

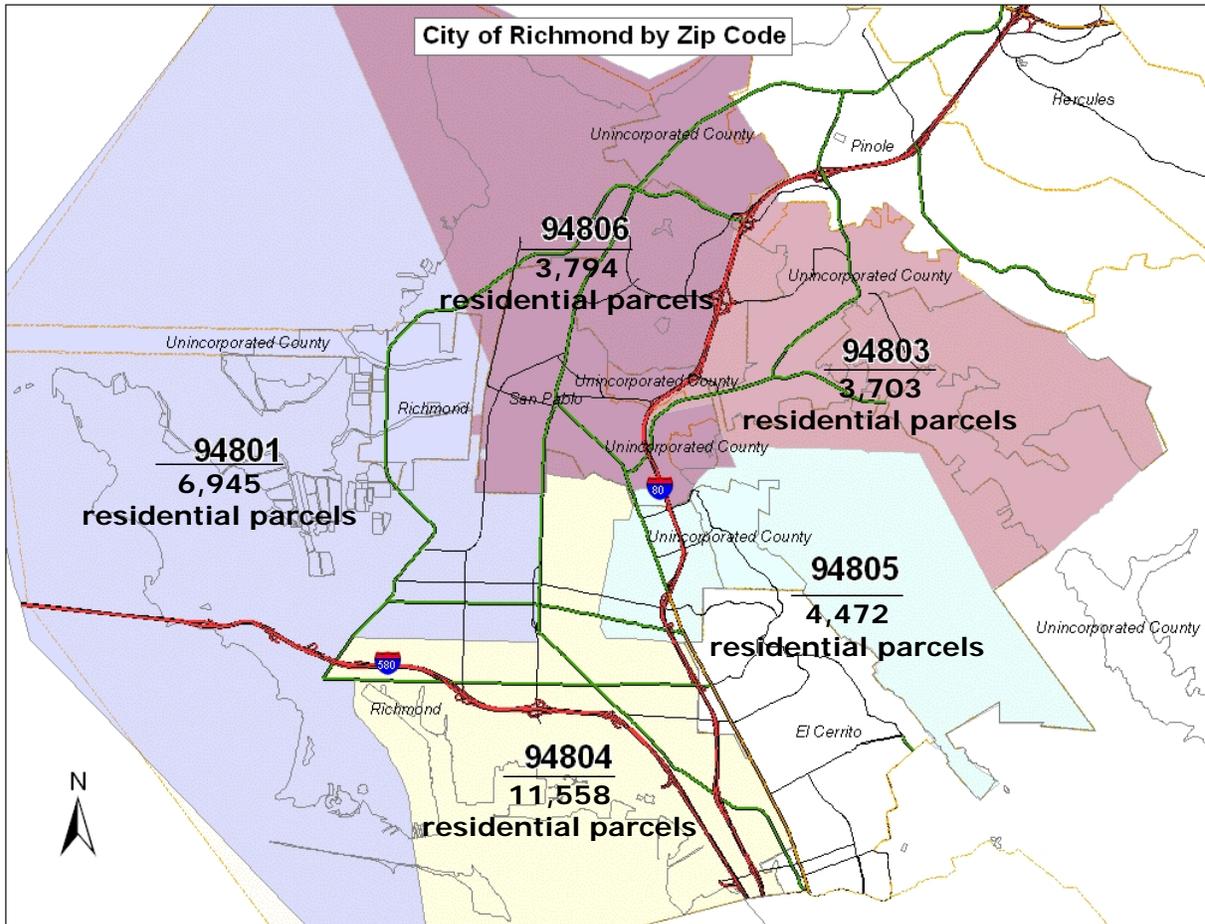
NSP GRANT SUBMISSION

THE NSP SUBSTANTIAL AMENDMENT

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A. AREAS OF GREATEST NEED

The City of Richmond, sixteen miles northeast of San Francisco, on a peninsula separating San Francisco Bay and San Pablo Bay, includes 33.8 square miles of land and has a population of 103,468 living in 30,472 residential parcels (source: CA State Dept. of Finance as of January 1, 2006 and CD-Data's ParcelQuest). The City of Richmond spans five zip codes, three of which include portions of adjacent cities.



The table below details out by zip code the percentage of home foreclosures, the percentage of homes financed by a subprime mortgage, and the projected risk for home foreclosures. The data indicates that on average 7% of all homes in the City have been foreclosed on and that an additional 30% of homes have been financed with a subprime mortgage. Moving forward, the data predicts a 28.6% rise in foreclosure rates, from 7% to 9% over the next eighteen months.

