

**Grantee: San Jose, CA**

**Grant: B-08-MN-06-0008**

**April 1, 2015 thru June 30, 2015 Performance Report**

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**Grant Number:**

B-08-MN-06-0008

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

San Jose, CA

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

Submitted - Await for Review

**Grant Award Amount:**

\$5,628,283.00

**Grant Status:**

Active

**QPR Contact:**

No QPR Contact Found

**LOCCS Authorized Amount:**

\$5,628,283.00

**Estimated PI/RL Funds:**

\$3,500,000.00

**Total Budget:**

\$9,128,283.00

## Disasters:

### Declaration Number

NSP

## Narratives

### Areas of Greatest Need:

Response:

The State of California is second only to Florida in the number of foreclosed homes from January 2007 to June 2008, as determined by the U.S. Department of Housing and Urban Development (HUD).

Under the Housing and Economic Recovery Act of 2008 (HERA) - Neighborhood Stabilization Program (NSP), the City of San Jose (the "City") is one of 47 jurisdictions statewide receiving a direct NSP allocation from HUD. The allocation to the City totals \$5,628,283.

The City is the largest jurisdiction within the County of Santa Clara (the "County"), with a population of nearly 1 million people and covering over 178.2 square miles of incorporated area. San Jose is a high-cost area, has experienced a serious increase in the number of foreclosures resulting from an increase in unemployment and the variety of sub-prime loan programs offered to households that were unable to maintain the increasing mortgage payments.

Based on HUD analysis (<http://www.huduser.org/publications>), during the period of January 2007 to June 2008, 6,259 multi- and single-family housing units were foreclosed upon in the City of San Jose.

San Jose went from a ranking of 43rd in the top 100 metropolitan areas for foreclosures in the third quarter of 2007 to a ranking of 21st in the third quarter of 2008, with a 96% increase in foreclosures.

To respond to the continuing increase in defaults, the City has been working with local lenders and nonprofit agencies to develop a strategy that will assist in the prevention of foreclosures. The two most recent quarters in 2008 show a 25 percent regional decline in defaults, but this is believed to be attributable to the newly passed State law requiring lenders to contact delinquent homeowners 30 days in advance of filing a default notice. This law delays the default but does not eliminate the underlying issue, and unless immediate foreclosure prevention assistance is provided to cure the default, many of these homes are still subject to foreclosure.

Under NSP guidelines, HUD requires applicants to identify areas of greatest need defined by: 1) the greatest percentage of home foreclosures, 2) have the highest percentage of sub-prime loans, and 3) likelihood of facing a significant rise in foreclosures. Additionally, the City will consider other need categories in conjunction with HUD's priorities. The City will add to these criteria those locations that fall within the Strong Neighborhood Initiative (SNI) Areas. The City created the SNI program to provide a mechanism for residents of blighted neighborhoods to communicate with the City and other resources, in order to plan, prioritize, and secure funding for needed improvements. The focus of resources on the SNI areas increases the positive impact of the limited resources available.

The City has analyzed and mapped data from several sources, including HUD, RealtyTrac, ForeclosureRadar, U.S. Census, the San Jose Mayor's Gang Prevention Task Force, Code Enforcement, and Santa Clara County Association of REALTORS.

The result of this analysis was the identification of four primary zip codes that meet all of the following criteria:

- Majority of households have incomes that meet the NSP definition of 120% AMI or below



- Have the city's highest incidence and percentage of:
  - o foreclosed units
  - o "high-cost" or sub-prime loans
  - o recorded "Notice of Defaults"
- Are within an SNI area or other heavily impacted area with a high risk factor

The City proposes to target the four zip codes that meet the criteria identified above and that have ranked between 7 and 10 (10 being the highest risk areas) on HUD's Foreclosure and Abandonment Risk Scores, and that fall within an SNI area.. Of the 559 census tracts scored in the City, 63 or 11% have a ranking of 7 or higher and fall within the four zip codes listed below. (Details of foreclosed properties are shown in Exhibit A)

