



## CITY OF HEMET NSP SUBSTANTIAL AMENDMENT NEIGHBORHOOD STABILIZATION PROGRAM

**Jurisdiction(s):** City of Hemet

**Jurisdiction Web Address:**  
<http://www.cityofhemet.org>

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### **A. AREAS OF GREATEST NEED**

*Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.*

*Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.*

*HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data [[LINK – to HUD USER data](#)], in developing this section of the Substantial Amendment.*

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**Response:**

The City of Hemet is located in the heart of Riverside County. Both Riverside County and San Bernardino County make up the "Inland Empire" MSA. Riverside County has 24 incorporated cities (from the 2000 Census – at least three cities have incorporated recently); San Bernardino County has 24 incorporated cities (also from the 2000 Census). Since the foreclosure crisis became newsworthy in summer of 2007, this MSA at one point was the fourth most impacted foreclosure area in the country. City staff has been tracking foreclosures for all jurisdictions in the Inland Empire since July 2007.

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 49,973 properties taken all the way through the foreclosure process in the MSA from July 1, 2007 through September 30, 2008 (29,607 in Riverside County and 20,366 in San Bernardino County). In relation to all housing units (as estimated by the California Department of Finance, 2008), this represents 3.42% for the MSA (3.83% in Riverside County and 2.97% in San Bernardino County). This also corresponds to 1 in 29 homes becoming bank-owned during this period. The range of impacts on a city-by-city basis is from a low of 0.36% of all housing units in the City of Indian Wells to a high of 13.05% of all housing units in the City of Perris.

The City of Hemet began its needs assessment in response to the housing crisis (high number of foreclosed, vacant properties beginning to have adverse effects on neighborhoods) by identifying the census tract block groups in the City with income levels at or below 120 percent of the Area Median Income (AMI). For purposes of this Amendment, the low, moderate, and middle-income areas will be noted as "LMMI". This data was provided by the U.S. Department of Housing and Urban Development (HUD) and this data can be found on the HUD web site at the following web address: [http://www.huduser.org/publications/commdevl/nsp\\_target.html](http://www.huduser.org/publications/commdevl/nsp_target.html). There are a total of 29 census tract block groups (CTBG) in the City and 20 or 69 percent are qualified LMMI areas.

The HUD data, in addition to a break-down of income levels by census tract block groups, also provides the following information:

- Estimated foreclosure/abandonment risk score (1 to 10 with 10 being the highest risk) – Hemet's data ranged from 8 to 9;
- Rate of high cost loans (2004 – 2006) – Hemet's data ranged from 23.7 percent to 45.6 percent;
- Predicted 18 month underlying problem foreclosure rate – Hemet's data ranged from 8.7 percent to 12.2 percent;
- Rate of housing price decline since the peak in the housing market (June 2008) – Hemet's rate is -22.9 percent;
- Unemployment rate (June 2008) – Hemet's rate is 10.5 percent; and

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- Residential vacancy rate (June 2008) – Hemet’s rate ranged from 0.7 percent to 4.2 percent.

On a scale of 1 to 10, the City’s foreclosure/abandonment risk score ranged from 8 to 9, with 10 being the highest risk. When mapped, the risk factor is throughout all of City of Hemet. Below is the City’s Foreclosure Risk map for reference.

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Further, the City collected data that identified the number of bank-owned properties (REOs), notices of default issued (NODs), and trustee sales (TS) for the period of July 1, 2007 through October 8, 2008 from Chicago Title. When overlaying this data with the HUD data discussed above, the areas could be identified by a series of common factors that are the "highest" need area.

In regards to just the high cost loan rate, a total of 20 or 69 percent CTBGs have a rate of 23.7 percent or greater. Of those 19 or 95 percent are LMMI areas. Those same CTBGs (20) also have a range from 8.7 to 12.2 percent predicted 18 month underlying problem foreclosure rate.

On the next 5 pages are a series of maps that visually presents the data from HUD and Chicago Title that is used to determine the distribution and uses of the NSP funds.

