

Grantee: Richmond, CA

Grant: B-08-MN-06-0006

April 1, 2009 thru June 30, 2009 Performance Report

Grant Number:

B-08-MN-06-0006

Obligation Date:**Grantee Name:**

Richmond, CA

Award Date:**Grant Amount:**

\$3,346,105.00

Contract End Date:

03/18/2013

Grant Status:

Active

Review by HUD:

Reviewed and Approved

QPR Contact:

No QPR Contact Found

Disasters:**Declaration Number**

NSP

Narratives**Areas of Greatest Need:**

The data indicates that on average 7% of all homes in the City have been foreclosed on and that an additional 30% of homes have been financed with a subprime mortgage. Moving forward, the data predicts a 28.6% rise in foreclosure rates, from 7% to 9% over the next eighteen months. The most impacted zip code is 94801, which currently has the highest percentage of foreclosed homes and subprime mortgages, with almost 50% of all homes falling into one of these two categories. The second most impacted zip code is 94806, with 39% of all homes foreclosed or subprime mortgage financed. Zip code 94804 is the third most impacted at the moment, with 35% of all homes foreclosed or subprime mortgage financed.

Distribution and and Uses of Funds:

The Neighborhood Stabilization Program (NSP) funds will be used to stabilize areas of greatest need that have suffered from foreclosures and abandonment. Funds will be used to purchase, rehabilitate, and redevelop foreclosed and abandoned homes and residential properties to prevent blight and create affordable housing opportunities. Funds will also be used to provide financing to income eligible homebuyers as well. NSP funds will be spent within the City of Richmond in zip codes 94801, 94804 and 94806 (Census tracts 3671, 3750, 3650.01, 3650.02, 3760, 3770, 3790, 3800, 3810). These are the areas of greatest need in Richmond, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the City of Richmond as likely to face a significant rise in the rate of home foreclosures.

Definitions and Descriptions:

The City of Richmond will use NSP regulations that allow a third alternative: Presumed affordability of homes in the affected neighborhoods. Presumed affordability will be used as the affordability mechanisms in all High Priority Areas when the home is sold at a market price.

Properties in the High Priority Areas are continuing to sell at values less than the City of Richmond. Richmond has significant inventory of vacant homes, many of which are affordable without subsidies or assistance to middle income purchasers. The current market is providing more choice in housing types and locations than has been seen in over ten years. Home sellers with existing resale restrictions are not finding buyers willing to enter into resale restrictions, even in highly desirable neighborhoods[1]. The resale restriction is the only reason given by real estate agents as the negative feature of these homes. Therefore, requiring resale restrictions in the neighborhoods that are facing significant decline due to the foreclosure crisis will effectively prohibit home sales.

As of June 2010, 43% of Richmond homes listed in the MLS are either shortsale, bank owned, or in foreclosure. Based on our search of Real Estate Owned (REO) properties over the last 6 months, REO properties are dramatically less than the Richmond Median Sales Price. The High Priority Areas in particular have average REO prices as low as \$79,000 in the 94806 zip code and as high as \$133,000 in the 94804 zip code. Richmond home sales have fluctuated within the past 2 years. MLS listings show that sales prices within the High Priority Areas are above Richmond Median Sales Price. However, the average days on the market are nearly twice as long. A more accurate depiction of the housing market will be the REO properties that have been listed and sold.

An analysis of the High Priority areas showed that homes in these neighborhoods are, in relation to the larger Richmond market, comparable in size and year built yet still modest in price, and are projected to remain so over the life of the affordability period. Based on 2000 Census Data and recent 2010 sales, the High Priority Neighborhoods remain affordable and have declining values. Home ownership rates average 40 percent compared to the City average of nearly 60 percent. Part, or all, of each of the High Priority areas are designated redevelopment areas (RDAs). The RDAs use tax increment financing to reinvest in the communities, improve infrastructure, and facilitate residential and commercial investment.

To determine affordability over time, each target area was analyzed as follows:

- a. Median sales price change over time[2]. The average annual increase from 2000 to 2010 was applied to the 2010 median sales price

and increased by the same percentage for ten years.

b. The average annual increase in the HUD median income for the same period was used to anticipate future income changes.

c. The amount of mortgage a middle income buyer (100% AMI for this analysis) could afford was calculated using FHA underwriting standards, including an allowance for FHA insurance payment.

This analysis showed that homes in the High Priority areas are likely to stay affordable to moderate, income buyers over time.

[1] Owners of resale restricted homes comparable areas such as Oakland are demonstrating good marketing efforts, but are not receiving purchase offers.

