

Program Summary

Project ARCH (“Action to Recycle Community Housing”)

The City of South Lake Tahoe (SLT) proposes to utilize NSP2 funds to establish project ARCH (Action to Recycle Community Housing) in its effort to stabilize our collapsing housing and job market. Project ARCH will assist low-, moderate- and middle-income families obtain homeownership. The community will be revitalized through the collaborative efforts of the ARCH Task Force bringing together professionals in the real estate and construction industries for a common purpose working with local small business owners to increase the supply of affordable housing. Project ARCH will stimulate the local economy through the creation and expansion of jobs and it will “Grow the Green Economy” via the partnership with the Lake Tahoe Community College and the California Workforce Investment Board (see the attached firm Letters of Commitment), which will create a job-training program for displaced and newly unemployed workers to learn how to perform energy audits and install energy efficient equipment and methods. The Green Economy will also grow through HUD’s requirement that all NSP2 assisted housing units be rehabilitated to meet or exceed Energy Star ratings, which will also help to reach the City, California and U.S. EPA’s goal to reduce demand on non-renewable energy sources. Additionally, Project ARCH will help meet the City’s energy goals as adopted by the City Council in its Sustainability Plan in November, 2008 through the implementation of Energy Efficient Rehabilitation standards. The City invested over two years developing this comprehensive and community-informed Sustainability Plan, which addresses sustainability from ten key principles including building to Green Standards (LEED and Build-it Green) and the commitment to reduce Green House Gas emissions and the City’s carbon footprint by 15% by 2012 (see www.cityofslt.us). Project ARCH will expand the City’s already very successful First Time and Moderate Income Homebuyer and Housing Rehabilitation Programs, through which over \$13.5 million dollars has been invested over the last 24 months to construct new and rehabilitate existing affordable housing units. Together with homeownership assistance provided, 172 units of affordable housing have been created over the past two years.

Project ARCH will leverage community resources in way no other grant funds have ever been able to do. During the planning process that led to this application, the SLT community demonstrated its commitment to NSP2, as demonstrated in the attached Letters of Commitment. These letters were so generous in their level of support that a decision was made to not “count” every dollar. Rather, a carefully considered approach was used to determine a realistic expected participation level, which determined that \$938,451 in committed contributions were received. These leveraged funds came from all sectors: from Real Estate Commission discounts to be applied as a credit to homebuyers, and Rehabilitation Construction discounts, energy-audit and energy-related improvement discounted costs as well as marketing, job-training, and many other industries. This level of demonstrated community support, together with the City Council’s contribution commitment of \$500,000 in cash and \$250,000 in permit fee waivers raises the City’s total leverage commitments to more than 22% (\$1.6 million) of the City’s request for \$7.5 million and will expand the use of funds to truly make a difference in the economic and housing stabilization of our community.

Project ARCH will expand the City Housing Rehabilitation, Homeownership Assistance, new construction and housing stabilization activities in a coordinated effort to revive the local

housing market. SLT is completely dependant upon the economy. The City was hard-hit early on in the Great Recession. Although the economy began to significantly slow elsewhere in 2008, SLT had already seen discretionary spending keeping people from visiting Lake Tahoe in the winter of 2007. By summer 2008, the City was in steep decline, the housing prices had already fallen to prices not seen since May – June of 2005, with continuing declines (source: South Tahoe Realtor's Association, www.staor.org). Winter 2007, all of 2008 and here again in the summer 2009 SLT has seen many vacation cancellations as reported by the Lake Tahoe Visitor's Authority and South Lake Tahoe Lodging Association. Now, in 2009, foreclosures have risen to numbers never seen before. While that is similar to other parts of the country, because of the relatively small size of SLT (population 23,500) and high and fast-rising unemployment rate (11.3 % in May 2009, according to the US Bureau of Labor Statistics) and the near-dead travel market, the percentage of foreclosures and the impact of the abandoned homes and high-job losses have had a greater visible impact than in larger communities that have been able to absorb the shock better than our community.

The investment of NSP2 funds for Project ARCH will make a difference and do so quickly. The City's housing market in a steady fall since Summer 2007 will be stabilized. Energy efficiency will be improved in a community heavily interested in environmental improvements. The size of our community, which felt the Great Recession quickly, will also allow Project ARCH to show quick success and positive impacts. Toward these ends, SLT proposes to acquire foreclosed properties and convert those properties to at least 163 housing units. As part of the overall effort, an estimated 12 to 15 properties will be demolished. The cleared sites will be used for replacement housing or as a community resource such as a pocket park or community garden. The determination of the use will be made through local neighborhood meetings and their preferred alternative will be selected.

The community stepped up to provide evidence to HUD they are willing to make this project achieve President Obama's goals to stimulate the economy, stabilize the housing market and create jobs, which will lead to lasting benefits. Project ARCH will build a bridge of support under the housing market road that has collapsed our economy and provide an opportunity for many low-to-moderate/middle income earners who were priced out of the market years ago to become homeowners again or for the first time. If funded, Project ARCH will stand as a testament to a community able to make the best use of the support NSP2 was meant to accomplish and become a Showcase for NSP2 success.

RESPONSE TO RATING FACTORS Project ARCH (“Action to Recycle Community Housing”)

1. Rating Factor 1: Need/Extent of the Problem

a. Target Geography

The City of South Lake Tahoe (SLT), CA seeks a Neighborhood Stabilization Program 2 (NSP2) grant to implement Project ARCH (Action to Recycle Community Housing). This innovative effort will build on the City’s exceptional existing redevelopment, rehabilitation and affordable housing programs to combat the tsunami of foreclosed and often vacant houses that threaten to wash away the fabric of the SLT community. SLT, with a population of 23,609¹, is a small rural city in eastern El Dorado County on the west slope of the Sierra Mountains in the Tahoe Basin, adjacent to Lake Tahoe and the Nevada state line, about 100 miles east of Sacramento and 50 miles west of Reno.

To understand the need for the proposed NSP2 grant, it is necessary to briefly review SLT’s long and often colorful history. Explorer John C. Fremont first saw what is now known as Lake Tahoe in 1844. While the lake had several names over the years, it was not until the California Legislature acted in 1945 that "Tahoe," a Native American name meaning "big water," became the official designation of one of the most beautiful and well-known lakes in the world, and later designated by EPA as an Outstanding Natural Resource Wonder. In the 1860's, the Tahoe area was the center of a lively commerce that involved the silver mines in nearby Virginia City, NV, where the Comstock Lode was discovered in 1859, and the Central Pacific Railroad, which was pushing over the Sierra toward the town of Truckee. To supply wood to the mines, the new boomtown and the railroad created an extensive logging empire on the east shore of the lake, from Incline Village to Glenbrook. The silver rush led to pioneers and luck-seekers headed the Comstock Lode to stop off in SLT, which in turn led to the creation of many small hotels, cafes and shops. The loggers clear-cut the entire shoreline, desecrating the land and leaving scars visible for decades. As logging declined in the early 1880's, tourism became the new boom and spawned a new land rush centered on resorts. The modern towns and cities around the lake, including SLT, grew around resorts or hotels constructed during the late 19th and early 20th centuries, largely for travelers from San Francisco who would take one train to Truckee and from there board a second train that rode on a narrow gauge track to Tahoe City. Other travelers came by way of the Sierras through Echo Summit and stopped as the hotels left by the Silver Rush. Small casinos sprung up at the edge of the Lake, providing entertainment. The modern SLT took form in the 1950s and 1960s, as the attraction of the scenic wonders, the allure of adjacent casinos in Nevada, and boating, hiking, and skiing facilities, made the area a popular seasonal destination resort.

Within the context of the above colorful history and idyllic setting of the Tahoe Basin, an examination of the demographics of SLT and El Dorado County demonstrate a very different reality from the popular view of California as a land of endless prosperity. As Benjamin Schwarz writes, the 1950s and 1960s were “a sweet, vivacious time: California’s

¹ 2000 Census, <http://factfinder.census.gov>

children, swarming on all those new playgrounds, seemed healthier, happier, taller, and—thanks to that brilliantly clean sunshine—were blonder and more tan than kids in the rest of the country. For better and mostly for worse, it’s a time irretrievably lost.”² Today, the County is rural and isolated, with much more affluent and white residents living on the west side of the Sierras in charming mountain hamlets like Placerville (the County seat), while lower income families and residents of color are concentrated on the east side of the mountains in SLT. There is almost literally a “wrong side of the tracks,” or in this case, mountains. Other than SLT, the County area is rural in character with agricultural valleys bisected by steep mountains and foothills, including wilderness areas. The area may be compared to Appalachia, in that much of the population in the mountainous sections live in isolated settlements and towns, often accessible only by poorly maintained two-lane roads. Many mountain roads are closed in winter, and extreme blizzard conditions often can turn a 20-mile trip into an all-day, roundabout excursion. While most visitors to Lake Tahoe drive through SLT to get across the state line to Nevada casinos, or stay in one of the many motels and inns that line the major boulevards, few see the real community. SLT is actually two communities: a thin veneer of very affluent full-time residents or seasonal visitors and tourists that overlays the vast majority of low-income and blue-collar residents. Thus, SLT exhibits a striking dichotomy in that it is split between a relatively small group of “haves” and the majority of the population, who are “have nots.” The following table of selected demographic indicators for SLT, compared to El Dorado County, reflects this split:³

	South Lake Tahoe	El Dorado County
Population	23,609	156,299
Median Income	\$34,707	\$51,484
% of Population < Poverty Level	9.1%	5%
% of Female Headed Households < Poverty	17.6%	14.3%
Median Age of Population	33.4	39.4
Housing Units	14,050	71,278
% Owner Occupied Housing Units	43.7%	74.7%
% Rental Occupied Housing Units	56.9%	25.3%

The above data demonstrates that City residents are considerably worse off than County residents across all indicators. The median income in the City is 2/3 that of the County, while City residents are almost twice as likely to live in poverty than people in the County. Significantly, almost one in five female-headed households in the City live in poverty. The City population is also much younger than the County, with the median age being six years lower, reflecting the fact that towns like Placerville attract affluent retirees from Southern California and the Bay Area. The relative economic disadvantage of City residents is further shown by the fact that they are vastly less likely to own their own home than County residents. From an ethnic perspective, over one in five City residents, 27.5%, is a person of color, with virtually all of these being Hispanic (of any race), who compose

² Schwarz, Benjamin “California Dreamers.” *The Atlantic*. July/August 2009.

