

AMENDMENT #2 TO THE NSP1 SUBSTANTIAL AMENDMENT

DECEMBER 11, 2012 (APPROVED BY CITY COUNCIL JANUARY 8, 2013)

<p><u>Jurisdiction(s):</u> City of Moreno Valley</p> <p><u>Jurisdiction Web Address:</u></p> <p>http://www.moval.org/resident_services/housing/index_housing.shtml</p> <p><u>Mailing Address:</u> 14177 Frederick St. Moreno Valley, CA 92553</p>	<p><u>NSP Contacts:</u> Dante G. Hall Redevelopment & Neighborhood Programs Administrator</p> <p>Shaniqua Freeman Housing Program Coordinator</p> <p><u>Telephone:</u> (951) 413-3450</p> <p><u>Fax:</u> (951) 413-3459</p> <p><u>Email:</u> danteh@moval.org shaniquaf@moval.org</p>
Grant Number: B-08-MN-06-0513	

I. Amendment to Approved Eligible Uses/Activities

Pursuant to the Housing, Economic, and Recovery Act of 2008, Eligible Uses/Activities of NSP funds are as follows:

The Housing, Economic, and Recovery Act of 2008 - Eligible Uses/Activities	
(a)	Financing Mechanisms - Establishment of financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including down payment assistance programs such as soft-second, loan loss reserves, and shared-equity loans for low and moderate income homebuyers.
(b)	Acquisition/Rehabilitation - Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop, such homes and properties.
(c)	Land banking - Establishment of land banks for homes that have been foreclosed upon.
(d)	Demolition - Demolishment of blighted structures.
(e)	Redevelopment - Redevelopment of demolished or vacant properties.

In the original NSP1 Substantial Amendment, the City of Moreno Valley indicated that the scope of its NSP Program activities would be limited to Eligible Uses A (Financing Mechanisms) and B (Acquisition/Rehabilitation), as defined above. Since the

commencement of the NSP1 Program, the City has successfully committed 100% of its \$11,390,116 grant allocation and has expenditure approximately \$9.7 million (84%). To date, the City is on schedule to expend the totality of the initial grant funds by the March 2013 expenditure deadline.

During the course of program administration, the City has generated approximately \$3.1 million in Program Income and is anticipating an additional \$400,000 in Program Income with the five single family properties currently in escrow. Pursuant to NSP guidelines, the Program Income will be reapplied into the program to continue neighborhood stabilization efforts. Given recent changes in the local Moreno Valley real estate market which has drastically affected inventory availability, staff is proposing to refine the program in the efforts to continue its success, while being able to respond to the changes and challenges present in the currently market.

Staff is proposing to modify some of the program's parameters and augment the scope of Eligible Uses/Activities for the second phase of NSP1 through the expending of the generated Program Income. With this amendment, the City of Moreno Valley is proposing to remove the current subsidy limit of \$56,000 and the minimum rehabilitation requirement of \$15,000. Initially, the City's approach to property acquisition was to exclusively acquire properties that required substantial rehabilitation, while meeting the minimum 1% discount requirement and staying within the established subsidy limit. Given the changes in the real estate market, especially the limited availability of inventory, and virtually non-existent discounts provided by the banks, this approach has not been as successful recently as it had been in the past. The City and its Development Partners have found it extremely challenging to identify properties that meet all of the City's requirements will complying with the discount requirements as imposed by HUD. As a result, the program will be modified to allow more flexibility as acquisition opportunities become available.

The City of Moreno Valley is also proposing the inclusion of Eligible Uses C through E (as defined above) into its NSP 1 Program. The City is currently redefining some of its NSP3 Target Areas by eliminating one of the most underperforming areas that has not been conducive to the program's productivity. In addition, it is expanding the target areas that have the highest propensity for continued success. This newly expanded area has been strategically selected and falls under a larger, more comprehensive development plan area defined by the city in a HUD-approved Neighborhood Revitalization Strategy Area (NRSA). This target area will encompass the City's foremost area of greatest need, known as the Edgemont Area. The Edgemont area is located at the westerly entrance of the City of Moreno Valley. Due to its locale, Edgemont is commonly referred to as a gateway into the city.

While the NSRA exists, the City is currently developing a strategy specifically for the Edgemont Area, hereinafter referred to as "The Edgemont Revitalization Plan". The Edgemont Revitalization Plan will be an initiative that is an aimed coordination of public and private efforts and resources with the primary of objective of creating private development opportunities while creating new housing opportunities and stabilizing the current housing market in the area. The plan will be devised to be an interdepartmental and interagency

collaboration focused on the remediation of the dilapidated and substandard infrastructure that currently serves as an impediment to the development and economic growth of the area.

