

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date</b>	December 21, 2009
	<b>Agenda Item No.</b> 26 <b>Roll Call No.</b> <u>09-</u> <b>Communication No.</b> <u>09-876</u> <b>Submitted by:</b> Larry Hulse, Community Development Director	

**AGENDA HEADING:**

Approval of an amendment to the Neighborhood Stabilization Program (NSP) plan to provide acquisition and rehabilitation financing for developers who acquire and rehabilitate foreclosed and abandoned properties.

**SYNOPSIS:**

In February 2009, by Roll Call No. 09-341, Council approved the City’s plan to allocate \$3.9 million in NSP funds. One portion of the plan was to allocate approximately \$1.2 million to provide rehabilitation subsidies for developers who purchase foreclosed homes. These funds must be allocated by September 30, 2010. To meet this deadline, staff recommends amending this program to allow housing agencies to use NSP funds to pay for the acquisition and rehabilitation of foreclosed properties. Once a property sells, all proceeds would be returned to the City to reinvest in the program.

**FISCAL IMPACT:**

Amount: \$1,200,000

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:**

The NSP plan was approved by the City Council on June 8, 2009 by Roll Call No. 09-997. The plan calls for the City to use approximately \$1.2 million in NSP funds to provide rehabilitation subsidies to developers who acquire foreclosed properties. The developer would be required to use their own capital to acquire the properties. To date, there have been no homes purchased under this program.

Developers are having difficulty obtaining credit from banks to acquire property. The revised program will provide a loan to the developer to acquire the property and a rehabilitation subsidy. It is anticipated this revised program will address the major challenges thus far and will ensure the funds are allocated by the September 30, 2010 deadline.

The revised program will be completed in phases. Phase I will end when the first \$1.2 million is allocated. The City expects 9-14 houses will be completed in Phase I. Once the majority of Phase I properties have been sold, Phase II will begin. The amount of funding available for Phase II will depend on the final subsidy amount for homes sold in Phase I of the program. It is anticipated each home sold in

Phase I will have a subsidy of approximately \$25,000. Sale proceeds will be reinvested in the program and it is anticipated that Phase II will have approximately \$1 million available.

All developers/contractors who meet the eligibility criteria and submit a completed application prior to the deadline will be eligible to participate in the program. It is probable there will be more eligible participants than property funding availability. In that case, the participant submitting an executed purchase agreement for a NSP eligible and qualified property will be selected. All decisions will be based on a first come first serve basis. An eligible participant may submit multiple properties per program phase.

The City will complete a preliminary examination of foreclosed properties eligible for NSP funding. From that examination, the City will create a list of qualified properties for the program. Qualified properties will be selected based on location, home amenities and neighborhood characteristics.

Financing for developers to acquire the properties will be provided by the City, who is currently working with the Neighborhood Finance Corporation (NFC) to administer the property acquisition loans. For-profit developers would be charged a market interest rate (currently 6%) for the acquisition loan. Non-profit organizations would not be charged interest.

The City's Neighborhood Conservation Division will administer the rehabilitation loan and subsidy. The rehabilitation loan will be interest free for both for-profit and non-profit agencies. Upon sale of the property, the developer will be allowed a fee. All sale proceeds, minus the developer fee will be reinvested in the program.

The process for the rehabilitation of the property will be similar to that currently performed using the Neighborhood Conservation Services Division policies and procedures. The developer will enter into a property specific rehabilitation contract with the City. All contracts will have clauses to ensure that work is completed in a timely manner and provide incentives for the properties to be sold quickly.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: October 26, 2009

Roll Call Number: 09-1931

Action: Amended Neighborhood Stabilization Program (NSP) Contract with the Iowa Department of Economic Development and related supporting Documents. (Council Communication No. 09-751) Moved by Vlassis 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: NONE**

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