

Grantee: Moreno Valley, CA

Grant: B-11-MN-06-0513

April 1, 2011 thru June 30, 2011 Performance Report

Grant Number:

B-11-MN-06-0513

Obligation Date:**Grantee Name:**

Moreno Valley, CA

Award Date:**Grant Amount:**

\$3,687,789.00

Contract End Date:

03/10/2014

Grant Status:

Active

Review by HUD:

Reviewed and Approved

QPR Contact:

No QPR Contact Found

Disasters:**Declaration Number**

NSP

Narratives**Summary of Distribution and Uses of NSP Funds:**

The Housing and Economic Recovery Act of 2008 established the following eligible uses:

- Establishment of financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties, including such as mechanisms as soft-second, loan loss reserves, and shared-equity loans for low and moderate income homebuyers.
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop, such homes and properties.
- Establishment of land banks for homes that have been foreclosed upon.
- Demolition of blighted structures.
- Redevelopment of demolished or vacant properties.

With these eligible uses in mind, the City of Moreno Valley has identified activities that would best address the needs of the community while meeting the requirements of Section 2301(c)(2) of HERA, as amended by the Dodd-Frank Act. The proposed activities are described below.

The NSP3 grant will fund five primary activities plus Administration:

1. Acquisition, Rehabilitation, and Resale in the amount of \$2,669,010;
2. Neighborhood Stabilization Homeownership Program (NSHP) in the amount of \$300,000;
3. Demolition in the amount of \$50,000;
4. Land banking in the amount of \$100,000;
5. Redevelop demolished or vacant properties as housing in the amount of \$200,000; and
6. Administration in the amount of \$368,779.

NOTE: The City of Moreno Valley is not proposing to include a rental component in the NSP3. The City operated an Acquisition, Rehabilitation, Rental program under the NSP1 grant and found that our real estate market conditions do not support this activity. Purchase prices are low enough and investors are competitively over-bidding property list prices such that NSP acquisitions that require negotiation of a 1% discount are not successful. While the rental program was used to comply with spending requirements for the LH25 population, the City instead proposes to utilize an Acquisition, Rehabilitation, Resale program offering low-cost single family detached or condominium units to households earning up to 50% AMI.

Activity 1- Acquisition/Rehabilitation/Resale (ARR) of Single Family Residential Units

The City of Moreno Valley proposes to dedicate \$2,669,010 (72%) of the NSP3 grant to acquiring foreclosed single-family detached and/or single-family attached (condominium) residence(s) and then rehabilitating and reselling them to income-eligible households of up to 120% AMI. Alternatively, the City may request transfer of Activity 1 funds in the future to Activities 4 or 5, to provide additional funds for land banking and/or redevelopment, as needed.

Under the NSP1 grant, the ARR program is already being used effectively to rehabilitate foreclosed properties in neighborhoods with a Foreclosure Risk Score of 9 or 10 (a score of 10 indicated the highest level of need). As described in Section A above, the City proposes to extend the availability of the ARR program into a few newly targeted neighborhoods now identified as having a high risk of foreclosure. Also, Moreno Valley contains some condominium neighborhoods struggling with excess foreclosed rental units. With inadequate owner-occupancy rate FHA financing is not available for families set to acquire condominium units and these complexes continue to stagnate. In response, the City proposes to include condominium units in the NSP3 ARR activity to reverse the high rental trend and make affordable homeownership

available to Moreno Valley residents, including the LH25 population (those earning up to 50% AMI).

Practically, the City of Moreno Valley will partner with several residential development partners make a visible impact on the identified target areas. Properties will be acquired at a minimum discount of 1% below appraised value, in compliance with NSP3 regulations. All ARR NSP3 properties will be rehabilitated. Energy efficient and environmentally-friendly "green" elements will be incorporated into the rehabilitation scopes of work for each property. Prior to resale, the NSP3 properties must pass an inspection by a City building inspector for compliance with the City's Housing Quality Standards.

To comply with NSP3 requirements, the City will to dedicate at least \$921,947 (25%) of the grant to households that earn up to 50% AMI. The City will tailor this component of the ARR activity to increasing homeownership opportunities for income-eligible households by targeting the purchase of single-family attached (condominium) units and/or lower-priced single-family detached units and providing financing assistance to lessen the affordability gap.

