

Grantee: Long Beach, CA

Grant: B-11-MN-06-0511

July 1, 2011 thru September 30, 2011 Performance Report

Grant Number:

B-11-MN-06-0511

Obligation Date:**Grantee Name:**

Long Beach, CA

Award Date:**Grant Amount:**

\$1,567,935.00

Contract End Date:

03/02/2014

Grant Status:

Active

Review by HUD:

Reviewed and Approved

QPR Contact:

Alem Hagos

Disasters:**Declaration Number**

NSP

Narratives**Summary of Distribution and Uses of NSP Funds:**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion for the Neighborhood Stabilization Program (NSP) that was originally established under the Housing and Economic Recovery Act of 2008. The City of Long Beach will distribute its \$1,567,935 in NSP3 funds to the areas of greatest need, based on HUD-assigned NSP3 scores (ranging from 1-20). The City will use these funds to reduce the effects of foreclosures in our City by addressing areas with a high number of foreclosures, a high percentage of homes financed with subprime mortgages and an increased risk of future foreclosures.

>The selected sites have need scores above 17 and include those with the greatest percentage of home foreclosures, the highest percentage of homes financed by sub prime mortgage loans, and those areas that have been identified by the City as likely to face a significant rise in the rate of home foreclosures. Accordingly, the City will meet the requirements set forth in Section 2301(c)(2) of HERA, as amended by the Recovery Act and the Dodd-Frank Act.

ACQUISITION/REHABILITATION

>The City will ensure that 100% of NSP3 funds will be used to benefit individuals and households with incomes below 120% of area median income. In addition, at least 25% of NSP3 funds will be used to benefit individuals and households with incomes below 50% of the area median income. Most of the activities eligible under NSP3 represent a subset of the eligible activities under 42 U.S.C. 5305(a). Certain CDBG-eligible activities correlate to specific NSP-eligible uses and vice versa. The City will undertake the following NSP3 activities to purchase and rehabilitate properties that have been abandoned or foreclosed and to administer NSP3. The City will expend NSP3 funds to purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell such homes and properties. The resale price will not exceed the aggregate of the acquisition, rehabilitation and delivery costs. The City anticipates that a minimum of 25% of the funding (\$391,984) allocated to this activity will be used to assist households earning less than 50% area median income.

RESALE

>Following the successful rehabilitation of a foreclosed property, the City will use NSP3 funds to create financing mechanisms in the form of second mortgage assistance in order to assist first-time homebuyers. The NSP3 Second Mortgage Assistance program will mainly be used to provide an "affordability gap" soft second mortgage to buyer-occupants of foreclosed homes. The prospective buyer will be required to qualify for and obtain a first trust deed (first mortgage) from a private lending institution. The interest rate for the first mortgage should be in line with prevailing rates.

>The disposition of rehabilitated abandoned/foreclosed residential properties may generate program income.

PROGRAM INCOME

As a result of the resale activity, program income may be generated as a result of the proceeds for the first trust deed. It is estimated that the first trust deeds will produce program income between 40-50% of the total NSP3 expenditures for a particular activity. The City will reuse this program income for additional acquisition and rehabilitations until required expenditure deadlines are reached.

How Fund Use Addresses Market Conditions:

The City's target area for the NSP3 program was developed by reviewing the neediest census tracts, those with need scores above 18 (on a scale of 1-20), where it was believed that mitigation efforts could best be used to generate a measurable impact within the target area. By overlapping those areas of greatest need in NSP3 with NSP1 areas that had Abandonment Risk Scores between 9 and 10 (on a scale of 1-10) and NSP2 areas with NSP2 need scores averaging 18 and above (on a scale of 1-20), the City was able to refine the target area to be one where funds can be put to best use. The target area consists of four areas scattered throughout the City of Long Beach. Each area drawn using HUD's NSP3 mapping tool was assigned a unique Neighborhood Identification number by the program. Those neighborhoods have been combined to create the selected target area. The City believes that removing foreclosures from the rolls and increasing home ownership opportunities within the target areas will increase the stability of the neighborhoods by reducing nuisances caused by vacancies and by

building upon successes of NSP1 and NSP2 to create a generation of committed residents within the City.

Ensuring Continued Affordability:

To ensure the continued affordability of projects funded by NSP3, affordability covenants will be recorded against the property, thereby restricting the properties for rental or purchase by low-and moderate-income households. For rental projects, the restriction period could range from 5 to 20 years depending on the amount of the NSP3 investment. For-sale properties, affordability will be required for a period of 30 years. Additionally, the City will annually monitor these properties to ensure compliance with the occupancy requirements.

Definition of Blighted Structure:

The California Health and Safety Code Section 33031 describes physical conditions that cause blight related to structures as:

33031(a)

- (1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.
- (2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.

33031(b)

- (3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
- (7) A high crime rate that constitutes a serious threat to public safety and welfare.

