Merced County
Neighborhood Stabilization Program (NSP3)
HUD Abbreviated Action Plan

1. NSP3 Grantee Information

NSP3 Program Administrator Contact Information	
Name (Last, First)	Hendrickson, Mark
Email Address	mhendrickson@co.merced.ca.us
Phone Number	209-385-7686
Mailing Address	Merced County Department of Commerce, Aviation & Economic Development 2507 Heritage Drive Atwater, CA 95301

2. Areas of Greatest Need

Map Submission

The map generated at the HUD NSP3 Mapping Tool for Preparing Action Plan website is included as **Attachment #1**. HUD's NSP3 Planning Data associated with this map is included as **Attachment #2**.

Data Sources Used to Determine Areas of Greatest Need

Describe the data sources used to determine the areas of greatest need.

Response:

While the foreclosure crisis is national in scope, California posted the nation's third highest foreclosure rate according to a December 2010 report from RealtyTrac. Within California, Merced County has the fourth highest foreclosure rate with 1 in 115 housing units in foreclosure as compared to the State which has 1 in 203 housing units in foreclosure. This scenario may not improve any time soon since unemployment has risen and home values continue to drop. Unemployment in Merced County rose to 20.1 percent in December 2010, up from a revised 18.5 percent in November 2010. This compares with an unadjusted unemployment rate of 12.3 percent for California and 9.1 percent for the nation during the same period. Additionally, DQNews reports a -0.87% drop in median home sales prices for Merced County in December 2010. However, this drop is much larger in Dos Palos where the drop was posted at -43.75% and in Winton where the drop was posted at -21.38%. The County's goal through its proposed use of NSP3 funds is to improve housing values and stabilize neighborhoods impacted by foreclosure.

In order to determine the "areas of greatest need" in Merced County, information was obtained from RealtyTrac.com to identify the location and concentrations of foreclosures and pre-foreclosures. Next, the HUD NSP3 Mapping Tool was utilized to map potential target areas. Data provided by HUD as a model for predicting where foreclosures are likely was obtained for each target area as follows: percentage of subprime mortgages (2004-2007), estimated delinquent mortgages, foreclosure starts in the past year, number of Real Estate Owned (REO) units (7/09 – 6/10) and vacancy rate, percentage of persons below 120% and 80% of Area Median Income, and number of housing units needed to make an impact in the identified target area.

The Merced County Association of Realtors supplied the County with information on general market conditions for each target area including average days on the market, average number of properties

sold, median list price, median sales price, and the ratio of list price to sales price. This information was assessed to determine demand and affordability, as well as the likelihood that properties acquired and rehabilitated will be resold within a relatively short time frame, allowing the County the opportunity to recycle its funds to achieve greater impact.

Determination of Areas of Greatest Need and Applicable Tiers

Describe how the areas of greatest need were established and whether a tiered approach is being utilized to determine the distribution of funding.

Response:

Using the information obtained from RealtyTrac.com, the County identified the location and concentrations of foreclosures and pre-foreclosures. Potential target areas were mapped utilizing HUD's NSP3 Mapping Tool. Target area data provided by HUD was evaluated and compared. Based on this analysis, high priority target areas were selected and options ranked. The ability to achieve the greatest impact with the funds available and general market conditions were also considered.

Winton, Planada, South Merced, Dos Palos, and South Dos Palos were the areas considered.

Winton has the highest percentage of subprime mortgages (35.5%) and estimated delinquent mortgages (26.2%). It also has the second highest percentage of persons with incomes below 120% of area median income (85.37%) and the fourth highest percentage of persons with incomes below 80% of area median income (64.96%). While the HUD Impact number exceeds the number of units expected to be accomplished with initial grant funds, it is anticipated there will be sufficient funding recycled back into the grant to achieve this number. The average number of days on the market for properties sold in Winton is 30 days, and the average number of properties sold each month is 46.5. With a median list price of $78,280 and a median sales price of $47,500, home prices in Winton are considered affordable for low- and moderate-income individuals or families. The County has a prior investment of housing grant funds within this community ($2,567,690).

Planada has the fourth highest percentage of subprime mortgages (34.6%) and estimated delinquent mortgages (25.6%). It also has the third highest percentage of persons with incomes below 120% and 80% of area median income (84.67% and 69.41% respectively). There is sufficient funding available to meet HUD's impact number within this target area alone. The average number of days on the market for properties sold in Planada is 47 days, and the average number of properties sold each month is 4. With a median list price of $68,833 and a median sales price of $67,500, home prices in Planada are considered affordable for low- and moderate-income individuals or families. The County has a prior investment of housing grant funds within this community ($2,399,268).

