

Grantee: San Jose, CA

Grant: B-08-MN-06-0008

April 1, 2009 thru June 30, 2009 Performance Report

Grant Number:

B-08-MN-06-0008

Obligation Date:**Grantee Name:**

San Jose, CA

Award Date:**Grant Amount:**

\$5,628,283.00

Contract End Date:**Grant Status:**

Active

Review by HUD:

Submitted - Await for Review

Submitted By:

No Submitter Found

Disasters:**Declaration Number**

NSP

Plan Description:**Recovery Needs:****Overall****This Report Period****To Date****Total Projected Budget from All Sources**

N/A

\$5,628,283.00

Total CDBG Program Funds Budgeted

N/A

\$5,628,283.00

Program Funds Drawdown

\$0.00

\$0.00

Obligated CDBG DR Funds

\$0.00

\$0.00

Expended CDBG DR Funds

\$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
Minimum Overall Benefit Percentage	\$99.99	\$0.00
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$844,242.45	\$0.00
Limit on Admin/Planning	\$562,828.30	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Progress Toward National Objective Targets

Overall Progress Narrative:

The City of San Jose's strategy for utilizing the \$5.7M in NSP funds awarded to the City is to split the funding into 2 programs; a single-family acquisition and Rehabilitation Program and a Multi-Family Acquisition Rehab program.

1. Rental Development Program

The City's Housing Department established a partnership with the City's Redevelopment Agency to acquire foreclosed Multi-family buildings in the neighborhoods impacted the most by foreclosure. A Coop agreement between the Redevelopment Agency and the City was executed June 2, 2009. The Multi-family program has been focused on the acquisition and rehabilitation of the City's large number of foreclosed 4-plex buildings.

2. Homebuyer Acquisition/Rehabilitation/Resale Program

The City chose to initiate a Request for Proposal (RFP) to contract with an outside entity to administer the acquisition, rehabilitation and resale of the City's single-family NSP program. Through the environmental review process, the project received a categorical exemption from the National Environmental Protection Act. The RFP was published on June 12th and held a pre-submittal meeting on June 26th. Responses are due July 24th.

Project Summary

Project #, Project Title	This Report Period		To Date	
	Project Funds Budgeted	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, Rental Housing Development Program	\$0.00	\$0.00	\$0.00	\$0.00
2, Homebuyer Acquisition/Rehabilitation Program	\$0.00	\$0.00	\$0.00	\$0.00
3, Administration	\$0.00	\$0.00	\$0.00	\$0.00
9999, Restricted Balance	\$0.00	\$0.00	\$0.00	\$0.00

Activities

Grantee Activity Number:	1
Activity Title:	Rental Housing Development

Activity Category:

Rehabilitation/reconstruction of residential structures

Activity Status:

Under Way

Project Number:

1

Project Title:

Rental Housing Development Program

Projected Start Date:

03/18/2009

Projected End Date:

03/18/2013

National Objective:

NSP Only - LH - 25% Set-Aside

Responsible Organization:

City of San Jose, Housing Department

Overall**Apr 1 thru Jun 30, 2009****To Date**

Total Projected Budget from All Sources	N/A	\$1,407,070.00
Total CDBG Program Funds Budgeted	N/A	\$1,407,070.00
Program Funds Drawdown	\$0.00	\$0.00
Obligated CDBG DR Funds	\$0.00	\$0.00
Expended CDBG DR Funds	\$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:

The City's first program will be to purchase and rehabilitate or redevelop multi-family affordable rental housing properties located in highly impacted areas. By acquiring and combining contiguous properties, the City will pursue construction of higher-density rental housing, thereby increasing the number of rental housing units affordable to low- and very-low income households. The City has already identified an unusually large number of four-plexes in highly impacted neighborhoods that are in the foreclosure process which has led to displacement of primarily low-income families. These properties will be made available for redevelopment by nonprofit housing developers through a competitive bid process. Qualified bidders will be required to demonstrate capacity and experience to maintain the properties as affordable rental housing.

Additionally, the City will seek opportunities to work with nonprofit housing developers, such as Senior Housing Solutions, to convert single family homes to shared housing rental properties. These rental properties will be for the benefit of very-low income tenants at or below 50% AMI. The City will require a minimum affordability period consistent with HOME requirements. To ensure continued affordability, owners of NSP rental properties will be required to enter into an Affordability Restriction agreement that runs with the land for the duration of the affordability period that restricts the rent and income level of tenants that reside in the property. Affordable rents will be established in accordance with the NSP requirements and the definition of "affordable rents" contained in Section C – Definitions and Descriptions.

