

DATE: July 7, 2009

TO: Mayor and City Council

FROM: Redevelopment Director

SUBJECT: Consortium Agreement with Alameda County to apply for Neighborhood Stabilization Program Phase II Funds

RECOMMENDATION

That Council adopts the attached resolution authorizing the City Manager to enter into a Consortium Agreement with Alameda County to apply for Federal Neighborhood Stabilization Program Phase II funds.

BACKGROUND

On July 30, 2008, the Federal Government enacted the Housing and Economic Recovery Act of 2008 (the Act). Title III of the Act authorizes the establishment of the Neighborhood Stabilization Program (NSP) to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. NSP provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes.

In the original NSP Phase I (NSP-1) funding news release from the U.S. Department of Housing and Urban Development (HUD), only two jurisdictions in Alameda County – Oakland and Unincorporated Alameda County – received a direct allocation of NSP-1 funds. The State of California received \$145 million. Through an amendment to its Community Development Block Grant (CDBG) Action Plan, the State Department of Housing and Community Development (HCD) allocated Hayward a total of \$1,554,489 in State NSP-1 funds. Staff recently submitted an application to receive Hayward's State NSP-1 allocation, which will be used primarily to implement an Acquisition, Rehabilitation, and Sale of Foreclosed/Abandoned Properties Program.

Neighborhood Stabilization Program Phase 2 (NSP-2) funds became available when the American Recovery and Reinvestment Act (ARRA) of 2009, also called "Stimulus Package", was signed into law by the Obama Administration in February of 2009. NSP-2 funds appropriation total \$2 billion and may be used for the same activities as provided in the original NSP guidelines. On May 4, 2009, the Department of Housing and Urban Development (HUD) issued a NSP-2 Notice of

Funding Availability and Program Guidelines, which included the program qualified census tracts. A map showing Hayward's NSP-2 qualified census tracts (defined by HUD as those with a foreclosure score of 18 or more) may be found in attachment A; the qualified census tracts are shown in yellow and identified with their number. Darker yellow tracts are tracts in the identified target area for NSP-1 funding application purposes. Attachment B is a brief description of the program as stated by HUD.

Unlike the NSP-1 program, NSP-2 is a nationwide competitive application that requires a minimum funding request of \$5,000,000. Recipients must also deliver at least 100 homes to productive use with the funding received within three years. Several Alameda County jurisdictions, including Hayward, are qualified to apply for this funding. However, due to the competitive nature of the application and the requirement to show the experience and capacity to spend the minimum \$5 million and deliver at least 100 units, staff is recommending Council adopt the attached resolution authorizing the City Manager to enter into a Consortium Agreement with the County of Alameda so the City may participate in the funding application.

DISCUSSION

Staff met with representatives of Alameda County and other Alameda County cities in early June to discuss the possibility to create a "Consortium" and to submit a competitive joint application to HUD for NSP-2 funds due in Washington, DC on July 17th. The funding application requires that participating entities in a joint application enter into a consortium agreement to establish the broad participation terms. Discussions with representatives from the County and other jurisdictions have focused on the following parameters, should the Consortium receive competitive NSP-2 funding:

- Alameda County Department of Housing and Community Development (HCD) would be the lead for purposes of submitting the application, selecting non-profit organizations responsible for conducting program activities, and entering into sub-recipient agreements with those organizations.
- The pool of non-profit organizations will be selected either through a list from a Request for Qualifications (RFQ) process previously held by the County for selection of an NSP-1 consultant, or through an additional RFQ or Request for Proposals (RFP) to be conducted after the award of NSP-2 funds.
- The selected organizations will acquire and rehabilitate foreclosed or vacant and abandoned properties, and conduct additional program activities, as necessary.
- At least three organizations will be selected. One organization may be selected to work in the Tri-Valley area (Pleasanton, Livermore and Dublin). Two more organizations will be selected to work in the South County area: an organization responsible for implementing a rental housing component (see more below), and one for carrying out a homeownership component. Organizations such as Eden Housing, Satellite Housing, or Housing Consortium of the East Bay may be hired to carry out the rental component. Organizations such as Bay Area Homebuyer Agency, Hallmark Community Solutions, or Habitat for Humanity East Bay may be hired to implement the homeownership component.
- Because Hayward intends to use additional NSP funds (i.e. NSP-2 funds) to acquire, rehabilitate, and sell foreclosed/abandoned properties to middle income homebuyers, it is

expected that Hayward staff will work with the organization hired to implement homeownership activities in the South County area, preferably the same consultant hired by the City for the NSP-1 program.

