



City of Corona
Substantial Amendment to the
2008-09 and 2010-11
Annual Action Plans – NSP Funds

City of Corona Substantial Amendment to the 2008-09 and 2010-11 Annual Action Plans – NSP Funds

Summary

The City of Corona, California, intends to amend the 2008-09 and 2010-11 annual Action Plans in order to re-allocate federal Neighborhood Stabilization Program (NSP) grant funds made available by U.S. Department of Housing and Urban Development (HUD).

NSP grants are special allocations of Community Development Block Grant (CDBG) program funds. As such, the re-allocation and planned use of these funds is considered to be a substantial amendment to the City of Corona's annual Action Plans for the use of CDBG funds.

The City is proposing to re-allocate \$2,760,294.98 **from** the following.

- | | | |
|--|------------------|------|
| • Single-family acquisition/rehabilitation | -88,699.00 | NSP1 |
| • Un-allocated program income | -\$ 1,815,344.98 | NSP1 |
| • Harrington Street acquisition – multi-family housing | -\$856,251.00 | NSP3 |

The City is proposing to re-allocate \$2,760,294.98 **to** the following.

- | | | |
|---|-----------------|------|
| • Program administration | +\$5.98 | NSP1 |
| • 5th Street rehabilitation – multi-family housing | +\$260,289.00 | NSP1 |
| • Verona Village acquisition – multi-family housing | +\$1,643,749.00 | NSP1 |
| • Verona Village acquisition – multi-family housing | +\$856,251.00 | NSP3 |

The proposed projects will redevelop blighted areas of the City while improving existing sub-standard low-income housing, and acquire land for the purpose of developing affordable housing. The City is not proposing a change in use of funds. Funds will remain allocated to produce affordable rental housing. Additional funds are being allocated to the 5th Street rehabilitation project, and funds are being re-allocated from the Harrington Street project to the Verona Village project.

The projects are located at the addresses below in the following Census tracts.

- 5th Street rehabilitation – 926 W. 5th St – Census tract 471.04
- Verona Village acquisition – 2875 State St. - Census tract 419.09

Background

In November of 2008, the City adopted a substantial amendment to its 2008-09 annual Action Plan and 2005-10 Consolidated Plan to allocate an award of NSP funds (NSP1 Amendment). These funds were authorized by the Housing and Economic Recovery Act of 2008 which authorized the NSP.

In February of 2011, the City adopted a substantial amendment to its 2010-11 annual Action Plan and 2011-15 Consolidated Plan to allocate an award of NSP funds (NSP3 Amendment). These funds were authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

From April 2009 until September 2010 the City implemented a single-family acquisition/rehabilitation/resale program for low and moderate income homebuyers. Beginning in the fall of 2010 the pipeline of eligible homebuyers decreased along with the general level of

market activity. This program generated a significant amount of program income as homes were sold.

Although home prices stabilized, the pool of buyers suited to the types of homes being offered through the City's program substantially decreased. This was primarily attributed to tighter credit standards in the mortgage lending market, increased inventory of homes on the market, stagnating incomes, persistent unemployment, and the generally higher pricing of homes in Corona relative to income.

Residential rents have not shown a similar fall. Rental costs are a greater challenge to affordable housing now than they were just three years ago especially with the high unemployment rate in Riverside/San Bernardino counties.

Coupled with the amount of program income on hand and the size of the City's NSP3 award, the difficult single-family market and rising rents, the City has chosen to use NSP funds to subsidize multi-family rental projects that will have the most impact on selected neighborhoods and be the most efficient and productive use of funds.

Proposed Project Changes

Program Administration

The City is proposing to use a remainder amount of un-allocated program income to increase the allocation for program administration.

Single-family Acquisition Rehabilitation

The City is proposing to re-allocate the balance of un-expended funds. This program is complete and no more activity is planned.

1096 Harrington St – Multi-family housing

In the NSP3 Amendment, the City had proposed to assist with the acquisition of a property at 1096 Harrington St. This project required the use of redevelopment agency funds. As the result of the dissolution of redevelopment agencies statewide by the California legislature, these funds are no longer available and the project has been abandoned. All funds are being re-allocated from this activity.

925 West 5th St. – Permanent Supportive Housing

The City is currently working with Mary Erikson Community Housing to rehabilitate a multi-family property at 925 West 5th Street. This project was identified in the NSP3 Amendment. This project will receive a revised allocation of funds. No other changes are proposed. Please see the revised activity description, Exhibit "A."

