

3  
3/4/10

**AMENDMENT NO. 1 TO  
NEIGHBORHOOD STABILIZATION PROGRAM AGREEMENT REGARDING  
ACQUISITION, REHABILITATION AND DISPOSITION OF SINGLE FAMILY HOMES**

CITY OF FRESNO  
City Clerk's Office (Original)

This Amendment No. 1 ("Amendment No. 1") to Neighborhood Stabilization Program Agreement, effective 3-4, 2010, is entered between 2M Development Corporation Inc., a California corporation, ("DEVELOPER"), and the City of Fresno, a municipal corporation ("CITY").

**RECITALS**

WHEREAS, the CITY and DEVELOPER are parties to an October 9, 2009 Neighborhood Stabilization Program Agreement and Exhibits/Attachments ("NSP Agreement"), incorporated herein, pursuant to which the CITY, to assist in the redevelopment of abandoned and foreclosed homes as authorized under Title III of Division B of the Housing and Economic Recovery Act of 2008, within the City of Fresno, agreed to assist DEVELOPER by providing Neighborhood Stabilization Program (NSP) funds, upon the terms and conditions in the NSP Agreement; and

WHEREAS, the CITY desires to increase 2009-2010 fiscal year NSP Funds to the project from \$500,000.00 to \$800,000.00 and the number of NSP-assisted Units from 10 to 12, and revise Exhibit A.

WHEREAS, the Housing and Community Development Commission recommended approval of this Amendment No. 1 on February 24, 2010; and.

WHEREAS, the Fresno City Council approved this Amendment No. 1 on 3-4, 2010.

**AGREEMENT**

NOW THEREFORE, in consideration of the above recitals, which recitals are contractual in nature, the mutual promises herein contained, and for other good and valuable consideration hereby acknowledged, the parties agree to the following:

1. NSP funds shall be increased from Five Hundred Thousand Dollars (\$500,000.00) to Eight Hundred Thousand Dollars (\$800,000.00) subject to and to the extent of allocated and available NSP Funding in CITY'S Budget, and the Loan Documents shall be modified accordingly.
2. Increase the number of NSP-Assisted units from 10 to 12.
3. The Project Description, Schedule and Requirements attached to the NSP Agreement as Exhibit A is hereby stricken and replaced with the Revised Project Description, Schedule and Requirements attached hereto as Exhibit A, and incorporated herein.
4. The Project Budget attached to the NSP Agreement as Exhibit "C" is hereby stricken

and replaced with the Revised Project Budget attached hereto as Exhibit "C" and incorporated herein.

5. In the event of any conflict between the body of this Amendment No. I and any exhibit or attachment hereto, the terms and conditions of the body of this Amendment No. I shall control and take precedence over the exhibit/attachment.
6. All capitalized terms used in this Amendment No. I, unless otherwise defined herein, shall have the meanings assigned to such terms in the NSP Agreement.
7. Except as expressly modified and amended hereby, the NSP Agreement shall remain in full force and effect. From and after the effective date of this Amendment No. I, references in the NSP Agreement to "this Agreement" shall mean NSP Agreement as hereby amended.
8. This Amendment No. I shall be conditional upon any/all required HUD approvals.

///  
///

IN WITNESS WHEREOF, the authorized agents of the parties hereto have executed this Amendment No. 1, at Fresno, California, the day and year first above written.

CITY OF FRESNO  
a Municipal Corporation

By:   
BRUCE RUDD  
Interim City Manager  
*Assistant*

ATTEST  
Rebecca E. Klisch  
City Clerk

By:   
(Deputy)

Date: 5/26/10

APPROVED AS TO FORM:  
James Sanchez  
City Attorney

By:   
\_\_\_\_\_, Deputy

Date: 4/22/10

2M Development Corporation

BY:   
(Attach notary certificate of acknowledgment)

Name: CARY MASON

Title: PRES

**ATTACHMENTS:**

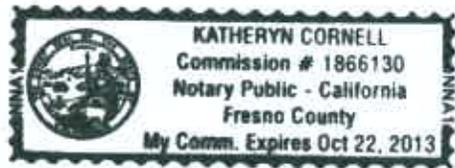
- Exhibit A: Revised Project Description and Schedule
- Exhibit C: NSP Budget

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
 County of Fresno

On March 04, 2010 before me, Katheryn Cornell, Notary Public  
Date Here Insert Name and Title of the Officer  
 personally appeared \*\*\*\*\*Gary Mason\*\*\*\*\*  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.  
 Signature Katheryn Cornell  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document** AMENDMENT NO. I TO  
NEIGHBORHOOD STABILIZATION PROGRAM AGREEMENT REGARDING  
 Title or Type of Document: ACQUISITION, REHABILITATION AND DISPOSITION OF SINGLE  
FAMILY HOMES  
 Document Date: March 04, 2010 Number of Pages: \*\*7\*\*

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): \_\_\_\_\_
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): \_\_\_\_\_
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

**EXHIBIT A**  
**Project Description, Schedule and Requirements**

A. The Agreement provides for the use of Neighborhood Stabilization Program (NSP) funds in the amount of Eight Hundred Thousand Dollars and 00/100 (\$800,000.00), by the DEVELOPER, for the purchase, rehabilitation and resale of a minimum of twelve (12) abandoned, foreclosed and/or vacant/blighted (as approved by the City) single family homes and/or properties.

B. The DEVELOPER agrees to follow and abide by all NSP and City imposed rules and regulations for this program as identified in this Agreement and as may be identified in the future from time to time by the City to meet NSP goals. The CITY will require the DEVELOPER to collaborate with the CITY's lead based paint hazard control staff, and energy efficiency improvements/assessment team to ensure the optimal use of CITY funds are utilized in each home rehabilitation.

C. The DEVELOPER is responsible for identifying and purchasing eligible homes for the Program, within City identified target areas (see Exhibit H: Target Area Map). The process for identifying, purchasing, rehabilitating and reselling homes is identified in the attached Exhibit I - Process Flowchart, and the DEVELOPER will be required to adhere to this process, unless otherwise pre-approved in writing by the City.

D. The DEVELOPER agrees to work with the City to ensure that, to the highest and best extent feasible, the rehabilitation work to be provided provides for sustainability and energy efficiency, by consulting with the City staff. Staff will facilitate contact with other participating Planning and Development Department Divisions to promote communication and access of other City programs to facilitate this requirement.

E. The DEVELOPER will work jointly with the CITY to inspect each property and develop a CITY-approved scope of work, and ensure that all federal guidelines and local ordinances and laws are adhered to in the rehabilitation of each home. The CITY expects the DEVELOPER to follow the attached outline of rehabilitation requirements (Exhibit K: Rehabilitation/Repair Requirements). Before rehabilitation work is started, the DEVELOPER will ensure they have received written approval from the CITY approving the commencement of work. The approval from the City will include a hard copy of the completed and approved HUD Appendix A - Environmental Review, for each Project Property. The DEVELOPER will then conduct the rehabilitation of each home, with a final walk through and approval by the CITY.

F. NSP funds may be utilized by the DEVELOPER for acquisition, rehabilitation, and/or resale of the homes. For acquisition, the CITY will deposit NSP funds into escrow to assist the DEVELOPER in purchasing an abandoned or foreclosed home. For rehabilitation, the CITY will reimburse eligible rehabilitation costs, as incurred by the DEVELOPER through a request for reimbursement process, as identified in this Agreement. For NSP funds provided in resale, the DEVELOPER may request NSP funds

to provide to a homebuyer as a silent second in the resale process, and funds will be deposited into escrow.

In all funding scenarios, the CITY will analyze all NSP funds invested in each property, separately, to ensure the following are met:

- 1) all necessary and applicable NSP funds are rolled over into or provided as a silent second mortgage to an eligible homebuyer, and
- 2) NSP funds provided to an eligible homebuyer are not less than \$5,000, nor shall it exceed the lesser of \$50,000 or 49% of the gross purchase price.
- 3) if the cost to purchase and rehabilitate the Project Property is in an amount above the appraised value of the home, then the CITY will consider writing down a portion of the NSP loan to the project. The write down will be considered a grant to the property, and will not be due back to the CITY.

G. The DEVELOPER agrees to ensure property listing descriptions at resale include information in regards to NSP, maximum allowable sales price, and no considerations for concessions.

H. The DEVELOPER agrees to ensure that homebuyer selection is equitable and fair. Participation in NSP funded activities should be made available by the DEVELOPER to any eligible LMMH family, and should not be exclusive in nature.

I. The DEVELOPER agrees to abide by the CITY imposed non-disclosure of sales price information in regards to the initial purchase of foreclosed and/or abandoned properties.

J. The DEVELOPER will be responsible for identifying and pre-qualifying (through a lender) all homebuyers, and submitting a loan packet on a CITY-approved form, to the CITY for homebuyer pre-approval. The CITY will pre-approve each homebuyer for eligibility and participation in the Program, prepare CITY loan documents, and submit these to a title company selected by the DEVELOPER. The DEVELOPER will be responsible for ensuring all eligible homebuyers complete a minimum eight-hour homebuyer counseling program through a HUD-approved counseling agency.

K. The DEVELOPER agrees to abide by the reporting and monthly meeting requirements as identified in the Agreement to ensure that City wide targets and DEVELOPER specific performance measures and schedule are met.

L. If the DEVELOPER repeatedly fails to meet performance measures and/or schedules, or fails to follow local and federal requirements as set by the City for this project, the City will have the right to terminate the Agreement, as these would constitute events of default.

### Schedule

Time Frame	Expenditure and Unit Goals	
	Homes Purchased for Rehab	Expenditures
3 months from start of Contract	4	\$400,000
6 months from start of Contract	8	\$600,000
By August 31, 2010	12	\$800,000

Exhibit C

NSP Budget

Use	NSP Amount	Private Financing
Acquisition	\$500,000	0
Rehabilitation	\$200,000	\$500,000
Direct Financial Assistance	\$100,000	0
Total	\$800,000.00	\$500,000



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.:	9:30am D
COUNCIL MEETING:	March 4, 2010
APPROVED BY	
DEPARTMENT DIRECTOR	
CITY MANAGER 	

March 4, 2010

FROM: RENENA SMITH, Director  
Budget and Management Studies Division

BY: CRYSTAL SMITH, Management Analyst III  
Budget and Management Studies Division

SUBJECT: APPROVE A SUBSTANTIAL AMENDMENT TO THE FY 2008-2009 NEIGHBORHOOD STABILIZATION PROGRAM (NSP) TO: 1) AWARD THE FRESNO REVITALIZATION CORPORATION \$2,772,253 OF NSP SET ASIDE FUNDS; 2) AUTHORIZE NSP PARTNERS TO ENGAGE IN ADDITIONAL ELIGIBLE USES TO EXPEDITE PROGRAM EXPENDITURES AND HOUSING DEVELOPMENT IN THE LOWELL NEIGHBORHOOD; AND 3) RE-BUDGET \$500,000 TO COALITION FOR ECONOMIC RENEWAL AND EXCELLENCE (CURE) AND 2M CORPORATION FROM NSP ADMINISTRATION TO REIMBURSE FOR HOUSING DEVELOPMENT AND REHABILITATION ACTIVITIES.

KEY RESULT AREA

One Fresno

RECOMMENDATION

Staff recommends the City approve a substantial amendment to the Neighborhood Stabilization Program to:

1. Award \$2,772,253 of NSP set aside funds to the Fresno Revitalization Corporation (FRC), the nonprofit arm of the Redevelopment Agency, to acquire and rehabilitate 3033 E. Platt Avenue, a 118 unit multi-family complex.
2. Authorize NSP partners to engage in acquisition of vacant residential property, blighted residential property, and demolition of blighted structures within the Lowell Neighborhood.
3. Re-Budget \$500,000 of NSP administration funding to CURE (\$200,000) and 2M Corporation (\$300,000) to reimburse for eligible out of pocket expenses associated with acquisition and rehabilitation of foreclosed properties.

