



# COUNTY OF SAN MATEO, CALIFORNIA

## NSP2 APPLICATION

Need Factor Application ID # 17381120

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**(back page of cover page)**

## Table of Contents

Item	Page #
<b>Application Forms:</b>	
SF-424 Application for Federal Assistance	
SF-424 Supplement, Survey on Ensuring Equal Opportunities for Applicant	
Program Summary .....	i
<b>Narrative Statements Addressing:</b>	
<u>Factor 1: Need/Extent of Problem</u> .....	1
a). Target geography	
b). Market conditions and demand factors	
<u>Factor 2: Demonstrated Capacity of Applicant and Relevant Organizational Staff</u> .....	8
a). Past experience of applicant	
b). Management structure	
<u>Factor 3: Soundness of Approach</u> .....	16
a). Proposed activities	
b). Project completion schedule	
c). Income targeting for 120 percent and 50 percent AMI	
d). Continued affordability	
e). Consultation, outreach, communications	
f). Performance and monitoring	
<u>Factor 4: Leveraging Other Funds, or Removal of Substantial Negative Effects</u> .....	36
a). Leverage	
b). Calculate the value of destabilizing influences	
<u>Factor 5: Energy Efficiency Improvement and Development Factors</u> .....	37
a). Transit accessibility	
b). Green building standards	
c). Reuse of cleared sites	
d). Deconstruction	
e). Other sustainable development practices	
<u>Factor 6: Neighborhood Transformation and Economic Opportunity</u> .....	39
<b>Disclosures:</b>	
SF-LLL, Disclosure of Lobby Activities .....	
HUD-2880, Applicant/Recipients Disclosure/Update Report.....	
<b>Appendices:</b>	
A - Target Geography .....	
B – Definitions/Rehab Standards .....	
D - Copy of Code of Conduct .....	
D - Leveraging Documentation—Firm Commitment Letters .....	
E – Certifications .....	
F - Calculation of Removal of Negative Effects using HUD-Provided Rubric (Not Applicable) .....	

G - Summary of Citizen Comments, including URL posting  
of Application .....

H - Documentation of Firm Commitment executed  
and dated by each for-profit partner (Not Applicable ) .....

## **Program Summary**

**The Need:** Located just south of the city of San Francisco, California, San Mateo County is made up of 21 separate political jurisdictions – 20 cities plus the unincorporated areas. The County did not meet the demographic requirements for the HUD Neighborhood Stabilization Program (NSP)1 funding, which was allocated to specific jurisdictions. This application is for NSP2 funds, open on a competitive basis nationwide.

Many neighborhoods in the County have been hard-hit by the foreclosure crisis. While real estate prices have dropped throughout the County and the market has reabsorbed some foreclosed properties, many are still sitting vacant and in need of major rehabilitation. These properties invite vandalism and vagrancy and threaten to destabilize entire blocks. It is with this need in mind that San Mateo County, together with its community partners, is applying for approximately \$8.9 million in funding from HUD's Neighborhood Stabilization Program 2 (NSP2), to be used over a three-year period.

**The NSP2 Collaboration:** To increase capacity and better serve the affected census tracts, San Mateo County has developed a collaboration to participate in NSP2. These entities have committed funding and resources to the program from the start. The County welcomes partnership with additional organizations that fit the NSP2 guidelines. San Mateo County is the sole applicant for NSP2 funding. Currently, the collaborative partners include the County, Habitat for Humanity Greater San Francisco, the cities of Daly City, East Palo Alto, South San Francisco, and Menlo Park, and the nonprofits, HEART, and Rebuilding Together. (Redwood City, at this point, has decided not to participate, as its NSP2 qualifying census tract is located in a flood zone. As such, in accordance with NEPA requirements, the properties would be either not eligible for HUD funding or cost-prohibitive in meeting environmental mitigation requirements.)

**Neighborhood Stabilization Program:** \$8.9 million of NSP2 funding will be used to leverage local dollars of upwards of \$5 million for a \$14.1 million program to expand the supply of affordable housing in 11 census tracts identified by HUD's as exhibiting high foreclosure rates. These qualified census tracts are concentrated in the northern and southern ends of the County, specifically in Daly City, South Francisco, San Bruno, Colma, and a portion of Pacifica to the north; and in East Palo Alto, Menlo Park (Belle Haven) and Redwood City to the south. (See Appendix for list of qualified census tracts and maps.)

HUD requires at least 25% of the NSP2 dollars to be targeted to Very Low-Income (VLI) households earning up to 50% AMI. For San Mateo County, the VLI targeting will be at least \$2.8 million. (References in this document to 50% and 120% AMI also mean respectively the HOME-defined Very Low-Income, and State-defined Moderate-Income, the otherwise County-preferred nomenclature.) The tables below summarize the NSP collaborative's program parameters – types of funding pools proposed/to be leveraged, amounts per pool, leveraging ratios, etc.. This will return 108 homes to productive use by low- and moderate- and middle income families. Funding will be in the form of both grants and loans.

**SOURCES & USES OF FUNDS**

**USES OF LOCAL FUNDS**

Component	Component Description	NSP2 Funds per Property	Eligible Properties	Total \$	Local \$	NSP2 \$	% Local % NSP2		Percent of Total Funds		
									Total	Local	NSP2

**REVOLVING ACQUISITION FUND**

(cash float is cycled through each project. NSP2 money here is not included in Uses totals below (explained in inset box next page))

A. Property Acquisition Revolving Loans	Average capacity for 6 simultaneously acquisitions. 120% of purchase price covers float for rehab construction.	\$180,000	6	<b>\$2,160,000</b>	\$1,080,000	\$1,080,000	50%	50%	8%	20%
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NOTE: Program parameters, such as match ratios and allocation of total funds among sub-funds, will be reviewed annually and may be adjusted if necessary to respond to changes in the market or practical experience learned through program operation.

**GRANTS & LOANS FOR ACQUISITION / REHAB / RESALE**

B. Acquisition Revolving Loan Contingency	This fund replenishes the Acquisition Revolving Loan if particular rehab projects overrun estimates (if 10% of property rehab projects have 13% overrun).	\$47,091	11	<b>\$518,000</b>	\$0	\$518,000	0%	100%	4%	0%	6%
C. Project Delivery Cost Grants	Fixed grant per property for: real estate transaction costs, home-buyer outreach and counseling, rehab project mgt.	\$6,500	108	<b>\$702,000</b>	\$0	\$702,000	0%	100%	5%	0%	8%
D. Property Rehabilitation Matching Grants	A 2-to-1 match for local property rehabilitation expenditure (will vary per property, average is shown)	\$45,000	108	<b>\$7,200,000</b>	\$2,400,000	\$4,800,000	33%	67%	51%	45%	54%
E. Down-Payment Assistance Matching Grants & Loans	"Silent" subordinate loan for up to 50% match of local down-payment assistance (will vary per property, ave. is shown). Fixed grant for properties sold to a qualifying very-low-income (<50% ami) households.	\$8,333	108	<b>\$2,700,000</b>	\$1,800,000	\$900,000	67%	33%	19%	34%	10%
<b>Program Total (excluding program administration)</b>				<b>\$13,280,000</b>	<b>\$5,280,000</b>	<b>\$8,000,000</b>	<b>40%</b>	<b>60%</b>	<b>94%</b>	<b>100%</b>	<b>90%</b>
F. Program Administration	Property selection, fund mgt. oversight, underwriting, inspection, environmental, monitoring, reporting, fiscal, etc.	\$8,230	108	\$888,888		\$888,888	0%	100%	6%	0%	10%
<b>Program Total (including program admin)</b>				<b>\$14,168,888</b>	<b>\$5,280,000</b>	<b>\$8,888,888</b>	<b>37%</b>	<b>63%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**SOURCES OF LOCAL FUNDS**

Committed Local Funding	Housing Endowment and Regional Trust (HEART)	\$950,000
	County of San Mateo	\$280,000
	City of Menlo Park	\$2,000,000
	City of East Palo Alto	\$500,000
	Habitat for Humanity Greater San Francisco	\$1,110,000
	City of South San Francisco	<u>\$500,000</u>
<b>Sub-Total Commitments</b>		<b>\$5,340,000</b>
Projected Additional Local Funding	City of Daly City	\$500,000
	City of San Bruno	\$280,000
	EPACANDO	\$200,000
	HIP Housing	<u>\$100,000</u>
<b>Sub-Total Projected Other</b>		<b>\$1,080,000</b>

**Explanation of NSP2 funds in Acquisition Revolving Loan Fund**

For properties sold to very-low-income households, \$40,000 of the acquisition revolving loan will be forgiven (see program component "E" above: \$1,080,000 = 27 VLI properties x \$40,000). By end of program, zero NSP2 funds will remain in the Acquisition Revolving Loan Fund. To offset this loss of working capital, additional local funds will be raised from "Projected Additional Local Funds" shown at right.

**SUMMARY**

Costs by Household Income Level Category	Properties		Average Cost per Property			Total Cost		
	%	Number	Local	NSP2	Total	Local	NSP2	Total
Costs: Project Delivery Grants + Property Rehabilitation Grants + Down-Payment Assistance Grants & Loans								
Properties Sold to Very Low Income Households (at or below 50% area median income)	25%	27	\$115,000	\$106,400	\$221,400	\$3,105,000	\$2,872,800	\$5,977,800
Properties Sold to Low or Moderate Income Households (between 50% and 120% of area median income)	75%	81	\$13,519	\$63,299	\$76,817	\$1,095,000	\$5,127,200	\$6,222,200
All Properties	100%	108	\$38,889	\$74,074	\$112,963	\$4,200,000	\$8,000,000	\$12,200,000

## **Factor Narratives:**

### **Factor 1: Need/Extent of Problem**

**Introduction** Although real estate values have dropped in most parts of San Mateo County, the market has reabsorbed many foreclosed properties. Nonetheless, certain hard-hit census tracts are the exception to this pattern. In these tracts, many dwellings stand vacant, inviting vandalism and vagrancy and threatening to destabilize entire blocks. This application is the result of a collaborative effort among affected local jurisdictions and nonprofits, with the County serving as the lead applicant. The application is based on the principle that Countywide, with municipalities and housing organizations working together, the collaborative would possess most, but not all, of the means to respond to the phenomenon of foreclosure and declining property values against the backdrop of market re-absorption of some properties. The collaborative partners bring local discretionary capital and local organizational capacity.

However, to respond quickly and efficiently, the collaborative proposes to establish a flexible overall program administration umbrella to support existing on-going local efforts and administer a pooled revolving acquisition fund leveraged by NSP2 funds. With the help of the NSP, the collaborative proposes purchasing qualifying residential property the market has not reabsorbed in a seamless effort to prevent foreclosure-related blight. The goal outlined later in this application is to purchase 108 foreclosed homes/units in the target areas and provide rehabilitation as necessary to return them to productive use for low and moderate-income families. The emphasis of NSP2 funding is acquisition and rehabilitation of single family foreclosed homes, but condo units and buildings with rental units would be eligible as well.

#### **1 a). Target Geography**

**Geography by census tracts:** San Mateo County consists of 21 separate political jurisdictions – 20 cities plus the unincorporated areas. Ten (10) census tracts in the County meet the NSP2 criteria. Each of these census tracts has a foreclosure index of at least at 18 with an eleventh tract (foreclosure index of 15) added to this mix. The 11 tracts result in an average foreclosure index score of 18.18 according to the HUD NSP2 mapping tool. (For San Mateo County to qualify for NSP2 funding, the average foreclosure index rate must be at least 18 out of a possible 20). Appendix A shows a list and mapping information of the qualified census tracts. These census tracts straddle geographic concentrations at opposite extremes of the County - Daly City, South Francisco, San Bruno, Colma, and a small portion of Pacifica to the north; and in East Palo Alto, Menlo Park (Belle Haven) and Redwood City to the south.

**Narrative:** San Mateo County, with a 2008 population of 705,499, is located just south of the City of San Francisco. While the County provides housing for commuters working in San Francisco, the County has also emerged as a major place of employment for white collar, high tech workers, as well as service industry workers. A significant number of commuters travel into San Mateo County from outside the County. The Bay Area's unique physical and climatic appeal has contributed greatly to San Mateo County's relatively high housing costs. In spite of recent drops in housing prices, purchasing an affordable home is still out of reach for many working and low-income people, both residents and in-bound commuters.



A relatively high income is required to afford a “starter” home, or even to rent an average 2-bedroom/ 1-bath apartment in the County. This year, home prices and rents have dropped from a year ago, but so have employment rates. Housing cost changes from March 2007 through March 2009 are shown in the **table below**:

**San Mateo County Homes Price\*/Affordability**

Quarter Ending	March-2007	March-2008	March-2009
Median Price Single Family Home	\$880,000	\$925,008	\$560,000
Median Price Condo/Townhome	\$575,000	\$505,000	\$395,000
Average 2-Bedroom Rent	\$1,643	\$1,812	\$1,732

\* Source: SAMCAR, Realfacts

In all categories above – single-family home sales, condo/townhouse sales, and rents – home prices, which had increased from 2007 to 2008, dropped in 2009, sometimes precipitously. (Data from San Mateo County Board of Realtors, and RealFacts.) Interestingly, the May 22, 2009 *San Francisco Chronicle* article noted a slight increase in median home prices in the overall Bay Area from March 2009 to April 2009, but acknowledged that it is difficult to predict whether this is the beginning of a trend or just a blip in the market. Throughout the nation and the Bay Area, home foreclosures have dominated the market, accounting for almost half of the re-sales of existing homes in the Bay Area. The *Chronicle* added that low prices from bank repossessions made it difficult for regular sellers to compete with banks unloading foreclosed homes at a discount. But the *Chronicle* also noted that counties like San Mateo County, with relatively fewer foreclosures, “saw sales volume decline compared to last year and had the smallest price decreases, although the prices were about 20% lower than last year.”

On a more positive note, San Mateo County is experiencing dialectical contradictions in the marketplace. While home prices are generally more affordable this year, home ownership attainability has been hampered by higher unemployment and the greater difficulty of qualifying for a bank loan. The 12-month 2008 average unemployment rate for the County was a seemingly placid 4.7%, but cities like East Palo Alto experienced an alarming 11.6% unemployment rate in the same 2008 period. Therefore, it was not surprising that HUD recently singled out East Palo Alto as a County pocket evidencing a high number of home foreclosures.

In terms of overall unemployment, the County’s workforce appeared more resilient than the statewide workforce. In February 2009, when the State’s unemployment rate climbed to 10.9%, the County’s rate was indexed at 7.6%. Nonetheless, this represented 29,300 people out of work. It must be reiterated that averaging numbers masks micro-economies in cities like East Palo Alto, Daly City and the Belle Haven area of Menlo Park, where unemployment and home foreclosure rates are more serious. (See **table below** for County unemployment rates by County and City.)

**Unemployment Rate 2008**

	<b>Percent</b>
San Mateo County	4.7%

**Cities**

Atherton	2.9%
Belmont	4.1%
Brisbane	7.7%
Burlingame	3.4%
Daly City	5.9%
East Palo Alto	11.6%
Foster City	3.5%
Half Moon Bay	5.8%
Hillsborough	1.8%
Menlo Park	3.8%
Millbrae	2.6%
Pacifica	5.5%
Redwood City	4.7%
San Bruno	4.1%
San Carlos	3.2%
San Mateo	3.7%
South San Francisco	5.9%

Source: www.kidsdata.org

**1 b). Market Conditions/Demand Factors**

The table below provides a snapshot of the scale of the foreclosure problem in San Mateo County, in terms of properties in default and foreclosed. For those cities with the qualified NSP2 census tracts, the problem is more severe, when seen against total housing units in those cities. As a percentage of overall homes, the foreclosure/default distress rate included 2.6% in Daly City, 2.9% in East Palo Alto, 2.6% in South San Francisco, and 3.5% in Colma, while the Countywide rate is only 1.4%.

