

Memorandum



Date: October 21, 2008

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Update on the Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes (Title III) of the Housing and Economic Recovery Act of 2008

Supplement to
Agenda Item No. 16(B)1

Attached is an update on the Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes (Title III) of the Housing and Economic Recovery Act of 2008.

Background

On September 16, 2008, the Board of County Commissioners (BCC) adopted Resolution R-987-08 that authorized staff to apply and receive any potential funds made available to Miami-Dade County to address the foreclosure crisis in our community. On that same agenda was a thorough supplemental report on what was known at the time regarding the legislation, the eligible uses, and potential strategies for the BCC's consideration.

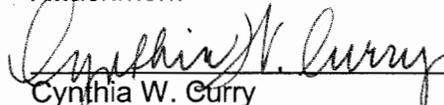
Since then, the County has learned that approximately \$62.2 million has been made available to Miami-Dade County government alone. The US Department of Housing and Urban Development (USHUD) provided the notice of statutory requirements on September 29, 2008.

Update on Title III

The attached report includes information on the application of Neighborhood Stabilization Program (NSP) funds, income eligibility requirements for individuals or families using the funds, areas of greatest need in Miami-Dade County, and eligible uses for NSP funds.

Based on the discussion of this report, staff will prepare an Resolution that will authorize the expenditure of NSP funds for future BCC consideration.

Attachment


Cynthia W. Curry
Senior Advisor to the County Manager

Update Report on Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes (Title III) of the Housing and Economic Recovery Act of 2008

October 2008

As indicated in the County Manager's memorandum to the Board of County Commissioners (Board) dated September 30, 2008, Miami-Dade County government received an allocation of \$62,207,200 in Neighborhood Stabilization Program (NSP) funding to address the county's foreclosure problem. Five CDBG entitlement cities within the County received a direct allocation totaling \$30,048,965 according to the following distribution: City of Miami, \$12,063,702; City of Miami Gardens, \$6,866,119; City of Hialeah, \$5,385,046; City of Homestead, \$2,887,010; and City of North Miami, \$2,847,089. Miami-Beach was also awarded \$1,566,166 in NSP funds, although they will receive their funding through the State of Florida. The County and local governments within Miami-Dade as a whole received a direct allocation of \$93,822,332, including Miami-Beach.

On that same day, the U.S. Department of Housing and Urban Development (USHUD) issued Notice of Allocations, Application Procedures, Regulatory Waivers and Alternative Requirements for the Neighborhood Stabilization Program (the "Notice"). USHUD has also subsequently issued additional documents to aid NSP grantees in preparing their applications for these funds.

This update provides a summary of the information that USHUD has provided to grantees and the analysis of areas of greatest need that staff has prepared thus far. It is important to note at the outset, however, that NSP funds cannot be used to keep homeowners from being foreclosed. The Notice makes clear that USHUD's definition of "foreclosed upon" for the purpose of the NSP requires that "the mortgage or tax foreclosure is complete" and "title for the property has been transferred from the former homeowner under ...[a] foreclosure proceeding or transfer in lieu of foreclosure."

Staff will continue to meet with members of the Board to keep them informed as additional information becomes available and receive their input as the County prepares its application for NSP funds.

Application for NSP Funds

Local governments receiving an allocation of funds under the Notice must submit a substantially complete application for its allocation by December 1, 2008. USHUD is treating the use of NSP grants as a substantial amendment to its current approved CDBG consolidated plan and annual action plan in order expedite the distribution of NSP funds and ensure citizen participation in the specific use of funds. The grantee's application for NSP funds must be available for public comment at least 15 days prior to submission of the amendment to the annual action plan. This effectively means that the County's draft application for NSP funds must be complete before November 2nd.

The grantee's proposed activities for use of NSP funds must indicate the expected benefit to income-qualified persons or households. The application must also include an analysis of data used to identify "areas of greatest need." The distribution and use of NSP funds, according to Title III of The Housing and Economic Recovery Act of 2008 (HERA) and the USHUD Notice, must give priority emphasis to areas of greatest need, including those with the greatest percentage of home foreclosures, the highest percentage of homes financed with a subprime mortgage related loan and identified as likely to face a significant rise in the rate of home foreclosure. Proposed activities with NSP funds must be consistent with the eligible uses stated in HERA and many of the requirements of the CDBG program.

Income Eligibility

The NSP funds awarded are to be used "with respect to individuals or families whose income does not exceed 120% of area median income" (AMI). These income thresholds are adjusted for family size. The 120% of AMI threshold in Miami-Dade County for a family of four in FY 2008 is set at \$72,350. NSP requires that not less than 25% of the allocated funds be used for the purchase and redevelopment of abandoned or foreclosed upon residential properties to house individuals or families whose incomes do not exceed 50% of AMI. The low income threshold for a family of four in Miami-Dade is \$30,150. The applicable NSP income thresholds for Miami-Dade in FY 2008 are provided in Table 1.

Table 1. Miami-Dade County Income Thresholds for NSP

Source: U.S. HUD

Household Size	50% AMI	120% AMI
1 person	\$ 21,100	\$ 50,650
2 person	\$ 24,100	\$ 57,900
3 person	\$ 27,150	\$ 65,100
4 person	\$ 30,150	\$ 72,350
5 person	\$ 32,550	\$ 78,150
6 person	\$ 34,950	\$ 83,950
7 person	\$ 37,400	\$ 89,750
8 person	\$ 39,800	\$ 95,500

Note: "AMI" refers to area median family income.

The USHUD Notice also indicates that CDBG program requirements regarding area benefit, housing and limited clientele benefit also apply to NSP funds, although the income thresholds are those specified under HERA. The Notice provides the following examples of how NSP funds can be used, such as a) providing or improving permanent residential structures that will be occupied by a household whose income does not exceed 120% of AMI; b) serving an area in which at least 51% of the residents have incomes at or below 120% of AMI; and c) serving a clientele whose incomes do not exceed 120% of AMI.

Areas of Greatest Need

NSP grantees are directed to give "priority emphasis and consideration" to low and moderate income areas (as defined in the Notice) and "other areas with the greatest need", including those: 1) with the greatest percentage of homes in foreclosures; 2) with the highest percentage of homes financed by subprime mortgage related loans; and 3) identified by the County as likely to face a significant rise in the rate of home foreclosures. Staff has been analyzing foreclosure data with this requirement in mind, and has mapped the incidence of foreclosed homes during the nine months through July 2008, as well as the incidence of homes for which a foreclosure action has been initiated within the last three months.¹ The analysis thus far indicates that foreclosure activity has been widespread throughout the County but there are areas of high concentration as well. The *lis pendens* data that indicate the initiation of foreclosure during the three months ending in July show that foreclosure actions are moving into central western areas of the County that have not previously shown comparatively high numbers of foreclosure.

There were 6,435 foreclosed properties throughout Miami-Dade County that were repossessed by the lender (REOs) from November 2007 through July of 2008. Many of those foreclosures were concentrated in the southern part of the County, east of Hwy US 1, in the north central part of the County, and several pockets of concentration along the high residential density corridors in coastal areas. The REO data in Table 2 shows the distribution of foreclosures by Commission District and reflects the concentrations that are apparent in the map on page 1 of Attachment 1. This table indicates that over the period from November to July, Commission districts 9 and 8 had the highest foreclosure rates among all districts, primarily due to the large concentration of foreclosures within the City of Homestead and adjacent areas. Districts 11, 3 and 2 also had higher foreclosure rates than the County as a whole during this period.

¹ Foreclosure data for August and September are being acquired in order to update this analysis.

Table 2. Residential Properties Recovered by Lenders Through Foreclosure Actions
November 2007 Through July 2008

Foreclosure Indicator	Commission District													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Rate (per 1000)	6.8	7.5	7.6	6.5	4.3	4.9	5.5	9.3	13.3	6.1	8.0	6.2	5.4	7.0
rank	6	5	4	7	13	12	10	2	1	9	3	8	11	NA
Properties	372	382	481	683	426	315	469	676	1,017	375	533	388	336	6,453
pct of total	5.8%	5.9%	7.5%	10.6%	6.6%	4.9%	7.3%	10.5%	15.8%	5.8%	8.3%	6.0%	5.2%	100.0%
rank	11	9	5	2	7	13	6	3	1	10	4	8	12	NA

Analysis prepared by Research Division of Miami-Dade Planning and Zoning Dept. from data provided by Realty Trac, Inc.
Note: "Rate" refers to number of properties per 1000 occupied housing units in on the January 2007 tax roll.

The REO data from May to July 2008 show a similar pattern to the data over the November to July period, indicating a relatively stable pattern in the geographic distribution of foreclosure activity. The more recent foreclosure activity is particularly relevant for preparing the application for NSP funding since there is a higher likelihood that recent REOs are still vacant and posing a threat to home values in their immediate neighborhoods than REOs that occurred several months ago and may have already been sold to a new homeowner.

