

City of Lakewood

Memorandum

TO: MAYOR AND CITY COUNCIL

THRU: Rebecca Clark, Community Planning and Development Director
Roger Wadnal, Comprehensive Planning and Research Division Manager

FROM: Amy DeKnikker, Associate Planner / CDBG Program Manager

DATE: November 10, 2008
City Council Study Session: November 17, 2008

SUBJECT: H.R. 3221 - Federal Neighborhood Stabilization Program (NSP)

Council Action Requested

No Council action is requested - This is an informational item only.

Background

The City of Lakewood has an exciting opportunity to proactively intervene to stabilize potentially at-risk neighborhoods in Lakewood with high rates of foreclosures. Moreover, this opportunity will require no financial contribution from the City of Lakewood. The federal government has been actively involved in addressing the foreclosure challenges throughout our nation. H.R. 3221 Housing and Economic Recovery Act of 2008 (HERA) is a resolution passed in July 2008, which introduces a "Neighborhood Stabilization Program (NSP)" that allocates \$3.9 billion in Community Development Block Grant (CDBG) funds to state and local communities to address foreclosures on a local level. Although the City of Lakewood did not receive a direct allocation, the State of Colorado received approximately \$34 million to allocate to local communities. Through a collaborative effort with several Jefferson County jurisdictions, Lakewood has submitted a Letter of Intent to apply to the State of Colorado for federal NSP funds to address foreclosures in a Lakewood neighborhood.

H.R. 3221 Housing and Economic Recovery Act of 2008 (HERA)

Resolution provides assistance and introduces new regulatory provisions for a variety of economic and housing related programs and entities. The Neighborhood Stabilization Program (NSP) is one part of H.R. 3221.

- NSP provides \$3.9 billion in emergency assistance to communities with the highest foreclosure rates for the purchase and redevelopment of abandoned and foreclosed properties.
- Funds can be used for the following:
 - o The discounted purchase and redevelopment of foreclosed homes and abandoned residential properties.
 - o The establishment of land banks for foreclosed homes.
 - o The establishment of financial tools such as “soft” seconds and shared equity mortgages and loan loss reserves.
 - o The demolition of blighted structures.
 - o The redevelopment of demolished or vacant properties.
- Funds are administered through Community Development Block Grant (CDBG) program. Income cap at 120% Area Median Income (AMI) with a minimum of 25% of funds to assist persons whose incomes do not exceed 50% AMI.
- Any profit from the sale, rental, rehabilitation or redevelopment of the properties would be reinvested to further the goals of the resolution.
- Funds must be committed within 18 months and grantees have 4 years to spend amount equal or greater than initial allocation.
- The federal NSP allocations were determined through a HUD formula-based on the following factors:
 - o Number of foreclosures in each state or unit of general local government;
 - o Number of homes financed by a sub-prime mortgage related loan in each state or unit of general local government; and
 - o Number of homes in default or delinquency in each state or unit of general local government.

Additionally, to ensure funds were being targeted to areas of greatest need, HUD limited direct allocations to jurisdictions owed at least \$2 million under the formula and then allocated the balance to the State to assist other high-need areas.

- Colorado Allocations

State of Colorado	\$34,013,566
Adams County	\$4,600,211
Aurora	\$4,474,097
Colorado Springs	\$3,904,989
Denver	\$6,060,170

Lakewood Participation

CDBG and housing representatives from Jefferson County jurisdictions met to discuss the HERA/NSP allocations and the fact that none of the jurisdictions within Jefferson County received direct allocations. There was no application process. The federal government determined allocations based on the HUD formula referenced on the previous page of this memo. As a result, the group discussed a regional approach and application for State funds in order to address foreclosures regionally. Additionally, Debbie Hughes from Mercy Housing was in attendance and spoke to the group about Mercy Housing's programs.

After further research, a regional approach using Mercy Housing's successful fix and flip HUD Homes program model, was agreed upon and on October 30, 2008, Jefferson County submitted a Letter of Intent to apply to the State of Colorado for State NSP funds. The Letter of Intent was submitted on behalf of the cities of Lakewood, Golden, Arvada, Wheat Ridge and Jefferson County and describes each jurisdiction's specific objective, focus area and funding request to address their particular community's needs.

The benefits to a collaborative approach are:

- Stronger application because of leveraged resources and a streamlined approach to addressing regional issues.
- Streamlined approach will provide opportunity for immediate impact through an existing provider and can leverage resources to maximize outcomes with minimal cost.
- Minimal administration impact to jurisdictions because the contract can be directly with Mercy Housing on behalf of the jurisdictions.

Utilization of Mercy Housing

Mercy Housing, a not-for-profit organization sponsored by Catholic Sisters, operates a very successful and nationally recognized "fix and flip" program through the HUD Homes program. Mercy Housing has the necessary components already in place that most jurisdictions do not. These include:

- Staff
- Accounting systems
- Additional resources through the Mercy Housing Loan Fund
- Existing relationships with realtors, title companies and lenders
- Ability and systems in place to acquire, rehab, re-list and determine buyer eligibility
- Formula in place to reduce holding costs and save purchasing closing costs

The group discussed logistics of potentially partnering with Mercy if a regional approach was agreed upon. Logistics and objectives discussed include:

- Performance measures (benchmarks)
- Scope of services will identify individual jurisdictions priorities
- Scope of Services will include reporting/communication provision to ensure accountability

Estimated Funding

Based on the above information, Mercy Housing estimates, focus area home values and other Colorado jurisdiction's direct allocation amounts, Staff proposes a goal to complete fifteen (15) house rehabilitations estimated to cost approximately \$200,000 per property for a total request of \$3 million in federal funds to the City of Lakewood. On behalf of the participating Jefferson County Jurisdictions, a Letter of Intent to apply for State NSP funds was submitted on October 30, 2008. No Lakewood City funds would be allocated to this program.

Next Steps

November 15, 2008: State must post an Action Plan (similar to the CDBG/HOME One Year Action Plan) for public comment describing recommended NSP projects and funding levels.

December 2008: HUD approval of State NSP Action Plan

Once funding is known, develop Memo of Understanding (MOU) or an Intergovernmental Agreement (IGA) with Mercy Housing and participating jurisdictions with program details. (Objectives, performance measurements, responsibilities, etc.)

February 2009: NSP funds are awarded to the State and allocated to jurisdictions

July 2010: Deadline to commit Lakewood NSP funds to housing program

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