³Sources: Ibid and the 2009 Update of the City of South Lake Tahoe Housing Element of the General Plan http://sltgpu.com/pdf/SLTHE_AdoptedHE_full_2008-12-09.pdf.

26.7% of the total County. In contrast, the County is largely white, with less than 10% of residents being persons of color. Although specific ethnic trend data for SLT will not be available until the 2010 Census, anecdotal evidence suggests that the actual percentage of Hispanic residents has grown dramatically in this decade, and likely exceeds 30%, as many immigrants were drawn to the City to take advantage of the plentiful service sector and tourist-industry jobs available during the recent boom years.

The Tahoe Basin economy is tied heavily to tourism and the ski and water sports seasons, with most jobs being low paying service sector positions with little career ladder potential and limited fringe benefits. SLT's proximity to the large Bay Area, Sacramento, and Reno population centers makes Lake Tahoe an attractive place for day-trippers or weekenders seeking to escape the summertime Central Valley heat or spend a day on the ski slopes. This situation encourages the formation of a low-paid, seasonal workforce. Jobs paying minimum wage plus tips are not uncommon. As is typical in destination resort areas, the economy tends to be seasonal in nature, climate-dependent, and unstable. After Labor Day and in the spring, hours of employment tend to be cut back, and in some cases, full season layoffs occur. Some people work "dual" seasonal employment, such as Forest Service firefighting in the summer and ski patrolling in the winter, while others supplement income by reverting to a "hunting and gathering" lifestyle in which game and wild fruit and other plants contribute to keeping families fed. In 2005, 55.6% of local jobs were in the Services sector, while 26.3% were in Retail Trade occupation categories, demonstrating the almost complete lack of manufacturing, skilled and professional employment opportunities in SLT.⁴ Most wage earners in SLT work more than one job and work for retail and tourist-driven businesses.⁵ This helps explain the virtual lack of a middle class in SLT.

The SLT economy, bound tightly to tourism and discretionary spending, is being devastated by the lingering Great Recession, which is turning into a Depression for many high-need/low-resource families that are experiencing layoffs for one or both wage earners. Residents are tempted by allure of fast cash through drug involvement, including meth production and sales and marijuana growing, which is easy to grow in the High Sierras. Nearby national forest areas and isolated mountain cabins combine to make it relatively easy to engage in illegal drug commerce, while the Nevada casinos offer ready markets. With the drumbeat of politically ginned-up anger over corporate bailouts and widely publicized junkets to Las Vegas, casino-oriented destinations like the Tahoe Basin have been particularly hard-hit. SLT's eastern boundary of Stateline Nevada is literally a street (Stateline Street). This "Casino Corridor" has long employed most SLT residents. The Corridor includes Harrah's, Harvey's, Bills, Horizon, Montbleu, and Lakeside Casinos. In their hey-day, they hosted such stars from Elvis Presley to the Beach Boys, Sammy Davis Jr., and the "Rat Pack." An avalanche of layoffs in the tourism and retail sectors, as reported by the U.S. Bureau of Labor Statistics impacting the Leisure and Hospitality sectors, has certainly been felt in SLT. And, as reported by the Sacramento Bee and Tahoe Daily Tribune, local casinos have laid off more than 20% of their workforce in the last year alone. "There's an oversupply of gaming product in the marketplace," said Hud Englehart,

⁴ Sierra Economic Development Department's Regional Industry Cluster Analysis, May 2006.

⁵ South Lake Tahoe Prospector, www.cityofslt.us/economicdevelopment.html.

a spokesman for the Horizon's owner, Tropicana Entertainment of Las Vegas, which also owns Montbleu. "The Tropicana is now in bankruptcy court taking Horizon and Montbleu with them."⁶ With virtually nowhere else for these folks to go, the layoffs have driven service industry workers underground, creating homelessness and crime. According to SLT Police Chief Terry Daniels, an increase in the number of home burglaries and "minor" small crimes has seen a direct correlation between job loss and the economy and the increase in reported incidents. In May, 2009 the official SLT unemployment rate was 11.3%, while the El Dorado County unemployment rate hit 11.1%, which are higher than the state rate of 10.9% and national rate of 9.4%.⁷ As disturbing as it is to consider more than one in ten residents being unemployed, the real unemployment rate in SLT is likely approaching 20%, given the concentration of low-skill workers in the City and the fact that many residents have been reduced to part-time work or have simply given up hope of finding a job and left the workforce.

With respect to housing, in 2007, 65% of SLT housing units were single-family units, while 29.8% were multi-family and 4.7% were mobile homes.⁸ The last category is somewhat of a misnomer, as these "mobile homes" are hardly mobile and almost all old and dilapidated single-wides in run-down parks. Despite their poor condition, mobile homes represent a key affordable housing resource, particularly for hundreds of working poor families and retirees who have no other housing options. While official housing vacancy rates, as reported by the Census Bureau are extremely high in SLT (32.8% in the 2000 Census, for example), this is very misleading as 60% – 70% of these so called "vacant units" are vacation or second homes used seasonally or for brief recreational periods, while many have been foreclosed or exist in legal limbo as multiple creditors fight for the boom-time scraps that remain. The true vacancy rate usually is unknown. Additionally, many low-income individuals and families resort to renting motel rooms rather than renting residential units when they cannot save enough money for refundable security deposits (typically two months' rent for damages or unpaid rent), or if they have a poor credit history. At weekly room rental rates ranging between \$150 and \$300 per week (or \$600 to \$1,200 monthly), the motel rate is often more than an equivalent market-rate studio residential unit, making it difficult to save the money needed to break out of the motel-room cycle. As such, this forms a hidden "tax" on the poor. Motel units are often overcrowded, either with families or sometimes with seasonal workers stretching their housing dollars by "hot bedding" (the practice of sharing a unit with others who work opposite shifts such that there is always someone sleeping in the bed). Hispanics compose 32% of renters in SLT, significantly higher than their percentage in the overage population, reflecting lower family incomes. Additionally, 14% of housing units in SLT are

⁶ <http://www.tahodailytribune.com/article/20090509/NEWS/905089951/1056/RSS>

⁷ California Employment Development Department, www.labormarketinfo.edd.ca.gov/?pageid=1003 and US BLS.

⁸ 2009 Update of the City of South Lake Tahoe Housing Element of the General Plan http://sltgpu.com/pdf/SLTHE_AdoptedHE_full_2008-12-09.pdf.

overcrowded, compared to just 5% in the County, while 20% of SLT rental units are overcrowded and 8% of households are considered severely overcrowded.⁹

Regarding the age and condition of the City's housing stock, housing in SLT is considerably older than in El Dorado County, with 85% of the City's housing units having been constructed before 1980, compared to 51.8% for the County. SLT's severe winter climate means that older houses require larger investment than new houses to properly maintain them. In July 2002, SLT conducted a "windshield" survey to evaluate exterior housing conditions citywide. The housing conditions survey was conducted using the nominal point system and survey format recommended by HCD for use in the CDBG program. The survey included 5,166 units and revealed that 25% of housing units needed repair or replacement, a very high percentage. Given the recent rapid local economic decline, this already troubling situation is almost certainly deteriorating as more owners are forced to defer maintenance on owner-occupied and rental units.

Like most of America, SLT is being severely devastated by the burst housing bubble and resulting wave of foreclosures and vacant residential properties. The tourist-related aspect of the local housing market, as described above, however, has amplified the deleterious impact on vulnerable SLT residents, making the community unique in its hardship. As discussed previously, much of the housing stock in SLT is relatively old by California standards and includes many houses that were originally built as cabins and were little more than mountain shacks. With the unprecedented housing inflation of the mid-2000s, the prices of such units skyrocketed, leading to a frenzy of speculation, largely by outsiders from the Bay Area, LA and even overseas. In a heartbeat, many SLT families were instantly unable to afford what had been a traditional source of housing for the working poor. As "flippers" bought properties and made cosmetic changes to rapidly re-sell them, a vicious cycle developed in which speculators sold to one another, while families were forced into substandard and often overcrowded housing in mobile home parks, motels and, in some cases, outbuildings not meant for human habitation. During this process, large swaths of SLT were transformed from a well-functioning housing market with a fair number of affordable housing choices into glittering enclaves for out-of-area owners, while hard working families were left to ghettos, where they fought over extremely limited housing scraps in trailer parks, motels and the like. Those low- and moderate-income families who were able to climb onto the housing escalator were abused by predatory subprime lenders and lured into homes they could not afford once the teaser rates began to adjust. When the party ended two years ago, leaving residents to clean up after the revelry, SLT was quickly overwhelmed by a tidal wave of foreclosures. An already bad situation was exacerbated by the start of the Great Recession in mid-2008 and its concomitant devastating service sector job losses. The community is now inundated with foreclosed houses, both single-family and multi-family, many of which are vacant. Such abandoned buildings are targets for thieves of opportunity, who all too often strip the houses of copper pipes, appliances, and, in some cases, simply wantonly vandalize them. The problem of houses being trashed is compounded by the lack of jobs, which forces some residents of the greater SLT area to turn to desperate measures like house-stripping to make ends meet.

⁹ Ibid.

This will make eventual efforts to rehabilitate vacant houses and return them to the pool of affordable housing even more difficult, as it increases renovation costs.

Adding to the misery in SLT is the reality that the availability of credit in the form of capital for first mortgages, second mortgages and HELOCs (home equity lines of credit) virtually disappeared in September 2008 with the near meltdown of the nation's banking industry. Although swift action by the new economic team in Washington has brought the country back from the brink of a full collapse, credit markets remain jittery at best. At the micro-economic level in SLT, credit for the purchase and rehabilitation of housing units remains difficult to obtain. While some local, regional and national lenders have capital available, terms are difficult, if not impossible to meet for most working families, since their debt-to-income and housing cost-to-income ratios are typically too high to meet underwriting standards and most lack savings for the required very high down payments, which can range to a 50% loan-to-value (LTV) ratio. Thus, the housing capital markets are essentially shut to very low-, low- and moderate-income SLT residents.

