

## Neighborhood Stabilization Program 2

### PROGRAM SUMMARY

The Housing Authority of the County of San Joaquin (HACSJ), using grant funds provided under the American Recovery and Reinvestment Act of 2009, will engage in NSP2 eligible activities in order to achieve the objectives of the program. HACSJ is primarily interested in stabilizing the neighborhood within the 95206 zip code that borders our Public Housing SierraVista development. Many residential houses in this area have been abandoned and are now in foreclosure. The neglect to the exteriors of the homes, the lawns and patios all contribute to a rapidly declining environment that not only discourages potential buyers but also fosters criminal activity.

The Housing Authority will purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties within the specified zip code. We will do that in a way that:

- Targets and reconnects neighborhoods
- Rapidly arrests decline
- Assures compliance with the NSP “deep targeting” requirement
- Ensure longest feasible continued affordability
- Optimizes economic activity and the number of jobs created or retained or that will provide other long-term economic benefits.
- Integrates neighborhood stabilization programs with other Federal policy priorities and investments, including energy conservation and efficiency.
- Leverages resources and removes destabilizing influences, such as blighted homes

HACSJ acknowledges all the eligible uses of NSP2 funds and proposes to carry out only these activities:

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared-equity loans for low and moderate income homebuyers
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties
- Demolish blighted structures
- Redevelop demolished or vacant properties as housing

The Housing Authority of the County of San Joaquin acknowledges that the use of NSP2 funds must meet the low and moderate income national objectives of the Community Development Block Grant (CDBG). In accordance with the NSP2 redefinition of low and moderate income to include middle income households up to 120% of Area Median Income (AMI), HACSJ acknowledges that all activities carried out under NSP2 will benefit only low, moderate and middle income households. HACSJ further acknowledges that it will budget a minimum of 25% of NSP2 funds to provide housing for individual households whose incomes do not exceed 50% of AMI

**FACTOR 1 – Need and Market Conditions**

NSP2 requires that the funding and activities must make a tangible impact in every selected census tract. Staff analyzed eligible census tracts and the potential of acquiring foreclosed properties. The Housing Authority believes that the program outlined in this application will make a significant improvement to the stability and improvement of the targeted neighborhoods, which are within a three mile radius of one of our existing Public Housing developments. The Housing Authority will carry out NSP2 activities in the census tracts listed below and in Appendix 1

**HUD User Census Tract Information**

Census Tract	State	Foreclosure Score	Vacancy Score	Max Score
06077002200	CA	20	19	20
06077002300	CA	20	19	20

The "foreclosure" risk score is based on ranking census tracts by two measures: (i) percent of foreclosure problems and (ii) number of foreclosure problems. Each tract receives the higher rank (from 1 to 20) from those two rankings. The "vacancy" risk score is based on an algorithm that combines 90-day vacancy rates with foreclosure problem rates and then ranks census tracts from 1 to 20 on this estimate. Both census tracts targeted for NSP2 activities are ranked as High Risk.

**Demographics**

*(source: City of Stockton Draft Housing Element)*

Stockton is one of the fastest growing communities in California. Table 4-1 shows the long term historic population trends for the City of Stockton. Since incorporating in 1850, Stockton has been a rapidly growing city. The city experienced its highest average annual growth rate (AAGR) between 1980 and 1990 when the population grew at an AAGR of 3.6 percent. The population growth slowed significantly

between 1990 and 2000, and then increased again through the 2000s. Stockton's population was 289,927 as of 2008.

<b>TABLE 4-1 HISTORICAL POPULATION CHANGE Stockton 1920 to 2008</b>			
<b>Year</b>	<b>Population</b>	<b>Change</b>	<b>AAGR</b>
1920	40,296	--	--
1930	47,963	7,667	1.8%
1940	54,714	6,751	1.3%
1950	70,853	16,139	2.6%
1960	86,321	15,468	2.0%
1970	109,963	23,642	2.5%
1980	148,283	38,320	3.0%
1990	210,943	62,660	3.6%
2000	243,771	32,828	1.5%
2008	289,927	46,156	2.3%

Note: AAGR for 2000-2008 calculated for 7.75-year period (April 1, 2000 to Jan. 1, 2008). It should be noted that the City's boundaries change over time and population growth reflects changes in the City overall area.

Source: DOF, Table 2a Historical Census Populations of California State, Counties, Cities, Places, and Towns

Table 4-2 shows Stockton's growth rate relative to San Joaquin County and the State of California. From 1990 to 2000, both the City of Stockton and San Joaquin County grew at a faster rate than the state average, with 1.95 percent and 1.47 percent AAGR, respectively, versus 1.30 for all of California. While the 2000-2008 AAGR increased statewide to 1.51 percent, the rate of growth in both the City and County experienced a larger increase to 2.34 percent and 2.74 percent, respectively.

<b>TABLE 4-2 POPULATION CHANGE Stockton, San Joaquin County, and California 1990 to 2008</b>									
	<b>Stockton</b>			<b>San Joaquin County</b>			<b>California</b>		
	<b>1990</b>	<b>2000</b>	<b>2008</b>	<b>1990</b>	<b>2000</b>	<b>2008</b>	<b>1990</b>	<b>2000</b>	<b>2008</b>
Population	210,943	243,771	289,927	480,628	556,229	685,660	29,758,213	33,873,086	38,049,462
Growth from Previous Period	-	32,828	46,156	-	75,601	129,431	-	4,114,873	4,176,376
AAGR from Previous Period	-	1.95%	2.34%	-	1.47%	2.74%	-	1.30%	1.51%

Sources: California Department of Finance 2008, 1990 and 2000 U.S. Census

## **Income and Employment**

(source: City of Stockton Draft Housing Element)

Local demand for housing is significantly impacted by income, employment characteristics and regional job growth. To effectively address the housing and jobs

