

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

972



FROM: Economic Development Agency

SUBMITTAL DATE:
May 26, 2010

SUBJECT: First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program Funds with Sheffield Foreclosure Renovation, Inc.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program (NSP) Funds between the County of Riverside and Sheffield Foreclosure Renovation, Inc. ("First Amendment");
2. Authorize the Chairman of the Board of Supervisors to execute the attached First Amendment; and
3. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement the First Amendment including, but not limited to, signing subsequent necessary and relevant documents.

BACKGROUND: (Commences on Page 2)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,070,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	09/10

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: Neighborhood Stabilization Program Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: MICHELLE CLACK
DATE: 5/26/10
Departmental Concurrence

Dep't Recomm.: Consent
Per Exec. Ofc.: Consent
Policy: Policy

Prev. Agn. Ref.: 3.11 of 3/2/2010 District: 1, 5 Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.21

BACKGROUND:

On March 2, 2010, the Board of Supervisors approved a Loan Agreement for the use of NSP Funds with Sheffield Foreclosure Renovation, Inc. ("Sheffield"), a Delaware for-profit corporation, in an amount up to \$3,000,000 to finance the acquisition and rehabilitation of approximately 22 vacant, foreclosed and bank-owned single-family properties and resale homes to qualified low-, moderate-, and middle-income (LMMI) first-time homebuyers in the County of Riverside inside designated NSP Target Areas, as defined in the County of Riverside Substantial Amendment to the 2008-2009 One-Year Action Plan ("Project").

Sheffield has acquired 8 single-family properties and has an additional 4 properties under contract for \$2,800,787 (93% of the NSP Loan) and has requested additional NSP funds to purchase additional single-family properties for the same activity of acquisition, rehabilitation and resale to qualified low-, moderate-, and middle-income (LMMI) first-time homebuyers in the County of Riverside.

The County has a deadline to obligate all of its NSP funds including any State NSP funds it might receive by September 3, 2010, or risk having to return the funds back to the U.S. Department of Urban and Housing Development. Staff recommends amending the NSP Loan amount for an additional \$1,070,000 for a total of \$4,070,000, subject to the availability of NSP funds, or NSP rolled funds that the County is expected to receive from the State ("State NSP"). Availability of NSP funds will be determined by the County. Sheffield will be required to submit a budget to the County and obtain approval from the County prior to entering into a contract to purchase a property. Amending the NSP Loan Agreement will assist the County to fulfill its requirements under the Neighborhood Stabilization Program.

County Counsel has reviewed and approved as to form the attached First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program Funds. Staff recommends that the Board approved the First Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program Funds.

1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE 6103

3 RECORDING REQUESTED BY AND
4 WHEN RECORDED MAIL TO:

5 County of Riverside
6 Economic Development Agency
7 3403 Tenth Street, Suite 500
8 Riverside, CA 92501
9 Attn: Juan Garcia

10 SPACE ABOVE THIS LINE FOR RECORDERS USE

11 **FIRST AMENDMENT TO LOAN AGREEMENT FOR THE USE OF**
12 **NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS**

13 This First Amendment to Loan Agreement for the Use of Neighborhood Stabilization
14 Program Funds ("First Amendment") is made and entered into as of the ____ day of
15 _____, 2010, by and between the COUNTY OF RIVERSIDE ("COUNTY"), a
16 political subdivision of the State of California and Sheffield Foreclosure Renovation, Inc.
17 ("Sheffield"), a Delaware for-profit corporation.

18 WITNESSETH:

19 WHEREAS, COUNTY and SHEFFIELD entered into a Loan Agreement for the Use of
20 Neighborhood Stabilization Program Funds ("NSP Loan Agreement") on March 2, 2010 ;
21 and

22 WHEREAS, pursuant to the NSP Loan Agreement, COUNTY agreed to lend up to
23 Three Million Dollars (\$3,000,000) in NSP funds (the "NSP Loan") to SHEFFIELD for
24 individual financing to acquire and rehabilitate approximately twenty two (22) vacant,
25 foreclosed and bank-owned single-family properties ("Properties") and resale homes to
26 qualified low-, moderate-, and middle-income (LMMI) first-time homebuyers in the County
27 of Riverside; and

