Grantee: Merced, CA

Grant: B-11-MN-06-0012

July 1, 2012 thru September 30, 2012 Performance Report

Grant Number:
B-11-MN-06-0012

Obligation Date:

Award Date:

Grantee Name:
Merced, CA

Contract End Date:
03/09/2014

Review by HUD:
Submitted - Await for Review

Grant Amount:
$1,196,182.00

Grant Status:
Active

QPR Contact:
No QPR Contact Found

Estimated PI/RL Funds:

Total Budget:
$1,196,182.00

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

Activity Number 1
Activity Name
Acquisition and Rehabilitation
Uses: Eligible Use B: Acquisition and Rehabilitation
CDBG Activity or Activities
Acquisition, 24 CFR 570.201 (a);
Eligible rehabilitation and preservation activities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii); and
Disposition, 24 CFR 570.201 (b).
National Objective
Benefiting low- and moderate-income persons (providing LowIncome Housing)
Activity Description
The NSP3 Program Activity Number 1 has been designed for acquisition, rehabilitation of foreclosed properties and re-sale to eligible home buyers. The properties must have been foreclosed upon or abandoned pursuant to program guidelines. Eligible properties must be located in the target areas. This target area has the greatest need based on the extent of foreclosures in the community.
The purchase price must be at least 1% below the current market appraised value of the property pursuant to an appraisal dated within 60 days of the offer to purchase. The appraisal must conform to the requirements of 49 CFR 24.103. In order to meet the NSP3 statutory deadlines to expedite commitment and expenditure of program funds, the NSP3 Program will be administered the same way as the City&rsquos NSP1 Program. This will
include all relevant aspects that comply with 24 CFR 92.252, including continued affordability ensured by recorded covenants, affordability term, rehabilitation standards, low interest, five-year deferred payment loans, affirmative marketing, environmental clearance, rehabilitation standards, and lead]based paint abatement. All NSP3 project contractors will be required to hire new workers from the targeted areas.
Location Description
Central and South Merced; census tracts: 13.01, 13.02, 14.01, 14.02, 15.02, 15.03, 16.01, 16.02, and 17.
Budget / Source of Funding / Dollar Amount $650,000; Any Program Income received will be expended first.
Performance Measures
An estimated 12-15 housing units will be acquired and rehabilitated for re-sale to qualified homebuyers.
Projected Start Date
Contract agreement date with HUD.
Projected End Date
As required by HUD, at least 50% within 2 years of the date funds become available and 100% of such funds within 3 years of such date.
Activity Number 2
Activity Name: Homebuyer&rsquos Financial Assistance
Use: Eligible Use B: Acquisition and Rehabilitation
CDBG Activity or Activities
Homebuyer&rsquos assistance, 24 CFR 570.201 (n)
National Objective
Benefiting low- and moderate-income persons (providing Low]Income Housing).
Activity Description
The NSP3 Program Activity Number 2 has been designed to provide financial assistance to qualified homebuyers. The Program will provide

