Action Plan

Grantee: Richmond, CA

Grant: B-11-MN-06-0006

Grant Amount: $ 1,153,172.00

Status: Rejected - Await for Modification

Funding Sources

Funding Source	Funding Type
CDBG	Other Federal Funds
CalHome	State Funds
HOME	Other Federal Funds
Land Value	Other Local Government Funds

Narratives

Summary of Distribution and Uses of NSP Funds:

Since much of Richmond currently receives NSP3 scores above 17, the City focused the NSP3 areas. For Activity 1- Acquisition, Rehabilitation and Disposition, the City is concentrating on census tracts with the highest rates of high cost mortgages[1] (26.5% and above) and serious delinquency (16.5% and above)[2], which collectively received an NSP3 score of 19.35. This focus also coincides with the locations of recent City investment, including homes rehabilitated with NSP1 funds, which help support sustained neighborhood stabilization. The area of greatest need &ndash the census tracts corresponding with the North Richmond (3650.02), Belding (3730), Woods (3750), Historic Iron Triangle (3760 and 3770), Santa Fe/Coronado/Cortez (3790), and Pullman Plaza (3810) neighborhoods &ndash is a subset of the City&rsquos Healthy Communities neighborhoods supported by the California Endowment. In this way, the whole can equal more than the sum of its parts, in other words, the NSP3 funds will be more likely to create a synergy feeding into positive seeds of change in the targeted areas.
For Activity 2- Redevelopment of Vacant Property, the City will focus on the subset of the area of greatest need hardest hit by the foreclosure crisis, and where the City and/or Richmond Community Redevelopment Agency own unimproved infill parcels. The Iron Triangle and Santa Fe neighborhoods that contain this area are home to the highest rates of high cost mortgages (31.6% and above) and serious delinquency (19.1% and above) city-wide[3] and received an NSP3 score of 20.

[1] A high cost mortgage is one with a rate three basis points or more above prime or three percentage points above the Treasury security of comparable maturity.
[2] HUD NSP3 data file
[3] ibid

How Fund Use Addresses Market Conditions:

The market conditions in the target areas include high foreclosure, high vacancy, high rental ratios, low and falling property values. Overall these neighborhoods are characterized by older housing stock with deferred maintenance and under investment.
For this reason, NSP 3 addresses these conditions by bringing occupancy to vacant units, increasing home ownership, and stabilizing the community one home at a time.
After we acquire properties, our contractors will rehab these units according the NSP Rehab Standards. Once completed, the units will be marketed according to the NSP Marketing Plan. Homeowners will receive home buyer education and with energy efficiency upgrades, we expect these new owners to maintain their homes for the long term and join the American Dream.

Ensuring Continued Affordability:

For rental developments, the City will require the property manager or owner, as the case may be, to verify that residents&rsquo incomes qualify upon move-in. For new construction of rental units, incomes will also be recertified on an annual basis. A monitoring report will be due to RNSC annually.
For homeownership, long-term affordability of the home will be accomplished in either or both of two ways described below, depending on the particular home&rsquos financing.
The City will also explore the possibility of creating a community land trust to hold land, sell improvements and enter into 99-hear land leases with buyers, accompanied by covenants restricting the resale to income-qualified buyers capping requiring affordable resale prices.
Recapture Approach. The City will provide financial assistance to buyers of newly constructed homes and if needed to buyers of rehabilitated

homes. The assistance will be evidenced as a silent second loan deferred until title transfer or prepayment, at which point it will be due and payable (i.e. &ldquorecaptured&rdquo) with interest. The length of affordability will depend on the amount of NSP funds provided, consistent with the HOME standards:

NSP Funds Per Homeownership Unit
Minimum affordability period (years)
Rehabilitation or acquisition of existing housing
HOME
Richmond

< $15,000
5
5

$15,000-$40,000
10
10

> $40,000 or rehabilitation involving refinancing
15
15

New construction or acquisition of newly constructed housing
20
45[1]

