

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

665



SUBMITTAL DATE:
July 19, 2012

FROM: Economic Development Agency

SUBJECT: Second Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds with Habitat for Humanity Riverside, Inc.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Second Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program 3 funds between the County of Riverside and Habitat for Humanity Riverside, Inc.;
2. Authorize the Chairman of the Board to sign the attached Second Amendment; and
3. Authorize the Assistant County Executive Officer/EDA, or his designee, to take all necessary steps to implement the Second Amendment including, but not limited to, signing a subsequent deed of trust for the home acquired, subsequent homebuyer deed of trust, and a subsequent essential and relevant loan document.

BACKGROUND: (Commences on Page 2)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 30,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: Neighborhood Stabilization Program 3 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*

County Executive Office Signature

Policy
 Consent
 Policy
 Consent

Prev. Agn. Ref.: 3.11 of 5/10/11; 3.10 of 9/27/11 | **District:** 2/2 | **Agenda Number:** 3.11

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY: *Samuel Noyes 7/17/12*
 DATE: *7/17/12*
 Departmental Co-SANMID EAWONG
 FORM APPROVED COUNTY COUNSEL
 BY: *Jennifer L. Sargent*
 ANNIE T. SAHAR

BACKGROUND:

On May 10, 2011, the Board of Supervisors approved a Loan Agreement for the use of Neighborhood Stabilization Program 3 (NSP3) funds with Habitat for Humanity Riverside, Inc. (HFHR), a California nonprofit public benefit corporation, in an amount of \$1,000,000 (Loan Agreement) to finance the acquisition and rehabilitation of approximately five vacant, foreclosed and bank-owned single-family properties and resale properties to qualified very low-income (VLI) first-time homebuyers in the County of Riverside inside designated Neighborhood Stabilization Program (NSP) Target Areas, as defined in the County of Riverside Substantial Amendment to the 2010-2011 One-Year Action Plan (Project).

On September 27, 2011 the Board of Supervisors approved the First Amendment to the Loan Agreement for an additional \$500,000 for a total loan amount of \$1,500,000 in NSP3 funds to HFHR for the Project.

The County has a deadline to obligate and expend at least 50% of the County's NSP3 grant by February 27, 2013 and must expend 100% of the County's NSP3 grant by February 27, 2014.

To date, HFHR has acquired, rehabilitated, and sold to six VLI first-time homebuyers within designated Target Areas of the County of Riverside as defined in the 2011-2012 One-Year Action Plan. HFHR has expended a total of \$1,414,378, which leaves a balance of \$85,622. HFHR has requested to use the balance plus allocate an additional \$30,000 to use for one additional home for a total of \$115,622. HFHR has identified potential properties that are listed with a purchase price from \$60,000 to \$80,000 and estimated rehabilitation costs that range from \$30,000 to \$40,000.

Amending the Loan Agreement will assist the County to fulfill its requirements under the NSP3 program by providing up to two additional homes.

County Counsel has reviewed and approved as to form the attached Second Amendment. Staff recommends that the Board approve the attached document.

FINANCIAL DATA:

All the costs related to this project will be fully funded with NSP3 funds.

Attachment:
Second Amendment to Loan Agreement

**SECOND AMENDMENT TO LOAN AGREEMENT FOR THE USE OF
NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP) FUNDS**

This Second Amendment to Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds (“Second Amendment”) is made and entered into as of the _____ day of _____, 2012, by and between the COUNTY OF RIVERSIDE (“COUNTY”), a political subdivision of the State of California and HABITAT FOR HUMANITY RIVERSIDE, INC. (“DEVELOPER”) a California nonprofit public benefit corporation.

