

Action Plan

Grantee: Rialto, CA

Grant: B-11-MN-06-0518

LOCCS Authorized Amount:	\$ 1,936,370.00
Grant Award Amount:	\$ 1,936,370.00
Status:	Reviewed and Approved
Estimated PI/RL Funds:	\$ 907,612.00
Total Budget:	\$ 2,843,982.00

Funding Sources

No Funding Sources Found

Narratives

Summary of Distribution and Uses of NSP Funds:

California is a non-judicial foreclosure state. The foreclosure process begins with a recorded Notice of Default (NOD), which is a public notification that the borrower has fallen behind in the monthly mortgage payments. If the default is not cured, or the loan renegotiated or replaced, the NOD is followed by a Notice of Trustee's Sale (NOTS) after a minimum of three months. The actual Trustee's Sale cannot occur less than 20 days after public notice. The Trustee's Sale is a public auction, at which anyone may place a bid, including the lender and any junior lien holders. The foreclosure process may be stopped if the default is cured 5 days in advance of the sale date. If no one bids, and the foreclosure process was not stopped, title (ownership) of the property reverts to the lender as REO property (Real Estate Owned). The typical foreclosure process takes at least 117 days in California. The City's target areas for the NSP3 program were developed pursuant to HUD guidelines as described below: • Greatest percentage of home foreclosure; • Highest percentage of homes financed by a subprime mortgage related loan; • Areas identified as the most likely to face a significant rise in the rate of home foreclosures; and • The ability to impact at least 20% of the Real-Estate Owned foreclosures in the target area. The City of Rialto has analyzed its needs in response to the housing crisis by identifying the census tract block groups in the city with income levels at or below 120% of the Area Median Income (AMI). For the purpose of this Amendment, the low, moderate, and middle-income area will be noted as "LMMI." This data was provided by the U.S. Department of Housing and Urban Development (HUD). There are 58 census tract block groups (CTBG) in the City and 45 or 78 percent are qualified LMMI areas[1]. Further, the last four months of Notices of Default, Notices of Sale, and Bank Owned properties were plotted on a City of Rialto map. High concentrations of distressed properties were identified and prioritized against other data sources. Using the MLS, staff was able to plot all of the real estate sales of 2010, by the decade in which the home was built. For example, the map would indicate where all of the 1950's homes were built and sold last year. Staff was also able to use the MLS data to plot all of the sales of 2010 in certain price ranges. The MLS data helped to determine that the funds were going to older neighborhoods with appropriately priced homes. Finally, Staff was able to examine the HUD Census Block Group Score map indicating a different color for each risk score. This map helped to focus the effort of NSP3 boundaries to the highest risk score areas. Staff believes that by identifying the highest clusters of current foreclosures, focusing on the older housing stock within an affordable price range and within the highest risk score for future foreclosures, that the NSP3 target area will be the exact areas in which the federal funds will best serve the community. Because the funding is limited, and the desire to achieve a significant impact is high, the City proposes to use a measured, yet flexible, approach, whereby the City is ranking specific target areas. Activities will be initiated in the target area with the highest priority (i.e. Target Area) and outcomes will be measured. Because the selected target area is small and the foreclosure inventory changes, there may be insufficient foreclosures to reach the proposed goals. If after six (6) months of program implementation, the City has exhausted all efforts to purchase foreclosed properties in the target area and has made a determination that there is insufficient inventory to meet the expenditure and numerical goals as established under this Substantial Amendment, the City may amend the eligible target area by adding addit



How Fund Use Addresses Market Conditions:

The City of Rialto has designed a program to address both the single-family and multi-family residential property component of the local housing market. Based on past experience with the local foreclosure market, it has been found that the single-family and multi-family foreclosures are not adequately being addressed by the private market. The City's programs have been designed with these observations in mind resulting in a focus on both single-family and multi-family properties for acquisition and a small component for financial assistance for homebuyers in the single-family market.

Ensuring Continued Affordability:

Continued affordability will be ensured for the entire period of affordability through monitoring. At minimum, the City will follow the specific HOME monitoring requirements as defined in 24 CFR part 92.

Definition of Blighted Structure:

The City of Rialto uses the State of California definition of blighted structure based on the California Health and Safety Code Section 33030, 33031 and 17920.3 and the City's Municipal Code Section 18.72.010. The California Health and Safety Code Section 33031 describes physical conditions that cause blight related to structures as:

- 33031(a)(1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may 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.
- 33031(a)(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.
- 33031(b)(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
- 33031(b)(7) A high crime rate that constitutes a serious threat to public safety and welfare.