**Scale of Foreclosure Problem in San Mateo County**

<b>City</b>	<b>Properties in Default (i.e., pre-foreclosure)</b>	<b>Foreclosed Properties</b>	<b>Total Distressed Properties Listed</b>	<b>Foreclosure Listings as % of Total Housing</b>	<b>Total Local Housing Units</b>
Atherton	8	7	<b>15</b>	<b>0.6%</b>	2,532
Belmont	31	32	<b>63</b>	<b>0.6%</b>	10,745
Brisbane	12	16	<b>28</b>	<b>1.5%</b>	1,900
Burlingame	33	15	<b>48</b>	<b>0.4%</b>	12,947
Colma	8	8	<b>16</b>	<b>3.5%</b>	456
Daly City	346	471	<b>817</b>	<b>2.6%</b>	31,682
East Palo Alto	64	163	<b>227</b>	<b>2.9%</b>	7,756
Foster City	21	36	<b>57</b>	<b>0.5%</b>	12,478
Half Moon Bay	31	33	<b>64</b>	<b>1.4%</b>	4,438

City	Properties in Default (i.e., pre-foreclosure)	Foreclosed Properties	Total Distressed Properties Listed	Foreclosure Listings as % of Total Housing	Total Local Housing Units
Hillsborough	11	15	26	0.7%	3,866
Menlo Park	54	59	113	0.9%	12,724
Millbrae	25	30	55	0.7%	8,122
Pacifica	106	111	217	1.5%	14,377
Portola Valley	5	2	7	0.4%	1,806
Redwood City	187	235	422	1.4%	29,200
San Bruno	166	172	338	2.1%	15,776
San Carlos	34	26	60	0.5%	11,911
San Mateo	189	240	429	1.1%	39,072
South San Francisco	240	303	543	2.6%	20,544
Woodside	8	5	13	0.6%	2,088
Other areas	48	33	81	0.4%	22,422
<b>County Total</b>	<b>1627</b>	<b>2012</b>	<b>3639</b>	<b>1.4%</b>	<b>266,842</b>

(Source: RealtyTrac 4/27/09 and 2000 Census)

**1 (b.1) Likelihood of market to absorb abandoned and foreclosed homes:** Data is unavailable for market re-absorption of foreclosed homes, but substantial data exists for days-on-the-market for homes resold in the general market. It is unknown how many of these home re-sales are REOs (real estate owned by banks due to foreclosure) and how many are traditional re-sales. **The table below** shows how the general re-sale housing market fared in the quarters ending March 2009 and March 2008 for the County overall and for selected cities with qualified NSP2 census tracts. Countywide, the housing inventory increased slightly, the number of closed sales decreased slightly, the average number of days on the market for the sold homes increased slightly, but the price of homes dropped anywhere from 10% to 40%.

#### Single Family Homes Sales Data

Quarter ending March 2009					
Area/City	Current Inventory	Closed Sales	Average Days on Market	Median Sales Price(\$)	Change in Price from 2009
<b>San Mateo County</b>	<b>1,675</b>	<b>639</b>	<b>61</b>	<b>560,000</b>	<b>-39.5%</b>
Colma	5	1	20	330,000	-35.6%
Daly City	134	99	61	500,000	-16.7%
East Palo Alto	116	52	58	255,000	-35.4%
Pacifica	90	40	62	499,000	-20.7%
San Bruno	56	44	68	550,907	-9.7%
South San Francisco	119	51	65	495,500	-17.4%
Quarter ending March 2008					

<u>Area/City</u>	<u>Current Inventory</u>	<u>Closed Sales</u>	<u>Average Days on Market</u>	<u>Median Sales Price(\$)</u>
<b>San Mateo County</b>	<b>1,649</b>	<b>660</b>	<b>59</b>	<b>925,000</b>
Colma	3	1	18	512,500
Daly City	217	69	75	600,000
East Palo Alto	142	14	76	394,950
Pacifica	96	37	70	629,333
San Bruno	105	33	77	610,000
South San Francisco	136	35	83	600,000

Source: San Mateo County Association of Realtors (SAMCAR)

With the higher relative unemployment in these cities, one can surmise the causal relationship between loss of jobs and the impact on the housing market. This resulted in more homes on the market for sale, fewer home sales taking place, and lower home prices—significantly lower in some cases—though still too high for many residents in the lower income categories to afford. Interestingly, the marketing time for homes sold was a bit longer Countywide, but shorter in four of the five selected cities with NSP2 qualified census tracts. This latter phenomenon may be the result of lower home prices making it affordable for able buyers to purchase the homes and/or for speculative buying by investors.

**1 (b.2) Critical factor(s) causing abandonment and foreclosure:** The May 26, 2009 *San Francisco Chronicle* article, “Signs of More Trouble Ahead for Housing Market,” described the uneasy relationship between a bank’s tighter credit and underwriting standards, overpriced homes, and the ending of the foreclosure moratorium as relevant factors impacting San Mateo County and the Bay Area housing market. The U.S. banking crisis makes it more difficult to qualify for a home loan, and more banks are requiring the traditional 20% down payment, a solid provable income, and excellent credit. While home prices are down from a year ago, they are still beyond reach of many working households. A family of 3 earning the 2009 median of \$87,100 may be able to qualify for a median priced home of \$560,000, provided the family has the requisite 20% down payment of \$112,000 and excellent credit. A very low-income family of 3 earning \$50,900 would need a 43% down payment to even be considered for a bank loan. The *Chronicle* article added that many lenders had temporarily halted foreclosures in anticipation of President Obama’s housing rescue plan and that California had enacted a new law this past fall to slow down foreclosures. These moratoriums have now expired, which may in turn lead to a rash of foreclosures.

**1 (b.3) Income characteristics and housing cost burdens of low and moderate income households:** While 2009 housing cost burden data is not readily available, the table below provides a sense of current housing cost burden for County renters, whose income as a group falls short of that of owners. (In 2000, 38.6 % of County households were renters). The table shows that almost half of 2009 renters (49%) are not able to afford the Fair Market Rent for a 2-bedroom unit.

## 2009 Renter Household Income

	<u>California</u>	<u>San Francisco HMFA</u>	<u>San Mateo County</u>
Est. Median Renter Household Income	\$43,955	\$60,942	\$66,625
Percent Needed to Afford 2 BR FMR	118%	109%	100%
Rent Affordable at Median	\$1,099	\$1,524	\$1,666
% Renters Unable to Afford 2 BR FMR	58%	54%	49%

Source: Low Income Housing Coalition, Out of Reach 2009

The tables immediately below show the 2000 cost burdens for both owner and renter households for the County and in the selected cities. At first glance, the information appears overwhelming. However, when the high number of low and moderate-income households with high housing cost burdens (35+% of monthly income) are seen against the 254,103 County households (in 2000), the enormity of the situation becomes clearer. These 35+% cost-burdened households comprised 18.9% of all households in 2000. In the selected cities only, the 35+% cost-burdened households represented 22.5% of total households in their own cities. Not surprisingly, the selected cities carry a disproportionate share of households with heavy housing cost burdens.

### SAN MATEO COUNTY COST BURDEN OF OWNER HOUSEHOLDS 2000

San Mateo County	30 - 34%	799	758	3,100	2,155	6,812
	35+%	8,077	6,649	9,311	3,603	27,640
	Total	8,876	7,407	12,411	5,758	34,452
Colma	30 - 34%	2	2	9	8	21
	35+%	10	6	18	5	39
	Total	12	8	27	13	60
Daly City	30 - 34%	90	130	523	296	1,039
	35+%	1,009	1,374	1,230	318	3,931
	Total	1,099	1,504	1,753	614	4,970
East Palo Alto	30 - 34%	3	41	99	19	162
	35+%	416	236	181	21	854
	Total	419	277	280	40	1,016
Menlo Park	30 - 34%	35	42	57	64	198
	35+%	411	194	342	199	1,066
	Total	446	236	399	183	1,264
Pacifica	30 - 34%	59	46	270	186	561
	35+%	496	449	683	246	1,874
	Total	555	495	953	432	2,435
Redwood City	30 - 34%	71	32	209	207	519
	35+%	672	668	1,031	388	2,759
	Total	743	700	1,240	595	3,278
San Bruno	30 - 34%	57	43	215	176	491
	35+%	556	398	525	140	1,619
	Total	613	441	740	316	2,110

So. San Francisco	30 - 34%	54	93	343	185	675
	35+%	594	605	757	281	2,237
	Total	648	698	1,100	466	2,912

**COST BURDEN OF RENTER HOUSEHOLDS - 2000**

	Gross Rent as a Percentage of Household Income	Extremely Low < 30% Median	Very Low < 50% Median	Low < 80% Median	Moderate < 120% Median	Total
San Mateo County	30 - 34%	1,682	3,569	2,709	588	8,548
	35+%	8,564	8,910	2,431	488	20,393
	Total	10,246	12,479	5,140	1,076	28,941
Colma	30 - 34%	4	1	2	0	7
	35+%	34	18	0	0	52
	Total	38	19	2	0	59
Daly City	30 - 34%	282	479	10	28	799
	35+%	2,050	1,194	132	2	3,379
	Total	2,332	1,673	142	30	4,177
East Palo Alto	30 - 34%	95	133	13	6	247
	35+%	1,203	247	28	5	1,483
	Total	1,298	380	41	11	1,730
Menlo Park	30 - 34%	76	144	197	32	449
	35+%	1,002	717	154	44	1,917
	Total	1,078	861	351	76	2,366
So. San Francisco	30 - 34%	63	227	46	0	336
	30 - 34%	648	748	111	17	1,524
	35+%	717	975	157	17	1,860
Redwood City	Total	221	547	368	135	1,271
	35+%	2,693	1,115	247	53	4,108
	Total	2,914	1,662	615	188	5,379
San Bruno	30 - 34%	70	244	182	54	550
	35+%	982	645	248	25	1,900
	Total	1,052	889	430	79	2,450
		1,799	391	31	13	2,434
		1,571	581	136	6	2,294
		3,370	972	367	19	4,728

**1 (b.4) Relevant social, governmental, educational or economic factors contributing to neighborhood decline:** Just within the last three months, a confluence of economic factors have conspired to adversely impact the pace of efforts to reverse neighborhood decline, especially in the distressed target communities in the County. California's \$26.3 billion budget deficit (as of

July 14, 2009) , which, among other things, negatively affects County human service delivery, and the concomitant 1% State sales tax increase and increases in public transportation fares, are putting low income families in even tighter economic straits. With the looming threat of additional layoffs still occurring in many local industries, there is little surprise that many families feel disfranchised from any efforts to turn the economy around. According to Business Week (June 16, 2009), "... there remains concern that the deeper California's woes get, the more it will delay the potential U.S. recovery. A report released by the University of California at Los Angeles ... projects the \$24 billion annual state budget deficit will translate into 60,000 job losses by the middle of 2010. At the same time, the state could institute massive cuts in public services such as its welfare program, which serves 1.3 million people. The worry is that these efforts to balance California's state budget would work in a direct cross-purpose with the \$787 billion U.S. stimulus package Obama signed in February."

**1 (b.5) NSP2 activity categories most likely to stabilize target geography:** Clearly, the need for NSP2 assistance is in the lower income strata – those with incomes not exceeding 50 to 60% AMI. However, the NSP2 collaborative in this application proposes to use NSP2 assistance to assist families up to 120% AMI. Homes prices are expected to rise again in the next three years, and down payment assistance is critical for many families to purchase a home. Increasing the overall supply of affordable homes through both acquisition and new construction activities remains an on-going key strategy for the County. The acquisition and rehabilitation of foreclosed homes provide both immediate affordable homeownership opportunities and neighborhood stabilization in distressed neighborhoods in cities hardest hit by home foreclosures.

Should the County not be successful in securing NSP2 funds, cities currently suffering relatively high rates of unemployment and foreclosure will take longer to reverse themselves when the economy improves. Sustainable San Mateo County ([www.sustainabilityhub.net/2009-indicators](http://www.sustainabilityhub.net/2009-indicators)), a nonprofit that tracks quality of life indicators, predicts a 6-year overall job growth, saying that "[b]y 2016, the total number of jobs in the San Francisco-San Mateo-Redwood City Metropolitan Division is expected to have grown by 7.6 percent (about 82,900 jobs) from 2006 levels." Sustainable San Mateo County explains that "[t]he unemployment rate is a basic indicator of economic vitality. Unemployment rates fluctuate with economic cycles and vary across regions." The San Mateo County overall economy is expected to turn itself around within the next three years, but unevenly.

Given the pent-up demand for homes, market forces without the intercession of NSP2 assistance will work to absorb a certain number of foreclosed homes. General home sales data bear this out, as evidenced by the slightly shorter days-on-the-market for homes that result in closed sales in the selected cities distressed by both high foreclosure and unemployment rates. But these cities are also carrying more inventory on the market and are seeing generally fewer homes sold than the previous year. Within this milieu, NSP2-leveraged assistance will work to reverse the decline in home values, reduce vacant residential property, and foster job creation via housing rehabilitation activities, thereby creating multiplier effects on other sectors of the economy.

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

The County of San Mateo is the sole applicant for NSP2 funding. A CDBG entitlement jurisdiction since the onset of the program in 1974, the County has amassed considerable

experience in assisting an impressive palette of activities in support of affordable housing and community development. The County also receives an annual allocation of HOME dollars under the HOME Investment Partnerships Program. The County received \$4.6 million and \$4.4 million of CDBG/HOME respectively in Fiscal Years 2009-10 and 2008-09, for a total of \$9.4 million. The County prepares annual NOFAs for eligible activities to solicit applications from nonprofit organizations. After an extensive public review and selection process, the County enters into contract with successful nonprofits in a sub-recipient relationship to perform the activities.

**2 a). Past Experience of Applicant**

**Tasks Undertaken:** In the two years covered by San Mateo County’s last two CAPERS (due to HUD respectively 9/30/ 07 and 9/30/08), the County assisted in rehabilitating 415 homes, property acquisition involving 232 units, and first-time homebuyer assistance for 94 households (including 31 families assisted with home purchases this fiscal year to date).

In the most recently-submitted CAPER (FY 07-08), the County assisted in the rehab of 214 homes for very low- and low income-households, property acquisition associated with 221 very low- and low-income units. In terms of homebuyer assistance, counting FY 08-09, the County assisted 73 low- and moderate-income families.

The activities from the last two CAPERS are listed in the table below. Property acquisition activities listed below occurred in Colma, South San Francisco, Daly City, Redwood City, East Palo Alto, and non-NSP target areas of the County. Rehab activities were spread throughout the County. North Peninsula Neighborhood Services, based in South San Francisco, focused on North County. Senior Coastsiders focused on the coastside areas facing the Pacific Ocean. Center for Independence of the Disabled, based in central County (City of San Mateo), served the entire County, as did the County’s Housing Rehab Program, but many of the homes were in impacted cities like East Palo Alto. The County’s First-Time Homebuyer assistance focused on home purchases Countywide, with prices toward the lower more affordable price ranges.

**Results Achieved:** Please see the table below for details on the results achieved.

Program Activity	FY 06-07*	FY 07-08*	NOTES
<b>Property Acquisition:</b> Brisbane Ownership Hsg, Brisbane (7 u.) Commercial Av. Ownership Hsg, SSF (4)  Trestle Glen, Colma (119 units) Cedar Street, Redwood City (15) Peninsula Station, San Mateo (68) Hope House for Men, Redwood City (2) EPA CanDo University Av. Acq, East Palo Alto(4)	7 units 4 units	119 units 15 units 68 units 2 units 17 units	Except for HOPE House, &University Av. Acq., property acquisition focused on land for new construction for multiple units. Vendome Hotel involved both acquisition and rehab.
Center for Independence of the Disabled (CID) - Housing Accessibility Program	75 homes	61 homes	Minor rehab and accessibility retrofits to homes



<b>Program Activity</b>	<b>FY 06-07*</b>	<b>FY 07-08*</b>	<b>NOTES</b>
CID Tenant Accessibility Modification Program	20 homes	24 homes	Minor rehab and accessibility retrofits to homes
North Peninsula Neighborhood Services – Housing Revitalization Program	56 homes	78 homes	Minor rehab and accessibility retrofits to homes
Rebuilding Together National Rebuilding Day for Housing	4 homes	9 homes	Rehab, repair and clean-up activities
Senior Coastsiders – Minor Home Repair	36 homes	40 homes	Minor rehab and accessibility retrofits to homes
GRID Alternatives – Solar Housing Program	3 homes	2 homes	Solar panel installations
San Mateo County Housing Rehab Program	7 homes		Larger more expensive projects, taking longer to complete.
San Mateo County First Time Homebuyer Program (includes homebuyer counseling)	14 MCCs; 7 second mortgages	15 MCCs; 27 second mortgages	Second mortgages and Mortgage Credit Certificates (MCCs) for qualified buyers.
<u>ADD</u> : FY 08-09 First-Time Homebuyer Assistance Program			<b>2</b> 2nd mortgages & <b>29</b> MCCS completed in FY 08-09; plus <b>3</b> second mortgages in process
<b>Subtotal</b>	<b>11 Acq. 201 Rehab. 21 FTHB</b>	<b>221 Acq. 214 Rehab. 76 FTHB*</b>	
<b><u>TOTAL for 2 years:</u> Acquisition Rehab First-Time Homebuyer Asst. (incl. counseling)</b>	<b>232 units 415 units 97 units*</b>		* HB Assistance includes 34 families assisted with home purchases in FY 08-09

\* Source: FY 06-07CAPERS (9/30/07); FY 07-08( 9/30/08).

