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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date | February 23, 2009 |
| | Agenda Item No. 61 Roll Call No. <u>09-</u> Communication No. <u>09-105</u> Submitted by: Larry Hulse, Community Development Director | |

AGENDA HEADING:

Approving the City’s plan to spend \$3.9 million in CDBG Neighborhood Stabilization Program (NSP) funds.

SYNOPSIS:

At the December 8, 2008 meeting, Council authorized the City Manager to submit a plan to the Iowa Department of Economic Development (IDED) to allocate approximately \$3.9 million in NSP funds (Roll Call No. 08-2159). IDED requested cities hold a public hearing on the proposed use of the funds to satisfy a Federal CDBG requirement. This public hearing will satisfy the plan requirement.

FISCAL IMPACT:

Amount: \$3,935,474

Funding Source: The Iowa Department of Economic Development is providing funding from the Federal Neighborhood Stabilization Program Fund (Title III of the Housing and Economic Recovery Act of 2008 (PL 110–289). No City matching funds are required.

ADDITIONAL INFORMATION:

At the December 8, 2008, City Council meeting, council authorized the City Manager to develop and submit a plan to the Iowa Department of Economic Development to allocate approximately \$3.9 million in HUD Neighborhood Stabilization Program (NSP) funds. The program will assist neighborhoods in redeveloping abandoned and foreclosed homes (Roll Call No. 08-2159).

This program offers the City an opportunity to limit the negative impact that foreclosures have on our neighborhoods. In 2008, 631 properties were foreclosed on, which was a 38% decrease from 2007. While this is encouraging, much of the decrease was due the Polk County Sheriff’s Department limited capacity to complete the foreclosure process and a new willingness of lenders to work with borrowers to modify mortgages.

The Polk County Sheriff’s Department has now increased the number of Sheriff Sale’s completed each week from 20 to 60. During 2009, there have been approximately 120 properties foreclosed on in the City of Des Moines. If this pace continues, roughly 1,100 to 1,200 properties will be foreclosed on this year. The NSP will allow the City to work with a coalition of housing agencies to turn some of these foreclosed and abandoned properties into quality affordable homeownership opportunities.

The plan was initially submitted to the Iowa Department of Economic Development (IDED) on January 15, 2009. IDED then determined that a public hearing on the plan is necessary before the plan can be approved. At the February 4, 2009 meeting, the NRB heard a presentation on the contents of the plan and recommended approval.

NSP Coalition Membership

A coalition of housing providers will be created to implement the program. Staff has been working with local non-profit housing agencies to determine their capacity to implement the NSP. After these meetings, staff does not believe the local non-profit housing agencies have the capacity to exclusively implement the program.

Because of this, a limited number of the properties will be redeveloped by for-profit developers. Staff will select developers to participate in the NSP by a competitive RFP process. All non-profit and for-profit agencies involved with the implementation of the program will become a part of the NSP Coalition.

Home sale prices for NSP properties are set by HUD/IDED guidelines, and all coalition members are only allowed a small developer fee to cover administrative costs associated with implementing the program.

The City will award the coalition member completing the work a per unit subsidy of up to \$24,999. Housing providers utilizing these funds must assure the following requirements are met:

- Property must be within NSP project area
- All properties must meet the minimum Iowa Green Streets Standards
- Create family friendly properties with amenities such as sufficient square footage, bedrooms, and bathrooms
- Homeowners who purchase homes subsidized with NSP funds must attend a HUD certified homeownership counseling program

Plan Summary

Coalition members will utilize NSP funds to purchase 90 foreclosed housing units. The plan for the acquisition and reuse of the units is as follows. The complete program budget is listed in “Exhibit C” in the Neighborhood Stabilization Program Allocation Plan.

NSP Program Summary

| | | |
|-----------------------------------|-----------|-------------|
| Units acquired for rehabilitation | 50 | \$1,250,000 |
| Units acquired for demolition | 40 | \$ 650,000 |
| Total units acquired | 90 | |

Demolished Properties

| | | |
|------------------------------------|-----------|------------|
| New construction within 4 years | 20 | \$ 420,000 |
| Land banked for future development | 20 | \$ 54,000 |
| Total demolished units | 40 | |

The coalition plans on purchasing approximately 40 properties for the purpose of demolition. The City will attempt to focus demolition efforts on foreclosed homes that are on the City's public nuisance list and other blighted structures identified by neighborhoods.

Twenty new homes will be built on the 40 lots where existing homes are demolished during the program implementation period. A \$20,000 subsidy of NSP funds per unit will be used for new construction. The remaining 20 lots will be held in a land bank for future development when market conditions improve. NSP guidelines dictate that properties can be held in land bank for up to ten years. NSP funds will pay for these holding costs for a period of four years.

Program Staffing

The State is allocating 6% or \$236,128 for local program administration. With these funds, staff recommends hiring a temporary two-year Assistant Planner position to administer the program and an intern to assist with administrative tasks. The remainder of the funds will be used to purchase marketing and real estate related services on an as needed basis.

The primary function of the temporary Assistant Planner will be to guide the coalition. Among other functions, this position will be responsible for managing the property acquisition process, ensuring that all state and federal requirements are met, working with neighborhoods involved in the program, and helping to identify marketing and real estate program needs. The intern will provide administrative support to help manage the property acquisition process and to provide technical support mapping and identifying which properties are in the project area.

The temporary Assistant Planner position will be added to the 2010 Budget as an amendment during next year's budget process.

Target Area

The State of Iowa requires that cities target NSP funding to no more than 25% of the total land area in the City. The City utilized the existing neighborhood recognition process where possible for identifying the project area. The project area for Des Moines encompasses a large portion of the South-Central, North-Central, and Northeast portions of the City. Areas were selected for the program based on the following criteria:

Recognized Neighborhood Criteria

- Top 25% of City of Des Moines Recognized Neighborhoods in number of foreclosures between 1/1/07 and 12/31/08 **OR**
- Top 25% of City of Des Moines Recognized Neighborhoods in percentage of structures foreclosed on between 1/1/07 and 12/31/08.
- Preference was given to Low/Mod Income census tracts as identified by HUD.

Non-Recognized Neighborhood Criteria

- Census block groups not within Recognized neighborhood which have had foreclosures in 2007 and 2008 **AND**
- Have a HUD Foreclosure Risk Score of 10.

The Recognized Neighborhoods included in this plan are: Oak Park, Highland Park, Union Park, Capitol Park, Fairmont Park, Gray's Woods, ACCENT, Fairground, Capitol East, Martin Luther King Jr., Watrous South, South Park, Magnolia Park, Indianola Hills, McKinley School/Columbus Park, Kirkwood Glen, Drake Park, Carpenter, Mondamin Presidential, Chautauqua Park, King Irving, Cheatom Park, and River Bend. Also included in this plan are portions of the Drake Neighborhood east of Drake University and several other areas of the City which are not in Recognized Neighborhoods. Exhibit A contains a detailed map of the project area.

PREVIOUS COUNCIL ACTION(S):

Date: December 8, 2008

Roll Call Number: 08-2159

Action: Authorizing the City Manager to develop and submit a plan to the State of Iowa to spend the allocated \$3,900,000 Neighborhood Stabilization Program funds to provide emergency assistance redeveloping abandoned and foreclosed homes. (Council Communication No. 08-732)

BOARD/COMMISSION ACTION(S):

Board: Neighborhood Revitalization Board

Date: February 4, 2009

Action: Recommend approval of the City's NSP plan.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

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

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