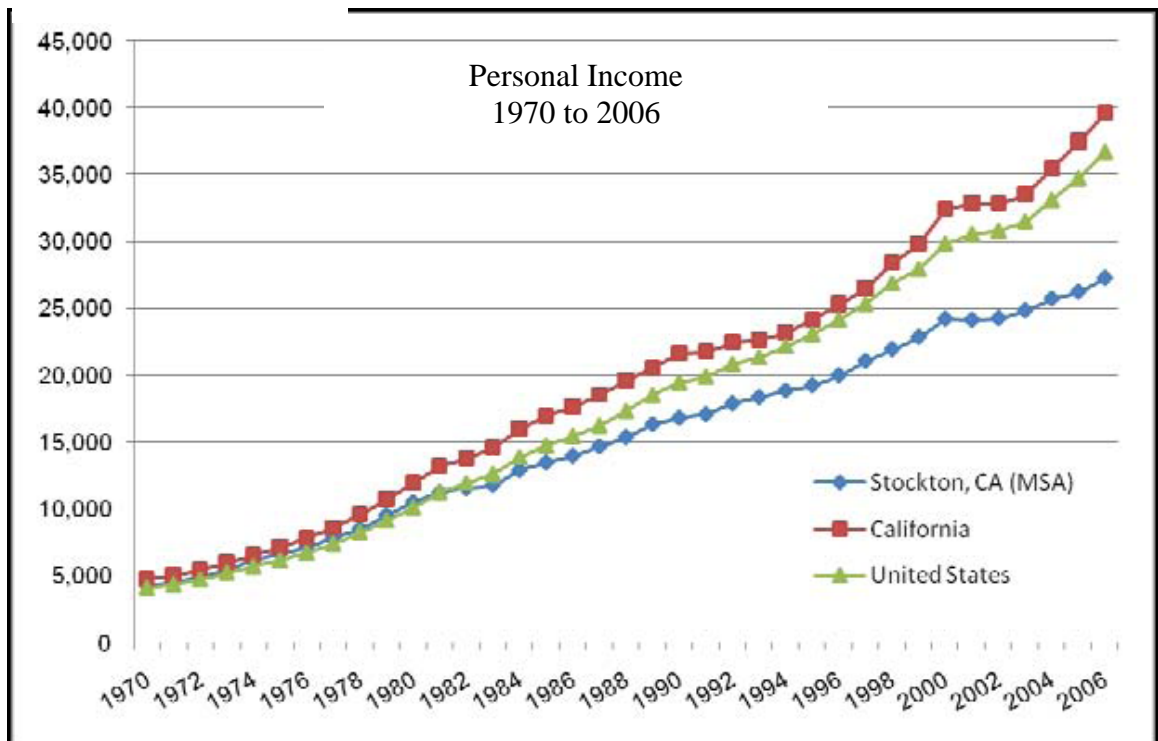
relationship, an understanding of local salary and job profiles is needed. This section analyzes personal income, household income, and employment characteristics for San Joaquin County and the City of Stockton, when available.

**Personal Income**

(source: City of Stockton Draft Housing Element)

Figure 4-1 shows the change in average per capita income for the Stockton MSA, California, and the U.S. from 1970 through 2006. In 1970, Stockton, California and the U.S. had about the same average personal income. However, by the early 1980s, Stockton’s average per capita personal income had decreased compared to California and national averages. From 1984 to 2006, Stockton’s per-capita personal income rose 52.7 percent to only \$27,272 compared to the State of California, which rose approximately 59.6 percent to \$39,629. By 2006, the personal income gap between Stockton and California was four times greater (\$12,354) than what it was in 1984 (\$3,091).

Figure 4-1



**Household Income**

(source: City of Stockton Draft Housing Element)

Household incomes in Stockton are generally lower than incomes in the San Joaquin County or State. The most significant income disparities when comparing Stockton

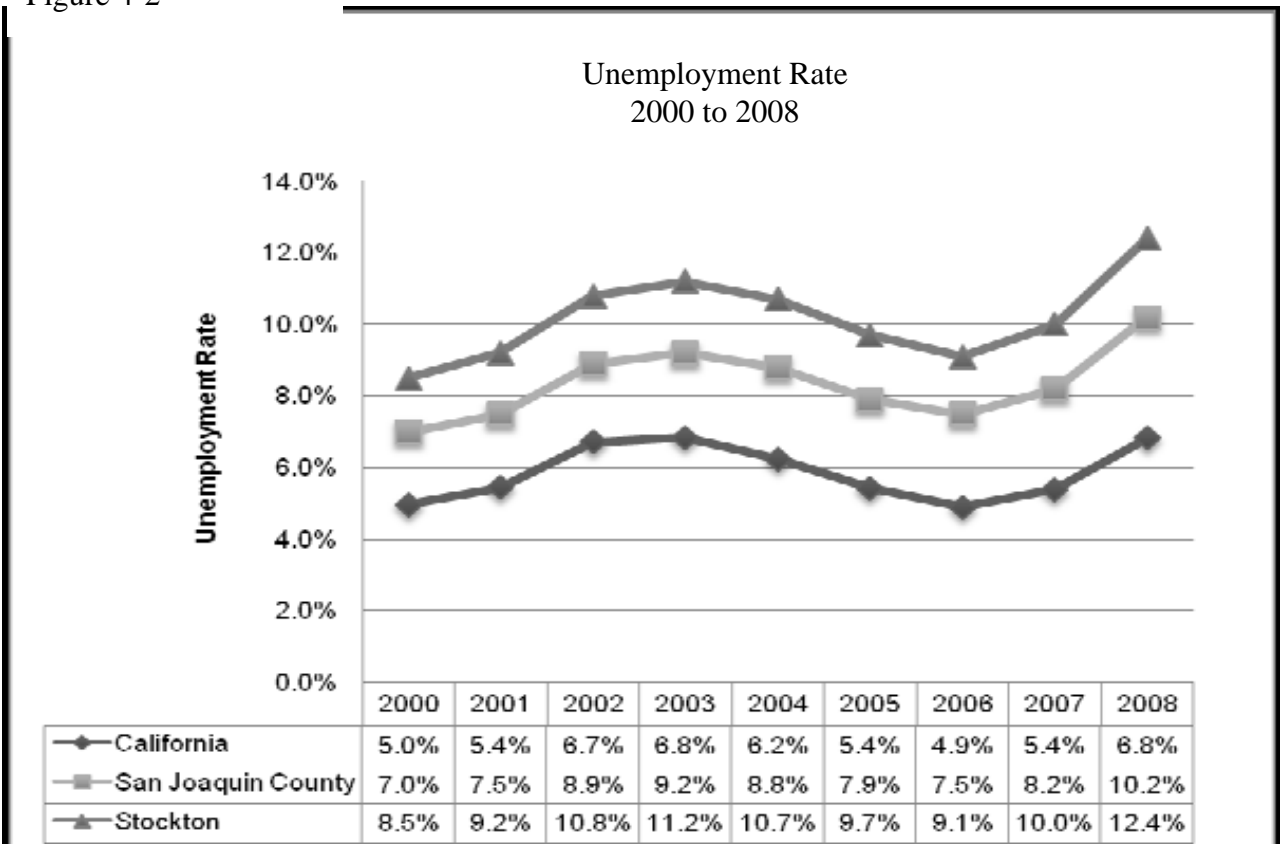
with the County or State occur at either end of the income spectrum. For example, approximately 36 percent of Stockton households earned less than \$30,000 in 2007, compared to 32 percent in County households or 29 percent of State households. Households earning \$75,000 or greater consisted of only 29 percent of all Stockton households, but accounted for approximately 34 percent of San Joaquin County households and almost 40 percent of all California households.

