

CITY OF RIVERSIDE
NEIGHBORHOOD STABILIZATION PROGRAM II
APPLICATION

GRANT APPLICATION ID#: 744743127

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City of Riverside
Neighborhood Stabilization Program II Application

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Program Summary

The City of Riverside (“City”) is the most populous City in the Riverside/San Bernardino/Ontario Metropolitan Statistical Area (MSA, also known as the “Inland Empire”). The City has 26 Neighborhoods and is comprised of 7 Council Wards. The foreclosure crisis has had a significant impact on the Inland Empire. At one point, the MSA was the fourth worst impacted in the nation. In addition, the MSA has had one of the steepest declines in property value as a result of the foreclosure crisis. City staff has been tracking foreclosures in the MSA since July 2007 when news of the crisis became more prominent. There are two counties in Inland Empire- Riverside County and San Bernardino County. Riverside County has 24 incorporated cities (from Census 2000- two more cities have incorporated recently) and San Bernardino County has 24 incorporated cities (also from 2000 Census).

California is a non-judicial foreclosure state. The foreclosure process begins with a recorded Notice of Default (NOD), which is a public notification that the borrower has fallen behind in the monthly mortgage payments. If the default is not cured, or the loan renegotiated or replaced, the NOD is followed by a Notice of Trustee’s Sale (NOTS) after a minimum of three months. The actual Trustee’s Sale can not occur less than 20 days after public notice. The Trustee’s Sale is a public auction, at which anyone may place a bid, including the lender and any junior lien holders. The foreclosure process may be stopped if the default is cured 5 days in advance of the sale date. If no one bids, and the foreclosure process was not stopped, title (ownership) of the property reverts to the lender as REO property (Real Estate Owned). The typical foreclosure process takes at least 117 days in California.

There were a total of 66,379 residential properties taken all the way through the foreclosure process in the MSA from July 1, 2007 through May 13, 2009 (39,186 in Riverside County and 27,193 in San Bernardino County). In relation to all housing units (as estimated by the California Department of Finance, 2009), this represents 4.55% of the existing housing stock for the entire MSA that has gone into foreclosure. In the City of Riverside, 4.47% of all housing units have gone through foreclosure during this period (4,471 properties out of a total of 99,935 total housing units). Riverside currently ranks 13th of 25 in Riverside County (24 cities and the unincorporated area as a whole), and 30th of 50 for the MSA (48 cities and the unincorporated areas of each county counted as separate entities). As a result of the foreclosure crisis, the City received a direct allocation of \$6,581,916 from the first round of the Neighborhood Stabilization Program (NSP 1).

The labor market has presented additional challenges as the regions unemployment rate continues to climb. As of May 2009, the unemployment rate reached 13.1 percent (or 120,200, 914,600) and is still climbing. The construction sector has been the most losing sector in Riverside County having lost an estimated 51,300 jobs from January 2007 through May 2009. According to the 2007 American Community Survey, 9 percent of the City's residents were employed in the construction sector. Job losses for persons employed in this sector will continue to persist while the housing market is still in a slump.

The U.S. Department of Housing and Urban Development (HUD) has provided an NSP mapping tool, which qualifies geographic areas at the Census Tract level. HUD has established two foreclosure related risk scores:

- Foreclosure "Risk" score based on the estimated number and percentage of foreclosures within the census tract.
- Vacancy "Risk" score based on the estimated vacancy rate within the census tract.

Both risk scores range from 1 to 20, with 20 being the HUD-estimated area of greatest need. The NSP mapping tool was used to identify all relevant census tracts within the City and provide an assessment of "qualified" or "not qualified".

There are a total of 62 census tracts in the City, of which 61 are eligible based on the foreclosure and vacancy rating factors established by HUD. This represents approximately 98% of the City identified as meeting HUD's requirement of areas with greatest need. The average foreclosure risk score and vacancy risk score for the identified census tracts were 19.77 and 14.85, respectively. The boundaries of these targeted geographies are included in Exhibit "A". The non-qualifying census tract is the location of the University of California Riverside, which is one of the four universities located within the City.

The City will prioritize the use of the NSP 2 funds by first targeting the acquisition of foreclosed units in neighborhoods with the highest concentration of vacant and foreclosed residential properties as evidence by information provided by the NSP mapping tool and the City's data on foreclosures that have occurred from July 2007 through May 2009. The initial target areas will be in those neighborhoods that meet the above criteria and are near highly visible corridors of the City.

The funds will be used in four primary activities, plus administration:

- 1) Acquisition/Rehabilitation and resale to first-time homebuyers;
- 2) Acquisition/Rehabilitation and rental, which will include one of the following three sub-activities:
 - a) Rental to income-eligible families in a lease-to-own plan;
 - b) Rental to income-eligible families as affordable rental units; and
 - c) As required, 25% of the funds will be used to serve residents earning at or below 50% of the area median income ("AMI")- the City of Riverside intends to utilize these funds for acquisition and rehabilitation of multi-family units in partnership with non-profit housing developers- where possible, these units will be used to augment the special needs housing categories;
- 3) Acquisition/demolition/redevelopment of units that would cost more to rehabilitate than the purchase price (this may include demolition of units already acquired properties for future

affordable housing projects as a method of land banking) or stalled residential construction projects in which the Developer has been foreclosed upon;

- 4) As a financing mechanism to ensure affordability (down payment assistance and/or buy-down of the interest rate) primarily for families buying units that have been rehabilitated through this program; and
- 5) Administration of the program will not exceed 10% of the NSP 2 grant and 10% of program income.

The City of Riverside will be the lead agency; however, the Redevelopment Agency of the City of Riverside (Agency) and City of Riverside Housing Authority (Housing Authority) are separate legal entities under the City that have allocated resources to this effort as well. The Housing Division of each entity is staffed by the same persons and general oversight is provided by the same governing Board (i.e. City Council). The Housing Authority will hold title to properties acquired using the City's NSP 2 funds or the Agency's Redevelopment Housing Funds. A memorandum of understanding has been established to facilitate the conveyance of title from the City or Agency to the Housing Authority.

The City's foreclosure issue is currently being addressed through the use of NSP 1 and the Targets of Opportunity (TOO) Program, the Redevelopment Agency's problem property initiative which is being used in a coordinated effort with NSP to mitigate the detrimental impacts of vacant, foreclosed, and abandoned properties on the community's neighborhoods. The NSP 1 and TOO funds are primarily being used for the acquisition and rehabilitation of residential properties, which the City will either sell, rent, or rent-to-own to income-qualified households. The City established support panels to assist with various aspects of the development cycle undertaken with the use of NSP 1 and TOO funds which included Housing Rehabilitation Specialists, Appraisers, Asset/Property Managers, Contractors, and HUD-certified Homebuyer Education Counselors. These private consultants and contractors have particular expertise to support the NSP efforts, and as a result the use of these companies helps in providing jobs in economic sectors that have been hit the hardest by the economic downturn. A variety of housing needs are being supported as the City is pursuing multi-family structures such as duplexes and tri-plexes to provide affordable rental opportunities to very-low income households (earning at or below 50% of the area median income). In keeping with the Riverside's commitment to green building, the City is incorporating energy efficient design improvements and utilizing sustainable building materials to ensure that all NSP- and TOO-assisted properties provide the most viable housing opportunities for low- and moderate-income households. The City was recently recognized this year by the State of California Department of Conservation as an Emerald City, the first ever given in the State for sustainable green initiatives and renewable energy sources, which illustrates the City's strong commitment to pursuing green initiatives and policies.

The City is actively engaged in efforts to stabilize its neighborhoods and encourage affordable housing opportunities. To date, housing staff has identified and reviewed over 450 properties within the City. Immediate action is needed to prevent further neighborhood deterioration created by the mounting number of foreclosures. The City has already committed \$25,000,000 in non-federal funding sources to NSP efforts. By this application, the City of Riverside is requesting \$12,500,000 in NSP 2 funding. The City intends on returning approximately 360 homes back to productive use in the housing market or eliminating their negative effects on the integrity of the City's neighborhoods. If awarded NSP 2 funds, the City intends to leverage funds along with local resources and NSP 1 funds to maximize its efforts in addressing problem properties. Furthermore, the City is very active in its efforts to spur as much local economic opportunity for the City's residents and businesses by requiring that all construction related

materials be purchased from local vendors. Overall, the City is committed to restoring stability to its neighborhoods, improving the City's housing stock, and increasing the supply of affordable housing opportunities.

Factor 1: Need/Extent of the Problem

Target Geography

The City is actively engaged in addressing the current foreclosure crisis and has allocated a significant amount of resources in combating its negative effects on the community. Target areas have been identified in the City through HUD's NSP mapping tool, which identifies geographic areas at the census tract level. There are a total of 62 census tracts in the City, of which 61 are eligible based on the foreclosure and vacancy ratings threshold requirements as established by HUD (see Exhibit "B" for list of target areas). The boundaries of these targeted geographies are included in Exhibit "A". Although 98% of the City is eligible under NSP 2, primary use of the funds will be focused in areas where foreclosures have been concentrated where the greatest impact can be achieved towards neighborhood stability.