**Skills and resources applied:** The County’s ability to accomplish acquisition, rehabilitation, and homebuyer assistance activities consists of the following:

*Property Acquisition:* In assisting with property acquisition, the County does the following: performs NEPA reviews; negotiates for payback terms on the funding; reviews appraisal; conducts site visits; develops and executes funding agreements with the sponsor/borrower; prepares packets for County Board of Supervisors’ approval of funding; develops and executes loan documents; prepares affordability covenants where necessary; prepares escrow instructions to the title company; and prepares payment requests to the title company.

*Rehabilitation:* In funding direct rehabilitation to a homeowner, the County is responsible for: reviewing the loan application and doing underwriting for borrower qualification; conducting home inspections and developing a work scope and write-up; performing NEPA reviews;

developing specifications on which contractors can bid; preparing loan documents; assisting in contractor selection; reviewing homeowner contract with contractor; monitoring the rehabilitation work; approving payment requests and change-orders. When the rehabilitation project involves eight or more units, the County is also responsible for Davis-Bacon prevailing wage monitoring and any enforcement.

When San Mateo County provides funding to nonprofit agencies to undertake minor rehab, the County is responsible for preparing funding agreements; performing NEPA reviews; reviewing quarterly performance reports and payment requests; conducting spot project site visits; and annual site visits of the nonprofit agency for record review.

*Homebuyer Assistance:* In its Homebuyer Assistance Program, the County's responsibilities include: reviewing the loan application and preparing underwriting for borrower qualification; working with the senior lender to ensure timely submission of documents; preparing loan documents; referring applicants to or directly performing homebuyer counseling for each borrower.

**Experience with activities most likely to achieve neighborhood stabilization:** The County has a successful tradition of facilitating and working cooperatively with all stakeholders, including governmental jurisdictions, nonprofits, and County residents.

**2 (a.1) City and regional planning:** Under California law, every five years, each jurisdiction must adopt a comprehensive local housing policy statement that quantifies need, identifies barriers to production, and ways to remove the barriers. The County took the lead in developing a collaborative process to streamline the updating of its 21 local Housing Elements. Updating the Housing Element is an arduous process; among other mandates, it requires that local policies be reviewed and specific sites identified for housing development. The County, along with the City/County Association of Governments of San Mateo County, spearheaded the collaborative development of the San Mateo Housing Element Update Kit, otherwise known as "21 Elements". This collaborative process is intended to strengthen local partnerships and develop solutions to housing needs throughout the County. Key project partners include the California Department of Housing and Community Development, the San Mateo County Department of Public Health, and all 21 jurisdictions in San Mateo County. Public participation is key to the success of this effort.

**2 (a.2) Acquisition and disposition of foreclosed real estate:** The County's experience is scant in terms of acquisition and disposition of foreclosed properties, as home foreclosures are a recent phenomenon in the County and a direct result of current economic vicissitudes. But the County does possess vast experience in the real estate acquisition process in both assisting homebuyer purchases and affordable multiple-housing developments of existing multifamily structures. The County also has experience in assisting in purchase of land where demolition and relocation were required. This experience is alluded to in the above table (Factor 2, Section A). On the rare occasion when the County does need to dispose of property, it engages real estate agents in the transaction to ensure that the process is efficient and the consummation happens in a timely manner once a buyer is secured.

**2 (a.3) Rehabilitation of housing:** The County has significant experience in the rehabilitation of housing. The County is experienced in dealing directly with homeowners as well as owner-investors of rental units. The County also works with sub-recipient nonprofit agencies which provide minor home upgrades. The above table demonstrates the extent of this capacity.

**2 (a.4) Redevelopment of vacant property:** As detailed above, the County possesses experience in the real estate acquisition process, both of existing housing and either vacant land or real property where demolition and relocation are required.

**2 (a.5) Program Marketing and Management of Wait Lists:** The San Mateo County Department of Housing is made up of two program units, Housing and Community Development and the Housing Authority. While the Housing Authority operates under a completely different set of HUD regulations and rules, the Housing Authority and its functions have been integrated seamlessly under the single umbrella of the Housing Department. Experience in program marketing and management of waiting lists on a grand scale resides with the Housing Authority side, which is managing a current wait list of approximately 3,000 households. Two years ago, the Housing Authority opened its wait lists and received applications from 23,000 interested parties. Through a lottery process, the County winnowed the list down to 3,000 who would be serviced over a three-year period, after which the wait list will be open again.

**2 (a.6) Accessing operating and investment capital:** The Department of Housing accesses operating and investment capital primarily via the County's annual HUD CDBG and HOME allocations totaling approximately \$4.5 million. The County has a long history of making timely funding commitments and expenditures toward the rehabilitation and/or development of meaningful housing and community development projects. See the table in Factor 2, Section A detailing the County's capacity.

**2 (a.7) Working productively with other organizations:** Noted earlier, twenty-one (21) separate political jurisdictions make up the County proper. The County was instrumental in spearheading the formation of the San Mateo County housing trust, Housing Endowment and Regional Trust (HEART), a key player in this proposal for NSP2 funds. The County worked to create a joint-powers agency and invited jurisdictions to join. Presently, HEART boasts a membership of all twenty (20) cities in addition to the County.

## **2 b). Management Structure**

In accordance with the County's standard way of doing business, it is proposing to develop sub-recipient relationships with various collaborative partners, with contracts executed by December 1, 2009 to achieve neighborhood stabilization. The description and chart below describe the relationships of the various parties, including their individual and joint roles and responsibilities.

### **2 (b.1) Description of Management Structure:**

**Organizational overview:** The San Mateo County Department of Housing (SMC), a HUD entitlement entity with 35 years experience administering a full range of CDBG, HOME, and other programs (as well as the local Housing Authority), is the applicant and lead agency. As such it will provide overall program management to oversee and coordinate the work of a collaborative of "program partners," consisting of local municipalities and community-based

organizations that will manage and perform much of the direct acquisition, rehabilitation and resale services. The roles of respective program partners and the management structure are shown in the above chart and outlined below.

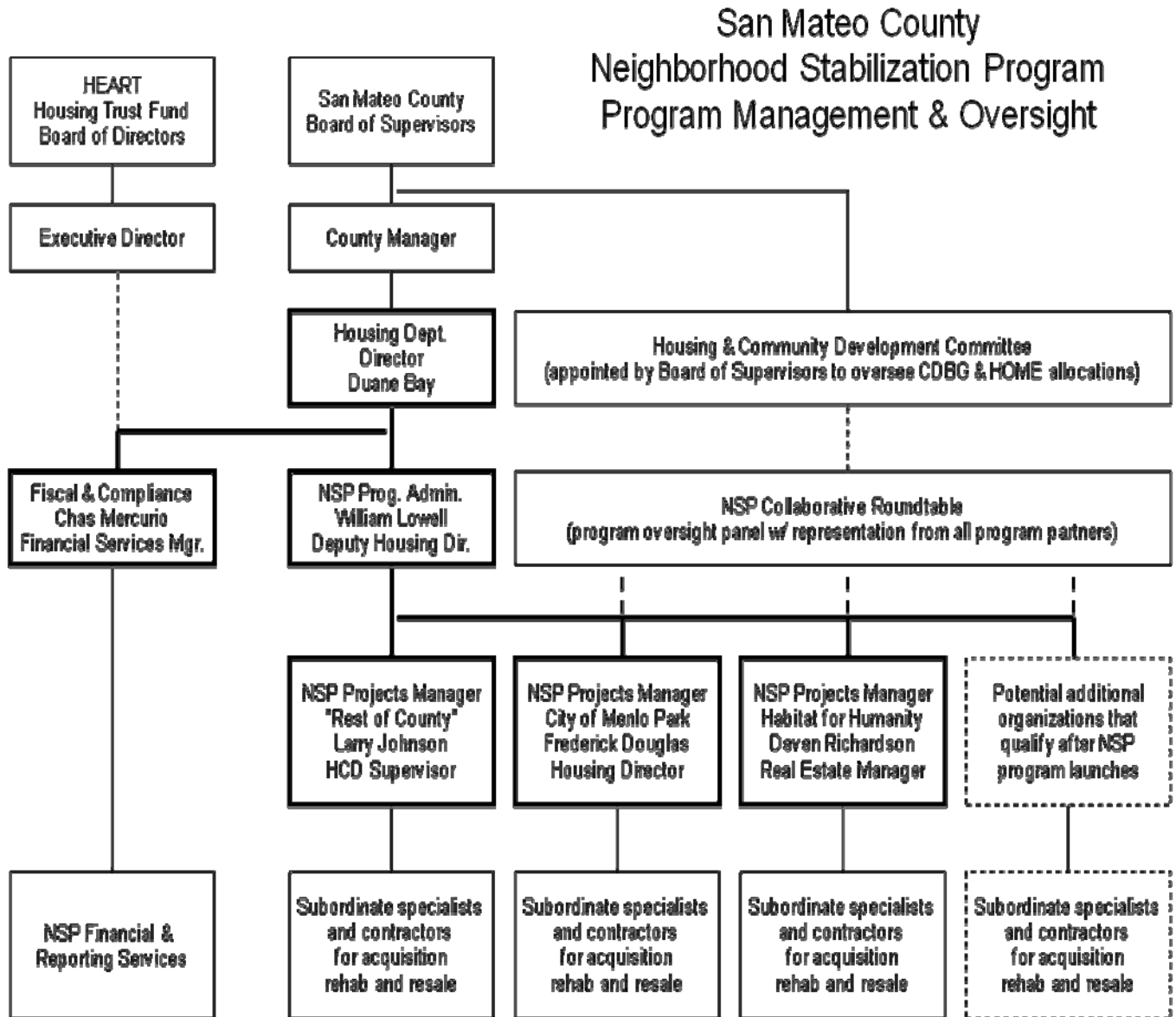
All entities participating in the collaborative (also known as “program partners”) will be sub-recipients of NSP funds. After the awarding of the NSP2 grant and before program launch, all sub-recipients will enter into a contract by December 1, 2009 that (1) identifies the specific services it has been determined to be qualified to perform; (2) sets forth the financial terms and conditions; (3) sets forth the regulatory requirements; and (4) sets forth the ground rules for participation in a peer-agency-oversight group, the NSP Collaborative Roundtable. While formal authority for program management is vested with the County, as a general practice the NSP Collaborative Roundtable will play a strong role in guiding the program.

As illustrated in the Program Management organizational chart below, the community advisory panel that oversees allocation of the County’s annual CDBG and HOME grants (Housing and Community Development Committee, appointed by the County Board of Supervisors), will also play a consultative role. For example, in the unlikely event of contention between the formal program management structure (County Department of Housing senior staff) and the informal collegial NSP Collaborative Roundtable, the Housing and Community Development Committee will be asked to recommend resolution. The Housing and Community Development Committee has decades of experience evaluating project efficacy, qualifications of sub-recipients and providing community oversight for the Housing Department on behalf of the County Board of Supervisors.

**Management Structure:** As with all existing CDBG and HOME funded programs operated by the County (i.e., housing rehab, first-time homebuyer, affordable housing development, public facilities, public service grants), ultimate program oversight is the responsibility of the Housing Director. Operationally, an NSP Program Administrator will oversee the program as a whole. William Lowell, Deputy Director of the Housing Department will fill this role, and will be assisted on a day-to-day basis by either a full-time Housing Program Manager or a two-person team comprising of an analyst and HCD Program Specialist, each working half-time on this program (while also performing their responsibilities for on-going monitoring and reporting of existing programs). The Program Administrator will be responsible for reviewing or performing eligibility analysis on candidate properties, assigning properties to local project managers, managing funds (with support of project fiscal controller), program reporting, and staffing the regular meetings of the NSP Collaborative Roundtable.

In general, the Program Administrator will work through local Project Managers who will, in turn, perform or supervise each step of their respective acquisition, rehab and resale processes. One Project Manager will be assigned by Habitat for Humanity Greater San Francisco (HHGSF) and will be responsible for all properties meeting HHGSF’s criteria for rehab and resale to households with incomes at or below 60% AMI. (Habitat serves families with incomes ranging from 40 to 60% AMI.) A second Project Manager will be assigned by City of Menlo Park and will be responsible for all properties in Menlo Park, except for those properties managed by Habitat Greater San Francisco. A third Project Manager will be assigned by the County and will be responsible for all other properties. Each of the project managers will be responsible for overseeing each property’s progress, even though phase-specific tasks, such as purchase, rehab,

buyer readiness and sale, may be performed by other approved program partners as contractors to the Project Managers' organizations.



Qualifications of individuals named on the Management Structure organizational chart:

Duane Bay, Director of County Department of Housing will have overall responsibility to HUD, the County Board of Supervisors, and all partner agencies for the NSP2 project. Mr. Bay has a range of direct experience in public sector housing policy and program design over the last 20 years, with the County, the City of East Palo Alto, Bay Area HomeBuyer Agency and San Mateo County Housing Leadership Council. Mr. Bay served as a city council member and mayor.

William Lowell, Deputy Director, County Department of Housing has been the chief operating officer of the Housing Authority and manager of the Housing and Community Development Department for three years. To this role he brought 15 years of County management experience.

Mr. Lowell earned an MBA in Finance. Mr. Lowell will hold primary senior operational responsibility for the NSP2 project. Administratively, Mr. Lowell will be assisted directly by the Chas Mercurio, the Department of Housing's Financial Services Manager for 3 years, who brings 12 years of experience in federal program administration in higher education, and by Marina Yu, a Housing and Community Development Specialist with 16 years of relevant experience administering HOME, CDBG and other federal programs as well as prior experience establishing a low-income homebuyer program for City of San Jose, California, and as a real estate agent.

Larry Johnson, Housing and Community Development Supervisor for the County Department of Housing, has performed or supervised housing programs for 27+ years for the County. Mr. Johnson is a former licensed contractor with over 40+ years experience in his field. He will be the overall project manager for acquisition/rehab/ resale of all properties other than those acquired by Habitat or City of Menlo Park. He will be ably assisted by an eight-member team with a combined 100+ years experience in the field of housing. Currently Mr. Johnson and his staff administer the County's homebuyer assistance loan program, affordable housing development program and housing rehab program.

Deven Richardson, Director of Real Estate Development for Habitat for Humanity Greater San Francisco, has 6 years experience in real estate sales, development and affordable housing. He is a licensed realtor in the state of California. Deven has extensive experience implementing housing and homelessness programs in the Bay Area.

Douglas Frederick, PhD., Housing Manager, City of Menlo Park, has 18 years of experience working with the CDBG Program, including work in program design, housing needs assessment, production of planning documents, and program management. Dr. Frederick will be the overall project manager for acquisition/rehab/resale of properties acquired by or on behalf of City of Menlo. Certified by the Program Management Institute as a Professional Program Manager, he will be assisted in the City's effort by two experienced staff members who are currently involved in the daily operation of the City's homebuyer assistance loan program, below market development program, and housing rehabilitation program. Dr. Frederick also designed and received City Council approval for a foreclosed property acquisition and rehabilitation program patterned after the NSP and funded through the City's Below Market Rate Housing Fund.

Christopher Mohr, Executive Director of Housing Endowment and Regional Trust (HEART) since 2004. (Also HEART's founding executive director.) Under his leadership, HEART has raised \$10 million from public and private sources, and invested \$7.25 million in the creation, preservation, or purchase of 662 affordable homes. The vast majority of the funds have been used to create rental apartments for extremely low- and very low-income households. Mr. Mohr is responsible for overall management of the organization, overseeing HEART's fundraising, programs, and administration, and provides staff support to the Board of Directors.

Wilbert Lee, Housing Services Manager, City of East Palo, has served in this capacity since February 2004. He brings a considerable amount of housing experience to the position, having served as Executive Director and Deputy Director, respectively for two nonprofit housing organizations administering and managing housing development projects, both single family new construction and housing rehabilitation projects (both vacant and owner occupied houses). As

Housing Services Director for the City of East Palo Alto, Mr. Lee’s responsibilities consist of administering the City’s Below Market Rate housing program for 1<sup>st</sup> time homebuyers and supervise staff assigned to the City’s Rent Stabilization Program, co-facilitating and sponsoring homebuyer workshops with several lenders and non-profit organizations.

