

PUBLIC HEARING ON APPLICATION
FOR THE NEIGHBORHOOD
STABILIZATION PROGRAM (NSP)
February 24, 2009
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The purpose of this public hearing is to provide an opportunity for comments on the proposed home buyer program.

DISCUSSION

Subject to any revisions that result from this public hearing, staff proposes to apply for \$1,180,823 in federal NSP funds to create a home buyer program for the purchase of foreclosed homes and residential properties in Garden Grove. If additional monies become available, the City will apply for the maximum available under the NSP program.

The proposed home buyer program includes the following salient provisions:

- Program is available to qualified home buyers whose household income is at or below 120% of Area Median Income (See table below);

| Income Standard | Household Size | | | | | |
|----------------------------------|----------------|--------|--------|---------|---------|---------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Orange County Area Median Income | 58,900 | 67,300 | 75,700 | 84,100 | 90,800 | 97,600 |
| 120% of Area Median Income | 70,600 | 80,700 | 90,800 | 100,900 | 109,000 | 117,000 |

- All program participants must attend an eight hour, HUD approved home buyer training course;
- The property must be in foreclosure and must be purchased at a discounted price of at least 5% below the appraised value of the home;
- Down payment assistance will be available in an amount up to \$40,000;
- If the property is sold during the required "affordability period," the City's original investment plus 3% simple interest per annum shall become due. If the property is sold after the completion of the affordability period, the entire note shall be forgiven;
- The property purchased must be the buyer's principal place of residence; and
- The property must continuously be maintained in accordance with local and state codes.

The length of the "affordability period," according the HUD regulations, is determined by the amount of funding provided. Funding up to \$14,999 in NSP funds requires a minimum affordability period of five years. Funding in an amount between \$15,000 and \$39,999 in NSP funds requires a minimum affordability period

of 10 years. Funding at or above \$40,000 requires a minimum affordability period of 15 years.

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 application for the NSP Program, and
- Authorize the City Manager to execute all documents necessary for an application for NSP funding, including a Joint Powers Agreement or Memorandum of Understanding with the City of Westminster.

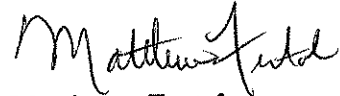


SUSAN EMERY
Community Development Director



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;
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 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