Market Conditions and Demand Factors

The Inland Empire has been more significantly impacted by the foreclosure crisis than the rest of the nation. Foreclosure filings were reported on 50,885 properties in the Riverside-San Bernardino metro area in the first quarter of 2009, up 41% from the previous quarter and 37% above the level reported for the first quarter of 2008 (RealtyTrac U.S. Foreclosure Market Report, 2009). In the month of June, one foreclosure related filing occurred for every 80 homes. During the height of the housing market, the Inland Empire was one of the most desirable locations for homebuilders and households alike because of the areas relative affordability in comparison with the rest of Southern California and availability of undeveloped land. As a result, the region experienced tremendous economic and population growth during the peak years of the housing market.

The City of Riverside is the most populous city in the Inland Empire with approximately 316,154 (2007 American Community Survey). Currently, there are 99,935 total housing units throughout the City, of which 53,397 units are owner-occupied and 38,481 are renter-occupied. The homeownership rate stands at approximately 53%. Riverside's residential market has experienced significant declines in housing value. At the height of the housing market in January 2007, median price for a single family home in Riverside County was \$415,160 (California Association of Realtors). According to the California Association of Realtors, housing affordability within the Inland Empire had dipped to an all time low of 18% during this period of time (only 18% of residents could afford to purchase a home, based on median incomes and median housing costs). In order to purchase or refinance home during this time, many of these households were unable to qualify for conventional loans and utilized subprime loans instead. When mortgage rates adjusted, many homeowners found themselves in a position where their mortgage payments had drastically increased. Because of this, the Inland Empire has been one of the worst impacted regions in the nation. The following are factors that are contributing to the housing and economic challenges currently being faced by the City and surrounding jurisdiction in the Inland Empire.

Factor 1: Inflation of Housing Values

New construction during the housing boom (2000 – 2006) accounted for approximately 13,053 total housing units (or 13% of the existing housing stock). The majority of Riverside's housing stock was built prior to 1980, accounting for approximately 60,387 total housing units (or 61% of the existing housing stock). Comparatively, neighboring jurisdictions such as Beaumont grew by

177%, Murrieta grew by 129%, and Coachella grew by 75% during this same period of time. However, during 2004 to 2007, Riverside led the entire county in new and existing home sales with approximately 24,378 units, ahead of Corona (21,666), Moreno Valley (17,908), and Murrieta (15,862). What the aforementioned data suggests is that Riverside's foreclosure problem is not a function of over-building as it is in other jurisdictions. Riverside's problems stem from the sudden rise in property values. At the height of the housing market, a median priced home in Riverside was valued at \$415,160. A majority of the housing units in Riverside experienced exponential increases in property value which led to a surplus of equity which homeowners were then able to tap. This was the same for jurisdictions throughout both counties as the Inland Empire became an ideal destination for developers and home builders looking to profit on the abundance of undeveloped land. Due to loose lending practices and exotic loan options such as interest only, option ARMs, and negative amortization loans; many homeowners borrowed against the value of their home and pulled out equity. When rates adjusted and monthly mortgage payments suddenly increased, many homeowners either fell behind with their mortgage payments and were foreclosed upon or just walked away from their property. Presently, more than 225,000 households (or 1.5%) throughout the Inland Empire owe more on their mortgages than their actual homes are worth. This represents a future problem as many of these households may potentially choose to walk away from their homes.

Additionally, speculation further impacted home valuations as investors began to purchase homes and subsequently flip them for a profit. In effect, speculative investors played a significant role in placing further upward pressure on property values by utilizing exotic loan options to purchase property, with little commitment of their own resources, and subsequently sell them for a profit (2008 John Husing Economic Report). However, when demand plunged in the housing market, the profits realized from speculation quickly disappeared leaving many investors with no profit to be made. Speculators held on to a significant portfolio of homes which no longer were appreciating in value, but rather eroding in value. In many instances, these investors walked away from these properties. Often, many abandoned properties identified by city staff are midway through a rehab, which is generally an indication of a house-flipper abandoning the property.

Factor 2: Social and Economic Demographics

Riverside is an economically and socially diverse community at all levels. Approximately 65.5% of the total population is white (which includes Hispanic and Latino ethnicities), 6.5% black or African American, 1.5% American Indian, 7.4% Asian, and 0.3% Native Hawaiian, and 24.6% that identify themselves as other. The median income for all Riverside households is \$55,999 (2007 American Community Survey). Individual household affordability is both a function of household income and size. For the purposes of this grant, Riverside's median income of \$55,999 will be used as the basis to determine income and general affordability levels for households at 50% of area median income (AMI), 80% of AMI, and 120% of AMI. Households at 50% of the area median income (AMI) earn \$27,995.50, households at 80% of the AMI earn \$44,799.20, and households at 120% of the AMI earn \$67,198.80.

Income Category	50% of AMI	80% of AMI	120% of AMI
Annual Income	\$27,995.50	\$44,799.20	\$67,198.80
Affordable Rental (30% of gross monthly income)	\$700.00	\$1,120.00	\$1,680.00
Affordable Homeownership (35% of gross monthly income)	\$817.00	\$1,307.00	\$1,960.00

Given these facts, it is important to understand its implications relative to the existing housing market. According to the 2007 American Community Survey, more than 37% of all owner-occupied households spent more than 35% of their gross monthly income on housing cost. This means more than a third of Riverside homeowners are currently outside of their affordability range. In renter-occupied units, more than 51% of renter households in Riverside spend more than 30% of their gross monthly income on rent. Relative housing affordability amongst both existing homeowners and renters in Riverside is low. Homeowners present a significant concern as many threaten to abandon their homes as a result of their inability to make their mortgage payments, further impacting the stability of Riverside's neighborhoods. Additionally, increasing access to affordable homeownership opportunities for renters is necessary in reducing their housing costs and reoccupying many of the homes that now sit vacant.

Factor 3: Local Job Market

The deepening recession has severely affected the local job market as the unemployment rate continues to rise and job security becomes a growing concern for residents. According to the California Employment Development Department (EDD), as of May 2009 Riverside County has an unemployment rate of 13.1% (or 122,200), which ranks Riverside County 34th out of 58 counties in the State of California. In relation to April 2008 when the unemployment rate was 6.9% (or 63,200 unemployed), job loss has nearly doubled over the past year in the region. The three major areas of employment that have seen the largest loss of employment in the county have been the construction sector, retail sector, and manufacturing sector. According to the EDD, these sectors ranked first (-22,400), second (-18,400) and third (-12,200) as of January 2009, respectively.

The aforementioned sectors were primarily tied to the housing boom, most notably the construction sector. With minimal new construction or rehabilitation activities currently taking place, many laborers in the construction industry are currently out of work. According to the 2007 American Community Survey, approximately 12,905 Riverside residents were employed in the construction sector, which represented 9% of Riverside's workforce. Job loss is a critical factor as the unemployment rate continues to rise threatening even prime borrowers whom in the event lose their job will be unable to make their monthly mortgage payment. The collapse of the housing market has particularly had a significant affect in Riverside as a substantial group of its workforce is no longer employed. Furthermore, with no new residential construction, less money is being spent in the retail sector on goods such appliances and furniture. Many manufacturers that are tied to construction sector are hindered as demand declines for housing related materials such as doors, hinges, and plumbing fixtures. Subsequently, cities such as Riverside experience decreased sales and property tax revenue which hinders essential public services such as libraries, fire, and police. According to the California State Board of Equalization, taxable sales in Riverside County are down 10% as of the first quarter of 2008. This measure is sure to have increased over the past year. Experts speculate that until the housing market stabilizes, job losses within the region will persist as reduced revenues cause businesses to cut hours or lay off employees. In order to spur activity in the local economy and curb further job loss, the City is preferentially purchasing goods such as building materials, fixtures, and appliances from local businesses and vendors. Additionally, a provision in all construction agreements for NSP related activities require that all goods and services be procured within the City, if available in sufficient supply. The City will do what it's reasonably can to assist local employers and businesses during these challenging economic times.

Factor 4: Fraudulent Mortgage Scams

An increasing issue affecting the Inland Empire is the prevalence of mortgage modification scams. According to the California Department of Real Estate, statewide cases of fraudulent mortgage modification activities jumped from only 10 cases a year ago to more than 750 this spring where the Inland Empire had the most cases in the State. As federal- and state-imposed foreclosure moratorium phase out, distressed homeowners are becoming desperate searching for any means to stay in their homes and avoid foreclosure. Recent legislation passed through such acts as the Making Home Affordable Program slowly gain momentum, many mortgage scammers are taking the opportunity to identify the most struggling households. Mortgage scammers are targeting distressed homeowners and guaranteeing the ability to successfully modify their high cost mortgages. Usually these services come at a significant cost and many homeowners have blindly fallen prey to the predatory activities of these mortgage scammers. Additional fraudulent schemes have included sales-leasebacks, quitclaims, stripping homeowner equity and misleading homeowners into signing over deeds. As a result of these activities, many of these homes inevitably end up foreclosed upon.

Current Market Conditions

The current housing market has yet to see a bottom as property values continually decline month-to-month. Development in and around Riverside has slowed significantly which has created additional strain on the local market as job losses still persist. As of April 2009, a median priced home in Riverside was approximately \$175,000 which represents 55% decline from last years high of \$384,705. Property values are resetting to levels seen prior to the housing boom, which may signal that a floor will soon be reached. Using the City of Riverside's income distribution, approximately 56% of Riverside households can currently afford a median priced (2007 American Community Survey):

- A median priced home at \$175,000, with 3% down on a 30-year fixed FHA mortgage at 5.09% (most recent FHA rates) with insurance of \$525 (.3% of purchase price), 1% property tax at \$1,750, and .50% FHA annual premium fee of \$875, would require a monthly payment of \$1,183.11 or \$14,197.32 per year. At 35%, this would require an annual income of at least \$40,564.