The Rialto Municipal Code references blighted structures to buildings or conditions, which will impair or destroy the quality of life, to the detriment of the city, through the deterioration of property and business values for adjacent properties. Rialto Municipal Code references to the source, condition, prevention, elimination or spread of "Blight" appear in Sections 18.72.010.

In addition, the overall spirit of all the regulatory codes used in Code Enforcement are designed and written so as to provide standards, which in their application and enforcement will eliminate blighted structures and conditions in whatever capacity it may appear.

Definition of Affordable Rents:

For the purpose of a definition of affordable rents, the City of Rialto shall define such as 30% of the household's adjusted income, less utility allowance as adopted by the Housing Authority of the County of San Bernardino Section 8 program. HUD's Fair Market Rent schedule for the Riverside/San Bernardino/Ontario MSA will be used. Should any gap be present, funds from this gap will be required from other sources of funding.

Housing Rehabilitation/New Construction Standards:

The City of Rialto will use the housing rehabilitation standards per the requirements of the City's Municipal Code Section 18.72.010, California Health and Safety Code, the Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, the Uniform Housing Code, and relevant sections of Title 24 that pertain to disability access. All housing rehabilitation will be required to have a permit issued and an inspection conducted by the City of Rialto Building Division.

The inspection of the homes will be conducted to determine all deficiencies as described above through an evaluation. The deficiencies will include any required termite repairs and general property improvements. The rehabilitation may include improvements for greater energy efficiency, modifications that aid the mobility of the elderly and physically disabled, and repairs that remedy existing nonconforming uses or illegal additions. The projected total amount of required rehabilitation will be made and a written scope of repairs of required rehabilitation will be prepared. City staff will have the authority to either accept or reject the written scope of repairs and costs.

General property improvements may not include any repairs that far exceed the basic standards of "decent, safe, and sanitary housing" and other items deemed ineligible by the City Administrator or his/her designee. In addition to the property deficiencies, the following shall apply:

-
-
- The City will also require that the rehabilitation work also include controlling or abating any lead based paint hazards present in homes built before 1978. A lead-base paint test and a risk assessment will be conducted to identify any lead based paint hazards. The standards of "Lead-Based Paint Poisoning Prevention in Federally Owned and Federally Assisted Housing" found at 24 CFR Part 35 apply.
-
- The City will require removal of materials containing asbestos, if necessary, as part of the rehabilitation.
-

Vicinity Hiring:

The City of Rialto will ensure that all construction contracts awarded with NSP3 funds include language regarding Section 3 and NSP3 vicinity hiring requirements and will monitor those contracts for compliance with these regulations.



Procedures for Preferences for Affordable Rental Dev.:

For the purpose of a definition of affordable rents, the City of Rialto shall define such as 30% of the household's adjusted income, less utility allowance as adopted by the Housing Authority of the County of San Bernardino Section 8 program. HUD's Fair Market Rent schedule for the Riverside/San Bernardino/Ontario MSA will be used. Should any gap be present, funds from this gap will be required from other sources of funding.

Grantee Contact Information:

Scott Enoch, Recreation and Community Services Manager
214 N. Palm Avenue, Suite 204
Rialto, California 92376
909-820-2685
senoch@rialto.ca.gov

Project Summary

Project #	Project Title	Grantee Activity #	Activity Title
9999	Restricted Balance		<i>No activities in this project</i>
NSP 3.1	Acquisition, Rehab, Resale (ARR)	NSP3.1	Acquisition, Rehabilitation, & Resale (ARR) Prog.
NSP 3.2	Acquisition, Rehabilitation, Rental	NSP 3.2	Acquisition, Rehabilitation, and Rental Program
NSP 3.3	Down Payment Assistance	NSP 3.3	Downpayment Assistance Program
NSP 3.4	Administration	NSP 3.4	Administration
NSP 3.5	Demolition	NSP 3.5	Demolition



Activities

Project # / NSP 3.1 / Acquisition, Rehab, Resale (ARR)

Grantee Activity Number: NSP3.1
Activity Title: Acquisition, Rehabilitation, & Resale (ARR) Prog.