**Employment**

*(source: City of Stockton Draft Housing Element)*

The unemployment rate in Stockton has increased in recent years, following a statewide trend. Figure 4-2 illustrates unemployment rates in Stockton, San Joaquin County, and California from 2000 to 2008. Since 2000, the City’s unemployment rate has been consistently higher than the County and State averages. The unemployment rate has increased since 2006, consistent with an overall decrease in the housing market. Some of this unemployment may be attributed to layoffs in the construction industry as housing starts have nearly come to a stop in Stockton and throughout much of California. As of April 2009, 18.8 percent of Stockton residents were unemployed, slightly higher than the County (15.6 percent) and considerably higher than the statewide unemployment rate (11 percent). The overall unemployment trends in Stockton over the last 8 years have generally followed the ups and downs of the County and State, except at a higher rate. Unemployment has continued to drastically increase in Stockton since 2008.

Figure 4-2



As shown in the table below, Stockton’s population is projected to increase 23.5 percent from 268,270 in 2005 to 331,278 in 2015. By 2030, the City’s population is projected to be 438,770, which is a 38.9 percent increase from 2005. Employment growth in Stockton

<b>TABLE 4-8 POPULATION AND EMPLOYMENT PROJECTIONS Stockton 2000 to 2030</b>					
<b>Year</b>	<b>Population</b>		<b>Employment</b>		<b>Jobs/ Population Ratio</b>
	<b>Persons</b>	<b>AAGR</b>	<b>Jobs</b>	<b>AAGR</b>	
2000	243,771	--	88,645	--	0.36
2005	268,270	1.9%	92,122	0.8%	0.34
2010	298,267	2.1%	95,901	0.8%	0.32
2015	331,278	2.1%	101,001	1.0%	0.30
2020	366,322	2.0%	105,846	0.9%	0.29
2025	401,997	1.9%	111,607	1.1%	0.28
2030	438,770	1.8%	116,895	0.9%	0.27

*Source: San Joaquin Council of Governments. Population, Employment, & Housing Unit Projections, 2004*

is projected to occur at a lower rate than population growth. The number of jobs is projected to increase 9.6 percent from 92,122 jobs in 2005 to 101,001 in 2015. While the number of jobs and population is projected to increase, the rate of population growth is projected to exceed job growth, leading to a decrease in the jobs-housing ratio. Therefore, the ratio of jobs per capita is projected to decrease from 0.36 jobs per person estimated in 2000 to 0.27 jobs per person estimated in 2030.

As of 2007 there are 89,609 total housing units throughout the City of Stockton, of which 49,327 units are owner occupied and 40,282 are renter occupied. The homeownership rate stands at approximately 55%. Stockton’s residential market has, as the rest of the nation, experienced significant declines in housing value. At the height of the housing market in June 2006, median price for a single family home in San Joaquin County was \$390,000. According to the California Association of Realtors, housing affordability within San Joaquin County had dipped to an all time low of 18% during this period of time (only 18% of residents could afford to purchase a home, based on median incomes and median housing costs). The lack of housing affordability for many of the households that purchased or refinanced their homes during the peak years has contributed heavily to the growing number of foreclosures in today’s market. The effects of the national economy have had a substantial impact on the City of Stockton, and it has been one of the worst impacted areas in the nation. There are a number of factors that contributed to the overall decline of the housing market in Stockton, which have had similar impacts in surrounding areas.

### *Inflation of Housing Values*

New construction during the housing boom (2000-2006) accounted for approximately 14,551 total housing units (or 16.2% of the total housing stock). The majority of Stockton’s housing stock was built prior to 1980, accounting for 48,709 total housing

units (or 54% of the existing housing stock). Many of the homes purchased during this period of time are either upside down in value, in default, or have already been foreclosed upon. At the height of the housing market, a median priced home in Stockton was valued at \$463,291 (2Q 2006). A majority of the housing units in Stockton experienced exponential increases in property value which led to a surplus of equity which homeowners were than able to tap into. Due to loose lending practices and exotic loan options such as interest only, option ARMs, and negative amortization loans, many homeowners either fell behind with their mortgage payments and were foreclosed upon or just walked away from their property.

Additionally, speculation further impacted home valuations as investors began to purchase homes and subsequently flip them for a profit. In effect, speculative investors played a significant role in placing further upward pressure on property values by utilizing exotic loan options to purchase property, with little commitment of their own resources, and in-turn sell them for a profit (2008 John Husing Economic Report).

As indicated above, minimal new construction or rehabilitation activities currently taking place has affected the unemployment rate, with many laborers in the construction industry currently out of work. According to the California Employment Development, 11,400 Stockton residents were employed in the construction sector in 2008, which represented 5.2% of the Stockton's workforce. The collapse of the housing market has had a significant affect as a sizable portion of its workforce is no longer employed. Furthermore, with no new residential construction, less money is being spent in the retail sector on goods such as appliances, furniture or garden supplies. Many manufacturers that are tied to the construction sector are hindered as demand for housing related materials such as doors, hinges, and plumbing fixtures have significantly declined. Experts speculate that until the housing market stabilizes, job loses will persist as reduced revenues cause businesses to cut hours and lay off employees.

According to the 2007 American Community Survey, more than 30% of all owner-occupied households expend more than 30% of their gross monthly income on housing cost. This means that more than a third of Stockton homeowners are currently outside of their affordability range. In renter-occupied units, more than 51% of renter households in Stockton expend more than 30% of their gross monthly income on rent. Relative housing affordability amongst both existing homeowners and renters in Stockton is low. Homeowners present a significant concern as many threaten to abandon their homes as a result of their inability to make their mortgage payments, further impacting the stability of Stockton's neighborhoods. Additionally, increasing access to affordable homeownership opportunities for renters is necessary in reducing their housing costs and reoccupying many of the homes that now sit vacant.

### *Current Market Conditions*

The current housing market has yet to see a bottom as property values continually decline month-to-month. Development in and around Stockton has slowed significantly which has created additional strain on the local market as job losses still persist. As of February, 2009, a median priced home in Stockton fell to \$113,500. Property values are resetting to levels seen prior to the housing boom, which may signal that a floor will soon be reached. Using the City of Stockton's income distribution, approximately 56% of Stockton households can currently afford a median priced home (2007 American Community Survey)

The Feds and the State of California have imposed foreclosure moratoriums which are set to end this summer. Therefore, another wave of foreclosures is imminent, but the scale to which it will impact Stockton is still unknown. A reasonable prediction is that it will be quite significant as the San Joaquin Valley as a whole has been one of the most impacted regions in the nation.