South Merced has the third highest number of foreclosure starts in the past year (94) and REO units (54). It also has the highest percentage of persons with incomes below 120% of area median income (88.9%) and the second highest percentage of persons with incomes below 80% of area median income (69.85%). While the HUD Impact number exceeds the number of units expected to be accomplished with initial grant funds, it is anticipated there will be sufficient funding recycled back into the grant to achieve this number. The average number of days on the market for properties in Merced is 62 days, and the average number of properties sold each month is 101. With a median list price of $116,400 and a median sales price of $121,000, home prices in Merced are considered affordable for low- and moderate-income individuals and families.

Dos Palos has the second highest percentage of subprime mortgages (35.2%) and estimated delinquent

mortgages (25.8%). It also has the second highest number of foreclosure starts (107) and REO units (60). However, there will not be sufficient funding available, even with the funding anticipated to be recycled back into the program, to meet the HUD impact number. The average number of days on the market for properties sold in Dos Palos is 65, and the average number of properties sold each month is 1.1. With a median list price of $105,417 and a median sales price of $62,688, home prices in Dos Palos are considered affordable for low- and moderate-income individuals or families.

South Dos Palos has the third highest percentage of subprime mortgages (35.17%) and estimated delinquent mortgages (25.78%). It also has the highest percentage of persons with incomes below 80% of area median income (72.76%) and the fourth highest percentage of persons with incomes below 120% of area median income (82.13%). However, this area is not large enough to utilize the entire grant and would have to be combined with a second target area. HUD prefers grantees select one target area to achieve the greatest impact. The average number of days on the market for properties sold in Dos Palos is 65, and the average number of properties sold each month is 1.1. With a median list price of $105,417 and a median sales price of $62,688, home prices in Dos Palos are considered affordable for low- and moderate-income individuals or families.

3. Definitions and Descriptions

Definitions

Term	Definition
Blighted Structure	A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. This definition is consistent with California Health & Safety Code definition of a substandard structure under Section 17920.
Affordable Rents	Per the CDBG program, the generally accepted affordability standards are that households pay no more than 30 percent of household income for rent and utilities. NOTE: For the purposes of NSP only, the percentage of annual median income is increased to 120 percent and otherwise is consistent with the California Health and Safety Code Section 50053.

Descriptions

Term	Definition
Long-Term Affordability	The County will ensure continued affordability by applying HOME program guidelines, as suggested by HUD, for rental and owner-occupied properties. At a minimum, all assisted properties of NSP funds will be subject to the HOME requirement of continued affordability as outlined in the regulations for the HOME Investment Partnerships Program, Final Rule 24 CFR part 92.

HOME affordability periods-Homeownership §92.254

Homeowners assistance HOME amount per unit	Minimum Period for Affordability in years
Under $15,000	5
$15,000 to $40,000	10
Over $40,000	15

http://edocket.access.gpo.gov/cfr_2004/aprqtr/pdf/24cfr92.254.pdf

HOME affordability rental housing §92.252

Rental Housing Activity (HOME)	Minimum Period for Affordability in years
Rehabilitation of or acquisition of existing housing per unit under $15,000	5
$15,000 to $40, 000	10
Over $40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

http://edocket.access.gpo.gov/cfr_2004/aprqtr/pdf/24cfr92.252.pdf

Housing Rehabilitation Standards	The County's Housing Rehabilitation Program will provide written rehabilitation standards with a write-up of deficiencies of each unit to be rehabilitated. After rehabilitation, the property must at a minimum meet local building codes, zoning ordinances, and cost-effective energy conservation standards. Local building codes include the International Building Code, International Residential Code, International Plumbing Code, International Mechanical Code, Uniform Mechanical Code, Uniform Plumbing Code, State Housing Code, and National Electrical Code. See **Attachment #3** for Housing Rehabilitation Standards.

4. Low-Income Targeting

Low-Income Set-Aside Amount

Enter the low-income set-aside percentage in the first field. The field for total funds set aside will populate based on the percentage entered in the first field and the total NSP3 grant.

Identify the estimated amount of funds appropriated or otherwise made available under the NSP3 to be used to provide housing for individuals or families whose incomes do not exceed 50 percent of area median income.
Response: Total low-income set-aside **percentage** (must be no less than 25 percent): 25.00% Total funds set aside for low-income individuals will be no less than $676,469.00

Meeting Low-Income Target

Provide a summary that describes the manner in which the low-income targeting goals will be met.
Response: The County plans to utilize its NSP3 funds for acquisition/rehabilitation/resale of single family residences. A portion of the NSP3 funding will be utilized to provide qualified low-income homebuyers with pre- and post-purchase counseling and direct homeownership assistance including down payment and closing cost assistance. See Activity Number 2 for additional details. Providing deeper subsidies to individuals or families whose incomes do not exceed 50 percent of area median income, as well as having the ability to sell homes at an affordable price without regard to recapturing the total NSP3 investment, will ensure that the low-income targeting goal is met.

5. Acquisition and Relocation

Demolition or Conversion of LMI Units

Does the grantee intend to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income)?	Yes

If yes, fill in the table below.

