Miami-Dade County Board of County Commissioners

Office of the Commission Auditor

Legislative Analysis

Housing & Community Development Committee

May 12, 2010
9:30 A.M.
Commission Chamber

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Miami-Dade County Board of County Commissioners
Office of the Commission Auditor

Legislative Notes
Housing & Community Development
Meeting Agenda

May 12, 2010

Written analyses and notes for the below listed items are attached for your consideration:

Item Number(s)

3(C)

If you require further analysis of these or any other agenda items, please contact Guillermo Cuadra, Chief Legislative Analyst, at (305) 375-5469.

Acknowledgements--Analyses prepared by:
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MIAMI-DADE COUNTY
BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

Legislative Notes

Agenda Item:	**3(C)**
File Number:	**101125**
Committee(s) of Reference:	**Housing, Community Development Committee**
Date of Analysis:	**May 11, 2010**
Type of Item:	**Resolution Authorizing an Amendment to Miami-Dade County's Neighborhood Stabilization Program**

Summary

This resolution authorizes an amendment to Miami-Dade's Neighborhood Stabilization Program (NSP).

Background and Relevant Legislation

According to the U.S. Department of Housing and Urban Development (HUD), the NSP was established to stabilize communities' experiencing high rates of foreclosures and property abandonment. Initial NSP funds (or NSP1) funds were authorized under the Housing and Economic Recovery Act (HERA) of 2008, providing grants to all states and selected local governments on a formula basis.

In September of 2008, HUD distributed $3.92 billion from HERA to 309 NSP1 grantees (55 states and territories and 254 local governments) in areas hardest hit by foreclosures and abandoned properties. The grantees will have 18 months to obligate the funds (September 2010 due date).

HUD has subsequently released additional funds NSP Round 2 (NSP2) and NSP Technical Assistance (NSP-TA). HUD has awarded a total of $1.93 billion in NSP2 grants to 56 grantees. Additionally, HUD has awarded a $50 million allocation made available to national and local technical assistance providers to support NSP-TA grantees.

NSP Funds and HUD allocations

NSP1	$3.92 B
NSP2	$1.93 B
NSP-TA	$50 M

NSP is a component of the Community Development Block Grant (CDBG). The CDBG regulatory structure is the platform used to implement NSP and the HOME program provides a platform for NSP affordability requirements.

Under the NSP1 program, NSP grantees develop their own programs and funding priorities. NSP grantees must use at least 25 percent of the funds appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120 percent of area median income. Activities may not qualify under NSP using the "prevent or eliminate slums and blight" or "address urgent community development needs" objectives.

NSP funds may be used for activities which include, but are not limited to:

- Acquire foreclosed or abandoned homes and residential properties;
- Rehabilitate homes and residential properties;
- Demolish blighted structures;
- Redevelop demolished or vacant properties;
- Establish land banks; and
- Establish financing mechanisms to assist low- and moderate-income homebuyers

According to the HUD website, the top sixteen recipients (cities and counties) of NSP1 funds are as follows:

City	NSP Allocations
Miami-Dade County, FL	$62.2 M
Chicago, IL.	$55.2 M
Riverside County, CA	$48.5 M
Detroit, MI	$47.1 M
Phoenix, AZ.	$39.4 M
Los Angeles, CA.	$32.8 M
Indianapolis, IN.	$29.0 M
Cook County, IL.	$28.1 M
Orange County, FL.	$27.9 M
Palm Beach, FL.	$27.7 M
Jacksonville, FL.	$26.1 M
Wayne County, MI.	$25.9 M
New York, NY.	$24.2 M
Clark County, NV.	$22.8 M
Columbus, OH.	$22.8 M
San Bernadino, CA	$22.7 M

NSP1 Spending Trends

In January 2010, the Official Newsletter of HUD's Office of Policy Development & Research (PD &R), ***Research Works***, provided the latest data relating to grantee use of NSP1 funds in an article entitled "Stabilizing Communities with NSP Dollars". The article cited data from a collaborative study (study) between Enterprise Community Partners and Neighborhood Works America to review over eighty-seven (87) NSP Plans to learn what NSP grantees were doing with the NSP1 funds. The review of the 87 NSP plans account for $2,258,194,518 or 58% of the total NSP allocation.

Enterprise Community Partners is a non-profit with more than 25 years of experience in the community development and affordable housing field. NeighborWorks America is a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts.

According to the study, the following data was revealed based on the planned and eligible activities for NSP1 to include:

- 56% will purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed on to sell, rent, or develop these homes and properties;
- 21% will establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties as soft seconds (subsidized second mortgages that spur low- and moderate-income homeownership), loan loss reserves, and shared equity loans for low- and moderate-income homebuyers;
- 12.6% will redevelop demolished or vacant properties;
- 6% will demolish blighted structures; and
- 4.2 % will establish land banks for homes whose mortgages have been foreclosed.

The study also compared how states, counties, and cities spend their NSP dollars:

- Purchasing and rehabilitation was the largest planned expenditure for all three types of localities, cities budgeted a larger proportion (63.5%) of funds for this activity while counties spent (55%) and states (44.4%) for the same activity;
- Establishing funding mechanisms for buying and redeveloping eligible properties was the second largest expenditure of NSP1 funds;
- Fifty-eight (58%) percent of funds were identified as facilitating homeownership; and
- Twenty-seven (27%) percent were devoted to rental housing initiatives.

Additionally, the study identified an internal analysis conducted by HUD PD&R in February 2009 of 300 NSP Plans that revealed the following local priority trends to include the following:

- In order for grantees to meet the 25% percent minimum appropriation to purchase and redevelop abandoned or foreclosed residences with incomes below 50 percent of AMI most grantees budgeted for a combination of activities that addressed rental housing, homeownership and permanent housing for homeless;

- Upon further review, PD&R found that most grantees included in their budgets allocating 97% planned for acquisition and rehabilitation along with other activities (66% demolition, 70% homeownership assistance, 35% land banking, 36% new housing construction, and 12% energy-efficient improvements).

Finally, the study provides honorable mentions to localities with NSP plans that contribute to stabilizing their neighborhoods:

- Michigan has a program that prevents displacement of homeowners facing foreclosure in which the owner deeds the home to the lender, in turn, the lender agrees to sell the property to a non-profit who then leases the property back to the occupant at an affordable rent. This process is intended to avoid foreclosure and allows the household to stay in place and a repurchase option remains available to owner if mortgage eligibility requirements can be met;
- Columbus, Ohio has a program that requires NSP recipients to implement waste and deconstruction management plans before starting renovations to reduce burden on landfills and increase reuse of materials;
- Detroit, Michigan used its NSP funds to make up the difference in financing gaps caused by a decline in the tax credit market that held up a number of LIHTC (Low Income Housing Tax Credits) projects; and
- Ontario, California set aside funds for a partnership that will create supportive housing for homeless people with disabilities.

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