Properties acquired will be purchased at the NSP required discount of 15% below current market appraisal. The appraisal will be current, within 60-days of the offer. In accordance with NSP requirement to spend at least 25% of funds to assist households earning less than 50% AMI, the majority of rental housing units will be affordable to households at or below that income level.

Location Description:

Areas of greatest need which fall in the Strong Neighborhood Initiative areas primarily in East, Central and parts of South San Jose, including zipcodes 95111, 95116, 95122 and 95127. These area ranked between 7 and 10 on HUD's Foreclosures and Abandonment Risk Scores.

Activity Progress Narrative:

No transaction activity during this period.

Performance Measures

	This Report Period			Cumulative Actual Total / Expected		
	Low	Mod	Total	Low	Mod	Total
# of Properties	0	0	0	0/0	0/0	0/4
# of housing units	0	0	0	0/0	0/0	0/12
# of Households benefitting	0	0	0	0/12	0/0	0/12

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

Grantee Activity Number: 2

Activity Title: Homebuyer Acquisition/Rehabilitation Program

Activity Category:

Rehabilitation/reconstruction of residential structures

Activity Status:

Under Way

Project Number:

2

Project Title:

Homebuyer Acquisition/Rehabilitation Program

Projected Start Date:

03/18/2009

Projected End Date:

03/18/2013

National Objective:

NSP Only - LMMI

Responsible Organization:

City of San Jose, Housing Department

Overall

Apr 1 thru Jun 30, 2009

To Date

Total Projected Budget from All Sources	N/A	\$3,799,002.00
Total CDBG Program Funds Budgeted	N/A	\$3,799,002.00
Program Funds Drawdown	\$0.00	\$0.00
Obligated CDBG DR Funds	\$0.00	\$0.00
Expended CDBG DR Funds	\$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:

The City's second program for NSP funds will be to assist lower-, moderate-, and middle-income (LMMH) households or eligible nonprofit organizations providing services to low-, moderate, and middle-income clients (LMMC), to acquire single-family homes. In this program, the City will acquire single-family homes in foreclosure, rehabilitate them to mitigate any damage due to deferred maintenance or vandalism, and sell them at or below the cost to acquire and rehabilitate, to income-qualified households or nonprofits.

It may be difficult to negotiate the required 15% discount below the current appraised market value, as banks have already sustained significant losses through the foreclosure process and are unlikely to agree to further discounts on individual purchases. Therefore, the City will seek to purchase a portfolio of foreclosed homes from one or more lenders, using the incentive of relieving the bank(s) of a number of properties in one transaction to negotiate the required 15% discount.

Under the City's existing Homebuyer Program, it currently maintains adequate program infrastructure and staff capacity to operate this program. It is envisioned that City staff will complete the acquisition process including the 15% discount negotiations. Once acquired, the properties will be rehabilitated by contractors selected through a competitive RFQ/RFP process. Rehabilitation will include repairs as identified in Section C.4.-description of rehabilitation standards that will apply to NSP assisted activities. The City will explore the option of working with one of its nonprofit housing partners to facilitate the acquisition, rehabilitation and/or resale transactions, as is most cost-efficient. The Homebuyer Acquisition/Rehabilitation Program will operate under the CDBG housing rehabilitation and HOME guidelines, as amended by NSP to include households with income less than 120%.

Resale to income-eligible homebuyers will be at or below the aggregated costs to purchase, maintain, and rehabilitate the properties and other delivery costs as allowed by NSP.

The financing mechanisms may include:

- a) Zero percent (0%) soft-second for a maximum of 20% of the purchase price, with a 30-year term and a minimum 15-year affordability restriction.
- b) If rehabilitation of the property is done after sale to a qualified homebuyer, the cost of rehabilitation will be carried as a five-year forgivable loan. The rehabilitation loans will be forgiven at a value equivalent to 20% for each year the homeowner remains in the home.