Question	Number of Units
The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.	1
The number of NSP affordable housing units made available to low- , moderate-, and middle-income households—i.e., ≤ 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).	1
The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.	1

6. Public Comment

Citizen Participation Plan

Briefly describe how the grantee followed its citizen participation plan regarding this proposed substantial amendment or abbreviated plan.
Response: The County published a Public Notice in the Merced County Times on January 27, 2011, to invite citizens to review and comment on the County's NSP3 Action Plan. The County also posted the NSP3 Action Plan

on its website at www.co.merced.ca.us on January 22, 2011, for a 15-day review and comment period ending February 7, 2011.

At a publicly noticed meeting on February 15, 2011, the County Board of Supervisors met to review and approve the NSP3 Action Plan with the selected target area of Winton.

Summary of Public Comments Received.

The summary of public comments received is included as **Attachment #4**.

7. NSP Information by Activity

Enter each activity name and fill in the corresponding information. If you have fewer than seven activities, please delete any extra activity fields. (For example, if you have three activities, you should delete the tables labeled "Activity Number 4," "Activity Number 5," "Activity Number 6," and "Activity Number 7." If you are unsure how to delete a table, see the instructions above.

The field labeled "Total Budget for Activity" will populate based on the figures entered in the fields above it.

Consult the NSP3 Program Design Guidebook for guidance on completing the "Performance Measures" component of the activity tables below.

Activity Number 1	
Activity Name	Acquisition/Rehab/Resale with Direct Homeownership Assistance
Uses	Select all that apply: ☒ Eligible Use A: Financing Mechanisms ☒ Eligible Use B: Acquisition and Rehabilitation ☐ Eligible Use C: Land Banking ☐ Eligible Use D: Demolition ☐ Eligible Use E: Redevelopment
CDBG Activity or Activities	24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.
National Objective	Low Moderate Middle Income Housing (LMMH)
Activity Description	The County will acquire and rehabilitate homes in the target area identified as the "area of greatest need". Homes will be resold to individuals or families whose income does not exceed 120 percent of area median income. A portion of the NSP3 funding will be utilized to provide these qualified homebuyers with direct homeownership assistance including down payment and closing cost assistance in the form of zero interest, deferred payment, "silent second" loans with a 30-year term. At the end of the 30-year term, the loans will be amortized over a 15-year repayment period. NSP3 funds will also be used to provide homebuyers with pre- and post-purchase counseling.

	Housing values in the target area have steadily declined over the past two years. The County's goal through this activity is to improve housing values and stabilize neighborhoods impacted by foreclosure. To the maximum extent possible, the County will provide for vicinity hiring by placing notices in the local newspaper to advertise for needed services such as appraisal services, real estate broker services, contractors, etc. Contractors will be encouraged to hire locally for any construction workers needed and to investigate the prices of and, if possible, purchase goods and services from local vendors. This activity is limited to acquisition/rehabilitation/resale of single family residences to qualified homebuyers; therefore, the creation of rental housing preferences is not necessary. The information obtained during the process of selecting the target area confirmed that single family residences are by far the largest housing type affected by the foreclosure crisis in Merced County. Additionally, the County does not currently have the capacity or partnerships necessary to complete a successful rental activity.	
Location Description	Winton, CA NSP3 Planning Data Neighborhood ID# 4509307	
Budget	**Source of Funding**	**Dollar Amount**
	NSP3	$1,731,761.00
	(Other funding source)	$
	(Other funding source)	$
Total Budget for Activity		**$1,731,761.00**
Performance Measures	• Units of housing to be acquired • Units of housing to be rehabilitated • Units of housing to be sold • Homebuyers to receive pre-purchase counseling • Homebuyers to be assisted • Homebuyers to receive post-purchase counseling	
Projected Start Date	July 1, 2011	
Projected End Date	June 30, 2014	
Responsible Organization	**Name**	County of Merced Department of Commerce, Aviation & Economic Development
	Location	2507 Heritage Drive Atwater, CA 95301
	Administrator Contact Info	Mark Hendrickson, Director (209) 385-7686 mhendrickson@co.merced.ca.us

Activity Number 2	
Activity Name	Acquisition/Rehab/Resale with Direct Homeownership Assistance – 25% Set-Aside
Use	Select all that apply: ☒ Eligible Use A: Financing Mechanisms