According to data retrieved from the Citrus Valley Association of Realtors, month-to-moth property sales have seen a 66% increase since March 2008. Total months inventory is currently estimated at three (3) months which is a direct result of federal- and state-imposed foreclosure moratoriums set to end this summer which has led dwindling of active foreclosure listings. Another wave of foreclosures is imminent, but the scale to which it will impact Riverside is still unknown. Recent information from Dataquick suggests that of the 4,000 foreclosed homes that have been sold and purchased within the City since mid-2007; approximately 20% of these properties have been acquired by investors. Given the low price appeal of Riverside, it can be reasonably assumed that the level of investor activity will continue to increase. Investors pose a unique threat to homeownership opportunities and neighborhood viability- as it is their intent to hold on to these properties long-term until the market rebounds and a profit can be realized. In the interim, these homes become rentals. A longstanding policy of the City has been encouraging an increase in homeownership rate, but given the housing market's low price-appeal, a reduction in homeownership is threatening.

At this time, the Riverside residential market is active as the aforementioned data expresses; however, as mortgage rates continue to reset and federal- and state-imposed foreclosure

moratoriums phase-out, the next wave of foreclosures is coming. According to the Mortgage Bankers Association, 12% of current mortgage holders are delinquent on their loans or are in some stage of foreclosure as of first quarter of 2009. It is unknown at this time how the next wave of foreclosures will impact the City. Furthermore, it is unknown how many properties will ultimately go through foreclosure as lenders now have incentives to modify high cost loans. An optimistic view is that given the low-price appeal, the Riverside housing market should reasonably absorb the excess inventory of vacant and foreclosed properties within the next five (5) years. First-time homebuyers are now finding that prices are within their affordability range but the unknown factor will be to what extent investors will be active within the market. Properties that are extremely distressed may not be addressed by the private market. As the housing stock in Riverside continues to age (28% of homes built prior to 1960), there is concern to what extent many buyers, either owner-occupant buyers or investor buyers, will address health and safety issues in accordance with local building ordinances. The City will be actively pursuing those properties that are in deplorable condition which the private market will pass over.

Addressing the Problem

All five (5) eligible activities will be utilized with particular focus on acquisition and rehabilitation of single-family homes for subsequent sale or rent/rent-to-own to income eligible households. During the housing boom, Riverside led all cities within the county in the new and existing home sales with approximately 24,378 units. It can be reasonably expected that many of these homes are currently upside down and/or have high cost mortgage loans set to reset in the near future. This will significantly augment the number of foreclosure properties currently listed and poses the most significant threat to neighborhood stability. In addition, Riverside's housing stock continues to age with many of these older homes presenting the greatest threats to health and safety. Priority will be given to homes in the most deplorable conditions for which the private market will ignore. The City is concerned that older homes be addressed properly in order to preserve the well-being of future households and preserve the integrity of the City's neighborhoods for years to come.

Recent Results

Since January 2009, the City's housing staff has identified and reviewed over 450 properties to date. The properties are identified in many ways including direct staff field inspections, internal City referrals, real estate agent contacts, and referrals from the National Community Stabilization Trust (NCST), a non-profit intermediary working with lenders to make foreclosed homes available to local communities at discount prices before they are listed on the open market. Despite the high volume of initial leads, approximately three-quarters of the prospective properties were either outside of the NSP 1 eligible target areas or were simply unavailable (i.e. not listed, still occupied, etc.). The remaining approximately 100 properties represent acquisition candidates that are in various stages of evaluation, appraisal, acquisition authorization, negotiation, or documentation. To date, 16 residential properties have been acquired with 7 currently in escrow with a combination of both NSP 1 funding and local resources. Approximately \$1,520,483.50 of the City's available \$6.5 million NSP grant has been committed in the programs first quarter. Part of the challenge in closing additional properties has been due to the very low number of currently active foreclosure listings in Riverside, which as of June 9th was at 188 residential properties (according to the Multiple Listing Service). This is a direct result of Federal- and State-imposed foreclosure moratoriums, which have led to considerable competition with the private market in pursuing these properties. However, given current conditions, the City is highly optimistic and encouraged that it will be successful in meeting its goals towards positively impacting the Riverside housing market.

Factor 2: Demonstrated Capacity and Relevant Organizational Staff

The City of Riverside is actively engaged in increasing affordable housing opportunities through both projects and programs. The City’s priorities are: 1) providing livable neighborhoods, 2) adequate diversity in housing types and affordability levels, 3) improve opportunities for low and moderate-income residents to rent or purchase homes, and 4) provide housing and supportive services for Riverside residents with special needs. In addition, the City is an entitlement community and receives annual allocations from HUD for the following entitlement grants: HOME Investment Partnership Funds (HOME), Community Development Block Grant (CDBG) funds, Housing Opportunity for Persons with Aids (HOPWA) funds, and Emergency Shelter Grant (ESG) funds. The City is currently in good standing with respect to the aforementioned entitlement grants. Within the last two years, the City has undertaken projects and programs have served 448 households and expended approximately \$13 million in funding.

Housing Projects and Programs within the last 24 months:

JE Wall Victoria Manor Senior Project

An acquisition/rehabilitation project that consisted of 112 very-low income senior rental units that was at risk of converting to market rate units. The purpose of the project was to extend the affordability period of the project and provide decent, affordable housing for local senior residents. This project was initially constructed in 1990 using Low Income Housing Tax Credits which only required a 15-year affordability period and was structured to cash out the investors principle and interest when the 15-year period was completed. This did not provide for an appropriate exit strategy leaving the units at risk to converting to market rate. Additionally, the siding materials used to construct the units had failed; however the class-action lawsuit did not provide any resources for reconstruction. The City of Riverside assisted the J.E. Wall Victoria Manor Preservation L.P., a new partnership entity created between Workforce Homebuilders, LLC (Developer) and St. James Church of God in Christ, to acquire the subject property and perform the rehabilitation. The City assisted the developer in obtaining Low Income Housing Tax Credit (LIHTC) financing which was used to finance a substantial portion of the project’s budget. The total project cost was approximately \$11,784,376 with \$3,585,000 in subsidy from the City’s Redevelopment Agency. The project was made available to seniors who were 55 years or older and whose incomes were between 50% - 60% of the Riverside - San Bernardino-Ontario MSA AMI. JE Wall now offers improved amenities, larger units, and energy efficient improvements. A 55-year affordability covenant was placed on the property extending the affordability period to 2062. The improvements and the change in management will ensure that the building complex and its amenities function better for the residents and the neighborhood well into the future. The project was completed June 2008.

Before:



After:



Cypress Springs Housing Development

This was a new construction project involving the development of vacant land. The project consisted of 101 units, of which 99 were made affordable to very-low income families (30% - 50% of AMI). The purpose of the project was to expand the availability of affordable rental housing for very-low income families, and includes an on-site childcare center and on-site blind services support facility. The City of Riverside partnered with the Riverside Housing Development Corporation (RHDC), a certified Community Housing Developer Organization (CHDO) to perform the acquisition of the vacant parcels and perform the construction. A combination of HOME funds, Redevelopment Housing funds, LIHTC funds, Affordable Housing Program funds, and a bank loan comprised the \$23 million development costs. Of this amount, the City and Redevelopment Agency contributed a combined \$2,434,927. The project is located in the Arlanza Neighborhood, adjacent to retail and shopping centers requiring minimal vehicular use for Cypress Apartment residents for everyday necessities. This development has improved the quality of life for the local residents and provided a catalyst for revitalization in the Arlanza neighborhood for years to come. The project was completed December 2007.

Before:



After:



TELACU Las Fuentes

This was a new construction activity involving the development of vacant land. The project consisted of 75-unit, very-low and low-income senior apartments. The purpose of the project was to expand availability of senior affordable housing. This was a HUD 202 project, which the developer, The East Los Angeles Community Union (TELACU), was awarded \$9,000,000 for the project. The Redevelopment Agency contributed an additional \$651,200 in additional subsidy. The project is located in the Eastside Neighborhood, adjacent to retail and shopping centers requiring minimal vehicular use for senior residents. All units, except one manager's unit, have been made affordable to seniors who are 62 years of age and older and whose income does not exceed 50% of the area median income level. Rents do not exceed 30% of the household's gross monthly income. The project was completed in June 2007.

Before:



After:



TELACU El Paseo (Under Construction)

This is another new construction project on undeveloped land. The project consists of 75 units of very-low income senior rental units. Currently under construction, completion is anticipated in January 2010. This is also a HUD 202 project developed by TELACU. The overall budget includes \$1,679,000 of Redevelopment Agency Housing Funds, \$2,245,555 of HOME funds, and \$10,139,675 of HUD 202 funds. All units (except one manager's unit) will be made available to seniors who are 62 years of age and older; and whose income does not exceed 50% of the area median income level. Rents will not exceed 30% of the household's gross monthly income.

