

City of Visalia

Memo

To: Steven M. Salomon, City Manager

From: Rhonda Haynes, Housing Specialist

CC: Ricardo Noguera, Housing & Economic Development Director

Date: March 7, 2011

Re: Neighborhood Stabilization Program (NSP) unsubstantial amendment No. 2 (aka 2008 Action Plan amendment No. 7)



Background:

Since inception in 2009, the City's activities have been to acquire, rehabilitate and resell single family dwellings to income qualifying families with the use of Neighborhood Stabilization Program (NSP) funding. We have acquired a total of 25 properties and resold 18 homes. As of October 15, 2010, we have not made offers on additional properties due to the winter season, a pipeline of five to seven homes in various stages of acquisition, rehabilitation and long escrows for properties in the resell phase. Staff recommends allowing additional options for properties in the resell phase as listed below.

The Disaster Recovery System (DRGR) is utilized to inform HUD of our actions, such as the initial Action Plan Amendment, tracking of funding draws, uses and income levels. This request includes minor narrative maintenance as referenced below under "Narrative Minor Amendments".

Request for Additional Property resell options- Minor Amendment:

This is a request for authorization to amend the activity related to the Neighborhood Stabilization Program (NSP) to allow additional options as referenced below. This is an unsubstantial amendment requiring only City Manager authorization.

This minor amendment shall allow inclusion of:

- Acquisition, rehabilitation and resell to a non-profit agency
 - A Purchase and Sale Agreement shall be made between City and Non-Profit Agency for each property sold.
 - The Non-Profit Agency may rent the property to income qualifying families or sale to income qualifying families
 - A covenant shall remain on the property for a period no less than 20 years; and
 - Monitoring of the units (income) is required through the Non-Profit Agency
- To acquire, rehabilitate and rent, with future option to sale
 - If financially unfeasible to sell, the City will retain ownership, with the City's future option to sale the property to an income qualifying family
 - Establish a term lease; after lease term, revert to initial intended use for resell to owner occupant.
 - Notification to the tenant in writing that relocation costs do not apply to this transaction. (See attached HUD example letter)
 - A covenant shall remain on the property for 20 years; and
 - monitoring is required

These additional options continue to meet the intent of the program, are eligible uses, allow recycling of funds and may allow housing prices to rebound and recapture costs associated with the initial acquisition and rehabilitation. A profit will not be made.

Requirements for renting to tenants:

As per HUD's Regional Relocation Specialist, for cases when the acq/rehab/homebuyer activity does not unfold as planned and the homebuyer unit is leased rather than sold. For example, at the end of the rental lease, a jurisdiction may decide to revert to the originally intended use of the unit (homebuyer activity) therefore there will need to be disclosure language/ HUD Form to notify the renter in advance that the future use of the unit may not remain a rental unit and that the decision to do so will not trigger relocation benefits. See attached example letter.

Review of HUD requirements pertaining to rents:

The City will follow the requirements of the program funding and ensure compliance with the Fair Market Rents and utilize the HOME Program Rent Limits for the NSP Program. These requirements were established at the inception of the program and required by HUD to obtain the 2008 HERA Act funding. They are provided for reference. The following table shows an example of the FY 2011 FMRs by unit bedrooms for the Visalia MSA.

**Visalia-Porterville, CA MSA
FY 2011 FMRs By Unit Bedrooms**

Size/Type of Unit	Fair Market Rent
3 Bedroom	\$1,005
4 Bedroom	\$1,033

Also included are the HOME Program Rent limits for reference. HOME Rent Limits Requirement: Qualification as Affordable Housing: Rental Housing - 24 CFR 92.252

Home Program Rent Limits 2010 as of 5/2010		
Size/Type of Unit	Rent - Low	Rent - High
3 Bedroom	\$732	\$918
4 Bedroom	\$817	\$990

Housing is considered to be affordable if gross housing costs (gross = rent + utility) are 30% or less of a person's income. For assisted housing projects, rents are set to be affordable to households at specific levels (Very Low Income, Low Income, etc.). Rents are adjusted higher for larger units and lower for smaller units according to formulas set by the Federal government. Rent limits for assisted housing are for gross rents. The actual rents charged to tenants are calculated by subtracting utility allowances from the gross rents. It is not the City of Visalia's initial intent to purchase rental properties, however, if the market dictates the need, rental properties will be considered and the City will follow the regulation based upon funding sources.

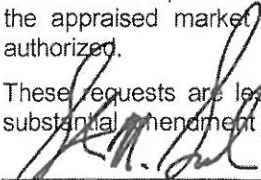
Requirements for selling to Non-Profit:

The City would enter into an agreement with the Non-Profit Agency that establishes rents, as required by the NSP Program, monitoring and covenants. The Non-Profit has the option to sale the property; however, the covenant must remain in force.

Request for Narrative Revisions- Minor Amendment:

The NSP Action Plan currently references, "purchases shall be between 5% - 15% below appraised market value". This requirement was amended and shall read, "It is the intent to purchase property at a discount below the appraised market value". The narrative shall also include the additional options outlined above, if authorized.

These requests are less than 75% of the original allocation and minor narrative amendments, therefore a substantial amendment and public hearing is not required. This memo shall act as the City's authorization.



3/21/2011

Steven M. Salomon, City Manager

Date

**MOVE-IN NOTICE
(GUIDEFORM NOTICE TO PROSPECTIVE TENANT)**

Grantee or Agency Letterhead

(date)

Dear _____:

On *(date)* , *(property owner)* submitted an application to the *(Grantee)* for financial assistance under a program funded by the Department of Housing and Urban Development (HUD). The proposed project involves [acquisition] [rehabilitation] [demolition] and/or [conversion] of the property located at *(address)* . Because Federal funds are planned for use in this project, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) [and/or section 104(d) of the Housing and Community Development Act of 1974, as amended] may apply to persons in occupancy at the time the application was submitted for HUD funding. However, if you choose to occupy this property subsequent to the application for federal financial assistance, as a new tenant you will not be eligible for relocation payments or assistance under the URA [and/or section 104(d)].

This notice is to inform you of the following information **before you enter into any lease agreement and/or occupy the property located at the above address:**

- ◆ You may be displaced by the project.
- ◆ You may be required to relocate temporarily.
- ◆ You may be subject to a rent increase.
- ◆ You will not be entitled to any relocation payments or assistance provided under the URA [and/or section 104(d)]. If you have to move or your rent is increased as a result of the above project, you will not be reimbursed for any such rent increase or for any costs or expenses you incur in connection with a move as a result of the project.

Please read this notification carefully prior to signing a rental agreement and moving into the project. If you should have any questions about this notice, please contact *(Grantee)* at *(address and telephone number)* . Once you have read and have understood this notice, please sign the statement below if you still desire to lease the unit.

Sincerely,

 (name and title)

I have read the above information and understand the conditions under which I am moving into this project.

Print Name of Tenant(s)

Signature(s)

Address and Unit Number

Date

NOTE:

This is a guideform. It should be revised to reflect the project circumstances.