	☒ Eligible Use B: Acquisition and Rehabilitation ☐ Eligible Use C: Land Banking ☐ Eligible Use D: Demolition ☐ Eligible Use E: Redevelopment
CDBG Activity or Activities	24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.
National Objective	Low-Income Housing to Meet 25% Set-Aside (LH25)
Activity Description	The County will acquire and rehabilitate homes in the target area identified as the "area of greatest need". Homes will be resold to individuals or families whose income does not exceed 50 percent of area median income. A portion of the NSP3 funding will be utilized to provide these qualified homebuyers with direct homeownership assistance including down payment and closing cost assistance in the form of zero interest, deferred payment, "silent second" loans with a 30-year term. At the end of the 30-year term, the loans will be amortized over a 15-year repayment period. NSP3 funds will also be used to provide homebuyers with pre- and post-purchase counseling. Housing values in the target areas have steadily declined over the past two years. The County's goal through this activity is to improve housing values and stabilize neighborhoods impacted by foreclosure. To the maximum extent possible, the County will provide for vicinity hiring by placing notices in the local newspaper to advertise for needed services such as appraisal services, real estate broker services, contractors, etc. Contractors will be encouraged to hire locally for any construction workers needed and to investigate the prices of and, if possible, purchase goods and services from local vendors. This activity is limited to acquisition/rehabilitation/resale of single family residences to qualified homebuyers; therefore, the creation of rental housing preferences is not necessary. The information obtained during the process of selecting the target area confirmed that single family residences are by far the largest housing type affected by the foreclosure crisis in Merced County. Additionally, the County does not currently have the capacity or partnerships necessary to complete a successful rental activity.
Location Description	Winton, CA NSP3 Planning Data Neighborhood ID# 4509307
Budget	**Source of Funding** / **Dollar Amount** NSP3 / $676,469.00 (Other funding source) / $

	(Other funding source)	$
Total Budget for Activity		$676,469.00
Performance Measures	• Units of housing to be acquired • Units of housing to be rehabilitated • Units of housing to be sold • Homebuyers to receive pre-purchase counseling • Homebuyers to be assisted • Homebuyers to receive post-purchase counseling	
Projected Start Date	July 1, 2011	
Projected End Date	June 30, 2014	
Responsible Organization	**Name**	County of Merced Department of Commerce, Aviation & Economic Development
	Location	2507 Heritage Drive Atwater, CA 95301
	Administrator Contact Info	Mark Hendrickson, Director (209) 385-7686 mhendrickson@co.merced.ca.us

Activity Number 3	
Activity Name	Demolition/Redevelopment
Use	Select all that apply: ☐ Eligible Use A: Financing Mechanisms ☐ Eligible Use B: Acquisition and Rehabilitation ☐ Eligible Use C: Land Banking ☒ Eligible Use D: Demolition ☒ Eligible Use E: Redevelopment
CDBG Activity or Activities	24 CFR 570.201(d) Clearance of blighted structures only. 24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below) 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. 24 CFR 570.204 Community based development organizations. HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost. New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.
National Objective	Low Moderate Middle Income Area Benefit (LMMA)
Activity Description	The County will acquire and demolish blighted properties in the target area identified as the "area of greatest need". Subject to the availability of funds,

new homes may be constructed and sold to individuals or families whose income does not exceed 120 percent of area median income. A portion of the NSP3 funding will be utilized to provide these qualified homebuyers with direct homeownership assistance including down payment and closing cost assistance in the form of zero interest, deferred payment, "silent second" loans with a 30-year term. At the end of the 30-year term, the loans will be amortized over a 15- year repayment period. NSP3 funds will also be used to provide homebuyers with pre- and post-purchase counseling.
To ensure affordability of newly constructed housing, the assisted property will be subject to the HOME requirement of continued affordability as outlined in the regulations for the HOME Investment Partnerships Program, Final Rule 24 CFR part 92.

HOME affordability periods-Homeownership §92.254

Homeowners assistance HOME amount per unit	Minimum Period for Affordability in years
Under $15,000	5
$15,000 to $40,000	10
Over $40,000	15

http://edocket.access.gpo.gov/cfr_2004/aprqtr/pdf/24cfr92.254.pdf

In some cases, the County may utilize NSP3 funds to demolish blighted properties owned by others. In these instances, promissory notes, deeds of trust and regulatory agreements restricting the use of these properties would be utilized to ensure these property owners receive no undue enrichment from the use of NSP3 funds.

Housing values in the target areas have steadily declined over the past two years. Blighted properties have contributed to this decline. The County's goal through this activity is to improve housing values and stabilize neighborhoods impacted by blighted properties.

To the maximum extent possible, the County will provide for vicinity hiring by placing notices in the local newspaper to advertise for needed services such as appraisal services, real estate broker services, contractors, etc. Contractors will be encouraged to hire locally for any construction workers needed and to investigate the prices of and, if possible, purchase goods and services from local vendors.