**HIGHEST RANKED ZIP CODES**

Risk Factors of 7-10
Zip Code
% of Foreclosures[1]
Sub-Prime Mortgages[2]
Foreclosure/Abandonment
Risk Rating[3]
(scale 1-10, 10=highest)
95111
5.5% (1305)
19.4%
7
95116
7.3% (1055)
21.1%
7
95122
7.4% (1295)
20.3%
7
95127
5.3% (1385)
18.3%
7

Within these identified zip codes, the following SNI neighborhoods have been designated as the hardest hit:

- ZIP CODE
- SNI AREA
- Details
- 95111
- Pilot SNI project/Heavy Impact
- See Exhibit B
- 95116
- Mayfair
- See Exhibit C
- 95122
- East Valley/680, KONA, Santee
- See Exhibit D
- 95127
- East Valley/680
- See Exhibit E

[1] RealtyTrac as of 11-21-08  
 [2] Foreclosure Radar  
 [3] HUD User Data for NSP by census tract, aggregated for each zip code

**Distribution and and Uses of Funds:**

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. Note: The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

Distribution:



NSP funds will be used for the acquisition and rehabilitation or redevelopment of foreclosed upon properties in the identified target areas of greatest need, specifically within the zip codes identified in Table 2. Although \$5.6 million is a large sum, despite the falling cost of housing, property values in San Jose remain among the highest in the nation. Whenever possible, the City of San Jose will leverage other resources to increase the number of housing units assisted with NSP funds.

As required by HUD, clearly defined target areas will be established to ensure that the areas of greatest need are assisted for the maximum positive impact, utilizing existing programs that operate efficiently and effectively, such as the Strong Neighborhood Initiative efforts and the CDBG neighborhood improvement projects. The City will also seek additional NSP funding from the State to address the foreclosure needs of the City of San Jose.

Within the identified areas of greatest need, NSP funds will be used to acquire and rehabilitate foreclosed upon properties to be occupied by owner and renter households having income of less than 120% AMI, with at least 25% of the funds set aside to assist households having incomes at or below 50% AMI. The table below shows the budget breakdown.

NSP Budget  
Minimum 25% VLI Set-Aside  
\$1,407,070  
Direct Program Costs  
\$3,799,002  
Administration  
\$422,211  
Total Costs  
\$5,628,283

Use:

Based on research and information on the foreclosure market in San Jose and the parameters of the NSP funds, the City of San Jose has developed two programs to best utilize this funding source.

#### Program #1: Rental Housing Development

A key strategy to maximize neighborhood impact and the number of affordable housing units assisted will be the purchase of multi-family rental properties in highly impacted neighborhoods. As an example, one SNI neighborhood in a highly-impacted zip code has a large number of four-plexes, many of which are already foreclosed upon or in the foreclosure process. At the height of the market, these four-plexes were selling for over \$900,000, but the current market value is approximately \$400,000. The City's goal will be to acquire two or more contiguous properties and rehabilitate the four-plexes, or demolish and rebuild higher density rental housing. In the latter case, the City would seek planned development zoning to increase the residential density from the current 12-25 units per acre.

In both rehabilitation and new construction, energy saving green technology will be incorporated whenever practicable.

This program would result in the creation of rental housing affordable to Very Low-Income households. After acquiring the properties, the City would publish a Request for Proposals and select nonprofit affordable housing developers to carry out the construction of the new rental housing projects. The City would carry a second mortgage to supplement the loans secured by the developer from other government sources or from private lenders. Affordability restrictions would be applied to the land in accordance with HOME standards.

Single-family homes, acquired and rehabilitated in the process described in Program #2 below, may also be sold to nonprofit organizations that will operate the residences in shared rental housing arrangements to low- and very-low income individuals, including special needs populations such as seniors.

City Capacity:

The City of San Jose is a recognized leader in the creation of affordable housing, with a record of creating over 17,000 units of affordable housing since the creation of the City's Housing Department in 1988. The Housing Department has a strong professional staff experienced in partnering with nonprofit and for-profit developers in the development of new affordable housing and rehabilitation of existing housing stock. The expertise of the City's Project Development Program staff includes underwriting, urban planning and project management.

