

Grantee: Moreno Valley, CA

Grant: B-08-MN-06-0513

July 1, 2017 thru September 30, 2017 Performance Report



Grant Number:

B-08-MN-06-0513

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

Moreno Valley, CA

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

Original - In Progress

Grant Award Amount:

\$11,390,116.00

Grant Status:

Active

QPR Contact:

No QPR Contact Found

LOCCS Authorized Amount:

\$11,390,116.00

Estimated PI/RL Funds:

\$4,604,570.10

Total Budget:

\$15,994,686.10

Disasters:

Declaration Number

NSP

Narratives

Areas of Greatest Need:

HUD: Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

City Response:

The City of Moreno Valley is a 51-square mile city located in western Riverside County, California. In recent years, Moreno Valley has consistently ranked as one of the fastest growing cities in the nation. This significant growth rate, combined with skyrocketing home prices and questionable lending practices, has placed Moreno Valley near the top of a less desirable ranking - it is one of the cities hardest hit by foreclosures.

In August 2007, CNN Money.com (per Realtytrac.com) reported the combined Riverside\San Bernardino metropolitan region of California to be the fourth most impacted area by foreclosures in the U.S., with 1 foreclosure default filing for every 33 households. One year later, in August 2008, Realtytrac.com reported that Riverside County alone had 11,485 foreclosure filings, or 1 in every 63 housing units in the foreclosure process. In the same month, Moreno Valley was reported to have 6,470 units in the foreclosure process. To further illustrate the possible severity of the problem, Moreno Valley's 2008-2013 Consolidated Plan reports 6,624 single-family housing units being built in the 10 years between 1990 and March 2000, 154 units shy of the total housing units in the foreclosure process in the city today.

The Department of Housing and Urban Development HUD, via the 2008 HERA Act, has recognized the seriousness of Moreno Valley's foreclosure problem and allocated \$11,390,116 to the City for use in neighborhood stabilizing activities. In response to the problem and with HUD's allocation, the City will focus its efforts in the areas of greatest need. In order to identify these areas, the City analyzed various information:

1. Staff applied HUD's foreclosure and abandonment risk scores to a map of the City's Census tracts and Block Groups (see t 1).

The HUD data was provided to all allocation cities, states, and counties, via www.huduser.gov.



The foreclosure and abandonment risk scores themselves were calculated by HUD, through evaluation of the following data:

1. Area unemployment rate - Moreno Valley's rate is estimated to be 11.1% (September 2008).

2. Average housing sales price decline since market peak- Moreno Valley's

resale prices have declined- 55% since the peak in April 2007.

3. High cost loan rates by census tract/block groups (mortgages with interest-only payment options, stated income mortgages with high loan to value ratios, etc.)- Moreno Valley's rates ranged from 23.4% to 49.8%.

4. The predicted 18 month underlying foreclosure rate - Moreno Valley's

rates ranged from 8.5% to 12.7%.

5. Housing units that have been vacant for at least 90 days, via US Post Office records- Moreno Valley's rate is approximately 12.8%.

The resulting risk score is given in a 1-10 priority ranking with 10 representing the highest risk of foreclosure/abandonment and 1 representing the least risk.

Staff purchased City-wide foreclosure data from threspected private research organization DataQuick, Inc. The data indicates that more than 1, 630 single-family homes completed the full foreclosure process and became Real Estate Owned (REO) properties in the 3 % months from July and mid-October 2008. Each property has been mapped and included in Attachment 2.

Staff evaluated how the data from HUD and DataQuick (Attachments 1 and 2) compared to the existing CDBG Area, Redevelopm

ent Area, and established "Target Neighborhood" areas. Pre-existing "Target Areas" are included as Attachment 3.

The City also mapped information by percent of the population (per census tract) that qualifies as low- to moderate-income or earning up to 120% area median income.

Specific Findings:

The City of Moreno Valley contains 38 Census Tracts with various block groups within each (referred to as Census Tract Block Groups or CTBGs). Of these, HUD has classified all 38 CTBGs with an at risk score of '7' or higher. Basically this places the entire City at the upper end of the risk scale.

Eleven of the 38 CTBGs (29%) are ranked at the highest possible risk score available of 10. Seven of those eleven CTBGs are primarily located in the south end of Moreno Valley and are bordered by Heacock Street, Alessandro Boulevard, Moreno Beach Drive, and the City's southern boundary in the 92555 and 92553 zip codes.