[2] Median sales price information was available by zip code, which includes an area larger than the High Priority areas. This resulted in higher median prices being used in the analysis. Therefore, the High Priority areas are more affordable than the analysis shows.

Low Income Targeting:

Richmond will meet its Set Aside requirements through specific partners that include: MissionRich, LKH and Parkway/CHDC.

Acquisition and Relocation:

62.53% of NSP funds will be used for acquisition and rehabilitation.

Public Comment:

Staff Comment 10.10.11- HUD directed us to indicate a more descriptive Activity Type. We successfully changed Activity Type in all activities except for Activity 6.3. The systems continued rejecting changes to this activity even after the QPR were cleaned/cleared. HUD staff has directed us to submit this revised Action Plan with this note to document difficulties with Activity 6.3. Thanks.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$3,346,105.00
Total CDBG Program Funds Budgeted	N/A	\$3,346,105.00
Program Funds Drawdown	\$0.00	\$0.00
Program Funds Obligated	\$0.00	\$0.00
Program Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$501,915.75	\$0.00
Limit on Admin/Planning	\$334,610.50	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$836,526.25	\$919,131.00

Overall Progress Narrative:

On January 5, 2009 the City of Richmond was selected for a visit from the Federal Reserve Board's Governor Kroszner as a west coast site to visit of areas affected by the foreclosure crisis. The City hosted a day long strategy session on Richmond's Neighborhood Stabilization Program with stakeholders and potential partners including nonprofits, local, regional and national Politicians, foundations, bankers and federal agents to discuss impending issues and solutions culminating in the following strategies:

- Strategically target abandoned/foreclosed properties, learning from best practices identified through the Federal Reserve/LISC's National Vacant Properties Campaign;
- Develop common homebuyer financing terms with surrounding jurisdictions;
- Forego production credits under California Redevelopment Law requiring 45-year affordability restrictions and Reduce length of homeownership affordability required for Redevelopment (45 years) or HUD funds (20 years) to make local homebuyer assistance more understandable and attractive to buyers;
- Shift balance away from affordability preservation to equity-building, accounting for risk of property value decline to make local homebuyer assistance more understandable and attractive to buyers.

The City of Richmond received HUD contract approval for the Neighborhood Stabilization Program on March 18, 2009. The City Council authorized the Richmond Community Redevelopment Agency (RCRA) to administer the program activities. The RCRA contracted with Goldfarb and Lipman, LLP to complete the legal documentation to establish two single purpose 501(C)3 entities known as the Richmond Neighborhood Stabilization Corporation and the Richmond Neighborhood Stabilization Trust (RNST). The RNST will work with the National Community Stabilization Trust to allow access to foreclosed properties at a national negotiated price. This was completed June 16, 2009.

RCRA staff issued a Request for Proposals/Qualifications in April 2009 with responses due June 17, 2009, inviting four types of responses: service providers, program teams, development proposals and suppliers. A total of twenty-one (21) responses were received some offering multiple services. Criteria for selection were capacity (including qualifications, experience and previous performance), soundness of approach (including feasibility, coordination and efficiency), strategic importance and cost/leveraging. Contracts will be executed within 45 days of selection. Staff toured neighborhoods and has identified potential properties within target census tracts and zip codes as possible units for acquisition, rehabilitation and resale to eligible buyers as well as properties for demolition and reconstruction.

RCRA staff has also participated in a monthly convening of NSP recipients hosted by the San Francisco office of the Federal Reserve Bank and Enterprise (formerly Enterprise Foundation) to foster regional exchange and peer sharing.

Build It Green in collaboration with the City's award winning Richmond Build Program has developed a certification program for contractors to obtain a Green Building Inspection Certificate. Participants, by agreeing to hire graduates of the Richmond Build Program on NSP activities will receive ea waiver of the fees. In addition, Richmond Build has agreed to work with members of the Contra Costa CDBG Consortium to train residents from those cities in green and solar installation.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, NSP Administration	\$0.00	\$334,611.00	\$0.00
2, Homebuyer Financing	\$0.00	\$334,610.00	\$0.00
3, Acquisition/Rehab/Disposition	\$0.00	\$1,338,442.00	\$0.00

4, Land Banking	\$0.00	\$334,610.00	\$0.00
6, Redevelopment of Vacant Properties	\$0.00	\$501,916.00	\$0.00
7, Set Aside	\$0.00	\$0.00	\$0.00
9999, Restricted Balance	\$0.00	\$0.00	\$0.00

Activities

Grantee Activity Number: 6.3 NSP 1 Parkway CHDC Set Aside

Activity Title: Acq Parkway/CHDC SA

Activity Category:

Acquisition - general

Project Number:

7

Projected Start Date:

03/18/2009

Benefit Type:

Direct Benefit (Households)

National Objective:

NSP Only - LH - 25% Set-Aside

Activity Status:

Under Way

Project Title:

Set Aside

Projected End Date:

03/17/2014

Completed Activity Actual End Date:

Responsible Organization:

Community Housing Development Corp (LLMI Rehab)

Overall

Apr 1 thru Jun 30, 2009

To Date

Total Projected Budget from All Sources	N/A	\$387,031.00
Total CDBG Program Funds Budgeted	N/A	\$387,031.00
Program Funds Drawdown	\$0.00	\$0.00
Program Funds Obligated	\$0.00	\$0.00
Program Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Activity Description:

This activity meets NSP's 25% Set Aside Requirement. This activity addresses the need to turn around abandoned or foreclosed homes to avoid or minimize blight and to provide quality affordable housing for low, moderate and middle income hh.

Assisted households will all be income-qualified persons, including those below 50% of area median income. The duration of assistance depends on the length of time required to acquire, rehabilitate and sell or rent the home. Residences will be sold at below market rate to income-qualified buyer to the extent sales are supported by the market. If a unit can not be sold for a price that will recover the development cost, RNSP may retain ownership for up to five years and rent the unit to a qualified household on an annual lease basis, with income levels recertified annually. RNSP will contract with a third-party property manager for all such rental properties.

Richmond will presume affordability of homes in the target areas.

RNSP intends to contract with HEPA to provide homebuyer counseling for all buyers of NSP-supported homes. The RCRA has received a CalHOME grant that it will use in part to rehabilitate homes, allowing for greater leveraging of the NSP funds for the stabilization of impacted neighborhoods. RNSP will purchase abandoned and foreclosed-upon properties at a discount from the fair market value, in conformance with Section II.Q of the Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act (HERA), 2008. RNSP intends to follow the discount methodology discussed in Section IIQ, namely to set purchase prices below the fair market value in an amount reflecting the expected carrying costs the seller/mortgagee is saving by selling to RNSP. Therefore, the average discount portfolio goal across all NSP-purchased properties will be at least 1%. To the extent that a third party such as a Community Based Development Organization (CBDO) or a nonprofit or for-profit housing developer commits its own or other HERA funds to purchase, rehabilitate and resell such properties, RNSP may leverage funds by contributing to their activities. RNSP will hire contractors through an RFQ/P process to rehabilitate purchased properties up to Housing Quality Standards and to incorporate solar and green building methods where possible. The duration of assistance depends on the length of time required to acquire, rehabilitate and sell or rent the home. Residences will be sold at below market rate to income-qualified buyer to the extent sales are supported by the market. If a unit can not be sold for a price that will recover the development cost, RNSP may retain ownership for up to five years and rent the unit to a qualified household on an annual lease basis, with income levels recertified annually. RNSP will contract with a third-party property manager for all such rental properties. If RNSP sells a unit for below its development cost, a silent second loan and regulatory agreement will be recorded against the unit for between 5 and 45 years

depending on the size of gap between the development costs and the sales price, due upon sale and ensuring the affordability of the unit. RNSP intends to contract with HEPA to provide homebuyer counseling for all buyers of NSP-supported homes. The RCRA has received a CalHOME grant that it will use in part to rehabilitate homes, allowing for greater leveraging of the NSP funds for the stabilization of impacted neighborhoods.

Location Description:

The RNSP's focus will be predominantly in zip codes 94801, 94804 and 94806 which includes the neighborhoods of North Richmond, Wood and Iron Triangle, Santa Fe, Coronado and Pullman Plaza, Parchester and Hilltop/Fairmede (census tracts 3650.01, 3650.02, 3671, 3760, 3770, 3790, 3800, and 3810). Purchased homes will be located in identified areas of greatest need per the City's NSP substantial amendment.

Activity Progress Narrative:

Accomplishments Performance Measures

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Properties	0	0/4
# of Parcels acquired voluntarily	0	0/4

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Housing Units	0	0/4
# of Multifamily Units	0	0/4

Beneficiaries Performance Measures

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total	Low/Mod%
# of Households	0	0	0	0/4	0/0	0/4	0
# of Persons	0	0	0	0/0	0/0	0/0	0
# Renter Households	0	0	0	0/4	0/0	0/4	0

Activity Locations

No Activity Locations found.

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources	Amount
No Other Funding Sources Found	
Total Other Funding Sources	