Activity- 2: Neighborhood Stabilization Homeownership Program (NSHP)

The City of Moreno Valley will dedicate \$300,000 (8%) of the NSP3 allocation to provide for buyer-driven homeownership for low, middle, and moderate income-eligible homebuyers earning up to 120% area median income (AMI). The funds will be used to provide direct homebuyer acquisition assistance and/or rehabilitation financing. The funds may be used to provide assistance to the homebuyer through down payment, closing costs and/or minor rehabilitation/repair work while incorporating energy-efficient improvements that will provide long-term affordability and increased sustainability. Minor home repair assistance will include interior and exterior repairs and curb appeal improvements. The minor rehabilitation financing component of the activity is designed to help absorb single-family properties in the market that may otherwise not be absorbed due to a homebuyer's inability to make the necessary repairs because of a lack of resources.

In accordance with NSP3 Guidelines, all properties assisted via the use of NSP3 funds are subject to continued affordability restrictions. As a result, each property assisted under the NSHP activity will be subject to recorded covenants for a 15 year term. The covenants will be used to ensure, to the maximum extent practicable, that the properties remain affordable to families and individuals whose incomes do not exceed 120% AMI. The "soft second" component encourages income-eligible homeowners to remain in the NSP affordable unit. Continued affordability will be ensured via an annual monitoring process to be conducted by City staff. No interest will be charged on the "soft second." However, should the home sell or transfer before the affordability period is realized, the City will collect a share of the equity on a declining scale. In other words, if the NSP assisted property is sold or transferred within the covenant period, the City will then be entitled to a share of the gain on sale in addition to the original amount loaned. The gain on sale returned to the City will not exceed the total investment made into the property by the City. The Covenants will remain in effect for the prescribed Covenant Period of 15 years and are not cancelled upon the sale of the property. A subsequent owner of the property will be subject to the recorded Covenant for the remainder of the affordability period.

Activity 3- Demolition

The City of Moreno Valley will dedicate \$50,000 (1%) to demolish blighted structures. The funds will be used to acquire and demolish foreclosed and vacant properties that are dilapidated beyond reasonable financial repair, and/or present health and safety hazards. Upon the completion of the demolition, properties will be maintained through the land bank that will be established as one of the eligible NSP3 activities.

Activity 4 - Land Banking

The City of Moreno Valley will dedicate \$100,000 (3%) of the NSP3 grant to assembly, temporary management, and disposal of vacant land after a structure has been demolished. The funds will be used toward the maintenance of the property after a demolition has occurred until new residential construction on the property can take place.

Activity 5 - Redevelopment

This activity is for the redevelopment of vacant sites or demolished sites for future development to provide housing to income-eligible households earning up to 120%. The City will focus its redevelopment efforts in Target Areas 1 and 2, as defined above. In addition, the City will leverage the NSP 3 funds with other funding sources (i.e. HOME and RDA Set-Aside funds) to maximize the effectiveness of the activity. The City will partner with various development partners to create affordable homeownership opportunities for income-eligible households earning up to 120% AMI by redeveloping vacant properties held in the City's land bank.

How Fund Use Addresses Market Conditions:

Moreno Valley's current housing market continues to struggle with excessive numbers of foreclosures: 1,861 are currently in the foreclosure process plus more than 850 are already bank-owned. In general, homes are not available for sale unless they are bank-owned or the owner is seeking a short-sale. According to the Multiple Listing Service (MLS), more than 250 single family homes and more than 45 condominiums are currently for sale in Moreno Valley.

Though prices have dropped more than 44%, home sale pricing seems to have stabilized somewhat. Over the last year, the median resale price for single-family homes rose just 2% (or \$3,681) to \$160,208 in December 2010. Sales numbers show strong interest in Moreno Valley's market as investors compete to purchase prospective rental or rehabilitation/resale properties. However, owner-occupant home purchasing remains sluggish and pockets of Moreno Valley continue to experience price declines. Under the City's NSP1 grant, some ARR homes have required resale price reductions after properties sat on the market for extended periods, to encourage purchase by owner-occupant homebuyers.

Ensuring Continued Affordability:

The City of Moreno Valley is committed to maintaining affordability for its NSP3 assisted housing.

NSP activities using the 25% allocated for households earning up to 50% area median income (LH25) will target efforts to increasing homeownership opportunities within this income level. Given the shift in the real estate market, the City of Moreno Valley will make a focused effort to acquire single-family attached units. Many of the condominium projects in the City have experienced increased foreclosure rates. As a result, the pricing for the available units has become extremely competitive. With competitive pricing and financial assistance to bridge the affordability gap, increased opportunities for individuals and/or families earning up to 50% area median income have become evident. The units will be subject to 15-year affordability covenants that run with the unit, which means subsequent owners will be subject to the covenants until the expiration of the 15-year affordability period.