W I T N E S S E T H:

WHEREAS, COUNTY and DEVELOPER entered into a Loan Agreement for the Use of Neighborhood Stabilization Program 3 Funds (“NSP3 Loan Agreement”) on May 10, 2011; and

WHEREAS, capitalized terms not defined herein shall have the meaning ascribed to them in the NSP 3 Loan Agreement; and

WHEREAS, pursuant to the NSP3 Loan Agreement, COUNTY agreed to lend up to One Million Dollars (\$1,000,000.00) in NSP 3 funds (the “NSP 3 Loan”) to DEVELOPER for individual financing to acquire and rehabilitate vacant, foreclosed and bank-owned single-family properties (“Properties”) and resale homes to qualified very low-income (“VLI”) first-time homebuyers in the County of Riverside; and

WHEREAS, COUNTY and DEVELOPER entered into a First Amendment to the NSP3 Loan Agreement on September 27, 2011 to increase the NSP 3 Loan from One Million Dollars (\$1,000,000.00) to an amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000.00); and

WHEREAS, COUNTY has a deadline to obligate and expend the NSP3 funds; and

WHEREAS, the DEVELOPER has acquired, rehabilitated and sold six (6) homes leaving a current balance of the NSP 3 Loan in the amount of Eighty Five Thousand Six Hundred Twenty-Two Dollars (\$85,622.00); and

WHEREAS, DEVELOPER has requested additional NSP3 funds in an amount up to

1 Thirty Thousand Dollars (\$30,000.00) to acquire one (1) additional Property to assist VLI
2 first-time homebuyers; and

3 WHEREAS, COUNTY and DEVELOPER desire to amend the NSP 3 Loan Agreement
4 and increase the NSP 3 Loan from One Million Five Hundred Thousand Dollars
5 (\$1,500,000.00) to an amount not to exceed One Million Five Hundred Thirty Thousand
6 Dollars (\$1,530,000.00); and

7 WHEREAS, amending the NSP 3 Loan Agreement will assist COUNTY in fulfilling its
8 requirements under the Neighborhood Stabilization Program 3.

9 NOW, THEREFORE, in consideration of the foregoing, and the promises and mutual
10 covenants and conditions hereinafter set forth, COUNTY and DEVELOPER do hereby agree
11 as follows:

12 1. Section 1, PURPOSE, of the NSP 3 Loan Agreement is deleted in its entirety and
13 replaced with the following:

14 “1. PURPOSE. COUNTY agrees to lend an amount not to exceed One Million
15 Five Hundred Thirty Thousand Dollars (\$1,530,000.00) of NSP 3 funds to
16 DEVELOPER upon the terms and conditions set forth herein. DEVELOPER
17 will borrow the NSP 3 funds from COUNTY for individual financing of
18 acquisition, rehabilitation and disposition of each Assisted Unit of the Project
19 (“NSP 3 Loan”). DEVELOPER promises and agrees to undertake and assist
20 with the NSP 3-assisted activities by utilizing such NSP 3 funds, as identified in
21 the “**Revised Exhibit A.**” ”

22 2. Section 26, PERFORMANCE REQUIREMENTS, of the NSP 3 Loan Agreement is
23 deleted in its entirety and replaced with the following:

24 “26. PERFORMANCE REQUIREMENTS. DEVELOPER must complete all the
25 following activities within the time specified below and subject to the specified
26 Effective Date as defined in **Section 52**, or the COUNTY shall either reallocate
27 the Unused Balance pursuant to **Section 10** or take title of Assisted Units:

28 a. Close Escrow on the Assisted Unit within two (2) months from the

1 Effective Date, as defined in Section 52;

2 b. Rehabilitate the Assisted Unit within three (3) months from the Effective
3 Date, as defined in **Section 52**; and

4 c. Sell the Assisted Unit within six (6) months from the Effective Date, as
5 defined in **Section 52**.

6 d. In the event DEVELOPER fails to comply with **Section 26(a)**,
7 COUNTY may reallocate the Unused Balance in accordance with
8 **Section 10**.

9 e. In the event DEVELOPER fails to comply with **Section 26(b)** or
10 **Section 26(c)**, upon COUNTY's request, DEVELOPER shall grant its
11 ownership interest in the Assisted Units to COUNTY or its designee.