This activity is limited to demolition and redevelopment of properties, including resale of single family residences to qualified homebuyers; therefore, the creation of rental housing preferences is not necessary. The information obtained during the process of selecting the target area confirmed that single family residences are by far the largest housing type

	affected by the foreclosure crisis in Merced County. Additionally, the County does not currently have the capacity or partnerships necessary to complete a successful rental activity.	
Location Description	Winton, CA NSP3 Planning Data Neighborhood ID# 4509307	
Budget	**Source of Funding**	**Dollar Amount**
	NSP3	$27,059.00
	(Other funding source)	$
	(Other funding source)	$
Total Budget for Activity		$27,059.00
Performance Measures	• Units of housing to be demolished • Units of housing to be constructed • Units of housing to be sold • Homebuyers to receive pre-purchase counseling • Homebuyers to be assisted • Homebuyers to receive post-purchase counseling	
Projected Start Date	July 1, 2011	
Projected End Date	June 30, 2014	
Responsible Organization	**Name**	County of Merced Department of Commerce, Aviation & Economic Development
	Location	2507 Heritage Drive Atwater, CA 95301
	Administrator Contact Info	Mark Hendrickson, Director (209) 385-7686 mhendrickson@co.merced.ca.us

Activity Number 4		
Activity Name	General Administration	
Use	Select all that apply:	
	☒	Eligible Use A: Financing Mechanisms
	☒	Eligible Use B: Acquisition and Rehabilitation
	☐	Eligible Use C: Land Banking
	☒	Eligible Use D: Demolition
	☒	Eligible Use E: Redevelopment
CDBG Activity or Activities	24 CFR 570.206 Program administrative costs.	
National Objective	Low Moderate Middle Income Housing (LMMH)	
Activity Description	The County will provide general management, oversight, and coordination of County staff or other staff engaged in program administration. Program administration includes the following types of assignments: • Providing local officials and citizens with information about the program; • Preparing program budgets and schedules; • Developing systems for assuring compliance with program	

	requirements; • Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities; • Monitoring program activities for progress and compliance with program requirements; • Preparing reports and other documents related to the program for submission to HUD; • Travel costs incurred for official business in carrying out the program; • Administrative services performed under third party contracts of agreements, including such services as general legal services, accounting services, and audit services; and, • Other costs for goods and services required for administration of the program including rental or purchase of equipment, utilities, office supplies, and rental of office space; public information; fair housing activities; and special outreach activities. To the maximum extent possible, the County will provide for vicinity hiring by placing a notice in the local newspaper to advertise for any program administration services needed.	
Location Description	Winton, CA NSP3 Planning Data Neighborhood ID# 4509307	
Budget	**Source of Funding**	**Dollar Amount**
	NSP3	$270,588.00
	(Other funding source)	$
	(Other funding source)	$
Total Budget for Activity		$270,588.00
Performance Measures	• Timely submittal of reports • Timely submittal of draw requests • Expenditure milestones met	
Projected Start Date	July 1, 2011	
Projected End Date	June 30, 2014	
Responsible Organization	**Name**	County of Merced Department of Commerce, Aviation & Economic Development
	Location	2507 Heritage Drive Atwater, CA 95301
	Administrator Contact Info	Mark Hendrickson, Director (209) 385-7686 mhendrickson@co.merced.ca.us

8. Certifications

Certifications for Non-Entitlement Local Governments

(1) **Affirmatively furthering fair housing.** The jurisdiction certifies that it will affirmatively further fair housing.

(2) **Anti-displacement and relocation plan.** The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.

(3) **Anti-lobbying.** The jurisdiction must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(4) **Authority of jurisdiction.** The jurisdiction certifies that the consolidated plan or abbreviated plan, as applicable, is authorized under state and local law (as applicable) and that the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(5) **Consistency with plan.** The jurisdiction certifies that the housing activities to be undertaken with NSP funds are consistent with its consolidated plan or abbreviated plan, as applicable.

(6) **Acquisition and relocation.** The jurisdiction certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP program published by HUD.

(7) **Section 3.** The jurisdiction certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(8) **Citizen participation.** The jurisdiction certifies that it is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(9) **Use of funds.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.

(10) **The jurisdiction certifies:**

a. that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and

b. The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect

to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(11) **Excessive force.** The jurisdiction certifies that it has adopted and is enforcing:

a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and

b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

(12) **Compliance with anti-discrimination laws.** The jurisdiction certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(13) **Compliance with lead-based paint procedures.** The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(14) **Compliance with laws.** The jurisdiction certifies that it will comply with applicable laws.

(15) **Vicinity hiring.** The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of NSP3 funded projects or contract with small businesses that are owned and operated by persons residing in the vicinity of NSP3 projects.

(16) **Development of affordable rental housing.** The jurisdiction certifies that it will be abide by the procedures described in its NSP3 Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.