Activity Type:
 Rehabilitation/reconstruction of residential structures

Project Number:
 NSP 3.1

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

Activity Status:
 Under Way

Project Title:
 Acquisition, Rehab, Resale (ARR)

Projected End Date:
 06/30/2019

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 1,116,319.34

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 1,116,319.34

Benefit Report Type:
 Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	32		32	100.00
# of Households	32		32	100.00

Proposed Accomplishments	Total
# of Singlefamily Units	32
# of Housing Units	32
# of Properties	32



Activity is being carried out by

No

Activity is being carried out through:

Organization carrying out Activity:

City of Rialto

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Rialto	Local Government	\$ 1,116,319.34

Location Description:

The program activity has identified the areas noted in Section 2 (Areas of Greatest Need) of this document and further delineated in the map(s) in Attachment A.

Activity Description:

The City of Rialto will use funds from the NSP to facilitate the acquisition, rehabilitation, & resale (ARR) of abandoned and foreclosed single-family homes (this includes condominiums and townhomes). Acquisitions will include individual units and an attempt to negotiate with lenders and financial institutions a discounted bulk purchase of foreclosed properties. The City will attempt to leverage the NSP funds with other private and/or public financing. The City will follow the required NSP purchase discount requirements at a minimum of 1%.

The City also intends to work with NSP1 for-profit and/or non-profit development companies who have extensive experience in both residential real estate and construction to participate in this program. The City will work with development companies to acquire, rehabilitate, and resell homes under an agreement with the City and per the NSP regulations. The City will monitor the performance of each development company.

All of the properties will be sold to households earning 120% of Area Median Income or below (including those at 50% AMI or below) and who will both own and occupy the property. The sales of the property to the homebuyer will be no greater than the total cost for acquisition, rehabilitation, and holding costs. If the total cost is less than the post-rehabilitation market value of the single-family home, then a silent second loan (per the Downtown Payment Assistance Program and the required affordability covenant) based on the difference will be recorded against the home. Homebuyers will be required to attend a HUD certified, 8-hour pre-acquisition home ownership class. Homebuyers will also be required to obtain a low-risk mortgage loan, preferably at a fixed interest rate.

If an ARR Program home is acquired with funding assistance from the Down Payment Assistance Program (that is part of Rialto's NSP Action Plan), then a 15-year affordability covenant will be required for this home. If the home with Down Payment Assistance is sold within the 15-year period, then the full loan amount is recaptured plus a declining equity share based upon the length of homeownership. Additional information on the affordability covenant can be found in the Down Payment Assistance Program.

Subsidies, if any, to a participating development company will be based upon the combination of purchase discount percentage, amount of rehabilitation and carrying costs, and the final sales price. For example, if a single-family unit is acquired at a discount amount of \$150,000, the rehabilitation and carrying cost is \$30,000, and the final sales amount (based on the fair market value) to the qualified homebuyer is \$170,000, then the subsidy amount will be \$10,000. The subsidy will be treated as a grant of NSP3 funds to the project. Any interim financial assistance to acquire the homes shall be provided at a zero (0) percent interest.

The budget activity may be increased or decreased with the ARR Program and/or added or decreased with the Down Payment Assistance Program should circumstances warrant. The budgetary amendments may occur per the City Administrator's signature.

Environmental Assessment: COMPLETED

Environmental None



Project # / NSP 3.2 / Acquisition, Rehabilitation, Rental Program

Grantee Activity Number: NSP 3.2
Activity Title: Acquisition, Rehabilitation, and Rental Program

Activity Type:
 Rehabilitation/reconstruction of residential structures

Activity Status:
 Under Way

Project Number:
 NSP 3.2

Project Title:
 Acquisition, Rehabilitation, Rental

Projected Start Date:
 07/01/2011

Projected End Date:
 06/30/2019

Project Draw Block by HUD:
 Not Blocked

Project Draw Block Date by HUD:

Activity Draw Block by HUD:
 Not Blocked

Activity Draw Block Date by HUD:

Block Drawdown By Grantee:
 Not Blocked

Total Budget: \$ 1,369,213.66

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

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 1,369,213.66

Benefit Report Type:
 Direct (Households)

Proposed Beneficiaries

	Total	Low	Mod	Low/Mod%
# Renter Households	2	2		100.00
# of Households	2	2		100.00

Proposed Accomplishments

	Total
# of Multifamily Units	2
# of Housing Units	2
# of Properties	1



Activity is being carried out by

No

Activity is being carried out through:

Organization carrying out Activity:

City of Rialto

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Rialto	Local Government	\$ 1,369,213.66

Location Description:

The program activity has identified the areas noted in Section 2 (Areas of Greatest Need) of this document and further delineated in the map(s) in Attachment A.

