



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Conduct a public hearing to solicit feedback on potential uses of Neighborhood Stabilization Program funds being made available by the California Department of Housing and Community Development.

**MEETING DATE:** January 7, 2009

**PREPARED BY:** Community Development Department

**RECOMMENDED ACTION:** Conduct a public hearing to solicit feedback on potential uses of Neighborhood Stabilization Program funds being made available by the California Department of Housing and Community Development.

**BACKGROUND INFORMATION:** In July 2008, Congress passed the Housing and Economic Recovery Act of 2008, which appropriated \$3.92 billion for the Neighborhood Stabilization Program (NSP). The goal of the NSP funding is to promote investment in neighborhoods suffering from high rates of foreclosure and abandonment.

### NSP Funding Sources

NSP funds are being distributed by both the **U.S.** Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD). Funds may be received from each source without effect on the other source.

### San Joaquin County Allocation

San Joaquin County received a \$9 million allocation directly from HUD to address problems being faced throughout the County. San Joaquin County designated approximately \$578,000 for the City of Lodi. On November 18, the Council recommended those funds be used for the acquisition, rehabilitation, and resale of foreclosed properties. The City also may have an opportunity to secure a portion of the \$2.2 million set-aside for very low-income housing.

### HCD Allocation

On December 1, HCD submitted its NSP Plan to HUD. Because HCD felt that HUD's formula did not adequately factor foreclosure rates in certain cities whose counties received direct funding, HCD allocated additional funds to many of these cities. HCD's NSP Plan requires that jurisdictions with preliminary allocations partner with other cities within the same county in order to receive funding. In order to receive \$871,252 in NSP funding, Lodi has the option of partnering with the following cities in order to submit an application totaling at least \$1 million (the minimum to apply):

Escalon	\$146,043
Lathrop	\$696,139
Ripon	\$221,478

APPROVED: \_\_\_\_\_

Blair King, City Manager

Additionally, HCD will have approximately \$37 million available for housing projects that serve very low-income households and meet NSP requirements. These funds will be made available in an over-the-counter application process.

#### NSP Eligible Uses

The eligible NSP uses are the same for both the San Joaquin County and HCD allocations. They include the following activities:

- Acquisition, rehabilitation, and resale or rental of abandoned and foreclosed homes;
- Demolition of existing abandoned and foreclosed homes;
- Redevelopment of demolished and/or vacant properties that were the subject of foreclosure;
- Financing mechanisms (e.g., down payment or closing cost assistance) for low- to moderate-income purchasers of foreclosed properties; and
- "Land banking" to assemble, temporarily manage, and dispose of vacant land.

All activities must directly or indirectly benefit low- and moderate-income households (those earning at or below **120** percent of the area median income). Foreclosure prevention is not an eligible activity.

#### HCD NSP Process

The process for receiving HCD NSP funding is somewhat different than the process for securing funds through the County. HCD requires that all applicant jurisdictions hold two public hearings: one to solicit public comment on potential uses of funds and a second to approve the application. Feedback received at this first public hearing is intended to assist in identifying activities for the application that will be brought back before Council at the second public hearing in February.

HCD anticipates releasing a Notice of Funding Availability in January **2009**, with applications due in February **2009**. The quick timeframe is driven by the need to expend funds within **18** months, roughly by June **2010**, a deadline set forth by HUD. In order to secure the funds and increase the City's ability to expend them quickly, staff is currently working with Escalon, Lathrop, and Ripon to complete a Memorandum of Understanding.

#### Decisions for Use of NSP Funds from HCD

Council will have a number of options available for determining how and where the NSP funding from HCD can and will be used within Lodi. During this public hearing, staff recommends that the Council consider the following:

#### ***Area of Greatest Need***

As noted in previous staff reports, over 70% of the foreclosed properties in Lodi are within the **95240** zip code area, predominantly in Lodi's east-side neighborhoods. Accordingly, our first allocation of NSP funding through the Urban County has been targeted to that area specifically. If the allocation of NSP funding from HCD were to be designated for use citywide, we would be supplementing the initial funding designated for Lodi's eastside through the Urban County allocation and also be making NSP funding available for any opportunities that may present themselves in the **95242** zip code area, west of Ham Lane.