It is unknown over what period of time the local housing market will reasonably absorb vacant and foreclosed properties within the City. Furthermore, it is unknown how many properties will ultimately go through as lenders now have incentives backed by the government to modify high cost loans. An optimistic view is that given the low-price appeal, the Stockton housing market should reasonably absorb the excess inventory of vacant and foreclosed properties within the next five (5) years. First-time homebuyers are now finding that prices are within their affordability range but the unknown factor will be to what extent investors will be active within the market. As the housing stock in Stockton continues to age (24% of homes built prior to 1960), there is concern to what extent many buyers, either owner-occupant buyers or investor buyers, will address health and safety issues in accordance with local building ordinances. This presents health and safety issues which may impact the well being of households throughout the City. The Housing Authority will be pursuing those properties that are in deplorable condition which the private market will pass over.

#### **In Summary:**

*(source: City of Stockton Draft Housing Element)*

- Stockton is one of the fastest growing communities in California. Through the 2000s, the City's population grew at an average annual rate of 2.3 percent. As of 2008, the City had a population of 289,927.
  
- The personal income gap between the City of Stockton and California is growing. In 1970, Stockton, California and the U.S. had about the same average personal income; however, by the early 1980s, Stockton's average per-capita personal income had decreased compared to California and national averages. By 2006, the personal income gap between Stockton and California was four times greater (\$12,354) than what it was in 1984 (\$3,091).

- Stockton's household income distribution is more heavily concentrated in the low end of the income spectrum than the County and State. In 2007, Stockton's median household income (\$48,132) was slightly lower than that of the County (\$52,470), and significantly lower than the State (\$59,948).
- The overall unemployment trend in Stockton over the last eight years has followed the ups and downs of the County and State, except at a higher rate. The unemployment rate has increased since 2006, consistent with an overall decrease in the housing market. As of April 2009, 18.8 percent of Stockton residents were unemployed, slightly higher than the County (15.6 percent) and considerably higher than the statewide unemployment rate (11 percent).
- According to San Joaquin Council of Government (SJCOG) projections, Stockton's population will increase 11.2 percent from 268,270 in 2005 to 298,267 in 2010 and another 11.1 percent to 331,278 in 2015. Employment growth in Stockton is projected to occur at a lower rate than population growth, leading to a decrease in the jobs-housing ratio.
- Stockton had a relatively low rate of homeownership in 2007 (55 percent) compared to homeownership countywide (63 percent) and statewide (58 percent). The City's rate of homeownership has increased slightly since 2000, when it was approximately 52 percent.
- Stockton has a greater need for large housing units than the County and state. Stockton had a larger average household size, smaller housing units, and higher over-crowding rates than the County and State in 2007.
- At 65.0 percent of the total housing stock, single-family detached units in Stockton made up a much larger share of the total than in the state overall, where only 57.4 percent of all units are single-family detached. From 2000 to 2008, over 14,487 single-family detached units were built in Stockton, making up nearly 94 percent of all new units constructed.
- The rate of housing cost burden for lower-income households is slightly higher in Stockton than in San Joaquin County (60.3 percent) and about the same as in California (62.1 percent). This data points to the need for more affordable housing units in Stockton.
- Between 1998 and 2008, there was a significant boom and bust in local housing markets. Commonly referred to as the "housing bubble," local markets exploded with construction and sales activity fueled largely by sub-prime loans for homeowners.
- From January 2002 to June 2006, the median home price in Stockton more than

doubled, from \$158,000 to \$390,000, and then fell to around \$113,500 by February 2009. This trend occurred throughout California and in the surrounding cities of San Joaquin County, yet Stockton was one of the hardest hit markets in the nation when homeowners defaulted on sub-prime loans and went into foreclosure. As of June 2008, 12.3 percent of homes in Stockton and 10.5 percent of homes in San Joaquin County were in foreclosure.

- Renting an average one-bedroom apartment at \$850 per month (this includes \$100 in monthly utility costs) requires a yearly income of \$33,800. The average rent for a two-bedroom unit, the most common unit size in Stockton, necessitates an annual household income of \$42,900 to cover the \$950 per month in rent and \$128 utility allowance.

The California Research Bureau (CRB) provides the following predictions:

The latest CRB estimate of California foreclosures is 1.1 million for the “cycle” or period 2007-2012.<sup>6</sup> As lenders give cash bonuses of up to \$1500 for those who are in default to mail back the keys and as lenders extend more principal forbearance in the form of short sales, some 300,000 additional units will be lost or surrendered. Total “lost” homes will therefore reach 1.4 million. In either Q3 or Q4 of 2009, foreclosures will peak and the cycle will begin to wind down in response to the measures the President, Federal Reserve Board, various federal agencies, and Congress are taking to address the crisis.

**The harmful trends are numerous.** Because distressed inventory continues to build, the new projections are gloomier than previous projections. CRB’s initial estimate of California “lost” homes was 1,085,000, in the 2007-2010 period, about 8.0% of all housing units in 2010 (based on Economy.com, July 08). Foreclosures were expected to reach 450,000 through 2010, but current estimates are for nearly 895,000 in 2008-2011. Conditions deteriorated: federal money has been slow in coming; unemployment surged; and more homeowners are under water as prices continue to decline. Unfortunately, it may take years for housing markets to regain balance. The pain will last longer than initially estimated - to 2012. The current year is now forecast to be the peak year for foreclosures in California, higher than 2008 by 16,000.

## **Rating Factor 2: Demonstrated Capacity of the Applicant and Relevant Organizational Staff.**

### **a. Past Experience of the applicant**

HACCSJ owns and manages 1075 Public Housing units in 4 major sites in three cities. Three of these sites consist of more than 200 units. Additionally, HACCSJ owns and manages three migrant centers consisting of 291 units, one year round farm worker housing community comprised of 31 units, a 110 elderly and senior multi-family housing complex plus several privately owned and non subsidized apartment complexes. The Housing Authority also manages the Housing Choice Voucher program and provides 4, 871 vouchers to low income individuals and families in San Joaquin County. For its efforts and commitment to serving the very-low, low and moderate income families the Housing Authority of the County of San Joaquin is currently recognized as a High Performer by HUD.