The Long Beach Municipal Code references blighted structures to buildings or conditions, which will impair or destroy the quality of life, to the detriment of the city, through the deterioration of property and business values for adjacent properties. Long Beach Municipal Code references to the source, condition, prevention, elimination or spread of "Blight" appear in Sections 18.21.010, 18.21.020, and 18.20.030 for the monitoring of vacant buildings; Section 8.56 for the abatement of graffiti on buildings; Section 10.46.010 for the abatement of abandoned and wrecked vehicles; Section 21.10.020 for the protection and preservation of the city's cultural heritage; and Section 21.27.050 as a reason for the abandonment or revocation of a property's non-conforming rights.

In addition, the overall spirit of all the regulatory codes used in Code Enforcement are designed and written so as to provide standards, which in their application and enforcement will eliminate blighted structures and conditions in whatever capacity it may appear.

Definition of Affordable Rents:

The generally accepted affordability standard or "Affordable Rent" is rent that does not exceed 30% of the household's income. The CDBG program does not mandate the exact rent to be applied to NSP3 properties. Jurisdictions are, however, allowed to determine the rent standard to be applied and may adopt rent limits similar to those used for the HOME Program. Whichever standard is approved, the rents must be truly affordable to low- and moderate-income households.

Section 50053 of the California Health and Safety Code, defines "affordable rents" as rents that do not exceed a certain percentage of the area median income, by income category, adjusted for family size appropriate for the unit.

HOME Affordable Rents:

Maximum HOME rent for a low-income household renting a 3-bedroom unit in the Long Beach area is \$1,365 per month. For a very low-income household the maximum HOME rent is \$1,076 per month. Note that since HOME funds can not be used for moderate-income households, HOME does not publish an affordable rent standard for this income category.

Comparing the California State affordable rents and HOME rents indicates that the California rents would provide a more affordable rent. However, the HOME rents, although still considered affordable, would provide a higher rent to the property owner, which may be needed to make the project work financially.

Housing Rehabilitation/New Construction Standards:

Housing Rehabilitation Standards currently in use by the City of Long Beach for all Federal and State housing rehabilitation programs, and application to all NSP3-assisted activities will include:

- Current Uniform Housing Code, which provides complete requirements affecting conservation and rehabilitation of housing and which are compatible with the Uniform Building Code.
- The 2007 Edition of California Building Code, which incorporates the California Electrical Code, California Plumbing Code, and California Mechanical Code.
- City of Long Beach Municipal Code Title 18, Sections 18.24 through 18.40, which describe Electrical, Plumbing and Mechanical Codes and includes Prohibited Uses and Maintenance, which in some instances are more stringent than those of the California Building Code.
- City of Long Green Lite Building Policy, which utilizes elements of the LEED Green Building Rating System when replacing building components within the scope of project rehabilitation. This policy primarily consists of replacing damaged or deteriorated components or mechanical systems in connection with project rehabilitation with FSC wood products, Energy Star appliances, low-energy lighting, low-voc paint, low-e windows, recyclable carpet, drought-tolerant planting and irrigation, and construction waste management.
- Mitigation of lead-based paint hazards in all residential property built prior to 1978.

Vicinity Hiring:

The City of Long Beach will publish a Request for Qualification (RFQ) in order to solicit construction companies for rehabilitation projects to address health, safety and code standards for homes acquired with NSP3 funds. The expenditure for rehabilitation will be funded directly through NSP3 funds, so the RFQ will be sent to known local firms and will ask respondents to identify whether they will be able to offer vicinity hiring for local residents of the target area.

Procedures for Preferences for Affordable Rental Dev.:

Recent housing inventory data shows that the percent of renter-occupied units in Long Beach (49.3%) exceeds the national average of 33%. Therefore, renters are relatively well-served in the community and NSP3 efforts will be focused on providing ownership opportunities to eligible beneficiaries. However, the local housing market remains out of reach for people who earn less than 50% AMI. Therefore, the City will search for foreclosed multi-unit housing that can be used to serve this target population.

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Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$1,567,935.00
Total CDBG Program Funds Budgeted	N/A	\$1,567,935.00
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	\$235,190.25	\$0.00
Limit on Admin/Planning	\$156,793.50	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$156,793.50	\$156,793.50

Progress Toward National Objective Targets

National Objective	Target	Actual
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Overall Progress Narrative:

The City of Long Beach continues to prioritize completion of NSP1 and NSP2 activities, so current NSP3 activities have been related to program planning. The City plans to model their NSP3 program to mirror the acquisition-rehabilitation-resale program utilized in NSP1, albeit in a smaller, more targeted area of need. At this time, the City is exploring options to identify a stable of realtors who could help identify available REO properties which staff could then review to assess whether they are feasible for acquisition/rehab/resale. The City is also continuing to search for properties independently, but has not yet found an appropriate site for purchase within the very targeted area. In future reporting periods, activity should begin to accelerate as real estate service providers are added to the NSP3 team.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00
Activity B, Administration	\$0.00	\$156,793.50	\$0.00
Project - 1, Acquisition and Rehabilitation for Resale	\$0.00	\$1,411,141.50	\$0.00