



# CITY OF LONG BEACH

# R-19

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

November 18, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Approve the amendment to Fiscal Year 2008 - 2009 Action Plan incorporating the Neighborhood Stabilization Program (NSP) and authorize the City Manager to execute all necessary documents with the U.S. Department of Housing and Urban Development (HUD) and other entities necessary to receive NSP funds, increase appropriations in the Community Development Grants Fund (SR 150) in the Department of Community Development (CD) by \$5,070,310, and acquire and dispose of properties related to the NSP. (Citywide)

## DISCUSSION

To receive Community Development Block Grant (CDBG) funding from HUD, the City of Long Beach prepares an annual Action Plan that describes how the funding for low-income residents will be used. On July 15, 2008, the City Council approved the Fiscal Year 2009 (FY 09) Action Plan. This FY 09 Action Plan is the fourth annual implementation plan under the five-year 2005 – 2010 Consolidated Plan. The Plan is required to assess community needs and to prioritize the use of HUD grant funds received by the City to address identified needs by principally benefiting low income Long Beach residents.

Pursuant to Title III of the Housing and Economic Recovery Act of 2008 (HERA), HUD has established a new program called the Neighborhood Stabilization Program (NSP). The City is eligible to receive an additional \$5,070,310 of federal funds allocated to the NSP. A summary of the HERA and the NSP regulations is provided. (Attachment A) Because this is a new program, the City must amend the FY 09 Action Plan in order to participate in the NSP. (Attachment B)

The NSP is intended to stabilize neighborhoods and stem the decline of housing values. The program calls for recipient cities and states to purchase and rehabilitate foreclosed or abandoned homes. Once these properties are rehabilitated, the City can sell them to qualified buyers that earn 120 percent or less of the average median income (AMI), or choose to demolish the property and use for public benefit. Because NSP funds must be allocated 18 months from receipt, it is requested that the City Manager be authorized to acquire and dispose of properties purchased and rehabilitated with NSP funds.

On October 15, 2008, the Community Development Advisory Commission conducted a Public Hearing to solicit public comment on the proposed amendment to the FY 2008 - 2009 Action Plan. The Commission voted unanimously to recommend to the City Council approval of the amendment to the FY 2008 – 2009 Action Plan. Notices regarding the Public Hearing and the availability of the draft Action Plan were published in the *Press Telegram*, the *Angkor Borei* (Cambodian Language) and *Impacto* (Spanish Language). In addition, the program announcement was posted on the Community Development website. All of the public comments received at the public hearing and during the public comment period, October 22 to November 6, 2008, are included in the Amended Action Plan, along with copies of written responses from staff.

### **NSP Requirements**

NSP allows the City to purchase and land bank properties that are either vacant or blighted, for the future development of affordable housing or for another public benefit.

Twenty-five percent (25%) of the NSP entitlement of \$5,070,310 must be used to accommodate people that earn 50 percent or less of the AMI. This amount, \$1,300,000 will be placed in the City's Housing Trust Fund (HTF) and administered by the Long Beach Housing Development Company for the purchase and rehabilitation of a vacant/foreclosed multi-family property.

Local governments are required to give priority emphasis and consideration of NSP funds to areas with the greatest need. On June 1, 2004, the City passed a resolution that adopted the Housing Action Plan (HAP) for Fiscal Years 2005 – 2009. One of the over-arching goals of the HAP is to maximize investment towards providing quality affordable housing to as many Long Beach residents as possible with a clear and pronounced effect of revitalizing and stabilizing Long Beach neighborhoods. Based on the goals of the HAP, NSP funds will be concentrated in the three (3) HAP areas. NSP requires that rehabilitated homes be provided to qualified homebuyers. The 2<sup>nd</sup> Mortgage Assistance Program, offered in the HAP areas, will allow the City to assist these buyers in purchasing homes.

This item was reviewed by Deputy City Attorney Richard Anthony on October 24, 2008 and Budget Management Budget Manager David Wodynski on October 29, 2008.

### **TIMING CONSIDERATIONS**

City Council action is requested on November 18, 2008, as the amended Action Plan must be submitted to HUD no later than December 1, 2008.