Indiana Apartments Phase II (Under Construction)

This is an acquisition/rehabilitation project that consists of 7 substandard four-plexes, creating 32 units of very low-, low-, and moderate-income rental units. 8 units will be designated for the Supportive Housing Program (SHP), in which special needs clients (i.e. homeless) will be provided affordable housing and case management services. Currently under construction, completion is anticipated in January 2010. The overall budget includes \$1,469,910 in HOME funds, \$710,176 in Redevelopment Housing Funds, \$225,000 in SHP funds, and \$1,152,000 in a private bank loan.

City's Housing Rehabilitation Program

The primary objective of the Housing Rehabilitation Program is to improve the City's housing stock and stabilize deteriorating neighborhoods. The rehabilitation program is offered to low- to moderate-income households. There are a variety of products to choose from:

- a. *Accessibility Housing Grant*- funds up to \$5,000 to owner-occupants to improve access for persons with disabilities.
- b. *Senior Housing Grant*- funds up to \$5,000 to owner-occupants to correct code deficiencies and make minor improvements.
- c. *Mobile Home Grant*- funds up to \$8,000 to owner-occupants to correct code deficiencies and make minor improvements.
- d. *Low-interest loans* up to \$40,000 to eliminate health and safety issues (primarily used for single-family homes).

Funding for the program is comprised of CalHome funds (grant from the State), HOME Investment Partnership (HOME) Program funds, and Redevelopment Housing Funds. Since 2007 the City has provided 160 applicants with assistance through the Housing Rehabilitation Program, of which 23 were owner-occupants of single-family homes and 137 were owner-occupants of mobile homes. The City sets annual goals of assisting at least 75 households.

City's General Plan and Housing Element Update

In 2007, the City began updating its existing General Plan through to 2025, in which an evaluation of the existing Housing Element began. Revisions are being made to the City's Housing Element which will provide an analysis of the existing housing stock and an analysis of all affordable housing projects and programs and evaluate their effectiveness and results obtained. Areas of potential need are being identified relative housing needs and affordability levels.

Collaborative Partnerships

The City has forged collaborative relationships with non-profit, for-profit, and faith-based organizations in addressing the housing needs of the community. Many of the existing affordable housing projects and programs are made possible through the collaborative efforts of these organizations with the City. Most recently the City has worked with the following organizations:

- **National Community Stabilization Trust** (Trust) is a national consortium of non-profit organizations that is acting as an intermediary between financial institutions (lenders) and jurisdictions. Following the creation of NSP 1, the Trust created an REO acquisition program providing localities with expedited access to lender-owned property at reduced prices. Given current market conditions, the Trust has proven to be the City's most successful mode of acquiring property. To date, the City has successfully acquired 8 properties through its partnership with the Trust. The Trust has recently created an REO Capital Fund with the intent to assist localities in obtaining acquisition and development financing, and will be submitting an application to HUD for NSP 2 funding to raise additional capital. Although the City has identified sufficient financial resources in pursuing its community revitalization efforts, the City does support the Trust in their venture to apply for NSP 2 funding to provide additional federal and private investment to the Inland Empire region, which will provide significant support in arresting further decline in the regions housing market and stabilize neighborhoods.
- **Riverside Neighborhood Partnership** (RNP) is a local community group whose mission is to encourage and facilitate the formation of neighborhood associations city-wide and to act as a clearinghouse for neighborhood concerns. This community group is part of a larger initiative of the City to actively engage residents through these neighborhood associations and providing information relative to City initiatives, programs, or projects. To date, the City in collaboration with the RNP has established over 50 neighborhood groups. The RNP has been instrumental in empowering residents to be actively involved within their respective neighborhoods.
- **Fair Housing Council of Riverside County** is a local non-profit organization providing services relative to tenant-landlord discrimination issues, is a HUD-certified homebuyer education counseling agency, and provides foreclosure prevention/loss mitigation counseling services. In October 2007, the City entered into a public services agreement with Fair Housing to provide foreclosure prevention counseling services; the City provided \$30,000 of CDBG public service funds for this purpose. Over the term of that agreement, Fair Housing was able to achieve a success rate of approximately 30% of its clients modifying their loans allowing their payments to be affordable.
- **Habitat for Humanity Riverside** is the local chapter of the national organization and is a continued partner of the City. Recently Habitat and the Redevelopment Agency partnered in the development of a single-family home that is platinum-level certified under the Leadership in Energy and Environmental Design Standard (LEEDS), a U.S. standard that identifies buildings that are environmentally responsible. The home was constructed using renewable building materials, non-toxic products for the interior design, and utilizes solar power.
- **Mary Erickson Community Housing** (MECH) is a locally designated Community Housing Development Organization (CHDO) primarily engaged in the development of affordable housing. In 2005, MECH was responsible for the development of 6 single-family homes made affordable to low- and moderate-income households. In the 2008-09 program year, MECH was awarded \$386,500 by the City to acquire, rehabilitate and sell foreclosed single family homes to income-eligible first time homebuyers.

- **Riverside Housing Development Corporation (RHDC)** is a locally designated CHDO that engages in the development of affordable multi-family projects. In addition, the City has partnered with RHDC numerous times in the acquisition and rehabilitation of apartment buildings that were in need of substantial rehabilitation and were a detriment to the surrounding neighborhood. Currently, RHDC administers the City's Housing Rehabilitation Program.
- **TELACU** is a locally designated CHDO that engages in the development of affordable senior projects within Riverside. TELACU has already completed one project in the City (TELACU Las Fuentes) and is currently under development of a new 75-unit affordable senior project. Discussions are already beginning for a third project to be developed in the near future.

Management Structure

Staffing and Support Panels

Organizational structure relative to the management of NSP 2 is attached as Exhibit E. For the purposes of NSP 2, the City is the lead agency; however, as properties are acquired using NSP 2 funds, title will be conveyed to the Housing Authority, as the Housing Authority maintains and holds title to the City's affordable housing inventory. A memorandum of understanding (MOU) has been developed to establish and affirm these transfers and use of NSP 2 funds. In addition, the Redevelopment Agency has appropriated redevelopment housing funds for the same purpose as NSP 2, and property acquired using those funds will be transferred to the Housing Authority also. An MOU has been established facilitate the transfer of title and use of these funds.

A core staff group has already been established to manage the implementation of the NSP 1 allocation. This same team will be responsible for administering the NSP 2 grant. The group consists of an Acquisitions Coordinator, a Rehabilitation Coordinator, a Program Assistant, and a Housing Authority Manager. The Acquisitions Coordinator is primarily responsible for overseeing the various stages of the acquisition and disposition of property, the Rehabilitation Coordinator is responsible for general construction administration, and the Program Assistant is responsible for managing finances and general correspondence. All three positions report to the Housing Authority Manager, which provides general oversight of the entire team. In addition to the internal core group, specialty disciplines needed for the various aspects of the development cycle will be retained through the formation of pre-qualified vendor panels including Housing Rehabilitation Specialists, Contractors, Real Estate Appraisers, Asset/Property Managers, and HUD-certified Homebuyer Education Counselors.

References

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Factor 3: Soundness of Approach

The City of Riverside received a direct allocation of NSP 1 funding from HUD in the amount of \$6,581,916. In August 2008, the Redevelopment Agency appropriated \$5 million to fund the Targets of Opportunity (TOO) Program- a foreclosure initiative- to address the growing inventory of vacant and foreclosed properties within Riverside. The intent of the City in pursuing NSP 2 funding is to further augment current resources needed to address the foreclosure crisis.

Like NSP 1, the City will prioritize NSP 2 funds by first targeting the acquisition of foreclosed units in neighborhoods with the highest concentration of vacant and foreclosed properties, as evidenced through the City's data on foreclosures that have occurred from July 2007 through May 2009. The initial target areas will be in those neighborhoods that meet the above criteria and are near highly visible corridors of the City.

Distribution and Use of Funds

The NSP 2 funds will be used in four primary activities, plus administration:

Acquisition/Rehabilitation and Resale (NSP-1)

The City will acquire and rehabilitate foreclosed, abandoned single family units and sell them to income-eligible first time homebuyers (individuals and families that have not owned real property in the previous three years). This will be done through a combination of leveraged and partnered purchase and direct purchases. The final sales price will be no greater than the initial acquisition and rehabilitation costs. All acquisitions will be for at least 1% below an appraised value determined no more than 60 days prior to the date of the offer to purchase.

Income-eligible first time homebuyers will not be earning greater than 120% AMI as defined by HUD. The table at Exhibit C shows these income limits as adjusted for family size for the Riverside area. The prospective buyers will be required to attend both pre-acquisition HUD-certified homebuyer counseling, and post-acquisition homebuyer counseling for a minimum of eight (8) hours. The principal, interest, taxes, insurance and (if applicable) homeowner association fees shall not exceed 35% of the family's adjusted gross income.

A minimum 3% down payment will be required of the home-buying family. Should a gap exist between the mortgage based on the sales price and 35% of the family's income, the gap may be filled with NSP funds on a pro-rated equity share basis. The City's loan would be a junior

lien; the pro-rata equity share would be based on the percent the subsidy is calculated on the after-rehab sales price.

Acquisitions will be done in small batches, grouped either geographically or by lender, depending on the negotiations for purchase. This will be Riverside's primary use of NSP funds.