A careful examination of current foreclosures shows 49.8% to be located within the areas categorized as a risk score of 10. The remaining 50.2% of foreclosures are spread citywide but mostly concentrated in the areas categorized with a risk score of 9. The areas categorized as 9 encompass the central and northwestern parts of the city.

Combined, more than 84% of the homes foreclosed in the last 3.5 months are located in CTBGs with HUD-assigned risk scores of 9 or 10. With this in mind, the City proposes to focus its Neighborhood Stabilization efforts in focus its efforts in census tracts with risk scores of 9 or 10. The specific census tracts block groups to be targeted are listed below:

Risk Score 10

- 424.04 (1)
- 424.07 (1,2)
- 425.04 (1,2)
- 425.07(1,2)
- 425.08 (1-3)
- 425.10(1,2)
- 425.11 (1)
- 425.18 (1)
- 425.19 (1)
- 425.21 (1)
- 426.05 (1-8)



Risk Score 9

- 422.12 (1,2)
- 422.14 (1,2)
- 424.03 (1,2)
- 424.05 (1,2)
- 424.06 (1,2)
- 424.08 (1,2)
- 424.09 (1,2)
- 424.10 (1)
- 424.11 (1,2)
- 425.05 (1,2)
- 425.06 (1)
- 425.09 (1,2)
- 425.12 (1,2)
- 425.14 (1,2)
- 425.15 (1,2)
- 425.16 (1)
- 425.17 (1,2)
- 425.20 (1)
- 425.23 (1)

Distribution and and Uses of Funds:

HUD: Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, 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 grantee as likely to face a significant rise in the rate of home foreclosures.

City Response:

The Housing and Economic Recovery Act of 2008 allows the following categories of eligible uses.



1. Establishment of financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low and moderate income homebuyers.
2. 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.
3. Establishment of land banks for homes that have been foreclosed upon.
4. Demolishment of blighted structures.
5. Redevelopment of demolished or vacant properties

Based on these eligible uses, the City of Moreno Valley has identified activities that would best address the needs of the community while meeting the requirements of Section 2301(c)(2). The City will prioritize the use of the NSP by creating programs that offer assistance in neighborhoods with a concentration of existing foreclosures (based on DataQuick records) and at risk of high future foreclosure rates (as evidenced through the HUD data).

The NSP grant will fund three primary activities:

1. First Time Homebuyer Down Payment Assistance Program, in the amount of \$3,701,788
2. Acquisition/Rehabilitation/Rental of Multi-family Units, in the amount of \$2,847,529
3. Acquisition/Rehabilitation/Resale of Single Family Units, in the amount of \$3,701,788

First Time Homebuyer Down Payment Assistance Program

The City of Moreno Valley will dedicate \$3,701,788 of the NSP allocation to provide for acquisition, rehabilitation, and resale of vacant and abandoned homes via a revised version of the City's existing first time homebuyer down payment assistance program. Under the program, first time homebuyers earning up to 120% area median income (AMI) may receive up to 20% of home sales price in the form of a 30 year deferred, silent second, 'soft' loan with zero interest (no monthly payments due and a proportionate equity share mechanism will be in lieu of interest). The property shall be acquired by the qualifying household. The City will ensure the property is discounted 5% below of the appraised value. The household will be required to contribute 3% of the sale price of the property. Responsibility for rehabilitating the property shall be placed on the seller/bank. Each property will be inspected by a City Building Inspector to ensure City adopted Housing Quality Standards are in place. For more information on the City's Housing Quality Standards please refer to page 10.

A property in this program will be subject to recorded covenants of 5-11 years depending on the amount of subsidy. The 'soft second' component encourages income-eligible homeowners to remain in the NSP affordable unit. The loan will be forgiven at the expiration of the covenanted period. Continued affordability will be ensured via a monitoring process to be conducted by City staff. Should the home, sell or transfer before the affordability period is realized, the City will collect a pro-rated equity share. In other words, if the NSP assisted property is sold or transferred within the covenant period, the City will then be entitled to a share of the gain on sale in addition to the original amount loaned. The gain of sale returned to the City will not exceed total investment made into the property by the City.

