



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: June 10, 2022

HCR22-081

SUBJECT: Authorization to Participate in the California Housing Finance Agency's Accessory Dwelling Unit (ADU) Grant Program

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Sujata Raman (619) 578-7406

REQUESTED ACTION: Authorize the San Diego Housing Commission (Housing Commission) to enter into a Lender Participation agreement with the California Housing Finance Agency to participate in their Accessory Dwelling Unit (ADU) Grant program and utilize these funds in conjunction with the Housing Commission's own ADU Finance Pilot Program.

EXECUTIVE SUMMARY OF KEY FACTORS:

- In each of the City of San Diego Affordable Housing Fund Annual Plans for Fiscal Year (FY) 2020, 2021 and 2022, the Housing Commission Board of Commissioners and the San Diego City Council have approved the inclusion of a pilot program to provide financing to help homeowners with low income in the City of San Diego build ADUs (also known as companion units, "granny flats" or casitas) on their property.
- In April 2022, the Housing Commission launched the ADU Finance Pilot Program, which provides eligible homeowners with construction loans of up to \$200,000 per household. In addition, the Housing Commission's ADU Finance Pilot Program will provide technical assistance through a consultant, at no cost to the homeowner, to help with predesign, permits and construction.
- The California Housing Finance Agency's (CalHFA) ADU Grant program makes up to \$40,000 per homeowner available to reimburse predevelopment and non-reoccurring closing costs associated with the construction of an ADU.
- CalHFA is a state housing finance agency that will provide these grants to homeowners through participating lenders. On April 18, 2022, CalHFA informed Housing Commission staff that the Housing Commission would qualify as a lender authorized to provide CalHFA ADU Grant funds to eligible homeowners.
- CalHFA further informed Housing Commission staff that they require a resolution approved by the Housing Commission Board of Commissioners that would authorize the Housing Commission to participate in the CalHFA ADU Grant program.



REPORT

DATE ISSUED: June 2, 2022

REPORT NO: HCR22-081

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 10, 2022

SUBJECT: Authorization to Participate in the California Housing Finance Agency's Accessory Dwelling Unit (ADU) Grant Program

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Authorize the San Diego Housing Commission (Housing Commission) to enter into a Lender Participation agreement with the California Housing Finance Agency to participate in their Accessory Dwelling Unit (ADU) Grant program and utilize these funds in conjunction with the Housing Commission's own ADU Finance Pilot Program.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Adopt a resolution, as required by the State of California Housing Finance Agency (CalHFA), authorizing the Housing Commission to enter into a Lender Participation Agreement (Attachment 1) with CalHFA to participate in their Accessory Dwelling Unit (ADU) Grant program and utilize these grant funds in conjunction with the Housing Commission's own ADU Finance Pilot program. Staff for CalHFA has indicated CalHFA will not accept any changes to the Lender Participation Agreement.
- 2) Authorize the Housing Commission's President & Chief Executive Officer (President & CEO), or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

SUMMARY

In each of the City of San Diego Affordable Housing Fund Annual Plans for Fiscal Year (FY) 2020, 2021 and 2022, the Housing Commission Board of Commissioners and the San Diego City Council have approved the inclusion of a pilot program to provide financing to help homeowners with low income in the City of San Diego build ADUs (also known as companion units, "granny flats" or casitas) on their property. In April 2022, the Housing Commission launched the ADU Finance Pilot Program, which provides eligible homeowners with construction loans of up to \$200,000 per household. In addition, the

Housing Commission's ADU Finance Pilot Program will provide technical assistance through a consultant, at no cost to the homeowner, to help with predesign, permits and construction.

CalHFA's ADU Grant program makes up to \$40,000 per homeowner available to reimburse predevelopment and non-reoccurring closing costs associated with the construction of an ADU. CalHFA is a state housing finance agency that will provide these grants to homeowners through participating lenders. On April 18, 2022, CalHFA informed Housing Commission staff that the Housing Commission would qualify as a lender authorized to provide CalHFA ADU Grant funds to eligible homeowners.

CalHFA further informed Housing Commission staff that they require a resolution approved by the Housing Commission Board of Commissioners that would authorize the Housing Commission to participate in the CalHFA ADU Grant program.