The interest rate would increase over time, as follows:

Year of Loan Payoff/ Title Transfer
Interest Rate
0-5
3% APR
5-10
4% APR
10-45
5%PR
Presumed Affordability Approach.Theiy proposes to use market forces rather than deed restrictions to accomplish long-term affordability because resale and recapture restrictions pose barriers to marketing homes for sale. Properties in the Areas of Greatest Need are continuing to sell at values less

[1] The 45-year affordability period allows such newly constructed or acquired homeownership units to count as low/moderate income production units under California Community Redevelopment Law.

than the City of Richmond as a whole. Richmond has significant inventory of vacant homes, many of which are affordable without subsidies or assistance to middle income purchasers. The current market is providing more choice in housing types and locations than has been seen in over ten years.
Buyers and lenders are not willing to accept resale restrictions. Home sellers with existing resale restrictions are not finding buyers willing to enter into resale restrictions, even in highly desirable neighborhoods[1]. The resale restriction is the only reason given by real estate agents as the negative feature of these homes. In Richmond&rsquos NSP1 experience, at least one mortgage lender has refused to close until a resale restriction was removed. Therefore, requiring resale restrictions in the neighborhoods that are facing significant decline due to the foreclosure crisis will effively prohibit home sales.
Homes sold on the open market in the Areas of Greatest Need are priced at levels that are affordable to middle-, moderate- and even low-income buyers, as shown in the analysis below. Therefore, a recapture provision tied to an NSP development subsidy would inhibit the marketing and sale of NSP units within the Areas of Greatest Need.
The depressed values of properties being sold by banks or by owners who are delinquent on their mortgages further support the affordability of homes in the Areas of Greatest Need over time. As of June 2010, 43% of Richmond homes listed in the MLS were either short sale, bank owned, or in foreclosure. As of January 15, 2011, 46% of the homes available for purchase in Richmond were foreclosed (bank owned) and 50% were delinquent (either being sold at auction or under a notice of default). Based on a search of Real Estate Owned (REO) properties over the last six months, REO properties are listed at less than the Richmond Median Sales Price (averaging $110 per square foot). The Areas of Greatest Need in particular have average REO prices as low as $75 per square foot in the 94801 zip code and as high as $92 per square foot in the 94804 zip code. Information available on the Multiple Listing Service (MLS) shows that the average days on the market are nearly twice as long in the Areas of Greatest Need compared to the City overall.

Median Sales Price- Based on June 2010 MLS

MLS 2010
Days on the Market
Recent Sales
Median Siz(sq. ft.)
Price Per Sq. Ft.
Richmond

$175,00
56
$ 135,000
1,229
$ 109.85
94801
$148,120
79
$ 97,368
1,295
$ 75.19
94804
$204,037
96
$ 133,562
1,456
$ &nsp; 91.73
To ensure that affordability lasts at least as long as under the HOME safe harbor standards, the City projected the market forces and affordability levels in the Areas of Greatest Need over time. The City estimates that it will need to leave $15,000-$40,000 in each NSP home as a development subsidy, which would trigger a ten-year minimum affordability restriction under the HOME program regulations. If over $40,000 is required in development subsidy, the City will evaluate at the time of sale if presumed affordability is appropriate for a fifteen-year period. If not, the City will provide a silent second loan reflecting homebuyer financing
assistance consistent with the recapture approach described above.
An analysis of the Areas of Greatest Need showed that homes in these neighborhoods are, in relation to the larger Richmond market, still modest in price, and are projected to remain so for at least ten years. Based on 2000 Census Data and 2010 sales, the Areas of Greatest Need remain affordable and have declining values (with drops in value ranging from 14% to 48%), as shown in the following table.