#### ***Selected Uses for NSP Funds***

When application for the NSP funds is made to HCD, each jurisdiction will need to designate a certain amount of their funding to an eligible use. In our first allocation through the Urban County, all funds were allocated to the acquisition, rehabilitation, and the resale or rental of abandoned and foreclosed homes. That specific eligible use was identified as the most immediate need that could allow for the expeditious

use of the initial funding allocation, with the understanding that if an opportunity for one of the other uses came about, action could be taken then to reallocate funding accordingly.

While the acquisition, rehabilitation, and the resale or rental of abandoned and foreclosed homes still remains the greatest need, we may also consider designating a portion of our funding allocation from HCD to address at least one of the other eligible uses. Keeping in mind the 18-month timeframe in which to use these initial allocations of NSP funding, our funding allocations will be monitored very closely and if we get further into the program and find that those opportunities for alternative uses are not coming to fruition, the funding would be moved back into the primary use to allow the funds to be used.

**FISCAL IMPACT:** Any future allocations of NSP funds will have no impact on the City General Fund.

**FUNDING AVAILABLE:** N/A



Konrad Bartlam  
Interim Community Development Director

# Neighborhood Stabilization Program

Public Hearing  
Community Development Dept.  
January 7, 2009

# Summary

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- Housing & Economic Recovery Act of 2008
  - Adverse impact the foreclosures have had on communities.
  - \$3.92 Billion – Neighborhood Stabilization Program
    - Intended for the redevelopment of abandoned, foreclosed homes and residential properties.
    - Provide affordable housing to very low- to moderate income residents.
    - Provide opportunity to preserve affordability over a long term.

# Neighborhood Stabilization Program

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- Funding to State and local jurisdictions.
  - Buy, rehabilitate and resell abandoned and foreclosed homes;
  - Demolish existing abandoned, foreclosed homes;
  - Rebuild residential homes/units on those demolished and/or vacant properties that foreclosed upon;
  - Provide down-payment and closing cost assistance to homebuyers;
  - Provide for the reuse of foreclosed properties for affordable rental housing;
  - “Land banking” to assemble, temporarily manage and dispose of vacant land.

# Neighborhood Stabilization Program

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- Funding to States from HUD
  - \$19.6 million minimum.
    - California's allocation: \$145 million received.
  - State must distribute funds to areas of greatest need, including jurisdictions receiving NSP funds from HUD
  
- Funding to Local Jurisdictions from HUD
  - \$2 million threshold for cities and counties.
    - Those jurisdictions under that threshold would be served through the State allocation.

# NSP – San Joaquin County

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- \$9 million Allocation to SJ Urban County
  - 25% Set-aside to serve 50% AMI (Very low-income)
    - \$2.257 million
  - Distribution to Cities/County

Escalon	\$65,762
Lathrop	\$645,663
<b>Lodi</b>	<b>\$577,908</b>
Manteca	\$1,116,956
Ripon	\$119,567
Tracy	\$1,888,164
SJ County	\$1,455,730

# NSP – California HCD

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- \$145 Million Allocation From HUD
  - 25% Set-aside to serve 50% AMI (Very low-income)
    - \$36,267,876.50
  - Distribution to Cities in San Joaquin County
    - Tier 1 – Direct Allocation
      - Tracy            \$1,882,000
      - Manteca        \$1,510,449
    - Tier 2 – Joint Allocation
      - Escalon        \$146,043
      - Lathrop        \$696,139
      - Lodi            \$871,252**
      - Ripon           \$221,478

# NSP – California HCD

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- Tier 2 – Joint Allocation Requires:
  - Cities to partner together to apply for funds.
    - \$1M minimum.
    - Lathrop, Ripon and Escalon all willing.
  - Cities must be “contiguous”.
    - Originally... Non-contiguous cities must have County join partnership to make the contiguous connection.
      - SJC is willing to join to facilitate the allocation of funding to the four Tier 2 cities.
    - ***HCD has revised their definition of “contiguous” to include cities within the same county.***
  - One agency must be designated and serve as the “lead agency” for interaction with HCD.
    - Lodi taking lead role.

# NSP – Eligible Uses - Activities

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- Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties.
  - Activity delivery costs for an eligible activity;
    - Designing and setting up the program/project.
  - Financing of an NSP eligible activity;
  
- Purchase and rehabilitate abandoned and foreclosed homes, in order to sell, rent or redevelop the properties.
  - Acquisition, Disposition, Rehabilitation;
  - Includes Homeownership Assistance & Housing Counseling Services.