Revitalization activities to be implemented through the Edgemont Revitalization Plan as concerted efforts performed by of various departments within the City:

- Organized Neighborhood Clean-ups
- Blight removal through Code/ Building & Safety Enforcement
- Maximization of land use and development opportunities through rezoning
- Acquisition/rehabilitation of foreclosed single and multi- family residential units for land banking, rental or resale opportunities

The City's NSP Programs (both NSP1 and NSP3) will be one of the components of the Edgemont Revitalization Plan used to: 1) remove blight, 2) stimulate neighborhood redevelopment, and 3) create affordable and decent housing opportunities for earning up to 120% Area Median Income. The City will establish and operate a land bank to acquire, demolish, manage, assemble, and redevelop residential vacant land and/or properties that have been foreclosed upon; the properties held in the land bank will be held future redevelopment to occur before the expiration of the 10-year holding period. **Please note: properties to be held in the land bank will not be exclusive to the Edgemont area. Eligible acquisitions in approved NSP Target Areas will also continued to be pursued and held in the City's land bank.**

The City will identify properties for the purposes of land banking based upon the following criteria, foreclosed and:

- Undeveloped/vacant parcels, and/or;
- Irregularly shaped, small, undevelopable parcels requiring assembly for development, and/or;
- Parcels with blighted and uninhabitable structures requiring demolish.

During the holding period the properties will be secured, maintained, and insured by city. The costs of the management of the properties will be absorbed by NSP grant funds until the expiration of the grant. Upon expiration, Program Income generated through the other NSP eligible activities, will be used to ensure the continued and effective management of the land banked inventory.

The inclusion of Eligible Uses C-E in the NSP1 Program will allow the City to leverage NSP1 activities/funds with NSP 3 activities/funds – as well as other available funding sources – to implement the long-term revitalization development plan for the Edgemont Area, while meeting expenditure deadlines and performance measures as established by HUD.

II. Eligible Uses/Activities Allocations

Pursuant to NSP guidelines, 25% of the Program Income generated as a result of NSP activities is to be allocated to continue providing housing opportunities to the LH25 population, which are households at or below 50% Area Median Income. The City's current NSP Program, services this population by providing affordable rental opportunities in multi-family residential settings. The City will continue to focus its efforts to serve LH25 with rental opportunities. The City would like to fund the existing Eligible Activities (SFR-ARR, MFR-ARR, and HAP) and newly added Eligible Activities (Demolition, Land banking, and Redevelopment).

Since the current condition of the Edgemont area is not conducive to development, the ability to acquire properties now via an established land bank using NSP funds- and other available resources- and redevelop the properties at a later date is imperative to the future vitality, growth, and stabilization of the area.

The chart below summarizes how the funds generated from Program Income that will be used for each activity:

<u>NSP BUDGET</u>	Program Income Allocations
NSP1 PROCEEDS FROM SALES *	\$3,515,740
NSP3-Activity 1, Single-Family Residential Acq./Rehabilitation/Resale (SFR-ARR)	\$1,535,231
NSP3-Activity 2, Multi-Family Residential Acq./Rehabilitation/Rental (MFR-ARR)**	\$778,935
NSP3-Activity 3, Homebuyer Assistance Program (HAP)	\$150,000
NSP3-Activity 4, Demolition	\$100,000
NSP3-Activity 5, Land banking	\$500,000
NSP3-Activity 6, Redevelopment	\$100,000
NSP3 Administration Cap (10%)	\$351,574
Total Proposed Allocations***	\$3,515,740
*Amount of Proceeds from Sales includes \$400,000 of estimated revenue projected to be generated by the remaining 5 SFR units currently in escrow.	
**Activity 2, MFR-ARR will, by default, receive no less than 25% of PI generated	
***Allocations by activity are subject to change, if adjustments exceed 20% a Substantial Amendment will be processed	

The funding allocations above represent Program Income increases to the initial activity budgets funded through by the original grant funds.

III. Public Comment

To meet the public noticing requirement, a copy of the draft substantial amendment will be posted on the City of Moreno Valley's website www.moval.org for 15 days from November 26, 2012 through December 10, 2012. A Public Notice was advertised in the Press-Enterprise newspaper on November 14, 2012. Public comments will be accepted until 4 p.m. on December 10, 2012. All comments may be submitted via email at NP@moval.org, phone at (951) 413-3450, or fax at (951) 413-3459. The item was voted by Council 5-0 to continue to the January 8, 2013, City Council meeting.

IV. Summary of Public Comments Received

Comments were provided by Pete Bleckert, none were specific to the NSP Program/proposed amendments.


V. Certifications

- (1) **Affirmatively furthering Fair Housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and Relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of Funds in 3 years.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years of receipt of the grant.
- (10) **Use NSP Funds \leq 120% of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120% of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.
- (12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.
- (13) **Compliance with Anti-discrimination Laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with Lead-based Paint Procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with Laws.** The jurisdiction will comply with applicable laws.



Barry Foster
Community & Economic Development Director
City of Moreno Valley

1/16/13
Date

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