

Action Plan

Grantee: Merced, CA

Grant: B-11-MN-06-0012

LOCCS Authorized Amount:	\$ 1,196,182.00
Grant Award Amount:	\$ 1,196,182.00
Status:	Reviewed and Approved
Estimated PI/RL Funds:	\$ 1,000,000.00
Total Budget:	\$ 2,196,182.00

Funding Sources

Funding Source	Funding Type
Neighborhood Stabilization Program 3	Do not select this item.

Narratives

Summary of Distribution and Uses of NSP Funds:

Activity Number 1 (A & B)

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 \$777,518; 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 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 full assistance through secured loans. All loans will have three percent interest secured by 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's 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's 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.

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-seconds and shared-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'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.

Grantee made a technical amendment to the Project eliminating the Homebuyer Assistance Activity 2011-002. The City reallocated the funds to Activity 2011-001 in order to provide Gap Financing for the First Time Home Buyers. The budget was amended on 11/9/2012 to reflect this change.

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, "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
 678 W. 18th Street
 Merced CA, 95340

Mark Hamilton, Housing Program Supervisor
 (209) 388-6863 / (209) 388-8989
 hamiltonm@cityofmerced.org

Project Summary

Project #	Project Title	Grantee Activity #	Activity Title
2011-001	Acquisition and Rehabilitation	2011-001a	Acquisition, Rehabilitation, Resale, and Rental
		2011-001b	Rehabilitation of NSP Homes
2011-002	Homebuyer's Financial Assistance	2011-002a	Homebuyer's Financial Assistance
2011-003	Acquisition, Rehabilitation, and	2011-003a	Acquisition, Rehabilitation, & Redevelopment
		2016-05a / Redevelopment	Redevelopment of Single Family Structures
2011-004	NSP3 Administration	2011-004a	Administration
9999	Restricted Balance	<i>No activities in this project</i>	



Activities

Project # / Title: 2011-001 / Acquisition and Rehabilitation

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

Activity Type:
 Rehabilitation/reconstruction of residential structures

Project Number:
 2011-001

Projected Start Date:
 07/01/2011

Project Draw Block by HUD:
 Not Blocked

Activity Draw Block by HUD:
 Not Blocked

Block Drawdown By Grantee:
 Not Blocked

Activity Status:
 Under Way

Project Title:
 Acquisition and Rehabilitation

Projected End Date:
 06/30/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

National Objective:
 LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Environmental Assessment:
 UNDERWAY

Benefit Report Type:
 Direct (Households)

Total Budget: \$ 1,209,016.00
Other Funds: \$ 0.00
Total Funds: \$ 1,209,016.00

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	15	5	5	66.67
# of Households	15	5	5	66.67

Proposed Accomplishments	Total
# of Singlefamily Units	15
# of Housing Units	15
# of Properties	15



Activity is being carried out by Grantee:

Yes

Activity is being carried out through:

Grantee Employees

Organization carrying out Activity:

City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Merced	Local Government	\$ 1,209,016.00

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 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 sell the property to a local non-profit organization.

RESALE/RECAPTURE OF LOANS:

The FTHB loan program is intended to assist eligible homebuyers with affordable loans to help with the purchased of the property. All FTHB loans provided by the City Program (except State CalHome Loans) to First Time Home Buyers include conditions to insure compliance with requirements of 24 CFR 92.254:

The house must be owner-occupied and deed restricted against resale for a period of 10 years. Prepayment on the loan or a sale within 10 years from the date of loan origination results in the applicant obliged to pay the City a penalty of 4% on the original loan amount starting from the loan origination date and calculated on a per month basis. The loan is not assumable and must be paid in full upon sale or transfer of the property. Following the 10-year obligation the borrower may prepay the loan plus interest, in part or in whole, at any time without penalty. Funds collected are reused as program income.

If the home is sold or transferred within 10 years from the date of the loan origination the applicant shall also pay the City a percentage share of the difference between the price paid for the property and its value at the time of sale or transfer. The percentage share is determined on a declining scale, beginning at 10% in year 1, decreasing one percentage point each year to 1% in year 10. The City limits the amount subject to recapture to the net proceeds from the sale. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs. The limitation applies to all units regardless of the type of recapture provision used or to the nature of the sale (voluntary sales including foreclosures).

All other HUD and State loan programs have covenants based upon the amount invested into each house/unit. The City may require each house/unit assisted to have a "period of affordability" covenant recorded. The length of the "period of affordability" is determined by the amount of financial assistance invested into each property. The amount per-house/unit and correlating period are as follows:

- Assistance amount per-unit
- Minimum period of affordability in years
- Under \$15,000 = 5 Years
- \$15,000 to \$40,000 = 10 Years
- Over \$40,000 = 20 Years

During the "period of affordability" the property is limited to household members of the same income level as the original household members that qualified for the loan. To ensure the loan terms are not breached, a property that received a loan as a low-income household must have low-income members residing on the property for the duration of the loan. Annual reporting and bi-annual visits to the site will help ensure covenants remain in place and all properties meet health and safety code compliance.