# NSP – Eligible Uses - Activities

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- Demolish existing abandoned, foreclosed homes.
  - Clearance for blighted structures only.
  
- Rebuild residential homes/units on those demolished and/or vacant properties that foreclosed upon.
  - Acquisition & disposition;
  - New housing construction;
  - Public facilities and improvements;
  - Homeownership Assistance & Housing Counseling Services.

# NSP – Eligible Uses - Activities

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- Establish land banks to assemble, temporarily manage and dispose of properties that have been foreclosed upon.
  - Acquisition and disposition.
    - Includes maintenance costs.

# NSP – Eligible Uses - General

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- All activities must directly benefit low- to moderate-income households.
  - Those earning at or below 120% of the area median income.
- Each activity must also CDBG eligible and meet a LM national objective.
- HUD/HCD must grant written approval for any CDBG activities not listed for that eligible use.
- Preserving affordability is a key element.
  - Shared Equity Homeownership
    - Resale price restrictions, Deed restrictions.

# NSP – Ineligible Uses

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- Generally, if activity is ineligible under CDBG, it is ineligible under NSP.
- Specifically...
  - Foreclosure prevention;
  - Demolition of non-blighted structures;
  - Purchase of properties not abandoned or foreclosed upon.

# HCD Funding Process

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- 2 Public Hearings
  - 1<sup>st</sup> - Solicit public comment.
    - Feedback received at this meeting will assist in identifying activities to be included in application.
  - 2<sup>nd</sup> - Approve the application.
  
- NOFA in January.
  - Applications due in February.
  
- Memorandum of Understanding
  - Agreement amongst all participating jurisdictions.
  - Will be brought back to Council for authorization.

# NSP Challenges

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- Initial allocations of funding must be obligated to a specific project within 18 months from execution of the grant agreement.
  - Any unobligated funding at that date is recaptured and reallocated.
  - Once obligated, funding remains available for 5 years.
    - After June 30, 2013, all funding reverts back to HUD.

# NSP Challenges

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- Homes/Properties must be acquired at least 15% below their appraised value for an individual purchase.
  - More restrictive than Urban County allocation.
- Beginning to see movement in resale market for foreclosed properties.
  - More competition.
- Will banks be willing to take additional losses?

# Program Implementation

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- Seeking input.
  - Preferences for...
    - What you want the HCD funds used for.
    - Where in Lodi you want the HCD funds used.
      - Keeping in mind the need to expedite the expenditure of funds.
      - As with Urban County, the Plan can be amended to include additional eligible uses;
        - Once the initial allocation has been spent,
        - On a case-by-case basis if an opportunity presents itself.
- Those preferences will be included in the joint application.

# Program Implementation

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- We can use the proposals from area non-profit developers that were solicited through Urban County.
- City Staff is in contact with other affordable housing developers who have an interest in participating in the program.
  - Approved non-profit developers will have access to the funding to carry out the program.
- For-profit developers can be partnered with non-profits.
  - Expand our capacity to engage in these activities and expend the NSP funding.

# Options for Consideration

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- How and Where Funds Used

- Eligible Uses

- Acquisition, rehab and resale or rental of abandoned, foreclosed homes.
      - Quickest way of obligating the funds.
    - Other uses can be considered.

- Where Funds Used

- City-wide

- Urban County funding focused on 95240 (Eastside)
      - HCD funding would supplement that and also allow for opportunities elsewhere in Lodi.

# Questions – Public Comments

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**Please immediately confirm receipt  
of this fax by calling 333-6702**

CITY OF LODI  
P. O. BOX 3006  
LODI, CALIFORNIA 95241-1910

**ADVERTISING INSTRUCTIONS**

**SUBJECT PUBLIC HEARING TO SOLICIT FEEDBACK ON POTENTIAL USES OF  
NEIGHBORHOOD STABILIZATION PROGRAM FUNDS BEING MADE  
AVAILABLE BY THE CALIFORNIA DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT**