EXECUTIVE SUMMARY

The City of Fresno is the recipient of \$10,969,169 of Neighborhood Stabilization Program (NSP) funds through the Housing and Economic Recovery Act of 2008. The intent of NSP is to stabilize neighborhoods through the acquisition of foreclosed and abandoned houses to arrest the decline in local neighborhoods caused by the national foreclosure crisis. Staff requests Council approve the NSP substantial amendment authorizing the acquisition of blighted property and vacant residential property, demolition of blighted residential structures, and redevelopment of residential property in eligible NSP areas. Additionally, staff requests the City Council award \$2,772,253 of NSP set aside funds to the FRC to acquire and rehabilitate a 118-unit multi-family complex, and authorize a re-budget of \$500,000 to CURE and 2M to reimburse for out-of-pocket expenses associated with NSP acquisition and rehabilitation activities.

Presented to City Council

Date 3/4/10

Disposition Rec. approved

**BACKGROUND**

The federal Neighborhood Stabilization Program (NSP) results from the Congressional adoption of Title III of the Housing and Economic Recovery Act (HERA) of 2008. NSP is a subcomponent of the Community Development Block Grant Program (CDBG) and provides entitlement grants to state and local communities to purchase foreclosed or abandoned property to rehabilitate, resell, or redevelop homes in an effort to stabilize neighborhoods and arrest the decline of house values in neighboring homes. The Budget and Management Studies Division and the Planning and Development Department have collaborated in the set up and implementation of NSP.

During the set up and implementation stage City staff has worked through a community-oriented process to select qualified partners for implementation of NSP and to ensure that the program set up complied with federal regulations, local priorities and community wide concerns. On June 18, 2009, Council approved the selection of four NSP partners to purchase, rehabilitate, and resell abandoned and foreclosed homes to eligible buyers. The four partners and their respective awards are: Coalition for Urban Renewal Excellence (\$800,000), the City of Fresno Redevelopment Agency (\$800,000), the City of Fresno Housing Authority (\$5,000,000), and 2M Development Corporation (\$500,000). A total of \$1,096,916 was set aside, as authorized by HUD, for administration of the program. Additionally, as required by HUD, at least twenty-five percent (\$2,772,253) of NSP funds are set-aside for projects that address the housing needs of very low-income persons.

To ensure program success staff proposes to amend the program to expand the uses of NSP, acquire property to meet the set-aside requirement, and re-budget administration dollars.

**Current Expenditure Status of the Neighborhood Stabilization Program**

Status as of 2/25/10

NSP Partner	NSP Award	NSP Expenditures	Houses Purchased through NSP
Housing Authority	5,000,000	533,361	8
Redevelopment Agency	800,000	740,236	7
CURE	800,000	726,520	6
2M	500,000	536,838	6

**Fresno Revitalization Corporation Project**

HUD requires jurisdictions receiving NSP funding to set-aside 25% of the funding to address housing for persons earning at or below 50% of the area median income. This project serves to meet the NSP Set-Aside Requirement.

The subject property, located at 3033 E. Platt Avenue, Fresno, CA 93721 (southwest corner of First and Tulare), is a 118-unit apartment complex, approximately 90% occupied, currently listed for sale at a purchase price of \$4,995,000. As general background, the property, constructed in 1965 as an apartment complex was purchased by a condominium converter in 2004 (hence, the new name of Canyon Crest Condominiums). In anticipation of that proposed conversion, the property received common area upgrades including improved landscaping as well as new exterior paint and finishes. Given the economic downturn, the developer was unable to complete the conversion and the lender recently foreclosed on the property. At present, the property is operating and offered as a 118-unit apartment rental asset consisting of 86 one-bedroom, one-bath units, and 32 two-bedroom, two-bath units. The common area amenity package includes two swimming pools, attractive grounds, controlled access, an on-site management office, 24-hour laundry facilities, and ample on-site parking (149 spaces).