FIRST TIME HOME BUYER ASSISTANCE PROGRAM:

This activity is covered with funding from CDBG, HOME, NSP, and CALHOME programs. Income eligible applicants must take an 8-hour HUD approved home ownership class, and dependent upon amount of loan, will have covenants placed upon the home from 5 to 15 years. Homes can only be purchased in Census Tracts approved by HUD that show a high number of low income residents. Program income received from sale of homes is reused for additional purchases, rehabilitation of purchased homes and as gap funding for eligible families. This program is designed to assist moderate to low income families gain housing as well as remove the number of foreclosed homes from the Merced market.

Provided First Time Homebuyer Assistance is available, Homebuyers will be provided with a 30-year term loan which will assist with eligible closing costs and gap financing. All FTHB loans are provided with a 3% interest rate with payments modified based upon 30% of the eligible household income.

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 leadbased paint abatement. All NSP3 project contractors will be required to hire new workers from the targeted areas.

Grantee is reallocated \$127,518 from activity 2011-002 to allow the Grantee to be able to provide Gap Financing for the First Time Home Buyers. The budget was amended on 11/9/2012 to reflect this change.

Grantee Activity Number: 2011-001b
Activity Title: Rehabilitation of NSP Homes

Activity Type:
 Rehabilitation/reconstruction of residential structures

Project Number:
 2011-001

Projected Start Date:
 01/01/2012

Project Draw Block by HUD:
 Not Blocked

Activity Draw Block by HUD:
 Not Blocked

Block Drawdown By Grantee:
 Not Blocked

National Objective:
 LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Environmental Assessment:
 EXEMPT

Benefit Report Type:
 Direct (Households)

Activity Status:
 Under Way

Project Title:
 Acquisition and Rehabilitation

Projected End Date:
 06/30/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 75,000.00
Other Funds: \$ 0.00
Total Funds: \$ 75,000.00

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	2	1	1	100.00
# of Households	2	1	1	100.00

Proposed Accomplishments	Total
# of Singlefamily Units	2
# of Housing Units	2
# ELI Households (0-30% AMI)	
Activity funds eligible for DREF (Ike Only)	
#Units ζ other green	
#Units deconstructed	
#Sites re-used	
#Units exceeding Energy Star	
#Units with bus/rail access	
#Low flow showerheads	
#Low flow toilets	
#Units with solar panels	
#Dishwashers replaced	
#Clothes washers replaced	
#Refrigerators replaced	
#Light fixtures (outdoors) replaced	



#Light Fixtures (indoors) replaced

#Replaced hot water heaters

#Replaced thermostats

#Efficient AC added/replaced

#High efficiency heating plants

#Additional Attic/Roof Insulation

#Energy Star Replacement Windows

of Properties

2

Activity is being carried out by Grantee:

Yes

Activity is being carried out through:

Grantee Employees

Organization carrying out Activity:

City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Merced	Local Government	\$ 75,000.00

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 Description:

The NSP3 Program Activity Number 1b has been designed to aid with rehabilitation of previously purchased foreclosed properties that were acquired with Neighborhood Stabilization 1 Grant Funds. The City will work with a local real estate agent and broker to sell various homes. In the event these houses sit on the market for longer than 6 months, the City will work with a local property management company.

RESALE/RECAPTURE OF LOANS:

The FTHB loan program is intended to assist eligible homebuyers with affordable loans to help with the purchased of the property. All FTHB loans provided by the City Program (except State CalHome Loans) to First Time Home Buyers include conditions to insure compliance with requirements of 24 CFR 92.254:

The house must be owner-occupied and deed restricted against resale for a period of 10 years. Prepayment on the loan or a sale within 10 years from the date of loan origination results in the applicant obliged to pay the City a penalty of 4% on the original loan amount starting from the loan origination date and calculated on a per month basis. The loan is not assumable and must be paid in full upon sale or transfer of the property. Following the 10-year obligation the borrower may prepay the loan plus interest, in part or in whole, at any time without penalty. Funds collected are reused as program income.

If the home is sold or transferred within 10 years from the date of the loan origination the applicant shall also pay the City a percentage share of the difference between the price paid for the property and its value at the time of sale or transfer. The percentage share is determined on a declining scale, beginning at 10% in year 1, decreasing one percentage point each year to 1% in year 10. The City limits the amount subject to recapture to the net proceeds from the sale. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs. The limitation applies to all units regardless of the type of recapture provision used or to the nature of the sale (voluntary sales including foreclosures).