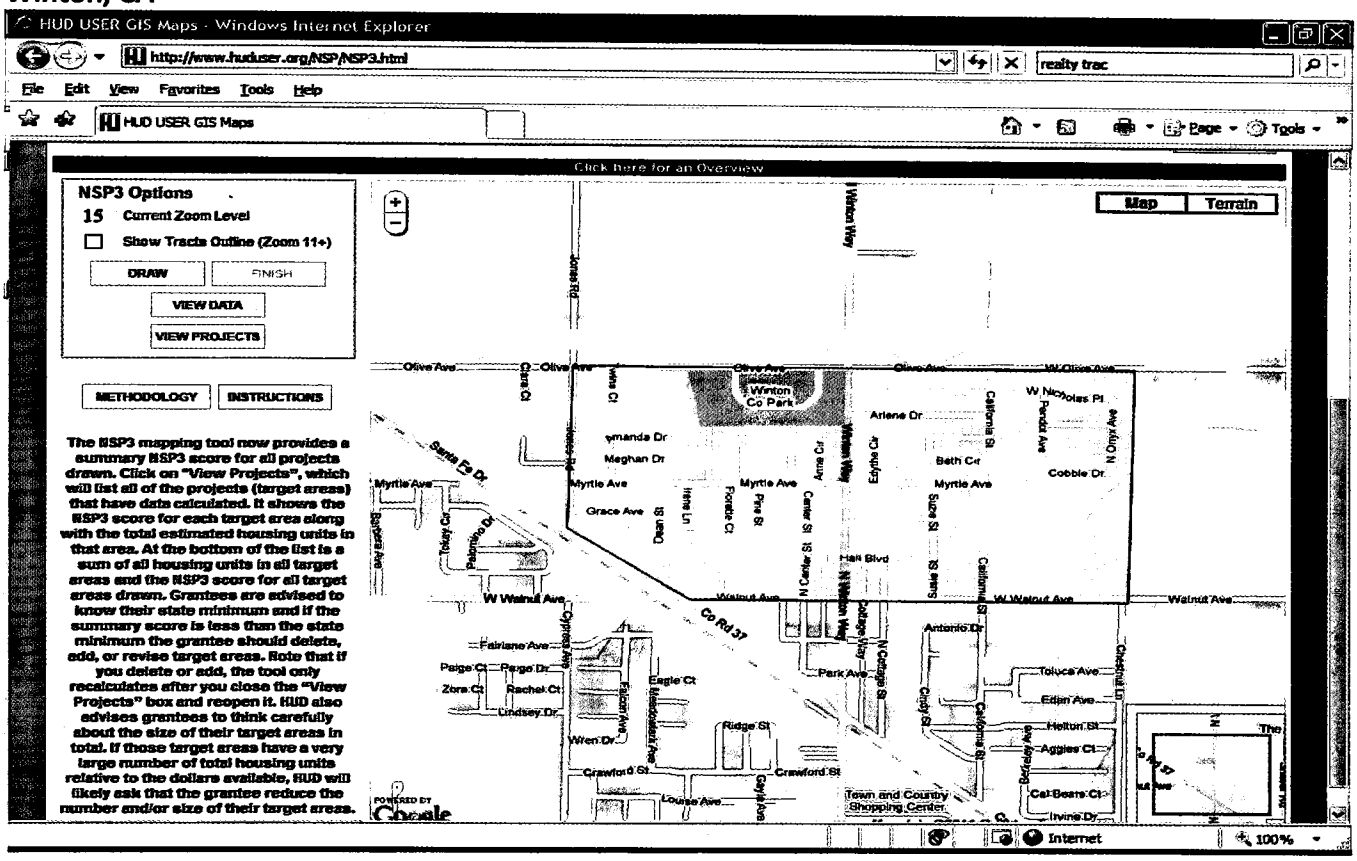
Signature/Authorized Official

2-17-2011
Date

Chairman, Merced County Board of Supervisors
Title

ATTACHMENT #1

Area of Greatest Needs Map
Winton, CA



ATTACHMENT #2

Neighborhood ID: 4509307

NSP3 Planning Data

Grantee ID: 0604700C
Grantee State: CA
Grantee Name: MERCED COUNTY
Grantee Address: 2507 Heritage Drive Atwater CA 95301
Grantee Email: mhendrickson@co.merced.ca.us

Neighborhood Name: Winton
Date:2011-01-21 00:00:00

NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 20
State Minimum Threshold NSP3 Score: 17
Total Housing Units in Neighborhood: 971

Area Benefit Eligibility

Percent Persons Less than 120% AMI: 85.4
Percent Persons Less than 80% AMI: 65.01

Neighborhood Attributes (Estimates)

Vacancy Estimate

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 712
Residential Addresses Vacant 90 or more days (USPS, March 2010): 46
Residential Addresses NoStat (USPS, March 2010): 55

Foreclosure Estimates
HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 581
Percent of Housing Units with a high cost mortgage between 2004 and 2007: 35.5
Percent of Housing Units 90 or more days delinquent or in foreclosure: 26.2
Number of Foreclosure Starts in past year: 73
Number of Housing Units Real Estate Owned July 2009 to June 2010: 41

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 14

<u>Supporting Data</u>
Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -61.6
Place (if place over 20,000) or county unemployment rate June 2005*: 9.5
Place (if place over 20,000) or county unemployment rate June 2010*: 18.1
Bureau of Labor Statistics Local Area Unemployment Statistics

<u>Market Analysis</u>:

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.