Technical Assistance

The Housing Commission's ADU Finance Pilot Program includes optional technical assistance available at no cost to the homeowner to help otherwise qualified homeowners who may not possess the experience and resources necessary to navigate the ADU development process. Through a competitive Request for Proposal procurement process, the Housing Commission has selected a consultant experienced in ADU development to provide this technical assistance to homeowners participating in the program. The Housing Commission will pay the cost of the ADU consultant through the AHF funding previously approved for this program or through the CalHFA ADU Grant. Any remaining CalHFA ADU Grant funds not used for the ADU consultant would be applied to other pre-development ADU-related costs the homeowner incurs. If the homeowner chooses to utilize technical assistance, the ADU consultant will act as professional consultant and liaison to assist the homeowner through site feasibility, predesign, permitting, and construction.

ADU Financing

The Housing Commission's ADU Finance Pilot Program will provide an ADU construction loan of up to \$200,000 per household for the costs of design, permitting, and construction. Homeowners may choose to construct a detached or attached (including garage conversions) ADU. They also may use permit-ready design/building plans available through the City of San Diego, a manufactured ADU, or a custom-designed ADU.

The Housing Commission loan terms are: 1 percent simple interest, deferred during constructions (two to three years), with principal and interest due upon construction completion through take-out financing by a first trust deed lender. Rent for the ADU must remain affordable for seven years for households with income up to 80 percent of San Diego's Area Median Income (AMI), currently \$104,100 per year for a family of four. The ADU loan would be secured with a Promissory Note, Performance Deed of Trust, and Seven-year Affordability Restrictions. Upon construction completion, the homeowner will be required to refinance. The homeowner may use a mortgage lender collaborating with the Housing Commission for this program or a lender of their choice. The ADU loan principal plus accrued interest will be repaid to the Housing Commission at the time of refinance. The loan repayments will be recycled into the ADU program to assist additional homeowners.

Housing Commission loan approval will be contingent upon the homeowner obtaining pre-approval for take-out financing.

Borrower Eligibility

The Housing Commission will select homeowners through an open application process, on a first-come, first-qualified basis. Housing Commission staff will complete an underwriting review of income, assets, credit and home value to determine if the homeowner qualifies for financing under these proposed program guidelines:

- Household income up to 80 percent of the AMI.
- Mid-Credit score of 680 or better.
- Debt-to-Income ratio (including future rent on ADU) of no more than 50 percent.
- Combined-Loan-To-Value of no more than 75 percent using the post ADU construction value.
- Owner-occupied subject property.
- Contribution of 1 percent of personal funds toward the ADU construction project.

Site Criteria

Eligible properties must be owner occupied, single-family detached homes located in the City of San Diego. The site must meet the regulatory requirements for the addition of an ADU per the City of San Diego's zoning regulations. Additional considerations for site feasibility may include but are not limited to setbacks, deed restrictions, easements, gradient/slope, means of egress, environmentally sensitive lands, water and sewer access, and severe/high fire zones. The ADU consultant will be available to assist with determining site feasibility.

FISCAL CONSIDERATIONS

The approved Fiscal Year (FY) 2022 budget includes \$500,000 in local Inclusionary funds for the ADU Finance Pilot Program and \$75,000 in local Inclusionary funds for the ADU consultant. The staff-recommended actions would not change the Housing Authority-approved FY 2022 Housing Commission budget. The proposed FY 2023 Housing Commission budget includes \$2,200,000 in Inclusionary Housing funds for the ADU Finance Pilot Program. The staff-recommended actions would not change the proposed FY2023 Housing Commission budget.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

California's housing affordability crisis has dramatically increased the cost of living in major cities, including San Diego, and disproportionately affected Black residents and communities of color. The CalHFA ADU grant programs supports diversity, equity and inclusion by helping increase the affordable housing stock and providing opportunities to potentially build wealth and equity for low- to moderate-income homeowners. CalHFA does not discriminate on any prohibited basis in employment or in admission and access to its programs.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On April 11, 2019, and June 10, 2019, the Housing Commission Board of Commissioners and the San Diego City Council, respectively, approved the Fiscal Year 2020 AHF Annual Plan, which included a program to provide financing to help homeowners with low income in the City of San Diego build ADUs (also known as companion units, “granny flats” or casitas) on their property.

On May 1, 2020, and June 8, 2020, the Housing Commission Board of Commissioners and the San Diego City Council, respectively, approved the Fiscal Year 2021 AHF Annual Plan, which included a program to provide financing to help homeowners with low income in the City of San Diego build ADUs on their property.