2875 State St. – Multi-family housing

The City has been approached by a developer to assist with financing the acquisition of the vacant property at 2875 State St. The property is REO foreclosed and currently owned by the mortgage holder. The assistance will be for acquisition with the purpose of developing mixed-income multi-family housing on the site. The City would provide financing with the requirement that the developer provide a number of rent-restricted housing units. This project will receive a new allocation of funds. Please see the activity description, Exhibit "B."

This project is receiving both NSP1 and NSP3 funds. The area of impact for this project has been mapped using the NSP3 mapping tool. It has scored the minimum impact score of 17. Please see

the NSP3 Planning Data Report and map included with the activity description, Exhibit “C”. The project site is adjacent to the NSP1 Target Area. A portion of the mapped area of impact is within the expanded NSP1 Target Area. Please see the Target Area map included with the activity description. The project therefore meets the requirement that projects be targeted to the areas of greatest need.

Revised Allocation of Funds

NSP funds will be re-allocated as follows.

Project	NSP1	NSP3
<i>Current Allocations</i>		
Program Administration	360,284.00	131,731.00
Single-family Acquisition Rehabilitation	2,341,847.00	-
1096 Harrington St	-	856,251.00
926 West 5th St	900,711.00	329,328.00
Un-allocated Program Income	1,815,344.98	-
Total	5,418,186.98	1,317,310.00
<i>Amended Allocations</i>		
Program Administration	360,289.98	131,731.00
Single-family Acquisition Rehabilitation	2,253,148.00	-
926 West 5th St	1,161,000.00	329,328.00
2875 State St	1,643,749.00	856,251.00
Total	5,418,186.98	1,317,310.00

Public Comment

A substantial amendment requires public notice and a public hearing. The City published a public notice in the Press Enterprise on March 15, 2012 and posted in City Hall and the Corona Public Library.

The public is invited to submit written comments regarding this amendment to Jesus M. Morales, Sr. Management Analyst, at 400 South Vicentia Avenue, Suite 310, Corona, CA 92882 on or before 5 p.m. April 2, 2012.

EXHIBIT A

Activity Number 2 Description

926 West 5th Street, Corona, CA

Activity Number 2	
Activity Name	926 W. 5 th Street
Use	Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input type="checkbox"/> Eligible Use E: Redevelopment
CDBG Activity or Activities	Eligible rehabilitation and preservation activities for homes and other residential properties under 24 CFR 570.202.
National Objective	Low and Moderate Income Housing under 24 CFR 570.208(a)(3)
Activity Description	<p>The City will provide assistance to rehabilitate an existing 12 unit multi-family property at 926 W. 5th Street. The acquisition of this property was funded with NSP1 funds in August of 2010. The property will be undergoing major rehabilitation.</p> <p>The development will provide permanent supportive housing to formerly homeless persons. Rents will be targeted to be affordable to households earning not more than 50 percent of the area median income.</p> <p>The City will provide assistance in the form of a deferred payment loan to the developer. Interest if any will be nominal and deferred. Re-payment may be based on residual receipts. The loan term and the affordability covenants may be up to 55 years.</p> <p>To assure long-term rental affordability, the City will record a Regulatory Agreement with covenants to run with the land restricting the use of the property to the provision of permanent supportive housing and requiring the provision of rent-restricted units for a term of not less than 15 years and a maximum of up to 55 years.</p> <p>The City will require as a condition of assistance that to the maximum extent possible, the developer make any new hire employment opportunities available to persons who reside in the vicinity of the development and that all construction contractors and subcontractors will be required to make employment opportunities available to persons who reside in the vicinity. The City will establish numeric targets prior to the start of construction and monitor vicinity hiring. The same efforts will be made to contract or subcontract with small businesses that are owned and operated by persons residing in the vicinity of the project</p> <p>The City has had a long-term interest in producing permanent supportive housing. The property was in default and in the process of foreclosure. It was determined to be a suitable size and location to serve as permanent supportive housing. In August 2010 the City assisted Mary Erickson Community Housing (MECH), a CHODO, to acquire the property with NSP1 funds. NSP3 would be used to address relocation costs, additional rehabilitation needs, energy and water efficiency improvements, that would</p>