A countywide map of REO's within the last three months appears in Attachment 1. This map also indicates the REOs within the CDBG entitlement cities that received a direct allocation of NSP funds. Maps of REOs in each of the Commission Districts appear in Attachment 2. The REO's in the last three months show a spatial pattern similar to the pattern evident over the nine month period through July, reinforcing the belief that the County's foreclosure problem is continuing.

Table 3. Lis Pendens in Miami-Dade County (May - July 2008)
Selected Statistics By Commission Districts

Commission District	Total in District						Excluding Cases In Cities Receiving Direct Award of NSP Funds					
	Number of Cases	Cases per 1000 housing units	Mean Default Value \$	25% of cases are below:	Median Default Value \$	25% of cases are above:	Number of Cases	Cases per 1000 housing units	Mean Default Value	25% of cases are below:	Median Default Value \$	25% of cases are above:
1	305	5.5	\$189,635	\$144,000	\$187,379	\$229,069	121	NA	\$190,327	\$150,215	\$186,155	\$234,733
2	283	5.5	\$185,982	\$128,941	\$186,342	\$236,919	202	NA	\$191,567	\$132,666	\$191,591	\$239,978
3	276	4.3	\$258,296	\$169,677	\$227,839	\$313,430	80	NA	\$294,038	\$184,411	\$237,870	\$405,296
4	536	5.1	\$343,733	\$173,815	\$255,899	\$404,382	430	NA	\$327,418	\$178,324	\$257,995	\$387,532
5	321	3.2	\$388,495	\$197,130	\$295,877	\$422,035	4	NA	\$2,254,777	----	----	----
6	242	3.7	\$285,342	\$200,535	\$282,373	\$345,350	109	NA	\$304,855	\$199,811	\$288,000	\$385,296
7	317	3.7	\$411,883	\$200,199	\$820,867	\$496,281	138	NA	\$389,208	\$172,095	\$282,101	\$452,849
8	498	6.8	\$319,567	\$194,860	\$244,712	\$353,587	460	NA	\$321,774	\$195,571	\$251,178	\$364,566
9	725	9.5	\$239,044	\$165,678	\$219,886	\$277,859	457	NA	\$253,630	\$181,598	\$235,541	\$288,856
10	277	4.5	\$254,380	\$166,923	\$220,136	\$335,866	277	NA	\$254,380	\$166,923	\$220,136	\$335,866
11	536	8.0	\$276,976	\$166,448	\$255,217	\$338,210	536	NA	\$276,976	\$166,448	\$255,217	\$338,210
12	415	6.6	\$245,287	\$153,724	\$223,430	\$294,857	280	NA	\$267,834	\$188,286	\$248,567	\$318,024
13	319	5.2	\$239,673	\$158,911	\$224,182	\$307,498	205	NA	\$246,819	\$163,614	\$209,531	\$306,745
Countywide	5,050	5.5	\$281,197	\$167,650	\$232,000	\$325,409	3,314	NA	\$282,036	\$171,859	\$237,305	\$329,274

Notes: 1) The cities of Hialeah, Homestead, Miami, Miami Gardens, and North Miami received a direct allocation of NSP funds. 2) Lis Pendens refers to the legal notice that represents the initiation of a foreclosure lawsuit. 3) NA -- A count of housing units in areas excluding cities with direct allocations is not yet available.

Source: Realty-Trac, Miami-Dade Department of Planning & Zoning, Planning Research Section, September 2008.

A *lis pendens* is the legal notification of the initiation of a foreclosure proceeding and, while not all properties that are noticed for legal action proceed to foreclosure, the concentration of recent *lis pendens* is an indicator of future foreclosures in a geographic area. The median default value of a property noticed for foreclosure action in the County was \$232,000 in the period from May to July 2008.² One fourth of the homes entering into the foreclosure process owed the lender filing the foreclosure action \$167,650 or less, and one fourth of the homeowners in default owed more than \$325,409 to the lender. If one includes only those properties within Miami-Dade County government's CDBG jurisdiction, the median, lowest 25% and highest 25% default values are slightly higher than the figures noted above. (See Table 3).

² This indicates that 50% of the properties notified of a foreclosure legal action owed the lender \$232,000.

The data in Table 3 shows that districts 9, 11, 8 and 12 have the highest rates of *lis pendens* in the County, when all areas of the county are considered. The map with showing the *lis pendens* indicates that several of the areas already suffering from high rates of foreclosure are likely to experience additional foreclosures over the next several months.

Eligible Uses of NSP Funds

Most of the eligible uses identified in the USHUD Notice and in a subsequent document are those that were indicated in HERA, but these publications do provide additional clarifications on some issues important to potential grantees. The eligible uses enumerated in the Notice are as follows:

A. *Establishing financing mechanisms*

B. *Purchase and rehabilitation*

C. *Land banks (established to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property).*

D. *Demolition*

E. *Redevelopment of demolished or vacant properties*

F. *Administration and planning costs*

G. *Other uses*

Grantee using NSP funds to purchase residential properties must do so at a discount from the appraised market value (AMV) of the property ranging from a minimum of 5% of AMV on individual purchases to 15% on bulk purchases from lenders. Resale price of acquired properties are limited to no more than costs associated with acquisition and rehabilitation, and the maintenance of acquired properties such as boarding up or lawn maintenance are not eligible uses under NSP. Grantees are required to ensure that purchased and rehabilitated properties remain affordable individuals or families with incomes not exceeding 120% of AMI to the maximum extent practicable and for the longest feasible term.

If a land bank is a government entity, then it may also maintain abandoned and foreclosed property that it does not own, so long as it charges the owner of the property for the full cost of the service or places a lien on the property for the full cost of the service.

Administration and planning costs are limited to a maximum of 10% of an NSP grant provided to a jurisdiction and any program income recaptured under the grant. This 10% limitation applies to the grant as a whole.

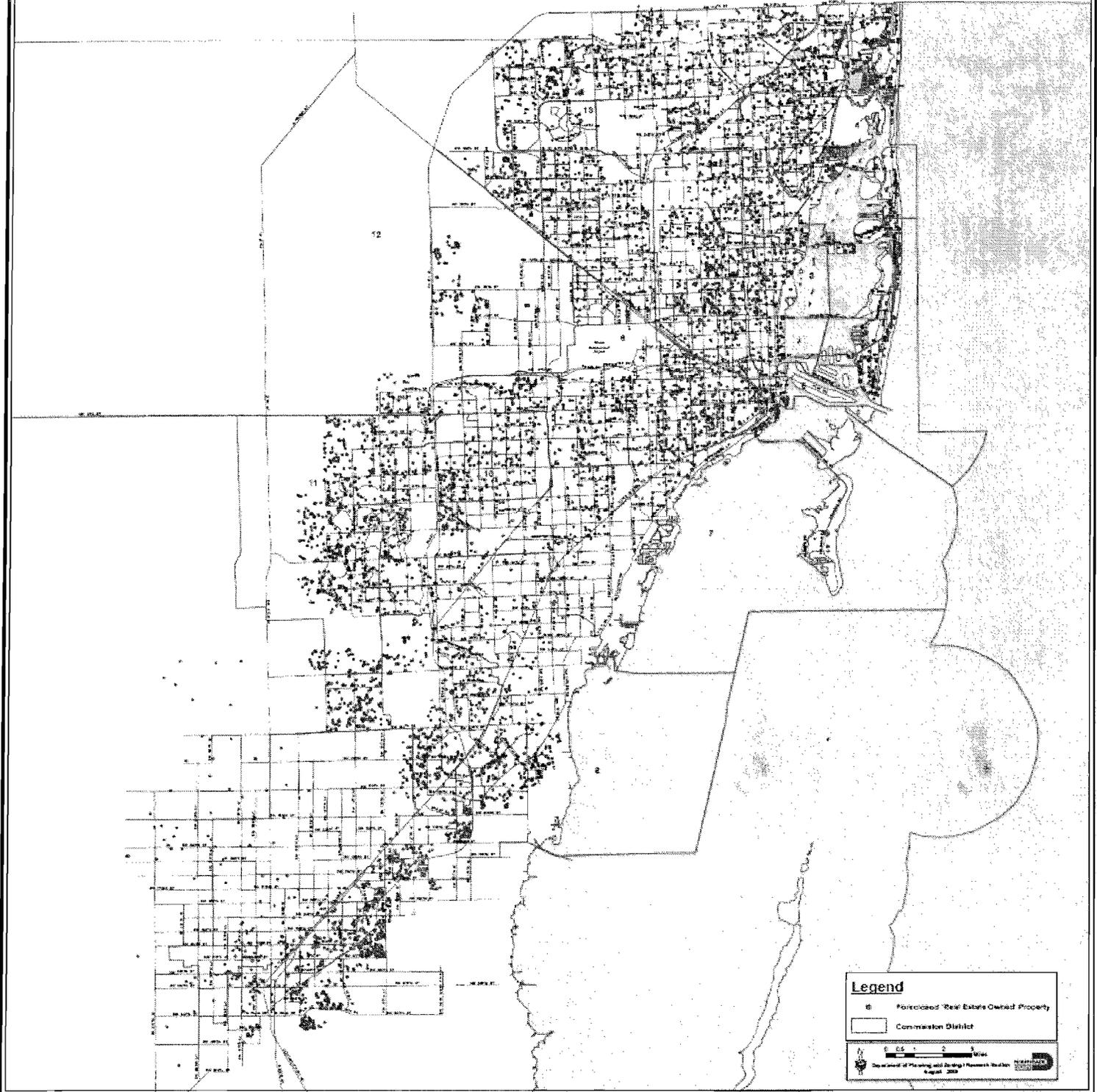
On a final note, USHUD strongly encourages the use of NSP funds for housing, but is available to address written requests for consideration of uses not specifically discussed in their Notice and guidelines. USHUD has been very explicit, however, that exception requests for foreclosure prevention activities will not be considered.