- 25% of the NSP-2 funds must be used to serve households at very low income – those earning 50% of the Area Median Income (AMI) or less. Units renovated at these levels will be offered as rental units.
- The remainder of funds will be used to rehabilitate single-family homes and provide first-time homeownership opportunities to middle-income households (those earning between 80% and 120% of AMI).
- Non-profits will collaborate with local city staff to ensure that up-to-date foreclosure data and other local housing issues are considered in the implementation of the program.
- The cities of Emeryville, Alameda, San Leandro, Newark, Pleasanton, Livermore, Dublin, Fremont, and Union City have all expressed an interest in participating in the Consortium Agreement.
- Because the funds need to be spent in a short time-frame (50% within 24 months), funds will be available to participating jurisdictions on a first-come, first-served basis through their non-profit partners. Those jurisdictions able to identify eligible, “shovel-ready” properties in relatively short time will be able to access the funds first.

The attached resolution authorizes the City Manager to enter into the Consortium Agreement with Alameda County for the purpose of submitting a joint application for NSP-2 Program grant funds. Alameda County HCD will serve as lead member and enter into a standard agreement with HUD should the Consortium be funded. The Consortium Agreement will terminate if HUD denies the application or until all NSP-2 funds are expended and activities are completed, whichever is earlier.

FISCAL IMPACT

As further explained below, should the Consortium be funded, the City will enter into a funding agreement with the County by December 1, 2009. This agreement will contain greater detail and will identify the fiscal impact for the City, if any. However, it is expected that the fiscal impact of implementing program activities will be minimal to the City, whose main role will be to recommend target properties in the HUD-identified qualified census tracts to the consultant based on input from Community Preservation staff.

The County would retain NSP-2 program allowance for administrative costs (a minimum of \$500,000 or 10% of the total allocation) as reimbursement for acting as the program lead. This includes being responsible to comply with NSP’s major requirements that would otherwise need to be carried out by City staff, such as program coordination, administration and reporting to HUD. For example, it will be the responsibility of the County to respond to HUD audits and provide HUD with program performance reports on an ongoing basis. In addition, because some soft costs may be paid with program funds and there is an allowance for activity delivery costs, it is anticipated that there will be enough funds to reimburse the County and the non-profit consultant(s) for implementation of program activities.

PUBLIC CONTACT

The citizen participation process including public hearings similar to the ones conducted by the City in order to submit an application for NSP-1 funds apply to the NSP-2 program. The hearings and other program-required public participation notices will be conducted the Alameda County prior to the submission of the application.

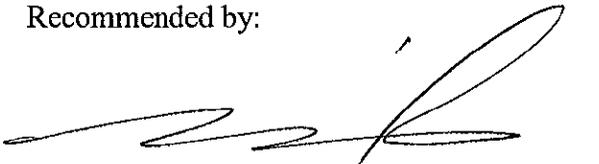
NEXT STEPS

Upon Council approval, the City Manager will execute the Consortium Agreement, and staff will provide the County all the support necessary to submit the application. Should the Consortium be funded, each city member of the Consortium will agree to execute a funding agreement with the County by December 1, 2009. This agreement will contain greater detail regarding program requirements and timetables for completion of NSP-2 activities.

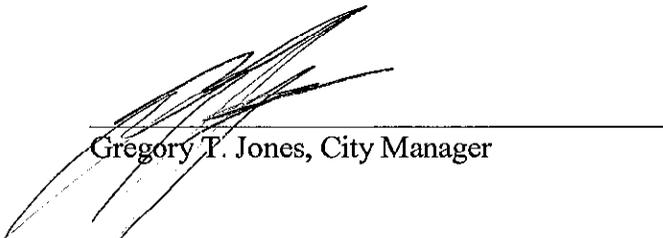
Prepared by:


Maret Bartlett, Redevelopment Director

Recommended by:


Fran David, Assistant City Manager

Approved by:


Gregory T. Jones, City Manager

Attachments:

- A. Hayward NSP-2 Qualified Census Tracts
- B. NSP-2 Program Description

Resolution

DUE TO THE COLOR OF ATTACHMENT A, IT HAS BEEN
INCLUDED AS A SEPARATE LINK

Attachment B

Neighborhood Stabilization Program 2 Summary

Allocation: \$1.93 billion to be allocated by competition to grantees to carry out NSP activities; up to 10% of which may be allocated by competition to Grantees to supply "capacity building" and "support" to NSP1 or NSP2 grantees. The Department will withhold 1% for technical assistance and administration of the program.

Eligible Applicants: Eligible entities are states, units of general local government, nonprofit entities, and consortia of nonprofit entities. Any lead applicant may submit a proposal in partnership with one or more for-profit entities.

Competition Design: The Recovery Act directs HUD to will narrow the field of qualified geographies based on need using the NSP Need Calculation Tool. Proposals from the areas of highest need will be judged on: 1) capacity of the lead applicant to execute projects, 2) leveraging potential, 3) concentration of investment to achieve neighborhood stabilization, and 4) other criteria that the Secretary determines to be appropriate.

Eligible Proposals: Proposals must be designed such that the Grantee expends at least 50% of its award within two years and 100% of its award within three years of the date the award is made. Generally, activities that are eligible for inclusion in the proposals are the same as those eligible under NSP1. The Recovery Act did make several changes to NSP1 eligible uses as follows:

- Land bank is redefined to include operational costs and is expanded to included residential properties, not just foreclosed homes.
- Limits redevelopment of vacant or demolished property only as housing.
- Demolition of public housing is prohibited.

Threshold Requirements: HUD has established a \$5 million minimum for successful applications.

Limitations: The share of the award that an applicant may propose to use for demolition activities is limited to 10%, unless the Secretary deems a greater share to be an appropriate response to the local market. Applicants may reserve 10% of the award for administrative expenses, as under NSP1.

Waivers: The Secretary maintains broad waiver authority, except for requirements related to fair housing, non-discrimination, labor standards, and the environment.

Application Deadline: The application deadline date is July 17, 2009. Applications must be received via paper submission at HUD Headquarters building by 5:00 PM on the deadline date.

DRAFT

REDEVELOPMENT AGENCY OF THE CITY HAYWARD

RESOLUTION NO. _____

Introduced by Agency Member _____

mbe
6/24/09

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAYWARD AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONSORTIUM AGREEMENT WITH THE COUNTY OF ALAMEDA FOR THE PURPOSE OF SUBMITTING AN APPLICATION TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) FOR FUNDING FROM THE NEIGHBORHOOD STABILIZATION PROGRAM PHASE 2 CREATED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009.

WHEREAS, the American Reinvestment and Recovery Act of 2009 includes an allocation of funds for additional activities under Division B, Title III of the Housing and Economic Recovery Act of 2008, and the additional funds are referred to as the Neighborhood Stabilization Program 2 ("NSP-2"); and

WHEREAS, the purpose of NSP-2 is to assist in the redevelopment and rehabilitation of abandoned and foreclosed properties, and NSP-2 is a component of the federal Community Development Block Grant Program ("CDBG"); and

WHEREAS, on May 4, 2009, the United States Department of Housing and Urban Development ("HUD") issued a Notice of Fund Availability ("NOFA") seeking applications for grants of NSP-2 funds for the purpose of carrying out neighborhood stabilization programs; and

WHEREAS, the NOFA permits a consortium of nonprofit entities (which may include governmental entities, local governments, and private nonprofit organizations) to apply for NSP-2 funds; and

WHEREAS, the County of Alameda, (the "County"), the City of Hayward, and other Alameda County municipalities wish to form a consortium ("Consortium") for the purpose of submitting an application to HUD for NSP-2 funds and together constitute the Consortium Members; and

WHEREAS, Alameda County Housing and Community Development Department is designated as the lead member (the "Lead Member") of the Consortium and will submit a grant application for NSP-2 funds to HUD on behalf of the Consortium in the minimum amount of Five Million Dollars (\$5,000,000) (the "Application") by its deadline of July 17, 2009; and