The essence of our commitment is embodied in our Mission Statement: *“The Housing Authority of the County of San Joaquin is dedicated to providing and advocating for affordable, attractive, safe living environments and opportunities to become self-sufficient for individuals and families that are hard to house.”*

To this end, HACCSJ also engages in the following activities:

1. ***Rehabilitation of housing:*** The HUD Capital Fund Program provides funds to Public Housing Authorities for the development, financing and modernization of public housing projects, including the redesign, reconstruction, and reconfiguration of public housing sites and buildings and the development of mixed finance projects, such as (a) vacancy reduction, (b) addressing deferred maintenance needs and the replacement of obsolete utility systems and dwelling equipment, (c) planned code compliance, (d) management improvements, (e) demolition and replacement, (f) security and safety improvements. In order to prioritize and plan for rehabilitation projects, HACCSJ completed a Capital Needs Assessment (CNA) for each property we own and uses that plan as guide for expenditure of capital funds.

In addition to the rehabilitation projects completed within the 24 months immediately preceding the date of this NOFA which are described below, just prior to that period of time, HACCSJ completed two other major Public Housing rehabilitations:

- At the Sierra Vista Annex development in Stockton HACCSJ completed rehabilitation of 64 housing units. This work included demolition of the interior and exteriors, new plumbing and electrical, new sheet rock, flooring, countertops, bathroom tub and shower enclosures, appliances,

HVAC units, roofs, stucco repairs and color coat and landscaping improvements. Kitchens and bathrooms were completely remodeled.

- At the Mokelumne Manor development in Thornton, HACSJ completed rehabilitation of 50 housing units. Similar to Sierra Vista, this work included demolition, followed by replacement of interior and exterior fixtures and components, such as flooring, appliances, HVAC units, stucco. Kitchen and bathrooms were completely remodeled.

Every year improvement projects are undertaken to replace obsolete systems or to improve health and safety. For example, in the last 24 months, the following major project work has been completed at the sites:

- At Conway Homes in Stockton all windows were replaced with dual paned energy efficient windows
- At Conway Homes roofs were replaced with 30 year composite shingles
- At Conway Homes and Sierra Vista HVAC units are being replaced to eliminate obsolete units and to also improve energy efficiency
- At Conway Homes and Tracy Homes all smoke alarms in all units were replaced with hard-wired state of the art smoke detectors.
- At Sierra Vista in Stockton stucco repairs were completed for all buildings with damage and all buildings were re-painted to improve curb appeal.
- At all sites, tree trimming and removal is done annually, as needed as well as concrete repairs.
- At Mokelumne Manor in Thornton new playground equipment was installed in the park for the enjoyment of resident families.

Rehabilitation is an ongoing and planned process. This year, one of the major projects now being planned is the kitchen and bathroom remodel of Conway Homes and Tracy Homes – a total of 628 units. Also in the planning stages is a plan to revitalize our oldest development – Sierra Vista. We will demolish 330 units of single family, duplex, triplex and four-plex buildings and replace them with upwards of 500 units of new housing that fully utilizes the spacious grounds, and incorporates green technology and components.

Rehabilitation is continual and necessary function of Public Housing Authorities and one at which we have become quite proficient.

### ***Housing Projects within the last 24 months:***

#### Harney Lane Migrant Center

The Housing Authority applied for and received a grant in the amount of \$555,800 for capital improvement for the Labor Housing Project that serves migrant farm workers in Lodi, California. The purpose of the project was to make

substantial improvements to the 50 building housing community to improve living conditions for the migrant families, to make needed repairs and to improve energy efficiency. The project consisted of exterior modifications and upgrades including (1) siding repairs, (2) re-painting of the exteriors, (3) new 30 year composition shingle roofs,(4) replacement of windows with dual paned energy efficient windows for all windows on all buildings. This project started in March 2007 and completed August 2008. The skills required to complete this project included:

- Project Management for planning, tracking and quality control
- Estimating and budget preparation, as well as tracking expenses and verifying billing
- Construction oversight verification of correct application of Davis-Bacon labor wage rates
- Procurement of contractors and supplies in accordance with Housing Authority Procurement Policies

*Before*



Old roof, windows and exterior paint

*After*



New roof, windows and exterior paint

Franco Center

The Franco Center is a five story structure built in 1968. It consists of 28 efficiency units, 80 one bedroom units and 2 two bedroom units. Additionally, there is a community room where services are provided for the elderly residents and office space for center administration. The building also has commercial space available and rents or has rented to a beauty salon, a church ministry, a restaurant and a check cashing facility. It is within walking distance of shopping, restaurants and senior services that make living there convenient for the seniors and elderly.

When acquired by the Housing Authority, the Franco Center was in dire need of repairs and upgrades. Since the acquisition in 2000, the Housing Authority has renovated all 110

units and rehabilitated the entire building. At the last REAC review in 2008, our REAC score was 82. The REAC score was less than 30 when under previous ownership. We have responsibly upgraded and maintained the property to enhance its curb appeal, and more importantly to convert it into a quality, safe and healthy living environment for our residents. The table below itemizes the upgrades and cost to date on the rehabilitation of the Franco Center.

Upgrade	Cost
Health/Safety Issues	\$27,210.32
Abatement/Environmental Testing	\$286,510.42
Permits and Fees	\$12,776.61
Pest Control	\$4,220.29
Roofing	\$30,586.53
Elevator Upgrades	\$105,515.72
Electrical	\$35,770.48
Plumbing	\$10,245.14
Structural	\$24,101.70
Exterior Upgrades	\$10,092.42
Boiler/chiller upgrades	\$50,000.00
Interior upgrades to all units	\$259,202.70
Security Improvements	\$89,597.91
Other Improvements	\$532,777.96
<b>Total</b>	<b>\$1,478,618.00</b>

In 2005, the only main work item left to be completed was the boiler/chiller system upgrade. When the property was purchased, a full investigation of the boiler/chiller and fenestration system was conducted. It was determined that a major overhaul was needed in order to improve the quality of the ventilation of the building, along with installing an efficient boiler/chiller system. Therefore the Housing Authority applied for and received a low interest HELP loan in the amount of \$1.8 million for boiler/chiller and fenestration work for the Franco Center.

The cost for the entire project as initially defined was well over the \$1.8 million available from the loan. The project was then re-defined several times and ultimately included the fenestration work and installation of individual wall air conditioning and heating units in each of the apartments, except for 5 apartments on the fifth floor. The boiler and chiller service the common areas, the fifth floor and administrative office space.

This latest rehabilitation project for the Franco center started in April 2007 and completed in July, 2008. The specific skills

- Project Management for planning, tracking and quality control

- Estimating and budget preparation, as well as tracking expenses and verifying billing
- Construction oversight and verification of correct application of Davis-Bacon labor wage rates
- Procurement of contractors and supplies in accordance with Housing Authority Procurement Policies.

