

**Report Period: December, 2009**

**Grant #: B-08-MN-00-0010**

**AGENCY: City of Vallejo, Housing and Community Development Division**  
**PROGRAM: U. S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program ("NSP1")**

**OBJECTIVE:**

- ✓ Create suitable living environment
- ✓ Provide decent affordable housing
- ✓ Create economic opportunities

**OUTCOME:**

- ✓ Availability/accessibility
- ✓ Affordability
- ✓ Sustainability

**Goal of Overall Grant/Goal of City of Vallejo:**

The City of Vallejo (COV) has been severely impacted by the housing crisis. With a 9.7 percent foreclosure rate during the eighteen month period beginning January 1, 2007 and ending June 30, 2008, and continued foreclosures since that period, the City's intent is to stabilize and minimize the destruction and blight caused by foreclosures in its neighborhoods. The COV, or other entities on its behalf, through the utilization of NSP1 funds, and other City resources, will acquire, rehabilitate, and sell or rent abandoned and foreclosed homes to low- and moderate-income households with incomes up to 120 percent of the Area Median Income (AMI) in the areas of greatest need. The COV identified the following **four** specific activities to address the foreclosure crisis:

**1. Program Administration.** NSP general management, oversight, coordination, and public information. NSP funding amount allocated to this activity: **\$265,786.00.**

**Progress:** The Community Development Analyst I hired July 7, 2009 to assist in the coordination and implementation of NSP activities continues to work at the coordination of the above referenced NSP activities. This position is funded at .50 Full Time Equivalents (FTEs) through the NSP1 funding allocation.

**2. Acquisition/Rehabilitation of Foreclosed-upon Residential Properties for Homeownership.** The goal is to acquire, rehabilitate, and sell four (4) or more foreclosed homes through a COV- initiated competitive RFP process. Funding amount allocated to activity: **\$727,609.00.** Homeownership activities will target households at or below 120 percent of the area median income. This activity is separate from a Community Land Trust program, also under consideration.

**Progress:** Staff issued an RFP for the acquisition and rehabilitation of foreclosed properties in the Vallejo NSP target areas on August 13, 2009. In February, 2010, staff will recommend to the City Council the selection of Solano-Napa Habitat for Humanity, which in staff's opinion is the most qualified candidate for the identified NSP homeownership activities.

The COV executed a Non-Disclosure Agreement with Fannie Mae, (in November, 2009) that entitles Habitat for Humanity, if selected by the City Council, to purchase Fannie Mae foreclosed properties at a one (1) percent discount as the City's subgrantee.

Additionally, the COV will become part of an existing collaboration of small East Bay localities that will work with the National Community Stabilization Trust (NCST) to facilitate the acquisition of foreclosed properties. COV is excited at the potential to secure foreclosed properties through the Trust which is given a "First Look" at available REO properties held by lenders.

**3. Acquisition/Rehabilitation of Foreclosed-upon Residential Properties for Rental Housing.** The goal is to create up to fifteen (15) units of affordable multi-family housing for households at or below 50 percent the area median income, through a COV-initiated competitive RFQ process. Funding allocated: **\$664,466.00**. (This is a slight deviation from the City's original NSP grant application, which originally contained a goal to purchase, rehabilitate, and rent up to four single-family homes to households at or below 50 percent AMI).

**Progress:** The COV selected Domus Development, LLC as the preferred developer to implement the above-referenced NSP activity. A Memorandum of Understanding (MOU) between Domus Development and the COV was executed in December 2009. The MOU gives Domus 120 days to locate and obtain site control on a site suitable for the development of a multi-family project.

Domus has identified two potential sites and is currently determining the suitability and feasibility of those sites for the acquisition and rehabilitation of housing for households at or below 50 percent of the area median income. Additionally, Domus is working on their community acceptance, by meeting with various community and City stakeholders.

**4. Homebuyer Financing.** The City will provide NSP1 funding to either a CLT, or to VNHS (a subrecipient of the City) for the sale or lease-to-own of rehabilitated and foreclosed-upon residential properties at or below 120 percent AMI. NSP funding amount allocated to this activity: **\$1,000,000.00**.

**Progress:** VNHS has begun to work with Fannie Mae and is implementing its marketing strategy to secure eligible homeowners. Staff is preparing an amendment to VNHS's Agreement and will recommend to the City Council that VNHS's approved NSP activity be redefined to include the reallocation of a large portion of

their DPA funding to include the acquisition and rehabilitation of foreclosed homes. VNHS continues to market the NSP program to the community and realtors.

Additionally, COV has initiated contact with the National Community Stabilization Trust (NCST) and will become part of an existing collaboration of small East Bay localities that will work with the Trust to facilitate the acquisition of foreclosed properties. COV is excited at the potential to secure foreclosed properties through the Trust which is given access to the "First Look" program, which consists of available REO properties held by lenders. It is the COV's belief that the Trust will assist the City and its nonprofit groups in leveling the playing field as it relates to competing with investors that have been successful in outbidding nonprofit groups that have added layers of federal requirements that have to be met prior to any offers of purchase being authorized.

**4a. Community Land Trust.** The CLT evaluation and feasibility study was completed January 29, 2009, by Rick Jacobus and Allison Handler of Burlington Associates in Community Development. The study identified the key feasibility issues to ensure a successful COV CLT, which includes: an initial capitalization of \$4MM by the COV; minimum development cost per home of \$60K or less; the ability to sell resale-restricted CLT homes at a below-market rate, affordable to households with incomes between 50 and 80 percent of the AMI; continued COV support of capital resources to generate, at minimum, fifteen (15) properties per year; and the ability of homebuyers to secure permanent financing from qualified lenders.

**Progress:** COV issued the CLT RFQ on August 31, 2009, to interested developers, property managers, and homeowner's associations to garner their qualifications and interest in owning and operating the COV's CLT that outlined the above referenced key components to ensure success. There were two responses to the CLT RFQ that are currently being evaluated. Interviews of respondents were conducted in December, 2009.

The City conducted two interviews for a CLT Administrator. It was staff's determination that neither respondent had sufficient capacity and /or the expertise to own and operate a CLT independently. It is the City's intent to continue to evaluate the continued feasibility of pursuing a CLT and to consult with the Northern California Land Trust regarding the possibility of providing training and capacity building to the City's CHDO nonprofit organization.