Greatest Need Determination Indicators

Zip Code (Richmond portion, only)	Foreclosed Homes ^{1,2} (% of homes)	Subprime Mortgages ³ (% of homes)	Foreclosure/Abandonment Risk Rating ³ (scale 1-10, 10=worst)	18 Month Projected Foreclosure Rate ³ (% of homes)
94801	9.8%	38.4%	9.1	10.3%
94803	6.0%	21.0%	7.1	7.6%
94804	5.7%	29.6%	8.3	11.6%
94805	5.2%	22.0%	7.1	7.6%
94806	8.6%	30.0%	7.5	8.6%
Weighted Average for City	7.0%	30.4%	8.2	9.0%

Source: 1 Generated by City of Richmond Geographic Information System based on CD-Data's based on ParcelQuest.

2 RealtyTrac.com on 10/20/08

3 HUD User Data for NSP by census tract was aggregated for the zip code.

Each zip code consists of several neighborhoods, with rates of foreclosure and subprime mortgages varying across neighborhoods. In fact, the bulk of the challenges within these zip codes is concentrated in the following neighborhoods:

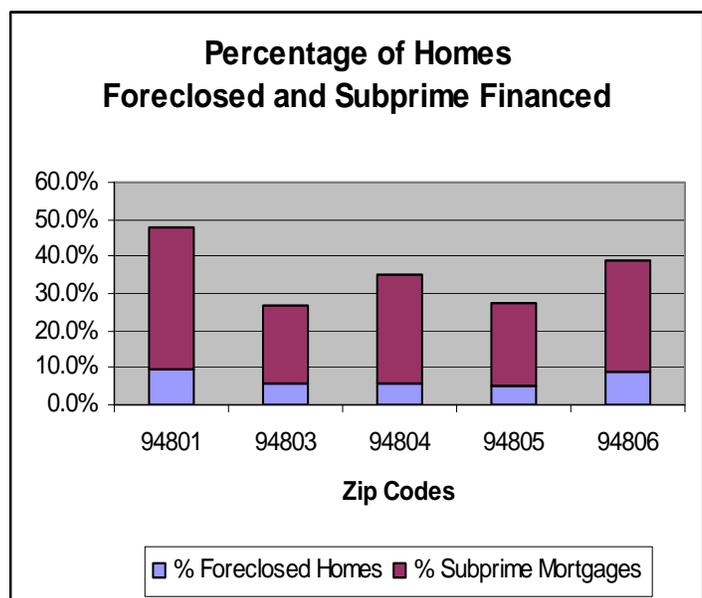
Areas of Greatest Needs (by Zip Code)

94801
94804
94806

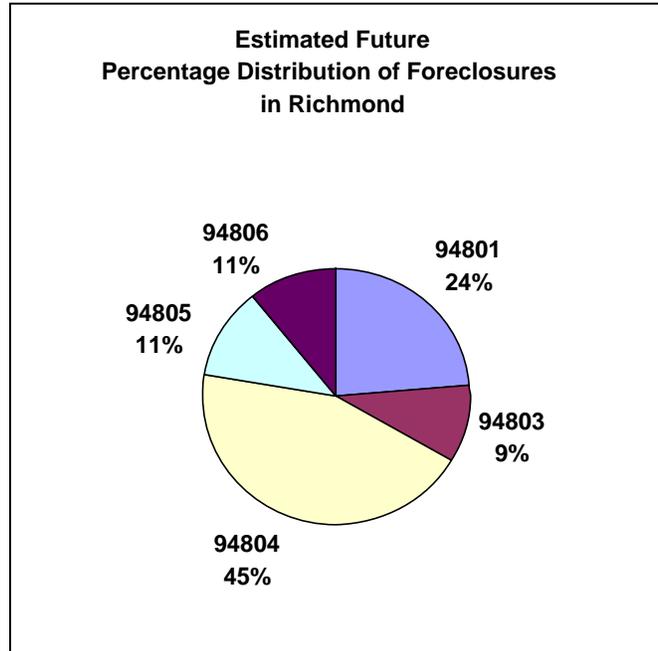
Neighborhoods with Greatest Needs

North Richmond, Wood and Iron Triangle
Santa Fe, Coronado and Pullman Plaza
Parchester and Hilltop/Fairmeade

As evident in the table to the right, the greatest needs for Neighborhood Stabilization Program (NSP) funding are found in zip codes 94801, 94804 and 94806. The most impacted zip code is 94801, which currently has the highest percentage of foreclosed homes and subprime mortgages, with almost 50% of all homes falling into one of these two categories. The second most impacted zip code is 94806, with 39% of all homes foreclosed or subprime mortgage financed. Zip code 94804 is the third most impacted at the moment, with 35% of all homes foreclosed or subprime mortgage financed.