On April 2, 2021, and June 14, 2021, the Housing Commission Board of Commissioners and the San Diego City Council, respectively, approved the Fiscal Year 2022 AHF Annual Plan, which included a program to provide financing to help homeowners with low income in the City of San Diego build ADUs on their property.

ENVIRONMENTAL REVIEW

This action is not a project pursuant to CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. This action seeks to submit an application to CalHFA, which will not cause a significant environmental impact on its own accord. As such, this action is not subject to CEQA pursuant to CEQA guidelines Section 15060(c)(3). Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Sujata Raman
Sujata Raman
Vice President, Single-family Housing Finance
Real Estate Division

Approved by,

Jeff Davis
Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

Attachments:

- 1) ADU Lender Participation Agreement
- 2) Application for CalHFA ADU Grant Program

Docket materials are available in the in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.

**CALIFORNIA HOUSING FINANCE AGENCY
ACCESSORY DWELLING UNIT GRANT PROGRAM**

ADU LENDER PARTICIPATION AGREEMENT

THIS ADU LENDER PARTICIPATION AGREEMENT (this "Agreement") is entered into this _____ day of _____, 20____ (the "Effective Date"), by and between, the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("CalHFA"), and _____, a _____ ("Lender").

RECITALS

WHEREAS, the 2015—2025 Statewide Housing Plan of California seeks to address housing supply and affordability by, among other things, encouraging alternative housing models, including the development of accessory dwelling units, and the programs that promote them;

WHEREAS, CalHFA has made funds available and developed a grant program to be marketed and made through approved lenders to eligible low-to-moderate income homeowners to help finance the construction of accessory dwelling units thereby meeting one of the stated objectives of the Statewide Housing Plan;

WHEREAS, Lender has made funds available pursuant to a qualified program to eligible homeowners to help finance the construction of accessory dwelling units;

WHEREAS, Lender desires and has sought approval from CalHFA to participate in the grant program to augment the financial assistance provided through its own construction loans to eligible low-to-moderate income borrowers to build accessory dwelling units on their single-family residential properties;

WHEREAS, CalHFA desires to authorize Lender to market and participate in the making of grants eligible under the program, as more particularly described herein; and

WHEREAS, the program is created to, among other things, (i) strengthen communities by increasing homeowner equity, intergenerational wealth building opportunities and stabilizing a homeowner's financial situation by creating an income-producing accessory dwelling unit; (ii) create housing densities in existing neighborhoods; (iii) provide affordable housing opportunities to extended family members, the elderly, and persons and families of low-to-moderate income; and (iv) create economic opportunities for eligible owners to maximize use of their single-family residential properties.

NOW, THEREFORE, in consideration of the mutual promises expressed herein, the parties hereto agree as follows:

1. **Recitals.** The foregoing recitals are incorporated herein by this reference and shall form a part of this Agreement as if recited herein at length.
2. **Definitions.** As used in this Agreement:
 - 2.1. "Accessory Dwelling Unit" ("ADU") shall have the same meaning as defined by either (i) the Federal Housing Agency (FHA) pursuant to the 4001.1 Handbook or (ii) the Fannie Mae Selling Guide, as applicable.

