

Grantee: Indio, CA

Grant: B-11-MN-06-0526

July 1, 2021 thru September 30, 2021 Performance

Grant Number: B-11-MN-06-0526	Obligation Date:	Award Date:
Grantee Name: Indio, CA	Contract End Date:	Review by HUD: Reviewed and Approved
Grant Award Amount: \$1,092,071.00	Grant Status: Active	QPR Contact: No QPR Contact Found
LOCCS Authorized Amount: \$1,092,071.00	Estimated PI/RL Funds: \$1,017,000.00	
Total Budget: \$2,109,071.00		

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

The City of Indio has identified Sungold (Census Tract 455.02) as the targeted area of greatest need. As evidenced through the HUD-provided mapping data, Sungold ranks as one area within Indio that has the highest percentage of home foreclosures, highest percentage of homes financed by a subprime mortgage related loan, and is likely to face a significant rise in the rate of home foreclosures. The City conducted an evaluation of the target area to determine the type of stabilizing activities which would yield the greatest possible impact.

The NSP3 funds will be used for two primary activities, including administration:
Acquisition/Rehabilitation/Resale (NSP - 1) [7 Households]

Program Description

This activity will involve the acquisition and rehabilitation of 7 foreclosed, abandoned single - family units, which will be re-sold to income-eligible first-time homebuyers. Opportunities will be provided to families earning a maximum of 120% of AMI. The majority of property acquisitions will be coordinated primarily through the National Community Stabilization Trust and Fannie Mae First Look Program. All acquisitions will be for at least a one percent (1%) discount from appraised value. Appraisals will be conducted at least 60 days prior to the final offer to purchase. The final sales price for each home will not exceed the total investment made into the property. The principle, interest, taxes, insurance, and (if applicable) homeowners association dues will not exceed 35% of the families gross monthly income.

Should a gap in affordability exist, NSP3 funds will be used to provide a "silent" second loan. The loan will bear no interest, but instead will be on a pro-rata equity share basis based on amount of subsidy provided in proportion to the final sales price. Families purchasing homes through the NSP3 Program will be required to attend a mandatory 8-hour homebuyer education class through a HUD-approved counseling agency. Each property will have a recorded lien with an affordability covenant included for a period of up to 20 years. This lien/covenant will provide assurance of long-term sustained affordable housing. If the property is resold, it must remain affordable to another low- to moderate-income household. This mechanism will trigger title/escrow to seek concurrence from the City prior to finalizing the sale.

\$502,863 has been allocated to this activity to provide affordable housing units to low-, moderate-, and middle-income households. It is reasonably expected that the average cost to develop each single-family unit will be \$160,000, which includes acquisition, rehabilitation, and other administrative and project delivery costs. Considering current market conditions the resale price is estimated to be \$130,000, with up to \$40,000 remaining in the unit as a silent second loan. It is reasonably expected that the cost of each single-family unit under this activity to NSP3 is \$70,000. As a result, this should yield approximately seven (7) housing units.

Acquisition/Rehabilitation/Rent-to-Own (NSP - 2) [3 Households]

This activity will be used to create three (3) lease-to-own opportunities for very-low income households earning at or below 50% AMI. All acquisitions will be for at least one percent (1%) below appraised value. All appraisal

Summary of Distribution and Uses of NSP Funds:

s will be conducted at least 60 days prior to the final offer. Households at this income level may have sufficient income, but have unsatisfactory credit to obtain a suitable mortgage loan. This activity will aid those families working towards correcting those deficiencies to the point where they ultimately reach success in homeownership. As a condition of participating in this activity, each household will be required to attend a financial fitness/credit counseling course from a recognized and accredited organization. The amount of rent to be paid will not exceed 30% of the household's gross monthly income. A portion of the rent will be set-aside to be used as down payment assistance.

The maximum term allowed to lease each home will be 18 months, after which the residing household will need to demonstrate their ability to purchase the home. The final sales price of the home will not exceed total investment made into the property. Should the household be unwilling to purchase the home by the end of the lease term, the City will retain ownership and sell the home to another income-qualified household.