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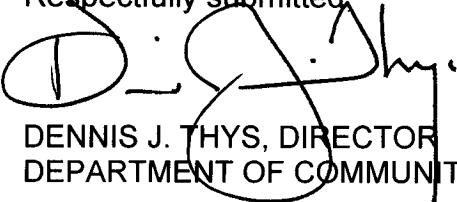
FISCAL IMPACT

An appropriation increase of \$5,070,310 is requested in the Community Development Grants Fund (SR 150) in the Department of Community Development (CD). The grant revenues that will be received from HUD under the NSP will offset this increase. Of this appropriation, \$1.3 million will be used to transfer an equal amount of money into the HTF. When the City is ready to use HTF resources, it will request appropriation authority to do so at the time.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS, DIRECTOR  
DEPARTMENT OF COMMUNITY DEVELOPMENT

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Attachment A: Summary of HERA/NSP  
Attachment B: Amendment to FY 09 Action Plan

APPROVED:



PATRICK H. WEST  
CITY MANAGER

## **Summary of the “Housing and Economic Recovery Act of 2008 (HERA)”**

HERA is federal legislation that was enacted into law on July 30<sup>th</sup>, 2008. HERA is intended to address the consequences of the sub-prime mortgage market, which has resulted in a great number of foreclosures throughout the United States. There are six Acts in this legislation. One of the Acts, the Foreclosure Prevention Act, has provisions that are designed to address the problems faced by families and their communities in light of the foreclosure crisis. One of these provisions is the Neighborhood Stabilization Program (NSP), which will provide \$3.92 billion nationwide to communities that are affected by home foreclosures.

### **Summary of Neighborhood Stabilization Program (NSP)**

Under the Neighborhood Stabilization Program, the City will receive additional Community Development Block Grant (CDBG) funds from HUD to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop those homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes.

NSP Program Requirements:

- Requires all funds be used with respect to individuals and families whose income does not exceed 120 percent of area median income (AMI).
- Requires that at least 25 percent of the funds be used for the purchase and redevelopment of homes and properties that will be used to house individuals and families with incomes not greater than 50 percent of AMI.
- Requires states and local governments to give priority emphasis and consideration to areas with the greatest need, including those with the greatest percentage of home foreclosures, the highest percentage of sub-prime mortgages, and those at risk of increased foreclosures.
- No matching funds are required.
- Directs states and local governments to use their allocation within 18 months of receipt.

Allowable Activities Under NSP:

- Allows funds to be used for establishing financing mechanisms for purchase and redevelopment of foreclosed homes;
- Purchasing and rehabilitating properties that have been abandoned or foreclosed;
- Establishing land banks for foreclosed homes;
- Demolishing blighted structures; and
- Redeveloping demolished or vacant properties.

The current FY 09 Action Plan has identified priority housing needs that will be addressed in FY 09. The **amended FY 09 Action Plan** will add a new housing need that will mitigate harmful effects of foreclosure through the newly created Neighborhood Stabilization Program (NSP):

Nat'l objective Under the NSP the City of Long Beach will purchase foreclosed or abandoned homes in order to rehabilitate, resell, or redevelop these homes thus to stabilize neighborhoods and stem the decline of house values of neighboring homes.

**Total FY 09 NSP Funding: \$5,070,310**

Funding Source	Activities Under This Specific Objective	Performance Indicators
NSP	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Rehabilitation</li> <li>• Disposition</li> <li>• Land Banking</li> <li>• Administration</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Housing Units (HU)</li> <li>• Number of Developable Parcels (DP)</li> </ul>
	<b>FIVE-YEAR GOAL: 22 HU 3 DP</b>	<b>FY09 GOAL: 15 HU 3 DP</b>

### Federal Resources

The FY 2009 Action Plan utilizes federal resources from Community Development Block Grant (CDBG), HOME Investment Partnership Act (HOME), American Dream Downpayment Initiative (ADDI) provided under the HOME Program, and the Emergency Shelter Grant (ESG) entitlement program. The **amended FY 09 Action Plan** will incorporate new NSP funds

Available Funds	CDBG	ESG	HOME	ADDI	NSP	TOTAL
New Entitlement	\$8,654,215	\$384,113	\$4,671,020	\$25,874	\$5,070,310	\$18,805,532
Prior Year Uncommitted	\$1,780,169	\$0	\$2,322,237	\$164,991	\$0	\$4,267,397
Program Income	\$400,000	\$0	\$2,000,000	\$0	\$0	\$2,400,000
<b>Total Available Funds</b>	<b>\$10,834,384</b>	<b>\$384,113</b>	<b>\$8,993,257</b>	<b>\$190,865</b>	<b>\$5,070,310</b>	<b>\$25,472,929</b>