

TOWN OF PARADISE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
ENERGY EFFICIENCY IMPROVEMENT PROGRAM

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## **PROGRAM GUIDELINES**

The Town of Paradise is a Community Development Block Grant (CDBG) entitlement jurisdiction. This funding is administered in accordance with Guidelines published by HUD. The Energy Efficiency Improvement Program is designed to create housing affordability by identifying energy inefficiencies in housing owned by low-income residents, and investing in improvements that will decrease the resident's energy consumption and reduce utility costs. The assistance will be in the form of interest-free, deferred loans, repayable upon resale of the home or at the end of the loan term.

### **Eligible Applicants**

Eligible applicants will be homeowners with an annual household income at or below 80% AMI, per the Code of Federal Regulation, title 24 part 5.609. The applicant must be in good financial standing without credit issues, liens, or judgements that would make the assistance a financial risk or overburden the household.

Applicants will be chosen on a first come, first serve basis, with priority given to senior or disabled residents if necessary.

### **Household Size**

Any person whose primary residence is the subject property is considered a member of the household. The applicant may not count foster children, unborn children and children not living in the home as part of the household. Children with two residences may only be counted if the child lives with the qualified applicant 50% of the time.

### **Eligible Properties**

Eligible properties must be within Paradise town limits. The property must be the owned, primary residence of the applicant. To ensure maximum program effectiveness, the home may not exceed 2,000 sq ft, not including the garage or other unconditioned space.

Homes may be attached or detached, stick-built, or manufactured homes on land with a permanent foundation.

Homes must be in overall good condition, without major health and safety issues. Homes in need of rehabilitation will be referred to the Town's Owner-Occupied Rehabilitation Program where both energy efficiency improvements and home repairs can be completed under one program.

Eligible properties must be current on property tax bills, homeowner's insurance, and mortgage, if applicable.

### **Contractor Selection**

A Request for Qualification will be published to determine a list of qualified general contractors. Upon applicant selection and approval, a Request for Proposal will be

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published to solicit bids from qualified contractors to complete the recommend work. The Town will pay the selected contractor directly – 90% of the contracted amount upon completion, and the final 10% after 30 days after recording a Notice of Completion.

### **Application Process/Selection**

Interested residents will fill out an interest form with the Town and include household size and income information, property address, housing costs, and estimated average utility bill.

After a preliminary review of the information, eligible applicants will be invited to apply. Applicants will complete an application and include appropriate financial back-up documentation, including: 3-months of paystubs; 3-months of checking and savings account statements; 1-month or most current annual statement from all other account types; most recent tax return with W2s and 1099s or letter of non-filing. Applicants with a mortgage will need to include a current mortgage statement. Applicants will also need to provide a 12-month payment history from PG&E or propane supplier.

When income eligibility has been determined, the application will be reviewed for project feasibility by considering these questions:

- Are the housing costs sustainable for the household based on their income?
- Will energy efficiency improvements result in a notable reduction in the utility costs of the household?
- Which energy efficiency improvements create the greatest reduction in monthly cost?
- Can the energy efficiency improvements be completed with available funds?

Should the answer be yes to all questions, Housing staff will inspect the subject property to confirm general property condition and will complete a work write-up and solicit a request for proposal from qualified contractors and complete a Tier 2 Environmental Review.

Upon completion of income determination, financial feasibility review, and Environmental Review, the contractor will be selected and a final proposal will be requested. The funding package will be submitted to the Town Manager with a recommendation for approval.

### **Eligible Costs**

The cost of program administration, including loan processing and underwriting, recording fees, inspections, and environmental review, will be paid by the Town as allowed by HUD.

Eligible loan costs to the borrower will include the costs of required plans, permits, and actual work completed.

Eligible energy efficiency improvements include the following:

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- Increasing attic insulation to a minimum of R-38
- Adding wall insulation
- Installation of solar energy systems, up to 10 kilowatts
- Expansion of existing solar energy systems, up to 10 kilowatts
- Adding or replacing weather stripping
- Installation of low-flow faucets with a maximum flow rate of 1.2 gallons per minute in bathrooms, 1.8 gallons per minute in kitchens, and 1.8 gallons per minute in showers
- Insulation of exposed hot and cold water lines
- Water heater wrapping
- Installing programmable thermostats
- HVAC duct repairs
- Installing occupancy times on light switches in bathrooms, laundry rooms, garages and exterior light fixtures
- Replacing single pane windows with dual pane
- Replacing gas-fueled appliances with electric

### **Scope of Work**

Given the limited availability of funds, it may not be feasible to complete all recommended energy efficiency improvements. Priority will be given to improvements that have the largest return on investment in terms of cost savings to the homeowner. The homeowner will be able to decline recommended work and is permitted to contribute to the project budget with personal funds.

### **Form of Assistance**

The assistance to the homeowner from the Town of Paradise will be provided as a zero interest, deferred loan, evidenced by a Promissory Note, Loan Agreement, and Deed of Trust. The loan will be due in full when the borrower sells the home, or at the end of 30 years, whichever is first. Payments will be made directly to the contractor upon completion of the contracted work, on the borrower's behalf. Unused assistance will be credited off the principal balance owed by the homeowner.

### **Amount of Assistance**

The minimum amount of assistance shall be \$2,500. The maximum amount of assistance shall be \$25,000. Grants will be considered to complete improvements if all recommended work amounts to less than \$2,500.

### **Subordination**

The Town of Paradise will be junior to existing deeds of trust on the property. The senior lien must not be a reverse mortgage, and have a fixed rate and term. The interest rate on

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the senior mortgage may not exceed 7.29% (the highest average fixed rate over the last 10 years). The Town will subordinate to new loans if they meet the same criteria.

**Recapture**

The Town will recoup all of the CDBG assistance upon resale of the home to a new owner. This does not include transfer of ownership due to the following:

1. Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant.
2. A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
  - a. A transfer where the spouse becomes an owner of the property.
  - b. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
  - c. A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

A subsequent homebuyer may assume the CDBG assistance if the subsequent homebuyer is low-income and no additional CDBG assistance is provided.

**Loan Repayment**

Loans shall be repayable upon sale of the property. The borrower may repay the assistance at any time during the life of the loan without penalty.