Within this context, the following at the Neighborhood Stabilization Index (NSI) scores for five of SLT's six census tracts in which NSP 2 funds will be spent:¹⁰

Census Tract	Foreclosure Score	Vacancy Score
0302.00	18	18
0303.00	19	19
0304.01	19	19
0304.02	16	16
0305.01	20	20

As may be seen from the above, the average score is 18.4, clearly indicating the depth of need in the target area. The need factor application number is 461996239.

b. Market Conditions and Demand Factors

(1) Projection of the Extent to Which the Target Geography is Likely to Absorb Abandoned and Foreclosed Properties

According to RealtyTrac and the El Dorado County Property Tax Assessor, there are at least 221 abandoned and foreclosed housing units in the five census tracts that compose the Project ARCH target geography.¹¹ Given that notices of default have risen by 131%, this is expected to increase by at least 50% during the remainder of 2009 and 20% in 2010. Most housing experts anticipate that, on a macro level and as used in recent Department of the Treasury "stress tests" for major banks, the housing market will return to some form of equilibrium by the end of 2010, which is usually defined at about six months of available inventory, meaning that neither the seller or buyer is advantaged. Thus, the following table summarizes the estimated number of vacant and

¹⁰ www.huduser.org/nspqis/map.aspx#.

¹¹ Internal communications between SLT and County Assessor's staff in June 2009 and www.realtytrac.com.

abandoned housing units to be available in the target area during the period from January 1, 2010 (baseline) through December 31, 2012:

	2010	2011	2012	Total
Foreclosed and Abandoned Housing Units	331 (up 50% from baseline)	397 (up 20% from 2010)	297 (down 25% from 2011)	1,025

With respect to population and employment trends needed to estimate the likely absorption rate of foreclosed houses, it is necessary to understand the SLT labor market. Although SLT is assigned to the Sacramento Area Council of Governments (SACOG) region, the City's ties to the Lake Tahoe Basin are more direct both geographically and economically. Placer and El Dorado Counties comprise the California portion of the Tahoe Basin, and Douglas and Washoe Counties make up the Nevada side, with SLT being the only incorporated city in the Lake Tahoe Basin and an important center for housing and services. As detailed in the recently adopted SLT Housing Element, the 2000 Census reported that population of all census tracts within the Tahoe Basin to be 62,891, a population increase of 19.6% since 1990. In contrast, the growth rate for SLT was only a modest .9%. Similarly, while the Basin had 46,122 housing units according to 2000 Census data, an increase of 5.6% since 1990, the number of housing units *decreased* by .01% in the same period. Slow or nonexistent growth in SLT in terms of population and housing is largely caused by limited available land for housing development, combined with extensive, draconian land use and development controls that have been in place since the Tahoe Regional Planning Agency (TRPA) was formed in 1969. TRPA was created through a bi-state compact between Nevada and California with a mission to preserve, restore, and enhance the Basin and develop periodic long-term Regional Plans for development plans, which in some cases can preempt California and Nevada state law. The Agency's main tools for protecting the environment are growth control regulations, which limits the amount of development that occurs in the Basin each year. While TRPA employs some ineffective measures to promote affordable housing in the Basin, many environmental regulations limit the feasibility of affordable housing projects for lower-income residents, while limitations on building prevent the development of dense, mixed used housing. Also, since SLT was largely built-out by the time the first TRPA Plan went into effect, there is little opportunity for growth of any kind, which has limited and continues to limit population and housing stock growth in SLT. SLT's numerous mobile home parks are controlled by strong California laws that limit redevelopment, while similar mobile home parks across the state line in Nevada can be much more easily redeveloped. Thus, SLT is essentially static from the perspective of job and housing unit growth.

Regarding employment, the situation must also be viewed from a regional perspective as two-thirds of the Tahoe Basin lies in California and one-third in Nevada. The state line between SLT and neighboring communities in Douglas County, Nevada, is a political boundary across which many residents travel daily for jobs, shopping, and housing. According to the recently completed SLT Housing Element (page 4-15), 62% of employees in the Tahoe Basin portion of Douglas County were actually residents of

SLT, while 62% of employees in SLT lived in the City.¹² In 2008, many SLT and Douglas County employees, especially the more affluent areas, chose housing outside the Basin (in particular, Carson Valley, Carson City and Alpine County). This choice appears based on either the desire to obtain the least expensive housing, a desire to live where there is less snow, or an opportunity to obtain larger and newer housing for their housing dollar as compared to living inside the Basin. People who make this choice accept the half-hour commute and see living “off the hill” as a lifestyle choice, rather than a consequential environmental and political act.

For the poorest SLT residents, or those without reliable transportation, a commuter lifestyle is not an option. Thus, SLT bears the brunt of housing other jurisdictions’ low-income employees, since available data shows that SLT has a high percentage of low-paying jobs and low-income residents. As noted above, the Tahoe Basin economy is almost entirely based on seasonal tourism and is heavily concentrated in the kind of service sectors that are being hammered by the Great Recession. Job growth was robust in the mid-2000s, reaching double digits percentage gains (for example, Food Service jobs increased 24.8% during the period from 2001–2004) in many sectors.¹³ Job growth went into reverse in mid-2008 and, as noted above, unemployment rates in the Tahoe Basin, including SLT, are very high and getting higher by the month. This makes future trend analysis very difficult, as historic data is no longer valid. As noted above, SLT is included in the Sacramento MSA for labor market data purposes by EDD, so it is not possible to obtain accurate projections for the micro-economy of SLT. EDD reports that there was a decline of 4.8% in jobs in the Sacramento MSA between April 2008 and April 2009.¹⁴ Given SLT’s dependence on tourism, it may be assumed that the local job losses have been even greater. As noted above, the local unemployment rate has hit 11.3%, nearly doubling in less than one year. Similarly, the unemployment rate across the state line in Douglas County, NV has reached 10.9%. The BLS reports that construction employment in the region has fallen to 1999 levels, while employment in the leisure and hospitality sectors has fallen to 2004 levels. Since unemployment and job decline/growth are lagging indicators, jobs are expected to continue to decline, albeit by lower rates, through the end of 2010, even if the Recession ends this year, as predicted by many economists. Thus, the following table shows estimated job decline from 2005 (baseline):¹⁵

	2005	2010	2011	2012
Estimated SLT Job Growth	14,559	15,209	15,513	15,823

The above data reveals a more or less flat job growth rate for SLT. Given the devastation of the local economy and limited prospects for meaningful job growth, the

¹² 2009 Update of the City of South Lake Tahoe Housing Element of the General Plan http://sltgpu.com/pdf/SLTHE_AdoptedHE_full_2008-12-09.pdf.

¹³ Sierra Economic Development Department’s Regional Industry Cluster Analysis, May 2006.

¹⁴ California Employment Development Department, [http://www.calmis.ca.gov/file/lfmonth/sacr\\$pds.pdf](http://www.calmis.ca.gov/file/lfmonth/sacr$pds.pdf)

¹⁵ Methodology: The known 2005 job number was increased by 10% annually through 2007, then reduced by 8% annually for 2008–2010) and increased by 2% annually through 2013.

likelihood of the community absorbing the abundant vacant and abandoned foreclosed houses is equally dim. Although specific data for the current absorption rate is not available, the SLT Redevelopment, Housing and Economic Development Department (RHED) conducted an informal telephone survey of local realtors and mortgage lenders in preparation for this application, and interviewed City Code Enforcement Officers, who are often called into the field to investigate vacant houses.¹⁶ Based on this survey, it is estimated that fewer foreclosed houses were being absorbed per month during the first six months of 2009 than the number being added (see above). As such, during the remainder of 2009, a *negative monthly absorption rate of about 20 % is anticipated*. The survey revealed that, in addition to few units being re-absorbed, the major problems that have emerged with vacant houses in SLT are significant vandalism and use by squatters, both of which make it even more difficult for such houses to be recycled. This pattern is likely to continue into 2010, and may actually grow worse, as mortgage interest rates have recently increased to around 5.75% from 4.75% earlier in the year. If this trend continues, it will further drag the SLT housing market, including absorption of foreclosed housing units. With this caveat in mind, the following table includes the above cited estimates of foreclosed units, divided by a prudent annualized monthly absorption rate to determine months of inventory:

		2010	2011	2012	Total
a.	Foreclosed and Abandoned Housing Units	331	397	297	1,025
b.	Annualized Foreclosed Unit Absorptions	66	79	59	205
c.	Months of Inventory (“a”-”b”/12=”c”)	22.1	26.5	19.8	68

Based on the above analysis, SLT estimates that it is extremely unlikely that the local market will absorb the number of vacant and abandoned houses in the target area during the coming three years without the kind of kick-start proposed through Project ARCH. Using HUD’s rubric and the NOFA, in concert with the above data, STL will be able to eliminate at least 163 housing units, or 20% of the 820 housing units (1,025 estimated total abandoned units by the end of 2012, less 205 likely to be recycled through market forces = 163).

(2)Extent to Which Over-Building of Housing Units, Over-Valuation of Housing, or Loss of Employment Are Critical Factors Causing Abandonment and Foreclosure in the Target Geography

As noted above in Section 1.a and 1.a.(1), the primary factors causing abandonment and foreclosure of housing units in the target geography are a combination of rapid inflation of housing values (over-valuation) during the mid-2000s and the unprecedented job losses (loss of employment) that struck SLT and the Tahoe Basin almost overnight in mid- to late-2008. Overbuilding is not a factor in SLT, due to building restrictions resulting from the TRPA Regional Plan. Neither issue is further discussed in detail again here, due to the page limitation.

(3)Target Geography Income Characteristics of Households in the Target geography

¹⁶ Vacant/Abandoned House Survey, June 2009, SLT Redevelopment and Housing Department.