**2 (b.2) References:** The following are NSP2 collaborative program partners, potential partners, and a professional colleague (Wells Fargo Home Mortgage):

Kent Michelson, Executive Director Center for the Independence of the Disabled (CID) 1515 So. El Camino Real #400 San Mateo, CA 94402 650-645-1780 <a href="mailto:kentm@cidsanmateo.org">kentm@cidsanmateo.org</a>	Robert Jones, Executive Director EPA CAN DO 2369 University Avenue East Palo Alto, CA 94303 650-473-9838 <a href="mailto:Rjones@EPACANDO.org">Rjones@EPACANDO.org</a>
Betsy ZoBell, HCD Supervisor City of Daly City 333- 90th Street Daly City, CA 94014 650-991-8255 <a href="mailto:zbobell@dalycity.org">zbobell@dalycity.org</a>	Chris Mohr, Executive Director HEARTof San Mateo County 139 Mitchell Avenue, Sutie 108 So. San Francisco, CA 94080 650-872-444x1 <a href="mailto:cmohr@heartofsmc.org">cmohr@heartofsmc.org</a>
Wilbert Lee, Housing Services Director City of East Palo Alto – Hsg. Svcs. Dept. 2277University Avenue East Palo Alto, CA 94303 650-853-3120 <a href="mailto:wlee@cityofepa.org">wlee@cityofepa.org</a>	Deven Richardson, Dir. of Real Estate Devel. Habitat for Humanity a Greater San Francisco 690 Broadway Street Redwood City, CA 94063 415-218-5874 <a href="mailto:drichardson@habitatgsf.org">drichardson@habitatgsf.org</a>
Doug Fredrick, Hsg. Rehab. Loan Administrator City of Menlo Park 701 Laurel Street Menlo Park, CA 9425 650-330-6724 <a href="mailto:dwfrederick@menlopark.org">dwfrederick@menlopark.org</a>	Melissa Platte, Executive Director Mental Health Association 2686 Spring Street Redwood City, CA 94063 650-368-3345 <a href="mailto:MelissaP@mhasmc.org">MelissaP@mhasmc.org</a>
Mark Sullivan, Hsg. & Redevt. Mgr City of San Bruno, Community Dev't Dept. 567 El Camino Real San Bruno, CA 94066 650-616-7074 <a href="mailto:msullivan@ci.sanbruno.ca.us">msullivan@ci.sanbruno.ca.us</a>	Seana O'Shaughnessy, Executive Director Rebuilding Together Peninsula 841 Kaynyne Redwood City, CA 94063 650-366- 6597x2222 <a href="mailto:seana@rebuildingtogetherpeninsula.org">seana@rebuildingtogetherpeninsula.org</a>
Norma Fragoso, Housing & Redevt Manager City of So. San Francisco 400 Grand Avenue So. San Francisco, CA 94080 650-829-6620 <a href="mailto:norma.fragoso@ssf.net">norma.fragoso@ssf.net</a>	Michele Jackson, Executive Director Shelter Network 1450 Chapin Avenue, 2nd Floor Burlingame, CA 94010 650-685-5880 <a href="mailto:mjackson@shellternetwork.org">mjackson@shellternetwork.org</a>
Oscar Ortega, HET Coordinator Community Action Agency of San Mateo County, Inc. 930 Brittan Avenue San Carlos, CA 94070 650-595-1342 <a href="mailto:oortega@caasm.org">oortega@caasm.org</a>	Bill Zack, Home Mortgage Consultant Wells Fargo Home Mortgage, Inc. 1258 El Camino Real Menlo Park, CA 94025 877-606-8180 <a href="mailto:Bill.r.zack@WellsFargo.com">Bill.r.zack@WellsFargo.com</a>

**Factor 3: Soundness of Approach**

**3 a). Proposed Activities**

**3 (a.1) Neighborhood Stabilization Program**

**Program description:** San Mateo County, together with its program partners, proposes stabilizing neighborhoods in the hardest hit census tracts in the County by purchasing and rehabilitating homes that have been abandoned or foreclosed upon and selling the homes to

families earning between 40 and 120 percent of the Area Median Income in San Mateo County. (An abandoned property, defined by the HUD NSP2 program, is one in which mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the owner for at least 90 days, and the property has been vacant for at least 90 days.) Although the market has reabsorbed many foreclosed properties in San Mateo County, many foreclosed properties stand vacant in those census tracts hardest hit by the foreclosure crisis. These vacant properties invite vandalism and vagrancy and threaten to destabilize entire neighborhoods.

In response, San Mateo County proposes using a countywide approach to control foreclosure-related blight by purchasing any residential property in the qualified census tracts that the market has not reabsorbed. The County has the means to respond to the situation as well as the knowledge of the County, its residents and its unique needs. San Mateo County and its partners have local discretionary capital and the organizational capacity to take on the neighborhood stabilization program. However, to respond quickly and efficiently, the County is proposing a flexible program administration umbrella to support local efforts and administer a pooled revolving acquisition fund.

With the help of the NSP2 funds, the County proposes to create the capacity, countywide, to prevent foreclosure-related blight by purchasing any qualifying residential properties that the market has not reabsorbed and selling them to qualified homeowners earning between 40 and 120 percent of the Area Median Income. To qualify, properties will have to meet the following conditions: (1) the property was foreclosed upon in 2008 or later; (2) the length of time the property has been on the market and vacant meets a threshold set by each participating municipality; (3) it is feasible to rehabilitate the property and make it ready for sale in an average of one month (a range from two to five months is projected); (4) the property is in a hard-hit census tract, using the impact severity criteria developed by the NSP2 program to operationalize that definition; (5) the local jurisdiction approves the intervention by releasing earmarked matching funds and/or issuing building permits; (6) the property is acquired at a discount; and (7) the seller did not render the property vacant through an illegal eviction.

**Expansion of existing effort:** All the partners and programs melded into the proposed collaborative are existing efforts augmented with three critical new resources: an Acquisition Revolving Loan fund that enables multiple acquisition/rehab/resale projects to proceed simultaneously; the NSP grant and funding that amplifies local funds; and a program coordination and oversight structure to increase our scope and scale. The table below summarizes program partners' and potential partners' programmatic and financial contributions to the collaborative, their existing efforts, funding sources for their efforts, and how their efforts would be extended by the NSP program.



Collaborative	Description of Organization	Description of Proposed NSP2 Activity	NSP-like Existing Efforts	Fund Sources—Existing Efforts	Funding for NSP2 Collaborative
<b>PROGRAM PARTNERS</b>					
County of San Mateo, Department of Housing,  (Duane Bay, Director)	Department of County government, which also operates the local countywide Housing Authority.	Overall program management, fiscal, reporting, monitoring. Project management for properties not managed by Habitat or City of Menlo Park Provide matching funds for homebuyer loans and/or make down-payment assistance loans to NSP2 buyers Provide matching funds for rehab	Administers CDBG & HOME.  Operates housing rehab, homebuyer assistance, and affordable housing development programs.  Administers housing trust fund (HEART) programs, including Opening Doors and Quickstart, mentioned below under HEART.	CDBG & HOME. Fees for service for administering some programs for other local jurisdictions, including East Palo Alto, Menlo Park and San Bruno.	<b>Firm Commitment of \$280,000</b> of local program income in existing homebuyer assistance program and housing rehab program
Housing Endowment And Regional Trust (HEART),  (Chris Mohr, Exec. Director)	A public/private countywide housing trust fund, organized as a joint powers authority with half of board appointed by cities and county and half appointed at large to represent private sector and non-profits. HEART raises public and private funds	Administer the NSP2 Acquisition Revolving Loan Fund.  Make down-payment assistance loans to NSP2 buyers.	Funds the “Opening Doors” low-income homebuyer down-payment assistance loan program.  Funds the “Quickstart” low-income acquisition and pre-development revolving loan program.	Private loans and donations	<b>Firm Commitment of \$950,000</b> from existing homebuyer assistance program and revolving loan program funds, including \$150,000 of foundation funding with a priority for supportive housing that can be used by program partners.
City of East Palo Alto,  (Wilbert Lee, Housing Serv. Director)	Local non-HUD-entitlement city, part of urban county consortium for HOME & CDBG	City will provide local matching funds for down-payment asst., working through program-partner org. such as Habitat for Humanity and EPACANDO to manage the projects and	Inclusionary below-market-rate (BMR) development set-aside program.  Down-payment assistance loan program.	Inclusionary Housing ordinance in-lieu fees. Redevt Agency Low-Income Housing Fund. Transient	<b>Firm Commitment of \$500,000</b> of funds not previously programmed for these purposes.

Collaborative	Description of Organization	Description of Proposed NSP2 Activity	NSP-like Existing Efforts	Fund Sources— Existing Efforts	Funding for NSP2 Collaborative
<b>PROGRAM PARTNERS</b>					
		perform the services.		Occupancy Tax.	
City of Menlo Park  (Doug Frederick, Hsg Rehab Loan Administrator)	Local non-HUD-entitlement city, part of urban county consortium for HOME & CDBG	City will provide project mgmt for all properties it acquires, and will work through existing relationships with qualified contractors currently engaged for its hsg rehab and 1 <sup>st</sup> time HB programs.	Inclusionary below-market-rate (BMR) development set-aside program.  Down-payment assistance loan program.  Housing rehab loan program.	Inclusionary Housing ordinance in-lieu fees. ommercial development housing-linkage fees.	<b>Firm Commitment of \$2,000,000</b> from existing home-buyer asst. prog. & RLP funds, as well as new funds not previously programmed for these purposes.
City of Daly City,  (Rich Berger, Housing & Eco. Devt Director)	Local HUD-entitlement city, w/ CDBG and HOME programs	City may provide local matching funds for down-payment asst.n&or housing rehab, working through program-partner org.such as Habitat for Humanity to manage the projects and perform the services.	Inclusionary below-market-rate (BMR) development set-aside program  Housing rehab grant program  Homebuyer education program	CDBG HOME Redevelopment Agency Low-Income Housing Fund	Contingent commitment projected at \$500,000 based on strong interest in program, but due to current fiscal uncertainty prudence dictates more deliberation.
Habitat for Humanity Greater San Francisco,  (Phillip Killbridge, Exec. Director)	A local non-profit, with national affiliate network, that recruits, trains and supervise volunteers to develop and/or rehabilitate residences for very-low-income buyers	Has recruited, trained and supervised over 3,000 volunteers to build 50 dwellings in SMCOUNTY in the past two years; will contract to rehabilitate properties that meet its program criteria— serving 40% to 60% area median income households.	Affordable housing development.  Homebuyer preparation and finance.	Private donations	<b>Firm Commitment of \$1,110,000.</b>
City of South San Francisco,  (Norma Fragoso, Redevt. Mgr)	Local HUD-entitlement city, w/ CDBG program, in urban county consortium for HOME	City may provide local matching funds for down-payment assistance and/or housing rehab, working through program-partner organizations such as Habitat for Humanity to	Inclusionary below-market-rate (BMR) development set-aside program.  Homebuyer down-payment assistance loans.  Housing rehab grant	CDBG Redevelopment Agency Low-Income Housing Fund	<b>Firm commitment \$500,000.</b>

Collaborative	Description of Organization	Description of Proposed NSP2 Activity	NSP-like Existing Efforts	Fund Sources— Existing Efforts	Funding for NSP2 Collaborative
<b>PROGRAM PARTNERS</b>					
		manage the projects and perform the services.	program.		
City of San Bruno,  (Mark Sullivan, Hsg & Redevt Mgr)	Local non-HUD-entitlement city, part of urban county consortium for HOME & CDBG	City may provide local matching funds for down-payment assistance and/or housing rehab, working through program-partner organizations such as Habitat for Humanity to manage the projects and perform the services.	Inclusionary below-market (BMR) devt set-aside prog. Housing rehab grant program Homebuyer down-payment assistance loans	In-lieu fee fund; Redevelopment Agency Low-Income Housing Fund	Contingent commitment projected at \$280,000 based on strong interest in program. Due to current State fiscal uncertainty, prudence dictates more deliberation.
Rebuilding Together Peninsula,  (Seana O'Shaughnessy, Exec. Director)	A local non-profit, with national affiliate network, that recruits, trains and supervise volunteers to rehabilitate residential dwellings and public-facilities serving low-income persons and families	Organization recruited, trained and supervised over 1,000 volunteers to rehabilitated 130 dwellings in San Mateo County in the past two years; will contract to rehabilitate properties that meet its program criteria, especially those for persons and families with disabilities.	Housing rehabilitation	Private donations CDBG grants (none will be used for NSP2 program properties)	Firm commitment to contribute expertise and labor in kind
EPA CANDO,  (Robert Jones, Exec. Director)	A non-profit community housing development organization (CHDO) that develops, acquires and manages properties, and provides financial literacy, homebuyer education and foreclosure counseling	Organization, which has acquired and rehabilitated many houses and apartments for very-low income households, counseled 300+ families facing foreclosure and administered local first-time homebuyer programs, will purchase, rehab and resell foreclosed properties in East Palo Alto.	Affordable housing development. Acquisition & rehab of affordable rental & ownership housing. Foreclosure counseling. Homebuyer preparation and finance.	Private donations CDBG grants HOME grants	Participation in NSP program will be primarily fee for service for acquisition and rehab services. EPACANDO also raises private funds, and intends to raises \$200,000 or more if/when NSP grant becomes available.

<b>Collaborative</b>	<b>Description of Organization</b>	<b>Description of Proposed NSP2 Activity</b>	<b>NSP-like Existing Efforts</b>	<b>Fund Sources— Existing Efforts</b>	<b>Funding for NSP2 Collaborative</b>
<b>PROGRAM PARTNERS</b>					
HIP Housing (Human Investment Project),  (Bruce Hamilton, Exec. Director)	A non-profit community housing development organization (CHDO) that develops, acquires and manages properties in which it operates self-sufficiency programs	Organization has acquired and rehabilitated many apartments for very-low income households, 15 in the last year, and will be available to purchase small foreclosed rental properties that threaten to become blighted.	Acquisition & rehab of affordable rental housing	Private donations CDBG grants HOME grants	Participation in NSP program will be primarily fee for service for acquisition and rehab services. HIP also raises private funds, and intends to raises \$100,000 or more if/when NSP grant becomes available.
Community Legal Services in East Palo Alto (Candice Greenberg, E.D.)	Nonprofit legal services agency based on East Palo Alto serving south county tenants facing eviction	Pre-purchase services to check if home was subject of any illegal tenant evictions	Provides legal assistance to renters threatened with eviction	Private donations CDBG grants	Participation in NSP program will be fee for service.
Center for Independence for the Disabled Kent Michelson, Exec. Director	A local non-profit, operating countywide, that provide accessibility retrofits for owners renters	Provides minor home upgrades that enhance accessibility for occupants throughout county	Minor home repair (below \$10,000)	Private donations CDBG grants	Participation in NSP program will be fee for service.
Community Action Agency (Oscar Ortega, HET Coordinataor) & GRID Alternatives, (Erica Mackie, ED)	Two local non-profit org. that work together to provide energy efficiency and solar panel installations on qualifying low-income rental and ownership properties (respectively)	NSP program partners will work with these local programs to evaluate each NSP property as to the eligibility for and technical feasibility of installation of solar power and energy efficiency measures	Energy efficient retrofits and solar panel installations	Private donations CDBG grants ARRA (other than NSP)	For eligible properties, services will be provided for free (using the organizations' separate funding sources), or with local non-federal funds.