financial assistance through secured loans. All loans will have thre) percent smpenest and will be secy a First Deed of Trust.
All repayments to the City are deferred for the first five (5) years or until sale, transfer, refinancing or full repayment of the first mortgage. The Program will allow for the home buyers to acquire foreclosed properties in order to stabilize the community, but more importantly, provide housing opportunities for low]income persons.
Location Description: Central and South Merced; census tracts: 13.01, 13.02, 14.01, 14.02, 15.02, 15.03, 16.01, 16.02, and 17.
Budget / Source of Funding / Dollar Amount: $127,518; Any Program Income received will be expended first.
Performance Measures: An estimated 6 homebuyer&rsquos assistance loans will be provided.
Projected Start Date: Contract agreement date with HUD.
Projected End Date: As required by HUD, at least 50% within 2 years of the date funds become available and 100% of such funds within 3 years of such date.
Activity Number 3
Activity Name: Acquisition, Rehabilitation, and/or Redevelopment
Use: Eligible Use B: Acquisition and Rehabilitation, Eligible Use E: Redevelopment
CDBG Activity or Activities
Acquisition, 24 CFR 570.201 (a);
Eligible rehabilitation and preservationactivities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii); and
Disposition, 24 CFR 570.201 (b).
National Objective: Benefiting very low and low income persons (Low -Income Housing to Meet 25% Set-Aside)
Activity Description
The NSP3 Program Activity Number 3 is designed to redevelop abandoned or vacant properties in order to construct or rehabilitate rental units for those at 50% or below area median income. No project or land has been considered at this time. The project can also include collaboration with non-profit agencies and other funds. If no such projects develop, funds will also be used for homebuyer&rsquos program for those at 50% or below AMI. All NSP3 project contractors will be required to hire new workers from the targeted areas.
Location Description: Central and South Merced; census tracts: 13.01, 13.02, 14.01, 14.02, 15.02, 15.03, 16.01, 16.02, and 17.
Budget / Source of Funding / Dollar Amount: $299,046
Performance Measures: There will be about 4 rental units or more developed for those with the income of 50% or below AMI.
Projected Start Date: Contract agreement date with HUD.
Projected End Date: As required by HUD, at least 50% within 2 years of the date funds become available and 100% of such funds within 3 years of such date.
Activity Number 4
Activity Name: Administration
Use: N/A
CDBG Activity or Activities
Eligible CDBG planning and administration activities are included under 24 CFR 570.205(a)(b),570.206(a)(1)(2)(3)(4)(b)(c)(e)(f)(g), and pre]award costs under 24 CFR 570.200(h) for permissible costsincurred as of September 29, 2008 for items such as development of the Action Plan amendment and other administration actions necessary to receive the NSP3 grant.
National Objective: Not applicable.
Activity Description: This activity is for grant administration to administer NSP3 funds.
Location Description: The NSP Program Area includes: Majority of Central and South Merced; census tracts: 13.01, 13.02, 14.01, 14.02, 15.02, 15.03, 16.01, 16.02, and 17.
Budget / Source of Funding /Dollar Amount $119,618
Performance Measures: Not applicable.
Projected Start Date: Contract agreement date with HUD.
Projected End Date: As required by HUD, at least 50% within 2 years of the date funds become available and 100% of such funds within 3 years of such date.

How Fund Use Addresses Market Conditions:

According to U.S. News, in April 2010, &ldquoAmerica&rsquos top 10 Underwater Housing Markets&rdquo Merced, CA was ranked number 2 amongst top 10 in the Nation. The article includes: The housing crisis that has rocked Merced, California, was initially linked to rising property values in relatively nearby metropolitan areas like San Francisco. As real estate became increasingly unaffordable in the bigger cities, many would-be homebuyers started exploring options in smaller markets, such as Merced. Although this trend increased real estate demand in Merced, prices appreciated even faster as exotic mortgage products and investor interest hit the market. Area home prices jumped nearly 129% from 2002 to 2006. But after the euphoria subsided, home prices crashed more than 72% through the third quarter of 2009. This rapid deflation dragged about 64% of single-family home mortgages underwater by the fourth quarter of 2009, according to Zillow. Merced&rsquos foreclosure problem is widespread throughout the community and the allocation of $1,196,182 will not be enough to begin to address the needs of the community. All low/mod eligible census tracts in the City have high foreclosure rates and Nine (9) of them are considered areas with greatest needs. In order to meet the NSP3 statutory deadlines to expedite commitment and expenditure of program funds, the City will focus on all eligible census tracts in Central and South parts of the City. The City of Merced will use a program model similar to its NSP 1 program. The primary areas of greatest need were established on the basis of their conformity to the NSP3 threshold (i.e. need) score of 19.46 and percentage of low-income persons in the area. The City will focus on the acquisition-rehabilitation and re-sale activity in the target areas. These properties will be sold to qualified homebuyers, which are based on the City's past experience with NSP1.
All of the neighborhood areas in Merced have foreclosure need scores of 19 to 20. The City looked at all the areas and narrowed it down to Central and South part of Merced as listed in &ldquoAreas of Greatest Needs&rdquo. These areas contain a large number of foreclosures. Although HUD requires that grantees select target areas that are small enough to make an impact, there are no small areas in the City that cover the majority of foreclosures. The NSP3 area is, however, a smaller area compared to NSP1 and the City plans to take the same approach as its NSP1 program which has been very successful. The City primarily uses the funding for acquisition/rehabilitation, re-sale, and homebuyer&rsquos assistance programs. Including Central and South Merced, which contain several census tracts, gives more flexibility to the City in acquiring foreclosed properties and flexibility to the homebuyers looking for homes. Taking into consideration the amount of funds available, the following activities are considered to be the most practical way to utilize the funds:
1) Purchase and rehabilitation of abandoned or foreclosed homes in need of rehabilitation or demolition, in order for re-sale to low and