All NSP3 single family home purchase activities involving assistance to households earning up to 120% of area median income (LMMH) will be subject to the affordability period of 15 years. Should the household sell or transfer the property before the affordability period is complete, the City will collect a share of the increased equity. In other words, if the NSP-assisted property is sold or transferred within the 15-year affordability, the City will be entitled to a share of the gain on sale in addition to the principal amount loaned. The funds returned to the City on the sale of the unit will be considered program income and will be recycled back into the appropriate account to fund additional NSP projects.

Definition of Blighted Structure:

A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. The California legislative definition of blight is found in the Health and Safety Code Sections 33030 and 33031. In sum, the definition describes two basic areas of blight: physical and economic.

Subdivision (a) of section 33031 describes the physical conditions that cause blight as follows:

- Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors;
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors;
- Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the project area; and
- The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

Subdivision (b) of section 33031 describes the economic conditions that cause blight as:

- Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with 33459), discussed in chapter 6, entitled Environmental Issues;
- Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities;
- A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drugstores and banks, and other lending institutions;
- Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare; and
- A high crime rate that constitutes a serious threat to the public safety and welfare.

Definition of Affordable Rents:

"Affordable Rents" means a rental housing cost not in excess of that which may be charged the applicable eligible person or family pursuant to Section 50053 of the California Health and Safety Code. No rental activities are currently proposed under the NSP3.

Housing Rehabilitation/New Construction Standards:

The City has Housing Quality Standards (HQS) created to conform to the Department of Housing and Urban Quality Standards, in addition to applicable municipal laws, Codes, and Building Code Standards.

The HQS covers six essential areas of construction:

1. Physical and/or Environmental Improvements;
2. Structural-Exterior Building Improvements and Finishes;
3. Building Interior;
4. Plumbing;
5. Electrical; and
6. Mechanical.

For NSP3 properties in particular, the City's HQS will be revised to include energy efficient and environmentally-friendly "green" requirements for incorporation into the rehabilitation scope of work for each property.

Within the HQS, the City has outlined the minimum requirements that each NSP assisted housing unit must meet prior to occupancy by the eligible participant(s). The City's NSP3 building inspector reviews proposed scopes of work for each NSP3 property and makes revisions in compliance with the HQS. If upon inspection, it is found that a unit does not meet the standards, occupancy will be deferred until the unit does meet the standards (i.e., after repair and successful re-inspection of the unit).

Vicinity Hiring:

The City of Moreno Valley will incorporate local hiring requirements into the Participation Agreements to be executed by the Development Partners selected for NSP3 implementation. The City, shall to the maximum extent feasible, provide for the hiring of employees who reside in Moreno Valley. The City will monitor Development Partner compliance through collection of Section 3 reporting data.

Procedures for Preferences for Affordable Rental Dev.:

"Affordable Rents" means a rental housing cost not in excess of that which may be charged the applicable eligible person or family pursuant to Section 50053 of the California Health and Safety Code. No rental activities are currently proposed under the NSP3.

Grantee Contact Information:

Michelle Patterson, Redevelopment and Neighborhood Programs Administrator
14177 Frederick St., Moreno Valley, CA 92553
951-413-3450
MicheleP@moval.org
Shaniqua Freeman, Housing Program Coordinator
(951) 413-3445
shaniquaf@moval.org

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$5,187,789.00
Total CDBG Program Funds Budgeted	N/A	\$3,687,789.00
Program Funds Drawdown	\$0.00	\$0.00
Program Funds Obligated	\$0.00	\$0.00
Program Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$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	\$553,168.35	\$0.00
Limit on Admin/Planning	\$368,778.90	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$368,778.90	\$368,779.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$921,947.25	\$921,947.00

Overall Progress Narrative:

During this reporting period staff has completed the following administrative tasks:

- In response to HUD's request, staff has amended the NSP3 Grant Application/Substantial Amendment to narrow NSP3 target areas identified so the Impact Scores and Performance Measures meet HUD guidelines.
 - Staff began working on the NSP3 Program Environmental Clearances
 - Staff worked with finance to set up the NSP Grant/budget for expenditure/program income accounting
 - Staff procured the services of LDM Associates to assist with DRGR reporting of both NSP 1 and NSP3 grants.
- Implementation of the Program will commence in the forthcoming weeks.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00
NSP-Admin., Administration	\$0.00	\$0.00	\$0.00
NSP3-1, Acquisition/Rehabilitation	\$0.00	\$0.00	\$0.00
NSP3-2, Financing Mechanism	\$0.00	\$0.00	\$0.00
NSP3-3, Demolition	\$0.00	\$0.00	\$0.00
NSP3-4, Land Banking	\$0.00	\$0.00	\$0.00
NSP3-5, Redevelopment	\$0.00	\$0.00	\$0.00