	<p>help reduce future operating and maintenance costs.</p> <p>The City has conducted a single-family acquisition, rehabilitation and resale program since April of 2009. Beginning in the fall of 2010 the pipeline of eligible homebuyers decreased along with the general level of market activity.</p> <p>Although home prices have stabilized, the pool of buyers suited to the types of homes being offered through the City's program has substantially decreased. This can be primarily attributed to tighter credit standards in the mortgage lending market, increased inventory of homes on the market, stagnating incomes, persistent unemployment, and the generally higher pricing of homes in Corona.</p> <p>Home prices remain substantially below those of 2007 however prices in Corona remain higher than neighboring communities in Riverside County. Residential rents have not shown a similar fall. Rental costs are a greater challenge to affordable housing now than they were just three years ago especially with the high unemployment rate in Riverside/San Bernardino counties, which has hovered around 12% over the past year.</p> <p>Given the amount of funding allocated to the City through NSP3 and the recent changes in the housing market, the City determined that using NSP3 funds to subsidize 1-3 multi-family rental projects would have the most impact on the selected neighborhood and be the most efficient and productive use of funds.</p>
<p>Location Description</p>	<p>The activity will take place in central core area of the City. The area is comprised of Census Tract 417.04. The area is bounded by state highway 91 on the North, West Grand Blvd on the East, 10th Street on the South, and South Lincoln on the West. Please see the map attached as Exhibit C.</p> <p>This area is an aging, densely populated residential area that includes urban commercial uses and mixed residential properties. It is suited to permanent supporting housing in that it is near major transportation corridors served by public transit, near health and government services, close to schools and neighborhood shopping facilities.</p> <p>The area has a NSP3 need score of 20 (state threshold = 17) with 911 housing units. It has a high concentration of low and moderate income persons with over 90 percent with incomes at or below 120 percent of the area median and over 70 percent with incomes at or below 80 percent of the area median. The 12 units to be converted to permanent affordable housing are greater than the estimated seven units needed to impact the area.</p> <p>The area is known to have a significant number of single-family rental units and small multi-family properties (under 50 units). The area also has a significant problem with blighted properties that are poorly maintained. The City views the rehabilitation of properties in this area and their conversion to affordable housing as part of a broader strategy to address blight and poverty.</p>

	Source of Funding	Dollar Amount
Budget	NSP3	\$ 392,328.00
	NSP1	\$ 1,161,000.00
	HOME	\$ 510,000.00
Total Budget for Activity		\$ 2,000,328.00
Performance Measures	The rehabilitation of 12 units of permanent supporting rental housing affordable to very-low-income households.	
Projected Start Date	Acquired. Scoping of rehabilitation and financing underway.	
Projected End Date	April, 2013	
Responsible Organization	Name	Mary Erikson Community Housing
	Location	400 S. Ramona Ave, Ste 212-U Corona, CA 92879
	Administrator Contact Info	Jesus M. Morales, City of Corona 951-739-4950 jesus.morales@ci.corona.ca.us

EXHIBIT B

Activity Number 4 Description

Verona Village, 2875 State Street, Corona, CA

Activity Number 4											
Activity Name	Verona Village										
Uses	Select all that apply: <table border="1"> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use A: Financing Mechanisms</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eligible Use B: Acquisition and Rehabilitation</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eligible Use C: Land Banking</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eligible Use D: Demolition</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use E: Redevelopment</td> </tr> </table>	<input checked="" type="checkbox"/>	Eligible Use A: Financing Mechanisms	<input type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation	<input type="checkbox"/>	Eligible Use C: Land Banking	<input type="checkbox"/>	Eligible Use D: Demolition	<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment
<input checked="" type="checkbox"/>	Eligible Use A: Financing Mechanisms										
<input type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation										
<input type="checkbox"/>	Eligible Use C: Land Banking										
<input type="checkbox"/>	Eligible Use D: Demolition										
<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment										
CDBG Activity or Activities	Acquisition under 24 CFR 570.201(a) for the purpose of developing affordable housing.										
National Objective	Low and Moderate Income Housing under 24 CFR 570.208(a)(3)										
Activity Description	<p>The City will provide a portion of the total funding needed to purchase the vacant parcel at 2875 State Street in Corona, CA. The assistance will be for acquisition with the purpose of developing rent-restricted and market rate multi-family housing on the site.</p> <p>The City has been approached by a developer to assist with financing the acquisition of the property. The property is REO foreclosed and currently held by the mortgage holder.</p> <p>The City would provide financing provided that the developer provides a specified number of rent-restricted housing units.</p> <p>The development will be mixed-income rental housing and the proportion of the total cost of developing the project to be borne by NSP funds will be no greater than the proportion of units in the project that will be occupied by low and moderate income households.</p> <p>Rents will be targeted to be affordable to households earning not more than 80 percent of the area median income.</p> <p>The City will provide assistance in the form of a deferred payment loan to the developer. Interest if any will be nominal and may be deferred. Re-payment may be based on residual receipts. The loan term will be for 30 yrs or greater depending on what other funds will be used to provide assistance, coterminous with the affordability restrictions.</p> <p>To assure long-term rental affordability, the City will record a Regulatory Agreement with Covenants to run with the land restricting the use of the property and requiring the provision of rent-restricted units.</p> <p>The City will require as a condition of assistance that to the maximum extent possible, the developer make any new hire employment opportunities available to persons who reside in the vicinity of the development and that all construction contractors and subcontractors will be required to make employment opportunities available to persons who reside in the vicinity. The City will establish numeric targets prior to the start of construction and monitor vicinity hiring. The same efforts will be made to contract or</p>										