As noted above in Section 1.a., the median income in SLT is \$34,307 (2000 Census), which is about 2/3 the median for El Dorado County (\$51,404), demonstrating the relatively low-income characteristic of the community. HUD and the California Department of Housing and Community Development (HCD) consider a housing cost burden rate above 30% of household income to be excessive. The following table shows housing burden for the target geography of five census tracks at selected percents of area median income (AMI) for renter and owners:¹⁷

Gross Rent as % of HH Income, By Census Track, By Income Level					
Those paying above 30% of Income					
<u>Income Level</u>	<u>CT 302</u>	<u>CT 303</u>	<u>CT 304.01</u>	<u>CT 304.02</u>	<u>CT 305.01</u>
Household Income @ 50% or Below AMI, Burden > 30%	80%	89%	80%	79%	81%
Household Income @ 50% – 80% AMI, Burden > 30%	36%	29%	58%	27%	64%
Household Income @ 80% – 120% AMI, Burden > 30%	N.A.	5%	16%	8%	7%
All income levels	37%	42%	39%	31%	38%

Gross Homeowner Costs as % of HH Income, By Census Track, By Income Level					
Those paying above 30% of Income					
<u>Income Level</u>	<u>CT 302</u>	<u>CT 303</u>	<u>CT 304.01</u>	<u>CT 304.02</u>	<u>CT 305.01</u>
Household Income @ 50% or Below AMI, Burden > 30%	63%	72%	53%	59%	73%
Household Income @ 50% – 80% AMI, Burden > 30%	37%	65%	52%	52%	62%
Household Income @ 80% – 120% AMI, Burden > 30%	13%	12%	17%	11%	26%
All income levels	28%	44%	31%	32%	34%

The above data demonstrates that housing cost burdens are very high for SLT families, particularly those at lower income levels.

(4) Relevant Social, Governmental, Educational, or Economic Factors Contributing to Local Market Conditions

¹⁷ 2009 Update of the City of South Lake Tahoe Housing Element of the General Plan http://sltgpu.com/pdf/SLTHE_AdoptedHE_full_2008-12-09.pdf and detailed analysis of data from the Census and Housing Element, June 2009.

As detailed above, SLT has numerous unique factors that contribute to local market conditions, including neighborhood decline or instability, including:

- Heavy dependence on tourism-related jobs and seasonal employment, which have been blighted by the Great Recession.
- Location on the east slope of the Sierras, while the County government and more affluent residents live over the mountains on the west slope.
- Being subject to the land controls of the TRPA.
- Being located in California, but adjacent to Douglas County, NV, in which many SLT residents work, but many of whom have recently lost their jobs.

The significant impacts of these factors are discussed above in Section 1.a and 1.a.(1), and are not further detailed here because of the page limitation.

(5) Description of Which NSP2 Activity Categories are Most Likely to Stabilize the Target Geography

As detailed above, SLT is unique with respect to how the housing crisis emerged due to the combination of a tourism-dependent economy and regional land controls. SLT is probably the only rural community in America that faces this unusual blend of factors. In addition, the low anticipated absorption rate for foreclosed homes, given the continuing Recession in tourism-related business sectors, and relatively low incomes in the target geography, requires that SLT take an aggressive stance to stabilize the community. Within this contextual setting, the informal Task Force that developed the Project ARCH model carefully considered eligible NSP2 activities. Based on a thorough analysis of market conditions and eligible NSP2 activities, the Task Force determined that the best approaches for use of NSP2 resources will be to:

- Strengthen the existing City Homebuyer Assistance Program by establishing financing mechanisms using NSP2 funds to facilitate the purchase and rehabilitation of foreclosed or abandoned properties, including such mechanisms as soft/silent-seconds, loan loss reserves, and shared equity loans to help qualified, income-eligible homebuyers purchase an eligible home in the City.
- Acquire foreclosed or otherwise abandoned housing units, which will be rehabilitated and sold or rented to qualified income-eligible homebuyers.
- Acquire selected foreclosed or otherwise abandoned properties, which are damaged beyond prudent rehabilitation, demolish the structures, and construct new affordable housing units, which will be rented or sold to qualified, income-eligible homebuyers.
- Provide for prudent program administration.

Taken together, this suite of NSP2 eligible activities will maximize existing systems over the coming three years while leveraging significant new resources in a coordinated effort to combat the pernicious and blighting influence of foreclosed and vacant housing units and expanding the supply of decent, safe and sanitary affordable housing units for high-need/low-resource residents of the target geography. Project ARCH represents a “win-win-win” solution for the community, low-income residents and HUD.

2. Rating Factor 2: Capacity of the Applicant and Relevant Organizational Experience

a. Past Experience of the Applicant:

The City of South Lake Tahoe (SLT) is the applicant for a NSP2 grant to implement Project ARCH. The RHED is the operating unit that manages the City's comprehensive program for affordable housing rehabilitation and development. As a California General Law City and CDBG recipient through the State HCD, SLT is well versed in all aspects of successfully implementing and operating complex programs, such as the proposed project. The following briefly describes SLT's current affordable housing initiatives, including metrics for the past 24 months (July 1, 2007 – June 2009):

- **Construction/Rehabilitation of Affordable Multi-Family Housing**
 - Kelly Ridge: This 33-unit affordable housing complex for very low-income seniors was just completed in June 2009 and is fully rented. There is a two-year waiting list, indicating the strong demand for this type of housing. SLT and its Redevelopment Agency (RDA) provided \$3,455,000 in combined funding to make the project a reality.
 - Sky Forest Acres: This 18-unit new housing development opened in June 2008 for very low-income persons with disabilities. The City and RDA committed \$2,628,719 to the project.
 - Sierra Garden Apartments: This 76-unit family affordable housing development for low- and very low-income families was completely rehabilitated in 2008 with \$4,300,000 of City grant funds.
 - Housing Rehabilitation Program (Projects of Seven Units or Less): Since 1995, the City has invested over \$1.8 million to rehabilitate 68 units owned or occupied by occupied by very low – and low-income families, including \$447,000 for 19 units in the past two years.
 - First-Time Homebuyer Program: Over the past ten years, SLT has invested over \$3.2 million to provide subsidized second mortgage loans to enable 54 low-income first-time homebuyers to purchase a home within the City. In the past two years, loans to 15 first-time homebuyers have been made totaling \$1.7 million.
 - Moderate-Income Homebuyer Program: The City has invested over \$1 million in its Moderate-Income Homebuyer Program in the past two years, making 11 loans to moderate-income homebuyers (household earnings at or below 120% of the area median income). In addition, the City is working with the St. Joseph Community Land Trust on a demonstration project for moderate-income housing and used \$140,000 of Low and Moderate Income Housing Funds for acquisition of land in the Altahoe area. Construction of a new single-family demonstration home was completed in November 2007. The RDA currently owns three additional parcels that could be developed as moderate-income housing under the Community Land Trust Model, using Low and Moderate Income Housing Funds.
 - KEYS to Home Ownership Education and Counseling Program: This new RDA-funded initiative began hosting free 8-hour classes in January 2009 to enable

residents to learn more about how to achieve homeownership. More than 35 participants have completed the course in the past six months.

In addition to all of the above, the City's Housing Division also has completed the following housing projects over the past number of years

- Aspens Apartments: This new 56-unit affordable housing project for persons of low- to moderate-income is the early construction phase. It will be completed in 2011, with \$1.5 million in RDA funds and \$3 in grant funds.
- Evergreen Apartments: This 26-unit development for low- and very low-income families was completed in 2006 with the assistance of \$3,850,000 in City grant and RDA funding.
- Tahoe Senior Plaza: This 45-unit housing complex for very low-income senior citizens was completed in 1999 with \$1,027,381 in City grant and RDA funding.
- Tahoe Valley Townhomes: The City provided \$2,786,775 in grants to support rehabilitation of this existing building into 70 units of housing for low- and very low-income persons. It was completed in 1999.
- Tahoe Pines Apartments: This project includes 28 units of family affordable housing for low- and very low-income persons and was completed in 1994 with \$1,000,000 of City grant funding.
- Illegal Unit Conversion Program: Under this program, the City has authorized the conversion of 25 illegally constructed units to be brought into compliance with health and safety standards and other applicable codes, and then deed restricted as affordable housing for the life of the unit.
- Housing Hotline: Due to the many dilapidated homes in the City of South Lake Tahoe, SLT created a one-stop "Housing Hotline" in April 2002 to enable tenants to easily file a tenant's complaint regarding the condition of their rental unit. The RDA funds this program and, to date, over 1,800 complaints have been received and investigated.

SLT more than meets the threshold requirement of demonstrated organizational capacity as required in the NOFA, paragraph II.B.7 (required completion of 75 units of housing [such as housing counseling, or acquisition/disposition of housing or rehabilitation of housing]), as evidenced by the completion of the above activities in the last 24 months resulting in 51 new units of housing, 95 rehabilitated units of housing, 26 new homeowner-assisted housing and 35 participants in the City's home-buyer counseling program.

Within the above context of an exemplary affordable housing track record over the past two years, the following summarizes SLT's experience with activities areas cited in the NOFA:

- (1) Involvement in City and Regional Planning: As a California General Law City, SLT is responsible for developing a General Plan, which is in the process of being updated and should be completed by November 2009. The Housing Element of the General Plan was updated and approved on December 8, 2008 and certified by HCD on January 26, 2009.

As detailed above, SLT is also closely involved in regional planning issues through the TRPA.