Over the next eighteen months, the data indicates that the needs in zip code 94804 will significantly outpace those of 94801 or 94806, in part due to its size. Zip code 94804 contains 38% of Richmond’s residential parcels. Based on HUD’s eighteen month projected foreclosure rate, zip code 94804 is projected to represent 45% of all foreclosures in the city, illustrated in the graph to the right.



B. DISTRIBUTION AND USES OF FUNDS

NSP funds will be spent in zip codes 94801, 94804 and 94806. These are the areas of greatest need in Richmond, 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 City of Richmond as likely to face a significant rise in the rate of home foreclosures, as analyzed in Section A above. The City will offer Homebuyer Financing, Activity G (3) below, to income-eligible households throughout the three zip codes. Within those zip codes, the City will further prioritize its efforts in neighborhood council areas most impacted and which present the best opportunities for mitigating the impacts of the financial and foreclosure crisis. The City will focus the other NSP activities, G (4) – (7) below, predominantly North Richmond, Wood and Iron Triangle, Santa Fe, Coronado and Pullman Plaza, Parchester and Hilltop/Fairmeade

Note that The Iron Triangle and Wood neighborhoods are also an approved Neighborhood Revitalization Strategy Area (NRSA).

The City and RCRA have already invested in several affordable housing developments, neighborhood improvements and services within these highest needs neighborhoods. Allocating NSP funds near existing City and RCRA investments will leverage their positive impact and further solidify the stabilization of the surrounding neighborhoods.

C. DEFINITIONS AND DESCRIPTIONS

- (1) Definition of “blighted structure” in context of state or local law.
 - (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: “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.”

(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.

(2) “Affordable rents” 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 as follows:

Rental Housing Activity	Minimum affordability period (years)	
	HOME Standards	Richmond Standards
Rehabilitation or acquisition of existing housing per unit amount of NSP funds:		
Under \$15,000	5	5
\$15,000-\$40,000	10	10
Over \$40,000 or rehabilitation involving refinancing	15	15
New construction or acquisition of newly constructed housing	20	55 ¹

(3) The City of Richmond will ensure continued affordability for NSP assisted housing by requiring documentation of income-eligibility upon sale or initial occupancy and beyond through the following mechanisms:

- For homeownership: recording a notice of affordability restrictions and a regulatory agreement requiring any resale within 30 years to be to another income-qualified buyer for an affordable housing cost; and
- For rental: require the property manager or owner, as the case may be, to recertify that residents’ incomes still qualify on an annual basis.

(4) All housing rehabilitation activities assisted by NSP funds will meet federal Housing Quality Standards guidelines and City of Richmond building codes.

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.

D. LOW INCOME TARGETING

The City of Richmond will expend approximately \$853,257 of the funds appropriated or otherwise made available under the NSP will 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 (AMI). This amount exceeds 25% of the total grant amount, and does not include funds allocated to administration and planning. A family of four with an income equal to 50% of AMI earns \$43,050 per year.

E. ACQUISITIONS & RELOCATION

The City of Richmond does not intend to demolish or convert any low- and moderate-income dwelling units (i.e., \leq 80% of area median income).

F. PUBLIC COMMENT

(1) Members of the Community Development Commission (CDC) commented on the proposed NSP Substantial Amendment at its meeting on October 15, 2008. CDC members had the following comments:

- (a) Endorse the concept of the plan, in particular supporting targeting approach vs. citywide;
- (b) Encourage institution of a landscape maintenance program for rehabbed properties; and
- (c) Recommend Substantial Amendment to 2008-09 Action Plan to City Council for approval.