moderate-income homebuyers. Amount of funds: $650,000; Number of homes: 10
2)   Down payment assistance, including soft-seconds andshared-equity loans for low and moderate-income homebuyers for the purchase of foreclosed homes. Amount of funds: $127,518; Number of loans: 6
3)   Redevelopment or demolition of vacant properties. Amount of funds: $299,046; Number of units: 4-8 (depending on developer&rsquos plan)
The third category will be primarily for those with the income of 50% or below AMI. This will include construction or rehabilitation of rental multi-family residential for very low income individuals and households. This amount may also be used for acquisition and down payment assistance for those clients. In order to comply with HUD guidelines, all NSP3 project contractors will be required to hire new workers from the targeted areas.

Ensuring Continued Affordability:

The City will receive $1,196,182 in NSP3 funding and will use 25% of this funding, or $299,046, for housing individuals and families whose incomes do not exceed 50% of area median income. The NSP3 Rental Program will be designed to provide financial assistance for the creation of affordable rental housing for low]income households. Housing developers, when involved, will receive secured zero interest deferred loans, to acquire and rehabilitate properties, and must agree to operate the housing at affordable rents for a period of 55 years. The properties must have between 1 and 4 units that were foreclosed upon or abandoned pursuant to program guidelines.
Long- Term Affordability:
For homebuyers, the City of Merced will use the standards of its HOME Homebuyer program where the homebuyer repays the loan upon transfer, sale or refinancing of the home. Such covenants are recorded against the property.
For rental, the City will use the terms of its HOME Infill Sites Rental Program for acquisition and rehabilitation. The City will record affordability covenants requiring affordable rents for the low]income occupants for a period of 55 years.

Definition of Blighted Structure:

In general, a structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.
In the October 19, 2010 Notice, HUD has defined a blighted structure when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. The Notice also indicates that grantees must define blighted structure in the context of state or local law. As such, the following provides the definition of blighted structure under the Amended State of California Health and Safety Code (Effective January 1, 2007):
Section 33030
(a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of health, safety, and general welfare of the people of these communities and of the state.
(b) A blighted area is one that contains BOTH of the following:
(1) An area that is predominately urbanized, as the term is defined in section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.
(2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.
(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer facilities.
Section 33031
(a) This subdivision describes physical conditions that cause blight:
(1) Buildings which are unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.
(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. This condition may be caused by buildings of a substandard, defective or obsolete design or construction given the present general plan, zoning or other development standards.
(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.
(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given the present general plan, and zoning standards and present market conditions.
(b) This subdivision describes economic conditions that cause blight:
(1) Depreciated or stagnant property values.
(2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).
(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
(5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, &ldquoovercrowding&rdquo means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of regulations.
(6) An excess of bars, liquor stores, or adult]oriented businesses that has resulted in significant public health, safety, or welfare problems.
(7) A high crime rate that constitutes a serious threat to the public safety and welfare.

Definition of Affordable Rents:

The Department of Housing and Urban Development (HUD) defines "affordable housing" as housing which consumes no more than 30% of a household's monthly income, including utilities. This is the maximum a family should spend. Generally, when families or individuals spend more than 30% of their income on housing they do not have enough income to weather financial setbacks or meet other basic needs such as food, clothing and medical insurance.
The City of Merced will use the HOME Program Rent definition for persons 50% or below of area median income, which is 30% of 50% of area

median income.

Housing Rehabilitation/New Construction Standards:

The City will apply the Federal Housing Administration (FHA) property Standards, and comply with all applicable state and local laws, codes, and other requirements. To the extent feasible, the City will incorporate modern, green building, and energy]efficiency improvements. In instances where gut rehabilitation is performed, the City will design to meet the standard for Energy Star standards. More information on Energy Star Qualified New Homes standards at:
http://www.energystar.gov/index.cfm?c=new_homes.hm_index.