<b>Collaborative</b>	<b>Description of Organization</b>	<b>Description of Proposed NSP2 Activity</b>	<b>NSP-like Existing Efforts</b>	<b>Fund Sources— Existing Efforts</b>	<b>Funding for NSP2 Collaborative</b>
<b>POTENTIAL PARTNERS</b>					
North Peninsula Resource Center (Karla Molina, Exec. Director)	A local non-profit, operating in north county, that provides minor rehab for low income homeowners	Minor home repairs/upgrades for eligible homes	Minor home repair (below \$10,000)	Private donations CDBG grants	Participation in NSP program will be fee for service.
Senior Coastsiders, (Cara Schmaljohn, ED)	A local non-profit, operating on coast side of county, that provides minor home repairs for low income homeowners	Minor home repairs/upgrades for eligible homes	Minor home repair (below \$10,000)	Private donations CDBG grants	Participation in NSP program will be fee for service.
Mental Health Association,  (Melissa Platte, Exec. Director)	Nonprofit with mission of developing homes and providing supportive assistance to persons with mental disabilities.	Acquisition-rehab of homes to develop as permanent housing for clients	Development of property for transitional and permanent housing for clients	CDBG, HOME, other federal funds, private & institutional funding	Intends to raise private funds in order to provide local match to acquire program-purpose properties upon NSP availability.
Shelter Network,  (Michele Jackson, Exec. Director)	Nonprofit serving homeless families and individuals in County	Acquisition-rehab of homes to develop as permanent housing for clients	Development of property for transitional and permanent housing for clients	CDBG, HOME, other federal funds, private & institutional funding	Intends to raise private funds in order to provide local match to acquire program-purpose properties upon NSP availability.
Service League Of SM County,  (Mike Nevin, Exec. Director)	Nonprofit serving persons exiting from incarceration	Acquisition-rehab of homes to develop as transitional living homes for clients	Acquisition-rehab of homes to develop as group homes for clients.	CDBG, HOME, County funds, other federal funds, private & institutional funding	Intends to raise private funds in order to provide local match to acquire program-purpose properties upon NSP availability.

Collaborative	Description of Organization	Description of Proposed NSP2 Activity	NSP-like Existing Efforts	Fund Sources— Existing Efforts	Funding for NSP2 Collaborative
<b>POTENTIAL PARTNERS</b>					
Community Overcoming Relationship Abuse (CORA), (Melissa Lukin, Exec. Director)	Nonprofit serving victims/survivors of domestic violence	Acquisition-rehab of homes to develop as transitional/permanent housing for clients	Acquisition-rehab of homes to develop as group homes for clients	CDBG, HOME, County funds, other federal funds, private & institutional funding	Intends to raise private funds in order to provide local match to acquire program-purpose properties upon NSP availability.

**Stabilization of the housing market in target geography and achievement of long-term economic benefits:** The County and its program partners acquire, rehabilitate and resell 108 properties over the next three years, averaging 3 properties per month. This pace will require the collaborative to have the capacity to handle 9 to 12 properties simultaneously, with 4 to 5 in rehabilitation (i.e., post-acquisition, pre-resale) at once. These efforts, undertaken in the 11 HUD-qualified hardest-hit census tracts, will quickly and effectively return vacant structures to productive use thereby stabilizing affected neighborhoods.

**3 (a.2) Uses of Funds and Firm Commitments:**

**(a) Funds budgeted for each eligible use with responsible entity:** The collaborative will purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop these homes and properties in the 11 HUD-qualified census tracts. This table below represents, for each program partner mentioned in this application, the general services to be performed for the NSP Collaborative that are already part of that organization’s existing efforts, and a summary of sources of funds for these existing efforts.

**SOURCES & USES OF FUNDS**

**USES OF LOCAL FUNDS**

Component	Component Description	NSP2 Funds per Property	Eligible Properties	Total \$	Local \$	% NSP2 \$		Percent of Total Funds		
						Local	NSP2	Total	Local	NSP2

**REVOLVING ACQUISITION FUND**

(cash float is cycled through each project. NSP2 money here is not included in Uses totals below (explained in inset box next page))

A. Property Acquisition Revolving Loans	Average capacity for 6 simultaneously acquisitions. 120% of purchase price covers float for rehab construction.	\$180,000	6	<b>\$2,160,000</b>	\$1,080,000	\$1,080,000	50%	50%	8%	20%
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NOTE: Program parameters, such as match ratios and allocation of total funds among sub-funds, will be reviewed annually and may be adjusted if necessary to respond to changes in the market or practical experience learned through program operation.

**GRANTS & LOANS FOR ACQUISITION / REHAB / RESALE**

B. Acquisition Revolving Loan Contingency	This fund replenishes the Acquisition Revolving Loan if particular rehab projects overrun estimates (if 10% of property rehab projects have 13% overrun).	\$47,091	11	<b>\$518,000</b>	\$0	\$518,000	0%	100%	4%	0%	6%
C. Project Delivery Cost Grants	Fixed grant per property for: real estate transaction costs, home-buyer outreach and counseling, rehab project mgt.	\$6,500	108	<b>\$702,000</b>	\$0	\$702,000	0%	100%	5%	0%	8%
D. Property Rehabilitation Matching Grants	A 2-to-1 match for local property rehabilitation expenditure (will vary per property, average is shown)	\$45,000	108	<b>\$7,200,000</b>	\$2,400,000	\$4,800,000	33%	67%	51%	45%	54%
E. Down-Payment Assistance Matching Grants & Loans	"Silent" subordinate loan for up to 50% match of local down-payment assistance (will vary per property, ave. is shown). Fixed grant for properties sold to a qualifying very-low-income (<50% ami) households.	\$8,333	108	<b>\$2,700,000</b>	\$1,800,000	\$900,000	67%	33%	19%	34%	10%
<b>Program Total (excluding program administration)</b>				<b>\$13,280,000</b>	<b>\$5,280,000</b>	<b>\$8,000,000</b>	40%	60%	<b>94%</b>	<b>100%</b>	<b>90%</b>
F. Program Administration	Property selection, fund mgt. oversight, underwriting, inspection, environmental, monitoring, reporting, fiscal, etc.	\$8,230	108	\$888,888		\$888,888	0%	100%	6%	0%	10%
<b>Program Total (including program admin)</b>				<b>\$14,168,888</b>	<b>\$5,280,000</b>	<b>\$8,888,888</b>	37%	63%	100%	100%	100%

NSP2 - San Mateo Consortium Grid-v14

**SOURCES OF LOCAL FUNDS**

Committed Local Funding	Housing Endowment and Regional Trust (HEART)	\$950,000	<b>Explanation of NSP2 funds in Acquisition Revolving Loan Fund</b>  For properties sold to very-low-income households, \$40,000 of the acquisition revolving loan will be forgiven (see program component "E" above: \$1,080,000 = 27 VLI properties x \$40,000). By end of program, zero NSP2 funds will remain in the Acquisition Revolving Loan Fund. To offset this loss of working capital, additional local funds will be raised from "Projected Additional Local Funds" shown at right.
	County of San Mateo	\$280,000	
	City of Menlo Park	\$2,000,000	
	City of East Palo Alto	\$500,000	
	Habitat for Humanity Greater San Francisco	\$1,110,000	
	City of South San Francisco	<u>\$500,000</u>	
	<b>Sub-Total Commitments</b>	<b>\$5,340,000</b>	
Projected Additional Local Funding	City of Daly City	\$500,000	
	City of San Bruno	\$280,000	
	EPACANDO	\$200,000	
	HIP Housing	<u>\$100,000</u>	
	<b>Sub-Total Projected Other</b>	<b>\$1,080,000</b>	

**SUMMARY**

Costs by Household Income Level Category	Properties		Average Cost per Property			Total Cost		
	%	Number	Local	NSP2	Total	Local	NSP2	Total
Costs: Project Delivery Grants + Property Rehabilitation Grants + Down-Payment Assistance Grants & Loans								
Properties Sold to Very Low Income Households (at or below 50% area median income)	25%	27	\$115,000	\$106,400	\$221,400	\$3,105,000	\$2,872,800	\$5,977,800
Properties Sold to Low or Moderate Income Households (between 50% and 120% of area median income)	75%	81	\$13,519	\$63,299	\$76,817	\$1,095,000	\$5,127,200	\$6,222,200
All Properties	100%	108	\$38,889	\$74,074	\$112,963	\$4,200,000	\$8,000,000	\$12,200,000

NSP2 - San Mateo Consortium Grid-v14 MY



**(b) Description of proposed activities:** Funds will be directed to various funding pools, all of which are CDBG eligible activities, in accordance with the table above, Sources & Uses of Funds. Each fund is described in more detail below.

The County anticipates that market conditions will change over the course of the program. As such, the County recognizes that it may need to adjust program parameters (e.g., maximum amounts for grants or loan, or repayment and/or forgiveness terms on loans) to meet the program objectives of timely acquisition, quality rehabilitation and affordable resale. Therefore the NSP Collaborative Roundtable will review program performance quarterly, and annually recommend any changes in program parameters to the Housing and Community Development Committee (an existing community advisory body on CDBG, HOME, and ESG funding matters, discussed above in Factor 2, section b.1 “organizational overview”). The following funding pools are proposed:

A. Property Acquisition Revolving Loans (eligibility 24 CFR 57.201(a))

*Purpose:* To acquire foreclosed property and hold it during rehabilitation for resale to qualifying low-income buyer, and to provide cash flow for property rehabilitation.

*Parties:* HEART (San Mateo County Housing Trust Fund) will lend to the NSP program partner that is the project manager for a particular property.

*Terms:* The maximum loan amount is 120% of property acquisition purchase price, up to \$480,000. The loan must be repaid at six months, or on resale of property, if sooner. The interest rate will be zero percent if the loan is repaid within six months; otherwise interest commences at seventh months at rate of 6% per annum. The loan is collateralized by property. For properties sold to very low-income households (i.e. at or below 50% area median income), \$40,000 of this loan will be forgiven.

*Capitalization:* The Acquisition Revolving Loan Fund will be capitalized at \$2,160,000. HEART will reprogram \$950,000 to this new fund from its existing Quickstart and/or Opening Doors programs; the County will add \$280,000 from its existing first-time homebuyer program, and these local funds will be matched with \$1,080,000 of NSP2 funds. The loan forgiveness noted above will gradually erode the NSP2 funds (\$1,080,000 = \$40,000 per VLI property x 27 VLI properties, which is 25% of total 108 properties in program). To offset this loss of working capital in the Revolving Acquisition Fund, additional local funds will be raised.

*Program Income:* During the NSP program, all program income (i.e., interest and repaid principal) will be revolved into subsequent acquisition loans.

B. Acquisition Revolving Loan Contingency Fund (eligibility 24 CFR 570.206)

*Purpose:* This fund provides program flexibility and resilience so that the program partners who are managing projects can make prudent, timely decisions with reasonable risk. This fund allows risk to be mitigated or spread over multiple properties. This fund will provide each program partner that will be managing acquisition/rehab/resale projects with a contingency line of credit against which it may charge shortfalls against and thereby assist in the program partner’s ability to repay the Acquisition Revolving Loan for a particular project.

*Explanation:* Each project management entity will use its best efforts to plan and control each acquisition/rehabilitation/resale project so that sale proceeds are adequate to repay the initial Acquisition Revolving Loan. This will occur even as the resale price and debt financing are affordable to a qualified homebuyer at an appropriately targeted income level. Nonetheless, one or more of the following exigencies could lead to a net cash loss on a particular project: (1) An over-estimation of the post-rehabilitation value of the property or a post-acquisition erosion of property values could render the property “over-improved” (i.e., cost of acquisition and rehab could exceed market value); (2) An entity such as Habitat for Humanity that provides senior debt financing (rather than relying on a commercial first mortgage), and intends to recover cash committed to that purpose by selling its loan to a secondary purchaser (for instance Habitat for Humanity International, further in this example) could over-estimate the proceeds from selling the loan; (3) To meet other program objectives, the homebuyer selected to purchase the property—for example, the next qualified buyer in an income bracket range on a local municipal first-time buyer waiting list—might have a household income lower in the bracket range than modeled in the project pro forma. Therefore, as a contingency against such a deviation from the model calculation that could cause a reduction in the Acquisition Revolving Loan fund and jeopardize the entire process, funds from the Contingency Fund will be loaned to the project management entity to cover the shortfall.

*Parties:* San Mateo County will loan NSP2 funds from the Acquisition Revolving Loan Contingency Fund to a project management entity (San Mateo County, City of Menlo Park, Habitat for Humanity Greater San Francisco, and potentially additional program partners) to cover shortfall in ability to repay an Acquisition Revolving Loan.

*Terms:* The maximum loan amount is \$50,000 per property, and \$150,000 per program partner. The interest rate is 3% simple interest per year and repayment is amortized on a ten-year schedule, commencing on completion of the NSP2 program or July 1, 2013 if sooner. The loan is not collateralized, but delinquency on payments will render the program partner ineligible for HOME or CDBG allocations by San Mateo County.

*Capitalization:* The Acquisition Revolving Loan Contingency Fund will be capitalized at \$518,000 with NSP2 funds. *This contingency is not taken from funds available for project direct costs or project delivery costs. Instead it is a set-aside portion of allowable program administration.* The amount represents a 1% contingency on 108 loans averaging \$360,000 per property, based on average acquisition price of \$300,000 and 20% rehab estimate of \$60,000.

*Program Income:* All program income (i.e., interest and repaid principal) from line of credit balances outstanding upon NSP program completion will come to San Mateo County, originator of the loans.

#### C. Project Delivery Cost Grants (eligibility 24 CFR 570.206)

*Purpose:* To compensate NSP program partners for project delivery costs (not program administration).

*Parties:* San Mateo County will use NSP2 funds to reimburse the entity that is the Project Manager for acquisition/rehabilitation/resale of NSP program properties (SMC, City of Menlo Park, Habitat Greater San Francisco, and additional potential program partners).

*Terms:* Project delivery costs will be reimbursed on a per-property, fees-for-service basis to the applicable project management entity, up to a maximum of \$6,500 per property. Eligible costs include: payments to third parties for real estate services for acquisition and/or resale of property; payments to third parties for homebuyer education, financial counseling, and loan brokerage; and payments to third parties for management of rehabilitation construction project. The project management entity may claim reimbursement either for the services of a third party contractor or for the direct time and expense by qualified in-house staff; however, claims for in-house costs must be properly documented and shall not to exceed \$3,200 for real estate services, \$1,600 for homebuyer services, or \$1,600 for rehab construction management.

*Capitalization:* The Project Delivery Cost Grant Fund will be capitalized at \$702,000 with NSP2 funds (i.e., \$6,400 maximum per property). During the NSP program, surplus in this fund may be transferred to other NSP program funds.

*Program Income:* There will be no program income because these are grants and not loans.

D. Property Rehabilitation Matching Grants (eligibility 24 CFR 570.202)

*Purpose:* To extend the beneficial impact of existing property rehabilitation grant programs (administered by one or more of the partners) by matching any such grants for rehabilitation of properties in the NSP2 program.

*Parties:* The County will use NSP2 funds to reimburse any qualified program partner for a portion of any qualifying property rehabilitation costs expended on NSP program properties.

*Terms:* The grant amount is a 2:1 match of eligible property rehabilitation expenditures (i.e., two-thirds of eligible costs), up to a maximum of \$50,000 match per property (i.e., two-thirds of \$75,000 maximum rehab allowance).

*Capitalization:* The Property Rehabilitation Grant Fund will be capitalized at \$4,800,000 with NSP2 funds. During the NSP program three-year period, surplus in this fund may be transferred to other NSP program funds.

*Program Income:* There will be no program income because these are grants not loans.

E. Down-Payment Assistance Loans and Grants (eligibility 24 CFR 57.206)

*Purpose:* To extend the beneficial impact of existing in-place down-payment assistance loan programs (administered by one or more of the partners) by matching any such loans to finance resale of properties in the NSP2 program to qualified homebuyers. Also, down-payment assistance loans and grants will enable deeper affordability targeting of some properties to Very-Low-Income (incomes not exceeding 50% AMI) households by forgiving a portion of the Acquisition Revolving Loan for such properties.

*Parties:* HEART will use NSP2 funds to match a down-payment assistance loan by any qualified administrator of an existing program (City of South San Francisco, City of Daly City, City of Menlo Park, City of San Bruno, Habitat Greater San Francisco, County and County-administered programs for HEART, and cities of East Palo Alto and Menlo Park).

*Terms:* The maximum down payment assistance loan amount is 50% of the amount loaned to the homebuyer by an NSP program partner, up to \$50,000 maximum (i.e., maximum is \$50,000 loan of NSP2 funds in addition to \$100,000 loan from an NSP program partner). The loan must be repaid in 15 years, or on resale or refinance of the property, if sooner. The interest rate is 5% simple interest per year. The loan is collateralized by property, with combined loan-to-value ratio of all debt financing not to exceed 100% of property value.

*Capitalization:* The Down-Payment Assistance Loan Fund will be capitalized at \$900,000 with NSP2 funds. It should be noted that while the maximum NSP2 loan amount is relatively high (\$40,000), the per-property average available from NSP2 funds is approximately \$8,300—this is in keeping with the expectation that approximately 25% of properties will require substantial homebuyer assistance while the remainder will require little or none. During the NSP program period, surplus in this fund may be transferred to other NSP program funds.