Attachments

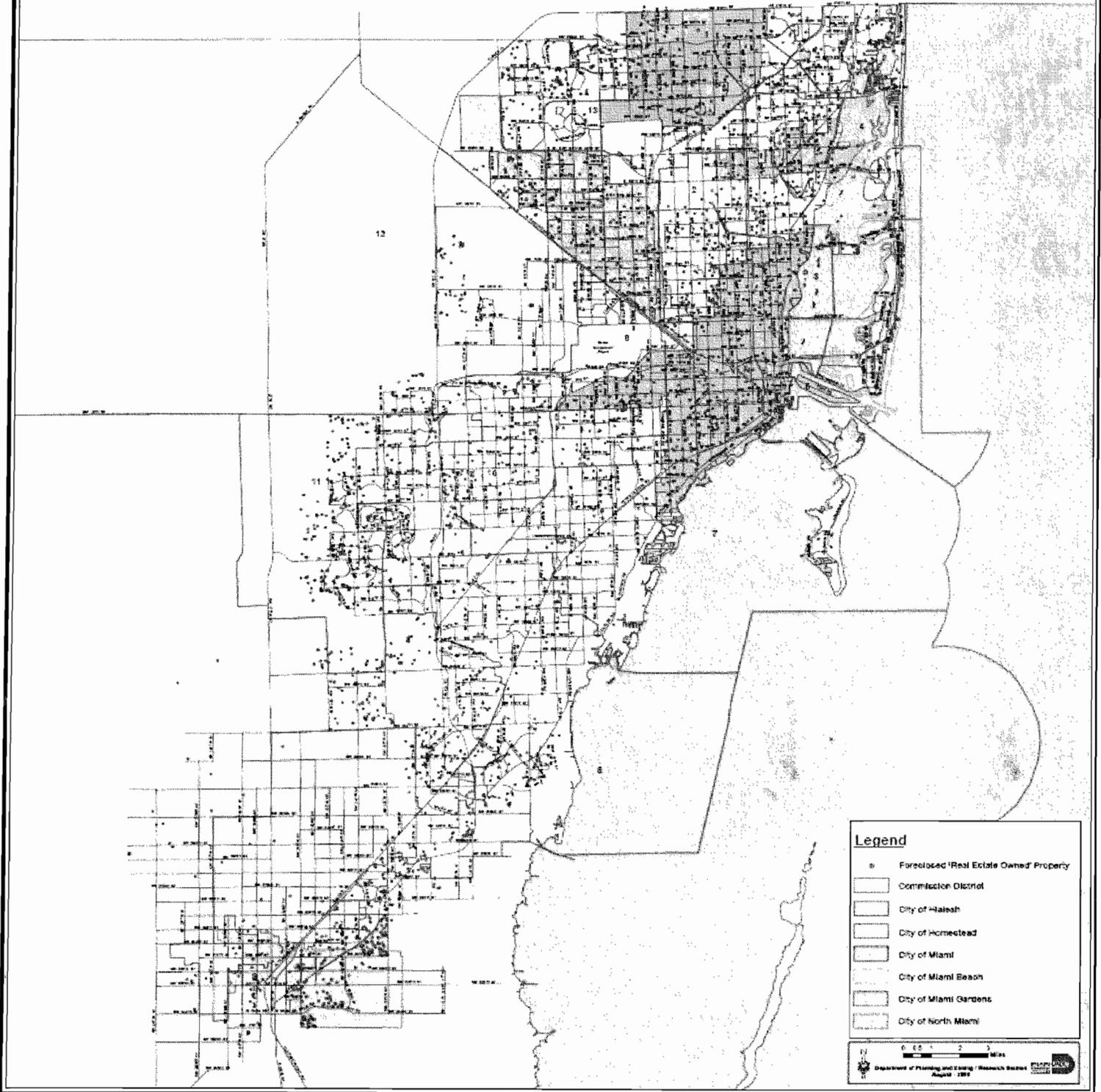
Attachment 1 – Location of Recent Foreclosure Activity, Countywide Maps

Note: The following maps were prepared by the Research Division of Miami-Dade County Planning and Zoning Department based on data provided by RealtyTrac, Inc. (Irvine, CA)

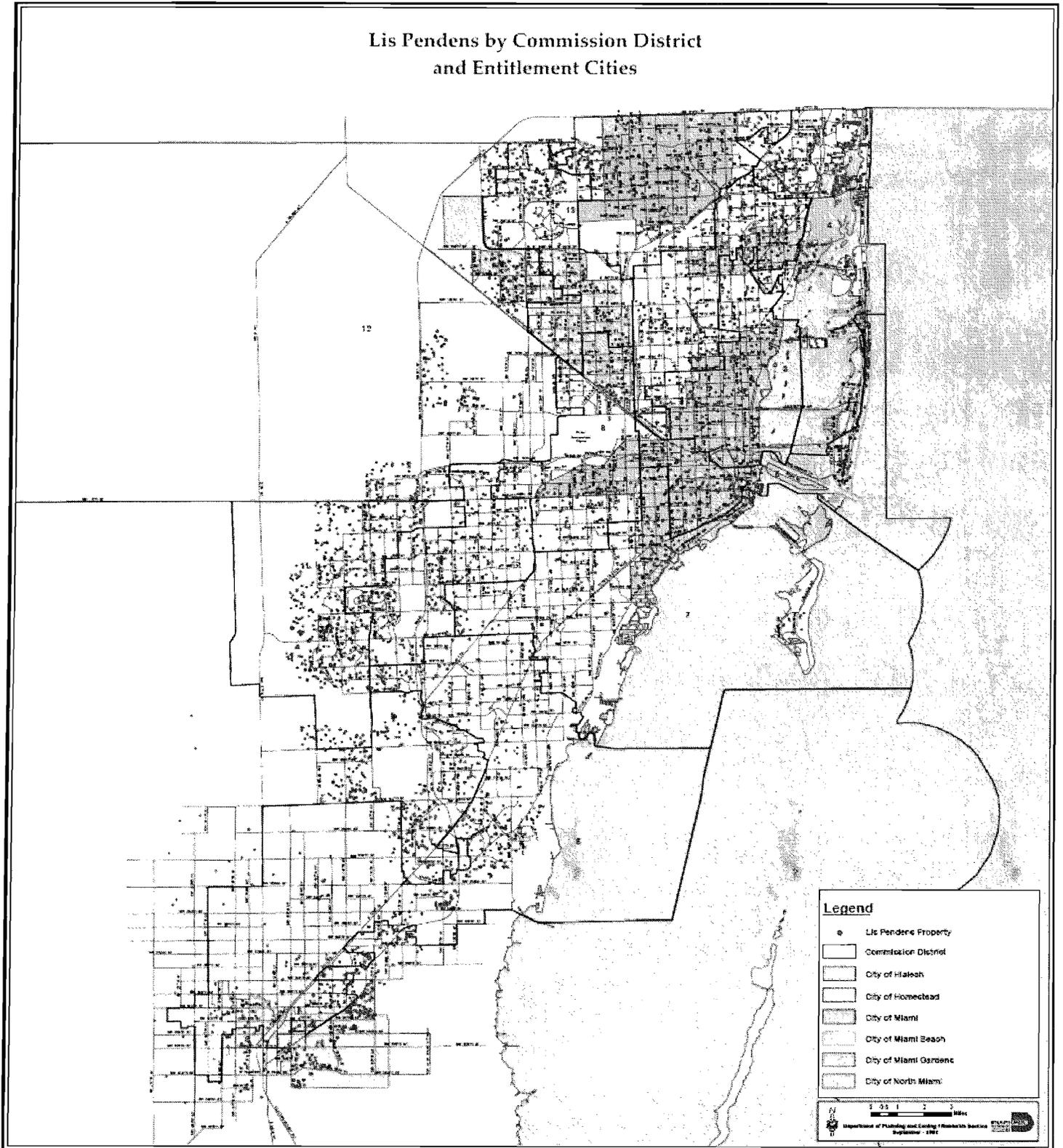
Foreclosed 'Real Estate Owned' Properties by Commission District
November 2007 to July 2008