Vicinity Hiring:

The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of NSP3 funded projects or contract with small businesses that are owned and operated by persons residing in the vicinity of NSP3 projects.

Procedures for Preferences for Affordable Rental Dev.:

The jurisdiction certifies that it will be abide by the procedures described in its NSP3 Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.

Grantee Contact Information:

Housing Division
City of Merced
678 W. 18th Street
Merced CA, 95340
Dan Ainslie, Development Manager
(209) 385-6863
ainslied@cityomerced.org
Mark Hamilton, Planner
(209) 388-6863 / (209) 388-8989
hamiltonm@cityofmerced.org

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	$1,068,664.00
Total Budget	$0.00	$1,068,664.00
Total Obligated	$0.00	$769,618.00
Total Funds Drawdown	$155,486.42	$603,314.54
Program Funds Drawdown	$155,486.42	$603,314.54
Program Income Drawdown	$0.00	$0.00
Program Income Received	$0.00	$0.00
Total Funds Expended	$0.00	$860,647.38
Match Contributed	$0.00	$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	$0.00	$0.00
Limit on Public Services	$179,427.30	$0.00
Limit on Admin/Planning	$119,618.20	$119,618.00
Limit on State Admin	$0.00	$119,618.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	$119,618.20	$119,618.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	$299,045.50	$299,046.00

Overall Progress Narrative:

Two activities have been progressing accordingly. Acitivity 2011-001 has seen rehabilitation begin on all properties, with 2767 Saratoga Rehabiliation work near completion. Activity 2011-003 also progressed as building permits were need completion and should be issued and construction beginning for Gateway Terrace Apartments next Quarter.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
2011-001, Acquisition and Rehabilitation	$155,486.42	$650,000.00	$483,696.54
2011-002, Homebuyer's Financial Assistance	$0.00	$127,518.00	$0.00
2011-003, Acquisition, Rehabilitation, and Redevelopment	$0.00	$299,046.00	$0.00
2011-004, NSP3 Administration	$0.00	$119,618.00	$119,618.00
9999, Restricted Balance	$0.00	$0.00	$0.00

Activities

Grantee Activity Number:	**2011-001a**
Activity Title:	**Acquisition, Rehabilitiation, Resale, and Rental**

Activitiy Category:
Acquisition - general

Activity Status:
Planned

Project Number:
2011-001

Project Title:
Acquisition and Rehabilitation

Projected Start Date:
07/01/2011

Projected End Date:
06/30/2014

Benefit Type:
Direct Benefit (Households)

Completed Activity Actual End Date:

National Objective:
NSP Only - LMMI

Responsible Organization:
City of Merced

Overall	Jul 1 thru Sep 30, 2012	To Date
Total Projected Budget from All Sources	N/A	$650,000.00
Total Budget	$0.00	$650,000.00
Total Obligated	$0.00	$650,000.00
Total Funds Drawdown	$155,486.42	$483,696.54
Program Funds Drawdown	$155,486.42	$483,696.54
Program Income Drawdown	$0.00	$0.00
Program Income Received	$0.00	$0.00
Total Funds Expended	$0.00	$441,983.38
City of Merced	$0.00	$441,983.38
Match Contributed	$0.00	$0.00

Activity Description:

The NSP3 Program Activity Number 1 has been designed for acquisition, rehabilitation of foreclosed properties and re-sale to eligible home buyers. Additionally, the City will be looking to rent various properties that were acquired through the NSP3 program. The City will work with a local real estate agent and broker to sell various homes and with a local property management company to rent various homes. In the event the these houses sit on the market for longer than 6 months, the City will consider renting the property's.
If the homes are rented, Each rental agreement will give the renter the option to purchase the home at anytime during the term or at the end of the term of the contract. Each rental contract term shall be for length of no more than 6 months.
The properties must have been foreclosed upon or abandoned pursuant to program guidelines. Eligible properties must be located in the target areas. This target area has the greatest need based on the extent of foreclosures in the community.
The purchase price must be at least 1% below the current market appraised value of the property pursuant to an appraisal dated within 60 days of the offer to purchase. The appraisal must conform to the requirements of 49 CFR 24.103. In order to meet the NSP3 statutory deadlines to expedite commitment and expenditure of program funds, the NSP3 Program will be administered the same way as the City&rsquos NSP1 Program.
This will include all relevant aspects that comply with 24 CFR 92.252, including continued affordability ensured by recorded covenants, affordability term, rehabilitation standards, low interest, five-year deferred payment loans, affirmative marketing, environmental clearance, rehabilitation standards, and leadbased paint abatement. All NSP3 project contractors will be required to hire new workers from the targeted areas.