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HIGH COST LOAN MAP

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PREDICTED 18 MONTH UNDERLYING PROBLEM FORECLOSURE RATE

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LMMI AREAS WITH REAL ESTATE OWNED PROPERTIES IDENTIFIED

[INSERT MAP]

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LMMI AREAS WITH TRUSTEE SALES IDENTIFIED

[INSERT MAP]

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LMMI AREAS WITH NOTICES OF DEFAULT IDENTIFIED

[INSERT MAP]

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**B. DISTRIBUTION 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:**

The City of Hemet will prioritize the use of the NSP funds by first prioritizing the acquisition of foreclosed units in neighborhoods with the highest concentration of subprime mortgage loans and neighborhoods at the highest risk of additional foreclosures, as evidenced through HUD-provided data and data on foreclosures from Chicago Title Company that have occurred from June 1, 2007 through October 8, 2008. In reviewing the requirements of HERA, the problem is widespread throughout the City, meeting all of the prerequisite criteria of the greatest percentage of home foreclosures, highest percentage of home financed by a sub-prime mortgage related loans, and the areas most likely to face a significant rise in the rate of home foreclosures (predicted 18 month underlying problem foreclosure rate). When overlaying the Chicago Title Company data on Real Estate Owned (REO) properties, Notice of Defaults (NODs), and Trustee Sales (TS) the problem is widespread throughout the City as well.

In viewing this data mapped over the LMMI areas, it is clear that the LMMI areas had the greatest percentage of all of the factors combined and should be the area where NSP funds should be used. Based on the two sources of data that were analyzed, it is the opinion of City staff that the areas of greatest need are interspersed throughout the City. The following was used to determine the NSP priority area:

- Areas with the foreclosure risk at 7 or above;
- LMMI areas (95 percent of the City);
- Assist individuals and households with less financial resources than in other areas of the City;
- REO, NOD, and TS's are distributed throughout the City with many apparent clustering in areas - risk factors foreclosure problem in Hemet is city-wide;
- Areas with a high loan cost rate above 37 percent (range is 23.7 to 45.6 percent in this area);
- Areas with the highest predicted problem foreclosure rate over the next 18 months range is 8.7 to 12.2 percent;
- Home values between \$50,000 to \$350,000 and therefore, affordable under NSP.
- Older housing stock; and
- Neighborhoods already targeted for residential infrastructure improvements.

Below is a map that identifies the LMMI areas in green with REOs noted and the area of the greatest need for assistance as identified by the City based on the discussion above is outlined in a heavy black line.

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NSP Priority Area Map

[Insert Map]

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NSP priority areas identified above meet the requirements of §2301(c)(2) of the Housing and Economic Recovery Act (HERA) in the following manner:

- An analysis of the locations of REOs, NODs, and TS's are evenly distributed throughout the City.
- The priority area has the highest percentage of high cost loans (23.7 to 45.6 percent);
- The priority area also has the highest risk for foreclosure (8 to 9);
- The priority area also is likely to face a significant rise in foreclosures over the next 18 months (predicted rate ranges from 8.7 to 12.2 percent in the priority area).

### **Distribution and Uses of Funds**

#### **NSP Eligible Uses and Activities**

<b>Eligible Uses</b>	<b>Eligible Activities</b>
<b>A.</b> Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties	<ul style="list-style-type: none"> <li>• As an activity delivery cost for an eligible activity</li> <li>• Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out</li> </ul>
<b>B.</b> Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes or properties	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition</li> <li>• Relocation</li> <li>• Direct homeownership assistance</li> <li>• Eligible rehabilitation and preservation activities for homes and other residential properties</li> <li>• Housing counseling for those seeking to take part in the activity</li> </ul>
<b>C.</b> Establish land banks for homes that have been foreclosed upon	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition (includes maintenance)</li> </ul>
<b>D.</b> Demolish blighted structures	<ul style="list-style-type: none"> <li>• Clearance, for blighted structures only</li> </ul>
<b>F.</b> Redevelop demolished or vacant properties	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition</li> <li>• Public facilities and improvements</li> <li>• Housing Counseling (limited to prospective purchasers or tenants of redeveloped properties)</li> <li>• Relocation</li> <li>• New Housing Construction</li> <li>• Direct homeownership assistance</li> <li>• 570.204 activities by Community Based Development Organizations</li> </ul>