- 2.2. “Application” means the information and documentation provided by Lender in a form approved by CalHFA in order to make a Grant through Lender to an Eligible Household.
- 2.3. “Construction Loan” means a loan of a specified sum of money made by a Lender with its own funds pursuant to a Qualified Lender Program to an Eligible Household to finance the construction of an ADU, evidenced by a promissory note and secured by a Construction Loan Deed of Trust on real property.
- 2.4. “Construction Loan Deed of Trust” means a written instrument creating a lien on real property to provide security for the payment of a Construction Loan to an Eligible Household for an ADU.
- 2.5. “Eligible Costs” means costs of pre-development fees and costs necessary to build and occupy an ADU, including but not limited to, non-reoccurring closing costs, architectural designs, permits, soil tests, impact fees, property survey and energy reports.
- 2.6. “Eligible Household” means the person(s) who meet the income and all other eligibility requirements pursuant to the Program Term Sheet.
- 2.7. “Eligible Household Affidavit” means an affidavit in a form approved by CalHFA, signed and acknowledged by the trustor(s) named in the Construction Loan Deed of Trust certifying that (i) the residential property upon which the ADU will be built is owner-occupied; (ii) the ADU shall meet all local zoning ordinances and building codes; and (iii) acknowledgement that they shall receive a Form 1099-G alerting them of potential income tax consequences.
- 2.8. “Grant” means an award of funds made from CalHFA to Eligible Households through Lender to finance the construction of an ADU.
- 2.9. “Lender” means the party identified in the introductory paragraph above and which has been approved by CalHFA in writing to participate in the Program.
- 2.10. “Lender Affidavit” means an affidavit in a form approved by CalHFA, signed and acknowledged by an authorized representative of Lender certifying that (i) construction of the ADU will comply with all FHA and government-sponsored enterprise guidelines (e.g., Fannie Mae) for accessory dwelling units; (ii) all required permit and/or impact fees have been paid; and (iii) Lender has verified Eligible Household’s present household annual income does not exceed the current maximum income restriction established by CalHFA.
- 2.11. “Program” means the grant program developed by CalHFA with funds made available and approved by its board of directors to be marketed and made through approved entities to eligible low-to-moderate income homeowners to help finance the construction of accessory dwelling units on their single-family residential properties.
- 2.12. “Program Bulletin” means a written announcement communicated to Lender by CalHFA describing one or more changes to the Program from time-to-time.
- 2.13. “Program Term Sheet” means the terms and conditions developed by CalHFA that govern the Program and published on the CalHFA website. The Program Term Sheet is incorporated herein by reference and may be amended by CalHFA from time-to-time and will become effective and binding upon the Lender upon notice to the Lender without amending this Agreement.

2.14. “Qualified Lender Program” means one or more of the following programs offered to eligible homeowners to help finance the construction of accessory dwelling units on their single-family residential properties: (i) a loan program developed by a government-sponsored enterprise (e.g., Fannie Mae HomeStyle Renovation); (ii) a loan program developed by Lender with an existing Mortgage Purchase Master Agreement by and between Lender and CalHFA; or (iii) any other loan program developed by Lender that meets CalHFA’s terms and conditions and approved in writing by CalHFA, in its sole and absolute discretion. Lender agrees and acknowledges that, except for any loan program under (i) or (ii) as described in the preceding sentence, the terms and conditions of a Qualified Lender Program shall not be amended without the prior written consent by CalHFA, and that any such unauthorized or non-conforming changes shall constitute a breach of this Agreement.

3. **Non-Exclusive Agent.** CalHFA hereby designates Lender as its non-exclusive agent for the receipt and processing of Applications for Grants under the Program.

4. **Grant.**

4.1. Subject to all of the terms, covenants, conditions, warranties and representations contained in this Agreement, CalHFA agrees to provide individual Grants to Lender and on behalf of Eligible Households of up to the maximum allowed as more particularly set forth in the Program Term Sheet. The Eligible Household is not required to repay or reimburse the Grant to CalHFA.

4.2. Such Grants shall be awarded on a first-come, first-served basis for so long as CalHFA makes funds available for the Program. CalHFA may discontinue the Program at any time, provided that the discontinuance shall not affect Grants already approved by CalHFA.

4.3. Subject to the conditions hereinafter specified, CalHFA shall deposit good and lawful monies of the United States in an amount equal to the aforesaid Grant in an escrow account established by Lender in connection with the Construction Loan for the ADU.

4.4. The Grant shall be used solely to reimburse an Eligible Household for Eligible Costs incurred in connection with construction of an ADU paid for, in whole or in part, with proceeds from a Construction Loan.

4.5. CalHFA shall issue a Form 1099-G to the Eligible Household for the calendar year in which the Grant was made.

5. **Conditions of the Grant.**

5.1. Lender shall have made a Construction Loan with its own funds pursuant to a Qualified Lender Program to construct the ADU and shall provide to CalHFA proof of funding thereof. Lender acknowledges and agrees that CalHFA will not purchase the Construction Loan, reimburse Lender for the Construction Loan or provide any sort of guarantee for Lender having made the Construction Loan to an Eligible Household.

5.2. ADU must meet either Fannie Mae or FHA, as applicable, ADU feature requirements.

5.3. ADU shall meet all local zoning ordinances for use on the subject residential single-family property.

5.4. Eligible Household owns and occupies the residential single-family property on which the ADU will be built.

- 5.5. Eligible Household's present household annual income does not exceed the current maximum income restriction established by CalHFA as a condition for the Eligible Household's receipt of the Grant.
- 5.6. Lender agrees to utilize the Grant received from CalHFA solely to reimburse the Eligible Household for Eligible Costs.
- 5.7. Lender agrees to meet and comply with all terms and conditions set forth in the Program Term Sheet.