The City also has extensive experience in asset management, with a professional staff that monitors continuing compliance with loan terms and payment requirements. The staff monitors a portfolio with a current face value of nearly \$600 million, comprised of 170 major multi-family development projects, 415 homeowner rehabilitation loans, and 861 homebuyer loans. The professional staff in the City's Asset Management program have experience in private and public sector loan underwriting and servicing, with some multi-family projects with loans of nearly \$20 million, inspection and property management.

#### Program #2: Homebuyer Acquisition/Rehabilitation Program –

The City's other program for NSP funds will be to assist lower-, moderate-, and middle-income (LMMH) households or eligible nonprofits providing services to low-, moderate, and middle-income clients (LMMC), to acquire single-family homes. Because the NSP required 15% discount over current market price may be difficult for individual homebuyers to negotiate with lenders, the City will seek to purchase a portfolio of foreclosed homes from one or more lenders, using the incentive of relieving the bank(s) of a number of properties in one transaction to negotiate the required 15% discount.



After acquiring the properties, the City will rehabilitate the homes to mitigate any damage due to deferred maintenance or vandalism. As with Program #1, energy saving green technology will be incorporated whenever practicable. The homes will then be sold to income-qualified households at or below the City's cost of acquisition and rehabilitation.

The City will carry a second mortgage of up to 20% of the purchase price of the home, with affordability restrictions as described in section C (2) of this application. The second mortgages will bear no interest and repayment will be deferred until sale, title transfer, or expiration of note and affordability term as a balloon payment. Loans for acquisition, rehabilitation and or construction would be carried by the City, in second position to primary funding obtained by the developer.

**City Capacity:**

The City's Homebuyer Program was established over ten years ago and has staff with underwriting, inspection, and management experience who provide the capacity to operate the NSP program. The City's current Homebuyer Program is funded through federal (HOME), and California (CalHome and Redevelopment) programs, and staff has extensive experience in ensuring compliance with all applicable rules and regulations for each funding source, even in the frequent circumstance of multi-layered loans from multiple sources.

The City's Housing Rehabilitation Program has a staff of 17 professionals with considerable experience in providing loans and grants to low-income households for needed repairs. Inspection and underwriting staff have extensive experience and in-depth familiarity with the neighborhoods and populations most at risk. Housing Rehabilitation Program operates primarily under the CDBG guidelines, as well as State (CalHome) and Redevelopment rules and regulations, and like the Homebuyer staff, has experience with ensuring compliance with regulations of multiple funding sources.

As described in Program #1 above, the City has professional Asset Management staff with the capacity to monitor loans for compliance with all requirements and affordability restrictions.

In order to expedite the process of acquiring, repairing, and reselling properties, the City is also exploring the possibility of entering into an agreement with one of its nonprofit housing partners that can act as the City's agent in acquiring, maintaining, and/or reselling the properties at a negotiated fee structure. This use of an intermediary is expected to help streamline and expedite the acquisition and resale process.

**Administration:**

In addition to the staffing expertise described above, the City's Housing Department also administers grant programs with annual budgets exceeding \$15 million, including CDBG, HOPWA, ESG and other local funds. The manager of the City's CDBG program will be assigned as manager of the NSP program, and other experienced grant administrators will form the NSP administration team for the City. To the extent possible, the City's goal will be to keep administrative costs below the 10% NSP administrative cap in order to maximize program funds.

**Definitions and Descriptions:**

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

**Response:**

- a) NSP: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute threat to human health, safety, and public welfare.
- b) City of San Jose: The City operates under California Community Redevelopment Law (CRL) Sections 33030 and 33031 to define blight. A structure is blighted when it is unsafe or unhealthy for persons to live or work. This includes serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or similar factors that cause these conditions.[1]

(2) Definition of "affordable rents."

Note: Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

**Response:**

NSP funds requires that all households assisted with NSP funds have income at or below 120% AMI. A minimum of 25% of NSP funds are required to be used to assist households having income at or below 50% AMI.

