



Council Communication

Office of the City Manager

Date

June 8, 2009

Agenda Item No. 42
Roll Call No. ~~09-~~
Communication No. ~~09-386~~
Submitted by: Larry Hulse, Community
Development Director

AGENDA HEADING:

Approve the Neighborhood Stabilization Program (NSP) contract with the Iowa Department of Economic Development (IDED) and authorize the execution of Memorandums of Understanding to implement the plan.

SYNOPSIS:

Recommend approval of a \$3.9 million NSP contract with IDED to allow the City to access these funds and begin redeveloping foreclosed, vacant, and abandoned properties throughout the city. The City plans to enter into Memorandums of Understanding with local housing agencies to implement the plan.

FISCAL IMPACT:

Amount: \$3,935,474

Funding Source: IDED 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 February 23, 2009 meeting by Roll Call No. 09-341, Council approved the City's plan to allocate \$3.9 million in NSP funds. The plan calls for the City to assist local housing agencies in the acquisition and redevelopment of up to 90 foreclosed and abandoned properties within the City's project area.

The NSP is a hybrid of the CDBG and HOME programs. As such, there are many unique regulations regarding the use of funds. Unlike other programs, NSP funds can benefit individuals and families with incomes of up to 120% Area Median Income (AMI). However, 26% or \$1.02 million must be used to benefit individuals who earn less than 50% AMI.

All properties using NSP funds must be acquired for a maximum of 85% of their current appraised value. Therefore, an independent appraisal must be completed prior to the acquisition of any property. In addition, a HUD environmental review must be completed before entering into a purchase agreement.

Plan Summary

The plan calls for the acquisition of up to 90 foreclosed housing units. Approximately 50 units will be rehabilitated by local housing agencies. The remaining 40 properties will be candidates for demolition.

After demolition, new homes will be constructed on approximately 20 of the lots, while the remaining 20 lots will be placed in a land bank for future redevelopment. In total, the NSP will assist funding the redevelopment of 70 housing units within a 4 year time period.

After each property is acquired, the housing agency and the City will be entering into a redevelopment agreement. NSP subsidies will be capped at \$24,999 for housing rehabilitation and \$20,000 for new construction unless sufficient justification can be given for additional funds. The Neighborhood Conservation Services (NCS) Division will administer the contracts similar to the HOME and CDBG programs.

There are other opportunities staff is examining to allocate NSP funds. HUD/IDED guidelines allow for a fraction of NSP funds to be used for the acquisition of vacant and abandoned commercial properties. The city is working with the NDC to determine if any such properties exist within the project area.

Staff is also investigating any larger residential sites that become available through foreclosure. This would allow the City to use NSP funds to acquire such properties and develop a competitive RFP process for redevelopment of the sites.

If either commercial or large scale residential sites become available, staff will seek Council approval before any agreements are finalized.

Plan Implementation

Staff has been working with local housing agencies to determine their capacity to assist with the implementation of the program. Based on these meetings, staff recommends entering into Memorandums of Understanding with the following agencies.

- Greater Des Moines Habitat for Humanity
- Home Opportunities Made Easy Inc., (HOME Inc.,)
- Community Housing Development Corporation (CHDC)
- Neighborhood Finance Corporation (NFC)
- Neighborhood Development Corporation (NDC)
- Polk County Housing Trust Fund (PCHTF)

The MOUs will guide the allocation of NSP funds to local housing agencies. The MOUs are informal documents that allow flexibility for both parties if needs change or market conditions warrant. After eight months, staff will reexamine the relationship with each party and determine if changes to the MOUs are needed or if funds need to be reallocated. The table and paragraphs below summarize the contribution of each agency in implementing the plan.

Organization	Rehabilitation			New Construction			Total Units	
	Min	Max		Min	Max		Min	Max
Home INC.,	10	20		0	0		10	20
Habitat for Humanity	5	10		15	20		20	30
NFC Properties	2	10		0	0		2	10
CHDC	0	5		0	0		0	5
*Private Sector Need (PCHTF)	5	33		0	5		5	38

**This table represents a range of properties each entity has agreed to redevelop as a part of the NSP and not the total number of properties redeveloped through the program.*

Greater Des Moines Habitat for Humanity (Habitat)—Habitat will rehabilitate 5-10 houses and will build 15-20 new homes to assist with the implementation of the plan. In addition, Habitat's housing units will assist individuals who earn less than 50% AMI, a major objective of the NSP.

Home Opportunities Made Easy, Inc., (HOME Inc.)—Home Inc., will rehabilitate 10-20 houses to assist with the implementation of the plan.

NFC Properties LLC—NFC Properties is the LLC that the NFC uses to rehabilitate homes. NFC Properties will rehabilitate 2-10 houses to assist with the implementation of the plan. Some of these properties could be acquired by the NFC through the foreclosure process.

Community Housing Development Corporation (CHDC)—CHDC has agreed to rehabilitate up to five houses.

Neighborhood Development Corporation (NDC)—Staff will be working with the NDC to determine if eligible vacant commercial properties become available.

Polk County Housing Trust Fund (PCHTF)—After speaking with the non-profit housing agencies it was determined there was not enough capacity among the group to implement the plan. Therefore, it was decided to allow selected for-profit developers to assist with the implementation of the NSP. The rules and regulations of the for-profit developers will be identical to those of non-profit housing agencies.

The PCHTF has agreed to assist with the selection of the for-profit developers. The PCHTF has created a set of criteria to select qualified for-profit entities to assist with the implementation of the NSP. This criterion includes access to capital, ability to carry on several projects at once, past experience working with federal funds, and ability to meet the program deadlines. Approximately five for-profit developers submitted applications. Of those, up to three firms will be selected to participate in the program.

The plan allocates \$250,000 to assist for-profits with the redevelopment of up to 10 housing units. The dollar amount and number of housing units could increase if additional needs develop. The per-unit subsidy will be capped at \$24,999 unless there is justification for additional funds. The PCHTF may use other funds from IFA and the Federal Home Loan Bank to assist agencies with acquisition and end homebuyers with downpayment/closing cost assistance.

Once properties are selected and purchased by the for-profit agency, city staff will perform a preliminary needs assessment and a final inspection to ensure that all work was completed in an appropriate manner.

Property Selection Process

At this time, it is impossible to determine what properties will be redeveloped using these funds. Staff is examining foreclosed houses in the project area to determine what properties may be good candidates for the program. Properties are currently being examined on their exterior structural condition, location, local block conditions, and area upkeep. This examination is ongoing, as new properties become eligible on a weekly basis.

Based on these examinations, staff is highlighting properties that may a good fit for the program. Neighborhood residents have also suggested properties they believe are a good fit for the NSP. A

property selection subcommittee consisting of participating housing agencies will meet weekly to discuss these properties and determine which properties should be investigated in further detail.

PREVIOUS COUNCIL ACTION(S):

Date: February 23, 2009

Roll Call Number: 09-341

Action: On the City's plan to spend CDBG Neighborhood Stabilization Program Funds. (Council Communication No. 09-105) Moved by Coleman to adopt. Motion carried 7-0.

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) Moved by Hensley to adopt; refer to the City Manager to provide details about this program at a workshop. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

HUD is currently amending the rules for the NSP. Our plan may be amended to meet these additional requirements.

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