Location Description:

Central and South Merced; census tracts: 13.01, 13.02, 14.01, 14.02, 15.02, 15.03, 16.01, 16.02, and 17.

Activity Progress Narrative:

Rehabilitation are progressing on all the single family dwelling units. With Rehabiliation near completion for 2767 Saratoga Avenue and should be placed on the market for sale in the following quarter. Two homes, 2846 Parsons AVenue and 1032 Cindy Court, plans and specifications were completed are are ready to go out for bid.

Accomplishments Performance Measures

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Properties	0	0/15
# of buildings (non-residential)	0	0/0
# of Parcels acquired by	0	0/0
# of Parcels acquired by admin	0	0/0
# of Parcels acquired voluntarily	0	0/15
Total acquisition compensation to	0	0/0

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Housing Units	0	0/15
# of Singlefamily Units	0	0/15

Beneficiaries Performance Measures

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total	Low/Mod%
# of Permanent Jobs Created	0	0	0	0/2	0/3	0/5	0

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total	Low/Mod%
# of Households	0	0	0	0/5	0/5	0/15	0
# Owner Households	0	0	0	0/5	0/5	0/15	0

Activity Locations

No Activity Locations found.

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources	Amount
No Other Funding Sources Found	
Total Other Funding Sources	

Grantee Activity Number:	**2011-003a**
Activity Title:	**Acquisition, Rehabilittion, & Redevelopment**

Activitiy Category:
Construction of new housing

Activity Status:
Planned

Project Number:
2011-003

Project Title:
Acquisition, Rehabilitation, and Redevelopment

Projected Start Date:
07/01/2011

Projected End Date:
06/30/2014

Benefit Type:
Direct Benefit (Households)

Completed Activity Actual End Date:

National Objective:
NSP Only - LH - 25% Set-Aside

Responsible Organization:
City of Merced

Overall	Jul 1 thru Sep 30, 2012	To Date
Total Projected Budget from All Sources	N/A	$299,046.00
Total Budget	$0.00	$299,046.00
Total Obligated	$0.00	$0.00
Total Funds Drawdown	$0.00	$0.00
Program Funds Drawdown	$0.00	$0.00
Program Income Drawdown	$0.00	$0.00
Program Income Received	$0.00	$0.00
Total Funds Expended	$0.00	$299,046.00
City of Merced	$0.00	$299,046.00
Match Contributed	$0.00	$0.00

Activity Description:

The project is to redevelop the site by constructing a 66-Unit apartment complex; with 56 of the units to be for very low and low income individuals and 10-units reserved for Transitional Housing. The 56- units will be managed by the Central Coalition for Affordable Housing and the 10-units will be be managed by Merced County Mental Health Department.

Location Description:

Located within the southern area of the City of Merced. The project is located at near the intersection of 4th Street and Lesher Drive.

Activity Progress Narrative:

The plans for the project were submitted and corrections completed. The permit was ready to be issued before the end of the fiscal quarter, but staff denied issuing the building permit for the project. Staff wanted to ensure all environmental clearances were completed prior to issuance of the building permit. With the City not being the primary government agency funding the project, staff wanted to ensure we had copies on file of all necessary documents.

Accomplishments Performance Measures

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
#Units with solar panels	0	0/0
#Low flow toilets	0	0/56
#Low flow showerheads	0	0/56

#Units with bus/rail access	0	0/56
#Units exceeding Energy Star	0	0/56
#Sites re-used	0	0/0
#Units ¿ other green	0	0/0
# ELI Households (0-30% AMI)	0	0/0

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Housing Units	0	0/56
# of Multifamily Units	0	0/56

Beneficiaries Performance Measures

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total Low/Mod%	
# of Households	0	0	0	0/28	0/28	0/56	0
# Renter Households	0	0	0	0/28	0/28	0/56	0

Activity Locations

No Activity Locations found.

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources	Amount
No Other Funding Sources Found	
Total Other Funding Sources	