Foreclosed 'Real Estate Owned' Properties by Commission District
May to July 2008



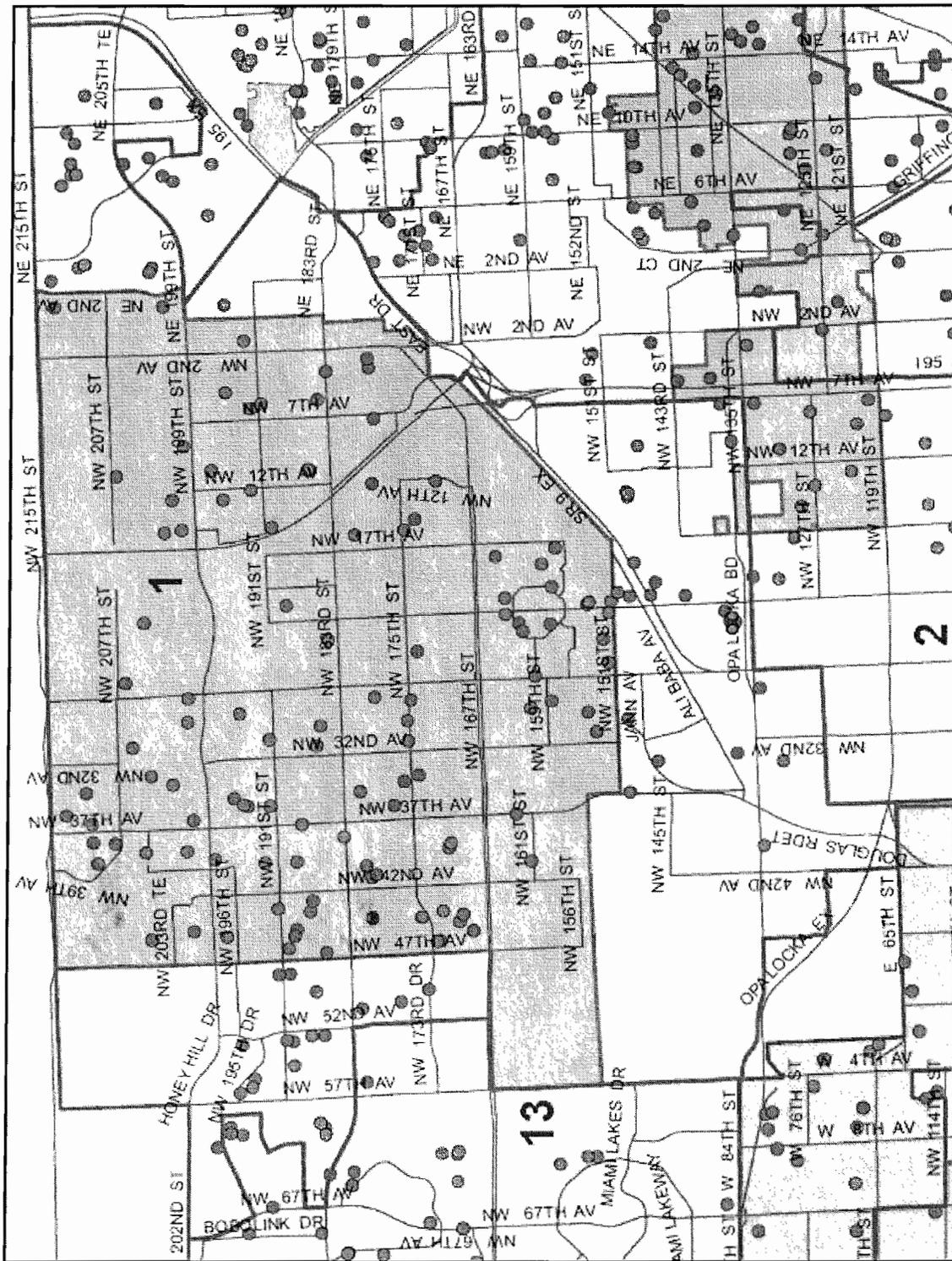
Lis Pendens by Commission District
and Entitlement Cities



Attachment 2 – Location of Recent Foreclosure Activity, Commission District Maps

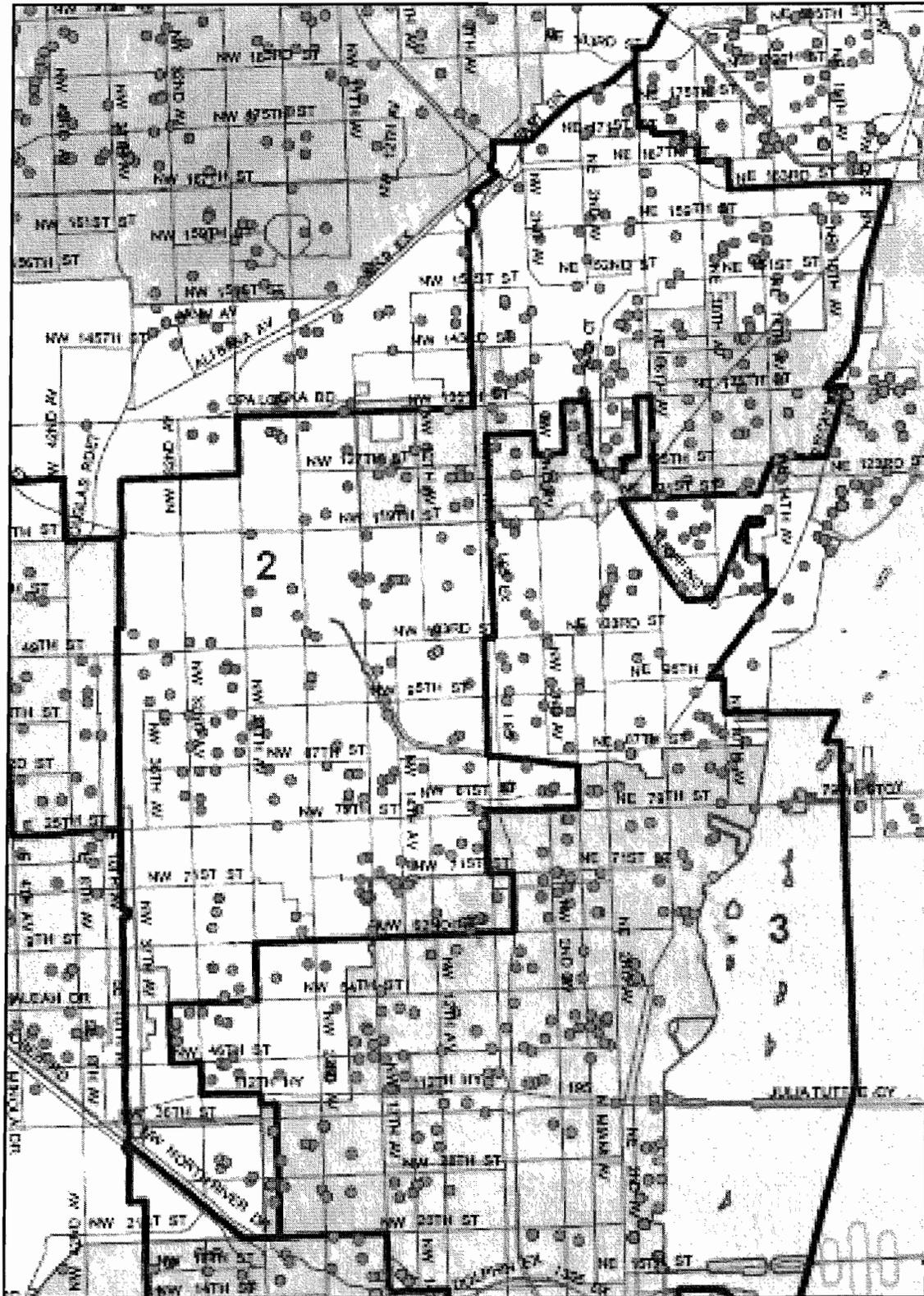
Note: The following maps were prepared by the Research Division of Miami-Dade County Planning and Zoning Department based on data provided by RealtyTrac, Inc. (Irvine, CA)

Foreclosures (Reposessed by Lender, REO), May to July 2008
 District 1, Commissioner Jordan



