

**Grantee: Contra Costa County, CA**

**Grant: B-08-UN-06-0002**

**January 1, 2019 thru March 31, 2019 Performance Report**

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**Grant Number:**

B-08-UN-06-0002

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

Contra Costa County, CA

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

Reviewed and Approved

**Grant Award Amount:**

\$6,019,051.00

**Grant Status:**

Active

**QPR Contact:**

Gabriel Lemus

**LOCCS Authorized Amount:**

\$6,019,051.00

**Estimated PI/RL Funds:**

\$4,000,000.00

**Total Budget:**

\$10,019,051.00

## Disasters:

### Declaration Number

NSP

## Narratives

### Areas of Greatest Need:

The County has analyzed the three HERA required criteria for the distribution of NSP funds. These include those areas with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified as likely to face a significant rise in the rate of home foreclosures. (See attachments A through D.) Each factor was applied to all cities and communities in the Urban County and divided into low impact, medium impact, or high impact.

1. HUD's estimated risk factor – this data was compiled by the U.S. Department of Housing and Development at the CDBG block group level.

• Low: 1-4 • Medium: 5-7 • High: 8-10

2. Subprime Lending – According to HUD and the Federal Reserve Bank of San Francisco, 2005 had the highest number of subprime loans issued. Data from the Home Mortgage Disclosure Act (HMDA) was used to determine the percentage of loans issued by subprime lenders by census tracts. Data from both purchase loans and refinanced mortgages were analyzed.

• Low: less than 20 percent • Medium: between 20 – 35 percent • High: More than 35 percent

3. Foreclosures – The 2008 data was provided by DataQuick for quarters one through three at the zip code level. The levels for high, medium, and low were determined by using standard deviation.

• Low: less than 35 foreclosures per 1,000 homes (less than 0.5 standard deviations) • Medium: Between 35 and 50 foreclosures per 1,000 homes (0.5 to 1 standard deviations) • High: More than 50 foreclosures per 1,000 homes (more than 1 standard deviation).

Given each of these datasets were provided at different geographic areas, staff needed a method to overlay all the information and determine which parts of the County were most impacted by the housing crisis. Using the ESRI Spatial Analysis tool, a suitability study was conducted to determine which areas were most appropriate for program funds. Each dataset was weighted equally and output layer allowed staff to differentiate between areas. If an area had two or more 'high' values, it was designated as a High Priority area. If an area had one high and two medium values, it was designated a Medium Priority area. Any area with at least one 'low' value was ineligible for program funds.

Based on this analysis, the following communities have the greatest need and are the High Priority Areas: Bay Point, Oakley, Montalvin Manor/Tara Hills/Bayview, Rollingwood, North Richmond, Rodeo and San Pablo. Brentwood, Discovery Bay, and the area west of Interstate 80 in Pinole (Nob Hill, Pinole Shores, and Pinon) are also suffering from foreclosures and are the Medium Priority Areas. The remaining cities and communities are Low Priority Areas. All programs listed in Section G will be available in the High Priority Areas. Some, but not all of the programs will be available in the Medium Priority Areas. NSP funded programs will not be available in the Low Priority Areas.

### Distribution and and Uses of Funds:

ACQUISITIONS & REHABILITATION NSP funds will be used primarily to acquire and rehabilitate foreclosed properties. Some funds may be used to provide homebuyer assistance as silent second shared appreciation loans to eligible households for the direct purchase of foreclosed homes. The programs will be limited to vacant homes.

DEMOLITION AND CONVERSION of blighted structures is not a Contra Costa priority for NSP funds. However, during program implementation, the County may become aware of structures that should be immediately demolished. In that case, the County



will make every effort to work with a non-profit developer to build a new home to be sold to a low, moderate, or middle income household. The County will likely contract with one or more agencies or individuals to implement the NSP program. The County will strive to coordinate activities with the Economic Development Board and local job training programs.

LOW INCOME TARGETING \$1,504,763 in NSP funds will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families with low incomes. Programs to accomplish this goal may include self-help homeownership housing and/or rental housing.

2013 AMENDMENT: Add Activity 8 – NSP Eligible Use E – Redevelop demolished or vacant properties. With the recovery of the housing market, and the increase in loan modifications following the California settlement agreement with the major mortgage lenders, there are fewer homes available for acquisition and rehabilitation activities. However, there is still substantial need for decent affordable housing in the NSP target areas and there are vacant properties that are appropriate for development. Therefore, Contra Costa is adding 'Activity 8' to the NSP Action Plan. This activity will be funded at \$1.2 million. One Million will be used by Habitat for Humanity East Bay/Silicon Valley for the construction of 23 homes in Bay Point. Twelve units will be affordable to moderate income buyers and eleven units will be sold to low income buyers. This project will fulfill LH25 requirements. Two hundred thousand dollars will be used to support the Satellite Affordable Housing Associates Tabora Gardens project in Antioch. Tabora Gardens consists of 85 apartments for low income seniors. This project will also fulfill LH25 goals.