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## **Ineligible Activities**

- Generally, if an activity is ineligible under CDBG, it is ineligible under NSP
- Not eligible under HERA/NSP
  - Foreclosure prevention
  - Demolition of non-blighted structures
  - Purchase of properties not abandoned or foreclosed upon

## **Funding Breakdown**

The City of Hemet will receive **\$2,888,473** in NSP funding. The City plans to use 65% (\$1,877,882) of this funding to assist persons at or below 120% AMI with a portion of two activities – NSP- 1) Acquisition/Rehabilitation/Resale of Single Family Homes; and, NSP-2) Acquisition/Demolition/Land banking/Redevelopment of blighted structures.

The City plans to use 25% (\$722,118) of NSP funds to assist persons at or below 50% AMI with two sub-categories of Activity NSP-1 – 1) Acquisition/Rehabilitation/Resale of Single Family Homes and 2) Acquisition/Rehabilitation of Multifamily Rentals.

The remaining 10% will also be used for Administration.

Note that it may be necessary to shift funding from one eligible use to another in order to meet the expenditure deadlines. However, the percentage of Administration funding will not exceed 10% of the allocation and at least 25% will be used for eligible activities to benefit person or households at or below 50% of areas median income as required by NSP.

## **Pre-Award Costs**

The City may incur pre-award costs in compliance with 24 CFR 570.200(h). Permissible costs incurred as of September 29, 2008 for items such as development of the Action Plan amendment and other administrative actions necessary to receive the NSP grant from HUD.

## **Use Requirement**

NSP funds must be used no later than 18 months after execution of the grant agreement. It is expected that the grant agreement between HUD and the City will be signed in January.

## **Program Income**

Any program income received before July 30, 2013 may be retained by the City and used to carry out eligible NSP activities.

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## **Distribution and Use of Funds (NSP-1)**

NSP funds will be used in two primary activities plus administration:

- 1) Acquisition/rehabilitation/resale of single-family homes, and Acquisition/rehabilitation of rental multi-family units as a long-term affordable rental projects
- 2) Acquisition/demolition/land banking/redevelopment of units, and
- 3) Administration of the program will not exceed 10 percent of the NSP grant and 10 percent of program income, if any.

### **ACQUISITION/REHABILITATION (NSP – 1)**

This activity has two sub categories – single-family resale and multi-family rental.

#### **1) Acquisition/Rehabilitation and Resale**

The City of Hemet (or its consultant/development partner) will acquire and rehabilitate foreclosed, abandoned single-family units and sell them to income-eligible homebuyers. The final sales price will be no greater than the initial acquisition, rehabilitation costs, and activity delivery costs. Acquisitions will be discounted below an appraised value determined no more than 60 days prior to the date of the offer to purchase.

Income-eligible homebuyers shall not be earning greater than 120% AMI as defined by HUD. The table below shows these income limits as adjusted for family size. The prospective buyers will be required to attend pre-acquisition HUD-certified homebuyer education and counseling. The principal, interest, taxes, insurance and (if applicable) homeowner association fees shall not exceed 35 percent of the household's adjusted gross income.

<b>120 Percent of Area Medium Income Adjusted for Family size 2008</b>	
<b>Family Size</b>	<b>Maximum Eligible Income</b>
1	\$55,950
2	\$63,950
3	\$71,950
4	\$79,900
5	\$86,300
6	\$92,700
7	\$99,100
8	\$105,500

A minimum of three percent down payment will be required of the home-buying household. Should a gap exist between the mortgage based on the sales price and 35 percent of the household's income, the gap may be filled with City Housing Authority/Redevelopment Agency Low/Moderate Income Housing Funds, as silent second mortgage. The City Housing Authority loan would be a junior lien with loan terms as specified in the City Housing Authority Down Payment Assistance guidelines.

The cost of acquisitions and rehabilitation may be leveraged (by private or public sources) or 100 percent financed with NSP, depending on specific circumstances. Acquisitions may be done in small batches, grouped either geographically or by lender, depending on the negotiations for purchase. This will be Hemet's primary use of NSP funds.