Home Value
Cumulative
Average
Stabilization Phases

Census 2000
6/09-6/10 Sales
Change in Vale >(10 years)
Annual Change in Value
1

2

3

Richmond
$ 219,644
$135,000
-39%
-4%
-1.9%
0
1.9%
94801
$113,050
$97,368
-14%
-1%
-0.7%
0
0.7%
94804
$256,200
$133,562
-48%
-5%
-2.4%
0
2.4%
To determine affordability over time, the zip codes that contain the Areas of Greatest Need were analyzed as follows:
a. Sales prices were projected for ten years assuming a gentle &ldquou&rdquo shaped stabilization pattern. The average annual change in value from 2000 to 2010 was applied to the 2010 median sales price through 2012; thereafter a gradual stabilization of the real estate values is assumed at the rates shown in the Stabilization Phases 1, 2, and 3 columns above.

Projected Median Sales Prices

Declining Market
Stabilization Phase 1
Stabilization Phase 2
Stabilization Phase 3

2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Richmond
129,798
124,796
122,391
120,033
117,720
117,720
117,720
117,720
119,988
122,300
124,657
94801
96,017
94,685
94,029
93,377
92,729
92,729
92,729
92,729
93,372
94,020
94,672
94804
127,169
121,081
118,183
115,355
112,594
112,594
112,594
112,594
115,289
118,048
120,873

b. The average annual increase in the HUD median income for the same period was used to anticipate future income changes. The area median income for Contra Costa county rose from $67,600 in 2000 to $89,300 in 2009, increasing by an average of 3% annually. The following table uses that average median income increase to extrapolate future median incomes in the zip codes with the Areas of Greatest Need.

Income Estimates
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

94801

39,603
40,672
41,771
42,898
44,057
45,246
46,468
47,723
49,011
50,334
51,693

94804
81,269
83,464
85,717
88,032
90,408
92,850
95,356
97,931
100,575
103,291
106,080
c. The amount of mortgage middle-, moderate-, and low-income buyers could afford was calculated using FHA underwriting standards, including an allowance for FHA insurance payment.

[1] Owners of resale restricted homes comparable areas such as Oakland are demonstrating good marketing efforts, but are not receiving purchase offers.

Definition of Blighted Structure:

a. NSP definition: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.
b. State context: California Health and Safety Code Section 33031(a)(1) describes physical conditions that cause blight: &ldquoBuildings 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.&rdquo
c. Local law context: The Richmond Community Redevelopment Agency summarized blighting conditions in Table II-2 of the Richmond 10-B Nevin Plan Amendment dated June 2005. Factors that may be correlated to physical blighting conditions echo the State Health and Safety Code cited above, namely deficient and deteriorated buildings that are unsafe or unhealthy, as evidenced by deterioration and/or dilapidation, the age of buildings, lead paint hazards, household income, asthma, and unreinforced masonry construction.

Definition of Affordable Rents:

&ldquoAffordable rents&rdquo follow the HOME program standards at 24 CFR 92.252 (a), (c), (e), and (f). Namely, the maximum rents will be the lesser of the fair market rent and up to 30% of the adjusted income of a family earning 65% of AMI, with adjustments for the number of bedrooms in the unit, less a utility allowance. Affordable rents for units designated for households with incomes below 50% of AMI will be no more than 30% of 50% of AMI, adjusted for unit size. Such rents may be increased annually after HUD updates fair market rents and median incomes. The minimum period of affordability is consistent with HOME standards, as shown below:

NSP Funds Per Rental Unit
Minimum affordability period (years)

Rehabilitation or acquisition of existing housing
HOME
Richmond

< $15,000
5
5

$15,000-$40,000
10
10

> $40,000 or rehabilitation involving refinancing
15
15

New construction or acquisition of newly constructed housing

20
55[1]

[1] The 55-year affordability period allows such newly constructed or acquired rental units to count as low/moderate income production units under California Community Redevelopment Law.

Housing Rehabilitation/New Construction Standards:

City will work with consulting firm, TDA to establish NSP housing rehabilitation and new construction standards for NSP 3.