Activity Description:

The City of Rialto will use a minimum of 25% of allocated NSP funds to facilitate the acquisition, rehabilitation, and rental of multi-family or single-family properties for households earning 50% or less of the area median income as an affordable housing project. The City and/or their development partners will negotiate with lenders and financial institutions to purchase vacant or abandoned foreclosed properties at the required NSP discount.

The City intends to issue a Request for Proposal to select either a for-profit or a non-profit development company to participate with the City in this effort. The development company will have experience in affordable rental development and property management. NSP funds will be leveraged with private financing. NSP funds will be treated as a grant subsidy to the degree it covers the costs associated with owning and managing rental units with households earning 50% of the area median income or below.

An affordability covenant will be recorded on the property ensuring that units will remain affordable for a minimum period as required under the HOME regulations. City staff will conduct an annual evaluation to ensure compliance with the affordability covenant.

The budget activity may be increased or decreased with the ARR Program should circumstances warrant. The budgetary amendments may occur per the City Administrator's signature.

Environmental Assessment: COMPLETED

Environmental None

Project # / NSP 3.3 / Down Payment Assistance Program

Grantee Activity Number: NSP 3.3

Activity Title: Downpayment Assistance Program

Activity Type:

Homeownership Assistance to low- and moderate-income

Activity Status:

Under Way

Project Number:

Project Title:



NSP 3.3

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

Down Payment Assistance Program

Projected End Date:

06/30/2019

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 164,814.00

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 164,814.00

Benefit Report Type:

Direct (Households)

Proposed Beneficiaries

Owner Households

Total

14

Low

Mod

14

Low/Mod%

100.00

of Households

14

14

100.00

Proposed Accomplishments

of Singlefamily Units

Total

14

of Housing Units

14

Activity is being carried out by

No

Activity is being carried out through:

Organization carrying out Activity:

City of Rialto

Proposed budgets for organizations carrying out Activity:

Responsible Organization

City of Rialto

Organization Type

Local Government

Proposed Budget

\$ 164,814.00

Location Description:



The program activity has identified the areas noted in Section 2 (Areas of Greatest Need) of this document and further delineated in the map(s) in Attachment A.

Activity Description:

The City of Rialto will use NSP funds to provide down payment assistance loans to households earning 120% of Area Median Income or below (including those households at 50% AMI or below). The loans will provide up to 10% of the purchase price in the form of a silent second deferred loan. Terms and conditions of these loans will be subject to CALHFA financing in an effort to leverage additional funding and provide below market, 1st mortgage loan financing to the homebuyer. Homebuyers will be required to obtain a low-risk mortgage loan for their 1st trust deed financing, preferably at a fixed interest rate. The loan will be a deferred zero percent (0%) interest loan.

An affordability covenant will be recorded on the property ensuring that the homes remain affordable for a minimum of 15 years. If the property is sold within the 15-year affordability period then the full loan amount is recaptured, plus a declining equity share based upon the length of homeownership (15% for repayment of 5 years or less, 10% for repayment of 10 years or less, 5% for repayment of 15 years or less). After the 15th year anniversary of the loan, the loan is and equity share is completely forgiven. Any transfer of title would require notification to the City. The City will annually monitor compliance of the affordability requirements for each unit.

Homebuyers will be expected to pay their own closing costs and 1% of the purchase price towards the down payment. The prospective buyers will be required to attend the 8-hour pre-acquisition HUD-certified homebuyer counseling.

While all of the home buyers of the ARR Program will be offered down payment assistance loans, the program will also be available for homebuyers who purchase a foreclosed home that does not need repairs. The buyers of these non- ARR Program homes will be required to acquire the homes at a minimum discount amount of 1%. An inspection of non-ARR Program homes will be conducted by the City to ensure that there are no repair requirements.

The budget activity may be increased or decreased with the Down Payment Assistance Program and/or added or decreased with the ARR Program should circumstances warrant. The budgetary amendments may occur per the City Administrator's signature.