Acquisition/Rehabilitation/Rental of Multi-family Residential Units

The City of Moreno Valley will use 25% of the NSP grant to acquire, rehabilitate, and rent multifamily residential properties to households earning up to 50% of the area median income. This shall be accomplished through partnership with a Community Housing Development Organization (CHDO) or other non-

profit residential developer who will acquire, rehabilitate, rent, and manage the units under City oversight. Continued affordability will be ensured by City staff through an annual recertification process. The property will be inspected by a City Building Inspector prior to occupancy to ensure Housing Quality Standards are met.

Acquisition/Rehabilitation/Resale of Single Family Residential Properties via a Developer Program

The City of Moreno Valley will acquire and rehabilitate foreclosed, abandoned single family homes and sell them to income-eligible first time homebuyers. The City will pursue this activity in partnership with a City certified Community Housing Development Organization (CHDO), or other non-profit residential developer. The homes will be available to households earning up to 120% of Riverside County's area median income adjusted per family size. The eligible homebuyers will be required to attend a HUD certified homebuyer counseling session. Acquisitions may be completed independently or in batches, grouped geographically and/or by lender, depending on the negotiations for purchase.

All acquisitions shall be discounted a minimum of 5% below appraised value, per HERA requirements. Each NSP assisted property will be inspected by a City Building Inspector (whether or not a CHDO or other non-profit developer is contacted) to ensure the home meets the City's Housing Quality Standards. The final sales price will not exceed acquisition and rehabilitation costs.

A summary of the proposed NSP budget is provided below:

NSP-Activity 1, Multi-Family Acquisition/Rehabilitation/Rental	2,847,529
NSP-Activity 2, First Time Homebuyer Down Payment Assistance	\$3,701,788
NSP-Activity 3, Single Family Acquisition/Rehabilitation/Resale	\$3,701,788
NSP Administration Cap (10%)	\$1,139,011
Total Grant Expenditures	\$11,390,116

It is anticipated that the NSP activities could potentially generate revenue, or program income. Should this occur, the HERA requires that the monies to be reapplied to the NSP program and treated as additional funding, subject to the same expenditure criteria. According to the

Act, the City may continue to utilize NSP program income through July 30, 2013. As currently written, any program income generated after that date must be returned to the U.S. Treasury.

Once the program is underway, staff will conduct internal evaluations of the NSP activity progress to ensure its effectiveness. Should a particular activity not be meeting required milestones, staff proposes to allow City staff to work with the City Manager to make 'non-substantial' plan adjustments that shift funds between approved NSP activities to meet short time spending commitment requirements.

The City of Moreno Valley is committed to maintaining affordability for its NSP assisted housing. NSP activities using the 25% allocated for households earning up to 50% area median income

are expected to be multi-family housing projects. These multi-family units will be subject to 55-year affordability covenants that run with the land. The recorded covenants will apply to both new, if any, or substantially rehabilitated units that are occupied by low income households. City housing staff will monitor projects on an annual basis via an existing re-



certification process to ensure that only households meeting the required income limits are occupying the units.

NSP single family home purchase assistance to households earning 80%-120% of area median income will be subject to an affordability period of 5 to 15 years (per HOME affordability requirements) depending on the amount of assistance provided to the household, as follows (funding amount; affordability period):

15,000 - \$40,000; 10 years

>\$40,000; 15 years

Should the household sell or transfer the property before the affordability period is complete, the City will collect a share of the increased equity. In other words, if the NSP assisted property is sold, or transferred within the above-indicated affordability period, the City will then be entitled to a share of the gain on sale in addition to the original amount loaned. The funds returned to the City on the sale of the unit will be considered program income and will be 'recycled' back into the appropriate account to fund future affordable projects.

NOTE: AMENDMENT #1 APPROVED JANUARY 26, 2010 BY CITY COUNCIL MADE THE FOLLOWING MODIFICATIONS TO THE PROGRAM:

- Increased the budget of NSP-Activity 3, Single Family Acquisition/Rehabilitation/Resale from \$3,701,788 to \$5,203,576
- Increased the budget of NSP-Activity 1, Multi-Family Acquisition/Rehabilitation/Rental activity to \$4,047,529
- Reduced the budget of the NSP-Activity 2; First-Time Homebuyer Down Payment Assistance from \$3,701,788 to \$1,000,000

The amendment was approved by Council Vote 5-0; there were no public comments.