12 _____
13 Signature”

14 3. Section 52, EFFECTIVE DATE, of the NSP 3 Loan Agreement is deleted in its entirety
15 and replaced with the following:

16 “52. EFFECTIVE DATE. DEVELOPER's performance will be determined based
17 on the Effective Date as follows.

18 a. The Effective Date of the additional NSP 3 Loan of Thirty Thousand
19 Dollars (\$30,000.00) is as of **Section 8** of this Second Amendment.”

20 4. Exhibit A of the NSP 3 Loan Agreement is replaced in its entirety with “**Revised**
21 **Exhibit A**”, which is attached hereto by this reference incorporated herein.

22 5. All other terms and conditions of the NSP 3 Loan Agreement shall remain unmodified
23 and in full force and effect.

24 6. This Second Amendment, First Amendment and the NSP 3 Loan Agreement set forth
25 and contain the entire understanding and agreement of the parties hereto. There are no
26 oral or written representations, understandings, or ancillary covenants, undertakings or
27 agreements, which are not contained or expressly referred to within this Second
28 Amendment, First Amendment and NSP 3 Loan Agreement.

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

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

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

9 End of Second Amendment

10 ///
11 ///
12 ///
13 ///
14 ///
15 ///
16 ///
17 ///
18 ///
19 ///
20 ///
21 ///
22 ///
23 ///
24 ///
25 ///
26 ///
27 ///

28 (Signatures follow in the next page)

1 IN WITNESS WHEREOF, the parties hereto have executed this Second
2 Amendment as of the date first written above.

3
4
5 COUNTY:
6 COUNTY OF RIVERSIDE

DEVELOPER:
HABITAT FOR HUMANITY RIVERSIDE, INC.
A California nonprofit public benefit corporation

7
8 By: _____
9 JOHN F. TAVAGLIONE
Chairman, Board of Supervisors

By: Karin Roberts
KARIN ROBERTS
Executive Director

10
11 APPROVED AS TO FORM:
12 PAMELA J. WALLS
County Counsel

13 By: Annie T. Sahhar
14 Deputy, Annie T. Sahhar

15
16 ATTEST:
17 KECIA HARPER-IHEM
Clerk of the Board

18
19 By: _____
20 Deputy

Revised Exhibit A

DEVELOPER: HABITAT FOR HUMANITY RIVERSIDE, INC.

Address: 2180 Iowa Avenue, Riverside, CA 92507

Project Title: Habitat Riverside – NSP3 - 1

Project Description:

DEVELOPER will utilize up to \$1,530,000.00 in NSP 3 funds for acquisition, rehabilitation and resale of approximately seven (7) vacant, foreclosed and bank-owned single-family homes to very low-income (“VLI”) first-time homebuyers within designated Target Areas of the County of Riverside as defined in the Substantial Amendment to the COUNTY’s 2010-2011 One Year Action Plan and its amendments. Target Areas inside a city’s boundary will require a letter of support from the respective city.

NSP 3 Assisted Units will be sold to qualified VLI first-time homebuyers whose incomes do not exceed 50% of the area median income for the County. Qualified homebuyers cannot have had ownership interest in improved-upon residential real property for the previous three 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). DEVELOPER will utilize NSP 3 funds for acquisition, rehabilitation and disposal costs of properties for the Project. NSP 3 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 occupied at the time of foreclosure by a bona fide tenant, the foreclosing entity must provide documentation showing that all tenant protection laws were adhered to. Also, If property was occupied by a bona fide tenant without a lease or with a lease terminable at will under state law at time of foreclosure, seller and or Listing Agent acknowledge and certify that the tenant was given 90 days notice as required by law before being asked to vacate the property, or if property was occupied by a bona fide tenant with a lease in effect on or before the date of the foreclosure, the Seller allowed the bona fide tenant to remain to the end of the lease term and provided a minimum 90 days notice to vacate (periods may overlap, but cannot be less than 90 days).
3. The home must be permanently fixed to a permanent foundation.
4. Homes constructed less than 50 years prior to the date of the initial offer are preferred. Older dwellings are eligible if they are suitable for renovation and if rehabilitation costs are reasonable. However, all properties older than 50 years must not be listed on, or eligible for listing on, the National Register of Historic Places and are subject to review by the California State Historic Preservation Office. 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 Substantial Agreement to the County’s 2010-2011 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, as updated and published regularly by HUD. In addition, the purchase price of property shall not exceed 1% below the Current Market Appraised Value, as defined herein, 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 3.

