

Application Overview and Program Summary
San Jose Consortium
July 15, 2009

The Housing Trust of Santa Clara County (HTSCC), the City of San Jose, and Neighborhood Housing Services Silicon Valley (NHSSV) have joined together to create the San Jose Consortium for the purpose of applying for \$25,000,000 of Neighborhood Stabilization Program (NSP 2) funds under the American Recovery and Reinvestment Act (ARRA) of 2009. The Housing Trust, a 501 (c) (3) public benefit corporation is the lead applicant. A Consortium Agreement, executed by the Housing Trust, the City of San Jose and Neighborhood Housing Services Silicon Valley is included with the application.

Objectives

The main objectives of this program are to stabilize neighborhoods in the Target Geography by reducing the number of foreclosed or abandoned homes and residential properties. The Consortium will provide secondary financing for income eligible purchasers of foreclosed homes and will purchase and rehabilitate foreclosed or abandoned homes in the Target Geography.

Target Geography

NSP 2 requires an applicant to focus its activities in the areas of greatest need of intervention. The US Department of Housing and Urban Development (HUD) established a methodology to identify those areas of need based on foreclosure and vacancy rates at the census tract level. Focusing this effort will help to stabilize those areas hardest hit by foreclosures. The San Jose Consortium has identified 35 census tracts with an average foreclosure score of at least 18 within the City of San Jose (see Factor 1, Table 1.1).

Use of Funds

If successful in receiving this award, the Consortium will effectively utilize the funds in two distinct programs:

NSP Eligible Uses	Amount in Dollars	Responsible Entity
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties	\$5,000,000	The Housing Trust of Santa Clara County
(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	\$18,000,000	The City of San Jose, The Housing Trust of Santa Clara County
Administration	\$2,000,000	
TOTAL	\$25,000,000	

Under NSP2 Eligible Activity (A), the Consortium proposes to create and implement the Purchase Assistance Loan (PAL) program, to enable low-, and moderate-income individuals and

families to purchase foreclosed or abandoned homes in the proposed target geography. The Consortium will allocate \$5,000,000 of the award to this financing mechanism. The PAL will be available for down-payment and closing cost assistance. The assistance will be secured by a 15-year shared-equity promissory note secured by a deed of trust. Neighborhood Housing Services of Silicon Valley, a HUD-certified housing counseling agency will provide mandatory homebuyer counseling to prospective homebuyers. The Consortium expects to assist 100 households with this financing program within three years.

Under NSP2 Eligible Activity (B), the Consortium will allocate up to \$18,000,000 for the acquisition and rehabilitation of foreclosed or abandoned homes and residential properties in the Target Geography Area. This program will expand homebuyer and neighborhood stabilization opportunities that will have a positive impact on 105 foreclosed homes by implementing the following three strategies:

- Strategy 1: The Department of Housing of the City of San Jose will purchase and rehabilitate foreclosed properties utilizing up to \$11,750,000 of NSP2 funds. The City may also issue an RFP to nonprofit and responsible for profit developers to acquire and rehabilitate foreclosed properties. In that case, rehabilitation will be performed under the supervision of the Department of Housing of the City of San Jose. Homes under this program will be sold to individuals and families at or below 120% of Area Median Income for Santa Clara County. For a family of four, this is currently \$126,600.
- Strategy 2: To supplement Strategy 1 above, the Consortium will pursue the implementation of an innovative program that will allow for the purchase of foreclosed, pre-eviction properties for re-sale to the “immediate” former owners. Through its foreclosure prevention counseling program, NHSSV will identify eligible clients under their homebuyer program. Down-payment assistance from NSP2 funds will be made available to NHSSV-approved, income eligible households. This program will maintain home affordability and prevent homelessness, and is in alignment with the efforts of the City’s ForeclosureHelp and Destination Home Initiatives.
- Strategy 3: Twenty-five percent of the total funds requested, \$6,250,000 will be reserved for individuals and families with incomes below 50% of AMI. The Consortium will make these funds available to nonprofit developers of affordable housing for the development of permanent housing. Developers will purchase foreclosed vacant properties for rehabilitation as rentals or for-sale housing.

Implementation of the proposed programs will provide assistance to **205** eligible properties, promote neighborhood stabilization and provide economic benefit to the impacted communities.