

City of Garden Grove**INTER-DEPARTMENT MEMORANDUM**

To:	Matthew Fertal	From:	Susan Emery
Dept:	City Manager	Dept:	Community Development
Subject:	PUBLIC HEARING ON OPPORTUNITIES FOR THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)		
		Date:	February 10, 2009

OBJECTIVE

To request that the City Council conduct a Public Hearing regarding opportunities for the Neighborhood Stabilization Program (NSP).

BACKGROUND

The federal Economic Recovery Act (2008) is granting funds to deal with abandoned and foreclosed properties under the Neighborhood Stabilization Program (NSP). Congress allocated \$3.92 billion nationwide. As part of this appropriation, the California Department of Housing and Community Development (HCD) received an allocation of \$145 million in Neighborhood Stabilization Program (NSP) funds from the Department of Housing and Urban Development (HUD).

HCD will allow jurisdictions that did not receive direct allocations from HUD to apply for funds from the state. As determined by HCD, Garden Grove was initially eligible for a maximum sub-grant amount of \$822,151. Each application for funding must be for a minimum threshold amount of \$1 million. The state will permit jurisdictions with calculated allocations below the \$1 million requirement to combine their allocation with that of a contiguous jurisdiction through a Joint Powers Agreement or Memorandum of Understanding in order to meet or exceed the minimum threshold amount. Garden Grove will be partnering with Westminster, who was initially eligible for \$237,172, and submit a joint application. On February 2, 2009, HCD announced that the funding for the NSP program has been reallocated. The City of Garden Grove is now eligible for a maximum award of \$1,180,823 and the City of Westminster is now eligible for a maximum grant of \$340,641.

This public hearing is the first of two public hearings that will need to occur pursuant to HUD requirements for the Neighborhood Stabilization Program prior to submittal of an application for funding. The purpose of this public hearing is to provide an opportunity for comments on the eligible activities. The second public hearing, scheduled for February 24, 2009, will approve the specific program to be funded with NSP funds and consider an application for funding.

DISCUSSION

NSP funds are designed to help to address the high number of foreclosures, homes financed by subprime mortgage loans, or high percentages of those already in default.

NSP funding may be used for the following activities:

1. Establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
2. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
3. Establish land banks for homes that have been foreclosed upon;
4. Demolish blighted structures; and
5. Redevelop demolished or vacant properties.

Use of NSP funds must fulfill any of the following national objectives:

Housing Activities: receiving NSP funding must provide and improve permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

Area Benefit Activities: receiving NSP funding must benefit all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

Limited Clientele Activities: receiving NSP funding must serve a limited clientele whose incomes are at or below 120% of area median income (LMMC).

In addition to the funding noted above, the State has set aside 25% of the \$145 million in NSP funds for targeted, over-the-counter sub-grants to eligible applicants who will specifically target households at 50% or less of AMI as beneficiaries of these funds.

Subject to any revisions that result from this public hearing, staff proposes to apply for \$1,180,823 in federal NSP funds to establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers. NSP funds will assist eligible buyers purchase and, as necessary, rehabilitate foreclosed residential properties in Garden Grove.

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If additional monies become available, the City will apply for the maximum available under the NSP allocation to finance the purchase and redevelopment of foreclosed homes and residential properties to be performed within predominately low and moderate-income areas.

FINANCIAL IMPACTS

The Neighborhood Stabilization Program will have no impact on the General Fund. A successful application for the NSP Program will bring \$1,180,823 in new funding to address abandoned and foreclosed homes.

COMMUNITY VISION IMPLEMENTATION

One of the City's goals for our neighborhoods is to "seek to insure quality housing opportunities in the community, without unduly burdening existing residents." The Neighborhood Stabilization Program works toward achieving that goal.

RECOMMENDATION

It is recommended that the City Council:

- Conduct a public hearing and accept public comments regarding the five eligible options for the design of the NSP Program.



SUSAN EMERY
Community Development Director



By: Allison Mills
Senior Project Manager

Approved for Agenda Listing



Matthew Fertal
City Manager

Attachment 1: Public Notice for Neighborhood Stabilization Program

**NOTICE OF PUBLIC HEARINGS
TO RECEIVE PUBLIC COMMENTS ON OPPORTUNITIES
FOR THE NEIGHBORHOOD STABILIZATION PROGRAM FUNDING
AND TO APPLY FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDING**

The City of Garden Grove will conduct two public hearings regarding Neighborhood Stabilization Program (NSP) funding from the State of California.

On February 10, 2009, the Garden Grove City Council will conduct a public hearing to consider opportunities for the Neighborhood Stabilization Program (NSP); and

On February 24, 2009, the Garden Grove City Council will hold a second hearing to consider an application to the State of California for NSP funding.

Both public hearings will be held at 6:30 p.m. in the Community Meeting Center, located at 11300 Stanford Avenue, Garden Grove, California.

The State of California has received \$145 million in NSP funding to address abandoned and foreclosed homes. NSP funding may be used for the following activities:

1. Establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
2. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
3. Establish land banks for homes that have been foreclosed upon;
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In addition to the funding noted above, the State has set aside 25% of the \$145 million in NSP funds for targeted, over-the-counter sub-grants to eligible applicants who will specifically target households at 50% or less of AMI as beneficiaries of these funds.

Subject to any revisions that result from the February 10, 2009 public hearing, the City proposes to apply for \$822,151 in federal NSP funds to establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers. NSP funds will assist eligible buyers purchase and, as necessary, rehabilitate foreclosed residential properties in Garden Grove. To qualify for the minimum allowable NSP allocation, the City as the lead agency will consider a joint venture with the City of Westminster (which is eligible to receive \$237,172) and apply to the California Housing and Community Development Department, the State agency administering the NSP.

If additional monies become available, the City will apply for the maximum available under the NSP allocation to finance the purchase and redevelopment of foreclosed homes and residential properties to be performed within predominately low and moderate-income areas.

NSP Grant Applicants	Amount to be Requested
City of Garden Grove	\$822,151
City of Westminster	\$237,172
TOTAL:	\$1,059,323

OPPORTUNITY FOR PUBLIC COMMENT

If you are unable to attend the public hearings, you may direct written comments prior to the dates of the hearings to contact Allison Mills, Senior Project Manager, in the City of Garden Grove's Community Development Department located at 11222 Acacia Parkway, Garden Grove, California 92840. Information may be obtained or a public file on NSP activities may be reviewed, at the above address between the hours of 8:00 a.m. and 5:00 p.m., Monday through Thursday. Ms. Mills may be contacted at (714) 741-5139, 800-735-2929 (TDD), or by email at allisonj@garden-grove.org.

If you plan on attending the public hearing and need a special accommodation because of a sensory or mobility impairment/disability, or have a need for an interpreter, please contact Ms. Mills to arrange for those accommodations to be made. Notification 24 hours prior to the meeting will enable the City to make reasonable accommodations to assure accessibility at the meeting.

The City of Garden Grove promotes fair housing and makes all programs available to low-and moderate-income families regardless of age, race, color, religion, sex, national origin, sexual preference, marital status or disability.

/s/ Kathleen Bailor
City Clerk

Date: January 16, 2009

Publication Date: January 22, 2009