



## Legislation Text

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**File #:** 10-0256, **Version:** 1

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Recommendation to authorize City Manager to execute all documents with the United States Department of Housing and Urban Development (HUD) necessary to accept the Neighborhood Stabilization Program 2 (NSP2) grant award in the amount of \$22,249,980; enter into a consortium agreement with Habitat for Humanity Greater Los Angeles as required by the grant award; execute NSP2 purchase/sale agreements, loan documents and all related documents for NSP2 funded transactions; and approve an appropriations increase in the Community Development Grants Fund (SR150) in the Department of Community Development (CD). (Citywide)

As part of the American Reinvestment and Recovery Act of 2009, HUD issued a Notice of Funding Availability (NOFA) seeking applications for \$1.93 billion of NSP2 funds to implement programs to stabilize neighborhoods. Applicants may consist of one or more non-profit or governmental entities applying as a consortium. A consortium funding agreement must be created with the lead applicant specifying the distribution of funds and the responsibilities of each party by the date specified in the NOFA.

In response to the NOFA the Department of Community Development as a lead governmental entity, and its partner Habitat for Humanity Greater Los Angeles (Habitat), a non-profit full service housing developer, submitted a grant application under the NSP2. A \$22,249,980 grant was awarded through a highly competitive process. The award was the entire amount requested. The following are the proposed program outcomes:

- Reverse the decline of homeownership in the City by creating at least 111 new homeowner households;
- Remove, at minimum, 111 vacant residential units from foreclosure;
- Focus NSP2 resources in neighborhoods most severely impacted by vacant and foreclosed homes; and
- Create and retain several hundred construction jobs as a result of the rehabilitation of at least 111 residential properties.

Twenty-five percent of the total grant award must be used to assist families earning less than 50 percent of area median income (\$39,650 for a family of four). Habitat will carry out this grant requirement by purchasing at least 25 vacant and foreclosed homes. These homes will be rehabilitated and sold to very low-income households.

The City will utilize 75 percent of the funds to serve at least 86 workforce households earning up to 120 percent of area median income (\$95,150 for a family of four). The City will offer a Silent Second Mortgage assistance loan of up to \$200,000, depending on the household income of the applicant purchasing the vacant and foreclosed property. Up to an additional \$30,000 will be used to

rehabilitate each property, making them more energy-efficient and code compliant.

The Housing Services Bureau currently administers a very successful Silent Second Mortgage assistance loan program utilizing State Grants and 20 percent tax-increment set-aside funds. This program does not target vacant and foreclosed homes. The NSP2 program will target vacant and foreclosed homes and will use a similar process in allocating the Silent Second Mortgage program to first-time homebuyers. The success of this program depends on using well-established partnerships with local lending institutions and realtors to quickly turn foreclosed homes into new home ownership opportunities.

HUD has created the attached map that provides information on vacancies and foreclosures in the City, by census tract. Based on the HUD information provided, NSP2 funds must serve only those areas determined to have the highest need.

This item was reviewed by Deputy City Attorney Richard Anthony on February 18, 2010 and Budget Management Officer Victoria Bell on February 19, 2010.

City Council action is requested on March 9, 2010, as the grant agreement must be executed and submitted to HUD no later than April 10, 2010.

The receipt of \$22,249,980 in grant funds is not currently budgeted. Therefore an appropriation increase in the Community Development Grants Fund (SR 150) in the Department of Community Development (CD) is requested as part of the recommended action. There is no fiscal impact to the General Fund.

Approve recommendation.

DENNIS J. THYS  
DIRECTOR  
DEPARTMENT OF COMMUNITY DEVELOPMENT

NAME  
TITLE

APPROVED:

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PATRICK H. WEST  
CITY MANAGER