Acquisition/Rehabilitation/Rental (NSP-2 a, b, c)

This activity has three sub-activities: rent-to-own; affordable rental units; and multi-family rental for households earning at or below 50% of the Area Median Income (AMI)

- a. Depending on the pool of applicants for the purchase of the rehabilitated units, there may be some that have adequate income but lack an appropriate credit score to be able to purchase at this time. The Housing Authority would take title to the unit, and lease the unit in a rent-to-own scenario. Enrollment at a recognized credit counseling agency would be mandatory, and a portion of the rent would be set aside to start collecting as a down payment; the lease-to-own contract could not exceed 36 months. This may occur for all income levels up to 120% AMI.
- b. Some of the single family units may be owned by the Housing Authority and made available at affordable rental rates for households at all income levels up to 120% AMI.
- c. For the required 25% of NSP funds to be used to serve individuals and families at or below 50% AMI, the City of Riverside will use the funds in acquisition/ rehabilitation/ rental activities primarily to serve very-low income households and special need clients. These funds will be utilized for acquisition/redevelopment of multi-family units in partnership with non-profit housing developers. This activity may also include the acquisition/redevelopment of stalled multi-family construction projects that have been foreclosed upon prior to completion. Typically, title to the property would be transferred to the Housing Authority for sustainable affordable housing. Where possible, these units will be used to augment the special needs housing categories.

Acquisition/Demolition/Redevelopment (NSP-3)

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, staff would consult with the City's Building Official regarding the structural soundness of the property. If deemed appropriate, demolition would occur. Plans to develop the parcel as an in-fill unit or units would commence immediately. Several redevelopment options would be considered. One option would be to sell the parcel to an affordable non-profit developer for \$1 for their next new construction project; another option would be to make it available to a non-profit for special needs housing. A second possible use under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility; and the use of these funds to demolish currently city-owned properties for future affordable housing projects as a land banking method. A third possible use under this activity may also include the acquisition of vacant or foreclosed parcels which can be developed as affordable in-fill units. A final possible use under this activity may also include the acquisition of stalled construction projects in which the developer was foreclosed upon prior to substantial completion. These projects pose significant health and safety issues, as well as are an attractive nuisance for vandals and vagrants. The City's main intent is to preserve housing structures at all cost. Housing structures will only be demolished if they present a significant health and safety issue, impacting the well-being of the surrounding neighborhood.

Financing Mechanism (NSP-4)

As defined in the NSP regulations, down payment assistance and/or other financing mechanisms are permissible uses of the NSP 2 funds. It is anticipated that most, if not all of the units acquired/rehabilitated and sold to first time homebuyers will require some form of gap financing to ensure affordability. The standard practice will be to acquire the unit, have it rehabilitated and then sold to the homebuyer for the amount of total investment in the property. Should an affordability gap exist, a portion of the original investment in the acquisition and rehabilitation of the property will remain as a “silent second” loan with a proportionate equity share in lieu of interest. No monthly payments will be required; the loan and equity share become due at change in title of the property. Additionally NSP funds may be used to buy down the interest rate on the first trust deed for the acquisition of properties by income-eligible homebuyers that are not also being rehabilitated. The buy-down option is not anticipated to represent many units.

Administration (NSP-5)

Administration costs will not exceed 10% of the grant and 10% of any program income received through the program.

Proposed NSP 2 Budget and Use of Funds

City of Riverside Neighborhood Stabilization Program 2 Initial Budget		
Activity	Budgeted Amount	Description of Use
NSP-1	\$5,000,000.00	Acq/Rehab/Resale
NSP-2a	\$400,000.00	Acq/Rehab/Rental(rent-to-own)
NSP-2b	\$400,000.00	Acq/Rehab/Rental (aff. Rentals)
NSP-2c	\$2,125,000.00	Acq/Rehab/Rental (multi-family)
NSP-3	\$2,325,000.00	Acq/Demo/Redevelopment
NSP-4	\$1,000,000.00	Financing Mechanisms
NSP-5	\$1,250,000.00	Administration

The City of Riverside will be the responsible entity for the administration of NSP funds. However, title to property will be conveyed to the City of Riverside Housing Authority (Housing Authority). A Memorandum of Understanding (MOU) between the Housing Authority and City has been created to facilitate the coordination of title conveyance. If awarded, NSP 2 funds will be used to further leverage NSP 1 funds and other local non-federal sources that have been appropriated for the same effort.

Project Completion Schedule

If awarded, utilization of NSP 2 funds will occur immediately upon grant awarded which is anticipated to occur December 2009 with continued activity through February 2013. It is anticipated at a minimum that the City will acquire 10 properties per month and will dispose of the properties either through sale or rental within three (3) months. The City will work aggressively to meet the timeliness requirements relative to the expenditure of NSP 2 funds. Within two (2) years of grant award, at least 50% of the grant will be expended and after three (3) years, 100% of the funds will be expended.

Continued Affordability

The City of Riverside will ensure to the maximum extent practicable and the longest feasible term, that homes rehabilitated utilizing NSP 2 funding will be made affordable to individuals or families whose income do not exceed 120% of the area median income (AMI) and also made available to households whose income do not exceed 50% of the AMI.

During resale, the rehabilitated property will have an affordability covenant recorded against it for a period of 45 years. This will restrict resale of the property to another income eligible household. As with other homeownership programs such as city's rehabilitation program and down payment assistance program, continued affordability will be ensured through an annual monitoring process. In addition, if the individual or family required more assistance, down payment assistance can be provided to ensure affordability with respect to monthly housing costs. Housing costs (i.e. principle, interest, taxes, insurance, utilities, and HOA fees) will not exceed 35% of the household's gross income. With the acquisition of multi-family units, the Housing Authority will maintain long term ownership of the properties to remain as affordable rental units. Rents charged will be no greater than the Fair Market Rents, as published by HUD. Household rent will not exceed 30% of the household's monthly income, less appropriate utility allowances.

Consultation, Outreach, Communications

The City of Riverside has always been engaged in communications with surrounding communities within the County, and the Inland Empire as a whole. In November 2008, the NSP Inland Empire Coalition was formed to address the allocation of NSP funds and develop strategic implementation plans to determine best practices with respect to dealing with foreclosures within the respective communities. The group meets regularly to exchange information and coordinate resources relative to maximizing the effective use of the NSP fund. A result of the coalition's meetings was the introduction of the National Community Stabilization Trust (Trust), a coalition of non-profit organizations acting as the intermediary between local jurisdictions and lenders to gain access to property. The Trust has instituted two programs: First Look and Bulk Acquisitions. Under the First Look Program, the Trust obtains access to the lender owned property prior to it being listed, provides five (5) days for the City to accept or reject the property, and if accepted the lender generates an offer to sell to the City. The City has been successful thus far through the Trust in identifying properties and getting them into escrow. Average discount on Trust properties have been in excess of 30% so far, way above the NSP 1 discount requirement.

Marketing will be an extensive effort by the City to ensure that all income eligible households have knowledge of any available homes. The City will have a dedicated website: riversidehomeownership.com advertising the NSP program, providing property listings as well as general program updates. Interested individuals or families will have the opportunity to identify where available properties are within the City. During Fall 2009, the City will host a Housing Fair to showcase the NSP program along with others, and provide awareness to the public to future affordable housing opportunities that will be made available to income eligible households. Individuals and families will be qualified based on household income and status as a first-time homebuyer, defined as not having owned any real property within the last three (3) years. As with other City programs, potential applicants will be screened accordingly to ensure that all incomes are in compliance with HUD's established income limits.

Citizen participation is an important facet of the city's relationship with its residents and partners in communicating programs, policies, and opportunities available through the City. The City will

engage residents through distribution of marketing materials, community workshops, or council hearings. Any substantial amendments or changes to the NSP program will be taken before City Council in a public hearing. Prior to the public hearing, a public notice will be published within a local periodical (mainly Press Enterprise) providing notification to City residents providing an opportunity to submit comments. Comments will be considered if received and incorporated into the program's design if relevant. Any minor changes to program design will be addressed on the City's NSP website at riversidehomeownership.com. The website will also serve as a way to attract third parties with extensive experience in the real estate market in developing further strategic solutions. Additionally, the City will operate in accordance with the already established CDBG Citizen Participation Plan.

Performance and Monitoring

The City of Riverside has created an internal core group of four (4) staff members dedicated primarily to the administration of the NSP 1 program. This group which is comprised of an Acquisition Coordinator, Rehabilitation Coordinator, Program Assistant, and Housing Authority Manager will be the responsible group for monitoring all NSP activities. Additional staff will be assigned as needed to ensure maximum performance. In order to ensure proper implementation of the NSP program the following actions will be taken:

- Developing a "Standard Operation Procedural" manual to ensure that all programmatic operations are performed in accordance with NSP regulations;
- Performing on-going weekly meetings to evaluate the NSP programs progression, identify any potential areas of concern and provide quarterly reports to City official as to the state of the NSP program as a whole;
- Utilizing GIS software to plot eligible areas to ensure properties are acquired in eligible census tracts; and
- Developing accounting procedures to prevent the co-mingling of NSP funds with other funding sources and track expenditures on a per property basis.

The Housing Authority Manager will be responsible for providing general oversight of the NSP team and continuously monitor any further areas of potential risk that will need to be addressed. Quarterly reports will be brought before City Council to provide further progress updates to City officials.

Additionally, the City will maintain accountability in the use of its NSP 2 funds and any other stimulus funds received as a result of American Recovery and Reinvestment Act (ARRA) through a website dedicated to providing transparency to Riverside residents regarding the use of these funds. The website is www.riversideca.gov/recovery. Currently Phase I of the website is operational, but in the near future visitors to the site will be able to view funds received through the stimulus package, allocation of those funds, expenditures, and general programmatic or project updates.