6. **Submission of Application.**

6.1. Lender shall coordinate its Construction Loan applications with CalHFA's processes and procedures and will obtain from the prospective Eligible Household all documents and information required for the Application for (and receipt of) a Grant, including, but not limited to the following:

6.1.1. Copy of the recorded Construction Loan Deed of Trust for ADU financing;

6.1.2. Construction Loan disbursement information, which shall include either: (i) escrow instructions to wire Grant funds; (ii) pursuant to an executed third-party management disbursement agreement approved by CalHFA; or (iii) other similar disbursement arrangement approved in writing by CalHFA, in its sole and absolute discretion;

6.1.3. Eligible Household Affidavit; and

6.1.4. Lender Affidavit.

6.2. Lender represents and warrants that copies of all reports, certificates, approvals and other documents that are furnished by an Eligible Household to CalHFA through the Lender are correct and unaltered copies of the original documents.

6.3. Lender agrees and acknowledges that CalHFA may amend the required documents to complete Applications, but only by providing notice through Bulletins or other means consistent with the provisions of notice herein.

6.4. Lender shall submit complete Application packages to CalHFA in a timely manner.

7. **Certificate of Occupancy.** Upon construction completion of the ADU, Lender shall immediately provide a copy of the Certificate of Occupancy for the ADU upon receipt. Failure to perform may be cause for immediate suspension and/or termination of this Agreement.

8. **Employee Training.** Lender shall assign specific member(s) of its staff to the Program. Such staff members shall have e-mail addresses and internet access which allows them to access CalHFA's web site to receive update information regarding the Program. Lender represents and warrants that any member of Lender's staff that works with households or potential households under the Program are familiar with all applicable laws and regulations with regard to the Program and the documentation thereof.

9. **Information.** Lender shall make information regarding the Program available to potential Eligible Households. Lender shall give the Eligible Household a complete Program information package at

the time prospective applicant applies for a construction loan. Lender shall process and review the application of any potential applicant in order to determine such person's eligibility under the Program. Lender shall use the forms approved by CalHFA and package the Grant applications in conformance with the Program Term Sheet.

10. **Investigation and Verification.** Lender will perform all investigations and verifications that would normally be performed for underwriting a mortgage not provided in connection with a Grant. Lender will notify the prospective applicant and CalHFA in writing of any decision to cancel processing for a Grant. Lender will conduct such reasonable investigation as is necessary to certify that the applicant has satisfied the requirements of the Program.
11. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California and applicable federal law. Lender hereby agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that venue for any action brought hereunder shall be exclusively in the County of Sacramento.
12. **Information Regarding Misrepresentations.** Lender hereby agrees to forward to CalHFA any and all information Lender receives which indicates or tends to indicate that misrepresentations were made by any applicant in applying for a Grant.
13. **Fair Lending Requirements.** Lender shall abide by all fair housing and lending requirements and agree to uphold the quality standards of the Program.
14. **Term.** This Agreement shall become effective upon its execution by Lender and CalHFA. Lender's authorization to market and submit Applications for Grants under this Agreement is effective upon completion of Lender training, at Lender's cost, provided for by CalHFA related to the Program. The Agreement shall remain in effect until terminated in accordance with its terms.
15. **Termination.**
 - 15.1. Either party may terminate this Agreement upon five (5) days written notice to the other party provided that the termination of this Agreement shall not affect Grants already approved by CalHFA.
 - 15.2. CalHFA may, in its discretion, require Lender to submit and comply with annual or other periodic re-certification requirements as they may be established by CalHFA from time to time. Lender hereby agrees that its failure to comply with those re-certification requirements shall be cause for immediate termination of this Agreement.
 - 15.3. In addition to the foregoing, CalHFA may immediately terminate this Agreement at any time as a result of Lender's breach of any provision of this Agreement, including Lender's breach of any of the representations and warranties contained in this Agreement.
16. **Records.** Lender shall allow CalHFA, on written request, to have reasonable access to and the right to inspect all records that pertain to the Program and the Grants made therefrom. The Lender shall retain a complete copy of the Grant file for at least three (3) years and maintain compliance with regulatory and legal requirements regarding document and record retention. The Lender must provide CalHFA with a copy of its records upon request.
17. **Audits.** Lender agrees to establish and maintain fiscal control and accounting procedures which assure that funds received pursuant to this Agreement are properly disbursed, adequately controlled

and reasonably accounted for. Adequate documentation of each transaction shall be maintained to permit the determination, through an audit if requested by CalHFA, of the accuracy of the records and the allowability of expenditures payable with CalHFA funds. If the allowability of any expenditure cannot be determined, the questionable expenditure may be disallowed by CalHFA in its sole discretion. Upon demand by the CalHFA, Lender shall immediately repay CalHFA for any disallowed expenditures.