*Program Income:* All program income (i.e., interest and repaid principal) will come to San Mateo County, originator of the loans. The County will retain ten percent (10%) of program income for program administration and distribute/allocate the balance as follows: for loans that were originated as matches for loans made by (CDBG) Entitlement Jurisdictions (County, South San Francisco, Daly City), grant the balance to the jurisdiction for use in its homebuyer loan program; for loans that were originated as matches for loans made by other NSP program partners, grant the balance to HEART for use in its homebuyer loan program.

*Note:* There are two other mechanisms to allow deeper affordability when the program properties are resold. First, as noted earlier under Acquisition Revolving Loan Fund, \$40,000 of any acquisition revolving loan on a property sold to a Very Low-Income household will be forgiven. Also, nothing in this program is intended to prevent or discourage program partners (for example, the local municipality) to deepen the affordability of a property (that is, further discount the resale price) by making loans or grants to the entity managing the acquisition/rehab/resale of a particular property to offset a portion of its project costs.

#### F. Program Administration ((eligibility 24 CFR 57.206)

*Purpose:* To cover program administration costs such as fiscal services, assurance of NEPA environmental and Davis/Bacon Act compliance, project monitoring, and program management, monitoring, and supervision.

*Parties:* San Mateo County will administer allocation of the program Administration Fund on behalf of, and in consultation with the NSP Collaborative Roundtable of all program partners described in Factor 2, section b.1 “program partners.”

**(c) Firmly Committed Funds:** Firm funding totaling \$5.34 million has been committed for San Mateo County’s NSP2: San Mateo County (\$280,000), Habitat for Humanity Greater San Francisco (\$1,110,000), Housing Endowment and Regional Trust (\$950,000), and the Cities of Menlo Park (\$2,000,000), East Palo Alto (\$500,000), and South San Francisco (\$500,000).

The following are projected additional funding: Daly City (\$500,000), and San Bruno (\$280,000), EPA CanDo (\$200,000), HIP Housing (\$100,000).

**(d) Demolition and Preservation:** San Mateo County and its program partners do not anticipate demolishing any existing homes as part of NSP2. Most foreclosed or abandoned homes in San Mateo County have not been sitting vacant for long. Therefore it is possible to salvage much of the home with major or moderate rehabilitation rather than demolition.

**3 b). Project Completion Schedule - October 1, 2009 - December 1, 2012.** The County Department of Housing (SMC) will be the lead for the collaboration of program partners, comprised of the City of Daly City, South San Francisco, City of Menlo Park, City of East Palo Alto, Habitat for Humanity Greater San Francisco (HFH), Rebuilding Together Peninsula (RTP), HIP Housing and other qualified service providers as may be selected for participation as the program proceeds.

The program partners will meet with the Program Administrator of the County of San Mateo, as part of the NSP2 Collaborative Roundtable, on a monthly basis for the first 12 months of program implementation, every other month in the second year, and quarterly in the third year. The Program Administrator will manage the reports from the program partners that detail information on number of units acquired, rehabilitation status, resale status, outreach, funding draw request and other data as per HUD NPS2 reporting and compliance requirements.

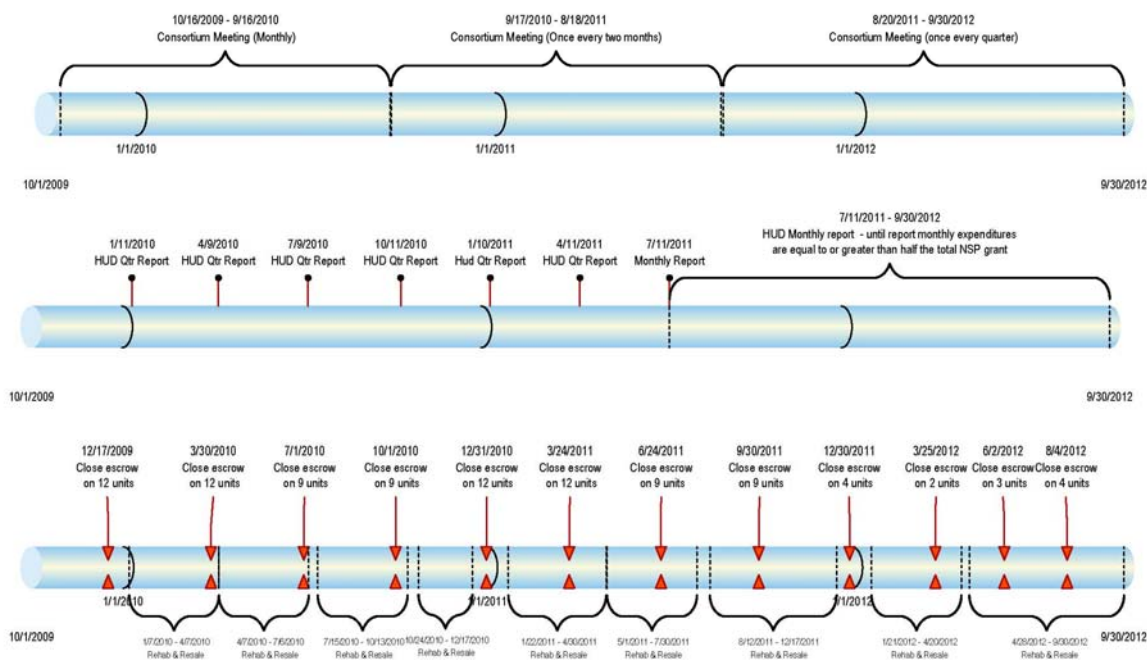
The Program Administrator will submit to HUD:

- Performance reports QUARTERLY
- Reports on NSP2 obligations and expenditures:
  - MONTHLY until total expenditures are equal to or greater than half the total NSP2 grant;
  - QUARTERLY once total expenditures are equal to or greater than half the total NSP2 grant and until the 33<sup>rd</sup> month; and
  - MONTHLY until the entire NSP2 grant has been expended or the 36-month deadline is reached.

The implementation of the Neighborhood Stabilization Program began in early 2009 when Habitat for Humanity Greater San Francisco acquired the first home in the City of Menlo Park's Belle Haven neighborhood. This home is located in an NSP2 eligible census tract. The estimated start date will be October 1, 2009, but will depend on HUD review and award timeline. The collaborative anticipates acquiring, rehabilitation and reselling approximately 54 homes in the first 15 months of program implementation.

The diagram below details the project completion schedule.

## Project Completion Schedule & Critical Management Actions



### 3 c). Income targeting for 120 percent and 50 percent AMI

The collaborative consists of organizations and government entities that serve families ranging from 30 to 120 percent of the Area Median Income (Extremely Low-Income to Moderate-Income - the latter also referred to as Middle Income under NS2). Drawing on this wide range of experience, the NSP2 funds will be used for families that earn between 40 and 120 percent of the Area Median Income. The NSP2 eligible activities will vary among the program partners, however the County estimates that the majority of the funding for families whose incomes do not exceed 50% AMI will be expended within the first 15 months.

**50 Percent AMI:** Habitat Greater San Francisco's will be focusing their work on this income group. Habitat Greater San Francisco's traditional income range for new construction developments targets local households with incomes between 40% and 60% AMI. With the support of potential NSP2 funding, Habitat has budgeted to produce homeownership opportunities for qualified local households with annual incomes below 50% AMI. At least a quarter of the NSP2 dollars will be expended to target this income group. Habitat Greater San Francisco possesses both the capacity and the background to reach out to and select families within this income bracket.

**51 to 120 Percent AMI:** Other collaborative partners, including HEART, and the Cities of Daly City, Menlo Park and East Palo Alto, will assist homebuyers in the 51 to 120% AMI range. These partners will either purchase foreclosed homes which may or may not require upgrading and market them to qualified buyers, or buyers may directly approach an organization like HEART or the relevant Cities and obtain NSP2 program assistance to purchase a foreclosed home.

### **3 d). Continued Affordability**

The goal of the proposed program is to ensure, to the maximal extent practicable and for the longest feasible term that the assisted homes will remain affordable to families and households in the 50% AMI and 120% categories. While most of the NSP2 funds will be used to assist the homeownership market, where there might be rental units, the County will require that affordable rents will be imposed as part of the financing.

**3 (d.1) 51 to 120 Percent AMI:** San Mateo County has developed affordability covenants/provisions for both rental and ownership housing.

*Rental Housing:* To ensure maximum long-term affordability, the County's policy under the HOME Program is to record an affordability covenant on the land for rental developments. The term of the restriction is tied to the HOME requirement in accordance with the amount of HOME funding invested in the project or property (at least 20 years for any new construction). The County will continue to apply this requirement for NSP2-funded rental housing.

*Ownership Housing:* For ownership housing, the collaborative City partners have found that the higher the initial income of the buyers, the less receptive they become to long-term affordability covenants. As a minimum, the County proposes using the HOME subsidy recapture provisions for homeownership programs, as described in the Consolidated Plan, FY 2008/09 – 2012/13 (a link to this plan is located in Factor 6, section 1). In short, the funds will be provided as a second or junior mortgage to the homebuyer. Full repayment of outstanding principal would be required upon home resale. An attractive interest rate at say, 0% to 5%, with either full amortization or with deferred payments for some period, will be imposed. Forgiveness of accumulated interest may be offered if the buyer remains in the house as their principal residence for the full term of the loan (for example 15 years). A graduated schedule of interest forgiveness may be offered, such that the longer the buyer remains in the home, the more the accumulated interest will be forgiven. If upon resale the new buyer meets the HOME income guidelines, the County may allow assumption of the outstanding debt.

**3 (d.2) 50 Percent AMI:** The County's collaborative partners may use a different model for ensuring long-term affordability. For example, Habitat for Humanity Greater San Francisco has an established system to maintain that properties will remain affordable for households whose incomes do not exceed 50% AMI. Habitat's unique 0% interest financing ensures that eligible households pay less than 1/3 of household income for housing expenses. Habitat home purchasers agree to a limited amount of equity in consideration for a reduced purchase price and relatively low monthly payments.

Continued affordability of all Habitat homes is secured by a deed of trust and support documents. Habitat retains the right of first refusal to repurchase the home if the original homeowner chooses to sell the home. The local government jurisdictions' permanent financing contribution will be secured by an additional deed of trust and silent second mortgage (deed of trust). The local city has a subordinate secondary right of refusal to repurchase if the homeowner elects to sell the home.

Habitat requests updates from its current homeowners, conducts regular "buyback" trainings and keeps adequate financial reserves for the repurchase of homes. Habitat Greater San Francisco has over 140 current homeowners and zero foreclosures over its 20-year history. Habitat has successfully resold numerous homes to a second qualified family through this process.

### **3 e). Consultation, Outreach and Communications**

**3 (e.1) Consultation with units of local government:** San Mateo County Department of Housing has diligently consulted with local affected government agencies within the jurisdiction during this NSP2 collaborative process. In Spring 2009, San Mateo County brought together key partners who were interested in finding solutions to the foreclosure crisis in the county and developing the NSP2 proposal. The County hosted five meetings in May, June, and July 2009 with all interested partners to develop the NSP2 program. Through these meetings, a productive collaborative was formed, resulting in this application to HUD.

Since the collaborative involves the local government with jurisdiction over the target geography, the local governments are fully involved throughout the proposal and implementation process. As part of the collaborative, program partners will continue to meet regularly as the NSP2 Collaborative Roundtable to keep updated and to evaluate their progress.

**3 (e.2) Proposed outreach and affirmative marketing actions:** Extensive outreach and affirmative marketing activities, described below, are planned to advertise this homeownership opportunity and recruit qualified households to apply when units become available. These efforts include newspaper and website notices and holding community meetings in specific neighborhoods and venues. The County will work with all partners, who may each have their own marketing efforts for their existing programs, to establish a coordinated outreach and affirmative marketing program. Successful marketing is critical to the success of the program and to meeting the collaborative's goal of returning around 108 foreclosed units to productive use for low- and moderate- income families within the three-year time frame of the NSP2 funding.

As a key partner that works directly with homebuyers with low incomes, Habitat has an established process and veteran team for disseminating homeownership information to the media, housing partners and relevant contacts. Staff and volunteers attend community meetings, tabling events and conduct door-to-door campaigns to distribute information in the neighborhoods adjacent to available homes. Habitat has built a database of potential households through a basic pre-application, which collects general information for targeted recruitment and communications. Habitat has conducted dozens of successful outreach and selection processes, often yielding far more qualified applicants than the number of homes available. Qualified



households will be contacted directly and encouraged to apply through this new homeownership opportunity made possible by NSP.

**3 (e.3) Communication with local citizens:** The collaborative values public input and will work together closely to communicate progress to the public and respond to any concerns. As noted above, the collaborative will hold meetings in targeted neighborhoods as necessary. Interested parties will be encouraged to contact the County and/or its partners. Brochures and other written material will be produced and disseminated about the program opportunities.

### **3 f). Performance and Monitoring**

The County will have overall responsibility for program monitoring. A major function of the County's implementation of its CDBG/HOME Programs is program and contract compliance within its asset management capacity. The County will add NSP2 activities to its existing matrix of programs to monitor. The County fully understands the importance of continually examining risk areas of program operations and management and providing regular feedback to program managers and to collaborative partners.

**3 (f.1) Monitoring Plan:** Maintaining program and fiscal integrity is paramount to program effectiveness and reducing risk. With its program partners, the County will determine if funds will be provided lump-sum up-front on an individual project basis to an escrow, or provided piece-meal for specific individual expenditures associated with a project. In any case, all flows of funds must be traceable, with paper trails evidencing proper authorizations for use of funds. The County will develop a checklist for required documentation to be kept either in the individual project files and/or to be provided as substantiation of expenditure to the County, either monthly, quarterly, and/or upon project completion. As with the County's ongoing CDBG/HOME Program, specific NSP2 activities requiring monitoring for risk and program compliance are the following:

- (1) Initial qualification of both the beneficiary/user and of the property itself;
- (2) Proper use of the funds and its leveraging of other funds for qualified activities and purposes;
- (3) Tracking flow of funds, including funds re-characterized as grants and any payback if the funding is structured as loans;
- (4) Continued use of the property by qualified beneficiary during the term of the funding and/or affordability period;
- (5) Tracking units purchased under NSP for location, appraised value, purchase price, discount, income of beneficiaries, etc.; and
- (6) Evaluating the progress of the activities and revising program parameters as needed to ensure program efficiency and effectiveness.

Funding will be allocated to sub-recipients through an executed funding contract that will spell out program parameters, including allowable uses and specific requirements of the funds. The aforementioned County-developed checklist will define applicable uses for specific types of activities. For example, when the sub-recipient is ready to submit a payment request to the County, proper supporting documentation will be required as part of the County's review for processing and approving any fund disbursements; or if funds are provided to an escrow, at

project closing, certain documentation and accounting will be required. In either case, all sub-recipients will need to certify that the expenses were incurred properly.

For acquisition activities, the County will need to review standard documents related to real estate transactions (e.g. sales agreements, appraisals, preliminary title reports) and to ascertain that the price is discounted by at least one percent. If rehabilitation is undertaken, the County will require a project timeline, a property assessment of the condition, a work scope, and estimated rehab costs. Proper documentation for underwriting and evaluation of the end-homebuyer, including household income, must be prepared. The County will require proper recording, as necessary, of certain documents against the real property. Depending on the project acquisition-rehab phase, program funding (NSP leveraged with any local funding) will initially be provided as a loan, and later some of it converted or re-characterized as grants or a loan with different repayment terms than the original loan.

Where properties of eight or more units are to be rehabilitated, the County will be responsible for enforcing and monitoring for Davis-Bacon Act prevailing wage compliance; however, the County anticipates very few if any of these types of projects. Most projects will be of a single family dwelling nature. For funding requests related to rehabilitation activities, the County will need to see invoices and evidence of payment if the request is for reimbursement; or a post-rehab accounting of rehab expenses with back-up documentation if funds are put into an escrow for the rehab. During the rehab phase, the County will need to review updated accounting schedules of project sources and uses of funds. The County will also require necessary assurances from the construction contractor to minimize any lien risks. The County will do site visits to ensure that the work is continuing according to schedule during the rehab phase.