Factor 4: Leveraging other Funds/Removal of Substantial Negative Effects

Prior to the announcement of the Housing and Economic Recovery Act of 2008 (HERA) establishing NSP 1, the Redevelopment Agency appropriated \$5 million to its Targets of Opportunity (TOO) Program from the Agency’s Low and Moderate Income Housing Fund. Like NSP, the intent of TOO is to purchase vacant and foreclosed properties that are in need of substantial rehabilitation to be sold or rented to qualified income-eligible households. Shortly after this appropriation, the City of Riverside received an allocation of NSP 1 funding from HUD in the amount of \$6,581,916 to further augment TOO funds. NSP 1 and TOO programs are being operated concurrently providing for additional advantages with respect to community wide impact in the number of properties that could potentially be addressed. Furthermore, in order to ensure that the City will have adequate resources (working capital) to purchase, rehabilitate and resell an adequate number of foreclosed homes, the Redevelopment Agency has obtained a \$20 million line-of-credit from City National Bank to further augment available NSP and TOO funding. If awarded an NSP 2 grant in the amount of \$12,500,000, the City of Riverside will have committed to the foreclosure effort a total of \$44,081,916.

Leveraged Resources

Source	Amount	Allowable Use	Type	When Available?
Redevelopment Agency- TOO Funds	\$5,000,000.00	Acquisition & Rehab	Local funding source	August 2008
Redevelopment Agency- Private Financing	\$20,000,000.00	Acquisition & Rehab	Line of Credit	June 2009
Total	\$25,000,000.00			

The leverage ratio, which is computed by the value of firmly committed leveraged resources (non-federal funds) divided by the amount of NSP 2 funds being requested, is 2. This translates into every \$1 of NSP 2 funds available, the City can match it with \$2.00 in other non-federal funding sources, which serves as indication of Riverside’s strong commitment to stabilizing its neighborhoods. NSP 2 funds will have priority in use in order to ensure that all funds are expended within the allotted time period; however, the TOO funds and the line of credit will serve as leverage to address larger scale projects such as the acquisition and development of stalled construction projects in which the developer has been foreclosed upon prior to substantial completion. Staff will work to ensure that a steady flow of homes is moving through the system from initial acquisition to sale or rental and making certain that the time period in which capital tied up in any project remains as short as possible. It is important that the City remain aggressive in its mission to address problem properties.

Removal of Negative Effects

The housing collapse has led to an excess inventory of vacant, foreclosed single-family and multi-family residential properties within the city. Additionally, staff has identified multiple projects involving new construction where the Developer was foreclosed upon by the lender prior to substantial completion. These properties will primarily be addressed through acquisition and rehabilitation. In certain instances where the estimated cost of rehabilitation exceeds the cost of acquisition, those properties will be demolished and the vacant parcel will be conveyed to a non-profit affordable housing developer for new affordable infill construction. Additionally,

the City intends to demolish previously acquired residential property via land banking the cleared site to facilitate future affordable housing developments or the expansion of public facilities. The City proposes to address approximately 360 vacant properties with the use of NSP 2 funds. The value of the proposed removal of destabilizing influences per the HUD-provided rubric is as follows:

(1.5 times (Sum total of vacant properties proposed to be addressed through acquisition and rehab) + (Sum total of vacant properties to be addressed via demolition))/ (Sum total of all vacant properties in target area)

$$(1.5 \times (330) + (30)) / (3,533^*) = .153$$

* Source: U.S. Postal Services as of March 31, 2009

Factor 5: Energy efficiency improvement and sustainable development factors

The City of Riverside is committed to improving the quality of life for its residents through sustainable green initiatives and developments. Recently, the City was recognized as an “Emerald City” by the State of California Department of Conservation, the first designation given to a city within the state. In summer 2005, the Mayor created a Clean and Green Task Force with the primary focus on addressing areas such as air quality, traffic congestion, renewable energy sources, and green building. As a result, the City has developed a comprehensive action plan to transform City policies and initiatives to develop cleaner, greener, and sustainable projects and programs. In keeping with this effort, the City is committed to incorporating renewable energy design, prudent site selection, water conservation, and energy efficient materials in all NSP related activities and projects.

Transit Accessibility

Public and alternative modes of transportation offer an alternative to the use of an automobile and help to reduce the amount of air pollution and road congestion. Providing accessibility to public and alternative modes of transportation will be considered when identifying target areas of interest. Fortunately, the City is well serviced by a number of transportation choices that provide both short-range and long-range destination services.

Public bus services are provided by the Riverside Transit Authority (RTA). RTA is the service agency providing commuter bus services for western Riverside County, providing both short range and long range travel options. There are currently 40 fixed RTA bus routes that traverse the City (Exhibit D). RTA operates 124 Compressed Natural Gas (CNG) buses, six (6) trolleys, 36 fixed route vans, and 62 Dial-A-Ride vans. During peak hours of operation, local bus service is available on average every 35 minutes amongst the 40 lines currently servicing the city. Riverside residents still primarily rely on automobile usage for commuting, which explains why local bus services have less frequent stops than what is usually available in larger metropolitan areas such as Los Angeles where demand for public transportation is greater. Part of the City’s Green Action plan is to promote and encourage the use of public transit that will assist in the reduction of automobile use. One initiative of the plan encourages Transit Oriented Development; incorporating one (1) of Riverside’s two (2) Metrolink Stations. The Metrolink provides transit service to all of Southern California providing intercity travel between major metropolitan areas. Lines traversing the City include the Inland Empire-Orange County, which runs between San Bernardino and San Juan Capistrano, and the 91-line which runs from Riverside to Downtown Los Angeles. The City will prioritize the use of NSP 2 funds in target areas that have sufficient access to public transit opportunities.

Green Building Standards

Promoting energy efficiency and green design is a point of emphasis when establishing rehabilitation standards. Not only is it important that the rehabilitated homes are affordable to buy or rent, but it is also important that these homes are affordable to maintain and operate. All rehabilitated properties will be energy efficient and incorporated cost effective green improvements. As a requirement of the City's current NSP 1 program, all rehabilitations incorporate green, sustainable design. This will be applied to NSP 2 funded projects as well. Activities of greatest interest will address weatherization, water conservation, and the inclusion of energy star labeled products. In addition, the City is in process of developing a standardized water-wise landscape design plan which can be altered to fit any size yard, incorporating native trees, native plants, and drip irrigation systems. In a partnership with the City of Riverside Public Utilities Company (RPU), the City will incorporate energy efficient improvements consistent with RPUs existing energy savings rebate program. Eligible improvements will result in obtaining a rebate which provides an additional source of leveraged funds to be utilized in future projects. The City is requiring that contractors purchase and utilize sustainable building materials for all rehabilitation activities.

Re-use of Cleared Sites and Deconstruction

In the event a property is acquired and the estimated rehabilitation cost exceeds the cost of purchase, the subject property will be demolished and a request for proposal (RFP) will be issued to obtain the services of a non-profit developer to re-use the site for an in-fill affordable housing project. Sites that have been cleared of vacant, city-owned residential structures will be reused for future affordable housing projects or utilized to expand adjacent public facilities. In addition, as a requirement to the contractors, any materials that can be salvaged from the demolition must be re-used. Guidance and language will be provided within the contractors agreement or construction bid.

Factor 6: Neighborhood Transformation and Economic Opportunity

The City of Riverside's existing programs and policies are being re-evaluated and refocused to address the challenges in the current economic climate. By many indicators the City has been a leader in implementing programs and policies geared towards the preservation of local neighborhoods, sustainable development practices, and providing much needed support to local businesses.

The proposed NSP 2 activities will be consistent with City's General Plan, a comprehensive plan which guides decision making about development, resource management, public safety, public services and the general well-being of residents. The Plan can be viewed at www.riversideca.gov/planning. The City's General Plan addresses the following areas: Land Use and Urban Design, Circulation and Community Mobility, Arts and Culture, Public Safety, and Parks and Recreation. One additional essential component of the General Plan is the Housing Element which is currently being updated for 2025. The Housing Element addresses neighborhood quality, the supply and quantity of housing, housing assistance, and special needs. Many principles adopted in the Housing Element will be incorporated into the design of the NSP 2 program.

- Neighborhood Quality – This will be achieved by addressing distressed properties that created health and safety concerns for the surrounding neighborhood and its residents. Neighborhoods with multiple distressed properties are of high concern and priority for the City.
- Affordable Housing Supply – By engaging in NSP 2 related activities, the City has the ability to increase the supply of available affordable housing opportunities for Riverside residents. NSP 2 will be used as a vehicle to achieve the City’s longstanding goal of increasing the homeownership rate.
- Housing Assistance – Financial assistance in the form of deferred loans will be provided through the use of NSP 2 funds to further augment the City current Down Payment Assistance Program.
- Special Needs – Providing housing to Riverside’s special needs population is important. Multi-family structures acquired using NSP 2 funds will be used primarily to provide affordable housing opportunities to serve special needs clients. In addition, the City will enter into partnerships with non-profit organizations to provide case management services.

Through the General Plan and Housing Element, the City has committed itself to assuring that residents have ample access to public services, that new developments incorporate smart growth practices, and increasing the availability of affordable housing options to meeting the growing populations needs. NSP 2 activities will be used to support a variety of socioeconomic needs within Riverside. Increasing the supply of decent affordable housing has been a policy issue at the forefront of the City’s initiatives.