AMENDMENT #2 APPROVED JANUARY 8, 2013 BY CITY COUNCIL MADE THE FOLLOWING MODIFICATION TO THE PROGRAM:

- Expanded the program to include Eligible Uses C-E. The original Action Plan only included Eligible Uses A (Financing Mechanisms) and B (Acquisition/Rehabilitation). The expansion incorporates the following uses to be funded by Program Income generated by the program:

Eligible Use C Land banking-

the City will identify properties for the purposes of land banking based upon the following criteria: a) undeveloped/vacant parcels b) irregularly shaped, small undevelopable parcel requiring assembly for development and c) parcels with blighted and uninhabitable structures requiring

demolition.

Eligible Use D Demolition-

as opportunities arise, the City will acquire properties that meet the definition of blighted as defined within the Action Plan and meet criteria as set forth for land banking, for the purposes of demolition. Upon the completion of demolition activity, the vacant parcel will be land banked for future redevelopment within the permissible timeframe, as set forth by NSP regulations.

Eligible Use E Redevelopment -

The City will utilize the Redevelopment activity to develop parcels formerly owned by the now dissolved, Redevelopment Agency. The activity will be utilized to create rental and homeownership opportunities serve up 120% AMI households.

The substantial amendment was approved by Council Vote 5-0; there was one public comment unrelated to the NSP program made by Mr. Pete Bleckert.

On May 1, 2013, the City Council approved an affordable housing agreement with the Riverside Chapter of Habitat for Humanity to develop former RDA land to create homeownership opportunities for income-eligible households earning up to 50% AMI, serving the LH-25 activity. The project will consist of 8 single family homes developed in a subdivision for which Habitat for Humanity will obtain all respective entitlements and approvals. The former RDA land will be secured with a deed of trust in the amount of the purchase price and forgiven in a pro rata share as each lot is sold to a qualified homebuyer confirmed by the City. The homeowners will be qualified based upon affordable housing costs (also known as front end ratios) defined as not to exceed 30% and debt to income (also known as back end ratios) as not to exceed 43%, acceptable ability to repay, acceptable credit, performance/completion of "sweet equity". The loans will be fully-amortized, zero-interest and 30-



40 year term loans. The City will provide purchase assistance to each homebuyer to provide "financing gap assistance" to assure affordability for the households. The City will utilize resale restrictions to secure the investment of NSP dollars and former RDA funds via the provision of the land; the affordability period will be for the duration of 45-years. Each property will be secured with the following documents that will be executed by the homeowner and recorded against the property: a DEED OF TRUST that will be held in no less than second position, GRANT DEED CONTAINING RESALE RESTRICTIONS, NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY, REGULATORY AGREEMENT, and CC&RS.

***ACTION PLAN MODIFIED September 2016 TO REFLECT ADJUSTMENT IN PROJECT BUDGETS DUE TO PROGRAM INCOME GENERATED (-\$2,705,903.82), RESIDUAL FUNDS FROM COMPLETED PROJECTS (-\$600,641.43) AND ADJUST FUNDING FOR CURRENT REDEVELOPMENT PROJECT (-\$124,194.12 HABITAT). REMAINING AVAILABLE FUNDS WILL BE USED TOWARDS ELIGIBLE REDEVELOPMENT PROJECTS (\$3,430,739.37). This substantial amendment was approved by the City of Moreno Valley City Council on August 16, 2016, after the closing of the duly noticed public hearing.

Definitions and Descriptions:

HUD: Define "blighted structure" in context of state or local law.

City Response:

The legislative definition of blight is found in California Health and Safety Code Section 33030 and 33031. In summation, the definition describes two basic areas of blight, physical and economic.

Subdivision (a) of section 33031 describes the physical conditions that cause blight as follows:

- o "Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
 - o Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
 - o Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the project area.
- The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership."

Subdivision (b) of section 33031 describes the economic conditions that cause blight as:

- o "Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with 33459), discussed in chapter 6, entitled Environmental Issues.
- o Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.
- o A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drugstores and banks, and other lending institutions.
- o Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.
- o A high crime rate that constitutes a serious threat to the public safety and welfare."

HUD: Define "affordable rents."

City Response:

"Affordable Rents" means a cost not in excess of that which may be charged the applicable eligible person or family pursuant to Section 50053 of the California Health and Safety Code (specific code is included as Attachment 5). For NSP assisted projects, the City will use affordable rents under the HOME program, less utility allowances as provided by the County of Riverside Housing Authority. The 2008 HOME Rents and 2008 Utility Allowances are included as Attachment 6 of this application.