2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.

3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.

4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.

5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

Latitude and Longitude of corner points
-120.604820 37.396755 -120.604906 37.389527; -120.619154 37.389527;
-120.622845 37.391641; -120.622501 37.396551

Blocks Comprising Target Neighborhood
060470005041009, 060470005041025, 060470005041024, 060470005041023, 060470005041022, 060470005041021, 060470005041020, 060470005041019, 060470005041018, 060470005041017, 060470005041015, 060470005041014, 060470005041013, 060470005041012, 060470005041011, 060470005041010, 060470005041008, 060470005041004, 060470005041005, 060470005041006, 060470005041007, 060470005042003, 060470005042030, 060470005042020, 060470005042019, 060470005042018, 060470005042017, 060470005042013, 060470005042029, 060470005042028, 060470005042027, 060470005042026, 060470005042025, 060470005042024, 060470005042023, 060470005042022, 060470005042021, 060470005042004, 060470005042005, 060470005042006

ATTACHMENT #3

REHABILITATON STANDARDS

The following is a list of minimum standards, which must be met for a unit to be considered as Decent, Safe and Sanitary:

1. **Housing Unit:** Must have a Living Room, Kitchen and Bathroom. Must have a separate bedroom for each (2) two individuals living in the unit. If an efficiency apartment, consider the living room present.

2. **Living Room:** Must have (2) two electrical outlets in working condition. (Overhead fixed light fixture may be considered as (1) one outlet) The living room must have a window.

3. **Kitchen:** Must have (1) one electrical outlet and one ceiling or wall light fixture in working condition. The stove or microwave oven and refrigerator must be clean, all gaskets in sealable condition, all burners must be operational, oven to have a working element and both be free of odors. Stove or microwave oven and refrigerator may be furnished by the landlords. (Hot plates are not acceptable.) There must be a sink with hot and cold running water. Sink and fixtures must be free from any leaks and have proper trap installed.

4. **Bathroom:** Must have at least (1) one permanent light fixture present. There must be a toilet, a fixed basin and tub or shower. Basin and tub or shower to have hot and cold running water. Fixtures must be free from any leaks and have proper traps installed. A window or working vent system must be present, electric vent fans must function when switch is turned on.

5. **Bedroom(s):** Must have (2) two electrical outlets in working condition. Overhead light fixture may be considered as (1) one outlet. The bedroom must have a window.

6. **Other Room(s):** Dining room, second living room or den, playroom, TV room, must have sufficient electrical sources. The rooms must be free from potentially hazardous features.

7. **Window(s):** All operational (not fixed in place, or designed to open) windows must be weather tight and those accessible from the ground must be lockable. All glass in windows must be unbroken and free from cracks. (Deteriorated or rotting windows must be repaired or replaced.)

8. **Exterior Doors:** Must be lockable.

9. **Electrical Cover Plates:** All electrical switches and plugs must be free from any broken or missing covers. There must not be any frayed or exposed wiring. All wiring to be to code.

10. **Plumbing:** All water and sewer systems must be served by an approved public or private system. All plumbing must be free from leaks or corrosion and be properly vented.

11. **Smoke Detector:** A smoke detector must be located on each level of the unit. Smoke detectors must be designed with an alarm system for any hearing-impaired person.

12. **Interior Surfaces:** Must be free from cracked or peeling pain. All surfaces including walls, floors, and ceilings must be free of cracks, holes or openings.

13. **Hot Water Heater:** Must have an adequate and property installed operating hot water heater with a pressure relief valve and a discharge line from the pressure relief valve pointing down toward the

floor or through the floor where possible. Gas and oil fired hot water heaters must be vented into a properly installed chimney or flue leading outside.

14. **Heating Source:** There must be an adequate, permanent and safely operating heating system. All unvented space heaters are unacceptable.

15. **Interior Air Quality:** Must be free of pollutants in the air at levels that threaten the health of the occupants.

16. **Entrance Way:** All units must have a private access way, without going through any other units or living area. All units must have a sufficient exit way provided as an alternative escape route in the event of a fire.

17. **Steps:** All steps (interior and exterior) of four or more must have a firmly attached and supported handrail. Steps must not have broken, missing or loose boards.

18. **Porch and Balconies:** All porches or balconies higher than 30" off the ground must have a firmly attached and supported raid with slats.

19. **Infestation:** The unit must be free from bugs, mice, rats and other varmints.

20. **Exterior Surfaces:** All exterior surfaces including walls, ceilings, floors and foundations must be free from all chipping, peeling, cracking or noticeably loose or separating paint or materials. All cracks, holes, leaks and other deterioration which would propose a hazard or allow wind or rain to enter the unit must be sealed.

21. **Mobile Homes:** All flooring must be sound and free from holes, cracks, or other hazardous defects. Missing tile, linoleum or carpeting should be repaired or recovered. All walls and framing must be sound and free from water damage. All units to have tie downs that can be inspected. All skirting must be in place and free from openings or other hazards. Mobile Homes must be level and weather tight. Mobile Homes must comply with all other requirements.