**PUBLISH DATE: SATURDAY, DECEMBER 20, 2008**

**LEGAL AD**

**TEAR SHEETS WANTED: One (1) please**

**SEND AFFIDAVIT AND BILL TO:** RANDI JOHL, CITY CLERK  
City of Lodi  
P.O. Box 3006  
Lodi, CA 95241-1910

**DATED:** THURSDAY, DECEMBER 18, 2008

**ORDERED BY:** RANDI JOHL  
CITY CLERK

  
JENNIFER M. PERRIN, CMC  
ASSISTANT CITY CLERK

\_\_\_\_\_  
MARIA BECERRA  
ADMINISTRATIVE CLERK

**Verify Appearance of this Legal in the Newspaper – Copy to File**

Faxed to the Sentinel at 369-1084 at 3:15pm (time) on 12/18/08 (date) 2 (pages)  
LNS \_\_\_\_\_ Phoned to confirm receipt of all pages at \_\_\_\_\_ (time) \_\_\_\_\_ CM \_\_\_\_\_ JMP (initials)



## **DECLARATION OF POSTING**

### **PUBLIC HEARING TO SOLICIT FEEDBACK ON POTENTIAL USES OF NEIGHBORHOOD STABILIZATION PROGRAM FUNDS BEING MADE AVAILABLE BY THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

On Friday, December 19, 2008, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to solicit feedback on potential uses of Neighborhood Stabilization Program funds being made available by the California Department of Housing and Community Development (attached and marked as Exhibit A) was posted at the following locations:

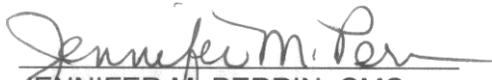
Lodi Public Library  
Lodi City Clerk's Office  
Lodi City Hall Lobby  
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 19, 2008, at Lodi, California.

ORDERED BY:

**RANDI JOHL  
CITY CLERK**

  
JENNIFER M. PERRIN, CMC  
ASSISTANT CITY CLERK

\_\_\_\_\_  
MARIA BECERRA  
ADMINISTRATIVE CLERK



## **DECLARATION OF MAILING**

### **PUBLIC HEARING TO SOLICIT FEEDBACK ON POTENTIAL USES OF NEIGHBORHOOD STABILIZATION PROGRAM FUNDS BEING MADE AVAILABLE BY THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

On Friday, December 19, 2008, in the City of Lodi, San Joaquin County, California, I deposited in the United States mail, envelopes with first-class postage prepaid thereon, containing a Notice of Public Hearing to solicit feedback on potential uses of Neighborhood Stabilization Program funds being made available by the California Department of Housing and Community Development, attached hereto marked Exhibit A. The mailing list for said matter is attached hereto marked Exhibit B.

There is a regular daily communication by mail between the City of Lodi, California, and the places to which said envelopes were addressed.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 19, 2008, at Lodi, California.

ORDERED BY:

**RANDI JOHL**  
**CITY CLERK, CITY OF LODI**

  
JENNIFER M. PERRIN, CMC  
ASSISTANT CITY CLERK

\_\_\_\_\_  
MARIA BECERRA  
ADMINISTRATIVE CLERK



# CITY OF LODI

Carnegie Forum  
305 West Pine Street, Lodi

## NOTICE OF PUBLIC HEARING

Date: January 7, 2009

Time: 7:00 p.m.

For information regarding this notice please contact:

**Randi Johl**

**City Clerk**

**Telephone: (209) 333-6702**

EXHIBIT A

### NOTICE OF PUBLIC HEARING

**NOTICE IS HEREBY GIVEN** that on **Wednesday, January 7, 2009**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following item:

- a) **Solicit feedback on potential uses of Neighborhood Stabilization Program funds being made available by the California Department of Housing and Community Development.**

Information regarding this item may be obtained in the Community Development Department, 221 West Pine Street, Lodi, (209) 333-6711. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 West Pine Street, 2<sup>nd</sup> Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the close of the public hearing.

By Order of the Lodi City Council:



Randi Johl  
City Clerk

**Dated: December 17, 2008**

Approved as to form:



D. Stephen Schwabauer  
City Attorney

**EXHIBIT B**

Mailing List for NSP Public Hearing – January 7

Pete Gibson  
FCB Homes  
10100 Trinity Parkway, Suite 420  
Stockton, CA 95219

Suzanne Mangum  
Lodi House  
801 S. Washington St  
Lodi, CA 95240

Kathy Haring  
552 Kirst Dr.  
Woodbridge, CA 95258

Habitat for Humanity - Lodi  
c/o Pete Chadwick  
15000 Juniper Avenue  
Lockeford, CA 95237

Habitat for Humanity – San Joaquin  
2050 E. Fremont Street  
Stockton, CA 95205

Tracy Williams  
LOEL Center & Gardens  
105 S Washington Street  
Lodi, CA 95240