

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	October 26, 2009
	Agenda Item No. 29 Roll Call No. <u>09-</u> Communication No. <u>09-751</u> Submitted by: Larry Hulse, Community Development Director	

AGENDA HEADING:

Approve the amended Neighborhood Stabilization Program (NSP) contract with the Iowa Department of Economic Development (IDED) and related supporting documents.

SYNOPSIS:

In June 2009, Council approved the contract with IDED for \$3.9 million in HUD NSP funds (Roll Call No. 09-996). Since that time, Housing and Urban Development (HUD) has amended the program through a Bridge Notice that made several significant changes to the program requiring IDED to amend their contract with the City. Approving this amendment will allow the City to be reimbursed for NSP related activities.

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 June 8, 2009 meeting, Council approved the Neighborhood Stabilization Program contract (Roll Call No. 09-996) with the Iowa Department of Economic Development (IDED). The contract outlines the allocation of \$3.9 million in NSP funds. At that time, it was believed the contract and other program regulations would need to be revised once more direction was provided from (HUD) and IDED. Below is a summary of the changes to previously approved NSP documents.

In June, HUD issued a notice advising the public of changes to the Neighborhood Stabilization Program as a result of the American Reinvestment and Recovery Act of 2009. One key change to the document was the amendment to the rule that required properties be acquired for a maximum of 85% of their Fair Market Value. This requirement was changed to allow properties to be purchased for up to 99% of their Fair Market Value. In addition, the requirement that all properties were subject to an appraisal prior to acquisition has been changed to allow properties valued under \$25,000 to be acquired without a formal appraisal.

Another change highlighted by the June notice, was the requirement that NSP recipients have an updated Residential Anti-displacement and Relocation Assistance Plan (RARAP) and policy banning Excessive

Force. The City has approved a RARAP and Excessive Force policy as a part of the Consolidated Plan. However, because of the unique program requirements of the NSP, the City must approve a program specific RARAP and Excessive Force policies.

Properties improved with NSP funds will require the developer sign a contract specifying sources and uses of funds. These contracts are similar to those currently administered by the Neighborhood Conservation Division for the HOME and CDBG programs. At the August 24, meeting Council approved the contract documents for the NSP (Roll Call No. 09-1554). Unlike HOME and CDBG, NSP funds are administered by the Iowa Department of Economic Development. Because of this, the contracts need to be amended to cite the change in administrative jurisdiction.

One eligible use for NSP funds is the demolition of blighted properties. HUD allows each jurisdiction the flexibility to develop a definition of blight. Under the current definition approved by IDED, a property must be a public nuisance in order to be demolished using NSP funds. However, there are many properties that are not public nuisances that have significant structural defects that cannot be rehabilitated. Because of this, staff would like to revise the definition of blighted properties to include the following:

“A blighted property is one that would meet the definition of public nuisance listed in Section 60-300 in the Municipal Code or a property that exhibits significant structural defects which could constitute a threat to public welfare.”

Amendments to the contract with IDED must be made in writing by the City Manager. This action will allow the Manager to make the request to amend the contract.

PREVIOUS COUNCIL ACTION(S):

Date: August 24, 2009

Roll Call Number: 09-1554

Action: Agreements and related documents for the Community Development Neighborhood Conservation Services Neighborhood Stabilization Program. (Council Communication No. 09-599) Moved by Kiernan to adopt. Motion Carried 7-0.

Date: June 8, 2009

Roll Call Number: 09-997

Action: Memoranda of Understanding with designated local housing agencies to implement the Neighborhood Stabilization Program. (Council Communication No. 09-386) Moved by Vlassis to adopt. Motion Carried 7-0.

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.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Interpretations of how program activities fall into specific budget categories have been changed by HUD/IDED. Because of this, the program budget will need to be amended.

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