- (2)Acquisition and Disposition of Foreclosed Real Estate: SLT's organizational experience in this area involves helping homeowners find the best value by directed their purchases toward foreclosed properties. The City's RHED Housing Team included "How to Buy Foreclosures" when working with potential homeowners to locate housing. Until the recent collapse of the market in 2008, foreclosures were rare, but the number began to skyrocket last summer and now ranges between 35 and 40 each month. In the past nine months, most of the City's first time homebuyer loans were for foreclosed properties. It took the City just five months (since Feb 2009) to go through \$800,000 in First Time Homebuyer funds and most loans were for pre-foreclosure or foreclosed properties.
- (3)Rehabilitation of Housing: As noted above, SLT is actively involved in the rehabilitation of multi-family and single-family housing and has facilitated the rehabilitation of 60 units in the past two years.
- (4)Redevelopment of Vacant Property: Redevelopment of vacant property is conducted by the RHED through its Affordable Housing Program, as well as under the auspices of the RDA. SLT activated its RDA under California Redevelopment Law in 1988 and approved the 174-acre Redevelopment Project Area Number 1. In the past two years, multiple vacant parcels have been redeveloped by the City and RDA, resulting in the construction of 18 housing units. The RDA was instrumental in the development of a site consisting of 191 time-shares and marina with a retail component, as well as the 17-acre Heavenly Village with 460 vacation residences. Both developments opened in 2008. The City and RDA currently own seven additional vacant sites, which will be marketed for redevelopment in the coming months and years.
- (5)Program Marketing and Management of Waiting Lists for Potential Residents: SLT works diligently to make residents of the community fully aware of its varied affordable housing and redevelopment initiatives. Among the strategies used are community forums and noticed public hearings, ads in local newspapers, announcements on the websites of the City and partnering agencies, direct mail and email blasts, presentations to community-based, faith-based and business organizations, and the like. Use of new media venues, such as MySpace, Facebook, and Twitter are being explored. Additionally, SLT manages active waiting lists for Housing Rehabilitation, Homeownership Acquisition and New Affordable Housing.
- (6)Accessing Operating and Investment Capital: SLT makes every effort to access all available operating and investment capital. This includes selling tax allocation bonds to support redevelopment activities, use of the Affordable Housing Set-Aside under California Redevelopment Law, and applying for appropriate grants from federal and state and other sources. Among recent grants received are from HCD, CDBG and HOME in 2004 and 2008. In the past two years, over \$4 million in operating and investment capital has been secured to support SLT's affordable housing efforts.
- (7)Working Productively with Other Organizations: SLT has a strong track record of working productively with other organizations. Among the entities with which it closely collaborates are: El Dorado County, HCD, HUD USFS, California Tahoe Conservancy, California Water Quality Control Board, Caltrans, TRPA, Tahoe Area Coordinating

Council for the Disabled, Chambers of Commerce, Builders Exchange, Tahoe Climate Collaborative, League to Save Lake Tahoe and many more.

b. Management Structure

(1) Description of the SLT Management Structure: An organization chart is attached that identifies all key management positions and the names and positions of staff managing the proposed Project ARCH. As noted above, Project ARCH will be administratively housed in the RHED, which operates SLT's redevelopment, affordable housing and economic development activities. Key elements of SLT's existing management systems are: approval by the City Council of subcontracts; reimbursement for project expenses based on submission of an invoice and associated payment request form; written procedures for qualifying participants to participate in various programs; setting up discrete fund accounts to segregate grant funds; submission of Progress Reports by managers on a weekly and monthly basis, specifying overall project progress and accomplishments, performance measures, public reporting and presentations at City Council meetings. Under the policy direction of the five-member South Lake Tahoe City Council, David Jinkens, City Manager, oversees City operations. Christine Vuletich, Finance Director, manages fiscal matters. The City uses generally accepted accounting practices for municipalities and the firm of Maze & Associates performs an independent annual audit. Gene Palazzo serves as RHED Director and leads a team of eight community development professionals. Nancy Kerry, Redevelopment & Housing Manager, will serve as the Program Director, generally overseeing grant implementation, with day-to-day management being the responsibility of a Program Coordinator to be hired. Through the RHED, the City will be responsible for all operational aspects of the project, including fiscal accountability, implementation and tracking of NSP2 activities, administration of grant funds, training, administering subcontracts, maintaining project records, and submitting all required reports to HUD. Within this context, the following describes key staff who will implement Project ARCH:

- Nancy Kerry, RHED Redevelopment and Housing Manager and Program Director (20%): Ms. Kerry will provide general oversight of project implementation activities. A seasoned redevelopment professional, Ms. Kerry has been Redevelopment & Housing Manager for one year. During the past five years, served as Tribal Administrator the Washoe Tribe, which included supervising 350 employees, as well as being Assistant to the City Manager for the City of Solana Beach. She holds a master's degree in Public Administration from San Diego State University.
- Program Coordinator (100%): A Program Coordinator will manage day-to-day project implementation activities. The candidate for this position has not been identified, as SLT personnel rules preclude appointment until an open recruitment process has been undertaken, which will start immediately after notice of grant award and will take about three months to complete. The incumbent will be required to have at least five years of relevant experience, including one year managing an affordable housing construction/rehabilitation program, along with a baccalaureate (master's preferred) in Urban Planning, Urban Studies, Community Development or a related field. The Program Coordinator will be responsible for the implementation,

ongoing administration, and coordination of Project ARCH in a manner consistent with federal and state regulations and City/RHED priorities. Among the duties will be negotiating and monitoring subcontracts; coordinating other City departments and partnering agencies; establishing and maintaining community outreach and rapport; coordinating acquisition and rehabilitation work; renting/selling rehabilitated properties to eligible very low-, low- and moderate-income residents; arranging relocation; preparing reports; and serving as the principal project spokesperson in the community.

- Debbie McIntyre, Accounting Manager (10%): Ms. McIntyre will oversee project fiscal accountability. She is very familiar with grant fund disbursements and accounting. Ms. McIntyre has nine years of experience in public sector accounting with SLT. She holds a bachelor's degree in Accounting from Cal State Long Beach and earned her CPA designation in 1990.
- Phil Brand, Rehab Specialist (40%): Mr. Brand will coordinate project-related construction/rehabilitation activities, including preparing scopes of work. He has over 20 years of relevant experience. He holds a bachelor's degree in Business from St. Mary's College.
- Bill Potts, Building Inspector (15%): Mr. Potts will coordinate project-related rentals and inspections, including pre- and post-rehabilitation. He has 30 years of relevant experience and has been with SLT for four years. He holds a Building Inspection Certificate from Butte Community College.
- Cathy Kope, Loan Program Specialist (30%): Ms. Kope will coordinate project-related lending activities, including processing loan application, working with lenders and realtors to identify suitable homes, coordinating the escrow process, assisting applicants and promoting the program. She has 12 years of relevant experience with RHED.
- Lisa Watson, Redevelopment/Housing Assistant (20%): Ms. Watson will coordinate project-related reporting and budgeting, including preparing and tracking invoices, expenditures and pre-qualification of applicants. She has three years of experience with RHED and holds an associate degree in Business Administration from Lake Tahoe Community College.
- Renee Burkholder, Redevelopment/Housing Assistant (20%): Ms. Burkholder will offer clerical support, including maintaining interest lists. She has six years of relevant experience and has been with RHED for one year.
- Lydia Zuniga, Administrative Secretary (50%): Ms. Zuniga will integrate project activities with the Housing Hotline and serve as an ombudsman for project participants. She has eight years of relevant experience and has been with RHED for five years.

In addition to the above personnel, other City staff will be closely involved in project implementation on an in-kind basis. These will include Christine Vuletich, Finance Director, who will assist in auditing, accounting, payment processing and overall financial administration; Lori Marino, Grants Coordinator, who will assist in coordinating HUD reporting and monitoring; and Jacqueline Middlestadt, City

Attorney, who will assist in reviewing contracts and other legal documents. All have substantial relevant experience in the management of various affordable housing initiatives.

While a collaborative is not submitting this application, the City is committed to collaborating with the full range of stakeholders in all of community development and other initiatives. In keeping with this policy, a Task Force provided real world input to plan the City's NSP2 application. As of this writing, the Task Force includes a Green Builder (certified through www.EnergyStar.gov), a general contractor, a mortgage banker/lender, two real estate professionals from unrelated real estate brokerage firms, two City Housing Rehabilitation Program staff members, one person from the escrow/title/ appraisal industry and two community partners. Immediately following notice of grant award, the Task Force will be expanded to include additional members, including faith-based and other community groups. Throughout project implementation and beyond, the Task Force will be a tireless organizational advocate for stabilizing the SLT community.

(2)References: The following are references for recent work similar to the programs covered under the NSP2 NOFA:

- Ginger Davis, Help U Sell Realtor, 530-542-4242: Ms. Davis has assisted many SLT's First Time Homebuyer Program participants.
- Cindy Hannah, St. Joseph Land Trust Executive Director, 530-541-8930: Ms. Hannah helps run the Home Buyer Education Course for SLT and co-manages the Sierra Gardens apartment development, which was rehabilitated with City funds.

3. Rating Factor 3: Soundness of Approach

a. Proposed Activities

(1)Description of the Proposed Overall Neighborhood Stabilization Program

The City has developed Project ARCH to meet the letter and spirit of the NSP2 program requirements and aims to use requested grant funds to stabilize the SLT community, which is being devastated by foreclosures and abandonment. The overall goal of Project ARCH is to re-stabilize SLT through the selective purchase and redevelopment of foreclosed and abandoned homes and residential properties, which will then be rented or resold to eligible very low-, low-, and moderate-income families (incomes limited to 120% or less of AMI). Every effort will be made to align rehabilitation activities with energy efficiency standards and emerging green building best practices. The RHED will implement the program through its existing Homebuyer Assistance Program (HAP) to minimize the ramp-up period. To maximize the impact of limited NSP2 resources on the community's most vulnerable families, 25% of the NSP2 funds will be used to assist persons at or below 50% of AMI. Financing mechanisms to ensure the long-term affordability of purchased and rehabilitated foreclosed housing units will include rent subsidies (provided through write downs to the collaborating St. Joseph Land Trust), soft/silent secondary financing, and grants. Project ARCH will expand upon the City's current Affordable Housing Program, which is funded by such sources as the City General Fund, RDA Affordable Housing Set-Aside Fund, RDA Tax Allocation Bond

funds, tax increment funds, CDBG and HOME funds (via HCD), and HCD grants. The NSP2 grant will help stabilize SLT by providing the resources the City needs to target foreclosed and abandoned houses and other residential properties. Such vacant properties are significant blighting influences that further force down already depressed market values, are subject to being vandalized and are attractive nuisances that pose severe safety hazards for children, teenagers and squatters. In short, SLT cannot be made whole again without the kind of intensive action to address the negative impacts of foreclosed and abandoned houses that are at the heart of Project ARCH.