## **2. *Program marketing and management of waiting lists for potential residents***

The Housing Authority manages wait lists for all Public Housing developments, for the Housing Choice Voucher program and for our Project-Based properties. There are a total of eight wait lists currently with approximately 12,000 prospects on those wait lists. The Housing Authority follows consistent, fair practices, using state-of-the-art software, to process the applicants according to documented preferences and Housing Authority policies. The Housing Authority processes 100 to 150 applicants a month to determine their eligibility for housing. Such factors as credit history, criminal background, and landlord references are evaluated for applicant suitability for placement on a site or program wait list. Annually we purge the wait lists to ensure that those still on the wait list are interested in housing. The Housing Choice Voucher (HCV) Wait List opens and closes based on a threshold for selection and housing of applicants. The threshold is approximately two years. The HCV wait list has now been closed since 2006. We anticipate opening the list again this fall.

With a wait list of approximately 12,000, marketing is not always a must. However, we do market our programs to ensure a steady stream of applicants for the variety of programs of housing. We target market for seniors and the elderly for the senior communities and for particular bedroom size units when the wait list for those units becomes depleted. Additionally we conduct outreach for the HCV program to owners and potential landlords and conduct training for all landlords so their knowledge stays current.

To operate a wait list successfully requires knowledge of the various program rules for each wait list administration, a robust software system to track and manage the applicants and well documented procedures to meet all the requirements in a fair and consistent manner. These skills and knowledge exist in the current staff that manages all the wait lists and are easily transferable between different types of wait lists, such as may be required for NSP2 home ownership applicants.

## **3. Working productively with other organizations**

The Housing Authority of the County of San Joaquin (“Housing Authority”) is committed to providing a Family Self-Sufficiency (“FSS”) and Homeownership Program. The purpose of the FSS program is to create an opportunity for families receiving subsidized rental assistance from the Housing Authority to improve and

develop abilities needed to increase employment opportunities and enhance life skills needed to become self-reliant homeowners. In order to accomplish this goal, the Housing Authority has staff advisers who work with tenants to become self sufficient and to eventually be able to purchase a home. We also collaborate with other organizations in the community that lend their expertise and resources for the benefit of the tenants. The FSS/Homeownership Program of the Housing Authority is described here and includes a list of the organizations with which we work productively.

This is accomplished by combining case management and coordination of services to help participating households achieve economic self sufficiency and maintain a lifestyle of economic independence. Housing Authority families are offered a variety of ways to learn new skills, enhance existing talents and meet people who share similar goals for themselves and their families.

Families receiving subsidized rental assistance who are interested in participating in the FSS program/homeownership will meet with a FSS Coordinator to review the program participation requirements, the Contract of Participation (“Contract”) and working of the escrow account. Individual Training and Service Plans (ITSPs) shall be developed to identify and establish goals. Participating families are required to be actively involved in ongoing case management, to assist in identifying and addressing obstacles, identifying resources and ultimately achieving their self-identified goals.

Although many barriers to self-sufficiency can be readily identified, some are not apparent until a family enrolls in the program. Therefore, the program is flexible enough to allow for unforeseen needs.

The Housing Authority offers various program options including low interest loans, grants, education workshops, career development activities, home ownership review and counseling. The Housing Authority also partners with a number of state and local service providers which have access to Individual Development and Empowerment Accounts (IDEA) and free professional clothing. Families participating in the FSS program may accumulate funds in an escrow account. A family’s increased employment earnings, earnings that would ordinarily be used to pay higher rent, fund the individual escrow account. While enrolled in the FSS program each time there is a change in income, a HUD calculation is completed to determine if the change in income warrants an escrow deposit. The escrow account is paid to the family when 30 percent of the family’s monthly-adjusted income equals or exceeds the existing housing Fair Market Rent (“FMR”) for the size unit they qualify for, or when at Contract completion no family member receives Federal or State welfare assistance as defined by HUD regulations and the family has completed the goals of the ITSP.

## **Incentives to Encourage Participation**

- **Low Interest Loans** – Families working towards home ownership may qualify for a low or no interest second mortgage.
- **Grants** – Families who are first-time home buyers may qualify for down payment assistance through the local City or County agencies
- **Educational Workshops** Participants are connected to community and Authority sponsored educational workshops and seminars to learn about employment and educational opportunities, parenting, health, career, financial and homeownership
- **Career Development -**

### **San Joaquin County Human Services Agency:**

Can assist eligible participants to prepare for jobs and to successfully compete in the job market through the CalWorks program.

### **Employment Development Department:**

Can provide referrals to local jobs; vocational counseling; labor market information; and job development.

### **Employment and Economic Development Department (WorkNet):**

Will offer on-the-job training, occupational training, basic education training, job search activities including employment application and resume preparation.

### **San Joaquin Delta College:**

Offers a large number of certificate programs to interested individuals. Those individuals attending for the first time are encouraged to start by visiting the Career Development Center. The purpose of the Career Development Center is to provide students with information needed to “map out their future.” The types of information provided include: career counseling; career self-assessment; job seeking skills and specific classes and suggestions regarding programs to prepare for a career. Administers the GED examination.

### **Women Entrepreneurs:**

Provides assistance to women who may not otherwise be employed, to increase their incomes by successfully owning and operating their own businesses. Provides clients with the personal and business skills required to manage and operate a small business.