**City of San Jose - HUD NSP Income Limits - 2008**

**Household Income**

- 1 Person
- 2 Person
- 3 Person
- 4 Person
- 5 Person
- 6 Person
- 50% AMI
- \$37,150
- \$42,450
- \$47,750



\$53,050  
 \$57,300  
 \$61,550  
 80% AMI  
 \$59,400  
 \$67,900  
 \$76,400  
 \$84,900  
 \$91,650  
 \$98,450  
 120% AMI  
 \$88,600  
 \$101,300  
 \$113,900  
 \$126,600  
 \$136,700  
 \$146,900

For the purpose of the City of San Jose's NSP program, the term "affordable rents" shall be based on CDBG generally accepted affordability standards, which require that households pay no more than 30 percent of their monthly household income, based on family size, for rent (less utilities) as defined by HOME in 24CFR §92.25.

The City anticipates that most rental housing units purchased with NSP funds will be reserved for occupancy by households earning less than or equal to 50% AMI. Rents will be established based upon the number of bedrooms in the unit and a corresponding household size. The following table shows the income and affordable rent rates for households of up to 5 persons.

Household Size	Affordable Rent[2]	Household Income (50% AMI)
1	\$929	\$37,150
2	\$1,061	\$42,450
3	\$1,194	\$47,750
4	\$1,326	\$53,050
5	\$1,433	\$57,300

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

**Rental Properties:** The City will meet or exceed federal HOME affordability periods, i.e. a minimum of 15 years for rehabilitation projects and a minimum of 20 years for new construction projects. To ensure continued affordability, owners of NSP rental properties will be required to enter into an Affordability Restriction that runs with the land for the duration of the affordability period that restricts the rent and income level of tenants that reside in the property. The City's Asset Management team will monitor each property to ensure compliance with all applicable restrictions and requirements.

**Homeownership Properties:** The City will require a minimum affordability period consistent with HOME requirements of 15 years for NSP properties sold to income-eligible homebuyers as their primary residence.

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

Response:

The City will apply its health and safety rehabilitation standards to NSP-assisted residential properties. Each property will be inspected for health and safety deficiencies to determine level of rehabilitation required. Funding will be provided to eliminate health and safety hazards, including lead-based paint remediation, code deficiencies in roofing, electrical, plumbing and structural systems, remediate lead-based paint, repair damaged interiors due to vandalism, and provide exterior improvements if needed to support the neighborhood stabilization and revitalization efforts. Additionally, illegal structures will be removed and homes will be brought to original conditions. Garages illegally converted to other uses will be converted back to their



original purposes.

[1] Report Accompanying The Proposed Strong Neighborhoods Initiative Redevelopment Plan and The Proposed Merger into the San Jose Merged Area Redevelopment Project, June 2002

**Low Income Targeting:**

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

Response:

A minimum of \$ 1,407,070 will be set aside for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income. These funds will be used in areas of greatest need for the purchase and rehabilitation or redevelopment of foreclosed upon single family and multifamily rental properties. To the extent possible, the City will leverage other funding sources such as tax credits and other resources available.

As stated above in Section B, the City will explore entering into an agreement with one of its nonprofit housing partners to act as the City's agent in the acquisition, maintenance and/or reselling of the acquired properties. It is expected that this intermediary will assist in the streamlining and expediting the acquisition and resale process.

**Acquisition and Relocation:**

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

If so, include:

- The number of low- and moderate-income dwelling units—i.e., 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

Property  
 Type  
 Demolish  
 # Units  
 Units Made Available

LM Units (<80%)  
 Multi-Family  
 8-12

LMMH Units (<120%)  
 Single-Family

20-40  
 VLI Units (<50%)  
 Multi-Family

12-25

The City's key strategy will be to purchase properties in highly-impacted areas, especially four-plex properties. Based on the condition of the properties, the City may either rehabilitate for re-occupancy or demolish and rebuild. If the residential property is considered for demolition, all of the relocation requirements of the URA and 104(b) (whichever is applicable) will be followed. If temporary or permanent relocation is necessary, NSP funds will be used as necessary. The City will commission a Relocation Consultant to assist in the development of a relocation plan.