(2) Uses of Funds and Firm Commitments

(a) How NSP2 Funds will be Used: The following table shows the amount of funds budgeted for each eligible use and CDBG eligible activity (the City of SLT will be the responsible entity for all uses and activities):

ACTIVITY DESCRIPTION	Estimated Budget	Percent of Requested Funding
Establish financing mechanism for the purchase of foreclosed upon homes and residential properties.	\$ 4,403,426	59%
Rehabilitate acquired housing units	\$ 3,485,025	46%
Demolition of foreclosed and abandoned housing units and convert to community use or replacement housing	\$ 700,000	9%
Program Administration	\$ 600,000	8%
Subtotal	\$ 9,188,451	
LEVERAGE RESOURCES		
<u>Leveraged resources for financing mechanisms</u>		
Contribution from City to NSP2 program	\$ (500,000)	
Real Estate Commission credits to buyers as financing mechanism	\$ (419,300)	
<u>Leveraged resources for rehabilitation</u>		
Contribution from City to NSP2 program	\$ (250,000)	
Construction Letters of Committed discounts reasonably expected to be realized	\$ (332,775)	
Additional "other" Firm Letters of Commitment,	\$ (186,376)	
Subtotal Firm Letters of Commitment Leverage	\$ (1,688,451)	23%
NSP2 Funding Request	\$ 7,500,000	

(b) Narrative Description of Proposed Activities: The following describes activities proposed under Project ARCH:

- Ramp-Up Activities: Immediately following notice of grant award, project ramp-up tasks will be completed (e.g., staff hiring/assigning/training, developing outreach/information materials, adopting policies, etc.) to enable the start of project activities by month four.
- Best Practices Research: Although a Draft Project ARCH Policies and Procedures Manual was developed as part of the process to prepare this application, NSP2 is a new program concept. Thus, research into best practices in addressing foreclosed properties, as well as emerging strategies for providing subsidies to ensure long term affordability will be conducted. This may include site visits by staff and Task Force members, as indicated, to other communities that are using cutting-edge approaches. As indicated by the outcome of best practices research, the Project ARCH Policies and Procedures Manual may be modified.
- Recruitment of Eligible Participants and the Application Process: Using the comprehensive outreach and information campaign detailed below, every effort will be made to recruit potentially eligible residents to apply to participate, either in the rental or sale component. RHED's existing intake system will be used to accept applications and create case files for each interested individual or family, which will reduce bureaucratic startup overhead. Waiting list databases based on housing type need, family income and renter/owner interest will be developed. The project will operate on a "first come, first served" approach. As new applicants present, they will be placed on the bottom of the appropriate list. Applicants must meet HUD income limits for households with incomes at or below 120% of AMI. As noted above, at least 25% of NSP funds will be reserved to benefit households at or below 50% of AMI. Family incomes will be verified during the application process and, for those on the waiting list, will be re-verified every six months. Any ranking due to excessive applications will be completed in compliance with Fair Housing Act Standards.
- Identification of Foreclosed Upon and Vacant Houses and Residential Properties: Properties eligible for Project ARCH assistance will include any foreclosed residential housing property, whether the vacant structures are detached or attached (including a condo, town-house, duplex, or other multiplex). Each housing unit acquired by the City or an individual participant, however, must be real property, with an individual deed and be included in the City's housing stock as identified in the City's Housing Element. NSP2 funds will not be used to bring an illegal dwelling unit into compliance under the City's Illegal Unit Conversion Program. Foreclosed mobile/manufactured home acquisition and rehabilitation will be considered if the residence is identified as real property, provided that the land upon which the home will reside is real property and included in the acquisition, and the home was manufactured after 1976. A variety of methods will be used to identify existing foreclosed upon and vacant houses and other residential properties in SLT, including review of public records, building inspection records and reports, information from the realty/lending communities, intelligence from area banks, Task Force members and developing a package-buy

program with banks. A system will be developed for ongoing surveillance to identify new problem properties as they go through foreclosure. An interactive database, incorporating GIS metrics, will be developed, to provide real time information, using an existing, rudimentary database as a starting point.

- Triage of Identified Properties: A rating scale will be developed to triage identified properties as definitely appropriate for rehabilitation, possibly appropriate for rehabilitation, possible appropriate for demolition, definitely appropriate for demolition. Factors to be considered will include the type of construction, floor plan/unit composition, condition, damage/vandalism, neighborhood implications, viability, and best methods to achieve stabilization. For those properties that cannot be entered, a windshield survey will be conducted. Additional information on each property will be collected (e.g., current ownership, foreclosed amount, ownership and sale history, etc.). As indicated, title reports may be ordered to verify property information. A file will be created for each property and all information will be entered into the RHED Foreclosed Housing and Other Property Database. With input from the Task Force, each property will be assigned an interim rating, subject to further refinement based on new information that may emerge.
- Property Acquisition: As determined by the triage process described above, the City may purchase selected foreclosed and vacant properties, or bring a qualified buyer to one of the mortgage lending partners and facilitate the home purchase. Foreclosed homes will be acquired at a discount that is at least 1% below the appraised value. The property will be appraised within 75 days prior to the close of escrow as to the current and after-rehabilitation value by a licensed and qualified real estate professional appraiser. Following the appraisal, staff will make an offer to purchase the property, and upon acceptance, an escrow will be opened. Once purchased by the City, the property will be secured and properly maintained until demolition, rehabilitation or re-sale takes place. As indicated, the City may subcontract with a qualified Right-of-Way agent to facilitate the acquisition process.
- Demolition: Acquired properties determined to be beyond rehabilitation will be demolished within three weeks of acquisition (subject to permit processing time) and the sites secured and properly maintained. To the maximum extent possible, environmentally conscientious deconstruction techniques (e.g., salvaging and re-using materials resulting from demolition activities) will be used. The City does not expect to expend more than 5% of grant funds on this activity.
- Redevelopment of Vacant Sites: Sites on which housing units have been demolished will be made available for redevelopment as new affordable rental or for sale housing by local nonprofit and for-profit housing developers. Or, in accordance with the SLT Sustainability Plan, the cleared sites may be converted into pocket parks, community gardens or floodplain impoundment areas. Periodic Requests for Proposals (RFPs) for the redevelopment of such sites will be published, with construction and long-term affordability secured through Affordable Housing Development Agreements with nonprofit and for-profit affordable housing developers. RHED will also consider unsolicited

redevelopment proposals, including “sweat equity” developments in which residents play a significant role in the construction process or Habitat for Humanity-style projects that use volunteer labor and donated materials.

- Disposition of Properties: Housing units acquired through Project ARCH will be available for both sale and rent. With respect to sales, homebuyers will be required to be able to qualify for a first mortgage from a collaborating lender. Homebuyers will be required to complete a HUD Certified Homeownership Training course prior to the close of escrow. Lenders with a Letter of Firm Commitment on file with the City for discounted fees and services for NSP2 properties will be given first opportunity to provide lending to the homebuyer. First Mortgage Loans may be Conventional, FHA or VA. First Mortgage Loan interest rates may not exceed 2 1/2% above current Fannie Mae Market 30-year rate at a 15, 20, or 30-year fixed rate. No sub-prime lending will be permitted (e.g., pernicious Adjustable Rate Mortgages (ARMs), 2-1 Buy Downs, Seller Financed Transactions, Balloon Mortgages, etc.). After obtaining the maximum first mortgage that the homebuyer’s income will support, the City may provide a no-interest, “silent/soft-secondary” loan in an amount appropriate to enable targeted homebuyers to acquire and rehabilitate a foreclosed home. The City will place a second lien will be placed on the property (the second lien is a no-interest, deferred, forgivable, typically five- to fifteen-year term depending on the subsidy amount). All or a portion of the second lien will due and payable upon sale/transfer of the property unless the entire affordability period has been met. Repayment will also activated if the homeowner fails to occupy the house as their primary residence. Homebuyers will be required to reside in the home as their primary residence for an affordability period determined by the amount of assistance received. The greater the assistance, the longer the period of affordability to be required. Any mortgage financing provided by the City will be approved through the City’s Loan Committee. The Loan Committee is appointed by the City Manager and is composed of at least two members of the community and one member of the City’s staff (not in the Housing Division). At least two members must review the application and make an approval determination. Homebuyers will be also able to identify a vacant foreclosed home on their own, the status of which will be verified by project staff, or select from houses in the Project ARCH Foreclosed Properties database. Regardless of how the property is identified, all properties assisted with NSP2 funds must be foreclosed and NSP funds will not be used to purchase homes in pre-foreclosure or through short sales.

Regarding rental properties, following acquisition, the City will rehabilitate the property and then sell it to the collaborating nonprofit St. Joseph Community Land Trust at a discount (write down) sufficient to enable the Trust to set rents at affordable rates to ensure that tenants pay no more than 30% of their household income toward housing costs. Should this arrangement not work and an alternative nonprofit cannot be found, the City will rent the units directly and manage the properties. Renters interested in becoming homeowners will be encouraged to participate in RHED’s First-Time Homebuyer program.

- Rehabilitation: Two types of rehabilitation will be conducted, owner-occupied and rental units. As noted above, RHED will complete rehab of units to be rented prior to offering the units to the St. Joseph Community Land Trust. To accomplish this, RHED will prepare a standard bid package and place it in accordance with the City's approved bid processes for city-initiated contracts. The contractor will be selected through standard city/state contracting laws and practices. Regarding properties to be sold, depending on the individual property situation, rehabilitation of housing units may be completed by RHED prior to sale. Otherwise, the City will work with the new owner to complete rehabilitation following the sale, using a NSP2-funded rehabilitation loan. NSP2 funds will be used for the following repairs and improvements: repairs including foundation, electrical, heating and plumbing; structural repairs, especially roofs, porches, windows, and doors; repairs needed to meet federal, state or City Codes; replacement of essential built-in appliances; energy and water efficiency improvements; City and TRPA "Best Management Practices" standards; tree removal for defensible space improvements to reduce fire hazards; and ADA improvements such as installation of ramps, widening of doorways, grab bars, wheel chair accessible showers and counters. NSP2 funds will not be used for any of the following repairs or improvements: items deemed to be "luxury" in nature (e.g., granite countertops, Sub-Zero refrigerators, etc.); flooring above the standard currently installed in the home; hot tubs, steam showers and decadent baths; patios or decks (except for health and safety repairs); house or room additions that alter or increase the square footage of the residence; installation of fireplaces; window treatments not needed for environmental or weatherization purposes; and repairs otherwise deemed ineligible by RHED.