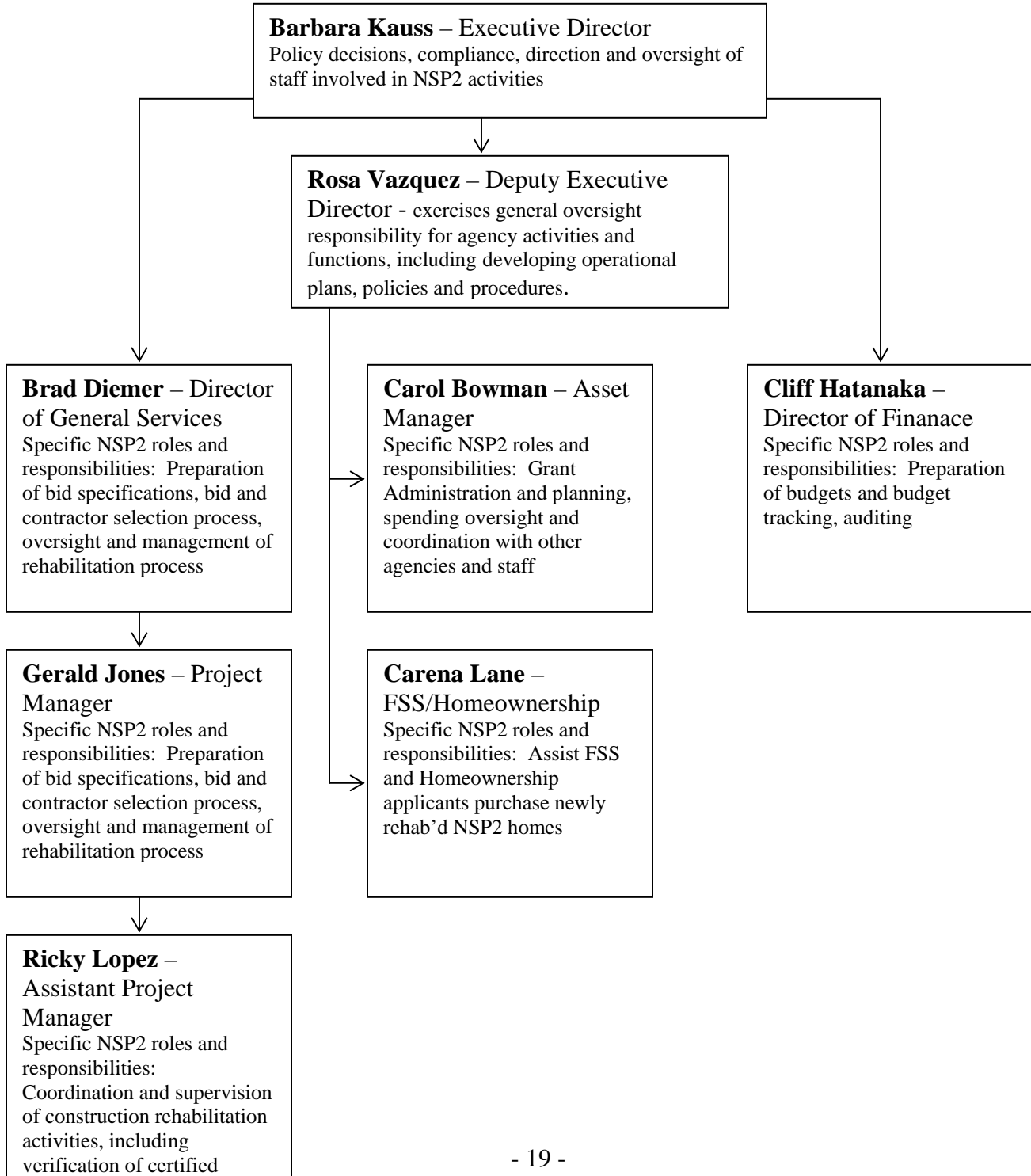
- **Homeownership Review** - Participants are provided the opportunity to have their financial situation reviewed by a mortgage underwriter. Through a simple application process, which the FSS coordinator may assist with, an evaluation and recommendations are made to help the Participant prepare for mortgage pre-qualification. An underwriter reviews the family's credit report, debt to income ratios, employment history and down payment funding.
- **Homeownership Counseling** provides Participants are referred to a HUD approved Homeownership Counseling Program for individual and/or group pre and post purchase counseling on issues including money management tools, avoiding predatory lending, home safety, conservation/energy saving, tax planning and financial planning, preventing mortgage foreclosures and home maintenance.
- **Individual Development Accounts (IDEA)** – Banks provide a 3 to 1 match to escrow funds saved by participants not to exceed \$15,000.
- **Free professional clothing** – Housing Authority may sponsor a clothing closet for participants who are looking for and/or interviewing for a job.

A list of additional Collaborative Partnerships is included in the Appendix 5

## b. Management Structure

1. An organization chart is included in the appendix

The staff positions that will be directly responsible for the management and administering of the NSP2 Grant are asterisked above. Their specific duties relative to NSP2 are described below.



## 2. References

- Alan Biederman  
1220 Brenan Road  
Escalon, CA 95320  
209 838-8496
- Hector Bautista  
9701 Dino Drive  
Elf Grove, CA 95624  
916 714-1104 x122

### ***Factor 3: Soundness of Approach***

The Housing Authority will administer a multi-pronged approach to stabilize targeted census tracts in the City of Stockton. This approach includes:

- acquisition, rehabilitation and redevelopment of foreclosed, abandoned, vacant and blighted residential properties;
- increasing the number of affordable owner occupied and rental housing units;
- removal of blighted properties that are not feasibly rehabilitated and represent a threat to the health or welfare of the neighborhood;
- and providing financing mechanisms to further create affordable housing.

To successfully carry out the identified activities and stabilize neighborhoods, the Housing Authority plan will focus on addressing the needs of substantially distressed neighborhoods that have been highly impacted by job losses and foreclosure. The plan calls for assisting current and future FSS and Homeownership participants with housing counseling so they are ready to purchase the newly refurbished NSP2 houses.

The vacant housing in the targeted census tracts is less likely to be absorbed by the private market without the stabilizing effect that NSP2 funds will provide through redevelopment, rehabilitation or the removal of blighted, hazardous properties

### ***Distribution and Use of Funds***

The funds will be used in four primary activities, plus administration:

#### 1. Acquisition/Rehabilitation and Resale

The Housing Authority will acquire and rehabilitate foreclosed, abandoned single family units and sell them to income eligible first time homebuyers (individuals and families that have not owned real property in the previous three years). At this time we have 94 Public Housing Family Self Sufficiency (FSS) participants and 90 Housing Choice Voucher FSS participants. Additionally we just completed a massive mailing (over 4000) to current HCV participants to identify those who might be interested in the homeownership program and who meet the

minimum qualifications. We anticipate a significant response as several hundred applications have already been returned. From this response, we will create a Homeownership Wait List consisting of eligible applicants for the NSP2 refurbished homes.

These income-eligible first time homebuyers will not be earning greater than 120% AMI as defined by HUD. The prospective buyers will be required to attend both pre-acquisition HUD-certified homebuyer counseling, and post-acquisition homebuyer counseling for a minimum of eight (8) hours. The principal, interest, taxes, insurance and (if applicable) homeowner association fees shall not exceed 34% of the family's adjusted gross income.

A minimum of 3% down payment will be required of the home-buying family.

Acquisitions will be done in small batches and this will be the primary use of NSP funds by the Housing Authority of the County of San Joaquin.

## 2. Acquisition/Rehabilitation/Rental

This activity has three sub-activities: rent-to-own; affordable rental units; and multi-family rental for households earning at or below 50% of the Area median Income (AMI).