Vicinity Hiring:

a. NSP definition: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.
b. State context: California Health and Safety Code Section 33031(a)(1) describes physical conditions that cause blight: &ldquoBuildings 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.&rdquo
c. Local law context: The Richmond Community Redevelopment Agency summarized blighting conditions in Table II-2 of the Richmond 10-B Nevin Plan Amendment dated June 2005. Factors that may be correlated to physical blighting conditions echo the State Health and Safety Code cited above, namely deficient and deteriorated buildings that are unsafe or unhealthy, as evidenced by deterioration and/or dilapidation, the age of buildings, lead paint hazards, household income, asthma, and unreinforced masonry construction.

Procedures for Preferences for Affordable Rental Dev.:

Although HUD has increased focus on rentals through NSP 3 and we face depressed home values which make it realistic for households to purchase homes and enter homeownership without overburden themselves financially. For qualified buyers, mortgages may be the same of similar to rental costs. If homes don&rsquot sell within the determined timeframe, we will transitions units to rentals.

If a unit can not be sold for a price that will recover the development cost, the City or its affiliate nonprofit corporation Richmond Neighborhood Stabilization Corporation (RNSC) may retain ownership for up to five years and rent the unit to an income-qualified household on an annual lease basis. RNSC will contract with a third-party property manager for all such rental properties.

Estimated Affordable Sales Prices -FHA Mortgage Standard

2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
	100% AMI
	304,281
	312,744
	321,436
	330,363
	339,531
	348,946
	358,615
	368,298
	377,980
	387,918
	398,116
	80% AMI
	217,987
	223,891
	229,949

236,168
242,549
249,099
255,820
262,717
269,624
276,712
283,987

50% AMI
124,286
127,743
131,293
134,940
138,684
142,530
146,479
150,434
154,389
158,448
162,614

This analysis showed that homes in the Areas of Greatest Need are likely to stay affordable to low-, middle- and moderate-income buyers for at least ten years. The City will reevaluate the market trends in 2012 to update projected sales prices and determine if presumed affordability continues to be an appropriate method of providing long-term affordability.

Grantee Contact Information:

Ana Cortez
(510) 231-3079

Project Summary

Project #	Project Title	Grantee Activity #	Activity Title
1	LMMI Single	1.1	Acquistion and Rehab LMMI
		1.2	Redevelopment New Construction LMMI
		1.3	Project Management
2	LMMI Multi	2.1	Acquisition Rehab
3	Set Aside Singe	3.1	Acquisition Rehab Set Aside
		3.3	Project Management Set Aside
4	Set Aside Multi	*No activities in this project*	
5	NSP 3 ADMIN	5.1	Administration
9999	Restricted Balance	*No activities in this project*	

Activities

Grantee Activity Number: 1.1
Activity Title: Acquistion and Rehab LMMI

Activitiy Type:
Acquisition - general

Activity Status:
Under Way

Project Number:
1

Project Title:
LMMI Single

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Total Budget, Program Funds: $ 214,927.00
Other Funds Total: $ 190,000.00
Total Funds Amount: $ 404,927.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	2			0.00
# of Households	2			0.00
# of Permanent Jobs Created				0.0

Proposed Accomplishments	Total
# of Singlefamily Units	2
# of Housing Units	2
# of Parcels acquired voluntarily	2
# of Properties	2

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 214,927.00

Funding Source Name	Matching Funds	Funding Amount
CalHome	Yes	$ 60,000.00
CDBG	Yes	$ 60,000.00
HOME	Yes	$ 70,000.00

Location Description:
TBD

Activity Description:
Acquisition of properties, rehabilitation to ensure marketability.

