

ACTION PLAN AMENDMENT FOR THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

On September 26, 2008 the City received notice from the U.S. Department of Housing and Urban Development (HUD) that it will be receiving approximately \$12.1 million through the Neighborhood Stabilization Program (NSP) to purchase and redevelop abandoned and foreclosed homes. This program was developed by HUD to implement one portion of H.R. 3221, the Housing and Economic Recovery Act of 2008. In general, HUD considers these funds as Community Development Block Grant (CDBG) and the rules of the CDBG program apply. However, HUD has developed some special guidelines for the use of these funds.

The following is a summary of the NSP as developed by HUD:

Eligible uses of the funds:

- The purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties;
- The establishment of financing mechanisms for the purchase and resale of foreclosed homes;
- The establishment of land banks;
- The demolition of blighted structures; and
- Redevelopment of demolished or vacant property.

Acquisition:

- Homes must be purchased at a discounted rate from the current market-appraised value:

Individual transactions: Each foreclosed-upon home must be purchased at a discount of at least 5 percent from the current market-appraised value.

Minimum average: The average purchase discount for all properties purchased with NSP funds during the 18-month use period shall be at least 15 percent. The average purchase discount can be reduced to 10 percent if we use a methodology that determines that the home was purchased at the “maximum reasonable discount” taking into consideration likely carrying costs that would be incurred by the seller if the property were not purchased with NSP funds.

Income Eligibility:

- NSP funds may be used to benefit households whose income does not exceed 120 percent of the Area Median Income (\$73,600 for a family of four).
- Not less than 25 percent of the NSP funds must go to activities to assist individuals or households whose incomes do not exceed 50 percent of the Area Median Income (\$30,650 for a family of four).

Period to Use Funds: Grantees have 18 months to obligate all of the NSP funds.

**OVERVIEW OF THE PROGRAM ACTION PLAN AMENDMENT
FOR THE CITY OF STOCKTON
NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**

The City is currently proposing that the activities undertaken with NSP funding target the zip codes with the highest number of foreclosed homes. These include zip codes 95206, 95210 and 95212. However, this will not preclude homes in other parts of the City from being eligible to be purchased with Program funds.

The City of Stockton is proposing that five activities be funded with NSP funds:

1. Acquisition, Rehabilitation, Resale Activity
Estimated funding level: \$7,194,924

To implement this activity the City is proposing to partner with non-profit housing developers experienced in constructing and/or rehabilitating housing within Stockton. Non-profits will acquire, rehabilitate and sell the homes to a qualifying household. Partners will be selected through a Notice of Funding Availability process with applications due November 7, 2008.

Terms: Terms will vary depending on the amount of funding in each home. Program guidelines allow for the term of the loans to range from five to twenty years but also allow local jurisdictions to establish longer periods. NSP funds will be recaptured if the homeowner sells during the affordability period.

Sale of Residence: Maximum sales price of the home to a homebuyer cannot exceed the aggregate of the acquisition, rehabilitation and delivery costs (including costs related to the sale of the property).

Homebuyer: Requirements will be similar to our existing Downpayment Assistance Program, but there could be some modifications, including:
Eliminating the first-time homebuyer requirement
Change in the maximum downpayment assistance

2. Acquisition, Rehabilitation, Rental Activity
Estimated funding level: \$3,036,510

For the NSP funds that must target households at or below 50 percent of the Area Median Income the City is proposing an acquisition, rehabilitation and rental activity. As with the activity described above, the City will partner with experienced, non-profit housing developers to implement this portion of the NSP. Project specific proposals for this activity will be submitted instead of the programmatic level proposals submitted for the acquisition/resale activity.

Terms: Rents can not exceed 30 percent of the tenants' income and must remain at this affordable rate for a minimum of twenty years. Affordability periods may be longer depending on the project.

3. Downpayment Assistance Activity
Estimated funding level: \$200,000

This activity provides funding for downpayment assistance to be provided directly to homebuyers who are purchasing a foreclosed home directly and not through the acquisition/resale activity. Homebuyers must meet the program requirements, including purchasing the home at a minimum 5 percent discount from the appraised value. As noted above, the requirements will be similar to our existing Downpayment Assistance Program, but with modifications to meet the requirements of the Neighborhood Stabilization Program funds.

4. Acquisition, Demolition, Reconstruction Activity
Estimated funding level: \$500,000

Neighborhood Stabilization Program funds may be used to demolish blighted structures and reconstruct new residences on the site. It is being recommended that this activity be included in the Action Plan Amendment to allow for instances where a blighted structure may be having a negative impact on a neighborhood, but at the current time this is not envisioned to be one of the major activities to be undertaken with Program funds.

5. Administration
Maximum funding level: \$1,214,604

Over the duration of the program up to a maximum of ten percent of the NSP funds may be used to cover the actual costs associated with its planning and implementation. It is anticipated that the City's administrative costs will be less than the maximum allowed. Funds that are budgeted for Administration but not used will be transferred to another NSP activity.

Program Implementation

The following is an estimated timeline for implementation of the NSP:

November 7, 2008	Proposals in response to the Notice of Funding availability for the acquisition/resale activity were due
November 18, 2008	Public Hearing before the City Council regarding Action Plan Amendment for the Neighborhood Stabilization Program
November 21, 2008	Action Plan Amendment will be submitted to the U.S. Department of Housing and Urban Development
December, 2008	City Council selects subrecipients for the acquisition/resale activity
January, 2009	Action Plan Amendment approved and Grant Agreement signed
February, 2009	Program implementation begins

Public Review

The 15-day public comment period on the Action Plan Amendment starts November 3, 2008, and ends on November 18, 2008. Public comments can be made either orally or in writing. Written comments must be received prior to the end of the review period and should be sent to City of Stockton Housing Department, 425 N. El Dorado Street, 3rd Floor, Stockton, CA 95202. Oral comments may be made at the public hearing on the proposed Action Plan Amendment. The public hearing is set for 5:30 p.m., November 18, 2008, City Council Chambers, City Hall, 425 N. El Dorado Street, Stockton, CA. The purpose of the public hearing is to give citizens an opportunity to comment on the Amendment. Following the public hearing, the Council will take final action by adopting the Action Plan Amendment as presented or modified as the Council deems appropriate.

Questions regarding the Neighborhood Stabilization Program or the proposed Action Plan Amendment may be directed to the City of Stockton Housing Department at (209) 937-8538.