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 of which will be paid by EDA. Beyond that amount, DEVELOPER 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 be State licensed or certified in accordance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The initial purchase price, identified in the Initial Notice and Offer form, will be considered as the Initial Offer. Bulk purchases must identify purchase prices for each property.
4. Final Notice and Offer. The final purchase price must be at least one percent (1%) below the CMAV. Properties may be purchased in bulk, but the minimum one percent (1%) discount applies to each property, and not an overall discount.
 - a) If the Initial Offer does meet or exceed the minimum one percent (1%) discount, then the Seller and DEVELOPER ("Buyer") will be required to submit a Final Notice and Offer form, as provided in **Exhibit D**, or other similar forms approved by COUNTY. The Final Notice and Offer form must be received and dated within sixty (60) days of the completed EDA appraisal report. Failure to submit this in a timely manner will result in denial of the property.
 - b) If the Initial Offer does not meet the minimum one percent (1%) discount below CMAV, then the Buyer will be required to re-negotiate to meet the minimum one percent (1%) discount. If the Seller and Buyer could not reach an amicable agreement for the purchase price of the property, then the property by the Buyer will be denied and the cost of the appraisal will be paid for by EDA.

Project Sources and Uses of Funds:

Sources:

County of Riverside NSP 3 Loan 10 months @ 0%	<u>\$1,530,000</u>
Total Sources	<u>\$1,530,000</u>

Uses:

Acquisition	\$ 811,500.00
Appraisals	\$ 5,150.00
Title and Escrow	\$ 14,000.00
Rehabilitation Costs	\$507,000.00
Building Permits & Lead Base Paint Assessment	\$2,500.00
Interim Maintenance	\$3,000.00
Insurance	\$6,600.00
Marketing	\$2,000.00
Contingency	\$39,159.09
(Total Project Costs) Sub-Total	\$1,390,909.09
Developer Fee (10% of Total Project Costs)	\$139,090.91
Total Uses	\$1,530,000.00

IMPLEMENTATION SCHEDULE

Milestone*	Completion Date
1. NSP 3 Loan Agreement	
2. Acquisition of Assisted Units completed**	(2 nd month)
3. Marketing Plan Status and Outreach	
4. Rehabilitation of Assisted Units complete**	(3 rd month)
5. Transfer of title to Qualified Homebuyer**	(6 th month)
6. Submission of Closing Documents	

*as of the Effective Date per **Section 52** of NSP 3 Loan Agreement

** **Section 26** – Performance Requirements

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. NSP 3 Activities Reporting and Project Photos	Monthly, due by the 15 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for DEVELOPER and General Contractor	DEVELOPER – 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 31st Completion of Project
4. Local Hiring Requirement	Quarterly, due by: April 10 th , July 10 th , October 10 th , January 10 th
5. Notice of Completion	End of Construction
6. Certificate of Occupancy	End of Construction
7. Compliance with Green Rehabilitation Standard	End of Construction
8. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Rehabilitation
9. Rehabilitation Completion Report	Close of Rehabilitation
10. Final Development Cost - Sources and Uses	Close of Rehabilitation
11. Qualified Homebuyer Selection Policy	Marketing Stage
12. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
13. Updated Preliminary Title Report showing Transfer of title to Qualified Homebuyer	Close of Escrow