\$480,000 has been allocated to this activity to provide rent-to-own opportunities to very-low income households at or below 50% AMI. It is reasonably expected that the average cost to develop each single-family unit under this activity to be \$160,000, which includes acquisition, rehabilitation, and other administrative and project delivery costs. As a result, this should yield approximately five (5) housing units.

Administration (NSP - 3)

No more than 10% of the NSP3 grant and 10% of any program income will be used to cover administrative costs.
Development Partner

The City has established relationships with local housing development organizations that can serve as program partners. For that reason, the City will solicit the services of an affordable housing developer to provide support in the implementation of the NSP3 Program.

The primary responsibility of the developer will be to undertake the acquisition, rehabilitation, and disposition of property to income-eligible families. Administration, grants management, fiscal management, reporting responsibilities, etc. will be retained by the City. Term of the agreement with the developer will not exceed the term of the NSP3 grant.

Public Comment

A public notice inviting comments was published in the Desert Sun on January 15, 2011 and posted on the City's website. A City Council meeting was held on February 2, 2010 to approve the NSP3 substantial amendment. No public comments were received.

How Fund Use Addresses Market Conditions:

Indio, CA is a city in Riverside County located in the Coachella Valley of Southern California's Colorado Desert. Riverside County and San Bernardino County jointly create the Riverside/San Bernardino/Ontario Metropolitan Statistical Area (MSA, also known as the "Inland Empire"). The Inland Empire has been slow to recover from the Great Recession. The region has been one of the worst impacted within the nation in terms of quality of life, housing, employment opportunities, and prosperity. Many of the cities within the region experienced tremendous population growths which spurred housing development. As a result, cities such as Indio have experienced economic downturns stemming from the fallout of the housing market.

Assessing Market Conditions

There are approximately 28,000 housing units in the City of Indio¹. Key aspects of the Indio housing market include a moderate vacancy rate, a high number of foreclosed upon homes, negative equity, aged housing stock in need of substantial renovation, volatile housing prices, and a high unemployment rate resulting in reduced family income. Foreclosures within Indio have not been centralized in anyone particular area, but rather widespread - ranging from areas with newer construction to older established neighborhoods. There is an abundance of abandoned and foreclosed properties that are blight in many of Indio's neighborhoods.

Almost 1 in 10 homes (9.8%) of all housing units in the Indio became Real Estate Owned (REO) from 2004 to 2007. For Indio, this created a housing crisis which the city has yet to recover from. According to data provided by ForeclosureRadar, a subscription, fee based real estate database, there are a total of 240 REO properties in Indio, 347 in Pre-Foreclosure Status, and 467 slated for auction. The number of pre-foreclosure and auction properties is an indication that Indio must prepare for another wave of vacant and foreclosed properties. The time frame in which this additional wave will occur is still unknown. Equal consideration must be given to the loss of equity and "under water" mortgages which represent an additional threat to the stability of Indio's housing market. Homeowners that have lost a substantial amount of equity and are unable to work out loan modification with their lenders may elect to let their home go by way of foreclosure. Since mid-2005, the median value for a home has declined from \$389,000 to \$162,750 (-58.1%).

Demand for housing has yet to stabilize. In 2009, approximately 1,735 single-family units were sold, while in 2010 that figure dropped to 1,601 units, representing a 7.7 percent (-7.7%) decline. This decline in units sold may be attributed to the lack of suitable inventory as banks continue to hold back foreclosures. Additional factors impacting demand can be the extent and cost of repair to renovate older, aged properties which can be a deterrent to would-be purchasers. According to the U.S. Census Bureau, 8,130 (48.1%) of Indio's housing units were constructed prior to 1980 and 2,439 (14.4%) of housing units were constructed prior to 1960. Housing that is 30 years or older may exhibit need for considerable repair, while homes that are 50 years and older are considered aged and more likely in need of substantial repair.