(2) The City of Richmond posted a notice on its official website on October 10, 2008 and also in the West County Times on October 12 and 27, 2008 announcing the October 28, 2008 Public Hearing on the Substantial Amendment to the Annual Action Plan and inviting comments at or before the October 28, 2008 Public Hearing. The City received no comments on the proposed Substantial Amendment prior to the public hearing other than several inquiries from Richmond residents and organizations about how this program could help address their personal or their clients' circumstances

(3) The Richmond City Council held a Public Hearing on October 28, 2008 beginning at 6:30 pm during which the following comments were made:

- (a) Nicole Hernandez – Identified as a member of Acorn. States that there were 2,879 foreclosures in Richmond and that 33% of foreclosures are in the Iron Triangle neighborhood. Abandoned properties are a priority issue as these are attractive nuisances. Acorn has prepared a list of priorities for the City to consider (attached).
- (b) Paul Larudee – Identified as a member of Acorn. Mr. Larudee drew a parallel between the foreclosure crisis in the city and the cyclones in Bangladesh. He expressed concern that this is an opportunity for opportunistic people and a need to resist those tendencies. Acorn Rescue System for the people who live here should be implemented, he said. Also, property owners of foreclosed homes need to be held accountable for the quality of those homes.

- (c) Don Gilmore – Identified as the Executive Director of Community Housing Development Corporation. He expressed his thanks to staff for an excellent report. Protecting investments previously made is important. His organization has been looking to secure funding to help the city’s money go further and he has received a \$3 million dollar line of credit. As a member of NeighborWorks additional resources are also anticipated. His organization’s pre-purchase counseling program has proven very effective in that no families counseled by CHDC have gone into foreclosure. Foreclosure counseling is also underway. In conclusion, Mr. Gilmore said that he looks forward to helping the city move forward.

The Public Hearing was closed at 7:45 pm.

In response, to Mr. Larudee’s comments, the Mayor stated that the city had recently passed an ordinance that allowed the charging of fines against property owners who do not maintain foreclosed properties to which they come into possession.

G. *NSP INFORMATION BY ACTIVITY*

(1) Information Common to All Activities

- (a) National Objective: benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income.
- (b) Projected Start Date: March 1, 2009
- (c) Projected End Date: February 28, 2013
- (d) Responsible Organization: The City of Richmond will form a single-purpose entity to be known as Richmond Neighborhood Stabilization Program (RNSP) which will implement the NSP activity. RNSP will be located at 1401 Marina Way South, Richmond, CA 94804. The administrator will be Patrick Lynch, who may be contacted by phone at (510) 307-8140 or by email at patrick_lynch@ci.richmond.ca.us.
- (e) Location Description: All activities will take place in all three areas of greatest need described in Sections A and B above.
- (f) Performance Measures: When possible, RNSP will seek to achieve deeper affordability than the performance measures listed in Activities G (3) – (7) below.

(2) Activity Name: General Administration and Planning

- (a) Activity Type:
 - (1) NSP eligible use: plan and administer activities under Richmond’s Neighborhood Stabilization Program.
 - (2) CDBG eligible activity: program administrative activities eligible under 24 CFR 570.206.

(b) Activity Description: This activity addresses all three of Richmond's areas of greatest need. Assisted households will all be income-qualified persons, including those below 50% of area median income. Each activity administered will ensure continued affordability as described in Sections G (3) through (7) below. Activities will include planning, outreaching to mortgagees, structuring and administering financing, managing the NSP activities and projects as described below, issuing RFPs/Qs for appraisers, contractors, property managers, and/or developers, and reporting and monitoring on the NSP activities.

(c) Budget: \$334,611

(d) Performance Measures: achievement of the performance measures of all NSP activities outlined below.

(3) Activity Name: Homebuyer Financing

(a) Activity Type:

(1) NSP eligible use: Establish financing mechanisms for 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) CDBG eligible activity: direct homeownership assistance and counseling under 24 CFR 570.201(n) and activities by CBDOs eligible under 570.204.