Environmental Assessment: COMPLETED

Environmental None

Project # / NSP 3.4 / Administration

Grantee Activity Number: NSP 3.4
Activity Title: Administration

Activity Type:

Administration

Project Number:

NSP 3.4

Projected Start Date:

07/01/2011

Project Draw Block by HUD:

Activity Status:

Under Way

Project Title:

Administration

Projected End Date:

06/30/2019

Project Draw Block Date 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)

Activity Draw Block Date by HUD:

Total Budget:	\$ 193,635.00
Most Impacted and Distressed Budget:	\$ 0.00
Other Funds:	\$ 0.00
Total Funds:	\$ 193,635.00

Benefit Report Type:

NA

Activity is being carried out by

Yes

Activity is being carried out through:

Grantee Employees and Contractors

Organization carrying out Activity:

City of Rialto

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Rialto	Local Government	\$ 193,635.00

Location Description:

The City of Rialto will be the lead agency and is located at 150 S. Palm Avenue, Rialto, CA 92376

Activity Description:

The City of Rialto will use up to 10% of the NSP3 funds for administration of the various programs and projects stated in the Rialto NSP Action Plan. Furthermore, if any program income is received, the City may elect to utilize 10% of that amount for future administration if needed.

1. Compliance monitoring
2. Environmental review for compliance with NEPA
3. Contracting with consultant services for the implementation of program activities
4. Procurement (including letting of appropriate Requests for Proposals, Notice of Funding Opportunities, etc.)
5. Financial data collection and reporting
6. Quarterly reporting
7. Data entry and reporting through DRGR
8. Providing technical assistance to activity sponsors
9. Ensuring public participation

The budget activity may be adjusted with the ARR Program should circumstances warrant. The budgetary amendments may occur per the City Administrator's signature.

Administration of NSP3 funds includes, but is not limited to, the following activities:



Environmental Assessment: EXEMPT

Environmental None

Project # / NSP 3.5 / Demolition

Grantee Activity Number: NSP 3.5
Activity Title: Demolition

Activity Type:

Clearance and Demolition

Project Number:

NSP 3.5

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

Activity Status:

Cancelled

Project Title:

Demolition

Projected End Date:

06/30/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 0.00

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 0.00

Benefit Report Type:

Area Benefit (Census)

LMI%:



Activity is being carried out by

No

Activity is being carried out through:

Organization carrying out Activity:

City of Rialto

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
City of Rialto	Local Government	\$ 0.00

Location Description:

The program activity has identified the areas noted in Section 2 (Areas of Greatest Need) of this document and further delineated in the map(s) in Attachment A.

Activity Description:

This Activity has been cancelled. The City completed Substantial Amendment No. 1, dated September 25, 2012, which transfers the budget for this Activity (\$193,635) to the Acquisition, Rehabilitation and Rental Program (Activity 2). A public hearing was held to receive public comment and approve Substantial Amendment No. 1, after a 15-day public review period. No public comment was received.

This activity is for the acquisition/demolition/and redevelopment of foreclosed, abandoned single-family properties that would require more funds to rehabilitate than to demolish and rebuild. After consultation with the City's Building Official, a determination would be made to demolish the structure instead of attempting to rehabilitate it. The property would then be developed as an infill home.

The budget activity may be increased or decreased with the ARR Program and/or added or decreased with the Down Payment Assistance Program should circumstances warrant. The budgetary amendments may occur per the City Administrator's signature.

Environmental Assessment: UNDERWAY

Environmental None

Action Plan Comments:

- Reviewer - Submission into DRGR matches here copy Substantial amendment submitted on time. Approved. RMD. 4/29/11.
- Reviewer - Substantial amendment to cancel demolition project/activity and transfer funds (\$193,635) to Acq/Rehab/Rental activity. Approved. EOO. 1/22/13.
- Reviewer - Technical amendment to allocate \$500K in anticipated program income, transfer funds between downpayment assistance and acq/rehab/resale activities, and revise activity types for rehab activities from acquisition general to residential reconstruction. Approved. EOO. 1/17/14.
- Reviewer - Grantee revised to increase the estimated PI from \$500,000 to \$700,000. Homebuyer Activity (Activity 3.3) has been increased from \$142,000 to \$342,000. Approved. RMD. 9/22/15.



Reviewer - Dates extended to clear flags. Approved. RMD. 10/24/17.

Reviewer - Budget updates. Approved. RMD. 4/17/19.

Action Plan History

Version	Date
B-11-MN-06-0518 AP#1	04/29/2011
B-11-MN-06-0518 AP#2	01/22/2013
B-11-MN-06-0518 AP#3	01/17/2014
B-11-MN-06-0518 AP#4	09/22/2015
B-11-MN-06-0518 AP#5	10/24/2017
B-11-MN-06-0518 AP#6	04/17/2019