REPORT TO CITY COUNCIL

NSP AMENDMENT: SET-ASIDE, EXPAND USES, RE-BUDGET ADMIN

March 4, 2010

Page 3

Based upon approval from the City Manager and Mayor's offices, the RDA submitted an offer to purchase the property on February 18, 2010, at a purchase price of \$4,700,000. Acquisition is subject to approval by the governing body, and meeting federal NSP guidelines requiring an acquisition through foreclosure at a price not to exceed 99% of the appraised value of the subject property. Additionally, the seller will carry financing for the balance of the purchase price. The City will contract with RDA's nonprofit Fresno Revitalization Corporation to acquire and develop the project. This is necessary to allow the program income earned from to be kept by the agency to cover debt service. Cash flow from the project will pay for the debt service and ongoing maintenance of the property.

The subject property is an ideal candidate for the NSP Set-Aside Requirement for the following reasons:

- a) The City elected to meet the very low-income requirement through multi-family rental housing instead of through homeownership. This decision was made to ensure that very low-income families were not overburdened with mortgages their income levels would not support.
- b) There is a limited inventory of foreclosed multi-family properties currently on the market for sale.
- c) This project will satisfy the NSP 25% set aside with one project. Rather than numerous smaller multi-family properties or individual single-family homes for rent scattered throughout the City.
- c) The property is 90% leased with on-site management already in place. Regulations require NSP set-aside projects to be occupied by the target group by the statutory deadline of September 30, 2010.
- d) The lender will carry financing for the balance of the purchase price. This is ideal leveraging of the NSP grant.
- e) The anticipated per unit acquisition cost of \$39,831 makes it very attractive, particularly when income restrictions are placed upon the units.

Pending approval by the City Council, the FRC intends to place back into service the six units that were stripped down by the previous owner in anticipation of the condominium conversion; and, correct minor exterior health and safety issues. FRC intends to hold the property for a period of 2-3 years at which time the property will be placed back on the market for resale to a qualified, experienced, affordable housing development asset management company. Over the 2-3 year period, the FRC intends to stabilize occupancy as a mixed income multi-family project; maximize operating expense efficiencies; impose affordable rent covenants; and, refurbish the currently occupied rents when there is turnover.

#### **Authorization to Expand Eligible NSP Uses**

The City has a local priority to revitalize the Lowell Neighborhood. In keeping with this effort staff requests the City Council expand the use of NSP funds to meet this local priority and allow for the acquisition of vacant residential properties and blighted structures; demolition of blighted residential structures; and, redevelopment of both vacant and blighted properties. Approval of this recommendation expands eligible NSP uses beyond the original program and provides NSP partners the flexibility to address the decline that vacant, abandoned, and blighted properties have had in the Lowell Neighborhood.

#### **Re-Budget of NSP Administration**

NSP regulations allow the City to use ten percent, \$1,096,916, of NSP funding to administer the program. Not all of the NSP administrative funds have been appropriated. Staff proposes to re-budget \$500,000 to provide additional funding to 2M (\$300,000) and CURE (\$200,000). Both CURE and 2M have exhausted their contractual funding, but have several foreclosed houses on reserve and have out-of-pocket rehabilitation expenses associated with implementing NSP. In an effort to maintain the positive cash flow of these partners, it is necessary for the City to reimburse for these out-of-pocket expenses. Future program income from NSP projects will be used to reimburse the funds needed to administer NSP.

**HOUSING AND COMMUNITY DEVELOPMENT COMMISSION**

The Housing and Community Development Commission considered and recommended approval of this item on February 25, 2010.

**FISCAL IMPACT**

There is no fiscal impact as NSP program funds are currently budgeted in the City of Fresno's FY 2009-2010 Adopted Budget. The proposed changes direct \$2,772,553 of already appropriated funds to the FRC to meet the NSP set-aside requirement. Allocates \$500,000 of funds to 2M (\$300,000) and CURE (\$200,000) for reimbursement of NSP expenditures, and expands the NSP eligible uses to meet the local Lowell Neighborhood goals.