

Grantee: Merced, CA

Grant: B-11-MN-06-0012

October 1, 2011 thru December 31, 2011 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:

Reviewed and Approved

Grant Amount:

\$1,196,182.00

Grant Status:

Active

QPR Contact:

Mark Hamilton

Estimated PI/RL Funds:**Total Budget:**

\$1,196,182.00

Disasters:**Declaration Number**

No Disasters Found

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's 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's Financial Assistance

Use: Eligible Use B: Acquisition and Rehabilitation

CDBG Activity or Activities

Homebuyer's assistance, 24 CFR 570.201 (n)

National Objective

Benefiting low- and moderate-income persons (providing LowIncome 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 three percent interest and will be secured

Summary of Distribution and Uses of NSP Funds:

by 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 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 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 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 assistance 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 preaward costs under 24 CFR 570.200(h) for permissible costs incurred 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.

Summary of Distribution and Uses of NSP Funds:

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, "America's top 10 Underwater Housing Markets" 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's 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 "Areas of Greatest Needs". 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's 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-second and shared-equity loans for low and moderate-income h

How Fund Use Addresses Market Conditions:

omebuyers 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's 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).

Definition of Blighted Structure:

- (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, "overcrowding" 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 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
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Merced CA, 95340
Dan Ainslie, Development Manager
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Mark Hamilton, Planner
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hamiltonm@cityofmerced.org

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$1,196,182.00
Total Budget	\$0.00	\$1,196,182.00
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	\$0.00
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	\$0.00
Limit on State Admin	\$0.00	\$0.00

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:

The City recieved the Authority to Use Grant funds in January, 2012 for the Acquisition activity of the Grant. Staff will begin working on the Redevelopment and Homebuyer Assistance activity in the spring of 2012. Staff is currently looking for foreclosed homes to purchase. Staff is trying to work with the banks to be able to negotiate purchase of the house prior to the foreclosed stuctures being release to buyers/investors within the community. With the departure of our Development Manager in November, the City hired a new Development Manager in December. Under new direction, City Housing is evaluating the Neighborhood Stabilization Program #3. City Housing is in the process of developing a new strategy for implementing this program. The new stategy involves more involvement and participation with the general public.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
2011-001, Acquisition and Rehabilitation	\$0.00	\$650,000.00	\$0.00
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	\$0.00