### Definitions and Descriptions:

(1) "Abandoned" A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

(2) "Affordable Housing Cost for Owner-Occupied Housing"

a. For low income households, affordable housing cost shall not exceed the product of 40 percent times 50 percent of the area median income adjusted for household size appropriate for the unit.

b. For moderate income households, whose gross incomes exceed the maximum income for low income households and do not exceed middle income households, the product of 40 percent times 70 percent of the area median income adjusted for household size appropriate for the unit.

c. For middle income households, affordable housing cost shall not exceed the product of 40 percent times 110 percent of the area median income adjusted for household size appropriate for the unit.

(3) "Affordable Rents"

a. For low income households, the product of one-twelfth of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.

b. For moderate income households whose gross incomes exceed the maximum income for low income households, the product of one-twelfth of 30 percent times 65 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.

c. For middle income households, the product of one-twelfth of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.

(4) "Area Median Income" shall be determined by the U.S. Department of Housing and Urban Development for the Oakland-Fremont, CA HUD Metro FMR area. This area includes all of Alameda and Contra Costa counties.

(5) "Blighted Structure" shall mean buildings or conditions causing blight as defined in California Health and Safety Code Section 33031(a)(1) and (2)

(6) "Continued Affordability" for Owner Occupied Housing shall meet or exceed the HOME Investment Partnerships Act (HOME) minimum requirements [24 CFR 92.254 (a)(4) and (5)] and shall mean one or more of the following:

a. Deed Restricted Programs:

(i) Resale Restrictions: Buyers of homes assisted with NSP funds in a deed restricted program shall enter into a resale restriction agreement that shall restrict the future sales price to keep the home affordable to future buyers. The resale restriction will also require future purchasers to be low, moderate, or middle income, occupy the home as their primary residence, and enter into a new resale restriction.

(ii) Presumed Affordability: Certain housing may be presumed to meet resale restrictions (i.e. the housing will be available and affordable to a reasonable range of middle-income homebuyers; a middle-income homeowner will occupy the housing as a family's principal residence; and the original owner will be afforded a fair return on investment) during the term of affordability without the imposition of a resale restriction. Consistent with 24 CFR 92.254(a)(5)(i)(B) an analysis conducted in June 2009 pursuant to

### Definitions and Descriptions:

Referenced regulations demonstrated that homes will remain affordable to the target income group over time. The home ownership rates in the target areas is lower than in the rest of the County. The homes are smaller and older than in other areas. The County's Presumed Affordability study was reviewed and commented on by the S.F HUD Field Office representative. Supporting documents are uploaded under Project 1 Activities.

b. Shared Appreciation Loans: Loans that are deferred and are intended to fill the gap between the purchase price of the home, plus reasonable closing costs, and the amount the buyer can afford based on household income. Specifically, the amount of the second loan will equal the purchase price of the unit plus reasonable closing costs minus the sum of the first mortgage, the homeowner's downpayment, and any other sources of available subsidy. All home loans will be secured by a promissory note and deed of trust. The first mortgage loan must be a fullamortized, fixed interest loan with no balloon payments. The total loan to value ratio may not exceed 100 percent of the purchase price. The homebuyer must provide either a minimum three percent

downpayment, or a sweat equity contribution.

Shared equity loans are due at the end of the loan term on sale or transfer of the property. Upon resale, the homebuyer must repay the County the amount of the second plus a share in the appreciation of the unit. Unit appreciation is defined as the difference between the original acquisition price and the resale price. The County's share of the appreciation or "equity share" will equal the amount of the County second loan divided by the original acquisition price. All remaining appreciation accrues to the seller. If the homeowner undertakes capital improvements on a unit acquired with NSP funds, appreciation upon resale will equal the resale price minus the original acquisition price minus the value of the improvements so that the buyer keeps the appreciation that is due to the improvements.

In the event that the unit does not appreciate, the County will receive only the amount of the silent second upon resale. If the unit depreciates in value and the homeowner has adequately maintained the unit, the County will reduce the silent second loan repayment proportionately.

c. Lease to Purchase Program: The County will consider lease to purchase programs if it determines there is a lack of qualified purchasers. It may be beneficial for a potential homeowner to live in the home and make lease payments while working to improve their credit. A portion of the lease payments will be set aside in an account to accrue into a downpayment.

(7) "Current market appraised value" shall mean the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

(8) "Foreclosed". A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure process.

### Public Comment:

County staff held two meetings with Contra Costa CDBG entitlement jurisdictions and the Urban County participating jurisdictions. The staff provided information at three meetings of the Board of Supervisor's Public Protection subcommittee. A final public hearing was held before the Board of Supervisors on November 18.

In addition, the draft NSP Substantial Amendment was posted on the County's website on October 29, 2008. A notice was published in all editions of the Contra Costa Times and on the Internet on October 28, 2008.