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The City will try to qualify very-low income (50% AMI) households, for homeownership through non-profit development partners, such as Habitat for Humanity. Some of the single-family units may be owned by a non-profit agency and used a special needs group home for households at all income levels up to 50 percent AMI.

**2) Acquisition/Rehabilitation and Rental**

The City will also use funds for acquisition/rehabilitation of multi-family rentals most likely in partnership with affordable housing developers. Typically, title to the property would remain with the developer and a covenant would be entered on title for a predetermined affordability period. It is anticipated that these rentals will serve households below 50% AMI. Where possible, these units will be used to augment the special needs housing categories.

Below is the income chart for households at 50 percent AMI.

<b>50 Percent of Area Medium Income Adjusted for Family size 2008</b>	
<b>Family Size</b>	<b>Maximum Eligible Income</b>
1	\$23,300
2	\$26,650
3	\$29,950
4	\$33,300
5	\$35,950
6	\$38,650
7	\$41,300
8	\$43,950

**ACQUISITION/DEMOLITION/LANDBANK/REDEVELOPMENT (NSP-2)**

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. A primary basis would be the proposed cost of rehabilitation. In such cases, staff would consult with the City's Building Official regarding the structural soundness of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an in-fill unit or units would commence as soon as practicable. Several redevelopment options would be considered. One option would be to sell the parcel to Habitat for Humanity for \$1 for their next new construction project; another option would be to make it available to a non-profit for special needs housing. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a commercial use, park or public facility.

Between the time of demolition and new construction, the sites would be "land banked." The City will maintain the sites and in some cases consolidate adjacent parcels.

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**C. DEFINITIONS AND DESCRIPTIONS**

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

**Response:**

The City of Hemet 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 2.

**(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:**

For any NSP-funded rental activity, “affordable rents” shall be defined as 30 percent 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 how the grantee will ensure continued affordability for NSP assisted housing.**

**Response:**

Continued affordability will be ensured for the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.

**Describe housing rehabilitation standards that will apply to NSP assisted activities.**

**Response:**

The NSP funds will use the City of Hemet’s standards from the ongoing Housing Rehabilitation Programs (funded from HOME, and CalHOME):

**Code Correction Repairs**

At a minimum, all health and safety issues and all violations to local codes, ordinances, and zoning requirements shall be corrected. In addition, the Uniform Building Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical code, Title 25, and Chapters 5-10 of the Uniform Housing Code, ADA, Section 504, and relevant sections of Titles 24 which pertain to disability access shall be satisfied as a part of the rehabilitation. In addition to requiring that the building be brought into compliance with applicable codes, the Program requires specific additional upgrades in all projects. These include: upgrade of electrical equipment grounding and bonding system; GFCI replacement in kitchen, bathroom and exterior areas; fire extinguishers; smoke detector upgrade to current Uniform Building Code; and installation of carbon monoxide detectors; and exterior painting, if needed. All health and safety code violations must be corrected in order to be eligible for disabled access improvements, emergency repairs, or weatherization. All work performed must comply with the rehabilitation standards.

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### **Energy Conservation**

In addition to repairs required because of code violations, the borrower(s) may request that loan proceeds be used to upgrade the property to meet energy conservation standards.

### **Lead Based Paint Repairs**

Control or abatement of defective lead based paint surfaces will be included in the property rehabilitation where applicable. A lead based paint inspection report may be required of any home built before 1978.

### **Asbestos Removal**

Removal of materials containing asbestos, if necessary, will be included as part of the property rehabilitation.

### **Other Eligible Improvements**

In addition to the above-noted eligible improvements, program funds are available for rehabilitation improvements that are physically attached and permanent in nature as follows:

1. Repairs that remedy existing nonconforming uses such as garage conversions, additions, etc.
2. Exterior work to help preserve or protect structures, roofing, siding (if significantly damaged), re-leveling, bracing (including earthquake bracing), repair/replacement of screens/windows, doors and door locks, structural and/or foundation damage, replacement of deteriorated attached porch and step structures (i.e., mobile home porches made of plywood).
3. Interior work to make a structure more livable and repair/replace/restore important parts such as plumbing (i.e., re-pipe and replacement of fixtures), damaged flooring, faulty or inadequate heating/cooling systems\*, inoperable built-in appliances\*, damaged ceilings, water heaters, electrical wiring and service, painting (if walls are water damaged).
4. Weatherization and energy conservation items such as insulation, caulking, weather-stripping, if all health and safety code violations have been corrected.
5. Fumigation and treatment of termites and pest control.
6. Modifications which aid the mobility of the elderly and physically disabled such as shower units with seats, lever hardware, retrofitting toilets to achieve adequate height, moving power points and light switches, ramping, reconstructing doorways, lowering sinks in kitchens and bathrooms. All health and safety code violations must be corrected to be eligible for disabled access improvements and emergency repairs.

