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## **APPLICATION FORMS:**

SF-424 Application for Federal Assistance  
HUD-2880, Applicant/Recipient Disclosure/Update Report

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Definitions  
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Calculation of removal of negative effects using HUD provided rubric  
Summary of citizen comments including URL where plan is posted  
Documentation of firm commitment executed and dated by each for-profit partner

## Narrative Statements Addressing:

### Factor 1 – Need and Extent of the Problem

#### a. Target geography

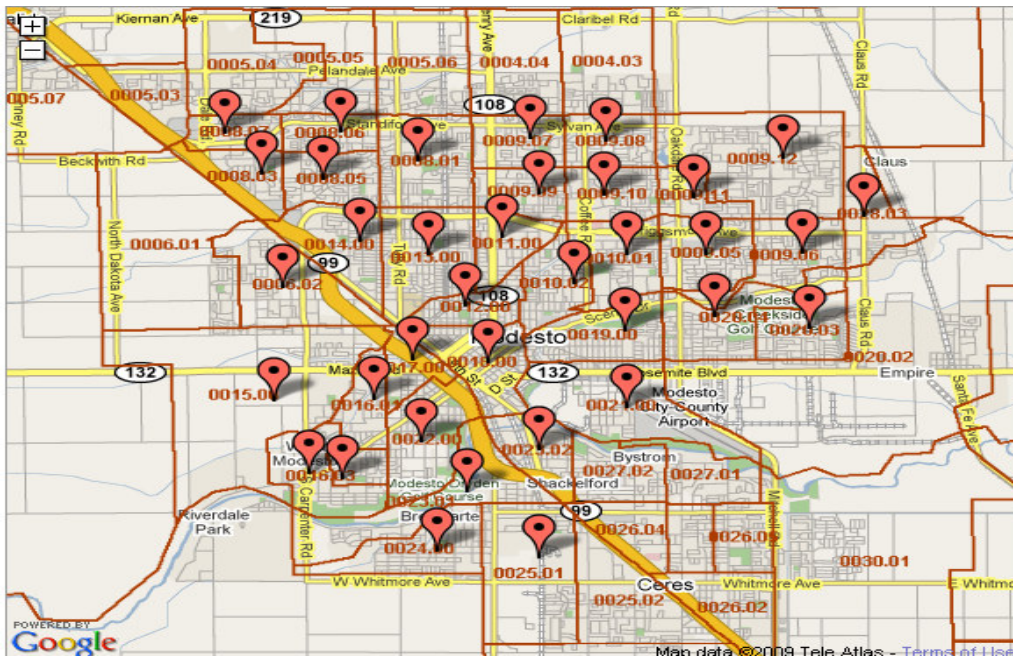
The specific geography in which the City of Modesto will carryout the NSP2 program is listed by census tract in Table 1 and shows each area’s two neighborhood stabilization index scores. The target areas have an overall average max score of **19.94**. In Table 2, each census tract is identified on a map. The City of Modesto has electronically submitted the target areas with **application number 818076867**.

**Table 1**

Census Tract	Foreclosure Score	Vacancy Score	Max Score
0019.00	20	16	20
0020.04	20	15	20
0020.03	20	11	20
0009.06	20	17	20
0009.05	20	15	20
0009.12	20	13	20
0021.00	20	20	20
0018.00	20	18	20
0012.00	20	16	20
0010.02	20	15	20
0010.01	20	15	20
0011.00	20	18	20
0013.00	20	17	20
0016.01	20	19	20
0022.00	20	18	20
0016.04	20	14	20
0006.02	20	16	20
0008.03	20	16	20
0008.05	20	18	20
0008.01	20	16	20
0009.09	20	17	20
0009.10	20	17	20
0009.11	20	9	20
0008.07	19	13	19
0024.00	20	17	20

0023.01	20	18	20
0023.02	20	17	20
0015.00	20	16	20
0025.01	20	14	20
0017.00	20	18	20
0014.00	20	16	20
0016.03	20	18	20
0008.06	20	13	20
0009.07	19	15	19
0009.08	20	14	20
0028.03	20	12	20
<b>Average Score</b>		<b>19.94</b>	

**Table 2**



**City of Modesto**

The City of Modesto is centrally located within California. As the seat of Stanislaus County, Modesto is the sixteenth largest city in California with over 210,000 citizens. According to HUD, The Modesto Metropolitan Statistical Area (MSA) contains over 500,000 residents. Over the last 30 years, Modesto has transformed from a medium-sized farming community into a bedroom community for commuters who travel to the business hubs of the San Francisco Bay Area and Sacramento.

As the economic boom and urban sprawl exploded in the early 2000's the price of housing in the business hubs began to rise.

As the price of housing increased in the San Francisco Bay Area, many people who worked in the southern reaches of the Bay Area opted for the longer commute and moved to the Modesto MSA for relatively affordable housing.

This increased home values in Modesto. The median home value of a house in the Modesto MSA during 2002 was \$171,150. By December of 2005 the same house was valued at \$385,000. The later value might have been a great value for someone familiar with San Francisco Bay Area prices, but for the vast majority of residents in Modesto, \$385,000 was a huge housing burden in relation to income.

**Table 3**

Area Housing Value	April 2009	December 2008	Y-T-Y % Change
Modesto MSA	\$133,000.00	\$157,250.00	-15.42%
	December 2008	December 2007	
Modesto MSA	\$157,250.00	\$281,500.00	-44.1%
	December 2007	December 2006	
Modesto MSA	\$281,500.00	\$377,000.00	-25.3%
	December 2006	December 2005	
Modesto MSA	\$377,000.00	\$385,000.00	-2.1%
	December 2002	December 2005	
Modesto MSA	\$171,150	\$385,000	+124%

Area Housing Value	April 2009	December 2005	Y-T-Y % Change
Modesto MSA	\$133,000	\$385,000.00	-65.85

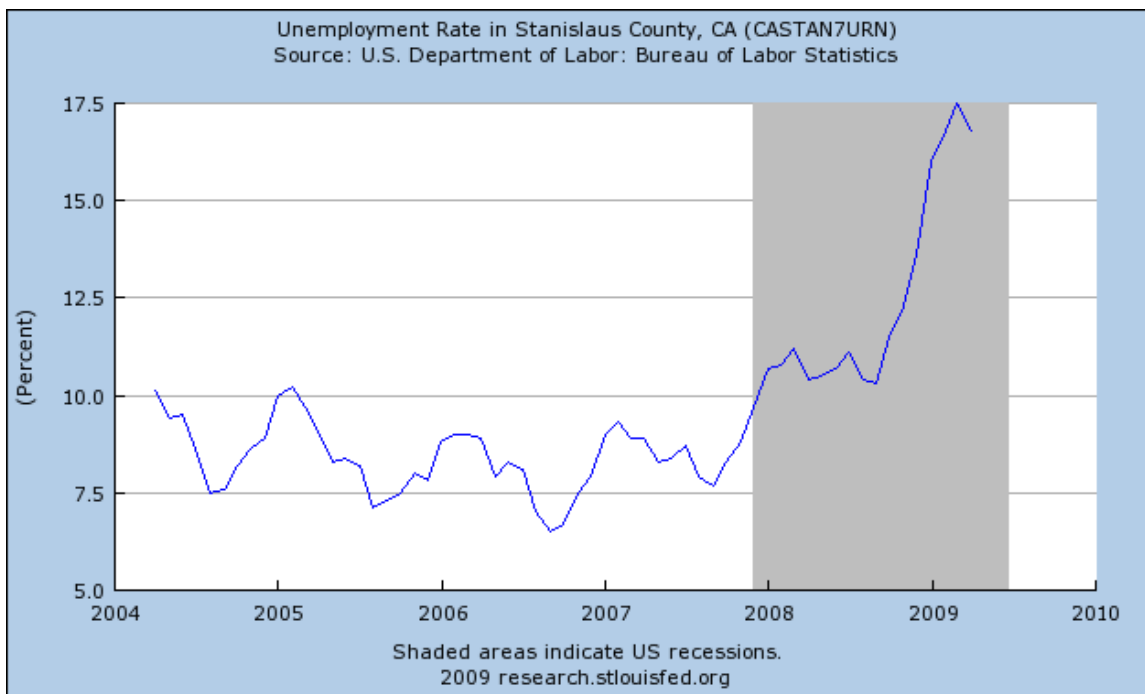
*Median home prices contained in this chart were generated from The California Association of Realtors <http://www.car.org/economics/marketdata/housingdata/>*

As a response to the increase in home values, adjustable rate mortgages and other non-conventional methods of home financing became prevalent. The resetting of these non-conventional mortgages created the initial wave of foreclosures in Modesto.

The foreclosure crisis resulted in a sharp decline in home values (Table 3) which added a substantial number of foreclosures and abandoned homes. Vacant and often vandalized homes further increased the rate of devaluation seen by homeowners that still remain in these areas.

When the urban sprawl from the bay area commuters halted; there was a mass exodus out of Modesto and back into the bay area.

Once the housing market dried up, the ripple effects caused further distress in the community. School enrollment declined as families moved back to areas where they could have more hope finding employment. The unemployment rate in Modesto MSA has risen from 7.0% in mid 2005 to 17.5% and 16.7% percent in the past two months respectively.



The unemployment projections for the Modesto MSA aren't positive. Last month, (June 24, 2009) the following article was published in the Central Valley Business Times.

**SACRAMENTO** — California, which has lost 800,000 jobs in this recession, will lose 200,000 more before it ends late this year, University of the Pacific forecasters said Wednesday in Stockton.

The University's Business Forecasting Center predicted California unemployment will peak at 12.3 percent in early 2010 and remain in double digits through the end of 2011.

Officials singled out the Central Valley for an especially hard knock from tax hikes and massive expected state and local government budget cuts.

He said job numbers will return to pre-recession levels in mid-2012 in the Bay Area. It will take longer elsewhere, with Sacramento reaching pre-recession employment in late 2013, he said.

This news is particularly difficult for the central valley city of Modesto. The majority of jobs within Modesto centered on the housing industry. Once the real estate market started to slow, the economic make-up of jobs was unable to absorb persons misplaced by the downturn in the housing market. This caused unemployment rates to soar to more than 17% in Modesto. With so much of the workforce unable to obtain permanent employment, it will take years to rebound from this recession.

The availability of credit during this economic downturn has impacted the Modesto MSA in a very significant way. Not only has it been difficult for homebuyers to obtain financing or impossible for homeowners to refinance because of the negative equity, but the lack of credit to

purchase homes has contributed significantly to our unemployment due to the workforce being so dependent on the housing sector.

To further complicate the employment issue, only 15.4% of the Modesto workforce have an education level at or above a bachelor’s degree. Couple that fact with the higher than average manual labor wage due to California’s higher cost of living and tax rates; it makes it difficult to attract new manufacturing and high tech businesses to Modesto.

This means citizens of Modesto will have to ride the coat tails of the country’s economic progress, and the employment situation will only get better after everyone’s does. Thereby ensuring that Modesto’s recovery will be long in coming and the effects of a recession will be with us for some time to come.

Over the last four years, the Central Valley – and Modesto specifically - have been hit with a catastrophic economic storm. To illustrate this point, on April 22, 2009, RealtyTrac released foreclosure data for the 1<sup>st</sup> quarter of 2009. It showed that Central Valley cities made up four (4) of the top seven (7) foreclosure cities in the country – (Table 4), with Modesto being 6th, at 1 in 29 households; nearly 600% higher than the national average.

In addition, Modesto was recently in the news again – *April 2009*. This time, Modesto listed as the 3<sup>rd</sup> worst city in terms of the number of homes with negative equity; (Table 5). – Zillow.com

**Table 4**

<b>Hardest-hit cities</b>		
Most foreclosures per homes		
RANK	PLACE	FORECLOSURE PER HOME
1	Las Vegas-Paradise, NV	1 in 22
2	Merced, CA	1 in 24
3	Cape Coral-Fort Myers, FL	1 in 26
4	Stockton, CA	1 in 27
5	Riverside-San Bernardino-Ontario, CA	1 in 28
6	Modesto, CA	1 in 29
7	Bakersfield, CA	1 in 37
8	Vallejo-Fairfield, CA	1 in 37
9	Phoenix-Mesa-Scottsdale, AZ	1 in 40
10	Port St. Lucie, FL	1 in 46

SOURCE: REALTYTRAC

**Table 5**

<b>Sinking</b>	
Metropolitan areas with the highest percentage of homes with negative equity in the first quarter of 2009	
Region	Pct. of homes
Las Vegas	67.2%
Stockton, Calif.	51.1
Modesto, Calif.	50.8
Reno, Nev.	48.5
Vallejo-Fairfield, Calif.	46.5
Merced, Calif.	44.4
Port St. Lucie, Fla.	43.5
Riverside, Calif.	42.8
Phoenix	41.7
Orlando, Fla.	41.7
<b>United States</b>	<b>21.9%</b>

Source: Zillow.com

A staggering 10,700 Modesto MSA homes were lost to foreclosure during 2007 and 2008. That's nearly nine percent of all houses and condos in the county. Source - MDA DataQuick

As of July 13, 2009, there are a total of 5,503 properties in the Modesto MSA engaged in the foreclosure process; 2,389 in foreclosure, 1,933 in pre-foreclosure, and 1,181 at auction. Source – RealtyTrac

Currently, there are an estimated 1,700 vacant homes in the Modesto – [www.huduser.org](http://www.huduser.org)

While Modesto is touted by locals as a great place to live, work and play, the media and statistical data paint a very different picture.

For example, Forbes Magazine recently consoled another city included in a 2008 community survey by saying **"As bad as things may seem in and around the city, at least they're not in Modesto, Calif."**

Forbes.com looked at quality of life measures in the nation's 379 largest continental U.S. metropolitan areas — geographic entities defined by the U.S. Office of Management and Budget for use by federal agencies in collecting, tabulating and publishing federal statistics. According to the article, the magazine assigned points to the metro regions across five data sets: five-year income growth per household and cost of living from Moody's Economy.com, crime data and leisure index from Sperling's Best Places, and annual unemployment statistics from the Bureau of Labor Statistics.

***The article, ranked Modesto, Calif., as the worst metro area in the country.***

On May 11, 2009, Forbes.com (Business Section) also ran this story about...***Where homeowners are most in debt in the country.***

*"Water, wealth, contentment, and health" is the motto of Modesto, Calif., a mid-size Central Valley city of 210,000 located in Stanislaus County. Problem is, it hasn't been a positive time by any of those measures.*

*The state is in a three-year drought. The violent crime rate is 45% higher than the national median. According to the FBI, Modesto is not a particularly healthy place to live.*

***As for wealth and contentment, Modesto ranks as the worst city for homeowner debt.*** *Household wealth has been reset to 2001 levels while housing prices have declined 66% since the peak in 2005, and 44% in the last year alone. This has dunked **81% of the last five years' mortgages underwater** compared to the 29% nationwide average.*

On May 25, 2009, ABC News ran the following story

*Modesto, Calif., has seen better days. Earlier this month, Forbes rated it the worst metro area in the country.*

*Now the Central Valley town has another claim to infamy: It's where you're most likely to have your car stolen, according to a new report, called Hot Spots, from the National Insurance Crime Bureau (NICB).*

*This is the second consecutive year--and fifth time in six years--Modesto has topped the car-theft hot-spot list. The Modesto metropolitan statistical area reported 4,235 cars stolen in 2008, a rate of 829 thefts per 100,000 people.*

*The nationwide rate is a substantially lower with 363.3 thefts per 100,000 people, according to the Insurance Information Institute.*

These articles illustrate the dire situation here in Modesto. The overwhelming majority of loans (81%) made in the last five years are already underwater – and 50.8% of all units have negative equity. If the housing values continue to plunge another 28% in 2009, homeowners left with equity in Modesto will be hard to find.

In summary, over the last seven years Modesto has been hit with the perfect economic storm consisting of the following elements;

As the price of housing has increased in the San Francisco Bay Area, many people who work in the southern reaches of the Bay Area have opted for the longer commute and moved to the Modesto MSA for the relatively affordable housing. This increased the home values in Modesto. As a response to the increase in home values, adjustable rate mortgages, equity only and other non-conventional methods of home financing became prevalent. The resetting of these non-conventional mortgages created the initial wave of foreclosures.

Stanislaus County median home value in Jan 2002 was \$171,150. In Dec 2005 it was \$385,000. Currently, it is \$133,000 – a 65.85% decline in equity.  
*<http://www.car.org/economics/marketdata/housingdata/>*

81% of Modesto MSA mortgages made over the last five years and 50.8% of all homes have negative equity. - *Zillow.com*

1 in 29 Modesto homes were foreclosed on in the first quarter of 2009; nearly 600% higher than the national average. - *RealtyTrac*

A staggering 10,700 Stanislaus County homes were lost to foreclosure during 2007 and 2008. That's nearly 9 percent of all houses and condos in the county. Source - *MDA DataQuick*

As of July 13, 2009 there are a total of 5,503 properties in Modesto engaged in the foreclosure process; 2,389 in foreclosure, 1,933 in pre-foreclosure, and 1,181 at auction. Source – *RealtyTrac & [www.factfinder.census.gov](http://www.factfinder.census.gov)*

Currently, there are an estimated 1,700 vacant homes in Modesto – *[www.huduser.org](http://www.huduser.org)*

Compared to the rest of the country, Stanislaus County's cost of living is 9.74% higher than the U.S. average. - *<http://www.bestplaces.net/city/Modesto-California.aspx>*

The Modesto MSA crime rate is higher than the national average in every category. - *2006 FBI Crime statistics.*

Unemployment is hovering between 17.5% and 16.7% the last two months, with predictions it is going higher and will remain higher for years to come. – *Bureau of Labor Statistics & UOP Business Forecasting Center*

California and the Modesto MSA are suffering huge tax shortfalls, and are reducing services to the public. - *Sacramento and Modesto Bee*

Under-educated workforce: 25.9% with less than a high school diploma, 52.7% with less than a Associates Degree, 6% with an AA, and only 15.4% with a BA or higher. – *U.S. Census Bureau 2007*

About 25 percent of people living in Stanislaus County are currently receiving some type of aid now. Food stamps, for instance, were distributed to 54,000 people during December 2008, a 69 percent increase from six years ago. - *Rick Robinson, Stanislaus County's Chief Executive Officer, Modesto Bee Article Jan 18, 2009.*

Finally, according to 2006 FBI crime statistics Stanislaus County crime rate is higher than the national average in every category.

Everything in Modesto will hinge on employment and renewed growth in the housing sector.

Sustained high unemployment will lead to even higher crime, along with higher foreclosure rates, lower property values, and smaller tax base, higher demand for diminishing government services, high demand for affordable rental units, higher taxes, and more people and businesses leaving the area, which leads back to high unemployment.

Without a rebound in the housing market and a reduction in the unemployment rate the viscous cycle will continue.

The extent of need is clearly high for the City of Modesto. With NSP2 there is an opportunity to address this need by stimulating renewed growth in the housing sector through creation of jobs and decent affordable housing units for low to moderate income people.

## **b. Market conditions and demand factors**

You must identify using quality data from an identified source and address in your narrative:

***(1) A reasonable projection of the extent to which the market(s) in your target geography is likely to absorb abandoned and foreclosed properties through increased housing demand during the next three years, if you do not receive this funding.***

Currently, there are 11,580 homes in the Modesto MSA going through the foreclosure process and an additional estimated 5,300 vacant homes - *RealtyTrac & www.factfinder.census.gov*. During the first six months of 2009, there were 4,779 homes sold in Stanislaus County – an average of 797 a month – *PMZ Realty Data Services*.

There is a negative job growth projection for the Modesto MSA during the next two years - *RealtyTrac & www.factfinder.census.gov*.

Given the fact that there has been a moratorium on foreclosures for much of 2009, the number of new foreclosures is expected to rise significantly over the coming year - *The California Association of Realtors*.

So, with negative anticipated job growth, and with the foreclosures estimated to rise or at least stay stagnant for the next year, it would take approximately **21 months** to absorb all the existing foreclosed and vacant properties if this application isn't funded.

***(2) The extent to which over-building of housing units, over-valuation of housing, or loss of employment is a critical factor, or the most critical factor, causing abandonment and foreclosure in the target geography.***

Over-building of housing units, over-valuation of housing, and loss of employment are all critical factors causing abandonment and foreclosure in the target geography.

As the price of housing has increased in the San Francisco Bay Area, many people who work in the southern reaches of the Bay Area opted for the longer commute and moved to the City of Modesto for relatively affordable housing.

This increased the home values in Modesto. The median house value of a home in Modesto during 2002 was \$171,150. By December of 2005 the same house was valued at \$385,000. The later value might have been a great value for someone familiar with San Francisco Bay Area prices, but for the vast majority of residents in Modesto, \$385,000 was a huge housing burden in relation to income.

As a response to the increase in home values, adjustable rate mortgages and other non-conventional methods of home financing became prevalent. The resetting of these non-conventional mortgages created the initial wave of foreclosures in Modesto.

The foreclosure crisis resulted in a sharp decline in home values which added a substantial number of foreclosures and abandoned homes. Vacant and often vandalized homes have further increased the rate of devaluation seen by homeowners that still remain in these areas.

As the housing market began to collapse, so did all the ancillary jobs that supported the housing industry, which then had a trickle down effect on the entire community. The result of the housing collapse has led the Modesto MSA to unemployment rates hovering around 17% with projections that it could get much worse in the years to come.

The rise in unemployment coupled with the on going foreclosure crisis led to a second wave of foreclosures that are not a result of sub-prime or unconventional loans.

**(3) The income characteristics of households in your target geography and information on housing cost burden for households at the 50 percent, 80 percent, and 120 percent of area median income levels.**

The following table was produced from the National Low Income Housing Coalition’s **2009 Out of Reach Report**.

In Modesto, the estimated mean (average) wage for a renter is \$11.62 an hour. In order to afford the Fair Market Rent (FMR) for a two-bedroom apartment at this wage, a renter must work 57 hours per week, 52 weeks per year. Or, working 40 hours per week year-round, a household must include 1.4 worker(s) earning the mean renter wage in order to make the two-bedroom FMR affordable.

For those who can qualify to buy a \$133,000 home, the monthly payment including taxes and insurance would be about \$1,000.

<b>Modesto MSA</b>	
<b>Number of Households</b>	
Total	145,146
Renter	55,235
% Renter	38%
<b>2009 Area Median Income<sup>1</sup></b>	
Annual	\$59,600
Monthly	\$4,967
50% of AMI	\$29,800
80% of AMI	\$47,680
120% of AMI	\$71,520
<b>Maximum Affordable<sup>3</sup> Monthly Housing Cost by 30% of Family AMI</b>	
50%	\$745
80%	\$1,191
120%	\$1,788
<b>2009 Fair Market Rent (FMR)<sup>4</sup></b>	
Zero-Bedroom	\$664
One-Bedroom	\$734
Two-Bedroom	\$864
Three-Bedroom	\$1,239
Four-Bedroom	\$1,431
<b>2009 Renter Wage</b>	
Estimated Mean Renter Wage <sup>7</sup>	\$11.62
Rent Affordable at Mean Wage	\$604
<b>Housing Wage</b>	
Zero-Bedroom	\$12.77
One-Bedroom	\$14.12
Two-Bedroom	\$16.62

Three-Bedroom	\$23.83
Four-Bedroom	\$27.52

**Housing Wage as % of Mean Renter Wage**

Zero-Bedroom	110%
One-Bedroom	122%
Two-Bedroom	143%
Three-Bedroom	205%
Four-Bedroom	237%

**Work Hours/Week at Mean Renter Wage Needed to Afford FMR**

Zero-Bedroom	44
One-Bedroom	49
Two-Bedroom	57
Three-Bedroom	82
Four-Bedroom	95

**CHART FOOTNOTES**

1 Fiscal Year 2009 Area Median Income (HUD, 2009).
2 Annual income of 30% of AMI or less is the federal standard for Extremely Low Income households. Does not include HUD-specific adjustments.
3 "Affordable" rents represent the generally accepted standard of spending not more than 30% of gross income on gross housing costs.
4 Fiscal Year 2009 Fair Market Rent (HUD, 2008; final as of October 1).
5 Census 2000 median renter household income, projected to 2009 using HUD's income adjustment factor.
6 Estimated by comparing the percent of renter median household income required to afford the two-bedroom FMR to the percent distribution of renter household income as a percent of the median within the state, as measured using 2007 American Community Survey Public Use Microdata Sample housing file.
7 Based on 2007 BLS data, adjusted using the ratio of renter to overall household income reported in Census 2000, and projected to April 1, 2009.

***(4) Any relevant social, governmental, educational, or economic factors contributing to local market conditions and contributing to neighborhood decline or instability within the target geography.***

"Our wallet is empty, our bank is closed. Our credit is dried up," says California Governor Arnold Schwarzenegger

Recession and rising unemployment are hammering California, the world's eighth-largest economy, and have opened a historic \$26.3 billion state budget gap.

Unfortunately, one of the ways the State of California is addressing the \$26.3 billion dollar shortage; is by suggesting to take more away from cities and counties.

That will exasperate local recession challenges even more.

In Modesto, where the city is already dealing with major unemployment, foreclosure, crime, and diminishing tax base issues like the following; which caused additional strain on an already stressed mental health system. - Modesto Bee April 21, 2009.

*Drug addicts and people with mental health problems soon will have fewer places to turn for help in Modesto, even as demand for services grows.*

*Faced with a \$6.9 million budget gap in the department that helps this population, county leaders are preparing to shut down many services, including mental health programs. **People without health insurance would get nothing more than emergency hospitalization required by the law.***

*"We're recommending very significant changes," Denise Hunt, director of Behavioral Health and Recovery Services, told county supervisors. "There is nothing lightweight or unnoticeable about this."*

*Less than one-third of people who need mental or substance abuse help are getting it, Hunt said. Eliminating 73 of her department's 429 positions will make things worse, officials grimly acknowledged.*

*"You don't have a lot of good news," Jim DeMartini, chairman of the Board of Supervisors, said to Hunt. "This is not an easy time."*

*Hunt blamed much of the problem on fewer state dollars flowing to counties, partly because of the ailing economy.*

*Psychiatric programs will take the biggest blow, accounting for \$5.5 million of the \$6.9 million reduction.*

In a community already dealing with significant stressors which trigger mental health and substance abuse situations, a reduction in services will ensure more people go untreated and lead to escalated episodes of behavior that will lead to unemployment, and ultimately more foreclosures.

There are some areas in the community where the majority of the neighborhoods are vacant. Developers have abandoned lots, and homes are empty. Vagrants have vandalized homes, blight has increased, and entire neighborhoods are distressed. In addition, the state is in a three-year drought and the violent crime rate is 45% higher than the national median. The disparity of quality affordable rental units and those who can occupy them is vast. The available units are either sub standard or priced well above what a low to middle income household can afford.

This economic crisis has resulted in more teens being placed into foster care. The unfortunate and somewhat forgotten population that is dealing with the fall-out and backlash of these harsh times are the children. Without a support system, emancipated foster or homeless youth have no where to turn, but the streets.

The 2007-2008 educational dropout rate for Stanislaus County was 19.9% compared to a statewide dropout rate of 16.9%. The national dropout rate in 2006 (the latest year for which statistics are available) was 9.3%.

Modesto, like most metropolitan cities, faces challenges with homelessness. The societal burdens that homelessness places on a community are arguably some of the most important issues effecting communities across the nation. In hard economic times (such as what California is going through currently) not only do these problems worsen, but there are less social services available to assist the already underserved populations.

### **Foster/ Homeless Youth**

One population that is dramatically impacted is foster youth who age out of the foster care system at the age of 18, and are left with no place to live. Many aren't prepared for life on their own and become homeless. Based on a report from the *Children's Advocacy Institute* titled "Expanding Transitional Services for Emancipated Foster Youth: An Investment in California's Tomorrow" published in January 2007; programs for emancipated foster youth fail to provide comprehensive assistance and services.

- 65% emancipate without a place to live
- Less than 3% go to college
- 51% are unemployed
- Emancipated females are 4 times more likely to receive public assistance than the general population

In any given year, foster children comprise less than 0.3% of the state's population, and yet 40% of persons living in homeless shelters are former foster children. A similarly disproportionate percentage of the nation's prison population is comprised of former foster youth.

The Center for Human Services and the Community Services Agency in Modesto, report that there is a serious increase in homeless youth between the ages of 18-28. Recent studies show that an average young person must rely on parental support during their transitional years and does not become self-sufficient until their late twenties. With the current economic crisis, there are more and more children entering the foster system in their teen years, and even more that don't enter the system, but become homeless.

### **People with mental health and / or substance abuse disabilities**

People dealing with mental health or addiction issues that go untreated often encounter more barriers to employment, tend to be in poorer physical health, and have more contact with the legal system.

In the last two decades, competition for increasingly scarce low income housing grew so intense that those with disabilities such as addictive and mental disorders were more likely to lose out and find themselves on the streets. Increases in the denial of services or premature and unplanned discharge brought about by managed care arrangements may be contributing to the continued presence of seriously mentally ill persons within the homeless population, who turn to drugs and alcohol as a means of self medication. Untreated addictive disorders do contribute to homelessness. For those with below-living wage incomes and just one-step away from

homelessness, with a tendency for an addictive disorder, any major stressor may provide just the catalyst to plunge them into residential instability. And for people who are addicted and homeless, the health condition may be prolonged by the very life circumstance in which they find themselves.

Without a stable place to live, recovery often remains out of reach. For persons dealing with an addiction, housing is the first step on the road to sustainable recovery.

Finally, California and the City of Modesto specifically are suffering huge tax shortfalls, and are reducing services to the public. Stanislaus County mental health and substance abuse programs are being drastically reduced. Faced with a \$6.9 million budget gap county leaders are preparing to shut down many services. People without health insurance would get nothing more than emergency hospitalization required by the law. There is a need for permanent supportive housing to provide to help individuals and families of very low income find a home

In partnering with non-profit organizations that have not only the capacity but also the experience in acquiring and rehabilitating properties, the City can utilize the NSP2 funds to assist with the overarching Ten Year Plan to End Homelessness.

***(5) A narrative describing which NSP2 activity categories are most likely to stabilize the target geography and why, based on the information in the above paragraphs.***

The City of Modesto has strategically selected target areas in order to help stabilize the community as a whole. The foreclosure crisis is not focused on only low income census tracts; it is an issue that every socioeconomic group is coping with. By allocating funding in several strategically targeted census tracts, the City can be best poised for a recovery from the recession.

**Acquisition and Rehab:** This component is focused on getting Real Estate Owned (REO) properties into the hands of responsible owners who will renovate these properties and operate them in a responsible manner. The City's direct experience in acquiring REO properties has shown us that there is a very active speculative industry growing in which investors are seeking to acquire REO properties to hold until the market improves. In areas of high-foreclosure concentrations, excessive speculative purchases will greatly prolong the cycle of disinvestment for years to come as speculators hold properties and make minimum investments, waiting for big profits when the market rebounds. It is the City's goal to prevent this long-term destabilization of neighborhood housing markets by aggressively competing in the REO market to ensure that a significant share of resold REO's go to purchasers who will invest in and stabilize the communities. This strategy will be implemented by funding the acquisition and/or rehabilitation of REO properties by development groups and by providing financial assistance specifically for rent or resell to households that are at or below 120 percent of the median area income. Through this strategy, it is the City's intention to stabilize high-foreclosure housing markets.

DataQuick and Foreclosure Radar both report that there is plenty of foreclosed housing stock in Modesto to facilitate and make NSP2 a success. The data suggests that a lot of the foreclosed properties have yet to hit the market. Based on experience with NSP1, there are adequate

middle income families as well as the available housing stock in Modesto to reach the goal of stabilizing neighborhoods with NSP2 funding.

With housing prices declining, homes are becoming affordable again. New buyers are starting to emerge and the City of Modesto has received several inquiries regarding programs to assist with the purchases.

## **Factor 2 – Demonstrated Capacity of the Applicant & Relevant Organizational Staff**

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

***Provide examples of recent experience (within the last 24 months) managing neighborhood stabilization activities similar to the ones covered under this notice. Examples should include a discussion of the tasks undertaken, actual results achieved, and the specific skills and resources applied to each task. Describe concisely your experience in the specific activity categories identified above as the most likely to achieve neighborhood stabilization in the target geography, including experience with, as applicable:***

The City of Modesto is an entitlement community through the U.S. Department of Housing and Urban Development (HUD). Modesto is well versed in HUD regulations and has a successful Community Development Block Grant (CDBG) program, as well as HOME Investment Partnership and Emergency Shelter Grant programs. City staff is experienced in working with the real estate and development community as well as with the federal government.

City of Modesto, Parks, Recreation and Neighborhoods Department staff have managed the HUD programs since the City of Modesto became an entitlement community. Program staff have a wide range of experience overseeing and monitoring these programs to ensure statutory and regulatory requirements are being met and that information submitted to the City is accurate and complete. As program administrators, City staff conducts planning of programs and projects through written contacts, public meetings, and meetings with partners and service providers.

Modesto received a direct allocation of funding for the Neighborhood Stabilization Program (NSP1) through the Housing and Economic Recovery Act of 2008. City staff has attended several training conferences and developed a comprehensive approach to NSP 1.

The organizational capacity possessed by the City of Modesto is more than sufficient to return more than 100 units of safe and healthy housing back into circulation. The City of Modesto has extensive experience in working with development teams to acquire and rehabilitate properties to be utilized for affordable housing. As a result of partnerships with non-profit organizations, the City has been able to acquire and rehab the following multifamily properties: Paramount Apartments which is a property that offers 12 units to low income households, Palm Valley is a 40-unit apartment complex that provides housing to households up to 80% of the Area Median Income. Village One Town Center is a newly constructed development of a 20-unit multi-family rental housing apartment complex that is for households up to 80% of the Area Median Income.

A 20-unit single family housing development that is in the process of being constructed, five of the units are completed and four in process have already been sold to very low and low-income families. In the past twenty-four months the City and its partners have been able to acquire and develop 77 units that will provide affordable housing to low income households. With a proven track record of rehabilitating properties, the policies and procedures are in place for the rehabilitation portion of NSP2 as well. City of Modesto staff utilizes Housing Developer Pro, a software program that provides accurate construction costs to ensure accuracy of work write ups. In the past twenty-four months more than 100 units have been acquired and rehabilitated through City of Modesto Housing Programs.

The City of Modesto hosted an event in May of 2009, titled "Homeownership Modesto" which explained the Neighborhood Stabilization Program and the City's plan to implement the program. More than 1000 attended the event and were educated on the mortgage process, and how to become responsible homeowners as well as how to participate in the NSP1. The event featured key speakers on topics regarding "*Overview of the Neighborhood Stabilization Program*," "*How to Understand a Mortgage*" and "*Tax Incentives for home-buyers*." For those that registered in advance, the event also featured one Spanish speaking and two separate English HUD certified housing counseling classes where participants could obtain 4 of the 8 hours required. The event also featured a HUD representative to discuss the purpose behind HUD, and what the federal government wants to accomplish with NSP.

Within the past twenty-four months, the City of Modesto has been successful in accessing over \$1 million in state funds, over \$6.3 million in local Redevelopment Agency funding, and over \$3 million in federal CDBG funding and an additional \$2 million in other American Recovery and Reinvestment Act funds. The City of Modesto was also awarded a total of \$8,109,274 in Neighborhood Stabilization Program funds under the Housing and Economic Recovery Act of 2008. Combined, Stanislaus County has administered over \$20 million for programs that have contributed to the redevelopment and neighborhood stabilization of City of Modesto neighborhoods in the past twenty four (24) months.

City of Modesto, Parks, Recreation and Neighborhoods Department has established effective partnerships with other agencies and organizations in order to implement its programs in an effective and efficient manner.

City of Modesto has also established productive relationships with non-profit public service providers through the implementation of the CDBG Public Service Grant Program. Through the Public Service Grant Program, the Stanislaus County Consortium annually provides CDBG grants to an average of twenty (20) non-profit organizations. Funded programs include homeless services, food assistance, shelter for homeless children, and services to the senior population. Furthermore, Stanislaus County Planning and Community Development Department has become a member in several important local and regional collaboratives such as the Stanislaus Housing and Support Services Collaborative (Continuum of Care), Paradise South Weed and Seed, Building Strong Neighborhoods Impact Council and Services to Older Adults Advisory Council. It is important that the City of Modesto continues its involvement through such partnerships in order to play an active role in the effort to improve the quality of life of its community.

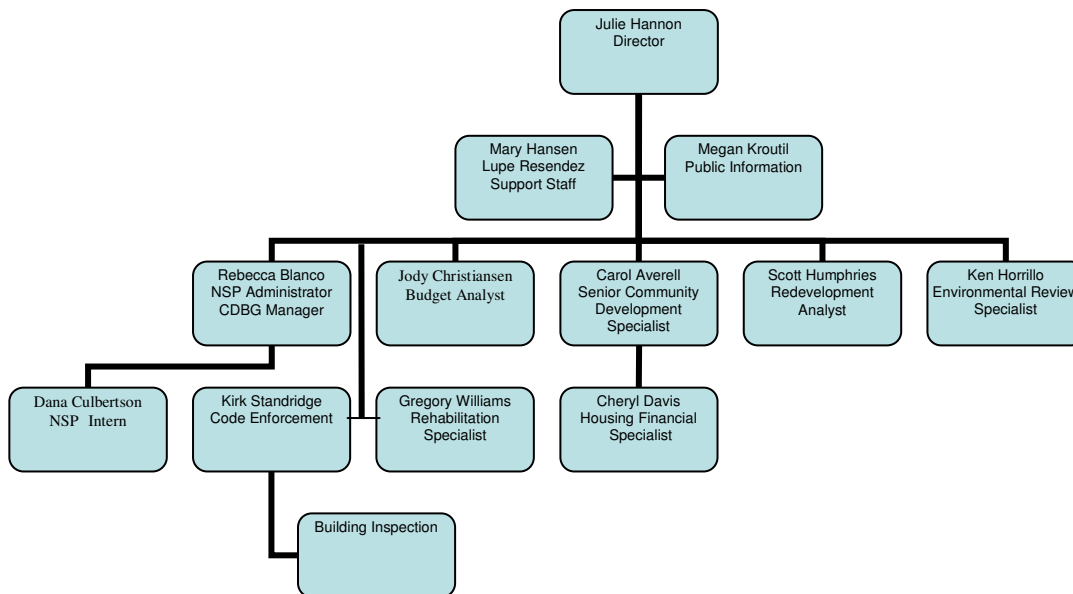
## **b. Management structure**

***(1) You must provide a description of your management structure, including an organizational chart that identifies all key management positions and the names and positions of staff managing NSP2. You must also describe your key staff and their specific roles and responsibilities for the day-to-day management of your proposed activities. If you are a consortium or applying with a for-profit partner, provide this information for each organization and also describe the management structure of the consortium or partnership(s) and the role of each entity. Do not include individuals' Social Security Numbers in your application.***

The City of Modesto, Parks, Recreation and Neighborhoods Department, Housing Unit has staff with an average more than 30 years of experience working with HUD programs. The following people will be working together as cohorts to implement and monitor NSP2.

- Director of Parks, Recreation, and Neighborhoods Department has more than 26 years of experience in the public sector. This person will oversee and participate in the development of the programs, assign activities to the team members, monitor workflow and implement the procedures necessary to carry out the programs. The Director will also provide direction to the other team members working with the program.
- Administrative Analyst II, CDBG Program Manager has more than 7 years administering and managing grant funds. The Administrative Analyst currently oversees the NSP1 and will also oversee and manage NSP2. The CDBG Program Manager will coordinate the duties of the other team members, negotiate contracts, and ensure compliance of all HUD regulations.
- Senior Community Development Specialist has more than 14 years of experience working with HUD programs and is the current administrator of the Down Payment Assistance Program and the American Dream Down Payment Initiative.
- Redevelopment Analyst has a redevelopment, marketing and business background and will work with the programs to ensure outreach to the citizens of Modesto. This position will work with marketing the programs and ensuring that the City reaches out to minority and women owned businesses, and will also monitor that the City further affirms fair housing.
- Budget Analyst has more than 20 years of accounting experience and will be monitoring funding to make sure that all regulations are followed and that percentages are met. This position will also ensure transparency of funding and monitor any budget related inquiries.
- Accountant I has more than 15 years experience and will be responsible for entering draw information into DRGR and ensuring that there is transparency and separation of funding.
- Environmental Review Specialist has more than 24 years of experience with the environmental regulations and the rehabilitation requirements in relation to HUD programs. The Environmental Specialist will be processing the environmental reports and facilitating any testing needed for the projects. This position is also a specialist with Davis Bacon and will ensure that the projects remain in compliance with the regulations.

- Housing Financial Specialist has 35 years of experience working with finance, including loan documents and proformas. This person will manage the underwriting process of the loans for the Neighborhood Stabilization Program. In addition, all accounts payable and accounts receivables will be processed with the Housing Financial Specialist.
- Housing Rehabilitation Specialist has 20 years of experience working with municipal Housing Rehabilitation Programs. One asset that will serve the programs is that the Rehabilitation Specialist is a draftsman and can draft plans for rehabilitation jobs, or new construction. This position will coordinate the rehabilitation projects including ensuring that the rehabilitation projects meet the Housing Quality Standards.
- Code Enforcement and Building Inspection will coordinate with the Housing Rehabilitation Specialist on all inspections to ensure that Housing Quality Standards are met, as well as verifying that all City codes are met.
- The NSP intern specialist has a background in construction and a Masters in Public Administration. This position will work with the other staff to ensure that project tasks and milestones are met. This position will also monitor all invoices and requests for funding to ensure that the "Buy American" provision is met as well as that the costs for the rehabilitation of properties is reasonable.
- The Public Information Technician will develop press releases, collateral materials and advertisements to promote the Neighborhood Stabilization Program.
- Support staff will work with all of the positions to process reports and assist citizens with the program guidelines.



The City of Modesto also has an established list of Appraisers who provide appraisals that are in conformity with the appraisal requirements of the URA at 49 CFR 24.103. These approved appraisers will be assigned to properties that are presented to the City of Modesto to ensure accurate and responsible appraisals.

The City of Modesto has also provided workshops to local real estate agents, brokers and property management and development businesses to educate these groups on the Neighborhood Stabilization Program and the regulations and continued affordability requirements of the program.

In order to be prepared and ready to start NSP2, the City has made certain that there are policies and procedures in place to be a success. The necessary controls and committees are in place within Modesto to move the funding into the community quickly so that revitalization can begin. The Citizens Housing and Community Development Committee (CH&CDC) will review all requests for funding and has the authority to allocate funds if the projects are feasible. The Housing Rehabilitation Unit has established policies and procedures that are in line with NSP2 and will make certain that the funding is not being misused. The established list of appraisers is cautious of the volatile real estate market and aware of the importance of a fair and honest appraisal.

***Housing Authority of the County of Stanislaus***  
Non-Profit Developer

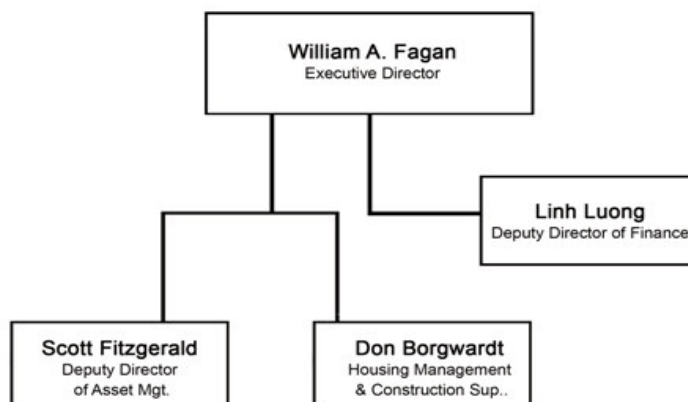
**Housing Experience**

The Housing Authority of the County of Stanislaus (HACS) has been serving the housing needs of low income families in Stanislaus County since its inception in 1949. HACS has become the County’s largest owner/administrator of affordable housing with 647 Low-Rent units, 356 Farm Labor units and 4,000 Section 8 voucher holders. Over the past years since 1994 the HACS has been designated as a “High Performer Agency” for management operations, financial background and maintenance of its properties. This is the Department of Housing and Urban Development’s highest performance designation for excellence in management and construction.

**Construction Experience**

The Housing Authority has been involved in the construction and creation of affordable housing as a standard practice. The Authority has developed 62 units of housing in three separate projects meeting the needs of 20 families, 26 seniors and 16 for persons formerly homeless with needs for behavior intervention.

The Authority is currently preparing for the rehabilitation of 262 units which have recently received funding through the state of California and USDA.



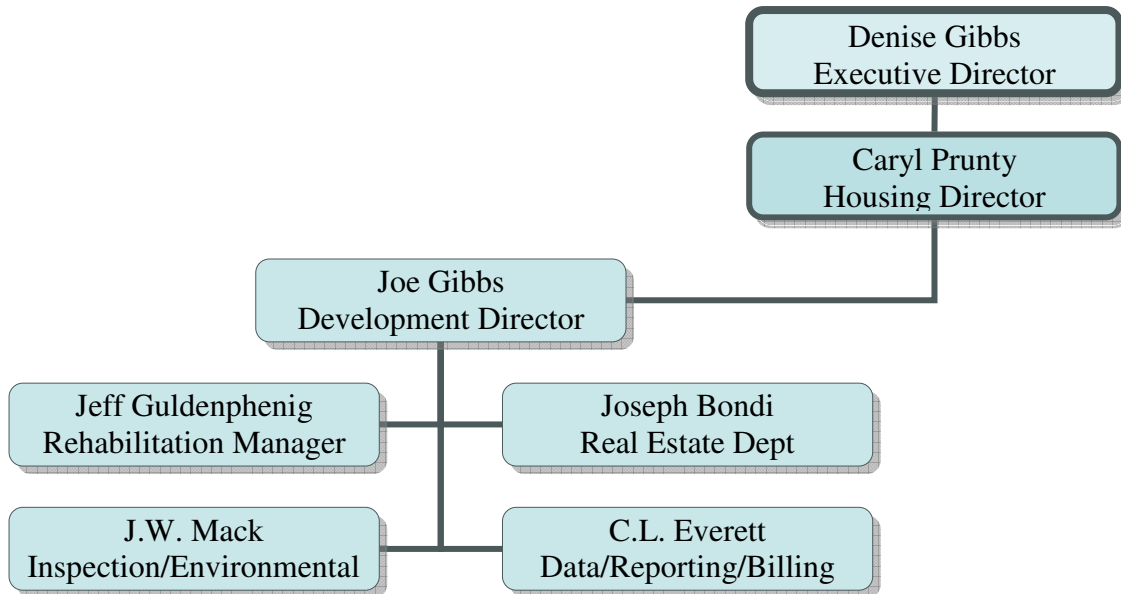
- **Executive Director** has more than 22 years of experience in affordable housing in Stanislaus County. He will oversee and participate in the development program strategy and oversight.
- **Deputy Director of Finance** has been with the Housing Authority for over 18 years. The Director will track all the financial reports and insure compliance within the guidelines of the agreement. Currently oversees the Capital fund Program, Shelter Plus Care, Housing Choice Voucher and all other HUD, USDA and Office of Migrant Services financial programs.
- **Deputy Director of Asset Management** has been with the Housing Authority for over 18 years. His responsibilities include the management and maintenance for Low –Rent housing, specifications and rehabilitation of agency owned properties, construction compliance, financial budgeting and asset management of properties.
- **Housing Development and Construction Supervisor** has over 12 years in development and construction experience in the development of affordable housing and 10 years of experience in private housing development. The HDC Supervisor currently manages CDBG, HOME and NSP activities for the Authority. The HDC Supervisor will coordinate the design and planning aspects of the project, create and negotiate contract documents, coordinate bidding and oversee construction activities.

***Stanislaus Community Assistance Project***

Non-Profit Developer

The Stanislaus Community Assistance Project (SCAP) has been serving the housing needs of under represented Stanislaus County residents since it's inception in 1985. During the last five years alone, SCAP has developed over 200 units of supportive permanent and transitional housing for low income people with disabilities. SCAP currently administers, and manages 181 supportive housing units, as well as the HOPWA and Ryan White Title II programs for the Modesto MSA. Additionally, SCAP is directly funded through HUD, the State of California HCD and EHAP/CD departments, as well as local and private funding sources. SCAP is currently working with the City of Modesto's NSP1 program in the same capacity as outlined in this proposal.

SCAP has a traditional hierarchal organizational structure and will be responsible for the development, acquisition, and rehabilitation of 55 existing foreclosed properties. Once the units have been developed, they will then be retained as a rental program for low to moderate income persons; SCAP will administer and manage the operations of the rental program.



- **Executive Director** has more than 28 years of experience in the non-profit sector. This person will oversee and participate in the development program strategy and oversight. She will also manage the internal auditing team and assist with all reports, inspections, external audits, and site visits.
- **Housing Director** has more than 17 years administering and managing grant funds. The Housing Director currently manages the CDBG, HOPWA, Ryan White, HPRP, HUD SHP, SPC, EHAP/CD, United Way, and private funding programs. The Housing Director will coordinate the duties of the other team members, negotiate contracts, and ensure compliance of all HUD regulations.
- **Development Director** has more than 9 years of experience working with HUD programs and managing non profit housing development activities. The DoD will be directly responsible for all aspects of development, acquisition and rehabilitation of NSP2 sites. As well as managing the rental program of the sites after the units are developed.
- **Rehabilitation Manager** has over 16 years of construction supervision experience. He will be responsible for managing the rehabilitation crews on each NSP2 site. He will also be responsible for ensuring all relevant codes, laws, and Davis Bacon regulations pertaining to NSP2 sites are strictly adhered too.
- **Real Estate Dept** has been involved in real estate for over 30 years. Mr. Bondi will be responsible for all aspects of real estate as it relates to NSP2 activities. Specifically, he will be responsible for overseeing all inspections, assessments, research, documentation, and management of title and escrow processes. In addition, he will be the chief negotiator for all purchase agreements.
- **Inspections/Environmental:** has more than 34 years of experience with the environmental regulations and the rehabilitation requirements in relation to HUD programs. J.W. will be processing the environmental reports and facilitating any testing needed for the projects. J.W. is licensed and certified through Dept of CA regulatory agencies that pertain to any NSP2 areas.
- **Data/Reporting/Billing** has more than 10 years of budgeting/billing/reporting experience and will be monitoring funding to make sure that all regulations are followed and that reporting and allocation requirements are met. C.W. is also familiar with all

quarterly reporting requirements that will be due. She has been doing CDBG reports as well as APER, CAPER, APR's and HMIS for years.

**(2) References. You should include at least two references for recent work similar to the programs covered under this NOFA and undertaken by you. References should only include a contact name, address, phone number, and email address so HUD may verify the information. Alternatively, a reference may include one brief newspaper or journal article, program evaluation, or a transcript from a reputable independent source other than you. No video or audio recordings may be submitted.**

**REFERENCES:**

Bill Fagan  
Executive Director  
Housing Authority County of Stanislaus  
1701 Robertson Road  
Modesto, CA 95358  
(209) 557-2015  
bill@stancoha.org

Anita Hellam  
Executive Director  
Habitat for Humanity Stanislaus County  
630 Kearney Avenue  
Modesto, CA 95350  
(209) 575-4585  
ahellam@stanislaus.habitat.org

**Factor 3 - Soundness of Approach**

**a. Proposed Activities**

In response to the need identified in Factor 1, the City of Modesto proposes a comprehensive program to stabilize neighborhoods through acquisition and rehabilitation of 175 foreclosed and/or vacant properties in the targeted census tracts. In addition, the program will provide safe, affordable housing for underserved populations including 70 youth aging out of the foster care system and at least 20 adults and/or families who are diagnosed with a mental health and/or substance abuse disability. In total the program will serve an estimated 200 families and individuals over 3 years while stabilizing neighborhoods and arrest further decline throughout the community.

Through a coordinated approach involving the City, Developers, HACS, SCAP, Center for Human Services and Stanislaus County Housing and Support Services Collaborative the City will stimulate growth in targeted neighborhoods by ensuring distressed properties are purchased by developers and then resold or rented individuals and families who will invest in and stabilize their communities. NSP2 funding, along with coordinated components, will provide funds for acquisition and/or rehabilitation of foreclosed and/or vacant properties by developers. This strategy expands the market and increases the likelihood of successfully occupying acquired property. The City believes that this approach to the foreclosure issue will result in increasing the stability and generally increasing property values in all high-foreclosure areas in Modesto within the three years of the NSP2 grant.

In addition, the City's goal is to further stabilize the target areas by creating economic benefits resulting from significant rehabilitation to homes, jobs resulting from development and green building, and a reduction in crime that resulted in part from properties being left vacant for extended periods. Long-term economic benefits will assist property owners in high foreclosure

areas as values and home equity increase over time. Additional benefits from this program include an increase in property valuations providing needed tax revenue for public improvements to streets, sidewalks, and open spaces, along with targeted law enforcement to prevent crime.

Coordinated Components

Stanislaus County Housing and Support Services Collaborative, the local affordable housing and Continuum of Care (CoC) collaborative is a body of 70-80 government, non-profit and private organizations that oversee affordable housing issues and make recommendations about priorities while coordinating local affordable housing and needed services. They act as the lead agency not only for the CoC but also for the regional and City 10 year plan to end homelessness as well as HUD trainings and programs.

Coordinated components of the program through the City and the collaborative along with the NSP2 consortium include (1) participating lenders committed to providing first mortgage loans for people seeking home ownership opportunities, including Wells Fargo, Bank of America and local banks and credit unions who have development grant dollars that will allow them to discount the units at least 1% to meet program guideline requirements. (2) basic needs and supportive services provided by the Center for Human Services, SCAP and other local agencies dedicated to supporting youth and adults with special needs (3) housing counseling services provided by Community Housing and Shelter Services (CHSS) and other certified HUD housing counselors (4) housing services primarily for families including housing counseling, housing shelter for emergencies; referrals and intake, assessments and referral; case management and more.

**Activity 1: Acquisition and Rehabilitation Program**

The City will partner with the Housing Authority of the County of Stanislaus (HACS) and the Stanislaus Community Assistance Project (SCAP) and other developers to acquire and rehabilitate 175 foreclosed and/or vacant properties in the targeted census tracts.

With NSP2 funds, the City of Modesto will partner with developers with experience in development and/or property management to provide \$10,500,000 for organizations through an RFQ process to acquire and rehabilitate 100 foreclosed and/or vacant residential properties in order to resell or rent the properties to persons that are at or below 120% of the area median income (AMI). This program will allow for additional affordable quality rental housing throughout the target area census tracts. By providing people of moderate income with an affordable rental home, participants will be able to repair credit problems, and get back on track to financial stability.

The majority of funds will be targeted to those at or below 120% of the AMI as noted in the table below.

FY 2009 Income Limits for 120% of HUD Area Median Income

<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>	<u>8 person household</u>
\$50,050	\$57,200	\$64,350	\$71,500	\$77,250	\$82,950	\$88,700	\$94,400

However, no less than 25 percent of the total amount of funding requested for NSP2 will serve those at or below 50% of the AMI as noted in the table below.

<u>FY 2009 Income Limits for 50% of HUD Area Median Income</u>							
<u>1 person</u>	<u>2 person</u>	<u>3 person</u>	<u>4 person</u>	<u>5 person</u>	<u>6 person</u>	<u>7 person</u>	<u>8 person</u>
<u>household</u>	<u>household</u>	<u>household</u>	<u>household</u>	<u>household</u>	<u>household</u>	<u>household</u>	<u>household</u>
\$20,850	\$23,850	\$26,800	\$29,800	\$32,200	\$34,550	\$36,950	\$39,350

Home prices in Modesto continue to decrease. While this has made homeownership generally more affordable, those in the low income, very low income and extremely low income groups, continue to be unable to afford home ownership at this level.

Renting is a significant component of the proposed occupancy strategy. Due to reductions in hours or pay, many people currently working are unable or unwilling to purchase a home. These families continue to need a quality and affordable home. This activity will establish permanent affordable housing in neighborhoods which are well serviced by public transportation, retail and other amenities that currently have high vacancy rates due to foreclosure.

NSP2 funding will also affirmatively further fair housing by protecting the rights of citizens of Modesto. The City of Modesto prohibits discrimination in the sale or rental of dwelling units based on race, color, national origin, religion, sex, familial status and any disabilities. All activities funded with NSP2 funding will ensure that fair housing laws and regulations are followed.

Homeownership is also a major component of the program. Studies have shown that owner occupied properties have more of an investment and tend to revitalize neighborhoods even further. There are several households that were forced out of the market a couple years ago due to the speculation and drastic increase in pricing. Now that the market has dropped, the ability to own a home is becoming realistic. Upon completing a minimum of 8 hours of housing counseling, these potential homeowners will better understand what they can afford as well as the responsibilities that come along with homeownership. Many in this group will be first time homebuyers and will need properties that have been rehabilitated. The investment it takes to become a homeowner doesn't always leave extra money for fixing up properties. By working with qualified development teams, the City can ensure quality and healthy homes and ready for homeownership.

Any structures showing signs of blight, which is defined as exhibiting objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare; will be rehabilitated to mitigate negative effects. The City of Modesto does not anticipate any demolition activities, however there will be extensive rehabilitation on homes due to spot blight issues.

The City of Modesto Housing Rehabilitation Standards comply with all State of California Title 24 requirements. Any rehabilitation activities will refer to City of Modesto Housing Rehabilitation Standards to ensure compliance with City codes as well as State and Federal regulations.

For all acquisition and rehabilitation activities, the City of Modesto will follow the anti-displacement and relocation plan, and the Uniform Relocation Act at 49 CFR Part 24. Any bona fide tenant still living in a foreclosed upon home will be entitled to relocation benefits. If the tenant is on a section 8 voucher, or if the plan for the unit is for it to become a rental unit, then the tenant will remain in the unit until the original lease expires.

This activity will focus heavily on sustainable projects that include green building techniques such as solar or wind power, gray water systems, energy efficient insulation, windows, HVAC systems and many other green building techniques to reduce carbon emissions. The homeowner and renters will have the benefit of reduced utility bills as well as an environmentally happy home.

### **Housing Authority and Emancipated Foster and Homeless Youth Program**

Additionally with NSP2 funds, the HACS will work with the Center for Human Services (CHS) and the Emancipated Foster and Homeless Youth program to provide \$6,000,000 in funding to acquire and rehabilitate 40 foreclosed and/or vacant residential properties to house foster and homeless youth that are between the ages of 18-28. Twenty-five percent of this funding will serve those at or below 80 percent of the median income and seventy-five percent will serve those at or below 50 percent of the median area income. The HACS will own and manage the property and provide leases for permanent housing to individuals and families; CHS will provide supportive services necessary to help them become stable.

This program will provide housing for this special population in order that they can have a place to call home and focus on education and finding employment. The focus will be on learning the life skills needed to become self sufficient, as well as gaining the education and/or training to enter the workforce. By providing a basic need – housing, these young people can focus on transitioning to being productive and happy adults. This program would reduce the overall cost that society pays for services currently supporting this population; it can help to avoid expenses associated with the use of mental health services, homelessness, use of welfare beyond TANF such as food stamps, substance abuse and second generation foster care; all risk factors that can be mitigated by providing housing, and getting a clean start.

### **Stanislaus Community Assistance Project (SCAP)**

Finally the City of Modesto will partner with the Stanislaus Community Assistance Project (SCAP) to provide \$6,000,000 in funding for the development, acquisition, and rehabilitation of 35 foreclosed and/or vacant homes to house. SCAP will develop the properties and then administer and manage the properties as a master lease rental program after being developed.

SCAP will be providing affordable rental housing for people with needs such as mental health issues, chronic disabilities, HIV/AIDS, prison re-entry candidates, and income eligible seniors. A minimum of twenty-five percent of this funding will serve people living with mental health and/or substance abuse issues at or below 50 percent of the median area income. Housing will provide an affordable safe home where people can live independently with supportive services, including help with basic needs.

## Access to Housing

Currently, the Stanislaus County Housing and Support Services Collaborative, the local affordable housing and Continuum of Care (CoC) collaborative has developed committees and sub-committees for Recovery Act Funds. The City of Modesto, SCAP, HA, CHS, the County, and any agency receiving Recovery Act funds are actively participating in the committees and work groups.

One of the committees already implemented is the Homeless Prevention and Rapid Rehousing Program (HPRP) committee. In the development of the HPRP committee, the CoC had to develop an inter-agency committee to coordinate the logistics of marketing, intake, assessment, Homeless Management Information System, and referrals for people seeking assistance through HPRP.

Through that coordination the group developed a county-wide process to address to the components mentioned above – which can be used for any Recovery Act or CoC funded programs.

As a result, people seeking access to NSP2 services through a non-profit partner will be quickly and efficiently screened, assessed, and referred to the appropriate agency for services.

CHS will serve as the primary point of intake for youth or young adults who are of low income with a special need. Eligible youth will be referred to the CHS Emancipated/Homeless Youth Program. People who have substance abuse, mental health or other disabilities will be referred to SCAP. All individuals and families are assigned a case manager upon intake. CHS and SCAP assist with accessing housing and provide and/or coordinate supportive services and help with basic needs. Often these individuals have been living in transitional housing and ready for permanent supportive housing. Any other households seeking homes that do not fall into one of the above programs or that do not require supportive services, will be referred to other developers working with NSP2.

## Summary

NSP Eligible Activity and Responsible Entity	Specific Activity	Funding Request to HUD
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties. Qualified Developers, Housing Authority and SCAP.	24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation , and (n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).	\$22,500,000
City of Modesto	Program oversight, management, evaluation and administration	\$2,500,000
	Total Funds	\$25,000,000

### **a. Project Completion Schedule**

The City of Modesto has successfully implemented the Neighborhood Stabilization Program 1. Staff used existing block grant policies and procedures modified to follow the NSP1 regulations resulting in standardized templates necessary to streamline the identified activities. NSP2 will follow the process initiated with NSP1 to be able to execute agreements and allocate funding efficiently in order to reach the goals of the Project Completion Schedule below.

The City is confident that 50 percent of the funding will be expended and a minimum of 100 units completed within two years. In the third year the remaining funding will be expended and 75 additional units to be completed.

**b. Project Completion Schedule** – COM = City of Modesto, HA = Housing Authority, SCAP = Stanislaus Community Assistance Project

Activity	Month																																						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36			
Begin Dec 09																																							
Procedures – RFQ - COM																																							
• Identify community partners • Select Developers - COM • Develop marketing strategy and materials - all																																							
Monitoring - COM																																							
Acquire 175 Foreclosed Properties																																							
Begin Rehabilitation																																							
Complete Rehabilitation																																							
Begin Marketing of Homes– <b>Rental</b> Homes- SCAP/HA/Dev <b>Resale</b> - Dev																																							
Begin Support Services - SCAP																																							
Provide Quarterly Reports - all																																							
Quarterly Program Audit - COM																																							

**c. Income Targeting for 120 percent and 50 percent of Median**

All programs will ensure that the income guidelines are strictly enforced utilizing monitoring protocols as outlined in section 3- Performance and Monitoring. The City of Modesto will use all of the NSP 2 funds that it receives to benefit households at or below 120% of AMI. This provision shall be included in agreements with all agencies with which the City enters into agreement.

FY 2009 Income Limits for 120% of HUD Area Median Income

<u>1 person</u> <u>household</u>	<u>2 person</u> <u>household</u>	<u>3 person</u> <u>household</u>	<u>4 person</u> <u>household</u>	<u>5 person</u> <u>household</u>	<u>6 person</u> <u>household</u>	<u>7 person</u> <u>household</u>	<u>8 person</u> <u>household</u>
\$50,050	\$57,200	\$64,350	\$71,500	\$77,250	\$82,950	\$88,700	\$94,400

However, no less than 25 % of the total amount of funding requested for NSP2 will serve those at or below 50% of the median area income as noted in the table below. A minimum 25% of the NSP 2 funds requested, or \$6,500,000 shall be reserved for the provision of housing for households at or below 50% of AMI. The City of Modesto anticipates that all the housing for households at 50% AMI shall be affordable rental units, because a 50% income level is generally too low for a household to become and remain as successful homeowners. The City of Modesto utilizes the standard HUD income certification process to determine income eligibility. Agencies will be required to collect income verification data and provide it to City staff for the income eligibility review. Tenants shall be required to certify as to the number of household members, income amounts, and sources as a part of the eligibility review.

FY 2009 Income Limits for 50% of HUD Area Median Income

<u>1 person</u> <u>household</u>	<u>2 person</u> <u>household</u>	<u>3 person</u> <u>household</u>	<u>4 person</u> <u>household</u>	<u>5 person</u> <u>household</u>	<u>6 person</u> <u>household</u>	<u>7 person</u> <u>household</u>	<u>8 person</u> <u>household</u>
\$20,850	\$23,850	\$26,800	\$29,800	\$32,200	\$34,550	\$36,950	\$39,350

Acquisition and Rehabilitation Program funding in the amount of \$7,500,000 which includes the Emancipated Foster and Homeless Youth Program as well as those serving people with a mental health and / or substance abuse disability, will be targeted to people at 50 percent of the median area income. It is anticipated that the majority of the funding for these two programs will be utilized for those at or below 30 percent of the median area income.

**Minimum Targeting**

<b>Responsible Entity</b>	<b>Activity</b>	<b>Amount funded</b>	<b>120% median or below</b>	<b>50% median or below</b>
City of Modesto	Acquisition & Rehabilitation	\$10,500,000	\$10,500,000	
Housing Authority	Acquisition & Rehabilitation Emancipated Foster/Homeless Youth	\$6,000,000		\$6,000,000
SCAP	Acquisition & Rehabilitation Substance/Mental Health	\$6,000,000	\$4,500,000	\$1,500,000
City of Modesto	Administration and Planning	\$2,500,000	\$2,500,000	
<b>Total Funds</b>		<b>\$25,000,000</b>	<b>\$17,500,000</b>	<b>\$7,500,000</b>
<b>Percentage of grant</b>			<b>70%</b>	<b>30%</b>

**d. Continued affordability**

For the Acquisition and Rehabilitation Emancipated Foster and Homeless Youth Program as well as the Mental and Substance Abuse Program the affordability covenant will be for a minimum of 55 years. This will ensure continued affordability for these very vulnerable populations. The affordability covenant will be recorded and will run with the land. Upon sale, refinance or any other change to the deed of trust on the properties before the affordability covenant is met, the monies will have to be paid back to the City of Modesto, and be used to further NSP2.

For developers that acquire and rehabilitate properties for the intent to resell the properties, the affordability covenant will be tied to the land and the units will have to be sold to income eligible buyers. The units used for resale will have affordability covenants tied to HOME regulations 24 CFR 92.252 (e)(f).

If developers acquire and rehabilitate properties with the intent of producing affordable rental units, affordability covenants will be a minimum of 15 years, and depending upon the amount of funding will increase to 25 years of affordability. The affordability covenants will be recorded with the property and an equity share clause will be in place to recapture funds if the properties are sold or refinanced. All units purchased with NSP2 funding that do not complete the affordability period are subject to a recapture clause so that when the property is sold, the remaining balance of the loan will revert back to the City of Modesto. If the property is sold during the affordability period and the equity gain is in excess of twenty-five percent of the original purchase price, a shared equity clause will be in place so that the City of Modesto will receive 10% of the equity minus the initial investment by the borrower.

### **e. Consultation, outreach, communications**

Affordable housing and services are coordinated county-wide by the Stanislaus County Housing and Support Services Collaborative, the local affordable housing and Continuum of Care (CoC) collaborative is a body of 70-80 of government, non-profit and private organizations. Together with the City of Modesto and CoC partners, a seamless outreach effort is conducted both in notification of this funding proposal and continues through the grant period.

This process is conducted through avenues such as public notices in the local newspapers, advertising of programs on Consortium and Collaborative websites, along with distribution of program literature. City and consortium staff regularly attends community meetings Continuum of Care meetings, Building Strong Neighborhoods Impact Council, community workshop presentations, and presentations throughout the City.

The Public Information Technician will send out press releases upon notice of funding award. Collateral materials will be created to provide an understanding of the Neighborhood Stabilization Program. Outreach will be done to women and minority owned businesses by sending flyers and additional information regarding ways to access and participate in the NSP2.

Full consultation and training sessions will be provided to real estate agents, property management companies, and mortgage brokers to explain the regulations and the purpose of the program. We will affirmatively further fair housing and provide marketing and outreach materials in English and in Spanish.

If the City of Modesto receives funding for NSP2, public meetings to promote the program will begin in the local community centers. The City has already established partnership with several local HUD certified housing counselors, and will facilitate the process of assisting persons interested in purchasing NSP2 assisted homes to obtain 8 hours of housing counseling.

The local Continuum of Care has set up an American Reinvestment and Recovery Act (ARRA) Committee which will provide additional oversight to ensure that the funding is making a direct impact on the community.

Modesto received just over \$8 million in NSP1 funding. Through the collaborative process, it was determined that additional funds would be added to this program while creating new programs in order to address the overwhelming need in the target census tracts. The City has also coordinated with the County of Stanislaus with regards to NSP1 funding and NSP2 applications.

Complaints about NSP2 activities will be addressed through the individual complaint procedures at each participating agency. Each complaint will be reported by the participating agency monthly when we meet at the Continuum of Care meeting and the NSP2 sub-committee meeting.

## **f. Performance and Monitoring**

The City of Modesto will be the responsible entity in charge of administrating NSP2 and will track, monitor and oversee consortium partners. Monitoring will take place on a quarterly basis, with desktop monitoring on a monthly basis and information will be entered into the Disaster Recovery and Grant Reporting (DRGR) system.

Monitoring will include tracking, approval, and oversight procedures that are already in place through existing programs. The same tools and procedures will be utilized to ensure compliance with the NSP2 program eligible uses and relevant guidelines. The Housing Authority and SCAP will implement the acquisition, rehabilitation, and energy efficiency retrofits of eligible foreclosed and/or vacant units. The Housing Authority and SCAP have a qualified team made up of an appraiser, attorney, and team negotiator/manager. This team will negotiate with banks that possess foreclosure portfolios, as well as realtors that possess available foreclosures. These banks have development grant dollars that will allow them to discount the units at least 1% to meet program guideline requirements. The team will make "block buys" on available units for the target census tracts.

Overall, the City will be responsible for the administration of the program including tracking, fund distribution, monitoring, and general program oversight and will ensure that the program runs in a smooth, efficient, and effective manner by conducting quarterly monitoring visits with the HACS and SCAP and any other developers. Monitoring will occur to ensure statutory and regulatory requirements are being met and that information submitted to the City is accurate and complete.

An agreement will be executed with the HACS & SCAP and any other developers identified through the request for qualifications process that clearly states the project scope of work, performance measurement standards, reporting requirements, draw-down requirements, applicable federal requirements, etc. The monitoring process will emphasize on-site field visits, desk audits, open communication, and assistance to the sub-grantee, in order to ensure that a good data collection and reporting system remains in place.

The objectives of the monitoring program will be to:

- Ensure that the partners implement the program and its individual activities as described in the grant application and agreement.
- Ensure the partners conduct activities in a timely manner, in accordance with the schedule included in this management plan.
- Ensure that the partners charge costs to the project, which are eligible under applicable laws and CDBG regulations, and reasonable in light of the services or products delivered.
- Ensure that partners conduct activities with adequate control over program and financial performance, and reasonable in light of the services or products.
- Ensure that the partners have continuing capacity to carry out the approved project, as well as other grants for which it may apply.
- Identify potential problem areas and assist the partners with applicable laws and regulations compliance.
- Assist partners in resolving compliance problems through discussion, negotiation and the provision of technical assistance and training.

- Provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected and not repeated.
- Comply with the federal monitoring requirements of 24 CFR 570.501(b) and 24 CFR 85.40.
- Determine if any conflicts of interest exist in the operation of the CDBG program per 24 CFR 570.611.
- Ensure that required records are maintained to demonstrate compliance with applicable regulations.
- Verify that the outputs and outcomes are realized in a timely manner.
- Track grantee's progress in fulfilling its goals and objectives set forth in the NSP Substantial Amendment, measured with established guidelines to assure that the program remains on task. Additionally, with data collected by the grantee during monitoring visits and ultimately entered into the DRGR system, this program is capable of presenting the data to defend its progression towards accomplishment of its goals and objectives set forth in The Plan. On a quarterly basis this information is compiled and compared with the goals and objectives in the Plan. If this information reflects the accomplishments set forth in The Plan, the program will proceed as planned. If this information falls short of the goals set forth, appropriate adjustments will be made and notification sent to the respective partner to be cognizant of their need to meet certain milestones and timeliness requirements to assure receipt of program expected funds for their respective programs.

The City of Modesto has stringent internal auditing procedures. The City of Modesto Auditor, located within the office of the City Manager will monitor the Neighborhood Stabilization Program on a regular basis to ensure that regulations are being followed. The Auditor will also evaluate program operations and provide feedback to the NSP administrator for areas of improvement as well as areas of risk. Modesto also has a Grants Oversight Division within the City Managers office that will monitor and review the progress of the NSP to ensure that deadlines are being met and that projects are on task with the project completion schedule.

#### **Factor 4 – Leveraging other funds or removal of substantial negative effects**

**Calculate** the value (using the HUD-provided rubric in Appendix 3 and providing documentation of your calculation, including citation of the data sources) of any destabilizing influences (such as blighted homes) you propose to remove as part of your NSP2 program.

The City of Modesto is confident that developers will be able to leverage funding from private investors as well as banks. The intent of NSP2 is to focus on mitigating and removing substantial negative effects in the targeted census tracts. Modesto is dedicated to creating healthy communities. By reducing distressed and vacant homes through acquisition and rehabilitation, neighborhoods will turn around.

In reviewing vacancy rates noted in tables obtained from the huduser.org website, the amount of vacant homes in the selected targeted census tracts was equal to 1700. The City of Modesto plans to acquire and rehabilitate 175 units.

$$1.5 \times 262 \text{ rehabs} + 0 \text{ Demo} = 187.5/1700 \text{ vacant houses} = .154$$

## **Factor 5 - Energy efficiency improvement and sustainable development factors**

***Describe how you will incorporate specific energy efficient, environmentally friendly or other sustainable or green elements in some or all of your NSP2 activities.***

The Neighborhood Stabilization Program 2 has an objective of conserving the Nation's scarce energy resources, improving energy efficiency and the provision of alternative and renewable energy sources of supply. It is in the best interest of the final homeowner or renter, the community, the nation and the world to build energy efficient homes. Energy efficient homes will have a lower cost of operation and provide the homeowner with a lower cost of living. The proposed plan will take a complete and total approach when addressing energy efficiency and green building. The Modesto Irrigation District, the local utility company, will be conducting home energy audits of housing units to ensure that units achieve the maximum energy efficiency possible. The proposed plan will incorporate energy efficiency standards into all rehabilitations and new constructions.

### **a. Transit accessibility**

All census tracts listed in this application are served by The Modesto Area Express (MAX) - *wheelchair lift equipped bus service* - on 20 minute intervals during rush hours and 30 minute intervals from 5:30am until 7:30pm.

City of Modesto is a sprawling city, which has a non-motorized transportation plan which links bike lanes and trails from outlying neighborhoods into the downtown business core.

For those Modesto residents who work in the San Francisco Bay Area or the Sacramento area, the Modesto Area Express is also linked to a commuter bus service that travels from Modesto to the Dublin/Pleasanton Bay Area Rapid Transit (BART) station which provides subway service throughout the San Francisco Bay Area.

In order to provide further transportation options, there is also express service from Modesto to the Lathrop/Manteca train station for an Altamont Commuter Express (ACE), which is a rail system that services the Southern Bay Area and San Jose.

Modesto is also home to an Amtrack Station which has numerous daily trains that run into Sacramento or San Francisco as well as down the valley into Merced and Fresno.

The comprehensive system between bike, bus and rail lines links residents to a wide range of alternative transit opportunities. The City of Modesto has a non-motorized transportation plan that was incorporated into the 2008 Urban Area General Plan and can be located on-line at <http://www.modestogov.com/prnd/recreation/bikeways.asp>

### **b. Green building standards**

Housing units that require minor or moderate rehabilitation will be audited to ensure that any possible repairs and/or energy saving retrofits are done. This could include weather-stripping, sealing, caulking, insulating exposed pipes, insulating ducts, fixing all water leaks, insulating

water heaters. Minor and moderate rehabilitations where eligible appliances are being purchased will be required that Energy Star appliances be provided. Where housing units are acquired that have single pane windows, the single pane windows will be replaced with Energy Star dual pane windows. Where housing units are acquired with heating and/or cooling systems that are more than ten years old, the heating and/or cooling systems will be replaced with Energy Star products that will be sized, installed, and tested by contractors licensed in the heating and air conditioning trade. Where housing units are acquired with water heaters that are more than ten years old, the water heater will be replaced with an Energy Star water heater. When a housing unit is rehabilitated, all incandescent light bulbs will be replaced with compact fluorescent light bulbs or LED bulbs. Any light fixtures that require replacement will be replaced with Energy Star light fixtures. To ensure maximum cost efficiency for the program, the U.S. Department of Energy's service, Energy Star Quantity Quotes will be used when purchasing light bulbs, light fixtures, refrigerators, and dishwashers.