Comments made during these meetings included the following:

- Acknowledgement of the challenge to find owners of foreclosed properties willing to sell at the required NSP program 10% to 15% discount from appraised value.
- Concern that purchasing homes below the appraised value will set new, lower market comparisons, which will further depress local market areas.
- Concern that the short time frame to obligate NSP funds will limit the ability to identify and leverage additional funds to carry out the NSP programs. This would limit the total number of homes and households that could benefit from this program.
- Desire to coordinate NSP activities with economic development and job training activities to the extent practicable.

### Definitions and Descriptions:

eeding or transfer in lieu of foreclosure, in accordance with state or local law.

(9) "High Priority Areas" are the cities and communities that have a high score in at least two of the three areas discussed in Section C below.

(10) "Household size appropriate for the unit" shall mean the following:

Studio Apartment 1 person  
One Bedroom 2 people  
Two Bedroom 3 people  
Three Bedroom 4 people  
Four Bedroom 5 people

(11) "Housing Costs for Owner-Occupied Housing" shall mean all of the following costs associated with a particular housing unit:

- a. principal and interest on mortgage loans, and any loan insurance fees associated with the loan;
- b. property taxes and assessments;
- c. fire and casualty insurance;
- d. property maintenance and repairs;
- e. reasonable allowance for utilities not including telephone or cable; and homeowners association fees, if any.

(12) "Low Income" shall mean households whose income does not exceed 50 percent of the area median income.

(13) "Low Priority Areas" are the cities and communities that do not have any high scores in the three areas discussed in Section C below.

(14) "Medium Priority Areas" are the cities and communities that have at least one high score in the three areas discussed in Section C below.

(15) "Middle Income" shall mean households whose income does not exceed 120 percent of the area median income.

(16) "Moderate Income" shall mean households whose income does not exceed 80 percent of the area median income.

(17) "Rehabilitation Standards" shall mean the applicable residential standards in the California Building Code as amended by the

### Low Income Targeting:

\$1,504,763 in NSP funds will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families with low incomes. Programs to accomplish this goal may include self-help homeownership housing and/or rental housing.

### Acquisition and Relocation:

NSP funds will be used primarily to acquire and rehabilitate foreclosed properties. Some funds may be used to provide downpayment assistance or silent second shared appreciation loans to eligible households for the direct purchase of foreclosed homes. The programs will be limited to vacant homes. Demolition and conversion of blighted structures is not a Contra Costa priority for NSP funds. However, during program implementation, the County may become aware of structures that should be immediately demolished. In that case, the County will make every effort to work with a non-profit developer to build a new home to be sold to a low, moderate, or middle income household. The County will likely contract with one or more agencies or individuals to implement the NSP program. The County will strive to coordinate activities with the Economic Development Board and local job training programs. Additional information on all programs is included in Section G below.

Overall	This Report Period	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$9,019,710.78
<b>Total Budget</b>	\$0.00	\$9,019,710.78
<b>Total Obligated</b>	\$0.00	\$8,044,710.78
<b>Total Funds Drawdown</b>	\$0.00	\$7,924,306.69
<b>Program Funds Drawdown</b>	\$0.00	\$4,721,799.12
<b>Program Income Drawdown</b>	\$0.00	\$3,202,507.57
<b>Program Income Received</b>	\$0.00	\$3,283,698.95
<b>Total Funds Expended</b>	\$0.00	\$7,924,259.85
<b>Most Impacted and Distressed Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$33,366,445.00

## Progress Toward Required Numeric Targets

Requirement	Target	Actual
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$33,366,445.00
<b>Limit on Public Services</b>	\$902,857.65	\$0.00
<b>Limit on Admin/Planning</b>	\$601,905.10	\$890,344.76
<b>Limit on Admin</b>	\$0.00	\$890,344.76
<b>Most Impacted and Distressed Threshold (Projected)</b>	\$0.00	\$0.00
<b>Progress towards LH25 Requirement</b>	\$2,504,762.75	\$2,327,413.45

## Overall Progress Narrative:

Activities 1,2, and 3 are complete. The developer for Activity 8A is currently going through the entitlement process and plans to start construction in late 2019. Activity 8B was going through the process of occupying the units and should be completed by June 30, 2019. This QPR was not originally submitted. This QPR is being submitted as a placeholder.

## Project Summary

Project #, Project Title

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, Revolving Fund for Purchase and Rehabilitation	\$0.00	\$4,357,449.04	\$2,906,013.21
2, Revolving Fund for Purchase and Self Help Rehab	\$0.00	\$1,761,257.30	\$869,654.44
3, Downpayment Assistance/Shared Appreciation Loans	\$0.00	\$349,099.44	\$149,273.62
7, NSP Program Planning and Administration	\$0.00	\$1,060,905.00	\$570,094.02
8, Eligible Use E	\$0.00	\$1,550,000.00	\$226,763.83