Testing for the presence of lead-based paint and associated abatement, as required. (Any costs associated with abatement of lead-based paint will be processed as a part of the loan.)

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\* Incipient repair items (i.e. household appliances, furnaces that are likely to fail within a few years) may be eligible for replacement if the item is replaced with one of moderate quality only. Owner 's medical conditions may warrant new or replacement appliances.

#### **Ineligible Improvements**

1. Repair, purchase or installation of kitchen appliances, which are designed and manufactured to be freestanding.
2. Recreational items such as barbecues, bathhouses, greenhouses, swimming pools, saunas, television antennas, tennis courts.
3. Luxury items such as burglar alarms, burglar protection bars, dumbwaiters, kennels, murals, flower boxes, awnings, patios, decks and storage sheds/workshops, microwaves, dishwashers.
4. Other items deemed ineligible by the City Housing Representative or his/her designee.
5. If any changes that are made without City approval the contractor will not be paid for the work.

#### ***D. 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.**

**Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.**

#### **Response:**

The City of Hemet will make at least \$722,118 (25 percent of the City's NSP allocation, as required) available for acquisition/rehabilitation/resale and rental as described above.

#### ***E. ACQUISITIONS & RELOCATION***

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

***If so, include:***

- The number of low- and moderate-income dwelling units—i.e.,  $\leq$  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.,  $\leq 120\%$  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 % AMI of area median income.

**Response:**

All activities below are anticipated to be initiated upon the release of NSP funds.. All funds will be initially obligated within 18 months; several of these activities anticipate repayment of funds (e.g. program income) which will continue to be used, within the NSP guidelines as long as possible (currently until July 2013).

- No conversions are anticipated. As indicated above, a small number of units may be acquired and demolished. Of these, none are anticipated to have had an affordability covenant; however some of these may have been occupied and/or owned by low- and moderate-income households. A reasonable number anticipated that would fall into this category would be less than 3 units.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households reasonably expected to be produced by the various activities are as follows:

ACQUISITION/REHABILITATION (NSP – 1)

- 1) Acquisition/rehabilitation/resale to homebuyers: Assuming \$1M is available in this category and the average single family purchase price is \$160,000, the average rehabilitation and carrying costs are \$40,000, the average sales price would be \$200,000, If an average of \$25,000 of these proceeds remain in the unit as a silent second mortgage, and NSP funds provide 100% of financing (no leverage or “roll over” within the first 18 months) then 5 units could be produced using the initial NSP funds for both homebuyers earning less than 50% AMI and 120% AMI. More units will be produced as funds are returned upon the sale of each home and then re-invested into the program until at least July 2013. Changes in average acquisition costs and changes in average rehabilitation costs could dramatically change this number.
- 2) Acquisition/rehabilitation/rental: Assuming \$700,000 is available for the purchase of multi-family units, approximately 8 rental units could be purchased for rent to households making under 50% AMI,

ACQUISITION/DEMOLITION/LANDBANK/REDEVELOPMENT (NSP – 2)

- Assuming \$900,000 is available for this activity, approximately 4 single-family homes could be redeveloped.
- The number of dwelling units anticipated to be made available to households at or below 50 percent AMI: is fully dependent upon the amount of leveraging that the City’s affordable housing partners can produce. Initially, perhaps 8 rental and single-family units will be provided.

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*F. PUBLIC COMMENT*

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

**Response:**

The NSP Substantial Amendment to the City's 2008-2009 Annual Action Plan was posted on the City's web site at [www.cityofhemet.org](http://www.cityofhemet.org) .