All other HUD and State loan programs have covenants based upon the amount invested into each house/unit. The City may require each house/unit assisted to have a "period of affordability" covenant recorded. The length of the "period of affordability" is determined by the amount of financial assistance invested into each property. The



amount per-house/unit and correlating period are as follows:

Assistance amount per-unit
Minimum period of affordability in years

Under \$15,000 = 5 Years
\$15,000 to \$40,000 = 10 Years
Over \$40,000 = 20 Years

During the “period of affordability” the property is limited to household members of the same income level as the original household members that qualified for the loan. To ensure the loan terms are not breached, a property that received a loan as a low-income household must have low-income members residing on the property for the duration of the loan. Annual reporting and bi-annual visits to the site will help ensure covenants remain in place and all properties meet health and safety code compliance.

FIRST TIME HOME BUYER ASSISTANCE PROGRAM:

This activity is covered with funding from CDBG, HOME, NSP, and CALHOME programs. Income eligible applicants must take an 8-hour HUD approved home ownership class, and dependent upon amount of loan, will have covenants placed upon the home from 5 to 15 years. Homes can only be purchased in Census Tracts approved by HUD that show a high number of low income residents. Program income received from sale of homes is reused for additional purchases, rehabilitation of purchased homes and as gap funding for eligible families. This program is designed to assist moderate to low income families gain housing as well as remove the number of foreclosed homes from the Merced market.

Provided First Time Homebuyer Assistance is available, Homebuyers will be provided with a 30-year term loan which will assist with eligible closing costs and gap financing. All FTHB loans are provided with a 3% interest rate with payments modified based upon 30% of the eligible household income.

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.

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 resale price shall be equal or less than the amount invested into the property and be equal or less than 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.

Grantee reallocated \$127,518 from activity 2011-002 to allow the Grantee to be able to provide Gap Financing for the First Time Home Buyers. The budget was amended on 11/9/2012 to reflect this change.

Due to these properties being split funded, the City will be required to calculate the proceeds based on the percentage of the total grant funds spent on the property. Staff will separate the income received based upon the percentage.



Project # / Title: 2011-002 / Homebuyer's Financial Assistance

Grantee Activity Number: 2011-002a
Activity Title: Homebuyer's Financial Assistance

Activity Type:
Homeownership Assistance to low- and moderate-income

Project Number:
2011-002

Projected Start Date:
07/01/2011

Project Draw Block by HUD:
Not Blocked

Activity Draw Block by HUD:
Not Blocked

Block Drawdown By Grantee:
Not Blocked

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Environmental Assessment:
COMPLETED

Benefit Report Type:
Direct (Households)

Activity Status:
Cancelled
Project Title:
Homebuyer's Financial Assistance

Projected End Date:
06/30/2014
Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 0.00
Other Funds: \$ 0.00
Total Funds: \$ 0.00

Proposed Beneficiaries

of Households

Total	Low	Mod	Low/Mod%
			0.0

Activity is being carried out by Grantee:
Yes

Activity is being carried out through:
Grantee Employees

Organization carrying out Activity:
City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization
City of Merced

Organization Type
Local Government

Proposed Budget
\$ 0.00

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 Description:

The NSP3 Program Activity has been designed to provide financial assistance to qualified homebuyers. The Program will provide financial assistance through secured loans. All loans will have three (3) percent simple interest and will be secured by a First Deed of Trust.

Grantee is reallocating the funds to Activity 2011-001 to allow the Grantee to be able to provide Gap Financing for the First Time Home Buyers. The budget was amended on 11/9/2012 to reflect this change.

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.

12/9/2016 Update: This activity was cancelled. The funds were reallocated to activity 1a & 1b.

Project # / Title: 2011-003 / Acquisition, Rehabilitation, and Redevelopment

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

Activitiy Type:

Construction of new housing

Project Number:

2011-003

Projected Start Date:

07/01/2011

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

LH25: Funds targeted for housing for households whose incomes are at or under 50% Area Median Income.

Environmental Assessment:

COMPLETED

Benefit Report Type:

Direct (Households)

Activity Status:

Completed

Project Title:

Acquisition, Rehabilitation, and

Projected End Date:

06/30/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 299,046.00

Other Funds: \$ 0.00

Total Funds: \$ 299,046.00

Proposed Beneficiaries

Renter Households

	Total	Low	Mod	Low/Mod%
# Renter Households	56	56		100.00
# of Households	56	56		100.00

of Households



Proposed Accomplishments	Total
# of Multifamily Units	56
# of Housing Units	56
# ELI Households (0-30% AMI)	10
#Units \geq other green	
#Sites re-used	
#Units exceeding Energy Star	56
#Units with bus/rail access	56
#Low flow showerheads	56
#Low flow toilets	56
#Units with solar panels	

Activity is being carried out by Grantee:

Yes

Activity is being carried out through:

Grantee Employees

Organization carrying out Activity:

City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Merced	Local Government	\$ 299,046.00

Location Description:

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

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 permanent supportive housing through the Merced County Department of Behavior Health. The 56- units will be managed by the Central Coalition for Affordable Housing and the 10-units will be managed by Merced County Mental Health Department.