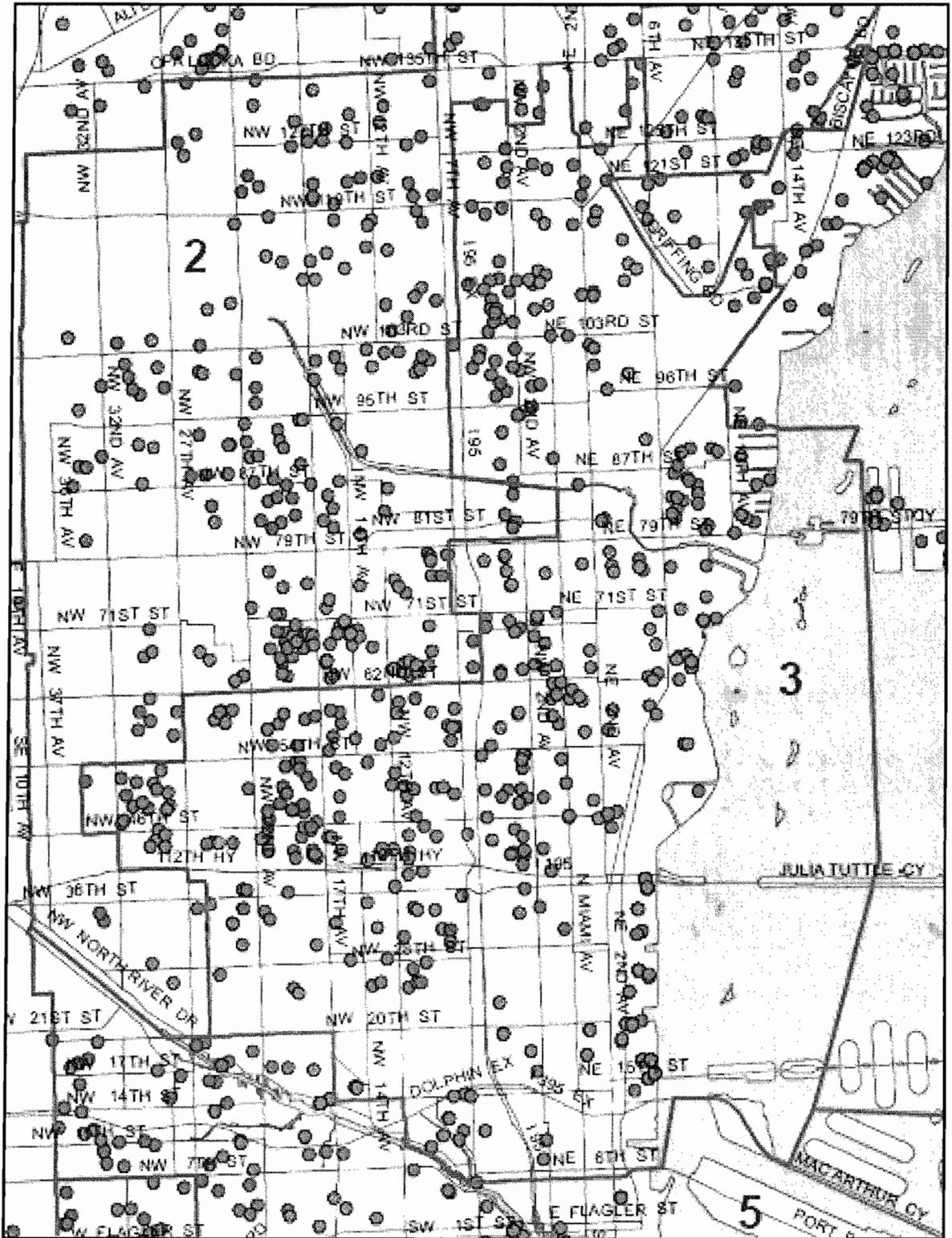
City of Miami Gardens shown in light blue shading, North Miami in light purple and Hialeah in gray.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 2, Commissioner Rolle

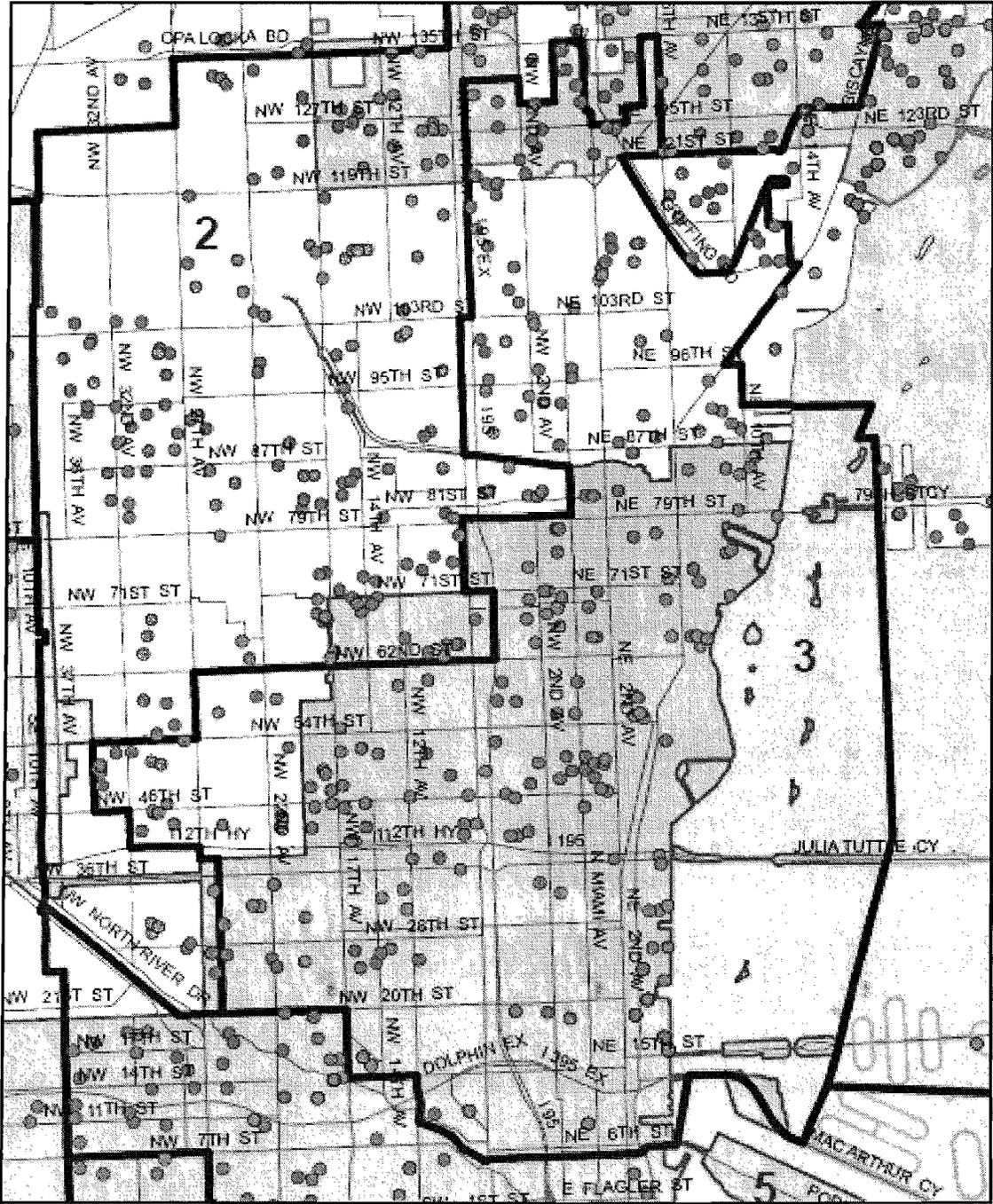


City of North Miami shaded in light purple. City of Miami shaded in olive green.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 3, Commissioner Edmonson