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**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

- 1) **Activity Name:**  
Acquisition/Rehabilitation/Resale of Single-Family Homes and Multi-Family Rentals (NSP – 1)
- 2) **Activity Type:**  
NSP – acquisition/rehabilitation/resale and Multifamily Rentals, CDBG – 24 CFR 570.201(a), acquisition, and (b) disposition, and 570.202, rehabilitation, and 570.201(n) housing services
- 3) **National Objective:**  
Beneficiaries will be restricted to very low-, moderate-, and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% and 50% as promulgated by HUD for this purpose.
- 4) **Projected Start Date:**  
Within 90 days of executed agreement with HUD.
- 5) **Projected End Date:**  
July 2013, or as long as funds are available.
- 6) **Responsible Organization:**  
City of Hemet, Housing Division  
445 E. Florida Avenue  
Hemet, CA 92543  
Administrator: Mark Trabing, (951) 765-2381, [mtrabing@cityofhemet.org](mailto:mtrabing@cityofhemet.org)  
Additional partners such as other non-profit and private developers that will implement the program with City oversight.
- 7) **Location Description:**  
City-wide
- 7) **Activity Description:**  
This activity includes 1) acquisition/rehabilitation and resale of single-family homes; and, 2) acquisition/rehabilitation of multi-family rentals.

**1) Acquisition/Rehabilitation/Resale of Ownership Units**

The tenure of beneficiaries is home ownership; the duration of the assistance will be dependent on the household's debt capacity. Should there be an affordability gap, some portion of the City's original investment of acquisition and rehabilitation funds may remain in the property as a "silent second" (no monthly payments due, and a proportionate equity-share mechanism in lieu of interest) to be repaid upon change in title or status as owner-occupied housing. Alternatively, the City's Housing Authority may use its traditional first time homebuyer assistance program. The property will have an affordability covenant recorded against it. As with other assisted single-family units through Hemet's rehabilitation programs and down-payment assistance programs, continued affordability is ensured through an annual monitoring process. Initial acquisition by the (City's development partner will average at least 15 percent below a current appraised value

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## **2) Acquisition/Rehabilitation/Rental of Multi-family**

This activity is for acquisition/rehabilitation/for multi-family rentals, specifically for households earning less than 50% AMI. The City's Housing Authority or development partner will acquire foreclosed multifamily structures, and /or provide funding for non-profit special needs housing provide for acquisition/rehab to expand affordable housing opportunities in this area. Rents charged will be no greater than the Fair Market Rents, as published by HUD. Rents can not exceed 30% of the households monthly income, less appropriate utility allowances.

### 9) **Total Budget:**

The initial budget from NSP funds is \$1,700,000. Private components are not included, presuming worst-case scenario. Best-case scenario would include a matching private component of an additional \$1 to \$2 million. Note that this is the primary NSP activity, and the budget may be increased by reduction of other activity budgets should circumstances warrant. This Plan includes budgetary amendments by the City Manager's signature to meet short time commitment requirements.

### 10) **Performance Measures**

- 1) Resale - This activity is acquisition/rehab/resale. The performance measurement outcomes will be measured by the number of affordable housing units made available. This activity should include households below 50% AMI, especially those homes acquired by Habitat for Humanity. The anticipated number to be initially served (assuming worst case that the acquisitions and rehabilitation is 100% financed with NSP funds and there is no "roll-over" of funds) is 13, of which it is anticipated that 8 households below 50% AMI, and 4 more households under 120% AMI.
- 2) Multifamily - It is initially anticipated that 8 rental units may be made available to households earning less than 50% AMI through this activity.