Grantee Activity Number: 2016-05a / Redevelopment
Activity Title: Redevelopment of Single Family Structures

Activity Type:

Construction of new housing

Project Number:

2011-003

Projected Start Date:

07/01/2016

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Environmental Assessment:

UNDERWAY

Benefit Report Type:

Direct (Households)

Activity Status:

Under Way

Project Title:

Acquisition, Rehabilitation, and

Projected End Date:

06/30/2017

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 300,000.00

Other Funds: \$ 0.00

Total Funds: \$ 300,000.00

Proposed Beneficiaries

	Total	Low	Mod	Low/Mod%
# Owner Households	1		1	100.00
# of Households	1		1	100.00

Proposed Accomplishments

	Total
# of Singlefamily Units	1
# of Housing Units	1
# of Elevated Structures	
# ELI Households (0-30% AMI)	
Activity funds eligible for DREF (Ike Only)	
#Units & other green	
#Sites re-used	1
#Units exceeding Energy Star	1
#Units with bus/rail access	
#Low flow showerheads	2
#Low flow toilets	2
#Units with solar panels	1



Activity is being carried out by Grantee:

Yes

Activity is being carried out through:

Grantee Employees

Organization carrying out Activity:

City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Merced	Local Government	\$ 300,000.00

Funding Source Name	Matching Funds	Funding Amount
Neighborhood Stabilization Program 3	Yes	\$ 0.00

Location Description:

The property is located at 241 E. Main Street

Activity Description:

The City is wanting to rehabilitate/reconstruct a property previously purchased with NSP3 funds. Once the rehabilitation/reconstruction was completed, it would be resold to an income qualified First Time Homebuyer. Previously spent acquisition funds spent acquiring this project were included in the project total. The cost of only demolition new construction in our community is approximately \$150 per square foot.

The property is in need of substantial rehabilitation. Currently, the existing structure is not in compliance with current zoning codes, the slab foundation is below the required flood elevation for the flood zone, the roof is uneven, the existing foundation not structural sound, there is lead based paint, and termite damage in the structure. Additionally, the property has become blighted in the neighborhood due to homeless individuals that periodically squat in the structure.

As advised, the current activity which this property is identified is Activity B Rehabilitation/Reconstruction, which only allows for the rehabilitation of the structure with no modifications to the current footprint. However, the type of work necessary staff would need to reclassify the project to E – Redevelopment which would give staff additional flexibility.

The additional flexibility is necessary to address the following items:

1. The existing slab foundation is below the flood plain.
2. The Garage is not in compliance with current zoning codes for setbacks.
3. The amount of labor to rehabilitate the property is greater than demolishing and reconstructing.
4. The existing elevation of the property would be modified (Roof pitch and relocation of garage).
5. The structure is currently unsafe to occupy. Posted by the police department today.
6. The structure is currently creating blight in the neighborhood (health and Safety of the neighborhood).

With HUD – NSP3 guidance, staff would create a new activity (Redevelopment) in DRGR and reclassify this property to the new activity. This would allow the City to better address the issues identified above and has potential to reduce the amount of funds necessary to bring the property up to current building codes, health, and safety standards.

Project # / Title: 2011-004 / NSP3 Administration

Grantee Activity Number: 2011-004a



Activity Title: Administration

Activity Type:

Administration

Project Number:

2011-004

Projected Start Date:

07/01/2011

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

Not Applicable - (for Planning/Administration or Unprogrammed Funds only)

Environmental Assessment:

UNDERWAY

Benefit Report Type:

NA

Activity Status:

Under Way

Project Title:

NSP3 Administration

Projected End Date:

06/30/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 219,618.00

Other Funds: \$ 0.00

Total Funds: \$ 219,618.00

Activity is being carried out by Grantee:

Yes

Activity is being carried out through:

Grantee Employees

Organization carrying out Activity:

City of Merced

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Merced	Local Government	\$ 219,618.00

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.

Activity Description:

This activity is for grant administration to administer NSP3 funds.



Action Plan Comments:

Reviewer - Plan rejected - activity descriptions are too broad and more detail is needed. PDF with comments attached to review checklist.

Action Plan History

Version	Date
B-11-MN-06-0012 AP#1	02/06/2017
B-11-MN-06-0012 AP#2	07/01/2013
B-11-MN-06-0012 AP#3	04/30/2013
B-11-MN-06-0012 AP#4	02/20/2013
B-11-MN-06-0012 AP#5	11/09/2012
B-11-MN-06-0012 AP#6	09/28/2012
B-11-MN-06-0012 AP#7	09/30/2011