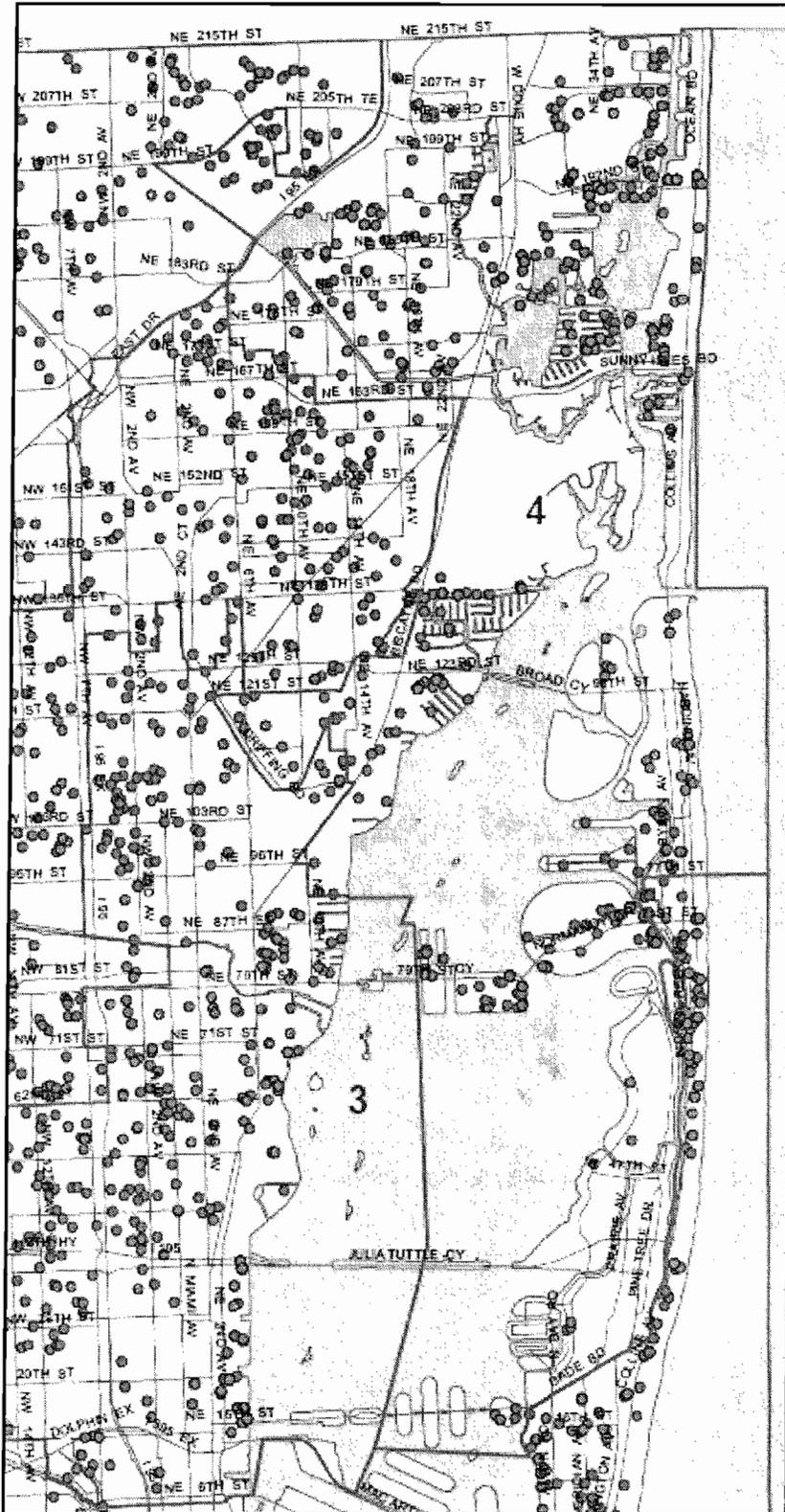


Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 3, Commissioner Edmonson

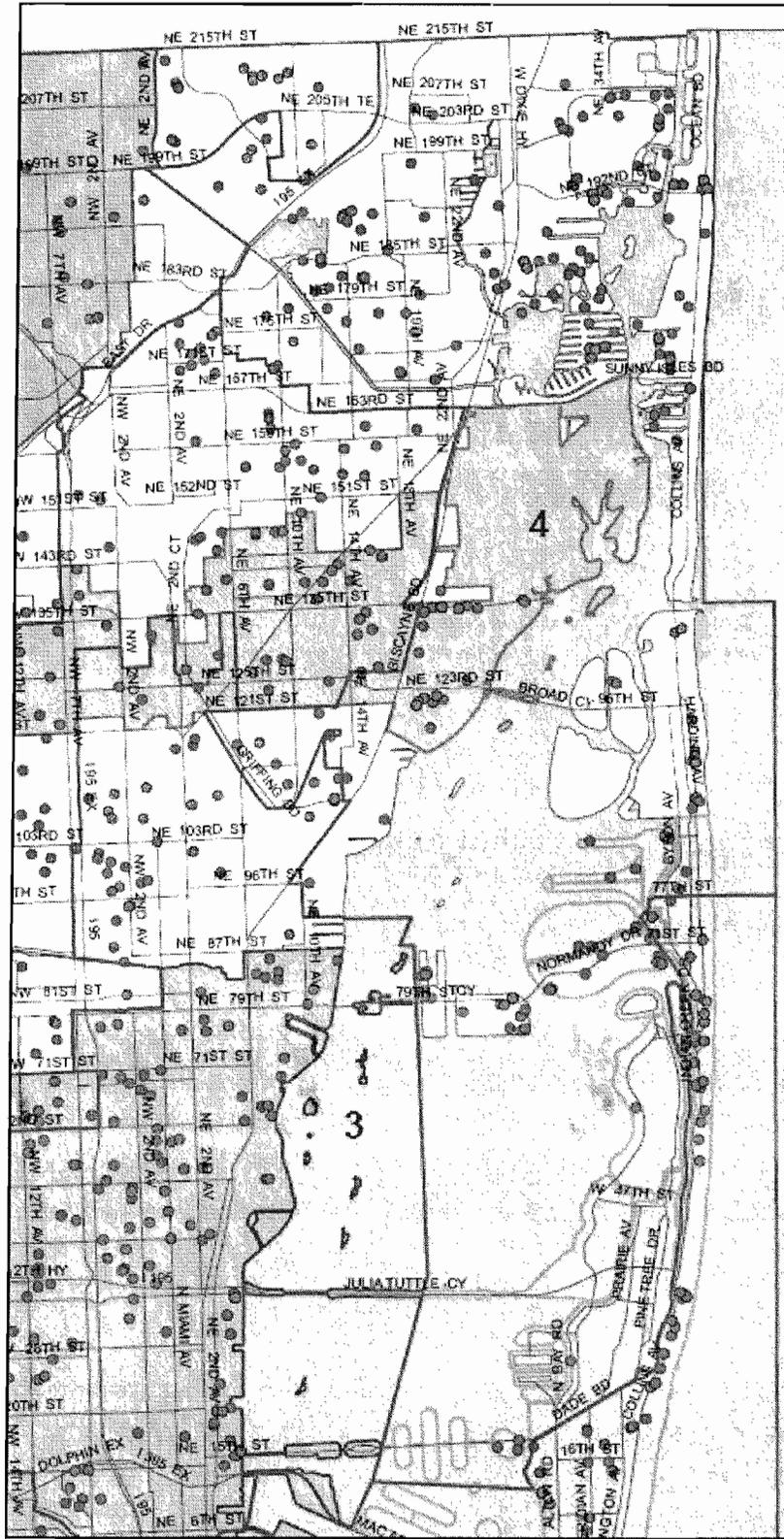


City of North Miami shaded in light purple. City of Miami shaded in olive green.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 4, Commissioner Heyman