All rehabilitation projects will, at a minimum, meet Section 8 Housing Quality Standards (HQS) after completion. Any rehabilitation items not meeting HQS will be noted on the housing inspection forms to ensure this minimum level of quality is obtained on all participating housing units. By using the HQS, the City will address all health and safety deficiencies first so each completed rehabilitation meets basic "Performance Standards" set by the City. Contracting will be done on a competitive bid basis, using the RHED's list of pre-approved qualified contractors. An RHED Rehabilitation Specialist will prepare a detailed work write-up, cost-estimate and bid package of the work to be performed. When practical, this process may be initiated during escrow. Only licensed contractors paying prevailing wages may submit eligible bids for consideration by the City and/or homebuyer. The borrower will be the responsible agent and will select the contractor, but the RHED Rehabilitation Specialist may assist in negotiating the contract. The Rehabilitation Specialist may reject any bids that are not cost reasonable. The Rehabilitation Specialist may, with discretion, bid out sections of the rehabilitation project to subcontractors to expedite the timely completion of the project. Each contract with every contractor or separate subcontractor will be required to have its own notice of completion filed. The Rehabilitation Specialist and the borrower will examine and accept the work prior to issuing any payment to the contractor. If the work is not acceptable to the Rehabilitation Specialist, the

contractor is not paid until the work is corrected. If the work is not acceptable to the borrower, then the RHED Resolution of Grievances Procedures will be followed to resolve the dispute. Qualified property owners may agree to participate in the construction by doing "self-help" rehabilitation to the structure. The "Work Write-Up" will indicate the tasks to be completed by the owner and the owner will sign a contract specifying tasks, completion times, the materials to be purchased, and the costs of those materials (documented by manufacturer's or retailers' invoices or price lists). Self-help applicants will also be required to specify their prior experience and ability to perform the requested work. Upon completion of work by the contractor and/or homeowner, a final City inspection will be conducted and verification will be obtained that all City and other governmental agency permits have been signed-off. A Notice of Completion will then be filed at the El Dorado County Recorder's Office.

In accordance with the NSP2 regulations, contractors and subcontractors hired with NSP2 funds will be required to pay prevailing wages to laborers and mechanics in compliance with the Davis-Bacon Act. Toward this end, all general and subcontractors will be required to attend a City-sponsored training in prevailing wage documentation and will be required to comply with monitoring standards. The City will monitor compliance and prepare and file reports with HUD or HUD's designee.

- Relocation: As needed, temporary relocation will be provided in accordance with Federal relocation regulations and the City will make every effort to avoid involuntary displacement in the implementation of Project ARCH. As indicated, the City may subcontract with a qualified Relocation Consultant to facilitate the relocation process. Since all homes to be purchases will have been foreclosed upon, however, it is unlikely that relocation will be necessary.

(c) Commitment Status of Other Funds: The following table lists firmly committed funds to be deployed in Project ARCH in addition to the NSP2 (see attached Letters of Commitment):

Funding Source	Amount/Type	Letter Attached
City of SLT	\$750,000	Yes
Commission credits from partnering realtors as a financing mechanism	\$419,300	Yes
Construction discounts reasonably expected to be realized	\$332,775	Yes
Miscellaneous other contributions	\$186,376	Yes
TOTAL	\$1,688,451	

(d) Demolition and Preservation

- (i) Why A Mix of Demolition and Preservation Was Chosen: As detailed above, the Project ARCH Task Force decided to include a mix of demolition and preservation to re-stabilize SLT. Relatively few structures will actually be

demolished, as the emphasis will be on preservation through rehabilitation. The demolition option will be reserved for those units that have been vandalized or damaged beyond prudent rehabilitation, are significantly substandard in other ways, or are otherwise inappropriate for their neighborhood setting. Local market conditions that affected this decision and will impact individual demolition decisions are based largely on the fact, as discussed above, that residential properties in SLT were originally built as seasonal cabins and may not be worth preserving. When the cost of rehabilitation exceeds the cost of demolition and new construction, the latter will be chosen. Additionally, the harsh Alpine climate takes it toll on structures with deferred maintenance, which can cause severe structural damage, especially when left abandoned and unattended. Within this context, no more than 10% of NSP2 funds will be used in Project ARCH to assist demolition.

(ii) Required Information: Attached in the Appendix is all information required in Appendix 1, paragraph K.1 of the NOFA.

(iii) Exception to 10% Limit on Demolition: Not applicable.

b. Project Completion Schedule

The following is the Project ARCH Completion Schedule (see above for additional detail on activities):

Activity/Milestone	Monthly Timeframe
Project Infrastructure Tasks	Notice of Grant Award – Project Month 3
Project ARCH Task Force Meeting Facilitation	Notice of Grant Award – Project Month 36
Baseline Research Into Best Practices and Refinement of Project ARCH Policies and Procedures Manual	Notice of Grant Award – Project Month 3
Recruitment of Eligible Participants, Acceptance of Applications and Maintenance of Waiting Lists	Project Month 2 – 36
Development of Project ARCH Foreclosed Residential Property Data Base	Project Month 2 – 3
Ongoing Monitoring of Foreclosed Residential Property	Project Month 1 – 36
Triage of Identified Foreclosed Properties	In Progress, with Ongoing Triage as Need Through Project Month 36
Property Acquisition	Project Month 4 – 32
Property Demolition	Project Month 4 – 32
Redevelopment of Vacant Sites	Project Month 6 – 36
Disposition of Properties	Project Month 6 – 36
Rehabilitation of Properties	Project Month 6 – 36
Relocation	Project Month 6 – 36
Provision of Subsidies to Maintain Affordability	Project Month 6 – 36
Data Collection and Reporting Via the DRGR System	Project Month 1 – 36

Evaluation Reports	Project Months 12, 24 & 36, or as otherwise required by HUD
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The above schedule complies with the deadlines imposed by the Recovery Act and included in Appendix 1, paragraphs O and M of the NOFA, and at least 50% of NSP2 funds will be expended by the end of project month 24 and 100% of funds by project month 36. During the 36-month project period, SLT will achieve the following specific and measurable outcome metrics:

- At least 163 foreclosed and abandoned housing units will be acquired.
- Units that cannot be rehabilitated will be demolished (no more than 10% of acquired units) and new housing units will be constructed on at least a unit-for-unit basis for sale or rental to eligible participants.
- 100% of acquired units, that are not demolished, will be rehabilitated.
- Approximately 20% of rehabilitated units will be rented to eligible families at affordable rents, while the balance, 80%, will be sold to eligible families at affordable prices, so that no participating family will be burdened with having to allocate more than 30% of household income, adjusted for family size, toward housing costs.
- 100% of rehabilitated units or newly constructed units sold will be preserved as affordable housing through deed restrictions, based on: (1) the amount of the subsidy provided; (2) the longest affordability possible; and (3) the incentive the affordability restriction provides to encourage the new homeowner to remain in the home or the multifamily building owner to retain property ownership.

c. Targeted Incomes

As detailed above, 100% of NSP2 funds will benefit persons whose income does not exceed 120% of AMI, while 25% of grant funds will be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% of AMI. This will be accomplished by targeting outreach efforts to the most vulnerable members of the SLT community and close monitoring of expenditures.

d. Continued Affordability

A central tenet of the Project ARCH model is to enable the most vulnerable residents of SLT to become renters or owners of formerly foreclosed housing units. As such, a range of subsidies will be provided to ensure that units assisted with NSP2 funds are affordable to original occupants while maintaining affordability over the long term. Affordability will be guaranteed through deed restriction placed on all units assisted with NSP2 funds for the longest period allowed by law, subject to HUD standards, and ranging from 30 to 45 years. With respect to renters, as noted above, the City plans to transfer ownership of acquired rental properties to the collaborating St. Joseph Community Land Trust, following rehabilitation of the units. An appropriately sized write-down will be provided to enable the Trust to maintain affordable rent levels over the long term to ensure that tenants never pay more than 30% of their household income, adjusted for family size, for housing costs.

All tenants will be at or below 120% of AMI, with the vast majority being at or below 80% of AMI and at least 25% being below 50% of AMI.

Regarding units offered for sale, project staff will work with buyers to customize a financing approach appropriate to their financial situation. The first step will be to assist the prospective buyer in applying for the maximum unsubsidized first mortgage they can afford, likely from a local collaborating lender. Given the targeting of Project ARCH toward lower income families, in most cases, the maximum private mortgage the applicant will probably qualify for will be less than \$150,000. Since the re-sold house will likely have an appraised value of \$250,000 to \$300,000, and closing costs will be around \$10,000, this will leave a significant financing gap. The gap will be filled through combination of all or some of the following, depending on whether the buyer meets first-time homebuyer criteria:

- Discounted closing costs, provided on an in-kind basis by collaborating local lenders.
- Downpayment from the buyer, which will be approximately \$10,000. While the downpayment requirement may be waived in certain circumstances, such as gifts from family or friends or hardship, the City feels that buyers should have at least some “skin in the game,” to prevent a second round of foreclosures.
- A 0% – 2% second mortgage from the City, using non-NSP2 sources, depending on availability, up to \$150,000. Loans are silent seconds, with payments deferred up to 45 years.
- A grant of up to \$30,000 from NSP2 funds, which could be used to pay closing costs or reduce the principal for the first or second mortgage.

In addition to the above, the units will be rehabilitated in accordance with HUD’s NSP2 requirements for energy efficiency and other needs. Financing for rehabilitation costs will be provided through a sleeping third mortgage of up to \$30,000.

Preservation of the unit for affordable housing will be assured through a deed restriction on occupancy and re-sale only to qualified buyers. To incentivize homeownership and stability to the market, the City, subject to HUD, proposes to forgive the loans the longer the occupant stays in the home. The following table summarizes affordability and loan forgiveness, across all financing provided to Project ARCH participants:

Total subsidy	Affordability Period	Monthly Forgiveness Rate
Up to \$14,999	10 years (120 months)	1/120 th per month
\$15,000 to \$24,999	15 years (180 months)	1/180 th per month
\$25,000 to \$39,999	25 years (300 months)	1/300 th per month
\$40,000 and above	30 years (360 months)	1/360 th per month

Specific financial assistance levels have been developed for different income levels. They are not included here due to the page limitation but are included in the draft Project ARCH Policies and Procedures Manual and are available upon request.

e. Consultation, outreach, communications

- (1)Consultations with Other Government Agencies: The City has consulted with other government agencies, including El Dorado County and TRPA, as well as NSP1 funded agencies across America, in developing the Project ARCH model. SLT is located in a rural area, in which no units of local government have received NSP1 funding. In the spirit of helping HUD tackle the pervasive problem of foreclosed residential properties, however, the City recently asked El Dorado County to serve as a joint applicant for NSP1 funding available under the HCD State CDBG Program. This is the only way for the City to access NSP1 dollars. The County Board of Supervisors, unfortunately, voted against the joint application after a rancorous and well-publicized public hearing (newspaper clippings available upon request), apparently as a symbolic vote against the Stimulus Bill. Thus, the only way NSP funds are going to provide a stimulus to empower needy residents to stabilize SLT is through the NSP2 grant being requested.