18. **Notices.** Unless otherwise required, all notices and requests to CalHFA and Lender pursuant to this Agreement shall be in writing and shall be deemed given or received when mailed, by certified or registered mail, postage prepaid, addressed to CalHFA at 500 Capitol Mall, Suite 1400, Sacramento, California 95814 and to the Lender at the address shown below on the signature page unless another address is designated in writing by Lender.
19. **Severability.** If any provision of this Agreement is deemed to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect.
20. **Nonwaiver of CalHFA's Rights.** No right, remedy, or power of CalHFA in this Agreement shall be deemed to have been waived by any act or conduct on the part of CalHFA or by any failure to exercise or delay in exercising any right, remedy, or power. Every such right, remedy or power of CalHFA shall continue in full force and effect until specifically waived or released by an instrument in writing executed by CalHFA.
21. **Entire Agreement.** This Agreement, including any attachments, contains the entire understanding between the parties hereto concerning the subject matter contained herein. There are no representations, agreements, arrangements or understandings, oral or written, between the parties hereto, relating to the subject matter of this Agreement, which are not fully expressed and/or referred to herein.
22. **Interpretation of the Agreement.** The provisions contained in this Agreement shall not be construed in favor of or against either party but shall be construed as if both parties contributed equally to its preparation. This Agreement shall be construed in accordance with the laws of the State of California.
23. **Indemnification.** Lender shall indemnify and hold CalHFA harmless against any and all expenses, fees, losses, damages, penalties, fines, forfeitures, reasonable legal fees and related costs that CalHFA may incur as a result of any failure on the part of Lender to comply with this Agreement. Lender expressly recognizes that representations and warranties made by Lender that are not true shall constitute a breach of this Agreement.
24. **Assignment.** Lender shall not assign its rights nor delegate its duties under this Agreement without the prior written consent of CalHFA. Any attempted assignment or delegation in violation of this section shall be void. CalHFA shall have full right and authority to assign all or a part of its rights and delegate all or a part of its duties under this Agreement without Lender consent.
25. **Signature Authority.** All individuals signing this Agreement for a party which is a corporation, partnership, limited liability company or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the CalHFA that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

26. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement is effective upon transmission by any part to the other party of a fully signed facsimile copy of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

LENDER:

By: _____
Name: _____
Its: _____

Lender's Address for Purposes of Notice:

**CALIFORNIA HOUSING
FINANCE AGENCY:**

By: _____
Name: _____
Its: _____

APPLICATION FOR CALHFA ADU GRANT PROGRAM

The following information outlines general documents and requirements to participate in the California Housing Finance Agency (CalHFA) ADU Grant Program. In evaluating the application, CalHFA will use certain criteria to assess the Applicant to ensure the ADU Grants that are submitted meet CalHFA's guidelines, and the Applicant is capable of handling the responsibilities associated with providing the ADU Grant. CalHFA encourages the Applicant to review the required documents and general criteria to determine eligibility for becoming a CalHFA-approved participant.

The Applicant is required to complete this application together with all attachments and have it signed by an authorized officer. When the application is received, CalHFA will review the application, and required attachments for determination of eligibility as a CalHFA-approved participant.

When all requirements have been satisfied and the CalHFA ADU Lender Participation Agreement is executed, an approval will be issued.