In addition, the City is strongly promoting the use of local businesses and resources in order to provide a local economic stimulus. Consumer spending has eroded significantly and an imminent threat to the City’s general well-being comes from struggling businesses. Keeping businesses and jobs local is of considerable priority for the City. As a result, the City is requiring that all goods and services be purchased from local suppliers and service providers. By keeping resources local, the City hopes to spur a local economic recovery for the area which in turn keeps businesses open and forestalls future job losses. Additionally, the City will preferentially utilize locals businesses in purchasing goods or services relative to NSP related activities ensuring the reinvestment of local, state, and federal resources back into the local economy.

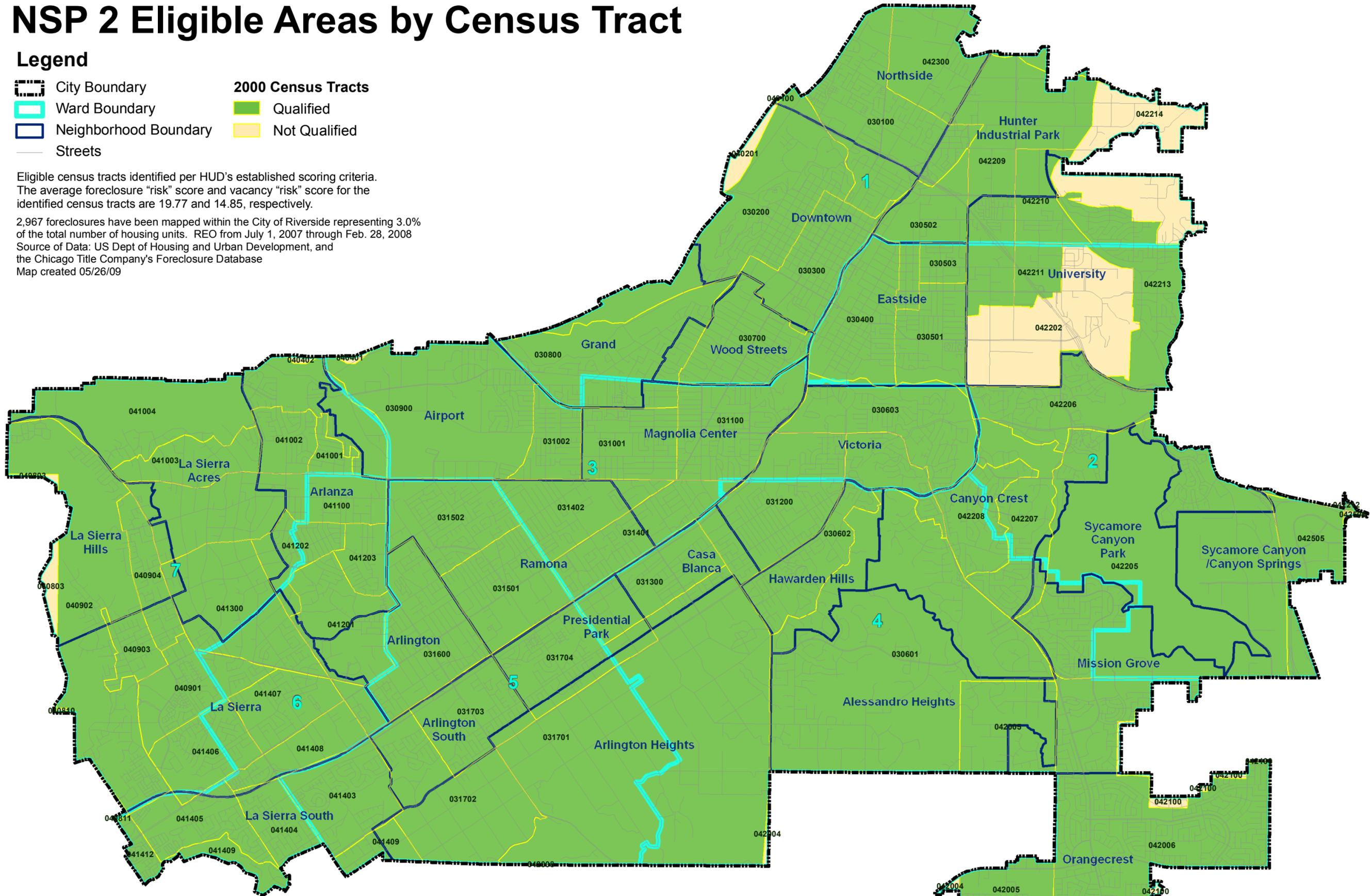
City of Riverside NSP 2 Eligible Areas by Census Tract

Legend

-  City Boundary
-  Ward Boundary
-  Neighborhood Boundary
-  Streets
- 2000 Census Tracts**
-  Qualified
-  Not Qualified

Eligible census tracts identified per HUD's established scoring criteria. The average foreclosure "risk" score and vacancy "risk" score for the identified census tracts are 19.77 and 14.85, respectively.

2,967 foreclosures have been mapped within the City of Riverside representing 3.0% of the total number of housing units. REO from July 1, 2007 through Feb. 28, 2008
 Source of Data: US Dept of Housing and Urban Development, and the Chicago Title Company's Foreclosure Database
 Map created 05/26/09



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Areas Eligible for NSP 2 Activities within the City

Census Tract	Foreclosure Score	Vacancy Score
0301.00	20	14
0302.00	20	14
0303.00	20	18
0304.00	20	14
0305.01	20	15
0305.02	20	17
0305.03	20	18
0306.01	19	14
0306.02	19	13
0306.03	19	15
0307.00	20	17
0308.00	20	15
0309.00	20	17
0310.01	20	18
0310.02	20	17
0311.00	20	16
0312.00	20	15
0313.00	20	16
0314.01	20	16
0314.02	20	17
0315.01	20	13
0315.02	20	14
0316.00	20	15
0317.01	20	13
0317.02	20	13
0317.03	20	16
0317.04	20	16
0409.01	20	16
0409.02	20	14
0409.03	20	18
0409.04	20	16

Census Tract	Foreclosure Score	Vacancy Score
0410.01	20	13
0410.02	20	17
0410.03	20	15
0410.04	20	12
0411.00	20	16
0412.01	20	15
0412.02	20	18
0412.03	20	15
0413.00	20	14
0414.03	20	13
0414.04	20	15
0414.05	20	16
0414.06	19	14
0414.07	20	15
0414.08	20	16
0414.09	20	11
0414.12	20	16
0420.05	19	1
0420.06	20	10
0422.05	19	1
0422.06	19	16
0422.07	19	16
0422.08	19	12
0422.09	20	18
0422.10	19	17
0422.11	20	18
0422.13	19	17
0422.14	20	13
0423.00	20	18
0425.05	20	15

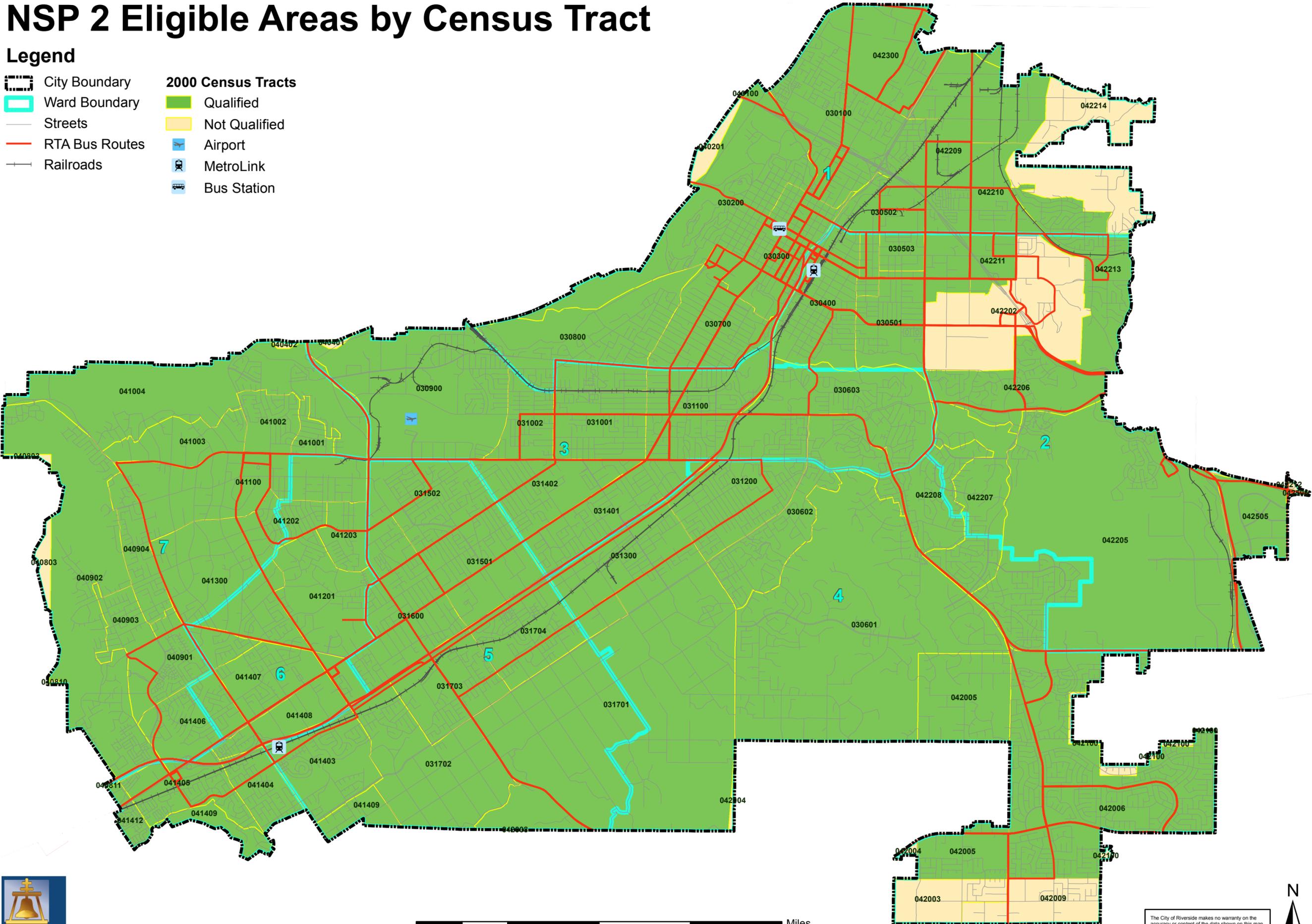
<u>FY 2009 Income Limits for 50% of HUD Area Median Income</u>								
County/Town Name	1 person household	2 person household	3 person household	4 person household	5 person household	6 person household	7 person household	8 person household
Riverside County	\$ 23,300.00	\$ 26,650.00	\$29,950.00	\$ 33,300.00	\$ 35,950.00	\$38,650.00	\$ 41,300.00	\$43,950.00