**Public Comment:**

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

1. General public inquires were made beginning October 31st, via phone calls or email. The public notice announcing availability of the City's proposal and public hearings was posted on the City's website November 3, 2008, and invited comments on the proposed substantial amendment. The notice was posted in three languages – English, Spanish and Vietnamese and was published through general distribution media, including Spanish and Vietnamese publications, direct mail and email to over 400 residents and organizations.
  - a) Stacey Murphy (email-Homebaseccc.org): 10-31-08 Ms. Murphy inquired as to "if the City was going for their share of the NSP funds?" and "who SJ plans to serve with the NSP money in terms of income level and AMI". Staff responded on 11-5-08: Staff shared plans and directed her to the website posting for more detail.
  - b) Kerri Hamilton (phone call): 11-6-08 Ms. Hamilton identified herself as an individual involved in the community. Ms. Hamilton supports the acquisition and rehabilitation or redevelopment of 4-plex properties in an area that could support a higher density project. Proposes "up-zoning" with a higher density on a smaller footprint project, especially in a neighborhood that is deficient in amenities such as parks. Proposes leveraging redevelopment funds in heavy impacted areas and areas deficient in infrastructure, including park development
  - c) Marshall Shapiro (email-personal): 11-18-08 Mr. Shapiro writes – "Re: Housing and Economic Recovery Act of 2008 San Jose should send a strong message to California and the rest of the country. The City of San Jose should send the funds back and say, "thanks but no thanks". These funds are a typical federal hand-out and we need to begin to reverse this trend of federal hand outs now!"
2. Housing and Community Development Advisory Commission meeting held November 13, 2008. This meeting was the first public hearing held on the substantial amendment to the 2008-09 Consolidated Plan - Annual Action Plan. At the meeting, commissioners commented on the proposed substantial amendment and proposed activities, including the following comments:
  - a) Commissioner Bock recommended that the City should work with Senior Housing Solutions, a nonprofit organization that purchases and rehabilitates homes and then rents these houses to independent living seniors in a shared housing arrangement. Jacky Morales-Ferrand, Assistant Director of Housing, commented that staff would add language to their proposal about seeking opportunities to work with nonprofit housing developers to convert single family homes to rental properties.
  - b) Commissioner Norimoto made a recommendation for the City to accept the Housing and Economic Recovery Act funds, with an added consideration that funds be used for difficult to address situations such as ELI and VLI housing using experienced affordable housing developers. Commissioner Contreras seconded the motion.
  - c) Commissioner Bock asked if the Commission would accept a friendly amendment to recommendation for the deed restriction to be as long as possible. The friendly amendment was accepted by Commissioner Norimoto.
  - d) Recommended substantial amendment to the 2008-09 Action Plan as amended, to City Council for approval.

General public comments:

- a) Diana Castillo: Ms. Castillo identified herself as a representative of the Fair Housing Law Project. Ms. Castillo commented that the organization supports staff's recommendation. They also support staff's efforts to apply for more funding, with the hopes that some of this money can be applied towards ELI households and to people whose credit has been damaged by predatory lenders. She also recommended that any unused administrative funds be transferred to another neighborhood stabilization program.
- b) Beverly Jackson: Ms. Jackson identified herself as a representative of Rebuilding Together and commented that they support staff's recommendation to use this money to help stabilize neighborhoods.

1. San Jose City Council Meeting held November 18, 2008. This meeting was the last public hearing held on the proposed substantial amendment to the 2008-09 Consolidated Plan - Annual Action Plan. On November 4, 2008, the City of San Jose posted a copy of the proposed substantial amendment and invited comments to the amendment on its official website. The City received no comments on the proposed substantial amendment and it was unanimously approved by the City Council on November 18, 2008.