(b) Activity Description: This activity addresses the scarcity of adequate homebuyer financing assistance in all three of Richmond's areas of greatest need. Assisted homebuyers will all be income-qualified persons, including those below 50% of area median income. RNSP intends to develop a list of preferred lenders using appropriate underwriting terms. The NSP assistance would be for a period of 30 years, with interest of 3% deferred until the end of the term. Affordability will be ensured during this 30-year term through recordation of a Regulatory Agreement. Upon any sale prior to 30 years, the owner could sell the home at an affordable price to another qualifying buyer. Upon any sale to a non-qualifying buyer or above an affordable price, a penalty interest rate of 8% or a share of appreciation would apply. RNSP intends to contract with the Contra Costa County Housing Equity Preservation Alliance (HEPA) to provide homebuyer counseling for all NSP financing recipients, and may add other counseling agencies as this activity evolves. HEPA currently provides these services under the City of Richmond's CDBG program and is a collaboration among five agencies who have agreed to work with each other, under the leadership of Community Housing Development Corporation of North Richmond (CHDC). The other members of HEPA are Pacific Community Services, Inc., Housing Rights, Inc., Bay Area Legal Aid, and Housing and Economic Rights Advocates. The Richmond Community Redevelopment Agency (RCRA) has received a CalHOME grant that it will use in part to provide purchase assistance, allowing for greater leveraging of the NSP funds.

(c) Budget: \$334,610

(d) Performance Measures: financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, for homebuyer households with income levels as a percentage of AMI:

- (1) $\leq 50\%$ of AMI: \$267,688
- (2) 51-80% of AMI: \$33,461
- (3) 81-120% of AMI: \$33,461

(4) Activity Name: Acquisition, Rehabilitation and Disposition

(a) Activity Type:

- (1) NSP eligible use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
- (2) CDBG eligible activity: Acquisition, disposition, and direct homeownership assistance activities eligible under 24 CFR 570.201(a), (b), (i) and (n), as well as rehabilitation and preservation activities eligible under 570.202.

(b) Activity Description: This activity addresses the need to turn around abandoned or foreclosed homes in order to avoid or minimize blight and to provide quality affordable housing for low-, moderate-, and middle-income households in all three of Richmond's areas of greatest need. Assisted households will all be income-qualified persons, including those below 50% of area median income.

RNSP will purchase abandoned and foreclosed-upon properties at a discount from the fair market value, in conformance with Section II.Q of the Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act (HERA), 2008. RNSP intends to follow the discount methodology discussed in Section IIQ, namely to set purchase prices below the fair market value in an amount reflecting the expected carrying costs the seller/mortgagee is saving by selling to RNSP. Therefore, the average discount across all NSP-purchased properties will be at least 10% and the discount for each individual purchase will be at least 5%.

To the extent that a third party such as a Community Based Development Organization (CBDO) or a nonprofit or for-profit housing developer commits its own or other HERA funds to purchase, rehabilitate and resell such properties, RNSP may leverage funds by contributing to their activities.

RNSP will hire contractors through an RFQ/P process to rehabilitate purchased properties up to Housing Quality Standards and to incorporate solar and green building methods where possible.

The duration of assistance depends on the length of time required to acquire, rehabilitate and sell or rent the home. Residences will be sold at below market rate to income-qualified buyer to the extent sales are supported by the market. If a unit can not be sold for a price that will recover the development cost, RNSP may retain ownership for up to five years and rent the unit to a qualified household on an annual lease basis, with income levels recertified annually. RNSP will contract with a third-party property manager for all such rental properties. If RNSP sells a unit for below its development cost, a silent second loan and regulatory agreement will be recorded against the unit for between 5 and 45 years depending on the size of gap between the development costs and the sales price, due upon sale and ensuring the affordability of the unit.

RNSP intends to contract with HEPA to provide homebuyer counseling for all buyers of NSP-supported homes. The RCRA has received a CalHOME grant that it will use in part to rehabilitate homes, allowing for greater leveraging of the NSP funds for the stabilization of impacted neighborhoods. This activity may be combined with the NSP Homebuyer Financing activity, described in section G (2) above.

(c) Budget: \$1,338,442

(d) Performance Measures: units of abandoned or foreclosed upon housing to be acquired and rehabilitated in order to sell, rent, or redevelop for households with income levels as a percentage of AMI:

- (1) $\leq 50\%$ of AMI: \$334,610
- (2) 51-80% of AMI: \$535,377
- (3) 81-120% of AMI: \$468,455

(5) Activity Name: Land Banking

(a) Activity Type:

- (1) NSP eligible use: Establish land banks for homes that have been foreclosed upon.
- (2) CDBG eligible activity: Acquisition and disposition activities eligible under 24 CFR 570.201(a) and (b).

(b) Activity Description: This activity addresses the need stabilize all three of Richmond's areas of greatest need by purchasing, maintaining, assembling and disposing of foreclosed homes and vacant residential properties there for redevelopment, thus minimizing blight, and ultimately leading to additional affordable housing. Assisted households will all be income-qualified.