Low Income Targeting:

HUD: Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income.

City Response:



HUD has allocated to Moreno Valley a total of \$11,390,116 in NSP funds. In compliance with HERA requirements, a minimum of 25% or \$2,847,529 of that allocation must be used toward housing for individuals and families whose incomes do not exceed 50% of area median income. The City will ensure that at least this amount is utilized to house the target population, through the Acquisition/Rehabilitation/Rental of Multi-family units.

Acquisition and Relocation:

HUD: Indicate whether grantee intends to demolish or convert any low- and moderate- income dwelling units (i.e. 80% of area median income).

City Response:

NSP efforts will be focused on existing housing units that are currently vacant. Therefore, the City does not expect that relocation of any low and moderate income households will be necessary. N

o specific properties that would receive NSP resources have been identified at this time. It is therefore unknown whether demolition or conversion of low and moderate income dwelling units will occur. If NSP eligible activities result in demolition or conversion of low and moderate-income units, then the required information on the number of converted or demolished units and number of affordable units produced by activity and income level will be made available and property procedures, pursuant to the Uniform Relocation and Real Property Acquisition Policies Act (URA) of 1970, Section 104 (d) of Housing and Community Development Act of 1974 as amended (Section 104(d)), HUD Handbook 1378 and the acquisition section(s) of the HERA and Recovery Acts.

Public Comment:

HUD: Provide a summary of public comments received to the proposed NSP Substantial Amendment.

City Response:

The City published a Notice of Public Hearing and a Notice of 2008/2009 Action Plan Amendment in the Press-Enterprise (a local publication) on November 6, 2008, initiating the 15 day Public Review period. The Notice of Public Hearing was also uploaded to the City's website at www.moreno-valley.ca.us.gov on the same day. An option for the public to e-mail comments to the City was provided on the web page.

During the review period, approximately 17 groups/individuals contacted the City about the program. This group ranged from lenders, local realtors, contractors, residential developers, and non-profits interested in partnering with the City to administer NSP activities, to agencies offering consultant services to develop and/or implement the plan. The City also received 3-4 calls from residents with general inquiries about the NSP program.

On November 25, 2008, the Public Hearing was conducted by the Moreno Valley City Council. Two members of the public spoke, both in support of the plan. The first stated that in addition to the City's NSP efforts she'd like to see an "additional emphasis placed on keeping homes from going into foreclosure." The other encouraged the Council to pass the plan, calling it a "smart approach." On that evening, the Moreno Valley City Council approved the NSP Substantial Amendment by a 4-0 vote (with one Council member absent).

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$13,863,946.73
Total Budget	\$0.00	\$12,563,946.73
Total Obligated	\$0.00	\$12,563,946.73



Total Funds Drawdown	\$0.00	\$12,563,946.73
Program Funds Drawdown	\$0.00	\$7,959,376.63
Program Income Drawdown	\$0.00	\$4,604,570.10
Program Income Received	\$0.00	\$4,604,570.10
Total Funds Expended	\$0.00	\$12,563,946.73
Most Impacted and Distressed Expended	\$0.00	\$0.00
Match Contributed	\$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	\$1,708,517.40	\$0.00
Limit on Admin/Planning	\$1,139,011.60	\$1,524,840.00
Limit on State Admin	\$0.00	\$1,524,840.00
Most Impacted and Distressed Threshold (Projected)	\$0.00	\$0.00

Progress Toward Activity Type Targets

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$2,847,529.00	\$5,171,268.41

Overall Progress Narrative:

The City of Moreno Valley is currently working towards using the available program funds for a possible rehabilitation project.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
08-09-Admin, Administration	\$0.00	\$1,524,840.00	\$200,875.67
08-09-ARR-MFR, Acquisition, Rehabilitation, Rental	\$0.00	\$4,467,462.53	\$3,442,626.40
08-09-ARR-SFR, Acquisition, Rehabilitation, Resale	\$0.00	\$5,867,838.32	\$4,079,159.09
08-09-NSP-HAP, Homebuyers Assistance Program	\$0.00	\$0.00	\$0.00
12-13-Redevelopment-Habitat, Redevelopment	\$0.00	\$703,805.88	\$236,715.47
9999, Restricted Balance	\$0.00	\$0.00	\$0.00



BCKT, Bucket Project

\$0.00

\$0.00

\$0.00