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- 1) **Activity Name:**  
Acquisition/Demolition/Land bank and Redevelopment
  - 2) **Activity Type:**  
NSP – Acquisition/rehabilitation/resale, which will most likely also include a financing mechanism; CDBG – 24 CFR 570.201 (a) acquisition, (b) disposition, and 570.202, housing.
  - 3) **National Objective:**  
Ultimate beneficiaries (after redevelopment of the site) will be restricted to low-, moderate-, and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120 percent as promulgated by HUD for this purpose.
  - 4) **Projected Start Date:**  
Within 90 days of executed agreement with HUD.
  - 5) **Projected End Date:**  
July 2013, or as long as funds are available.
  - 6) **Responsible Organization:**  
The City of Hemet will be the lead entity  
445 E. Florida Avenue, Hemet CA 92543.  
Administrator: Mark Trabing, 951 765-2381, [mtrabing@cityofhemet.org](mailto:mtrabing@cityofhemet.org) .  
Additional partners will be utilized for a variety of functions (redevelopment, property management, escrow/title, etc.). Title of the property may be deeded to the City of Hemet Housing Authority, or may be sold to eligible non-profit housing providers, such as Habitat for Humanity.
  - 7) **Location Description:**  
City-wide
  - 8) **Activity Description:**  
This activity is for acquisition/demolition/redevelopment of foreclosed, abandoned, blighted, single-family properties.. After consultation with the City’s Building Official, a determination would be made to demolish the structure instead of attempting to rehabilitate it. The property would then be made available to the City’s development partners to plan the redevelopment of the property as soon as feasible. Redevelopment may include sale of the property at current fair market value, or below current fair market value, or partnership with the non-profit agency. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility.
  - 9) **Total Budget:**  
The initial budget is \$900,000 but if not used for this activity it will revert back to the acquisition/rehabilitation and resale activity above. It is anticipated that any units acquired under this activity will be purchased at a very deep discount due to the condition of the unit. Should outside parties choose to participate, the budget may expand, up to double the amount. Note that this is not the primary NSP activity, and the budget will be determined based upon the status of neighborhoods in the NSP

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priority area described above. Plan includes budgetary amendments by City Manager's signature to meet short time commitment requirements.

- 10) **Performance Measures** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are below 120% or 50% AMI. It is initially anticipated that 3 affordable housing units may be ultimately made available through this activity after redevelopment of the se.

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- 1) **Activity Name:**  
NSP Administration
  - 2) **Activity Type:**  
CDBG: 24 CFR 570.206
  - 3) **National Objective:**  
Administration is exempt from meeting a national objective.
  - 4) **Project Start Date:**  
Within 90 days of executed agreement with HUD.
  - 5) **Projected End Date:**  
July 2013, or as long as funds are available.
  - 6) **Responsible Organization:**  
City of Hemet, Housing Division  
445 E. Florida Avenue  
Hemet, CA 92543  
Administrator: Mark Trabing, (951) 765-2381, [mtrabing@cityofhemet.org](mailto:mtrabing@cityofhemet.org)  
Additional partners such as a consultant or private developers that will help implement the program with City oversight.
  - 7) **Location Description:**  
The City of Hemet will be the lead entity, 445 E. Florida Avenue, Hemet CA 92543.
  - 8) **Activity Description:**  
This activity is grant administration which includes, but is not limited to, the following activities:
    - Compliance monitoring (NSP requirements, Labor Standards, Section 3, procurement, conflict of interest, EEO, URA, Affirmative Marketing, etc.).
    - Environmental review for compliance with the National Environmental Polices Act (NEPA)
    - Contracting
    - Procurement (including letting of appropriate Requests for Proposals, Notices of Funding Opportunities, etc.)
    - Financial data collection and reporting
    - Quarterly reporting
    - Data entry and reporting through DRGR
    - Providing technical assistance to activity sponsors
    - Ensuring public participation

Further, the City will issue a Request for Proposals for a contractor to be engaged to assist in the administration of this grant for a 3 to 5-year period, as funds are available.
  - 9) **Total Budget:**  
Public component only - \$288,473, which is 10% of the grant, plus 10% of program income.
  - 10) **Performance Measures**  
Not applicable for administration.

## **CERTIFICATIONS**

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the

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proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

\_\_\_\_\_  
Signature/Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Len Wood, Interim City Manager

**CALIFORNIA CODES  
HEALTH AND SAFETY CODE  
SECTION 33030-33031**

**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.

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(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.