28 WHEREAS, SHEFFIELD has acquired eight (8) single-family properties and has an
additional 4 properties under contract for \$2,800,787 (93% of the NSP Loan); and

WHEREAS, SHEFFIELD has requested additional NSP funds to purchase additional
properties for the same activity of acquisition, rehabilitation and resale; and

WHEREAS, COUNTY desires to amend the NSP Loan Agreement and increase the

1 NSP Loan from Three Million Dollars (\$3,000,000) to an amount not to exceed Four Million
2 Seventy Thousand Dollars (\$4,070,000), subject to the availability of NSP funds allocated to
3 the COUNTY from the State of California and/or the federal government; and

4 WHEREAS, amending the NSP Loan Agreement will assist the COUNTY in fulfilling
5 its requirements under the Neighborhood Stabilization Program.

6 NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual
7 covenants and conditions hereinafter set forth, COUNTY and SHEFFIELD do hereby agree as
8 follows:

- 9 1. Section 1, PURPOSE, of the NSP Loan Agreement is deleted in its entirety and
10 replaced with the following:

11 “The COUNTY agrees to lend an amount not to exceed Four Million Seventy
12 Thousand Dollars (\$4,070,000) of NSP funds to SHEFFIELD upon the terms and
13 conditions set forth herein. SHEFFIELD will borrow the NSP funds from the
14 COUNTY for individual financing of acquisition, rehabilitation and disposition of
15 each Assisted Unit of the Project (“NSP Loan”). SHEFFIELD promises and agrees
16 to undertake and assist with the NSP-assisted activities by utilizing such NSP funds,
17 as identified in **Revised Exhibit A**.

18 The total amount of NSP funds allocated to SHEFFIELD is subject to the
19 availability of NSP funds the COUNTY receives from the State of California and/or
20 the federal government. The availability of NSP funds will be determined by
21 COUNTY in its sole and absolute discretion.”

- 22 2. The following subsection g is added to Section 2, SHEFFIELD’S OBLIGATIONS,
23 of the NSP Loan Agreement:

24 “g. SHEFFIELD shall submit a budget to the COUNTY for each Assisted Unit
25 showing the costs for acquiring, rehabilitating and disposing of it and obtain
26 COUNTY’s approval on the submitted budget prior to entering into a contract to
27 purchase the Assisted Unit.”

- 28 3. Section 10, REALLOCATION OF FUNDS, of the NSP Loan Agreement is deleted

1 in its entirety and replaced with the following:

2 "a. Funds shall become encumbered on the date escrow closes for the
3 Assisted Unit and results in a recorded deed of trust and promissory note in
4 the Riverside County Clerk's office. In the event SHEFFIELD does not close
5 escrow on the Assisted Units within two (2) months of the First Amendment's
6 Effective Date, as defined in Section 5 of the First Amendment, ("Acquisition
7 Deadline"), the COUNTY will reallocate the balance of unencumbered NSP
8 funds.

9 b. The reallocation of unencumbered NSP funds shall be evidenced by a
10 written amendment to this Agreement agreed upon by both parties, which
11 decreases the NSP Loan by the amount of unencumbered NSP funds. The
12 Assistant County Executive Officer/EDA or designee is authorized to execute,
13 subject to County Counsel approval, the amendment reducing the NSP Loan
14 amount by the balance of unencumbered NSP funds pursuant to Section 10(a).

15 c. In the event SHEFFIELD is unable to close escrow on the Assisted Unit
16 due to force majeure conditions, the COUNTY, in its sole and absolute
17 discretion, may extend the Acquisition Deadline up to two (2) weeks. The
18 extension on the Acquisition Deadline shall be in writing and executed by the
19 parties. The COUNTY's Assistant County Executive Officer/EDA or
20 designee is authorized to execute the amendment to extend the Acquisition
21 Deadline.

22 d. If COUNTY reallocates the unencumbered NSP funds pursuant to
23 Section 10(a), SHEFFIELD shall remain responsible for completing
24 rehabilitation of SHEFFIELD acquired properties and sale of Assisted Units
25 in accordance with this Agreement."