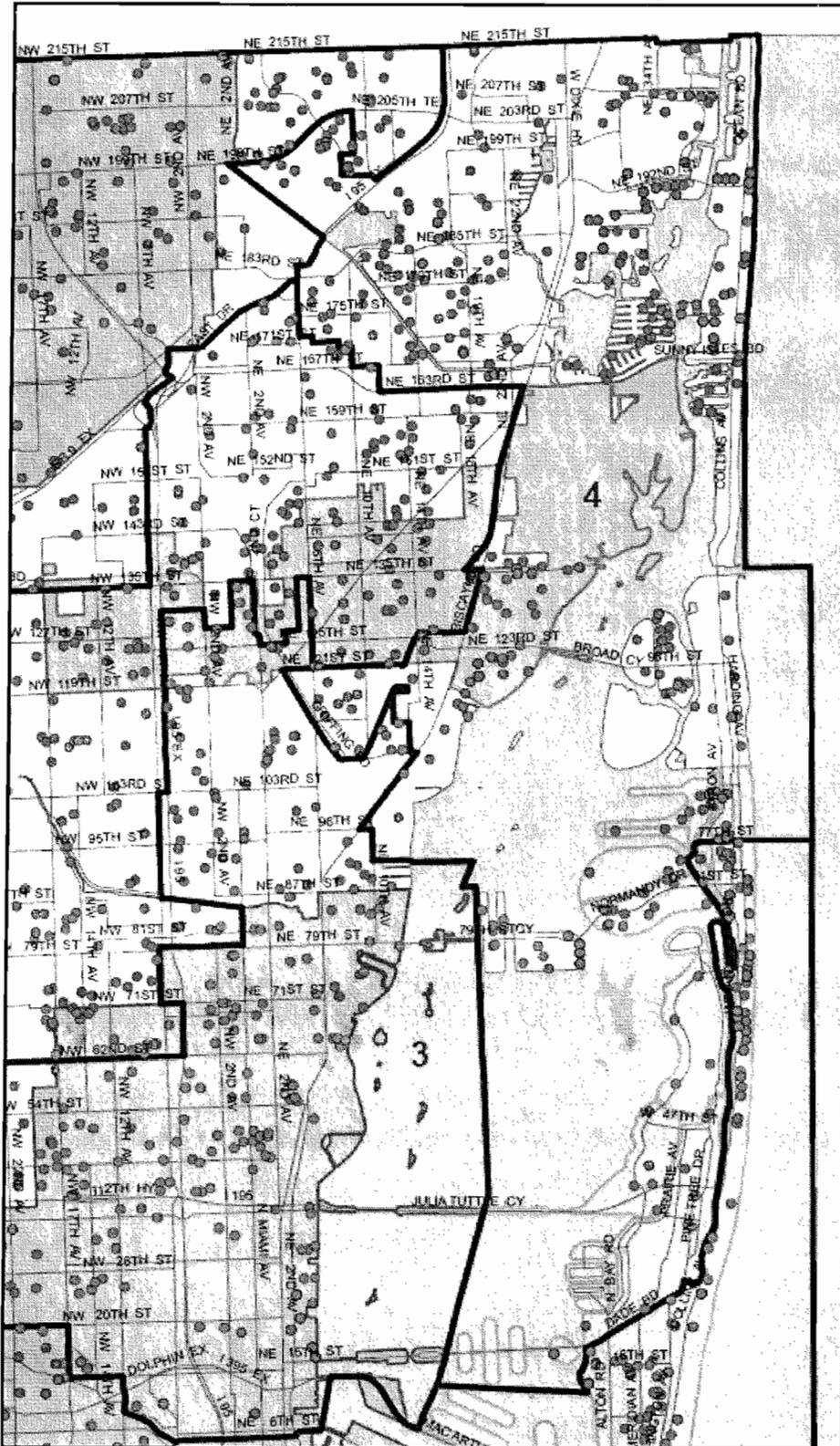


Foreclosures (Repossessed by Lender, REO), May to July 2008
District 4, Commissioner Heyman



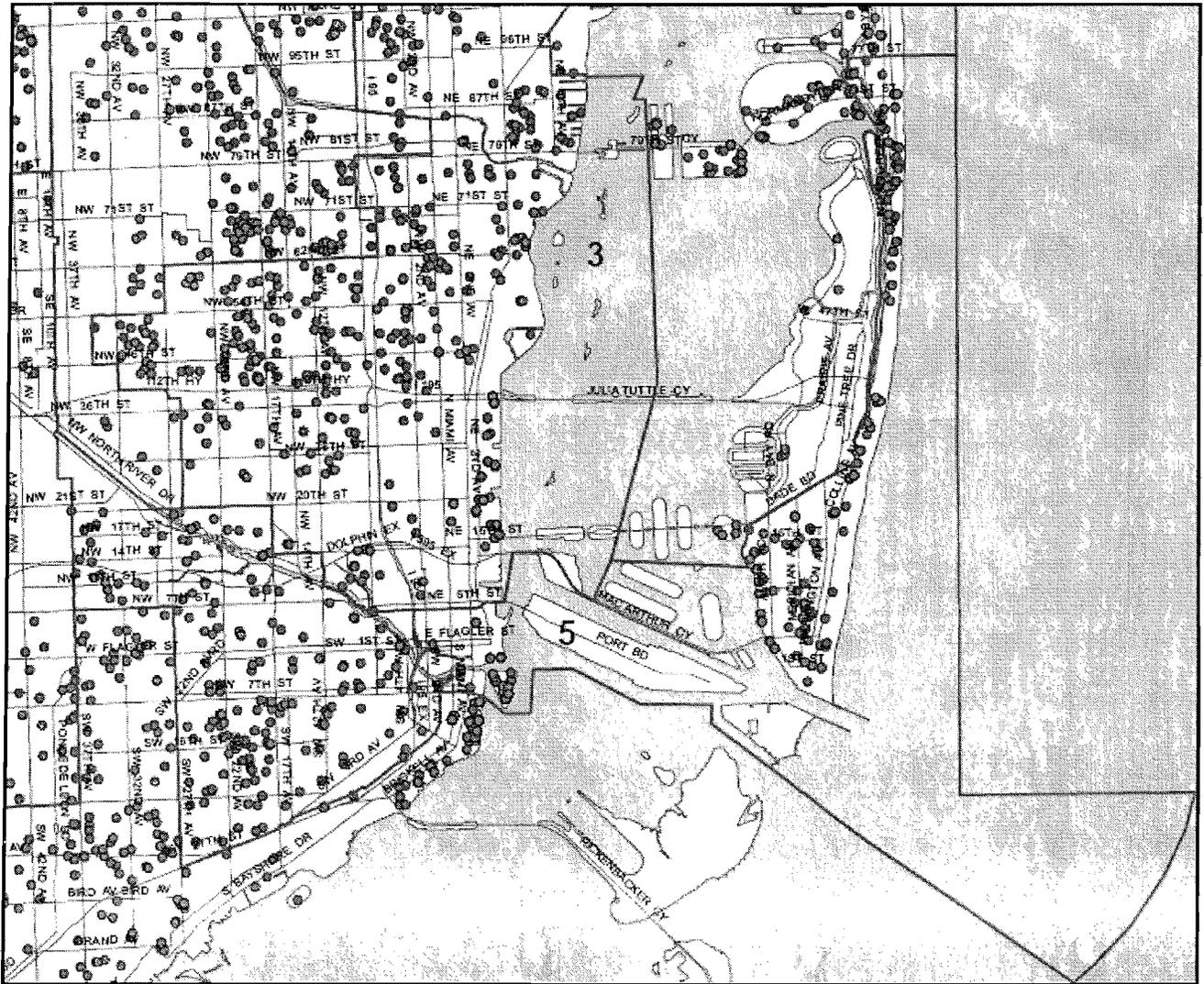
Miami Gardens shaded in light blue, City of North Miami in light purple, City of Miami in olive green and City of Miami Beach in tan.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 4, Commissioner Heyman

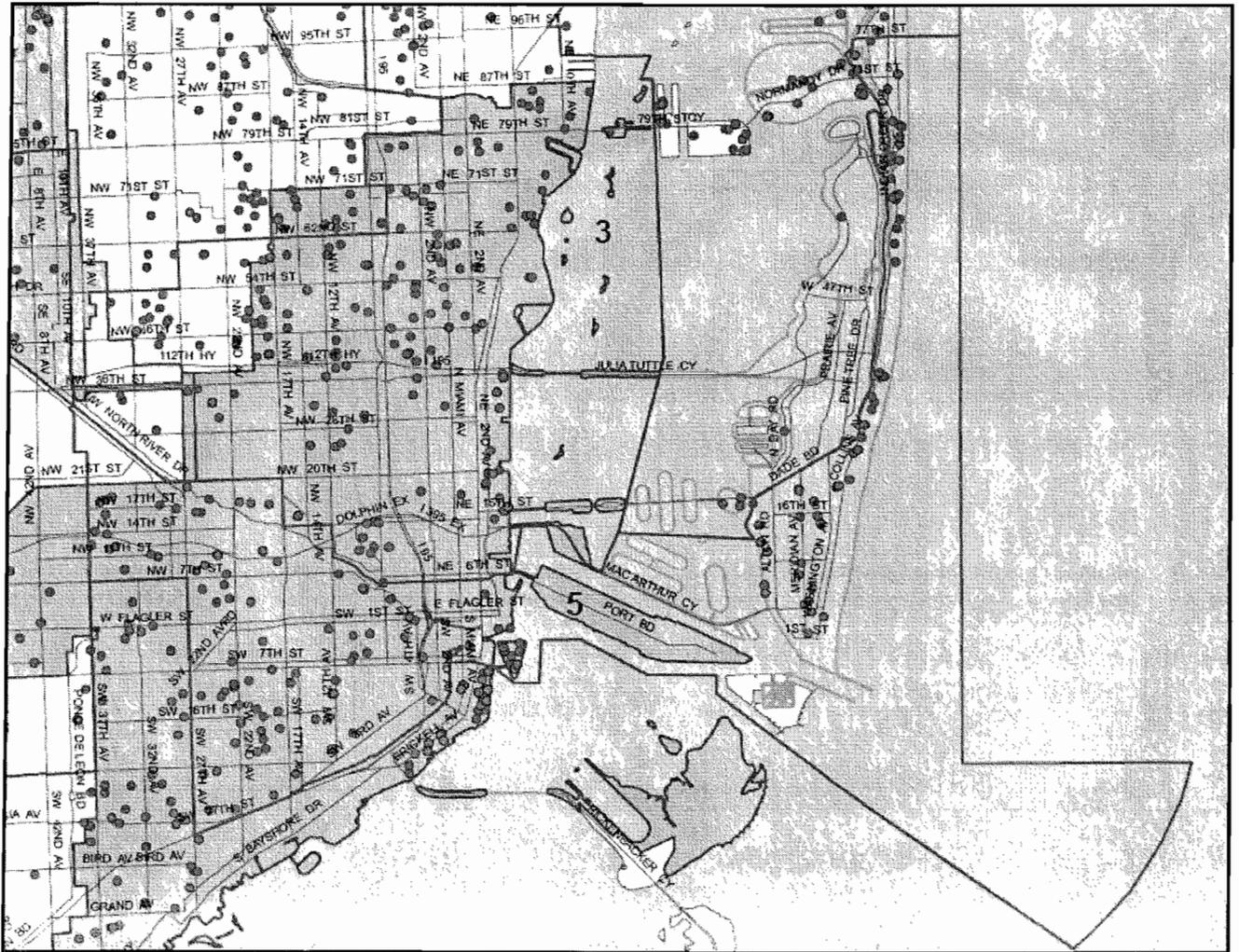


Miami Gardens shaded in light blue, City of North Miami in light purple, City of Miami in olive green and City of Miami Beach in tan.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 5, Commissioner Barriero