For loans requiring repayment, if the repayment is based on an amortization schedule, the County will set up a collections arrangement with a loan servicer. Otherwise the County will review the loan periodically to check for any trigger dates (e.g., end of deferral periods) that may have been built into the loan terms. To monitor for continued use, the County will require the sub-recipient to send out annual certification requests to the beneficiary/ user during the term of the funding/affordability restriction.

For properties with tenants, the County will require proper evidence of any tenant notices, including the 90-day notice, required under the NSP2 NOFA (pp. 64 – 67). Program partners will work with Community Legal Services of East Palo Alto to ensure that any tenants of foreclosed properties were not illegally evicted in the foreclosure process.

In summary, all recipients will be required to submit quarterly performance reports with information on the following: (1) a summary of costs incurred; (2) a summary of costs already paid; (3) a summary of costs to be paid; and (4) the balance of funds under the funding contract, and any required supporting documentation. The County will require annual certified financial audits of the nonprofit sub-recipients of their operations, including expenditure of NSP2 funds. In accordance with HUD guidelines, the County will review on a monthly and quarterly basis, the NSP2 overall expenditure schedule against HUD's three-year expenditure requirement. Moreover, as-needed monthly and/or quarterly web postings of information submitted to HUD will be undertaken on the County Housing website, [www.smchousing.org](http://www.smchousing.org).

To stay attuned to market sensitivities, the collaborative will meet at key points during the three-year duration of the NSP program to evaluate the program expenditure pace and operations vis- vis program parameters - on a monthly basis for the first 12 months of program implementation, every other month in the second year, and quarterly in the third year. The collaborative will tweak or adjust program parameters as necessary in a timely manner to better meet market demands and fluctuations.

**3 (f.2) Internal Audit Requirement:**

As part of the County’s standard internal auditing process, the NSP2 Program Administrator will track all HUD NSP and non-NSP expenditures and flow of funds described above, and on a monthly basis meet with and compare tracking information with the Housing Department’s Fiscal Unit’s expenditure schedules for consistency. The County Department of Housing’s Fiscal Unit is headed by Chas Mercurio, referenced earlier in the Program Management and Oversight organizational chart in Section 2 b1.

As noted above, the collaborative members will meet with the Program Administrator on a regular basis (frequency described earlier) to ensure smooth operations and to untangle any implementation snafus. The Program Administrator will manage the reports for the collaborative that detail information on number of units acquired, rehabilitation status, resale status, outreach, funding draw request and other data as per HUD NPS2 reporting and compliance requirements. The Program Administrator, in working with the Fiscal Unit, will submit to HUD the required quarterly performance and any monthly reports as noted earlier in the Project Completion discussion.

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

**4 a). Leverage - Evidence of firm commitments:** Evidence of funding commitment is attached in the Appendix D based upon the following commitments totaling \$5.34 million.

<u>Firm Commitments: \$5,340,000</u>	<u>Projected Additional Funds: \$780,000</u>
HEART \$950,000	City of Daly City \$500,000
County of San Mateo \$280,000	City of San Bruno \$280,000
City of East Palo Alto \$500,000	
City of Menlo Park \$2,000,000	
Habitat for Humanity GSF \$1,110,000	
City of South San Francisco \$500,000	

**Leverage ratio:** The leverage factor has been adjusted to 60%, resulting from \$5.34 million committed funds divided by \$8,888,888 NSP2 funds. Please see Appendix D for explanation and the “Sources and Uses” chart in Factor 3, section a.2 for more details.

**4 b). Calculate the value of destabilizing influences to be removed – Not Applicable.** In accordance with the NOFA, this application is providing letters of funding commitments as alternative.

## **Rating Factor 5: Energy Efficiency Improvement and Sustainable Development Factors**

San Mateo County and its program partners are leaders in developing affordable housing that provides a sustainable environment for families and the future. The County's green building standards can be found at [www.co.sanmateo.ca.us/portal/site/planning](http://www.co.sanmateo.ca.us/portal/site/planning). One vision in the County's recently updated strategic plan, **Shared Vision 2025**, describes a livable community where "growth occurs near transit, promotes affordable, livable connected communities." ([www.co.sanmateo.ca.us/Attachments/SMC/pdfs/SharedVision2025/sv2025-overview.pdf](http://www.co.sanmateo.ca.us/Attachments/SMC/pdfs/SharedVision2025/sv2025-overview.pdf)). All homes developed through the NSP2 program will be rehabilitated with an eye towards reducing the overall cost of ownership while creating a healthier environment for families by making homes more energy efficient and reducing toxic construction materials.

### **5 a). Transit Accessibility**

While it is a stated objective of the County to promote smart development (e.g., near mass transit nodes), homes purchased under the NSP2 program may or may not fit this criteria since they are existing homes that may be located anywhere in the qualified census tracts. Because the purchase of some foreclosed homes may involve competing with speculative market purchasers, the County and its partners will need to be opportunistic in purchasing foreclosed and abandoned homes for low and moderate income buyers. Against this backdrop, to the extent that it can, the County and its partners will take care to develop homes that are located near transit centers, reducing homeowners' dependence on their cars. San Mateo County has an extensive public transit system, including Sam Trans bus service, CalTrain commuter railway and Bay Area Rapid Transit (BART), a regional light-rail system. Each system makes numerous stops throughout the county, allowing for easy access to a number of transit options.

There are multiple public transit options in the qualified census tracts – the SamTrans bus system runs throughout the County, including the qualified census tracts. CalTrain traverses through all the cities with qualified census tracts, except Daly City and East Palo Alto. BART (Bay Area Rapid Transit) runs through the north County and connects with CalTrain in mid-County (Millbrae). BART has stops in Daly City, Colma, and South San Francisco, with connecting bus lines to other parts of the County.

**5 b). Green Building Standards.** San Mateo County is committed to funding affordable housing developments that incorporate green building practices, materials, and technologies. The following is language taken from the County's CDBG/HOME NOFA Program Guidelines: Green Buildings (sometimes referred to as "sustainable building") are those buildings that meet present needs without compromising the ability of future generations to meet their needs. They use environmental resources wisely, reduce the depletion or degradation of non-renewable resources, and encourage beneficial innovations, like recycling and pollution reduction. The value expected to the community is landfill space, water quality, air quality, reduced traffic congestion, personal health, and a stimulated economy. The County asks developers using CDBG/HOME funds to articulate how their proposed project will be integrated to the site and region; use energy, water and materials wisely; minimize and recycle construction waste; create their own energy; result in a durable and easily maintained building; promote good health for both construction workers and residents; and enhance housing affordability. Recommended

strategies for accomplishing Green Building objectives include but are not limited to the following:

- **Site:** native, drought-tolerant landscaping; drip irrigation; permeable paving; retain existing trees
- **Foundation:** concrete with 30-50% fly ash content; reuse form boards; insulate foundation
- **Structural frame:** engineered and/or FSC-certified wood for headers, joists, sheathing; manufactured roof trusses
- **Exterior finish:** recycled-content decking; arsenic-free decking and sill plates; fiber-cement exterior siding
- **Plumbing:** water-efficient toilets; low-flow showerheads; faucet aerators; insulate pipes
- **Electrical:** energy-efficient lighting; lighting controls
- **Appliances:** Energy Star dishwashers, washing machines, refrigerators
- **Roofing:** light-colored roofing
- **Insulation:** high R-value and/or formaldehyde-free insulation; blower-door test to reduce air infiltration
- **Windows:** double-paned, low-E windows; overhangs on south-facing windows
- **HVAC:** whole house fans or ceiling fans, energy-efficient furnaces or air conditioners; air-tight ducts
- **Renewable and solar energy:** photovoltaic or solar hot water system; maximized natural day-lighting; thermal massing
- **Interior finish:** Low- or no-VOC paints and finishes; formaldehyde-free materials
- **Flooring:** recycled-content carpet; natural linoleum; bamboo; recycled-content ceramic tile
- **Deconstruction, salvage, or reuse:** salvage usable materials; use salvaged materials or materials with recycled content
- **Construction waste recycling:** on-site construction waste separation and recycling

**5 c). Reuse of Cleared Sites.** San Mateo County does not anticipate demolishing any current homes.

**5 d). Deconstruction.** San Mateo County does not anticipate demolishing any current homes. However, the County and its program partners are committed to reclaiming and recycling leftover materials and construction waste. This minimizes the use of natural resources and reduces the impact on the land.

#### **5 e). Other Sustainable Development Practices**

Promoting sustainable development is a stated County goal and standards have been developed to meet this. These standards can be obtained via the County's website [www.co.sanmateo.ca.us](http://www.co.sanmateo.ca.us).

All Habitat Greater San Francisco homes follow careful green building standards. In the construction or rehabilitation of homes, Habitat Greater San Francisco uses materials such as recycled fly ash concrete, fiber cement siding and porous paving systems. In addition, homes are equipped with Energy Star appliances, a high efficiency HVAC filter and low-flow toilets and controls. Photovoltaic solar panels are installed on all current Habitat homes and will be installed, where possible, on the rehabilitated homes in the NSP2 program. During construction, Habitat Greater San Francisco sorts and recycles all construction waste and reuses materials

whenever possible. To improve indoor air quality, Habitat Greater San Francisco protects ducts during construction and cleans all ducts after occupancy. Homes are landscaped with native, drought-tolerant plants. Finally, homeowners receive a manual of green features and benefits once they move into their new Habitat home. This manual ensures that green measures are implemented effectively by educating homeowners on the proper use of the green features in their home.

**Factor 6: Neighborhood Transformation and Economic Opportunity**

**NSP activities as part of an established plan(s):** Activities proposed in this application are consistent with San Mateo County’s Consolidated Plan as well as the Consolidated Plans of Daly City and South San Francisco. The proposed activities are also consistent with the Housing Elements of the County, the Cities of Daly City, South San Francisco (SSF), Colma, Pacifica, San Bruno, Redwood City, Menlo Park and East Palo Alto.

**Web addresses for the established plan(s):**

**Consolidated Plans:**

County of San Mateo	<a href="http://www.co.sanmateo.ca.us/multimedia/doh/doh_consolidated_plan08.pdf">http://www.co.sanmateo.ca.us/multimedia/doh/doh_consolidated_plan08.pdf</a>
City of Daly City	<a href="http://www.ci.daly-city.ca.us/city_services/depts/ecd/hcd/ConPlan_totalfinal.pdf">http://www.ci.daly-city.ca.us/city_services/depts/ecd/hcd/ConPlan_totalfinal.pdf</a>
City of SSF	<a href="http://www.ssf.net/civica/inc/displayblobpdf2.asp?BlobID=12045">http://www.ssf.net/civica/inc/displayblobpdf2.asp?BlobID=12045</a>

**Housing Elements:**

Housing Elements, a detailed planning document providing for the rational development of all types of housing to meet the needs of local residents, are required by the State of California for local jurisdictions. Housing Elements need to be updated every seven years. For a convenient single repository for all Housing Elements, please go to: <http://www.21elements.com/Previous-Planning-Period-RHNA-3/View-category>

**Increasing the effectiveness of the plan(s):** All the above plans emphasize the importance of increasing the supply of affordable housing for low- and moderate-income residents through a combination of acquisition-rehab and new construction. In order to accommodate a spectrum of household and family types, affordable housing for both homeownership and rental situations are acknowledged in these plans.

## Appendix A

### Target Geography

As referenced in Factor 1, Section A, “Target Geography”.

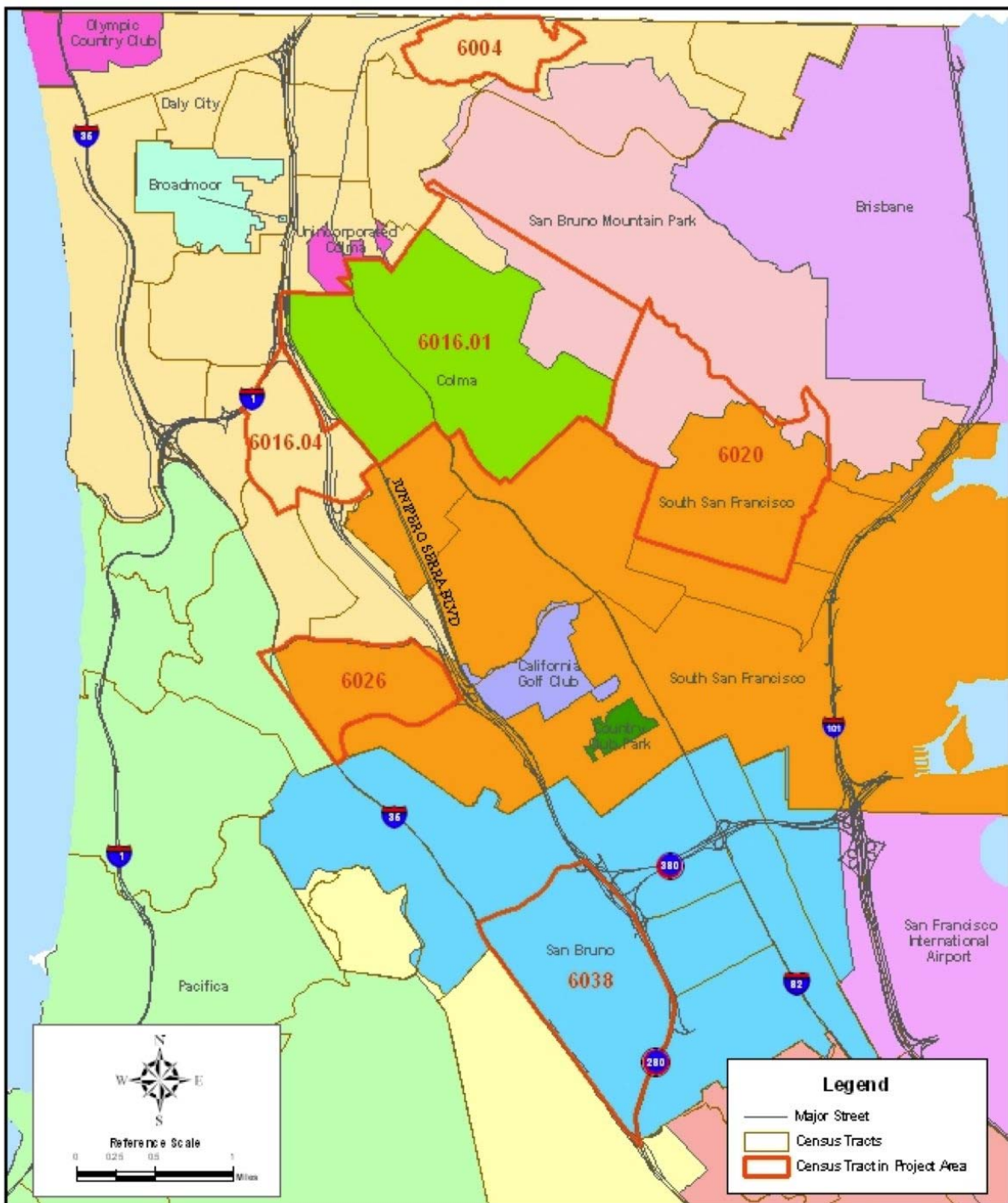
#### NSP2 Qualified Census Tracts

Census Tract	City/Area	NFORECLOSE	NVACANCY	NMAX
6081600400	Daly City	18	6	18
6081601601	Colma, Daly City, South San Francisco	19	5	19
6081601604	Daly City	18	1	18
6081602000	South San Francisco	15	8	15
6081602600	South San Francisco, Pacifica	18	8	18
6081603800	San Bruno	18	7	18
6081610302	Redwood City	20	16	20
6081611700	Menlo Park (Belle Haven)	18	12	18
6081611800	East Palo Alto, Menlo Park	18	15	18
6081611900	East Palo Alto	19	14	19
6081612000	East Palo Alto	19	14	19
<b>Average Max Score</b>				<b>18.18</b>