Target Area

The NSP3 Program requires

How Fund Use Addresses Market Conditions:

;s invest its resources in areas where funds can have an impact and stabilize the neighborhood. Determining one particular target area to focus revitalization efforts is challenging as the entire Indio community has been affected. To assist in the identification of possible target areas, HUD has provided mapping data which allows grantees to identify areas of greatest need within their jurisdiction by providing estimates for foreclosure need and a foreclosure related need score ("NSP3 score") at the Census Tract level. The foreclosure related need score takes into consideration the following factors:

- ,
- ,
- Area unemployment rate;
- ,
- Area average sales price decline (since the peak of the market);
- ,
- High cost loan rate (mortgages with interest-only payment options, stated income mortgages, etc); and
- ,
- Housing units that have been vacant for at least 90 days.
- ,
- ,

The NSP3 score ranks need from 1 to 20, with 20 being Census Tracts with HUD-estimated greatest need. In addition to the NSP3 need score; HUD requires that at a minimum 20% of the presumed number of REO properties ("Impact Number") within the target area need to be addressed in order to make a visible impact. Grantees must demonstrate that there NSP3 investment can yield the minimum 20% impact requirement.

Every Census Tract within the City of Indio has a combined index score of 20 according to the HUD NSP mapping tool. Using the HUD 20% Impact Number, the City identified the Sungold Park Neighborhood as meeting HUD's requirements for an "area of greatest need" and creates the best possible opportunity to maximize stabilization efforts in the shortest period of time.

Sungold Park Neighborhood:

- ,
- ,
- Census Tract # - 455.02
- ,
- Total # of Housing Units - 1,291
- ,
- HUD Foreclosure Score - 20



- HUD Impact # - 9

The nature and extent of need is also illustrated by the following factors present in the selected Sungold Park Neighborhood ("Sungold"):

- Percentage of housing units with high cost mortgage from 2004 – 2007, which is 37.8%
- Percent of housing units 90 or more days delinquent, which is 24.8%;
- Price change between peak value and June 2010 value in the Metropolitan Area or non-metropolitan balance, which is minus 44.3% (-44.3%);
- Percent of low- to moderate-income families, which is 94.22%;
- Median value for a home listed in the area is \$125,000;
- Homeownership rate is 32.94%; and
- Area unemployment rate as of June 2010 is 15.1%, where in June 2005 it was 5.3%.

Other indicators were examined carefully during the selection of the Sungold Neighborhood and are summarized as follows:

- HUD low income housing tax credit: Sungold Park qualifies for this program.
- Enterprise Zone: All of Sungold is located in State-designated Enterprise Zone.
- Merged Redevelopment Area: All of Sungold is located within the City's Merged Redevelopment Project Area.

Impact on Target Area Market Conditions

The Sungold Neighborhood is one of the oldest neighborhoods in

Housing Rehabilitation/New Construction Standards:

Indio's NSP3 Program will use the Indio housing rehabilitation standards from the ongoing Housing Rehabilitation Program and other federal and state requirements. (Note: the City's NSP3 Program will not involve any gut rehabilitation work or rehabilitation of mid- or high-rise multi-family buildings)

The level of rehabilitation will be addressed in the following manner:

- Code/Health & Safety Repairs – Eliminate, or otherwise "cure", any and all pre-existing code violations and Health and Safety Hazards. Therefore, all rehabilitations must correct pre-existing code deficiencies and/or health and safety related repairs needed. This includes pre-existing construction found that was done without City permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the project.
- Lead Based Paint Hazards – Reduce/abate any lead-based paint hazards present in the homes. A Lead-Based Paint test (XRF testing) and a Risk Assessment will be required on all rehabilitations to identify the existence and scope of any lead based paint hazards in the home. The standards of "Lead-Based Paint Poisoning Prevention in Federally Owned and Federally Assisted Housing" found at 24 CFR Part 35 apply.
- Termite Repairs – The program will require a termite inspection report be prepared for every home by a licensed inspector. The report will identify any areas of dry rot or termite damaged wood members in the home and whether or not there are active termite infestations. Any termite or dry wood damaged wood members will be repaired or replaced due to health and safety risk they post to the structure integrity of the home. Fumigation or other treatment types recommended to eliminate active infestations are required.
- General Property Improvements – Once the cost of repairing all code deficiencies, health and safety items, lead based paint hazards, and termite repairs are totaled up, then any additional program funding may be used to address general property improvements. General property improvements may include a variety of items such as painting, replacement of flooring, cabinets, fixtures, etc. General property improvements may NOT include any materials or items that are of a type and quality which far exceed building standard grades. Minimally acceptable standards may be found at 24CFR 983.101
- Energy Efficiency and Cost Effective Green Improvements: In California, all residential remodels are mandated to



comply with Title 24, Part 6 of California's Energy Efficient Standards for Residential Buildings.⁵ For example, some of the updated code, effective August 1, 2009, requires energy standards that are equal or less than the existing home that is being remodeled by installing energy efficient windows, natural gas water heating when possible, and standards for sealing duct systems and roofing materials. The City of Indio's NSP3 program will comply with this State of California established en