26 4. Exhibit A of the NSP Loan Agreement is replaced in its entirety with Revised
27 Exhibit A, attached hereto and incorporated herein by reference.

28 5. All other terms and conditions of the NSP Loan Agreement shall remain

1 unmodified and in full force and effect.

2 6. This First Amendment may be signed by the different parties hereto in counterparts,
3 each of which shall be an original, but all of which together shall constitute one and
4 the same agreement.

5 7. The effective date of this First Amendment is the date the parties execute this First
6 Amendment. If the parties execute the First Amendment on more than one date,
7 then the last date the First Amendment is executed by a party shall be the Effective
8 Date.

9 8. The First Amendment is not binding until approved by the Board of Supervisors.

10 IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of
11 the date first written above.

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COUNTY:
COUNTY OF RIVERSIDE

SHEFFIELD:
SHEFFIELD FORECLOSURE
RENOVATION, INC.

By: _____
MARION ASHLEY
Chairman, Board of Supervisors

By: _____
EDWIN M. HUPP, JR.
President

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel


Deputy **Michelle Clark**

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

(Signatures on this page need to be notarized)

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Riverside }

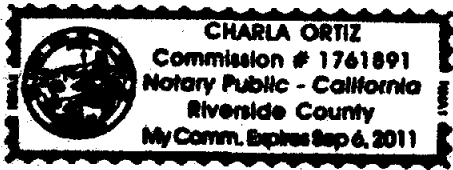
On May 24, 2010, before me, Charla Ortiz, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Edwin M. Hupp, Jr.
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Place Notary Seal Above

Signature Charla Ortiz
Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

Revised Exhibit A

Applicant: Sheffield Foreclosure Renovation, Inc. ("SHEFFIELD")
Address: 3400 Central Avenue, Suite 325, Riverside, CA 92506
Project Title: NSP-1 SHEFFIELD

Project Description:

SHEFFIELD will utilize \$4,070,000 in NSP funds for acquisition, rehabilitation and resale of approximately 22 vacant, foreclosed and bank-owned single-family homes to low-, moderate- and middle-income ("LMMI") first-time homebuyers within designated Target Areas of the County of Riverside as defined in the COUNTY's 2008-2009 One Year Action Plan and its amendments. Target Areas inside a city's boundary will require a letter of support from the respective city. SHEFFIELD has received a letter of support from the following cities: City of Canyon Lake, City of Lake Elsinore and City of Temecula.

NSP Assisted Units will be sold to qualified LMMI first-time homebuyers whose incomes do not exceed 120% of the area median income for the County. Qualified homebuyers must not have owned a home within the past 3 years and are required to attend an eight (8) hour home buyer counseling session certified by the United States Department of Housing and Urban Development (HUD).

SHEFFIELD will utilize NSP funds for acquisition, rehabilitation and disposal costs of properties for the Project. NSP Assisted Units shall be affordable for a period of at least 15 years from the transfer of title to qualified first-time homebuyers.

Eligible Properties ("Assisted Units")

Any single-family home, condominium or town home that meets all of the following minimum criteria:

1. The home must be foreclosed or abandoned and bank-owned or real estate owned.
2. If the home was tenant occupied at the time of foreclosure the foreclosing entity must provide documentation showing that all tenant protection laws were adhered to. Also, prior to entering into an agreement the home must have been vacant for a period of at least 90 days prior to the Initial Notice and Offer form (Exhibit D).
3. The home must be permanently fixed to a permanent foundation.
4. Homes constructed after January 1, 2000 are preferred. Older dwellings are eligible if they are suitable for renovation and if rehabilitation costs are reasonable. However, all properties must not be older than 50 years and must not be listed on, or eligible for listing on, the National Register of Historic Places. Homes built prior to 1978 will require to be tested for lead.

5. The home must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and comply with Laws and Authorities of §58.5: Historic Preservation, Floodplain & Wetlands, Coastal Zone, Aquifers, Endangered Species, Rivers, Air, Farmlands, HUD Environmental Standards and Environmental Justice.
6. Single-Family homes with in-ground pools or spas are eligible for acquisition.