Location Description:

The City proposes to target the four zip codes that meet the criteria identified above and that have ranked between 7 and 10 (10 being the highest risk areas) on HUD’s Foreclosure and Abandonment Risk Scores. Of the 559 census tracts scored in the City, 63 or 11% have a ranking of 7 to 10. These areas are outlined in Exhibit # and in Table 2 below:

HIGHEST RANKED ZIP CODES

Table 2

Risk Factors of 7-10

Zip Code
 % of Foreclosures[1]
 Sub-Prime Mortgages[2]
 Foreclosure/Abandonment
 Risk Rating[3]
 (scale 1-10, 10=highest)
 95111
 5.5% (1305)
 19.4%
 7
 95116
 7.3% (1055)
 21.1%
 7
 95122
 7.4% (1295)
 20.3%
 7
 95127
 5.3% (1385)
 18.3%
 7

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 [1] RealtyTrac as of 11-21-08
 [2] HUD User Data for NSP by census tract, aggregated for each zip code
 [3] HUD User Data for NSP by census tract, aggregated for each zip code

Activity Progress Narrative:

No transaction activity during this period.

Performance Measures

	This Report Period			Cumulative Actual Total / Expected		
	Low	Mod	Total	Low	Mod	Total
# of Properties	0	0	0	0/0	0/0	0/20
# of housing units	0	0	0	0/0	0/0	0/20
# of Households benefitting	0	0	0	0/0	0/20	0/20

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	



Grantee Activity Number: 3

Activity Title: Administration

Activity Category:

Administration

Activity Status:

Under Way

Project Number:

3

Project Title:

Administration

Projected Start Date:

03/18/2009

Projected End Date:

03/18/2013

National Objective:

N/A

Responsible Organization:

City of San Jose, Housing Department

Overall

Apr 1 thru Jun 30, 2009

To Date

Total Projected Budget from All Sources

N/A

\$422,211.00

Total CDBG Program Funds Budgeted

N/A

\$422,211.00

Program Funds Drawdown

\$0.00

\$0.00

Obligated CDBG DR Funds

\$0.00

\$0.00

Expended CDBG DR Funds

\$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:

The City of San Jose will administer the program funds in accordance with NSP regulations.

NSP funds will be used for the acquisition and rehabilitation of foreclosed upon properties in the identified target areas of greatest need, specifically within the zip codes identified in Table 2. Although \$5.6 million is a large sum, given the cost of housing and property rehabilitation in Santa Clara County, particularly in San Jose, the City will leverage other resources to increase the number of housing units assisted with NSP funds. Therefore, as required by HUD, clearly defined target areas will be established to ensure that the areas of greatest need are addressed for the maximum positive impact, with programs that operate efficiently and effectively, such as the Strong Neighborhood Initiative efforts and the CDBG neighborhood improvement projects. The City will also seek additional funding from the State to address the foreclosure needs of the City of San Jose.

NSP funds will be focused on the areas that have ranked seven or above, where the majority of households have incomes that do not exceed the 120% AMI, and fall within an SNI area. These areas are outlined on Exhibit #.

Within the identified areas of greatest need, NSP funds will be used to acquire and rehabilitate foreclosed upon properties to be occupied by owner and renter households having income of less than 120% AMI, with at least 25% of the funds set aside to assist households having incomes at or below 50% AMI. The table below shows the budget breakdown.

NSP Budget
Minimum 25% VLI Set-Aside
\$1,407,070
Direct Program Costs
\$3,799,002
Administration
\$422,211
Total Costs
\$5,628,283

Location Description:

The City proposes to target the four zip codes that meet the criteria identified above and that have ranked between 7 and 10 (10 being the highest risk areas) on HUD's Foreclosure and Abandonment Risk Scores. Of the 559 census tracts scored in the City, 63 or 11% have a ranking of 7 to 10. These areas are outlined in Exhibit # and in Table 2 below:

Risk Factors of 7-10

Zip Code
 % of Foreclosures[1]
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 Foreclosure/Abandonment
 Risk Rating[3]
 (scale 1-10, 10=highest)
 95111
 5.5% (1305)
 19.4%
 7
 95116
 7.3% (1055)
 21.1%
 7
 95122
 7.4% (1295)
 20.3%
 7
 95127
 5.3% (1385)
 18.3%
 7

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 [1] RealtyTrac as of 11-21-08
 [2] HUD User Data for NSP by census tract, aggregated for each zip code
 [3] HUD User Data for NSP by census tract, aggregated for each zip code

Activity Progress Narrative:

No transaction activity during this period.

Performance Measures

No Performance Measures found.

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