	<p>subcontract with small businesses that are owned and operated by persons residing in the vicinity of the project</p> <p>Although home prices have stabilized, the pool of buyers suited to the types of homes being offered through the City's program has substantially decreased. This can be primarily attributed to tighter credit standards in the mortgage lending market, increased inventory of homes on the market, stagnating incomes, persistent unemployment, and the generally higher pricing of homes in Corona relative to income.</p> <p>Home prices remain substantially below those of 2007 however prices in Corona remain higher than neighboring communities in Riverside County. Residential rents have not shown a similar fall. Rental costs are a greater challenge to affordable housing now than they were just four years ago especially with the high unemployment rate in Riverside/San Bernardino counties, which has hovered around 12% over the past year.</p> <p>Given the amount of funding allocated to the City through NSP3 and the recent changes in the housing market, the City determined that using NSP3 funds to subsidize 1-3 multi-family rental projects would have the most impact on the selected neighborhood and be the most efficient and productive use of funds.</p>	
Location Description	<p>The activity will take place in the southeast area of the City. The area of impact includes Census Tracts 418.10, 419.09, and 479. This is a primarily residential area.</p> <p>The area is bounded by E. Ontario Ave on the northeast, El Cerrito Rd on the southeast, E. Foothill Pkwy on the southwest, and California Ave on the northwest. Please see the map attached as Exhibit A.</p> <p>The presence of a large undeveloped parcel in the middle of a residential area has had a blighting influence on the area. The area has experienced a significant number of foreclosures and residential vacancies. The number of housing units to be created by developing the vacant parcel will have a significant impact on the target area.</p>	
Budget	Source of Funding	Dollar Amount
	NSP3	\$ 856,251.00
	NSP1 Program Income	\$ 1,643,749.00
Total Budget for Activity	\$ 2,500,000.00	
Performance Measures	The construction of 381 rental housing units with 35 units of rental housing affordable to low-income households.	
Projected Start Date	June-July 2012	
Projected End Date	April, 2013	
Responsible Organization	Name	City of Corona
	Location	400 S. Vicentia Ave, #310 Corona, CA 92882
	Administrator Contact Info	Jesus M. Morales, City of Corona 951-739-4950

		jesus.morales@ci.corona.ca.us
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EXHIBIT C

NSP 3 Planning Data Report and Map

Neighborhood ID: 4225311

NSP3 Planning Data

Grantee ID: 0608280E,0606500C

Grantee State: CA

Grantee Name: CORONA,RIVERSIDE COUNTY

Grantee Address:

Grantee Email: rsrnce@pmcworld.com

Neighborhood Name: Verona Village 8

Date:2012-03-08 00:00:00

NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 17.49

State Minimum Threshold NSP3 Score: 17

Total Housing Units in Neighborhood: 389

Area Benefit Eligibility

Percent Persons Less than 120% AMI: 28.43

Percent Persons Less than 80% AMI: 12.61

Neighborhood Attributes (Estimates)

Vacancy Estimate

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 442

Residential Addresses Vacant 90 or more days (USPS, March 2010): 5

Residential Addresses NoStat (USPS, March 2010): 6

Foreclosure Estimates

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 370

Percent of Housing Units with a high cost mortgage between 2004 and 2007: 20.27

Percent of Housing Units 90 or more days delinquent or in foreclosure: 15.58

Number of Foreclosure Starts in past year: 27

Number of Housing Units Real Estate Owned July 2009 to June 2010: 15

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 5

Supporting Data

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -44.3

Place (if place over 20,000) or county unemployment rate June 2005: 4.19

Place (if place over 20,000) or county unemployment rate June 2010: 12.14

*Bureau of Labor Statistics Local Area Unemployment Statistics

Market Analysis:

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

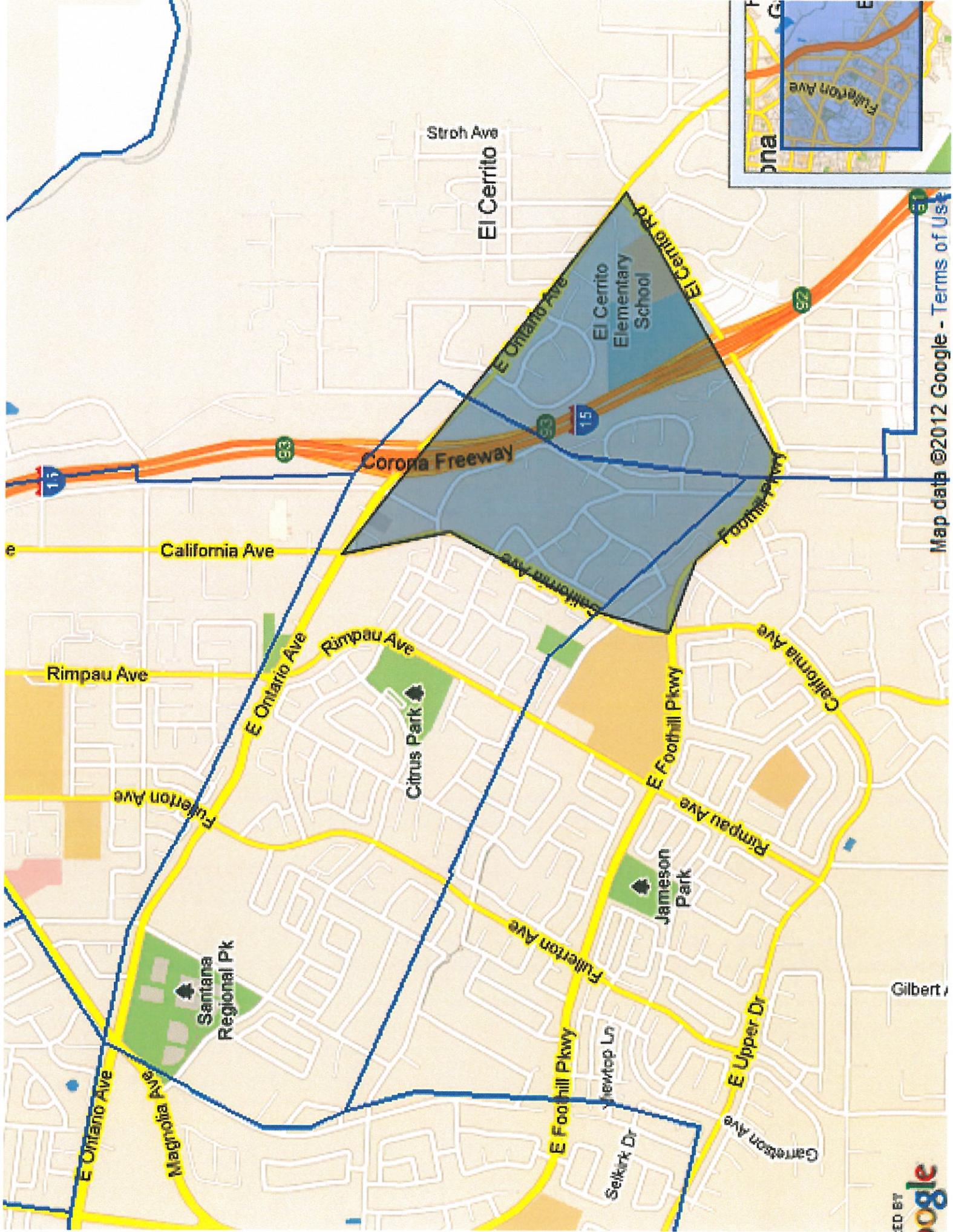
1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.
2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.
3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.
4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.
5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

Latitude and Longitude of corner points

-117.522812 33.835845 -117.539291 33.846538 -117.538261 33.842475 -117.541952 33.836772
-117.542810 33.834205 -117.539549 33.833207 -117.536716 33.830640 -117.534828 33.830212

Blocks Comprising Target Neighborhood

060650418101042, 060650418101041, 060650418101040, 060650418101039, 060650418101038,
060650418101043, 060650418101004, 060650419092027, 060650419092006, 060650419092007,
060650419092008, 060650419092005, 060650419093007, 060650419093015, 060650419093009,



