

# Grantee: Moreno Valley, CA

## Grant: B-11-MN-06-0513

### July 1, 2021 thru September 30, 2021 Performance

**Grant Number:**

B-11-MN-06-0513

**Obligation Date:****Award Date:****Grantee Name:**

Moreno Valley, CA

**Contract End Date:****Review by HUD:**

Reviewed and Approved

**Grant Award Amount:**

\$3,687,789.00

**Grant Status:**

Active

**QPR Contact:**

Jennifer Maria

**LOCCS Authorized Amount:**

\$3,687,789.00

**Estimated PI/RL Funds:**

\$1,601,071.93

**Total Budget:**

\$5,288,860.93

## Disasters:

### Declaration Number

NSP

## Narratives

### Summary of Distribution and Uses of NSP Funds:

\*\*\*ACTION PLAN MODIFIED September 2016 TO REFLECT ADJUSTMENT IN PROJECT BUDGETS DUE TO PROGRAM INCOME GENERATED (-\$123,443.17), RESIDUAL FUNDS FROM COMPLETED PROJECT NSP3-1 ACQ/REHAB (-\$53,993.50) AND INCREASE THE REDEVELOPMENT PROJECT (+\$177,436.67). This substantial amendment was approved by the City of Moreno Valley City Council on August 16, 2016, after the closing of the duly noticed public hearing. \*\*\*ACTION PLAN MODIFIED May 2015 TO REFLECT INCREASES IN ACTIVITY BUDGETS DUE TO PROGRAM INCOME GENERATED (\$208,073.76), UPDATED CONTACT INFORMATION FOR DEVELOPER FOR REDEVELOPMENT ACTIVITY, AND UPDATED TO REFLECT LOAN TERMS AND AFFORDABILITY PERIOD TO BE USED FOR HOMEBUYER LOANS FOR HOUSEHOLDS EARNING UP TO 50% AMIL (LH-25). 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 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) Single Family Residential Acquisition, Rehabilitation, and Resale in the amount of \$1,967,857.57 (LMMH) 2) Multi-Family Residential Acquisition, Rehabilitation, and Rental in the amount of \$544,478.95 (LH25) 3) Neighborhood Stabilization Homeownership Program (NSHP) in the amount of \$0 4) Demolition in the amount of \$0 5) Land banking in the amount of \$0 6) Redevelop demolished or vacant properties as housing in the amount of \$1,967,808.16 7) Administration in the amount of \$519,347.10 NOTE: The City of Moreno Valley amended the initial application to propose the inclusion of a rental component in the NSP3. At the time of the initial application market conditions could support the City's strategy of creating homeownership opportunities for the LH25 population, however, recent shifts in the market makes the strategy no longer viable. Single Family Residential Acquisition/Rehabilitation/Resale (SFR-ARR) (LMMH) /p> The City of Moreno Valley proposes to dedicate \$1,554,010 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 neededp> Under the NSP1 grant, the SFR-ARR program is already being used effectively to rehatate 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,

### How Fund Use Addresses Market Conditions:

MorenoValley'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 inMorenoValley.

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 inMorenoValley's market as investors compete to purchase prospective rental or rehabilitation/resale properties. However, owner-occupant home purchasing remains sluggish and pockets ofMorenoValleycontinue 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 minimum 25% allocated for households earning up to 50% area median income (LH25) will target efforts to increasing rental opportunities within this income level. The City will partner with a CHDO or other non-profit residential developer who will acquire rehabilitate, rent and manage the units under the City's oversight. The City will enter into an Affordable Housing Agreement with the CHDO or other non-profit developer. Pursuant to the Affordable Housing Agreement, the multi-family units will be subject to a 55-year affordability covenant that will be recorded against the property will run with the land. Continued affordability will be ensured by City staff through an annual recertification process.

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.

For the properties constructed under the Redevelopment activity by Habitat for Humanity the City will impose a resale provision on each property with an affordability period of 45-years. The City will record the following security instruments to ensure continued affordability: Deed of Trust, Notice of Affordability Restrictions, Regulatory Agreement, and CC&Rs.

## 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.

§ 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.

§ 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. For NSP assisted projects, the City will use affordable rents under the HOME program, less utility allowances as provided by the County of Riverside Housing Authority.

## 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
- 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.:**

The City of Moreno Valley is proposing to use a significant portion of its NSP3 allocation (APPROX. 40%) for the acquisition and/or rehabilitation of multi-family properties. These properties will be used for long-term affordable rental housing units.

**Grantee Contact Information:**

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 Financial Resources Division  
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| <b>Overall</b>                                     | <b>This Report Period</b> | <b>To Date</b> |
|----------------------------------------------------|---------------------------|----------------|
| <b>Total Projected Budget from All Sources</b>     | \$0.00                    | \$5,211,473.85 |
| <b>Total Budget</b>                                | \$0.00                    | \$5,211,473.85 |
| <b>Total Obligated</b>                             | \$0.00                    | \$5,211,473.85 |
| <b>Total Funds Drawdown</b>                        | \$0.00                    | \$5,211,473.85 |
| <b>Program Funds Drawdown</b>                      | \$0.00                    | \$3,687,789.00 |
| <b>Program Income Drawdown</b>                     | \$0.00                    | \$1,523,684.85 |
| <b>Program Income Received</b>                     | \$0.00                    | \$1,523,684.85 |
| <b>Total Funds Expended</b>                        | \$0.00                    | \$5,211,474.26 |
| <b>HUD Identified Most Impacted and Distressed</b> | \$0.00                    | \$0.00         |
| <b>Other Funds</b>                                 | \$ 0.00                   | \$ 0.00        |
| Match Funds                                        | \$ 0.00                   | \$ 0.00        |
| Non-Match Funds                                    | \$ 0.00                   | \$ 0.00        |

**Funds Expended**

| <b>Overall</b>                                         | <b>This Period</b> | <b>To Date</b>  |
|--------------------------------------------------------|--------------------|-----------------|
| City of Moreno Valley, Economic Development Department | \$ 0.00            | \$ 5,211,474.26 |
| Habitat for Humanity, Riverside                        | \$ 0.00            | \$ 0.00         |

**Progress Toward Required Numeric Targets**

| <b>Requirement</b>                       | <b>Target</b>  | <b>Projected</b> | <b>Actual</b>  |
|------------------------------------------|----------------|------------------|----------------|
| <b>Overall Benefit Percentage</b>        | 99.99%         | .00%             | .00%           |
| <b>Minimum Non Federal Match</b>         | \$.00          | \$.00            | \$.00          |
| <b>Overall Benefit Amount</b>            | \$4,774,460.63 | \$.00            | \$.00          |
| <b>Limit on Public Services</b>          | \$553,168.35   | \$.00            | \$.00          |
| <b>Limit on Admin/Planning</b>           | \$368,778.90   | \$513,922.81     | \$513,922.81   |
| <b>Limit on Admin</b>                    | \$.00          | \$513,922.81     | \$513,922.81   |
| <b>Most Impacted and Distressed</b>      | \$.00          | \$.00            | \$.00          |
| <b>Progress towards LH25 Requirement</b> | \$1,322,215.23 |                  | \$2,714,868.38 |

**Overall Progress Narrative:**

Grant Closed.



# Project Summary

**Project #, Project Title**

| Project #, Project Title           | This Report            | 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                 | \$513,922.81           | \$273,683.73           |
| NSP3-1, Acquisition/Rehabilitation | \$0.00                 | \$2,528,293.61         | \$1,940,894.25         |
| 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                 | \$2,169,257.43         | \$1,473,211.02         |