Additionally, the City is actively involved in such intergovernmental initiatives as the Tahoe Climate Collaborative addressing regionally-focused climate initiatives and the Tahoe Regional Plan, which involves five counties, two states and one city. Also, and as noted above, an inclusive Task Force helped plan this application. The Task Force will be used as the primary vehicle for ensuring collaboration with other government entities and key stakeholders in the implementation of Project ARCH. Immediately following notice of grant award, an organizational outreach effort will be conducted to recruit and engage additional agencies and stakeholders to serve on the Task Force. The process will use such techniques as targeted mailings to organizations and policy makers, press releases, postings on appropriate web sites and new media venues, presentations to organization boards and membership groups and individual meetings with key informants. The Task Force will adopt rules of governance and will operate through a consensus approach to decision making. In this model, emerging policy issues will be raised, considered and debated in an open and inclusive manner, leading to consensus on key issues and policies. The hierarchical, top-down leadership model will not apply.

- (2)Outreach and Affirmative Marketing Actions: A comprehensive outreach and affirmative marketing campaign will be conducted to ensure that qualified families have been screened for eligibility and are available as NSP2-assisted units become available for purchase or rent. This will be accomplished through a range of outreach activities, including: "Did You Know" Workshops offered for human services providers to familiarize staff with the unique opportunities presented by Project ARCH; large group presentations and informal discussions and literature distribution to make special populations aware of project activities; presentations to families in a variety of settings, including faith-based organizations and community-based organizations; individual outreach to lenders, real estate agents, and escrow officers; press releases and PSAs distributed to local newspapers and radio stations; one-on-one outreach at community centers, coffee shops, convenience stores, barber shops, churches, and other venues where the target population gathers; direct mail and email blasts using existing City databases; and use of the Internet, including the websites of the City and partnering entities; and such new media venues as blogs, Twitter, LinkedIn, MySpace and Facebook.

- (3)Communicating Program Design, Progress, Opportunities and Results and Complaint Resolution: Project ARCH program design, progress, opportunities and results will be widely publicized, using the outreach campaign and Task Force detailed above, along with regular reports to the City Council by Ms. Kerry. Complaints will be processed in a timely manner with a goal of responding within 15 working days. Toward this end, RHED has an existing formal complaint and appeals procedure, which is available upon request, and will be deployed in the implementation of Project ARCH.

f. Performance and monitoring

(1)Monitoring Plan Description

The City has developed a strong plan to monitor all program activities and ensure performance. The plan is based on the system presently used to monitor other RHED affordable housing functions, including the expenditure of HOME and CDBG funds it receives through the state programs from HCD. To assess project success in achieving the stated goals and objectives, a fully automated and standardized database system will be developed to facilitate process and outcome evaluation for Project ARCH. With respect to the process evaluation, documentation will include such metrics as units acquired, rehabilitated and sold/rented, variability of NSP2 utilization by type of housing and income of participants, as well as the intensity of services in the five target census tracts. The process evaluation will focus primarily on comprehensive data collection from the rehabilitation projects (from initial owner marketing to disposition, rehabilitation and follow-up), as well as the effectiveness of other project components, such as the outreach component, the integration of project elements among other City housing and related programs, relocation methods, etc. The Program Manager will coordinate among project staff, other City staff, and partnering agencies to maintain the monitoring system, as well as tracking properties undergoing acquisition, demolition, construction, disposition, and rehabilitation and affordability in a manner compatible with HUD requirements. Data gathering will begin in project month one and will be ongoing throughout the project period. Data will be aggregated quarterly for analysis and reported to HUD, as required. Senior management, the Task Force and Program Manager will use such reports to assess the effectiveness of project implementation strategies and make midcourse revisions, as necessary.

In addition an internal audit function will be created to carry out internal audits of NSP2-assisted activities. The internal audit function will be delegated to Christine Vuletich, Finance Director, who will continually examine potentially risky areas of program operations and provide regular feedback to the RHED management team, Task Force and City Council. The internal auditing process will include examination of case files, randomly selected by the internal auditor, review of randomly selected invoices/payment requests, interviews with program participants, and the like. This will identify risky management practices and missing or ineffective internal controls, areas that are not in compliance with program requirements, and ineffective implementation of established policies. It is anticipated that this recursive process will lead to mid-course corrections on an as-necessary basis. An anonymous “whistle blower” contact

channel to the internal auditor will also be created. Internal audit reports will be prepared and presented on at least a monthly basis.

(2)How the Internal Audit Requirement will be Met

A detailed description of how the internal audit requirement will be met, and who will be responsible, is included immediately above and is not repeated here because of the page limitation.

4. Rating Factor 4: Leveraging Other Funds, or Removal of Substantial Negative Effects

a. Leverage

The City has obtained firm commitments of \$9188,451 in non-NSP, non-CDBG and non-federal leverage, which represents an impressive 22% of the \$7,500,000 in NSP2 grant dollars. The following table lists committed leveraged funds (see attached Letters of Commitment):

<u>Funding Source</u>	<u>Amount/Type</u>	<u>Letter Attached</u>
City of SLT	\$750,000	Yes
Commission credits from partnering realtors as a financing mechanism	\$419,300	Yes
Construction discounts reasonably expected to be realized	\$332,775	Yes
Miscellaneous other contributions	\$186,376	Yes
TOTAL & RATIO TO THE NSP2 GRANT REQUEST	\$1,688,451 22%	

b. Calculation of Destabilizing Influences to be Removed

The following calculates the imputed value of destabilizing influences to be removed by Project ARCH, using the methodology detailed in Appendix 3 of the NOFA:

1.5 X 163 (sum total of vacant housing units proposed to be addressed through acquisition and rehabilitation) + 13 (sum total of vacant housing units to be addressed via demolition) divided by 820 (sum total of all vacant housing units in target area) = 31%.

5. Rating Factor 5: Energy Efficiency Improvement and Sustainable Development Factors

a. Transit Accessibility

All five census tracts that compose the Project ARCH target area are currently transit accessible, as defined in the NOFA. BlueGO, a service of the South Tahoe Area Transit Authority, provides transit services in the target area and includes fixed routes, demand response, ski shuttles, seasonal trolley service and commuter express routes on the south shore of Lake Tahoe and to the Carson Valley, the regional employment centers. BlueGO operates seven days a week 24 hours per day with headways ranging from 20 to 60 minutes.

b. Green Building Standards

Project ARCH will fully comply with required NSP2 rehabilitation standards. Toward this end, the City will require that new construction and gut rehabilitation exceed the Energy Star for New Homes standard, while moderate rehabilitation or energy retrofits will involve the required purchase Energy Star products and appliances. Many steps will be taken to achieve green building outcomes, as follows:

- As noted above, a certified Green Builder serves on the Task Force.
- Homes will be evaluated during escrow and in the rehabilitation planning phases of the buying period and will use “Build it Green Checklists,” to look for opportunities to improve the green standards of the home.
- The City’s Adopted Sustainability Plan and Sustainability Commission Work Program will be integrated in designing energy and water efficiency improvements and repairs.
- Energy efficiency standards as defined by www.EnergyStar.gov will be utilized.
- Appliances installed will be Energy Star rated appliances.
- All gut rehab and general replacement of interior of a building that may or may not include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls, of residential buildings up to three stories tall will be designed to meet the standard for Energy Star Homes.

c. Re-use of Cleared Sites

As detailed above, while the City will re-use all demolition sites within the term of the NSP2 grant as replacement housing, pocket parks, community gardens and other similar uses will be considered.

d. Deconstruction

The City will utilize deconstruction practices, to the maximum feasible extent, during demolition, as detailed above.

e. Other Sustainable Development Practices

Other sustainable development practices to be deployed in Project ARCH will include, but not be limited to the Grow Green Jobs & Green Economy initiative by partnering with the Lake Tahoe Community College and the California Workforce Investment Board (WIB) in developing a job training program for contractors to implement green practices (see attached Letter of Support). All rehabilitation will meet the City’s adopted Sustainability Work Program Standards.

6. Rating Factor 6: Neighborhood Transformation and Economic Opportunity

(1) Certification

The City certified that proposed NSP activities are consistent with the following established comprehensive, regional, or multi-jurisdiction plans: General Plan 20-Year Update, 2009–2010, authored by the City of SLT, which may be downloaded from

<http://www.cityofslt.us>; the Tahoe Regional Plan 20-Year Amendment, which may be downloaded from <http://www.trapa.org>; and the City's Sustainability Plan, which may be downloaded from <http://www.cityofslt.us>.

(2)How Proposed NSP2 Activities will Relate to and Increase the Effectiveness of This Established Plan

Project ARCH will relate to and increase the effectiveness of the City General Plan in that NSP2 funds will be the key difference in implementing Green Building Standards, implementing and integrating Energy Efficiency Improvements in many more homes than otherwise would be. Thus, these "Plans" will be moved to action. In addition, Project ARCH will facilitate implementation of the City's Housing Element and Economic Development Activities, making these plans more effective.

Estimates of Units to be Demolished/Converted and Produced

In accordance with page 64, Appendix 1, paragraph K.1 of the NOFA, the following required information is provided:

1(a). The number of low-and moderate-income dwelling units reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.	25
1(b). The number of NSP2 affordable housing units made available to low-moderate-and middle-income households reasonably expected to be produced, by activity and income level (see table below by details, total number herein).	163
1(c). the number of dwelling units reasonably expected to be made available for households who income does not exceed 50% of Area Median Income.	53

1(b) details

Income Level	Acquisition for Homeownership (with Rehabilitation)	Acquisition for Low-Moderate Renters (with Rehabilitation)	Total
Low	33	20	53
Moderate	47	10	57
Middle	43	10	53
Total	123	40	163