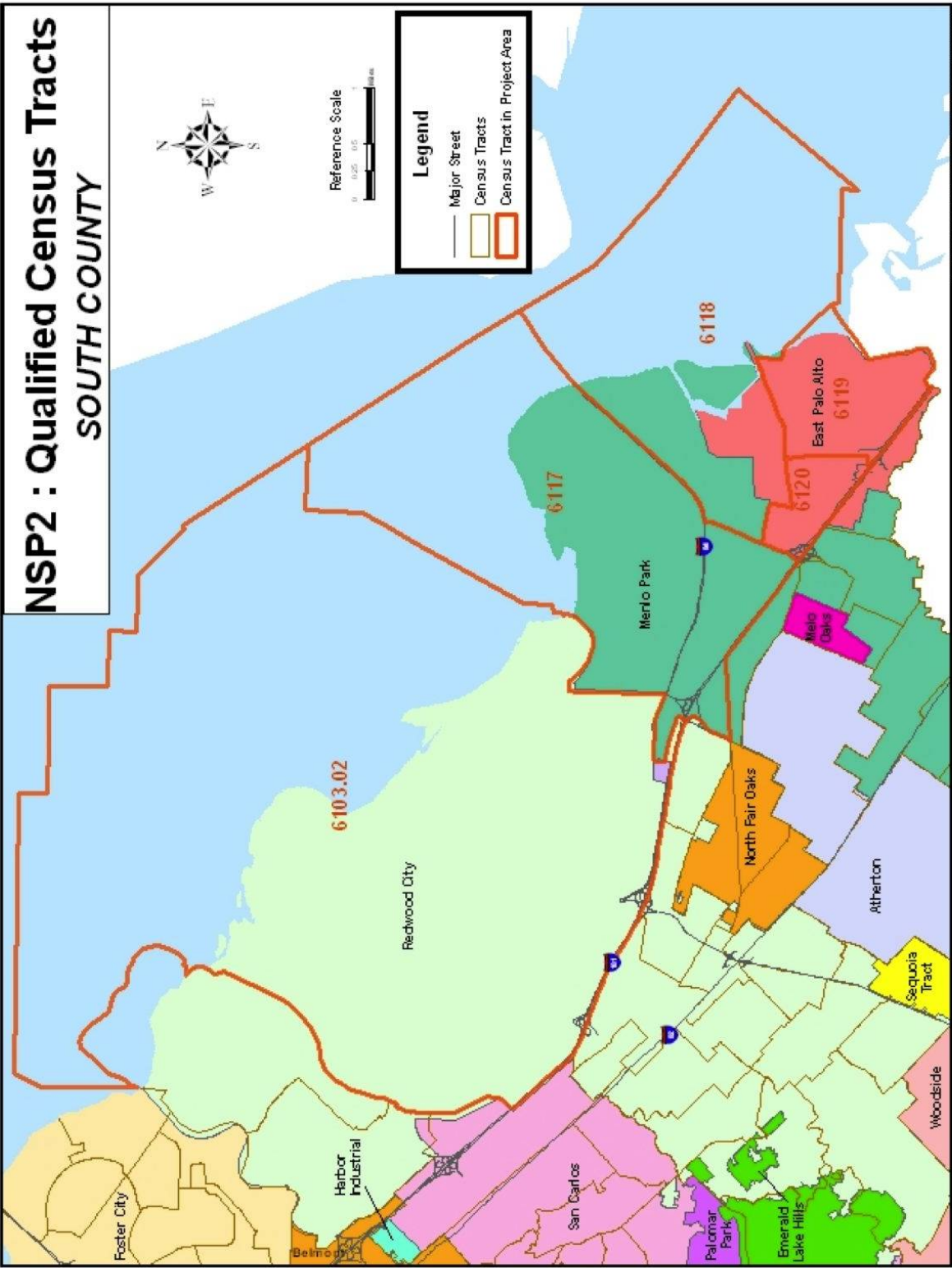
#### Qualified

Source: HUD NSP2 Mapping Tool (City/Area info inserted by applicant, DOH)

## NSP2 : Qualified Census Tracts NORTH COUNTY







C:\MapInfo\MapInfo\MapInfo Professional\06110261

## **Appendix B - Definitions/ Rehab Standards for NSP2 Program**

**(a) Blighted Structure:** according to California Redevelopment law under the State’s Health and Safety Code, a “blighted structure” is a building 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. A blighted structure may be located in a blighted area. This area is defined as an area that is predominantly urbanized, and in which a combination of conditions is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area. The lack of utilization must be 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. Such conditions of blight tend to further obsolescence, deterioration, and disuse because of the lack of incentive to the individual landowner and his or her inability to improve, modernize, or rehabilitate his property while the condition of the neighboring properties remains unchanged. Economic conditions that cause blight include: (1) depreciated or stagnant property values; (2) abnormally high business vacancies, abnormally low lease rates or an abnormally high number of abandoned buildings; and (3) a serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, banks and other lending institutions.

**(b) Affordable Rent:** The County currently uses the HUD definitions for affordable rents – calculated at a monthly amount not exceeding 30%, including utilities, of the income ceiling set for the respective lower income category. For rental units assisted with NSP2 funds, the County will continue to require that the affordable rents be charged. The chart on the following page provides the County’s 2009 income categories and maximum affordable rent that can be charged.

**(c) Housing Rehab Standards** – In accordance with NSP2 requirements, the rehab standards for homes rehabbed with NSP2 funds, will require the following:

NSP2 housing construction must meet the accessibility standards at 24 CFR Part 8, be energy efficient and incorporate cost effective green improvements. All gut rehabilitation (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy). Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-labeled products. Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed. Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

The following are County standards for both new rehabilitation and new construction of housing funded with federal CDBG and/or HOME funds.

**Property Standards:** At a minimum, housing that is assisted with County Housing funds must meet federal housing quality standards. Newly constructed or substantially rehabilitated housing must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances. Newly constructed housing must meet energy efficiency standards of the current edition of the Model Energy Code published by the Council of American Building Officials. Substantially rehabilitated housing must meet the cost effective energy conservation and effectiveness standards set forth in 24 CFR Part 39. Title 24 of the California Energy Code meets the above requirement. Housing that is to be rehabilitated after transfer of ownership interest must be free from any defects that pose a danger to health or safety before transfer of an ownership interest, and must meet the applicable property standards not later than two years after the transfer.

In all new construction and substantial rehabilitation projects, at least 5% of the HOME assisted units must be accessible to individuals with mobility impairments and an additional 2% to individuals with sensory impairment.

**Lead Mitigation Requirement:** HUD requires that certain housing developments built before 1978 will need to meet lead-mitigation standards. These include activities involving housing rehabilitation, tenant-based rental assistance, acquisition, leasing, support services, and operations. Housing exclusively for seniors or persons with disabilities is exempt, unless a child under age 6 is expected to reside there. Also exempt are 0-bedroom dwellings, including efficiency apartments, single-room occupancy structures (SROs), or rentals of individual rooms in residential dwellings.

**Accessibility Requirements:** Federal law requires that housing and non-housing developments and programs assisted with federal funds comply with accessibility requirements under Section 504 of the Rehabilitation Act of 1973. This Act prohibits discrimination against otherwise qualified handicapped persons in the provision of programs, facilities and employment supported by Federal funds.

**Housing:** In the case of multifamily rental housing, projects of five or more units must be designed and constructed to be readily accessible to and usable by persons with disabilities. For new construction involving five or more units, and substantial rehabilitation projects of 15 or more units (with substantial rehabilitation defined as rehabilitation costs representing 75 percent or more of the replacement costs of the completed facility), the following requirements must be followed - a minimum of 5 percent of the dwelling units must be accessible to individuals with mobility impairments and an additional 2 percent accessible to individuals with sensory impairments. At the minimum, one unit shall be made accessible to mobility-impaired individuals and one unit accessible to sensory impaired individuals. When less than substantial rehabilitation is undertaken in multifamily rental housing projects of any size, these alterations must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with disabilities, until a minimum of 5 percent of the dwelling units (but not less than one unit) are accessible to persons with mobility

impairments; for this category of less than substantial rehabilitation, the additional 2 percent of the units for persons with sensory impairments does not apply. Also for this category of rehabilitation, if undertaking accessibility alterations impose undue financial and administrative burdens on the operation of the multifamily housing project, the alterations are not required. The project sponsor and their architect will be required to execute a certification of compliance which identifies the specific units meeting these requirements.

All housing, regardless of whether funded with federal funds or not, must comply with the Fair Housing Act, which prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin; and also in the sale or rental of housing for families with children and persons with disabilities. This Act further establishes requirements for the design and construction of rental or for-sale multifamily housing to ensure a minimum level of accessibility for persons with disabilities. For units designed and constructed for first occupancy after March 13, 1991, the units, including public and common areas, must be designed and constructed in accordance to meet certain disability standards. The Act makes a distinction between “covered” and not “covered” dwelling units. Covered multifamily dwelling units are: units in buildings consisting of 4+ units served by one or more elevators, or ground floor dwelling units in other buildings with 4+ units.



## San Mateo County Department of Housing

### 2009 SAN MATEO COUNTY INCOME LIMITS

(prepared 04/14/09)

as defined by HUD and the State of California

-----INCOME LIMITS BY FAMILY SIZE-----								
Income Category	1	2	3	4	5	6	7	8
(1) Extremely Low*	\$23,750	\$27,150	\$30,550	\$33,950	\$36,650	\$39,350	\$42,050	\$44,800
(2) Very Low*	\$39,600	\$45,250	\$50,900	\$56,550	\$61,050	\$65,600	\$70,100	\$74,650
(3) HOME limit*	\$47,520	\$54,300	\$61,080	\$67,860	\$73,260	\$78,720	\$84,120	\$89,580
(4) Low *	\$63,350	\$72,400	\$81,450	\$90,500	\$97,700	\$104,950	\$112,200	\$119,450
Median**	\$67,750	\$77,450	\$87,100	\$96,800	\$104,550	\$112,300	\$120,050	\$127,800
Moderate**	\$81,300	\$92,900	\$104,550	\$116,150	\$125,450	\$134,750	\$144,050	\$153,300

-----MAXIMUM AFFORDABLE RENT PAYMENT-----					
Income Category	Studio	1-BR	2-BR	3-BR	4-BR
Extremely Low	\$594	\$636	\$764	\$882	\$984
Very Low	\$990	\$1,060	\$1,272	\$1,470	\$1,640
HOME Limit	\$1,000	\$1,272	\$1,526	\$1,764	\$1,968
Low	\$1,584	\$1,697	\$2,036	\$2,353	\$2,624
Median	\$1,662	\$1,781	\$2,137	\$2,470	\$2,755
Moderate	\$1,995	\$2,137	\$2,565	\$2,964	\$3,534

1. Maximum affordable rent based on 30% of monthly income and all utilities paid by landlord. (utility allowance for tenant paid utilities established by Section 8 Program) unless further adjusted by HUD.  
NOTE: Studio HOME rent set at new FMR published 10/1/04
2. The following is the assumed family size for each unit:  
Studio : 1 1-BR : 1.5      2-BR : 3      3-BR : 4.5      4-BR : 6

\* Income figures provided by HUD for all San Mateo County federal entitlement programs (CDBG, HOME, ESG)  
\*\* Income figures provided by State of California HCD - Please verify the income figures in use for each specific program.

## **Appendix C – Code of Conduct**

The section below is required of all contracts between County Department of Housing and other entities for any HUD funding.

### **CONFLICT OF INTEREST**

No members, officers, or employees or agents of County, no member of the County's Board of Supervisors, and no other public official who exercises any function or responsibility with respect to this Program during his/her tenure, or for one year thereafter, shall have any financial interest, direct or indirect, in this Agreement or a related subcontract, or the proceeds thereof.

During his/her tenure, and for one year thereafter, no member, officer, board member or employee or agent of Contractor who exercises any function or responsibility with respect to Contractor's performance hereunder, shall have any personal financial interest, direct or indirect, in any real property or improvements receiving a direct benefit from the Program. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Contractor shall not contract with any third party or subcontractor that will cause a violation of the preceding paragraph. Contractor shall incorporate the above provision into all contracts awarded in connection with this Agreement.

**Appendix D**

**Leveraging Documentation**

**Appendix E – Certifications**



**Appendix F - Calculation of removal of negative effects:**

**NOT APPLICABLE**

**Appendix G - Summary of citizen comments:**

San Mateo County posted the application for citizen comments on its website at:

[http://www.co.sanmateo.ca.us/Attachments/housingdepartment/PDFS/nsp2\\_application\\_hud.pdf](http://www.co.sanmateo.ca.us/Attachments/housingdepartment/PDFS/nsp2_application_hud.pdf).

Two public notices were issued – (1) The first notice involved three media channels:(a) an e-mail notification on June 25, 2009 to the County CDBG/HOME NOFA email list comprising almost 350 parties, including nonprofits, for-profit entities, staff and elected officials of all 20 cities of the County, County representatives, and other individuals; (b) publication in the San Mateo Times, a daily newspaper, on June 30, 2009; and (3) posting on the County Department of Housing website, [www.smchousing.org](http://www.smchousing.org). In providing a description of the program proposal, this notice conveyed that on July 1 the County Department of Housing would post its NSP2 draft application for review on its website. The public comment period would start July 1 and end July 13. All comments would be due by July 13. (2) A second mass e-mail notice was sent out on July 2, 2009 notifying parties listed in the earlier email of a public meeting on July 7 to present the County’s proposal and to garner comments/questions. This second notice also referred interested parties to the County’s URL posting of the draft application at the noted URL above. At the July 7 public meeting, 15 interested parties plus two staff attended. The table below summarizes the comments/questions made within the comment period and the County response.

Public Comments/Questions	County Response
1. Since HUD Washington will be reviewing the application, we might want to contact our local Congressional representatives to speak well of us.	Noted. We may look into the suggestion. Application evaluation is done on the HUD staff level and will be based on the merits of the application. HUD staff will score each application.
2. Center for Independence (CID) of the Disabled would like to help in providing accessibility modifications/retrofits to the homes. Even though they receive CDBG funds, they would like to be a partner in this effort.	CID’s CDBG-funded efforts would not count in the NSP 2 leveraging, but we will work with CID as a partner to effect disability modifications to homes.
3. Will the program allow for nonprofit service providers to participate in home purchases to be used as rentals for their clients, perhaps as group homes?	The program does allow for rental opportunities. Toward providing supportive rental housing, we will look at opportunities to work with such groups as CORA, Service League of San Mateo County, Shelter Network, HIP Housing, Mental Health Association, West Bay. We may do an RFQ to bring in more collaborative partners to do supportive rental housing.
4. The Acquisition Loan Fund, as described, allows for 6 home purchases at any one time, and the fund is a loan. The short-term nature of this Fund may be an issue with nonprofits interested in purchasing homes.	Some of the details of the program may need to be adjusted. For the revolving loan fund to work, average loan term must be short to allow a workable blend of longer and short-term loans.
5. Can the program accommodate condos?	Yes, and the rehab costs would be lower on average than with a single family home.

Public Comments/Questions	County Response
6. Redwood City has opted out due to flood zone issues for their one qualified census tract. Please note that some areas of the East Palo Alto lot are also in the flood zone, and will need flood insurance forever.	We will do property underwriting – if it is determined that a property in the flood zone is not financially feasible, and then we will need to look outside the flood zones for properties.
7. Does a property have to be in one of the qualified census tracts to be eligible for NSP2 funding?	Yes.
8. An email comment from a person working in nonprofit affordable housing (Eden Housing) in Alameda County, a neighboring jurisdiction – she says it seems San Mateo's NSP2 request of \$8 million for 108 units might be low. In Alameda County, the request is for \$11m for 100 units: "I would think housing prices in San Mateo County are higher than in Alameda."	We will review our budget. We would like to be competitive in our request.
9. What if a City providing local funds does not want to use its funds as a rehab match, but as down payment assistance?	That's fine. We can make the program work for that city.
10. Will the homes being rehabbed have solar or green elements? Community Action Agency (CAA) is interested in participating. Has the County consulted with GRID Alternatives (which provides low-cost solar to low income homeowners)?	Where feasible, we would love to go solar. Let's discuss more the idea of partnering. We have CAA and GRID as potential partners in the rehab component of our program. Again as with CID, we cannot count federal funds used to carry out your program as leveraging under NSP2.
11. Rehab work is tricky and unpredictable. Suggest budgeting more money to cover a rehab contingency.	Will look at budget to include this component.
12. The Acq. Revolving Loan Fund (Fund A) is a diminishing fund due to some of the funding being converted to affordability subsidies. HEART is providing the local match to this fund and has some concerns.	The Acq. Loan Fund Contingency (Fund B) will be used to cover some of the shortfalls. This is also a loan, to be repaid over a longer period (10 years). We will need to look at other funding sources – eg, Wells Fargo EQ2 fund, as another possible source to cover the shortfalls. It would be great if this fund can continue beyond the 3-year NSP2 duration.

**H. Appendix H – Documentation of Firm Commitment Executed/Dated by each For-Profit Partner**

**NOT APPLICABLE**

DRAFT