Target Areas

Assisted Units must reside inside areas of greatest need within the designated Target Areas of the County of Riverside as defined in the County's 2008-2009 One Year Action Plan and its amendments. Target Areas inside a city's boundary will require a letter of support from the respective city.

Maximum Purchase Price

The maximum purchase price shall not exceed the actual 95 percent of the area median sales price, or the FHA 203(b) limit, whichever is lower, as updated and published regularly by HUD. In addition, the purchase price of property shall not exceed the appraised value of the property.

Resale Price Limitation

The Selling Price of each Assisted Unit shall not exceed (a) the fair market value or (b) the total costs to acquire, rehabilitate and dispose of each Assisted Unit pursuant to NSP.

Appraisals

At acquisition:

1. All foreclosed homes participating in this program must meet or exceed the minimum one percent (1%) discount below the **Current Market Appraised Value (CMAV)**. The CMAV is the value of a foreclosed upon home that is established through an appraisal made in conformity with appraisal requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) and its implementing regulations at 49 CFR 24.103 and completed within sixty (60) days prior to a final offer made for the property. At COUNTY's discretion and within NSP regulations of the NSP1 Federal Register Bridge Notice, COUNTY may modify the percentage discount requirement below the CMAV.
2. EDA will pay for appraisal costs as follows:
 - a) If the property's purchase price does not meet the minimum one percent (1%) discount below the Current Market Appraised Value, then EDA will only pay up to \$1,500 per property, a maximum \$15,000 per Applicant, of which will be paid by EDA. Beyond that amount, SHEFFIELD must pay for the cost of subsequent appraisals.
 - b) If the property's purchase price does meet or exceed the minimum one percent (1%) discount below the Current Market Appraised Value, then the cost of appraisal will be paid from the closing costs budget for the project.
3. Initial Notice and Offer. Upon receipt of a completed and signed Initial Notice and Offer form for each property in consideration, as provided in **Exhibit D**, or other similar forms approved by COUNTY, EDA will conduct an appraisal of the property through an independent fee contract appraiser ("Appraiser"). The Appraiser contracted by EDA will

Project Sources and Uses of Funds:

Sources:

Developer Equity	\$ 890,540
County of Riverside NSP Loan 10 months @ 0%	<u>\$ 4,070,000</u>
Total Sources	\$ 4,960,540

Uses:

Acquisition	\$ 3,669,195
Appraisals	\$ 39,000
Acquisition Title & Escrow	\$ 69,125
Total Rehabilitation Cost	\$ 336,096
Lead/ Asbestos Assessment	\$ 2,127
Title and Recording	\$ 115,877
Interim Maintenance	\$ 56,542
Insurance	\$ 69,526
Marketing	\$ 65,000
Homebuyer Education	\$ 5,200
Contingency	<u>\$ 75,671</u>
Total Uses	\$ 4,503,359

Real Estate Commission	\$ 0
Developers Fee	<u>\$ 457,181</u>
Sub Total	\$ 457,181

Total \$4,960,540

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. NSP Loan Agreement executed	June 8, 2010
2. Acquisition of Assisted Units completed*	August 2, 2010
3. Marketing Plan Status and Outreach	May 2, 2010
4. Rehabilitation of Assisted Units complete*	October 2, 2010
5. Transfer of title to Qualified Homebuyer*	January 2, 2011
6. Submission of Closing Documents	January 30, 2011

* Section 26 – Performance Requirements

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. NSP Activities Reporting and Project Photos	Monthly, due by the 15 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for SHEFFIELD and General Contractor	SHEFFIELD - At the execution of this Agreement. GC - Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with the COUNTY additionally insured.
3. Minority & Women Business Enterprise Report - HUD form 2516, and Section 3 Reporting	Semi-Annually-Sept 30th & March 31 st Completion of Project
4. Notice of Completion	End of Construction
5. Certificate of Occupancy	End of Construction
6. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Rehabilitation
7. Rehabilitation Completion Report	Close of Rehabilitation
8. Final Development Cost - Sources and Uses	Close of Rehabilitation
9. Qualified Homebuyer Selection Policy	Marketing Stage
10. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
11. Updated Preliminary Title Report showing Transfer of title to Qualified Homebuyer	Close of Escrow