



**Below Market Rate Loans for Tenant Occupied Units**  
**( BMR Loans )**

***Budget:*** Annual allocation to be determined pursuant to the Agency's budget process and in conformance with the Agency Five —Year Implementation Plan.

***Goal:*** To assure that renters live in safe and sanitary conditions.

***Below Market Rate Loans for Tenant Occupied Units:*** Provides loans to property owners for general improvements to renter-occupied dwelling units. **Maximum loan amounts are \$25,000 per unit, not to exceed a total of \$100,000; the loan amount must be less than 25% of the after rehabilitation value.** Qualification is based upon tenant's income being less than 120% of County median income (51% of units must qualify). Owners who have breached or violated any affordability covenant of any loan or grant provided by the Agency at any time shall not be eligible to receive a BMR Loan. This program will provide Below Market Rate Loans with interest rates of 6% per annum. BMR Loan funds are to be used to first address health and safety issues and exterior deterioration, and secondly, other improvements that would improve the general character and living environment of the housing unit. Funds will be recaptured by monthly payments secured by a Deed of Trust. The BMR Loan may not be combined with any other programs. An agreement must be signed by the owner to rent the units at **affordable rental rates** for a period of 15 years. The Agency will monitor rental rate affordability and tenant income level annually as provided for in the CRL. At any time during the term of the BMR Loan, the Agency may require, and the owner and renters shall provide, proof and confirmation of such information.

***BMR Loan Terms:***

- The BMR Loan shall accrue interest at six (6%) percent per annum on the unpaid or remaining balance.
- The BMR Loan recipient ( Property Owner ) must hold the property for a 12-month term or the Loan must be repaid in full with interest.



- The Property Owner must enter into an affordability covenant, in the form of a trust deed/promissory note to secure the 15 year obligation to rent at least 51% of the units to persons or families of low to moderate income and to maintain affordable rents on all of the property units. Affordable rents are those rents as defined by the Section 50053 of the California Health and Safety Code and described in Appendix 1 of these Guidelines. The Loan obligation, including accrued interest, will be amortized over the 15-year period of the loan. **Affordability covenants are recorded against the property and shall apply to all subsequent purchasers for the term of the covenant, unless released pursuant to state law.**
- If the Property Owner fails to comply with the loan terms, specifically that 51% of the units are occupied by low to moderate income persons or households and that all units are rented at affordable rents per Section 50053 of the Health and Safety Code, then the Owner would be in non-compliance.
- If the Owner is in non-compliance, the BMR Loan becomes immediately due and payable **and the Agency may take other actions to enforce the affordability covenant.**

**Security:** Total of the subject property s existing trust deed(s) and new BMR Loan may not exceed 95% of the value of the property after improvements. BMR Loans will be secured by a trust deed and shall not be subordinated to any loan due to refinancing. The Agency may consider subordinating its position under the following conditions:

- A Fair Market appraisal of the property is obtained by the lender, the cost of which will be paid by the Property Owner.
- A copy of the appraisal is submitted to the Agency for its review.
- All debt on the property does not exceed 80% of the property value.
- The Property Owner does not receive cash out of the new loan unless the owner can prove that the cash will be used only to cure an emergency situation pertaining to the condition of the property or will be used for medical reasons, which is verified by the Agency. The cash out of the refinancing may not be used to consolidate existing household or credit card bills.

**Title:** A Property Owner who is a trustor/beneficiary under a Family or Living Trust shall submit to the Agency s Executive Director, on each subsequent anniversary date of the Loan provided hereunder, a declaration executed under penalty of perjury under the laws of the State of California attesting to the fact that the Trust has not been modified



and that the trustor/beneficiary is still the beneficiary under the trust. Failure to submit such a declaration annually shall be deemed a default under these Guidelines.

***Cost of Loan:*** Property Owner cost associated with processing the Loan (appraisals, loan processing fee, credit reports, title policy, escrow, notary, recording documents) will be paid for from Loan proceeds. **If a loan is cancelled during the application process, any funds expended by the Agency in conjunction with that loan application (i.e. appraisal cost) are to be reimbursed by the property owner; if the Agency has not expended such funds but costs have been incurred, payment is the responsibility of the property owner and the cost shall be deducted from the property owner's deposit.**

***Permitted uses for the BMR Loan Funds:*** Loan proceeds may be used for substantial rehabilitation activities in the following order of priority.

- *First - To Correct All Code Violations* - Electrical, plumbing, heating and air conditioning, and structural building deficiencies that are in violation of current building codes. Correct planning or zoning code violations, such as illegal garage conversions. Correction of any safety problems not covered by codes, such as broken windows, doors and the provision of facilities for handicapped access.
- *Second - To Refurbish Exterior Items* - New roofs, rain gutters, conversion of carports to garages, garage and entry door replacement, fencing replacement, and driveway/walkway repairs.
- *Third - Exterior Cosmetic Improvements* - Repainting, replacing dried or broken landscape materials and/or inoperable irrigation systems, and replacing broken or damaged awning improvements.
- *Fourth - Security Improvements* - Upgrade door and window locks, installing security lighting and doors and security-related fencing.
- *Fifth - Energy Efficiency Improvements* - Heating and cooling system replacement/upgrades, install insulation, ceiling fans, weather stripping, water heater replacement, and low flow plumbing fixtures.
- *Sixth - Interior Improvements (necessary to improve general living conditions)* - Interior paint, wall coverings, new flooring, repair of existing hardwood flooring, needed kitchen appliances (built in only), replacement of deteriorated kitchen or bathroom cabinets, replacement of counter tops with mid-grade tile or Formica, replacement of inoperative lighting fixtures etc. All such interior items would be allowed only at mid-grade quality.



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- *Improvements that are not to be funded by Loan* - Indoor and outdoor fireplaces, pools, Jacuzzis, hardwood flooring, expensive counter tops, washers, dryers, barbecue pits, flower boxes, greenhouses, family rooms, new patios or deck construction, decorator planters, custom concrete work on driveways and walkways, detached workshops and/or other non-permanent structures and improvements considered to be a luxury as determined by the Executive Director.
- *Work Conducted Under Program* —All work conducted under the Loan shall be performed with approved building permits and by state licensed contractors. The City shall not waive building permit fees.