Gut rehabilitations will be required to meet Energy Star for New Home standards. California approved Title 24 energy calculations will be performed on all these units and the gut rehabilitations or new units will be shown to exceed the Title 24 standard by a minimum of 15%. Insulation will be installed per the energy calculations and the installation will be HERS verified when required. Where required by the energy calculations to exceed the standard by 15%, radiant barrier roof sheathing will be used. All lighting will meet California Title 24 lighting regulations and per Environmental Protection Agency Energy Star standards, a minimum of 60% of lighting fixtures and all ceiling fans will be energy star products. Windows will be energy star windows and installed and sealed to eliminate any air or moisture leaks. HVAC equipment and ducts will be sized by the ACCA manual D, J and S method for each specific unit to ensure maximum efficiency. The ducts will be sealed and HERS tested as part of the project contract. Water Heaters, refrigerators, dish washers, and stoves will be energy star appliances.

All new construction on vacant lots and gut rehabilitation activities will be required to exceed the Energy Star for New Homes standard and will also comply with the 2008 California Green Building Standards which is located at [http://www.documents.dgs.ca.gov/bsc/2009/part11\\_2008\\_calgreen\\_code.pdf](http://www.documents.dgs.ca.gov/bsc/2009/part11_2008_calgreen_code.pdf).

Rehabilitation of foreclosed properties will not only provide much needed energy efficiency upgrades, but as applicable the units will provide gray water systems that will take untreated household waste such as showers, sinks and laundry washers to be utilized for landscape irrigation. With the State of California in a drought, water is a natural resources that needs to be monitored and conserved as much as possible.

For rehabilitation of units where only basic rehabilitation is needed, the units will have energy retrofits and only Energy Star products and appliances will be used. To the extent possible, other green building techniques will be utilized to provide maximum efficiency and reduction of environmental impacts.

### **c. Re-use of cleared sites**

Any foreclosed properties that are cleared and vacant sites will be redeveloped to provide quality affordable housing units. The efficiency of the lot will determine the placement of the

units. All cleared sites will be evaluated to ensure the most efficient use of space and resources. The location of the lots in relation to natural wind currents and the sun pattern will be assessed to harvest these resources to fuel the units. These units will meet Healthy Home and Energy Star standards. New units will also incorporate gray water systems, energy efficient insulation, roofs and other energy star products.

#### **d. Deconstruction**

Recycling of materials will be utilized when it is economical and when materials are still in useable condition. Salvaged materials that are not needed, will be donated to the Habitat for Humanity, Stanislaus County Restore. Items such as steel, copper and aluminum will be locally recycled and any proceeds gained will be put into the project to leverage NSP funds.

Deconstruction is the selective dismantlement of building components, specifically for re-use, recycling, and waste management. The City of Modesto has used deconstruction contractors on projects in the past and has experience with deconstruction techniques and hazards. While the City of Modesto does not anticipate any demolition of properties; extensive rehabilitation is anticipated. A Request for Proposals will be issued for extensive rehabilitation projects where deconstruction is needed. Where residential units have reached the end of their useful life, deconstruction will be utilized to recycle and reuse valuable resources. As new materials are needed, sustainable products will be selected. By using deconstruction construction debris will be diverted from the land fills and reinvested into other housing projects.

#### **e. Sustainable development practices**

In addition to meeting the certification levels of the green rating systems listed above in the green building standards section, it will be mandatory for all new and gut rehab units to incorporate the following items: 1) net-metering preparation by wiring electrical services to accept photovoltaic panels, 2) indoor recycling stations, 3) tubular skylight devices to reduce electric usage for light fixtures during daylight hours, 4) carbon monoxide detectors, 5) solar powered attic fans 6) humidity control through the HVAC system, 7) whole-house fans for ventilation and night time cooling when air conditioning is not provided and 8) rain barrels to collect roof storm water for outdoor use. When applicable, additional sustainable practices will be adopted. These include using existing structurally-sound foundations for construction of new NSP2 houses, redesigning room layouts in gut rehab units to take advantage of natural light through existing windows, and reuse of salvage and reclaimed materials from deconstructed NSP2 houses.

Contractors will be required to implement EPA's Best Management Practices for erosion and sedimentation control during construction. Sustainable landscaping will be specified where landscaping is required. Homeowners and/or renters will be provided with a walk through to familiarize them with the energy efficiency features of the unit and all manufacturer's specifications and instructions will be passed on to the homeowner.

Lastly, universal accessibility will be provided for 10% of the green houses built to comply with the accessible design provisions of the Fair Housing Amendments Act and section 504 of the Rehabilitation Act so that a greater population of the market is reached.

## **Factor 6-** Neighborhood transformation and economic opportunity

The City of Modesto is a community dedicated to growth, progress and the quality of community life. The City will utilize the Neighborhood Stabilization Program to strengthen neighborhoods from within, and transform them into a safe, vibrant and healthy place to call home.

The City of Modesto has a strong history of working well together with citizens and ensuring constant communication with our partners in the community. Community organizations, as well as the citizens of Modesto, have come together on many occasions to help those in need. The City's neighborhoods are beginning to lose morale and will require an immense investment of time and resources to bring them back to happy and healthy neighborhoods. The City of Modesto plans to focus on the targeted areas to work toward housing rehabilitation and providing economic development for our citizens.

The proposed activities are consistent with the City of Modesto Housing Element [http://www.modestogov.com/ced/documents/planning\\_housing-element.asp](http://www.modestogov.com/ced/documents/planning_housing-element.asp) , Redevelopment Master Plan <http://www.modestorda.com/documents/masterplan.asp> and the Ten-Year Plan to End Long-Term Homelessness.

It is anticipated that the Neighborhood Stabilization Program 2 will invest in our community by not only providing affordable stable housing, but also jobs. With the promotion of green building standards and energy efficient improvements, a new area of employment will blossom.

Modesto certifies that the proposed NSP2 activities are consistent with the following established comprehensive, regional, and/or multi-jurisdiction plans:

### Stanislaus Council of Governments Regional Transportation Plan:

"The 2007 Regional Transportation Plan (RTP) is our blueprint for future transportation improvements and investments based on specific transportation goals, objectives, policies and strategies defined by the community and its elected officials. The RTP identifies all major transportation projects to be undertaken within the region in the next 23-year period (2007-2030). It provides the vision of how our regional transportation system will look and operate in the future."

Modesto's proximity to the San Francisco Bay Area and the Sacramento metropolitan area has resulted in an increased interregional travel and has strained our community's roadways and air quality. The city of Modesto's proposed NSP2 activities are consistent with StanCOG's Regional Transportation Plan for they indirectly address these issues. Providing affordable housing to our community's residents will contribute to an improved balance of jobs and housing between Bay Area and Stanislaus communities. The RTP, along with economic development strategies, have the potential to improve the jobs/housing imbalance in Stanislaus County thereby reducing the reliance on Bay Area jobs and as a result reducing the impacts on the County's roadways and the environment. The RTP may be accessed at <http://www.stancog.org/pdf/2007-rtp-final.pdf>.

### Regional Housing Needs Allocation Plan for Stanislaus County:

The Regional Housing Needs Allocation (RHNA) Plan has been developed by the Stanislaus Council of Governments (StanCOG) in accordance with the requirements of the State of California (Government Code Section 65584). The RHNA Plan provides a draft allocation of the regional housing needs for each jurisdiction in Stanislaus County, including all of the incorporated cities as well as unincorporated county areas.

The city of Modesto's proposed NSP2 activities are consistent with the RHNA Plan for they directly address Modesto's housing needs allocation by providing affordable housing to eligible households in our communities. NSP2 will be an additional strategic method of assisting County jurisdictions address their housing needs requirements as mandated by state law. The RHNA Plan may be accessed at <http://www.stancog.org/pdf/blueprint/2008/rhna.pdf>.

#### Stanislaus Economic Development & Workforce Alliance:

The Stanislaus Economic Development and Workforce Alliance (Alliance) oversees the economic development and workforce training activities within the City of Modesto and throughout Stanislaus County. The Alliance is committed to job creation, business assistance and workforce training activities.

Without a stable and qualified workforce it is challenging for local government to encourage business investment and expansion within the community. Through funds such as NSP2, the city of Modesto has the opportunity to partner with regional workforce development agencies to ensure that adequate housing choice is available, and with this housing availability the regional workforce development agencies can encourage more livable wage employers to relocate to Modesto.

The City of Modesto is a community dedicated to growth, progress and the quality of community life. The City will utilize the Neighborhood Stabilization Program to strengthen neighborhoods from within, and transform them into a safe, vibrant and healthy place to call home.

The City of Modesto has a strong history of working well together with citizens and ensuring constant communication with our partners in the community. Community organizations, as well as the citizens of Modesto, have come together on many occasions to help those in need. The City's neighborhoods are beginning to lose morale and will require an immense investment of time and resources to bring them back to happy and healthy neighborhoods. The City of Modesto plans to focus on the targeted areas to work toward housing rehabilitation and providing economic development for our citizens.

The Modesto area has a large population of skilled labor workers and will encourage that all NSP participants utilize local vendors to get citizens back to work. The way to ensure success of the program is not to only revitalize the neighborhoods, but to also provide economic opportunities to Modesto businesses and Modesto residents.

## **Program Summary**

The City of Modesto requests \$25 million in NSP 2 funding to help stabilize 36 high foreclosure / high vacancy target census tracts.

Modesto with a population of 210,000 is the 16<sup>th</sup> largest city in California. The city ranks 2<sup>nd</sup> highest in the country for total number of foreclosed properties. There are a total of 5,053 properties engaged in the foreclosure process and 1700 vacant homes. The median home value dropped 65% since 1995. Along with a 17% unemployment rate, and the ensuing mass exodus from the area, the challenges for recovery are great.

The City has successfully implemented NSP 1. Now, through a coordinated approach involving Modesto, two non-profit housing developers, as well as other developers selected through a Request for Qualifications process, along and the local affordable housing collaborative, this proposal proposes a comprehensive program to further stabilize neighborhoods through acquisition, rehabilitation and resale or rental of foreclosed and/or vacant properties. In addition, the program will provide safe, affordable housing for underserved populations including youth aging out of the foster care system and at least 20 adults and / or families who have special needs. In total the program will serve an estimated 200 families and individuals over 3 years while stabilizing neighborhoods and arrest further decline in the community.

This program will allow for additional affordable quality homeownership opportunities and rental housing throughout the target area census tracts. Those that are looking to become homeowners will find quality homes that have been rehabilitated by qualified developers. By providing people of moderate income with an affordable rental home, they will be able to repair their credit problems, and get back on track to financial stability. In addition this program will provide housing for youth aging out of the foster care system in order that they can have a place to call home and focus on education and finding employment. Finally, affordable permanent supportive rental housing will be provided for people with needs such as mental health issues, chronic disabilities, prison re-entry candidates, and income eligible seniors.

NSP 2 will be part of a comprehensive neighborhood stabilization and economic recovery program. Stabilization in the target areas will be realized through homes being re-occupied as quality owner-occupied homes, affordable rentals, an increase in jobs, a reduction in crime, and rising property values as well as public improvements to streets, sidewalks, and open spaces. Many people who could not afford a decent place to live will now be able to do so as 30% of the funding will be targeted to people at or below 50% of area median income.

Coordinated components of the program include participating partners, basic needs and supportive services, housing counseling services and other housing services for families including housing counseling; referrals and intake, assessments and referral; case management and more.

The City of Modesto Neighborhood Stabilization Program 2 reaches out to a variety of populations within the community to ensure that regardless of the situation – EVERYONE deserves quality, affordable and permanent housing.