Grantee Activity Number: 1.2
Activity Title: Redevelopment New Construction LMMI

Activitiy Type:
Construction of new housing

Activity Status:
Under Way

Project Number:
1

Project Title:
LMMI Single

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Total Budget, Program Funds: $ 504,927.00
Other Funds Total: $ 100,000.00
Total Funds Amount: $ 604,927.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	2			0.00
# of Households	2			0.00

Proposed Accomplishments	Total
# of Housing Units	2
#Units exceeding Energy Star	2
#Low flow toilets	2

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 504,927.00

Funding Source Name	Matching Funds	Funding Amount
Land Value	Yes	$ 100,000.00

Location Description:
TBD

Activity Description:
Redevelopment and new construction of single family units

Grantee Activity Number: 1.3
Activity Title: Project Management

Activitiy Type:
Planning

Activity Status:
Under Way

Project Number:
1

Project Title:
LMMI Single

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Total Budget, Program Funds: $ 28,000.00
Other Funds Total: $ 0.00
Total Funds Amount: $ 28,000.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Area Benefit (Census)

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 28,000.00

Location Description:
TBD

Activity Description:
Project management for LMMI SINGLE.

Grantee Activity Number: 2.1
Activity Title: Acquisition Rehab

Activitiy Type:
Acquisition - general

Activity Status:
Cancelled

Project Number:
2

Project Title:
LMMI Multi

Projected Start Date:
06/01/2011

Projected End Date:
03/01/2013

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Total Budget, Program Funds: $ 0.00
Other Funds Total: $ 0.00
Total Funds Amount: $ 0.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Renter Households				0.0
# Owner Households				0.0
# of Households				0.0
# of Permanent Jobs Created				0.0

Proposed Accomplishments	Total
# of Multifamily Units	2
# of Housing Units	2
# of Parcels acquired voluntarily	
# of Properties	

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 0.00

Location Description:
This activity is included as contingency- Richmond is not prioritizing acquisition and rehab of multiunits.

Activity Description:
Acqusition of multiunits for rehab and sale.

Grantee Activity Number: 3.1
Activity Title: Acquisition Rehab Set Aside

Activitiy Type:
Acquisition - general

Activity Status:
Under Way

Project Number:
3

Project Title:
Set Aside Singe

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LH25: Funds targeted for housing for households whose incomes are at or under 50% Area Median Income.

Total Budget, Program Funds: $ 276,000.00
Other Funds Total: $ 110,000.00
Total Funds Amount: $ 386,000.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Direct (Households)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# Owner Households	2			0.00
# of Households	2			0.00
# of Permanent Jobs Created				0.0

Proposed Accomplishments	Total
# of Singlefamily Units	2
# of Housing Units	2
# of Parcels acquired voluntarily	2
# of Properties	2

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 276,000.00

Funding Source Name	Matching Funds	Funding Amount
CalHome	Yes	$ 40,000.00
CDBG	Yes	$ 40,000.00
HOME	Yes	$ 30,000.00

Location Description:
TBD

Activity Description:
Acquisition and Rehab of single family units for set aside targets

Grantee Activity Number: 3.3
Activity Title: Project Management Set Aside

Activitiy Type:
Planning

Activity Status:
Under Way

Project Number:
3

Project Title:
Set Aside Singe

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LH25: Funds targeted for housing for households whose incomes are at or under 50% Area Median Income.

Total Budget, Program Funds: $ 14,000.00
Other Funds Total: $ 0.00
Total Funds Amount: $ 14,000.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
Area Benefit (Census)

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 14,000.00

Location Description:
TBD

Activity Description:
Project management of activities under Set Aside Single Family

Grantee Activity Number: 5.1
Activity Title: Administration

Activitiy Type:
Administration

Activity Status:
Under Way

Project Number:
5

Project Title:
NSP 3 ADMIN

Projected Start Date:
07/01/2011

Projected End Date:
03/01/2013

National Objective:
LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Total Budget, Program Funds: $ 115,317.00
Other Funds Total: $ 0.00
Total Funds Amount: $ 115,317.00

Environmental Assessment:
UNDERWAY

Benefit Report Type:
NA

Activity is being carried out by Grantee:
No

Activity is being carried out through:

Organization carrying out Activity:
Richmond Neighborhood Stabilization Program

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Richmond Neighborhood Stabilization Program	Unknown	$ 115,317.00

Location Description:
administration

Activity Description:
Administation of NSP 3

Action Plan History

No History Found