MANDATORY DOCUMENTATION

From Mortgage Lenders, Mortgage Bankers, and Commercial Banks

- ADU program term sheet or program guidelines
- Company history & narrative describing general scope of operations
- Organizational Chart detailing principal officers, managers and key personnel for loan origination, loan production, underwriting, secondary marketing, quality assurance/control and loan servicing
- List of California Branch Office that will originate ADU loans with branch manager's name, address, phone, and email
- Copies of Insurance Policies and Evidence of Current Fidelity Bond/Errors and Omissions
- Certificate of Authority and Specimen Signature Form
- Tax ID# and Certification Form (W-9)
- Business registration from state of origin (e.g., filed articles of incorporation)
- If a non-California Company, registration with California Secretary of State

From Credit Unions

- ADU program term sheet or program guidelines
- Company history & narrative describing general scope of operations
- Organizational Chart detailing principal officers, managers and key personnel for loan origination, loan production, underwriting, secondary marketing, quality assurance/control and loan servicing
- List of California Branch Office that will originate ADU loans with branch manager's name, address, phone, and email
- Copies of Insurance Policies and Evidence of Current Fidelity Bond/Errors and Omissions
- Certificate of Authority and Specimen Signature Form
- Tax ID# and Certification Form (W-9)
- If California-chartered credit union: registration with DFPI
- If a non-California Credit Union or federally chartered credit union: registration with NCUA

From Local Governments

- ADU program term sheet or program guidelines
- Organizational Chart detailing principal officers, directors, and key personnel for the program
- Resolution from appropriate governing body authorizing ADU program

From Builder/Manufacturers

- ADU program term sheet or program guidelines
- Company history & narrative describing general scope of operations
- Organizational Chart detailing principal officers, managers and key personnel for loan origination, loan production, underwriting, secondary marketing, quality assurance/control and loan servicing
- Copies of Insurance Policies and Evidence of Current Fidelity Bond/Errors and Omissions
- Certificate of Authority and Specimen Signature Form
- Tax ID# and Certification Form (W-9)
- Business registration from state of origin (e.g., filed articles of incorporation)
- If a non-California Company, registration with California Secretary of State

From Non-Profits

- ADU program term sheet or program guidelines
- Company history & narrative describing general scope of operations
- Organizational Chart detailing principal officers, directors, and key personnel for the program

- Copies of Insurance Policies and Evidence of Current Fidelity Bond/Errors and Omissions
- Certificate of Authority and Specimen Signature Form
- Tax ID# and Certification Form (W-9)
- Business registration from state of origin (e.g., filed articles of incorporation)
- If a non-California Company, registration with California Secretary of State
- Registration with attorney general's registry of charitable trusts
- IRS determination of tax exemption



CALHFA ADU GRANT PARTICIPATING PROGRAM APPLICATION

PROGRAM INFORMATION

Name of Program:

Program description:

Describe internal process for disbursement of construction funds:

Program is for construction of new ADU's only. Yes No

ADU is built on an owner-occupied Single Family One Unit property. Yes No

ADU meets Fannie Mae/FHA requirements including size, zoning, and separate features/entrance. Yes No

The program participant, not the homeowner, to manage the construction funds for the ADU. Yes No

PARTICIPANT INFORMATION

Legal Name _____

Type of Entity:

- | | | |
|--|--|--|
| <input type="checkbox"/> Mortgage Lender | <input type="checkbox"/> Non-Profit | <input type="checkbox"/> Builder/Manufacture |
| <input type="checkbox"/> Commercial Bank | <input type="checkbox"/> Mortgage Banker | <input type="checkbox"/> Other |
| <input type="checkbox"/> Credit Union | <input type="checkbox"/> Local Government Agency | |

Address _____

Phone Number _____

Website _____

Email domain(s) needed to access our system (example: @1234.com) _____

ADU PROGRAM ADMINISTRATOR INFORMATION

Name: _____

Title: _____

Phone: _____

Email: _____

CERTIFICATIONS

Participant has approval documents which includes Borrower Information, Income Verification, and Property Documentation.

Participant oversees the ADU construction funds and ensures the ADU is completed

Participant to provide Certificate of Occupancy to CalHFA once the ADU is completed

Participant provides a breakdown of non-reoccurring closing costs and pre-development costs including invoices, receipts, itemization list, Loan Estimate/Closing Disclosure, or other documentation to certify amount of fees

Participant to follow CalHFA income requirements

Participant must return the grant funds back to CalHFA in the event the ADU construction is cancelled

ACKNOWLEDGEMENT

I affirm that all information submitted with and attached to this application is true and correct. I hereby authorize CalHFA, at its discretion, to verify the information with any other sources, and I hereby waive any cause of action or claim I may have against such sources with respect to any information they may provide.

By: _____

Authorized Signature

Name and Title: _____

Company: _____

Date: _____