Overall	This Report Period	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$8,400,746.39
<b>Total Budget</b>	\$0.00	\$8,400,746.39
<b>Total Obligated</b>	\$0.00	\$8,105,145.49
<b>Total Funds Drawdown</b>	\$0.00	\$7,794,596.36
<b>Program Funds Drawdown</b>	\$0.00	\$5,317,732.82
<b>Program Income Drawdown</b>	\$0.00	\$2,476,863.54
<b>Program Income Received</b>	\$66,244.88	\$2,543,108.42
<b>Total Funds Expended</b>	\$0.00	\$8,548,170.17





Match Contributed	\$0.00	\$1,600,000.00
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## Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$1,600,000.00
Limit on Public Services	\$844,242.45	\$0.00
Limit on Admin/Planning	\$562,828.30	\$143,000.00
Limit on State Admin	\$0.00	\$143,000.00

## Progress Toward Activity Type Targets

## Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$1,407,070.75	\$2,480,145.49

## Overall Progress Narrative:

San Jose has no updates to report during this period. The City will begin the closeout process during the upcoming reporting period.

## Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, Rental Housing Development Program	\$0.00	\$2,145,612.00	\$1,411,230.23
2, Homebuyer Acquisition/Rehabilitation Program	\$0.00	\$5,820,000.00	\$3,763,502.59
3, Administration	\$0.00	\$143,000.00	\$143,000.00
9999, Restricted Balance	\$0.00	\$0.00	\$0.00



## Activities

**Project # / Title:** 2 / Homebuyer Acquisition/Rehabilitation Program

<b>Grantee Activity Number:</b>	<b>2c</b>
<b>Activity Title:</b>	<b>Sale and Disposition</b>

**Activity Category:**

Disposition

**Project Number:**

2

**Projected Start Date:**

03/18/2009

**Benefit Type:**

Direct Benefit (Households)

**National Objective:**

NSP Only - LMMI

**Activity Status:**

Under Way

**Project Title:**

Homebuyer Acquisition/Rehabilitation Program

**Projected End Date:**

03/18/2013

**Completed Activity Actual End Date:**

**Responsible Organization:**

City of San Jose, Housing Department

Overall	Apr 1 thru Jun 30, 2015	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$820,771.48
<b>Total Budget</b>	\$0.00	\$820,771.48
<b>Total Obligated</b>	\$0.00	\$799,000.00
<b>Total Funds Drawdown</b>	\$0.00	\$799,000.00
<b>Program Funds Drawdown</b>	\$0.00	\$75,241.35
<b>Program Income Drawdown</b>	\$0.00	\$723,758.65
<b>Program Income Received</b>	\$66,244.88	\$1,895,726.19
<b>Total Funds Expended</b>	\$0.00	\$866,582.62
<b>Match Contributed</b>	\$0.00	\$0.00

**Activity Description:**

Costs to re-sell single family residences acquired, rehabilitated and re-sold to income eligible buyers. The City's Homebuyer Acquisition/Rehabilitation program for NSP funds will be to assist lower-, moderate-, and middle-income (LMMH) households or eligible nonprofit organizations providing services to low-, moderate, and middle-income clients (LMMC), to acquire single-family homes. In this program, the City will acquire single-family homes in foreclosure, rehabilitate them to mitigate any damage due to deferred maintenance or vandalism, and sell them at or below the cost to acquire and rehabilitate, to income-qualified households.

It may be difficult to negotiate the required 1% discount below the current appraised market value, as banks have already sustained significant losses through the foreclosure process and are unlikely to agree to further discounts on individual purchases. Therefore, the City will seek to purchase a portfolio of foreclosed homes from one or more lenders, using the incentive of relieving the bank(s) of a number of properties in one transaction to negotiate the required discount.

Under the City's existing Homebuyer Program, it currently maintains adequate program infrastructure and staff capacity to operate this program. It is envisioned that City staff will complete the acquisition process, once



acquired, the properties will be rehabilitated by contractors selected through a competitive RFQ/RFP process. Rehabilitation will include repairs as identified in the description of rehabilitation standards that will apply to NSP assisted activities. The City will explore the option of working with one of its nonprofit housing partners to facilitate the acquisition, rehabilitation and/or resale transactions, as is most cost-efficient. The Homebuyer Acquisition/Rehabilitation Program will operate under the CDBG housing rehabilitation and HOME guidelines, as amended by NSP to include households with income less than 120%.