How Fund Use Addresses Market Conditions:

The City with an aging housing stock. The vast majority of its housing stock was built prior to 1978. Sungold proved to be a suitable area for the NSP3 Program since it currently serves as one of the City's NSP2 target areas. NSP3 funds will be used to support on-going efforts. The focused concentration of neighborhood revitalization efforts will yield the greatest possibility for noticeable impact within the shortest period of time. In addition to the NSP2 and NSP3 resources, the City established the "Better Neighborhoods Program" which allocates Community Development Block Grants ("CDBG") funds to neighborhoods in need of public infrastructure improvements such as streets, sidewalks, curbs, gutters, and parks - Sungold will be one of the first neighborhoods to benefit from this program. The long-term benefits of these efforts will aid in restoring integrity and viability of the Sungold Neighborhood, its housing units and infrastructure, and ultimately attract new families and other development opportunities to the area.

At present there are roughly 38 homes in some stage of foreclosure with the threat of additional homes to follow. This represents a sufficient number of NSP-eligible properties the City can address. The cost to rehabilitate these homes is projected to be more expensive than if targeting newer homes. This rehabilitation cost alone is a deterrent to many would-be homeowners. With NSP3 funding, the City plans to increase demand by creating affordable homeownership opportunities for families below the 50% and 80% AMI thresholds.

The affordability of home prices and extremely low interest rates create the most advantageous opportunity for potential first-time homebuyers. This in combination with down payment assistance and substantially renovated homes can create the necessary driving force to encourage demand. There are sufficient renters within the City that can be drawn into homeownership. Roughly 40% of Indio residents are renters. In addition, almost 30% of Indio families are at or below the 50% AMI threshold and 10% at the 50% - 80% AMI threshold. These factors indicate that there are sufficient families that can take advantage of the NSP3 Program.

Sources:

[1] Indio CDBG Consolidated Plan

[2] www.ForeclosureRadar.com, December 27, 2010

[3] Trulia Real Estate Search, www.trulia.com

[4] HUD Aggregated USPS Administrative Data on Address Vacancies database as of March 2010

Ensuring Continued Affordability:

Continued affordability will be ensured through the use of Deed Restrictions, Covenants, and any other mechanism able to impose conditions restricting the sale of NSP-assisted property to a non-income eligible household or the conversion of an NSP-assisted property to an ineligible use.

The City of Indio has adopted long-term affordability requirements which exceed the minimum HOME Program affordability found at 24 CFR 92.254.

Homeownership Assistance Affordability	HOME Minimum Period of Affordability In Years	Indio NSP3 Minimum Period of In Years
Under \$15,000	5	10
\$15,000 to \$40,000	10	

Ensuring Continued Affordability:

; 15		
Over \$40,000	15	20

Definition of Blighted Structure:

The City of Indio uses the State of California's definition of blight as found at California Health and Safety Code Sections 33030 and 33031.

Definition of Affordable Rents:

For any NSP-funded rental activity, "affordable rents" shall be defined as 30% of the household's adjusted income, less utility allowances as adopted by the County of Riverside's Housing Authority for the Section 8 program, as appropriate. HUD's Fair Market Rent schedule for the Riverside/San Bernardino/Ontario MSA will be used. Should any gap be present, funds for this gap will be required from other sources of funding.

Housing Rehabilitation/New Construction Standards:

Energy efficiency standard. Additional green improvements include:

- o Sustainable landscaping. Indio's location in desert terrain makes the use of native vegetation an important item for water conservation and beautification.
- o Local Source Materials. Given Indio's economic crisis, it will be imperative to ensure that construction materials are from local sources and close to the job site to improve the local economy and reduce goods movement costs.
- o Green Label Certified Floor Covering. Carpet will not be installed in basements, entryways, laundry rooms, bathrooms or kitchens.