22. **Yard and Grounds:** The yard must be free of debris, garbage, trash and other hazards. Where applicable the tenant must keep the yard maintained.

23. **Site and Neighborhood:** Must be reasonably free from disturbing noises, reverberations, and other dangers to the health, safety and general welfare of the occupants.

24. **Food Preparation and Refuse Disposal:** Must have suitable space and equipment to store, prepare and serve foods. Must be adequate facilities and services for the sanitary disposal of food wastes and refuse, including facilities for temporary storage where necessary (i.e. Garbage Cans).

25. **Utilities:** All utilities must be connected either by the landlord or in the tenant's name. A unit without utilities is considered substandard.

ATTACHMENT #4

SUMMARY OF PUBLIC COMMENTS RECEIVED

City of Los Banos provided written comments concerning: 1) a formal request to be included in the NSP3 Program; 2) the city's experience with participation in the NSP2 Program; 3) a proposed alternate target area within the Los Banos city limits; and 4) a request for the right to one-half, or $1.35 million, of the available funding.

LifeLine Community Development provided written comments in support of the Winton target area option.

Winton Municipal Advisory Council provided written comments in support of the Winton target area option.

Winton Water and Sewer District provided written comments in support of the Winton target area option.

Appendix: NSP3 Action Plan Contents Checklist

The checklist below is an optional tool for NSP3 grantees to help to ensure that all required elements of the NSP3 Substantial Amendment or the Abbreviated Plan are submitted to HUD. This checklist only includes the minimum required elements that must be included in the NSP3 Action Plan and grantees may want to add additional details. This document must be protected, as described above, in order to use the checkboxes in this checklist.

1. NSP3 Grantee Information

	Yes
Did you include the Program Administrator's name, address, phone, and email address?	☒

2. Areas of Greatest Need

	Yes
Does the narrative description describe how funds will give priority emphasis to areas of greatest need?	☒
Does the narrative description specifically address how the funds will give priority emphasis to those areas:	
• **With the highest percentage of home foreclosures?**	☒
• **With the highest percentage of homes financed by subprime mortgage related loan?; and**	☒
• **Identified by the grantee as likely to face a significant rise in the rate of home foreclosures?**	☒
Did you create the area of greatest needs map at http://www.huduser.org/NSP/NSP3.html?	☒
Did you include the map as an attachment to your Action Plan?	☒
***ONLY Applicable for States:* Did you include the needs of all entitlement communities in the State?**	☐

3. Definitions and Descriptions

	Yes
Are the following definitions and topics included in your substantial amendment?:	
• **Blighted structure in context of state or local law,**	☒

• Affordable rents,	☒
• Ensuring long term affordability for all NSP funded housing projects,	☒
• Applicable housing rehabilitation standards for NSP funded projects	☒

4. Low-Income Targeting

	Yes
Did you identify the estimated amount of funds appropriated to provide housing that meets the low-income set aside target?	☒
Did you provide a summary describing how your jurisdiction will meet its low-income set aside goals?	☒

5. Acquisition & Relocation

	Yes
For all acquisitions that will result in displacement did you specify:	
• The planned activity,	☐
• The number of units that will result in displacement,	☐
• The manner in which the grantee will comply with URA for those residents?	☐

6. Public Comment

	Yes
Did you provide your draft of the NSP3 substantial amendment for a minimum of 15 days for public comment?	☒
Did you include the public comments you received on the NSP3 substantial amendment in your plan?	☒

7. NSP Information by Activity

	Check all that apply
Did you include a description of all eligible NSP3 activities you plan to implement with your NSP3 award?	☒
For each eligible NSP3 activity you plan to implement did you include:	

• Eligible use or uses?	☒
• Correlated eligible CDBG activity or activities?	☒
• Associated national objective?	☒
• How the activity will address local market conditions?	☒
• Range of interest rates (if any)?	☒
• Duration or term of assistance?	☒
• Tenure of beneficiaries (e.g. rental or homeowner)?	☒
• If the activity produces housing, how the design of the activity will ensure continued affordability?	☒
• How you will, to the maximum extent possible, provide for vicinity hiring?	☒
• Procedures used to create affordable rental housing preferences?	☒
• Areas of greatest need addressed by the activity or activities?	☒
• Amount of funds budgeted for the activity?	☒
• Appropriate performance measures for the activity (e.g. units of housing to be acquired, rehabilitated, or demolished for the income levels represented in DRGR) ?	☒
• Expected start and end dates of the activity?	☒
• Name and location of the entity that will carry out the activity?	☒

8. Certifications

	Yes
Did you sign and submit the certification form applicable to your jurisdiction?	☒

9. Additional Documentation

	Yes
Did you include a signed SF-424?	☒