

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 8, 2008
	Agenda Item No. 42 Roll Call No. <u>08-</u> Communication No. <u>08-732</u> Submitted by: Larry Hulse, Community Development Director	

AGENDA HEADING:

Authorizing the City Manager to develop and submit a plan to the State of Iowa to spend Neighborhood Stabilization Program funds.

SYNOPSIS:

Recommend Council approval to authorize the City Manager to develop and submit a plan to allocate approximately \$3.9 million in Federal Neighborhood Stabilization Program (NSP) funds allocated from the State of Iowa to the City of Des Moines.

FISCAL IMPACT:

Amount: \$3,925,811 in potential revenue

Funding Source: Community Development Block Grants (CDBG)

ADDITIONAL INFORMATION:

Section 2301 of the Housing and Economic Recovery Act of 2008 created the Neighborhood Stabilization Program (NSP) and allocates \$3.92 billion to state and local governments for emergency assistance redeveloping abandoned and foreclosed homes. The program allows this special, one-time CDBG allocation to be used for the following uses.

- A) establishing financing mechanisms for purchase and redevelopment of foreclosed homes including soft second mortgages, loan loss reserves, and shared equity loans for low and moderate income homebuyers;
- B) purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- C) establish land banks for homes that have been foreclosed upon; and
- D) demolish blighted structures

The HUD guidelines for the NSP have several other stipulations. All NSP funds are restricted to assist individuals who earn less than 120% of area median income (AMI). The funding must be targeted toward locations that have suffered from abandoned and foreclosed properties. Twenty-five percent of the funds must assist individuals who earn less than 50% AMI. Along with these guidelines, the program requires spending the funds in a short period of time. NSP funds must be allocated within 18 months and must be spent within 4 years.

Every state was granted a minimum of \$19 million through this program. HUD created an allocation formula based on the number of subprime loans, foreclosures, vacancy rates, and property values. Only CDBG entitlement cities where this formula resulted in more than \$2 million were given direct allocations from HUD. Cities that did not meet this threshold could apply for funding from their respective statewide allocation pools. No Iowa city qualified for a direct allocation from HUD. Therefore, the City must request funds from the State of Iowa.

The State of Iowa received \$21.6 million to allocate within the state. On December 1, the State submitted their plan to HUD outlining their proposed use of the funds. The State of Iowa plan allocates approximately \$3.9 million to the City of Des Moines. Before the allocation can be made, the City must submit a plan outlining strategies to spend the money in the required time period. The City's plan must be completed by January 15.

Staff met with representatives of Greater Des Moines Habitat for Humanity, NFC, Polk County Housing Trust Fund, Anawim Housing, Community Housing Development Corporation, and HOME, Inc., to discuss potential uses for NSP funds. Based on this discussion, staff believes the primary uses for NSP funds will be to purchase and rehab foreclosed properties and demolish and rebuild homes where rehabilitation is not feasible. Another use of NSP funds may be to purchase foreclosed multi-family rental properties.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

It is anticipated that future sub-agreements and fund allocations may be approved by Council.

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