- Energy Star Labeled Products: All moderate rehabilitation work will include only the purchase of Energy Star products and appliances. This includes refrigerators, dishwashers, washing machines, light bulbs, light fixtures, and water heaters, which may include gas tanks, tankless models, heat pumps, and solar with electric back-up, heating and cooling systems, and roof products. The City of Indio will consistently refer to the list of Energy Star qualified products located at: http://www.energystar.gov/index.cfm?fuseaction=find_a_product.

Vicinity Hiring:

Emphasis will be placed on hiring local employees and disadvantaged businesses in accordance with Section 3 requirements. Section 3 clause (verbatim) will be incorporated in all solicitations and contracts. Located adjacent to the Sungold Neighborhood is the Riverside County Workforce Development Center which provides education, job training, and employment program services. This center will provide a viable means for soliciting employment opportunities from eligible Section 3 employees. All vendors will be made aware of the Section 3 provisions.



Furthermore, the City of Indio has adopted a Local Preference Ordinance (Code of Indio Section 33.116(B)) which establishes a purchasing policy to give local businesses when procuring goods and services. When all factors are equal except for price, a preference will be given to local vendors equal to 10% of the price of the quote.

Grantee Contact Information:

To obtain additional information regarding the City’s NSP3 Program, Please write visit or call:

City of Indio
 100 Civic Center Mall
 Indio, CA 92201
 (760) 391-4120
 www.indio.org
 Attn: Jesus Gomez, Housing Programs Manager

Procedures for Preferences for Affordable Rental Dev.:

The City’s NSP3 allocation is not substantial enough to develop multi-family rental projects. Furthermore, real estate prices are within reach of households earning at or below 50% of the area median income; however, many of these families may have credit/financial issues preventing them from purchasing a home. Therefore, the City of Indio has incorporated a Rent-to-Own component in its NSP3 Plan to provide an opportunity to aid very-low income families working towards correcting credit deficiencies reside in the homes they ultimately will own. As a condition of participating in this activity, each household will be required to attend a financial fitness/credit counseling course from a recognized and accredited organization. The amount of rent to be paid will not exceed 30% of the household’s gross monthly income. A portion of the rent will be set-aside to be used as down payment and closing cost assistance.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	\$0.00	\$2,109,071.00
Total Budget	\$0.00	\$2,109,071.00
Total Obligated	\$0.00	\$2,109,071.00
Total Funds Drawdown	\$0.00	\$1,645,404.32
Program Funds Drawdown	\$0.00	\$876,724.62
Program Income Drawdown	\$0.00	\$768,679.70
Program Income Received	\$0.00	\$889,805.13
Total Funds Expended	\$0.00	\$1,800,142.25
HUD Identified Most Impacted and Distressed	\$0.00	\$0.00
Other Funds	\$ 0.00	\$ 0.00
Match Funds	\$ 0.00	\$ 0.00
Non-Match Funds	\$ 0.00	\$ 0.00

Funds Expended

Overall	This Period	To Date
City of Indio1	\$ 0.00	\$ 1,605,803.79
City of Indio3	\$ 0.00	\$ 194,338.46

Progress Toward Required Numeric Targets

Requirement	Target	Projected	Actual
Overall Benefit Percentage	99.99%	.00%	.00%
Minimum Non Federal Match	\$.00	\$.00	\$.00
Overall Benefit Amount	\$1,897,974.18	\$.00	\$.00
Limit on Public Services	\$163,810.65	\$.00	\$.00
Limit on Admin/Planning	\$109,207.10	\$210,907.00	\$198,065.78
Limit on Admin	\$.00	\$210,907.00	\$198,065.78
Most Impacted and Distressed	\$.00	\$.00	\$.00
Progress towards LH25 Requirement	\$527,267.75		\$451,497.87

Overall Progress Narrative:



There was no reportable activity in this activity during the reporting period. The City will be completing reconciliation and begin to prepare for closeout.

Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
01-Admin, Administration	\$0.00	\$210,907.00	\$194,338.46
02a - Eligible Use B, Acquisition/Rehabilitation/Resale	\$0.00	\$1,143,574.00	\$404,034.74
02b- Eligible Use B, Acquisition/Rehabilitation/Rent-to-Own	\$0.00	\$754,590.00	\$278,351.42