- a. Depending on the pool of applicants for the purchase of the rehabilitated units, there may be some that have adequate income but lack an appropriate credit score to be able to purchase at this time. The Housing Authority would take title to the unit, and lease the unit in a rent-to-own scenario. Enrollment at a recognized credit counseling agency would be mandatory, and a portion of the rent would be set aside to start collecting as a down payment; the lease-to-own contract could not exceed 36 months. This may occur for all income levels up to 120% AMI.
- b. Some of the single family homes may be made available at affordable rental rates for households at all income levels up to 120% AMI.
- c. For the required 25% of NSP funds to be used to serve individuals and families at or below 50% AMI, the Housing authority will use the funds in acquisition/rehabilitation/rental activities to serve these lower income families. These funds would be used for acquisition/rehabilitation of multi-family units, where and when possible.

## 3. Acquisition/Demolition/Redevelopment

In some instances, the condition of specific units may warrant demolition instead of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, the Housing Authority would consult with the City of

Stockton’s Building Official regarding the structural of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an in-fill unit would commence immediately. One option which would be considered would be purchase and placement of a modular, factory built home. Another option would be to sell the parcel to an affordable non-profit for \$1 for their next new construction project; another option would be to make it available to a non-profit for special needs housing.

4. Financing mechanism

As defined in the NSP regulations, down payment assistance and/or other financing mechanisms are permissible uses of the NSP funds. It is anticipated that most, if not all of the units acquired/rehabilitated and sold to first time homebuyers will require some form of gap financing to ensure affordability. The standard practice will be to acquire the unit, have it rehabilitated and then sold to the homebuyer for the amount of total investment in the property. Should an affordability gap exist, a portion of the original investment in the acquisition and rehabilitation of the property will remain as a “silent second” loan with a proportionate equity share in lieu of interest. No monthly payments will be required; the loan and equity share become due at change in title of the property.

5. Administration

Administration costs will not exceed 10% of the grant of any program income received through the program.

**Housing Authority of the County of San Joaquin NSP2 Initial Budget**

<b>NSP 2 Activity</b>	<b>Budgeted Amount</b>
Acquisition/Rehabilitation/Resale	\$5,391,935
Acquisition/Rehabilitation/Rental	\$2,296,965
Acquisition/Demolition/Redevelopment	\$1,002,900
Financing Mechanisms	\$308,200
Administration	\$1,000,000

The Housing Authority of the County of San Joaquin will be the responsible entity for the administration of NSP2 funds.

#### Project Completion Schedule

If awarded, utilization of NSP2 funds will occur immediately upon grant award which is anticipated to occur December 2009. It is anticipated at a minimum that the Housing Authority will acquire 5 properties per month and will dispose of the properties either through sale or rental within 4 months. The Housing Authority strive to meet the time requirements relative to expenditure of NSP2 funds. Within two (2) years of grant award, at least 50% of the grant will be expended and within three years, 100% of the funds will be expended.

#### Continued Affordability

The Housing Authority will ensure to the maximum extent practicable and the longest term, that homes rehabilitated utilizing NSP2 funding will be made affordable to individuals or families whose income do not exceed 120% of the area median income (AMI) and also made available to households whose income do not exceed 50% of the AMI.

During resale, the rehabilitated property will have an affordability covenant recorded against it for a period of 40 years. This will restrict resale of the property to another income eligible household. Continued affordability will be ensured through an annual monitoring process. In addition, if the individual or family required more assistance, down payment assistance can be provided to ensure affordability with respect to monthly housing costs. Housing costs will not exceed 35% of the household's gross income. With the acquisition of multi-family units, the Housing Authority will maintain long term ownership of the properties to remain as affordable rental units. Rents will be no greater than the Fair Market Rents, as published by HUD. Household rent will not exceed 30% of the household's monthly income, less appropriate utility allowances.

#### Consultation, Outreach, Communications

The Housing Authority has collaborative relationships with all the agencies identified elsewhere in this application. All of those agencies have significant experience in marketing both homeownership and rental developments and know well the Fair Housing laws and rules. Our primary outreach will be conducted with those agencies, as well as directly with our FSS and Homeownership participants.

Units are advertised and signs are posted, as are website links. The Housing Authority has been engaged in affordable housing production for more 50 years and has had good interest and success when its sub-recipients have assisted with marketing affordable housing units.

Citizen comments are responded to promptly. Most often, comments are dealt with via a telephone call the same day. On occasion follow up correspondence, via letter or email, is employed to provide additional information.

### Performance and Monitoring

Performance and monitoring will be the primary responsibility of existing internal staff who perform the same functions for all other Capital Fund projects with funds received from HUD. This staff consists of the Director of Finance, the Accounting Department, the Capital Fund Coordinator and for NSP2, the NSP2 Grant Administrator. In order to ensure proper implementation of NSP2 the following actions will be taken:

- Develop a Standard Operation Procedural manual to ensure all elements of the program are performed in accordance with NSP2 regulations
- Conduct on-going weekly project meetings to evaluate performance to goals, objectives and timeline
- Use GIS software to plot eligible areas to ensure properties are acquired in eligible census tracts.
- Develop accounting procedures to prevent the co-mingling of NSP2 funds with other funding sources and track expenditures on a per property basis.

The NSP2 Grant Administrator will be responsible for providing general oversight of the NSP “team” and continuously monitor any areas of potential risk that will need to be addressed. Quarterly reports will be made to the Board of Commissioners to provide progress.

### ***Rating Factor 4: Leveraging other funds, or removal of substantial negative effects***

#### **a. Leverage.**

Please see **Appendix 2**.

### ***Factor 5 – Energy Efficiency***

- a. Green Building Standards: Since demolition will only occur as a last resort, opportunity for new construction will be limited. Any new construction or gut rehabilitation activities that do take place will be required to exceed the Energy Star for New Homes standard. Rehabilitation activities will be moderate rehabilitation which will utilize Energy Star products and appliances
- b. The following environmentally-friendly green elements will be incorporated into HACSJ’s NSP2 program:
  - Protecting environmental resources: projects will not be located in floodplain, near wetlands or near critical habitats

- Sustainable landscaping: Trees and plants that are appropriate to the site's soils and climate will be selected
- Durable materials will be utilized
- Floor coverings: Carpet will not be installed in garages, entryways, laundry rooms, bathrooms or kitchens
- Moisture Prevention: One-piece tub enclosures will be installed or appropriate backing materials will be used for any grouted material

*Factor 6 – Neighborhood transformation and economic opportunity*

The Housing Authority certifies that its proposed NSP activities are consistent with the General Plan for San Joaquin County which can be found