RNSP will purchase abandoned and foreclosed-upon properties at a discount from the fair market value, in conformance with Section II.Q of the Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under HERA, 2008. For land banking, it is especially important to maximize the discount rate; RNSP will pursue an average discount rate of 15-20% for land banking acquisitions. To

the extent a third party such as a CBDO or a nonprofit or for-profit housing developer commits their own or other HERA funds to land bank such properties, RNSP may leverage funds by contributing to their activities. Two Neighborworks member organizations operate in Richmond: CHDC and Richmond Neighborhood Housing Services.

RNSP will contract with one or more independent contractors to maintain land banked properties.

This activity may be combined with the NSP Homebuyer Financing and Rehabilitation and Disposition activities, described in sections G (3) and (4) above. When RNSP is ready to sell a land banked property, it will ensure the continued affordability of the housing by either:

- (i) Selling the land to a developer and recording a regulatory agreement requiring affordability for 45 years for homeownership developments or 55 years for rental developments; or
- (ii) Selling the foreclosed home directly to an income-qualified homebuyer at a below market rate price. RNSP intends to contract with HEPA to provide homebuyer counseling for all buyers of NSP-supported homes. If RNSP sells a unit for below its development cost, a silent second loan and regulatory agreement will be recorded against the unit for 30 years, due upon sale and ensuring the affordability of the unit.

(c) Budget: \$334,610

(d) Performance Measures: units of foreclosed housing to be land banked for households with income levels as a percentage of AMI:

- (1) $\leq 50\%$ of AMI: 0²
- (2) 51-80% of AMI: 0²
- (3) 81-120% of AMI: \$334,610

(6) Activity Name: Demolition

(a) Activity Type:

- (1) NSP eligible use: Demolish blighted structures.
- (2) CDBG eligible activity: Clearance of blighted structures as allowed in 24 CFR 570.201(d).

(b) Activity Description: This activity addresses the need to stabilize all three of Richmond's areas of greatest need by demolishing blighted structures on residential properties there and ultimately create opportunities to develop housing or other uses serving low-, moderate-, and middle-income households. Assisted households will all be income-qualified.

² As mentioned in Section G (1) (f) above, when possible RNSP will deepen the affordability of its activities.

RNSP will hire contractors through an RFQ/P process to perform demolition. This activity may be combined with the NSP Land Banking and Redevelopment of Vacant Property activities described in Sections G (5) and (7) above and below.

RNSP will ensure the continued affordability of the properties where it has demolished structures by disposing of the land to a developer and recording a regulatory agreement requiring affordability for 45 years for homeownership developments or 55 years for rental developments.

(c) Budget: \$501,916

(d) Performance Measures: units of housing to be demolished for households with income levels as a percentage of AMI:

- (1) $\leq 50\%$ of AMI: 0³
- (2) 51-80% of AMI: 0³
- (3) 81-120% of AMI: \$501,916

(7) Activity Name: Redeveloping Vacant Property

(a) Activity Type:

- (1) NSP eligible use: Redevelop demolished or vacant properties.
- (2) CDBG eligible activity: Acquisition, disposition, public facilities and improvements, public services for housing counseling and direct homeownership assistance activities eligible under 24 CFR 570.201 (a), (b), (c), (e), (i) and (n) and activities by CBDOs eligible under 570.204.

(b) Activity Description: This activity addresses the need to redevelop demolished or vacant properties which perpetuate blight, and to create affordable housing and/or public facilities serving low-, moderate-, and middle-income households in all three of Richmond's areas of greatest need. Assisted households will all be income-qualified persons, including those below 50% of area median income.

RNSP will either hire contractors through an RFQ/P process, or fund CBDOs or other developers to construct such properties, incorporating solar and green building methods where possible.

RNSP will record a regulatory agreement requiring affordability for 45 years for homeownership developments or 55 years for rental developments. This activity may be combined with the NSP Homebuyer Financing activities described in Section G (3) above, including housing counseling and direct homeownership assistance.

(c) Budget: \$501,916

³ As mentioned in Section G (1) (f) above, when possible RNSP will deepen the affordability of its activities.

(d) Performance Measures: units of housing to be redeveloped on vacant or demolished properties for households with income levels as a percentage of AMI:

(1) $\leq 50\%$ of AMI:	\$250,958
(2) 51-80% of AMI:	\$250,958
(3) 81-120% of AMI:	0