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**NSP Budget Summary  
NSP Substantial Amendment Checklist**

*For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.*

**Contents of an NSP Action Plan Substantial Amendment**

<p><b>Jurisdiction(s):</b> <u>City of Hemet</u></p> <p><b>Jurisdiction Web Address:</b> <a href="http://www.cityofhemet.org">http://www.cityofhemet.org</a></p>	<p><b>NSP Contact Person:</b> Mark Trabing  <b>Address:</b> 445 E. Florida Avenue  Hemet, CA 92543  <b>Telephone:</b> (951) 765-2381  <b>Fax:</b> (951) 765-2359  <b>Email:</b> <a href="mailto:marktrabing@cityofhemet.org">marktrabing@cityofhemet.org</a></p>
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

**A. AREAS OF GREATEST NEED**

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee’s jurisdiction?

Yes  No . Verification found on page \_\_\_\_.

**B. DISTRIBUTION AND USES OF FUNDS**

Does the submission contain 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?

Yes  No . Verification found on page \_\_\_\_.

**Note:** The grantee’s narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

**C. DEFINITIONS AND DESCRIPTIONS**

For the purposes of the NSP, do the narratives include:

- a definition of “blighted structure” in the context of state or local law,  
Yes  No . Verification found on page \_\_\_\_.
- a definition of “affordable rents,”  
Yes  No . Verification found on page \_\_\_\_.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,  
Yes  No . Verification found on page \_\_\_\_.

- 
- a description of housing rehabilitation standards that will apply to NSP assisted activities?  
Yes  No . Verification found on page \_\_\_\_\_.

***D. INFORMATION BY ACTIVITY***

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,  
Yes  No . Verification found on page \_\_\_\_\_.
- correlated eligible activity under CDBG,  
Yes  No . Verification found on page \_\_\_\_\_.
- the areas of greatest need addressed by the activity or activities,  
Yes  No . Verification found on page \_\_\_\_\_.
- expected benefit to income-qualified persons or households or areas,  
Yes  No . Verification found on page \_\_\_\_\_.
- appropriate performance measures for the activity,  
Yes  No . Verification found on page \_\_\_\_\_.
- amount of funds budgeted for the activity,  
Yes  No . Verification found on page \_\_\_\_\_.
- the name, location and contact information for the entity that will carry out the activity,  
Yes  No . Verification found on page \_\_\_\_\_.
- expected start and end dates of the activity?  
Yes  No . Verification found on page \_\_\_\_\_.

***E. SPECIFIC ACTIVITY REQUIREMENTS***

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

- the discount required for acquisition of foreclosed upon properties,  
Yes  No . Verification found on page \_\_\_\_\_.

If the activity provides financing,

- the range of interest rates (if any),  
Yes  No . Verification found on page \_\_\_\_\_.

If the activity provides housing,

- duration or term of assistance,  
Yes  No . Verification found on page \_\_\_\_\_.
- tenure of beneficiaries (e.g., rental or homeownership),  
Yes  No . Verification found on page \_\_\_\_\_.

- does it ensure continued affordability?  
Yes  No . Verification found on page \_\_\_\_.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_.

**F. LOW INCOME TARGETING**

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?  
Yes  No . Verification found on page \_\_\_\_.  
Amount budgeted = \$ \_\_\_\_.

**G. DEMOLISHMENT OR CONVERSION OF LOW- AND MODERATE-INCOME UNITS**

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes  No . (If no, continue to next heading)  
Verification found on page \_\_\_\_.

Does the substantial amendment 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?  
Yes  No . Verification found on page \_\_\_\_.
- 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)?  
Yes  No . Verification found on page \_\_\_\_.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?  
Yes  No . Verification found on page \_\_\_\_.

**H. PUBLIC COMMENT PERIOD**

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes  No . Verification found on page \_\_\_\_.

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Is there a summary of citizen comments included in the final amendment?  
Yes  No  Verification found on page \_\_\_\_.

**I. WEBSITE PUBLICATION**

The following Documents are available on the grantee's website:

- SF 424 Yes  No .
- Proposed NSP Substantial Amendment Yes  No .
- Final NSP Substantial Amendment Yes  No .
- Subsequent NSP Amendments Yes  No .

Website URL: \_\_\_\_\_

**K. CERTIFICATIONS**

The following certifications are complete and accurate:

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| (1) Affirmatively furthering fair housing                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction                              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation                             | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan   | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months                              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds $\leq$ 120 of AMI                       | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force                                       | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures           | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws                                  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |