighting, windows, doors, stucco, tile, fencing, sidewalks, landscaping, roofs, flooring, carpet, lead paint abatement,

(B) INTEREST RATE

An annual simple interest of three percent (3%) shall accrue on the principal amount of the Agency loan provided to a Participant pursuant to the Program and shall commence accruing on the date of Participant's receipt of the Agency loan.

(C) LOAN FORGIVABLE OVER A TEN (10) YEAR PERIOD

Any financial assistance paid by the Agency or its designee pursuant to this Program shall constitute loans made to the Participants. The loans, together with accrued interest, shall be forgiven over a ten (10) year period provided that, for a period of not less than ten (10) years from the date of Participant's receipt of the loan, the Participant continues to own and occupy the rehabilitated/enhanced property as his/her principal place of residence and the Participant complies with all other terms and conditions of the loan set forth in these Program Guidelines and the Memorandum of Lien Affecting Real Property recorded against the subject property (including that Participant properly and sufficiently maintain the property at the level of quality achieved by the rehabilitation).

The total amount of the loan and accrued interest will be forgiven in twenty percent (20%) increments on an annual basis commencing upon the sixth (6th) year of the loan such that at the end of the ten (10) year period, the entire loan amount, together with accrued interest, will be deemed forgiven and the loan balance will be zero.

(D) EVENT OF DEFAULT - PAYMENT OF LOAN AND ACCRUED INTEREST

If, at any time prior to the end of the tenth (10th) year from the date of Participant's receipt of the loan, the Participant fails to own and occupy the rehabilitated/enhanced property as his/her principal place of residence or the Participant fails to comply with all other terms and conditions of the loan set forth in these Program Guidelines and the Memorandum of Lien Affecting Real Property recorded against the subject property [Event of Default], the remaining pro rata (unforgiven) share of the loan, together with all accrued and unforgiven interest, shall become immediately due and payable by the Participant to the Agency or its designee, in its sole discretion, when the Event of Default is not cured in its entirety after thirty (30) calendar days' written notice from the Agency or its designee.

Upon the occurrence of an Event of Default, the Agency loan, together with accrued and unforgiven interest, shall be repaid as follows:

End of Year	Percent of Loan to be Repaid
1 to 5	100
6	80
7	60
8	40
9	20
10	0

Agency or its designee and agree to the recordation of the Memorandum of Lien against the subject property in the records of the County Recorder for San Diego County.

The Memorandum of Lien evidences the loan amount and the terms and conditions of the loan and imposes a ten (10) year deed restriction. The Memorandum of Lien shall be in a form mutually agreed upon by the Agency or its designee and the Participant consistent with these Program Guidelines and substantially in the form as the Memorandum of Lien attached hereto as Exhibit "A" and incorporated herein by this reference.

Commencement of work without an executed Memorandum of Lien will automatically disqualify a Participant from being eligible to participate in the Program. The Memorandum of Lien shall be recorded against the subject property.

(C) INSURANCE REQUIREMENTS

During the entire period in which work on the Project is performed and until Project completion, Participant shall obtain and maintain in effect for said period all insurance policies as required by the Agency or its designee. The Participant shall name the City, the Agency and its designee as additional insureds on all required insurance policies.

(D) FUNDS AVAILABILITY

Funds are limited. Therefore, participation of any Project in the Program is subject to the availability of funds.

(E) PROJECT MANAGEMENT

All Participants shall be fully responsible for managing the construction, work, or performance of their respective Projects including, without limitation, obtaining bids, selecting a licensed contractor(s) if required, obtaining all necessary approvals, permits, and insurances, overseeing work of contractors or other providers, and paying all invoices for the work, materials, and supplies.

The Participant, and not the Agency or its designee, shall be fully responsible and liable for all payments to all contractors, materials suppliers, vendors, and the like.

The Participant is solely responsible for hiring a contractor or provider if necessary, and all contractual obligations regarding the improvement work for the Project are between the Participant and contractor or provider. The Agency, the City, or their designees do not have any contractual relationship with the contractor or provider.

The Participant shall comply with all applicable federal, state and local laws and regulations pertaining to the work performed on the Project.

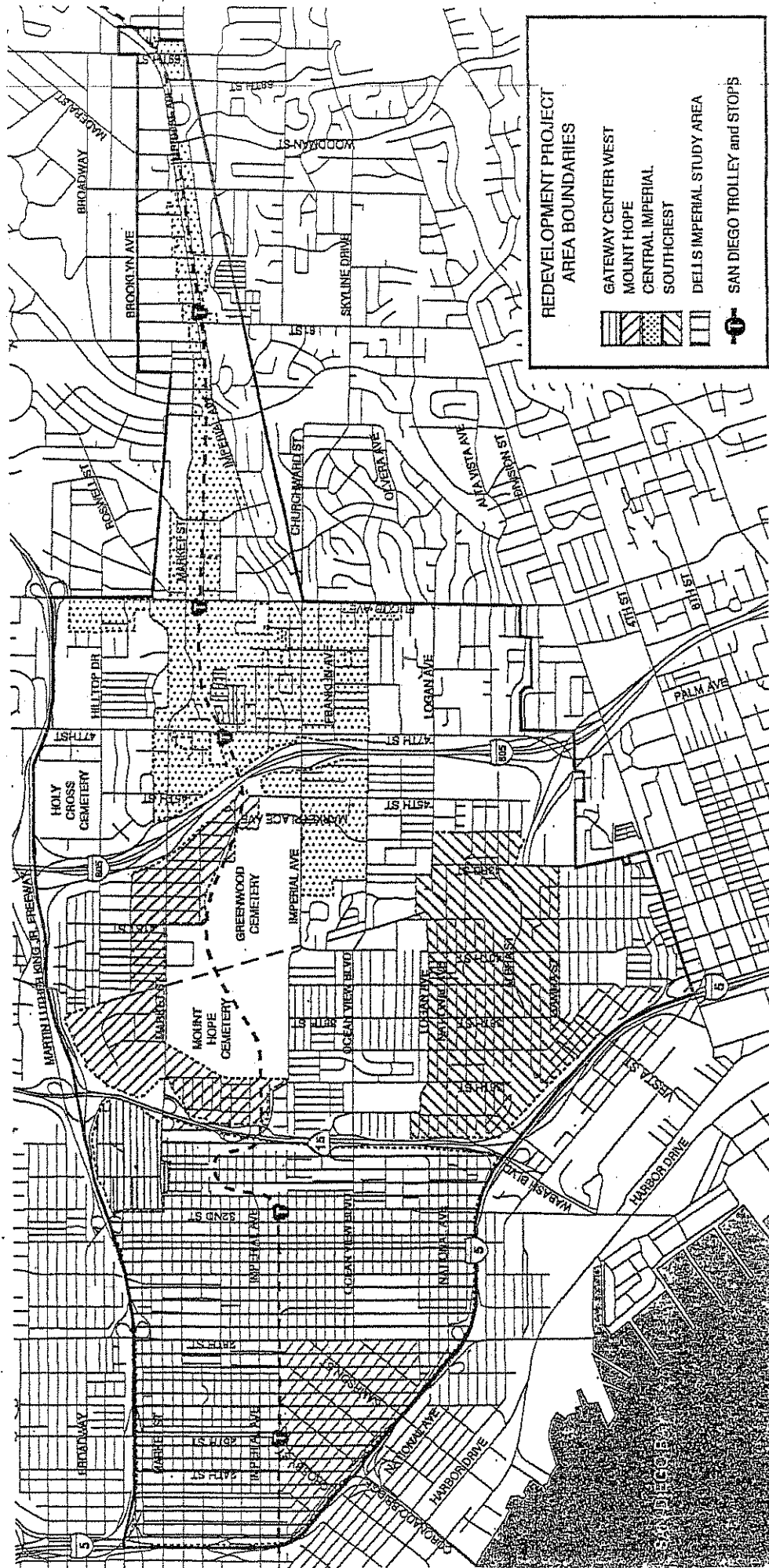
The Participant is solely responsible for scheduling and monitoring the construction or work of all improvements of the Project.

For more information on the North Park Redevelopment Housing Enhancement Loan Program, please contact the **Redevelopment Agency of the City of San Diego**, City Planning and Community Investment Department, at (619) 236-6269 or visit the Agency's Web site at www.sandiego.gov/redevelopment-agency.

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*Prepared by the City of San Diego's City Planning and Community Investment Department
Communications Program 01/08*

SEDC AREA OF INFLUENCE



Scale: 1"=2400'