<u>FY 2009 Income Limits for 120% of HUD Area Median Income</u>								
County/Town Name	1 person household	2 person household	3 person household	4 person household	5 person household	6 person household	7 person household	8 person household
Riverside County	\$55,950.00	\$63,950.00	\$71,950.00	\$79,900.00	\$86,300.00	\$92,700.00	\$99,100.00	\$105,500.00

City of Riverside NSP 2 Eligible Areas by Census Tract

Legend

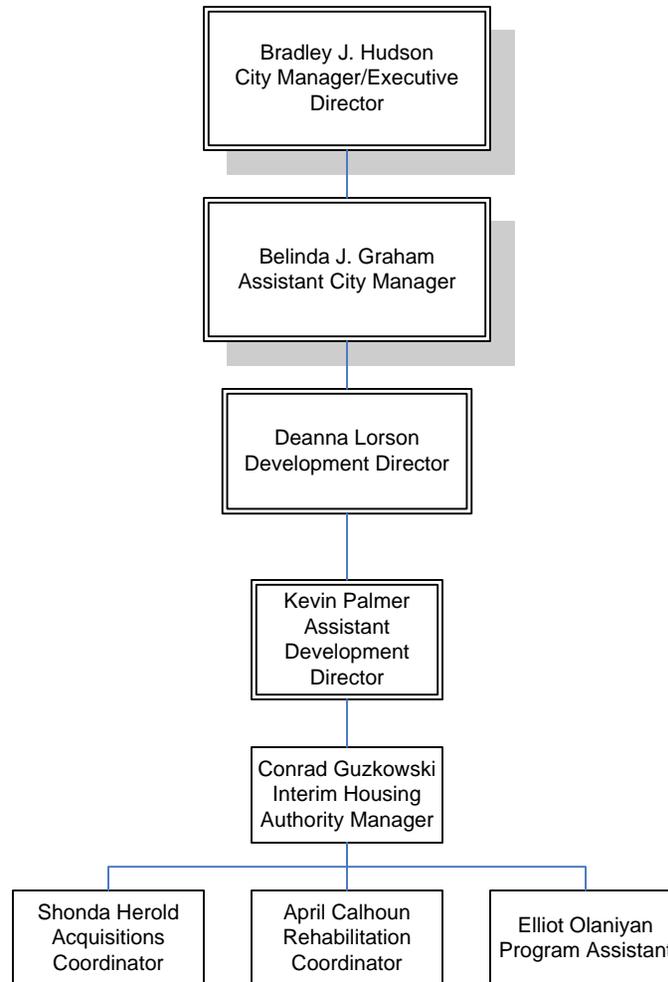
- City Boundary
- Ward Boundary
- Streets
- RTA Bus Routes
- Railroads
- 2000 Census Tracts
- Qualified
- Not Qualified
- Airport
- MetroLink
- Bus Station



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City of Riverside NSP Organizational Chart

Exhibit "E"



Removal of Negative Effects

The housing collapse has led to an excess inventory of vacant, foreclosed single-family and multi-family residential properties within the city. These properties will primarily be addressed through acquisition and rehabilitation. In the event that the estimated cost of rehabilitation exceeds the cost of acquisition, those properties will be demolished and the vacant parcel will be conveyed to a non-profit affordable housing developer for new affordable infill construction. Additionally, the City intends to demolish previously acquired residential property via land banking the cleared site to facilitate future affordable housing developments. The City proposes to address approximately 360 vacant properties with the use of NSP 2 funds. The value of the proposed removal of destabilizing influences per the HUD-provided rubric is as follows:

(1.5 times (Sum total of vacant properties proposed to be addressed through acquisition and rehab) + (Sum total of vacant properties to be addressed via demolition))/ (Sum total of all vacant properties in target area)

$$(1.5 \times (330) + (30)) / (3,533^*) = .153$$

* Source: U.S. Postal Services as of March 31, 2009

Definitions and Descriptions

(1) Definition of "blighted structure" in context of state or local law.

Response:

The City of Riverside uses the State of California's definition of blight as found at California Health and Safety Code Sections 33030 and 33031 which are attached as Exhibit H.

(2) Definition of "affordable rents."

For any NSP-funded rental activity, "affordable rents" shall be defined as 30% of the household's adjusted income, less utility allowances as adopted by the County of Riverside's Housing Authority for the Section 8 program, as appropriate. HUD's Fair Market Rent schedule for the Riverside/San Bernardino/Ontario MSA will be used. Should any gap be present, funds for this gap will be required from other sources of funding.

(3) Describe housing rehabilitation standards that will apply to NSP assisted activities.

The NSP funds will use the City of Riverside's standards from the on-going Housing Rehabilitation Program (funded from HOME, CalHome and Redevelopment Housing funds):

- ***Code / Health & Safety Repairs*** – The first priority of the City is to eliminate, or otherwise "cure", any and all pre-existing Code violations and Health & Safety hazards. Therefore, all rehab projects must correct any pre-existing code deficiencies and/or health & safety related repairs needed. This includes pre-existing construction found that was done without City permits (room additions, garage conversions, patio additions, etc). All such pre-existing construction must be either brought up to code and obtain approved building permits, or must be demolished, as part of the rehab project.
- ***Lead Based Paint Hazards*** – An additional priority of the City is to reduce any lead based paint hazards present in homes. A Lead-Based Paint test (XRF testing) and a Risk Assessment are required on all rehabilitation projects to identify the existence and scope of any lead based paint hazards in the home. The standards of "Lead-Based Paint Poisoning Prevention in Federally Owned and Federally Assisted Housing" found at 24 CFR Part 35 apply.
- ***Termite Repairs*** – The City will require that a Termite Inspection Report be prepared for every home by a licensed inspector. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. The City requires that any termite or dry rot damaged wood members in the home be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation or other treatments recommended to eliminate any active termite infestations are required.
- ***General Property Improvements*** – Once the cost of repairing all code deficiencies, health and safety items, lead based paint hazards, and termite repairs are totaled up, then any additional program funding may be used to address general property improvements. General property improvements may include a wide variety of items such as painting, replacement of fixtures, replacement of cabinets and vanities, replacement of flooring, etc. General property improvements may NOT include any materials or items that are of a type and quality which exceeds the standards for similar properties in the area, or that far exceed the basic standards of

"decent, safe, and sanitary housing". The minimally acceptable standards may be found at 24 CFR 983.101

- ***Green Improvements*** – An additional priority of the City will be to address energy efficient design improvements by addressing weatherization, irrigation, and the replacement of obsolete products and appliances with Energy-star labeled products. Water efficient toilets, showers, and faucets such as those with WaterSense Label will be installed. As a requirement sustainable building materials will be used to ensure the viability of the residential structure. In the event of an all gut rehabilitation, all residential structures up to three stories will be designed to meet the standard for Energy Star Qualified New Homes. If a mid- or high-rise multifamily structure, rehabilitation plans will be designed to meet American Society of Heating, Refrigerating, and Air Conditioning Engineers Standard plus 20 percent.
- ***Accessibility Standards*** – Proper accessibility will be provided for NSP-assisted properties in conformance with the Uniform Federal Accessibility Standard (UFAS) as permitted by the residential structure and necessary to provide adequate access to the property. Improvements will include but are not limited to: wheel chair ramps, door widening, grab bars, etc.

33030. (a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.

(b) A blighted area is one that contains both of the following:

(1) An area that is predominantly urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

(2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.

(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.

33031. (a) This subdivision describes physical conditions that cause blight:

(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.

(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

(b) This subdivision describes economic conditions that cause blight:

(1) Depreciated or stagnant property values.

(2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).

(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of Regulations.

(6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.

(7) A high crime rate that constitutes a serious threat to the public safety and welfare.