Resale to income-eligible homebuyers will be at or below the aggregated costs to purchase, maintain, and rehabilitate the properties and other delivery costs as allowed by NSP.

The financing mechanisms may include:

- a) Zero percent (0%) soft-seconds for a maximum of 20% of the purchase price, with a 30-year term and a minimum 15-year affordability restriction.
- b) If rehabilitation of the property is done after sale to a qualified homebuyer, the cost of rehabilitation will be carried as a five-year forgivable loan. The rehabilitation loans will be forgiven at a value equivalent to 20% for each year the homeowner remains in the home.
- c)

Total Budget:

Although up to \$3,799,002 may be used for this activity, it is possible that the majority of the City's \$5.6 million in NSP funding will be applied to the Rental Housing Development Program. With an estimated purchase price of \$400,000 and rehabilitation costs of \$70,000, for a total acquisition/rehabilitation costs of \$470,000. The Program would offer second mortgages to homebuyers to ensure that they are able to put at least 20% down, and require that they obtain a 30-year fixed rate mortgage for the remaining purchase price. The second mortgage provided by the City will be 30-year deferred with zero percent interest. If all eligible funds (\$3,799,002) were expended for this program, it is estimated that a maximum of 40 households can be assisted. However, because actual property costs and rehabilitation requirements may vary significantly, and because the amount of the City's allocation that may be spent in Program #1 is uncertain, only a broad estimate of units in this program is possible at this time.

Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

Property

Type

Units Made Available

LMMH Units (<120% AMI)

Single-Family

14

## Location Description:

Disposition of single family residences purchased in targeted zip codes. See Activity 2a for list of projects.

Under NSP guidelines, HUD requires applicants to identify areas of greatest defined by: 1) the greatest percentage of home foreclosures, 2) have the highest percentage of sub-prime loans, and 3) likelihood of facing a significant rise in foreclosures. Additionally, the City will consider other need categories in conjunction with HUD's priorities. The City will add to these criteria those locations that fall within the Strong Neighborhood Initiative (SNI) Areas. The City created the SNI program to provide a mechanism for residents of blighted neighborhoods to communicate with the City and other resources, in order to plan, prioritize, and secure funding for needed improvements. The focus of resources on the SNI areas increases the positive impact of the limited resources available.

The City has analyzed and mapped data from several sources, including HUD, RealtyTrac, ForeclosureRadar, U.S. Census, the San Jose Mayor's Gang Prevention Task Force, Code Enforcement, and Santa Clara County Association of REALTORS.

The result of this analysis was the identification of four primary zip codes that meet all of the following criteria:

- Majority of households have incomes that meet the NSP definition of 120% AMI or below
- Have the city's highest incidence and percentage of:
  - o foreclosed units
  - o "high-cost" or sub-prime loans
  - o recorded "Notice of Defaults"
- Are within an SNI area or other heavily impacted area with a high risk factor

The City proposes to target the four zip codes that meet the criteria identified above and that have ranked between 7 and 10 (10 being the highest risk areas) on HUD's Foreclosure and Abandonment Risk Scores, and that fall within



an SNI area.. Of the 559 census tracts scored in the City, 63 or 11% have a ranking of 7 or higher and fall within the four zip codes listed below.

- 95111 Pilot SNI project//Heavy Impact
- 95116 Mayfair
- 95122 East Valley/680, Kona, Santee
- 95127 East Valley 680

### Activity Progress Narrative:

### Accomplishments Performance Measures

	This Report Period	Cumulative Actual Total / Expected
	Total	Total
# of Properties	0	24/14

### Beneficiaries Performance Measures

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total	Low/Mod
# of Households	0	0	0	10/0	5/0	15/14	100.00

### Activity Locations

No Activity Locations found.

### Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Other Funding Sources	Amount
No Other Funding Sources Found	
Total Other Funding Sources	