Stroh Ave
El Cerrito

Corona Freeway

El Cerrito
Elementary
School

California Ave

Citrus Park

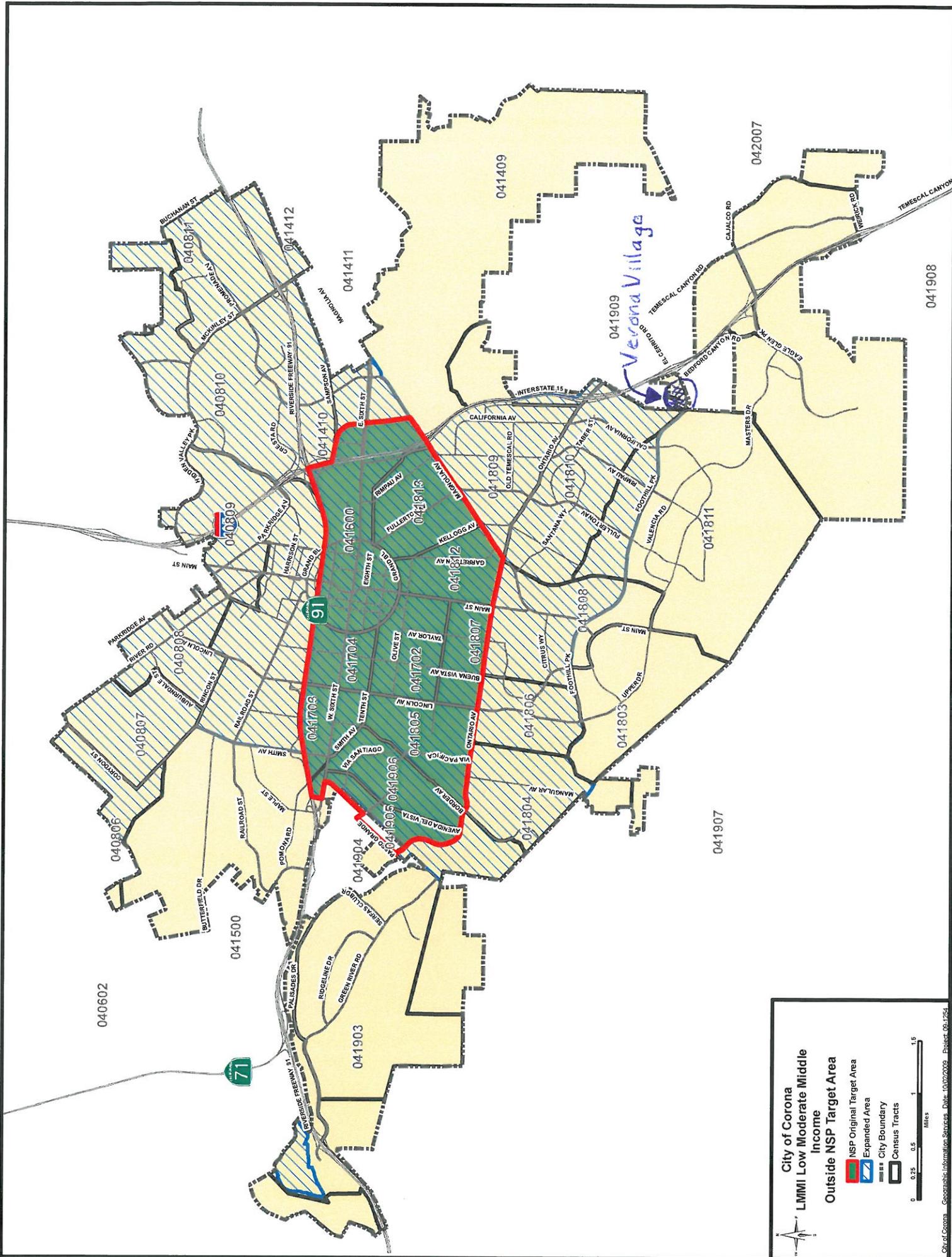
Jameson
Park

Santana
Regional Pk

Gilbert Ave

EXHIBIT D

NSP 1 Target Area and Verona Village Site



City of Corona
LMMI Low Moderate Middle Income
Outside NSP Target Area

- NSP Original Target Area
- Expanded Area
- City Boundary
- Census Tracts

0 0.25 0.5 1 1.5
 Miles

City of Corona - Geographic Information Services. Date: 10/02/2009. Project: 09-1254.