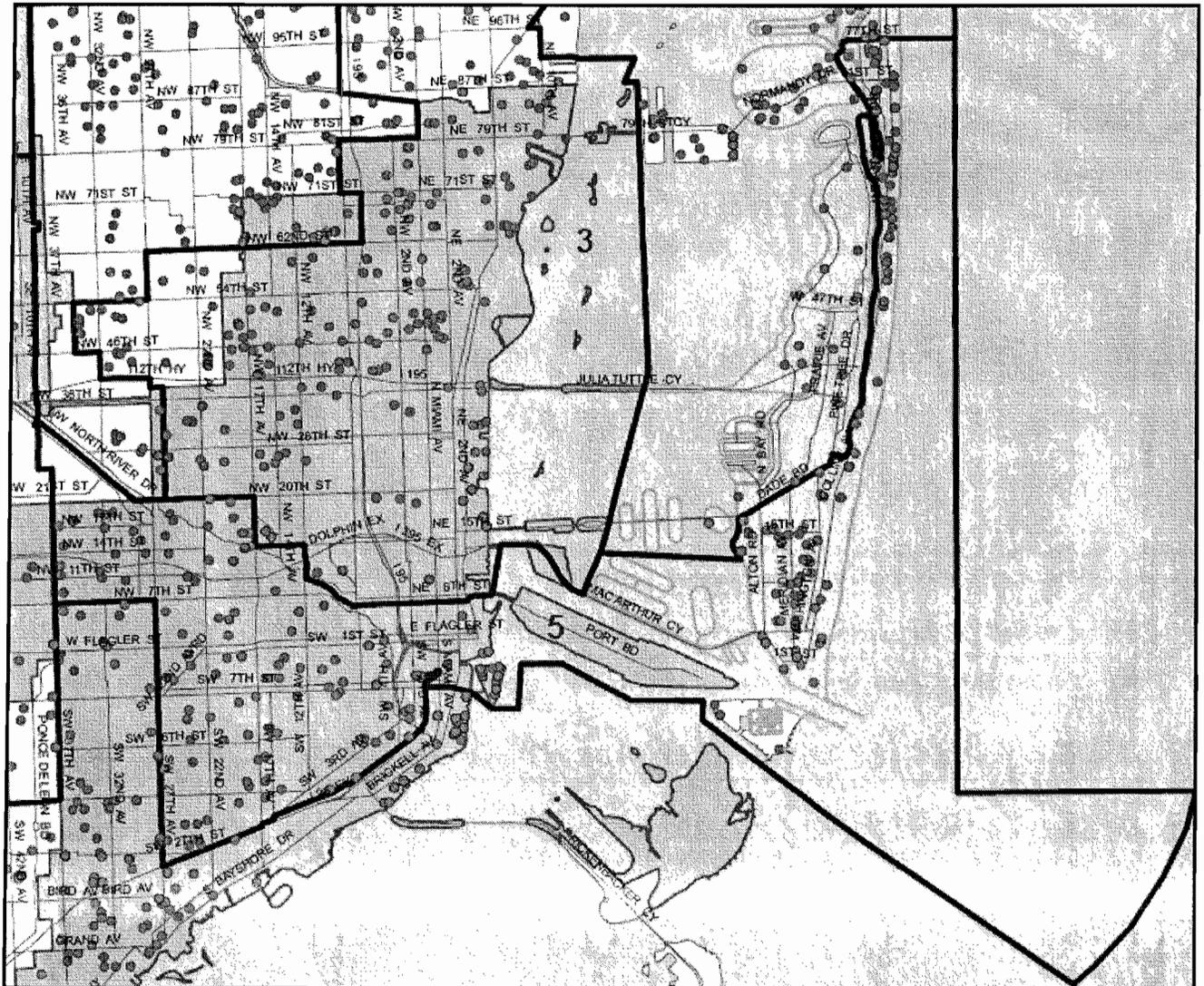


Foreclosures (Repossessed by Lender, REO), May to July 2008
District 5, Commissioner Barriero



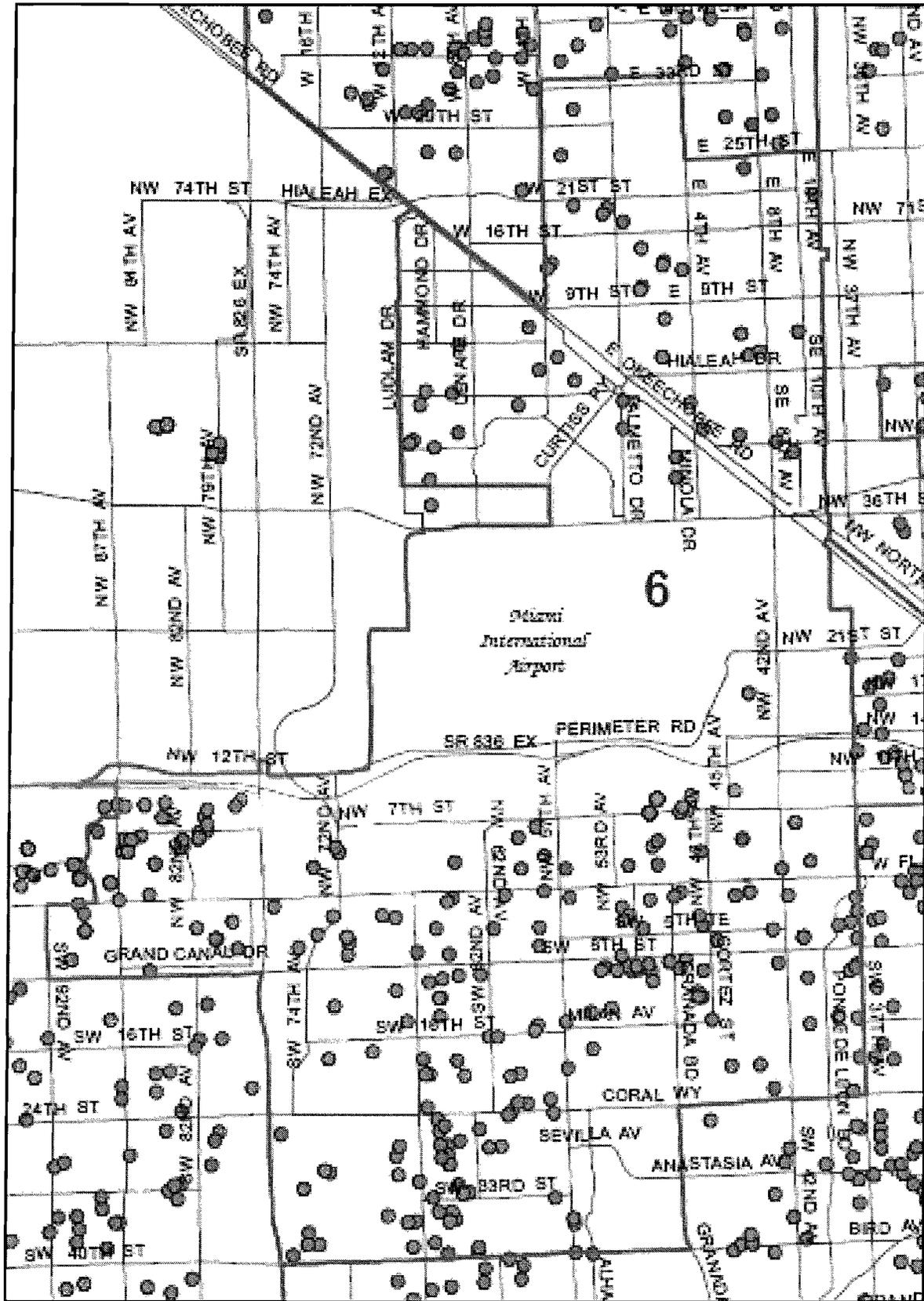
*City of Hialeah shaded in grey, City of Miami in olive green and
City of Miami Beach in tan.*

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 5, Commissioner Barriero

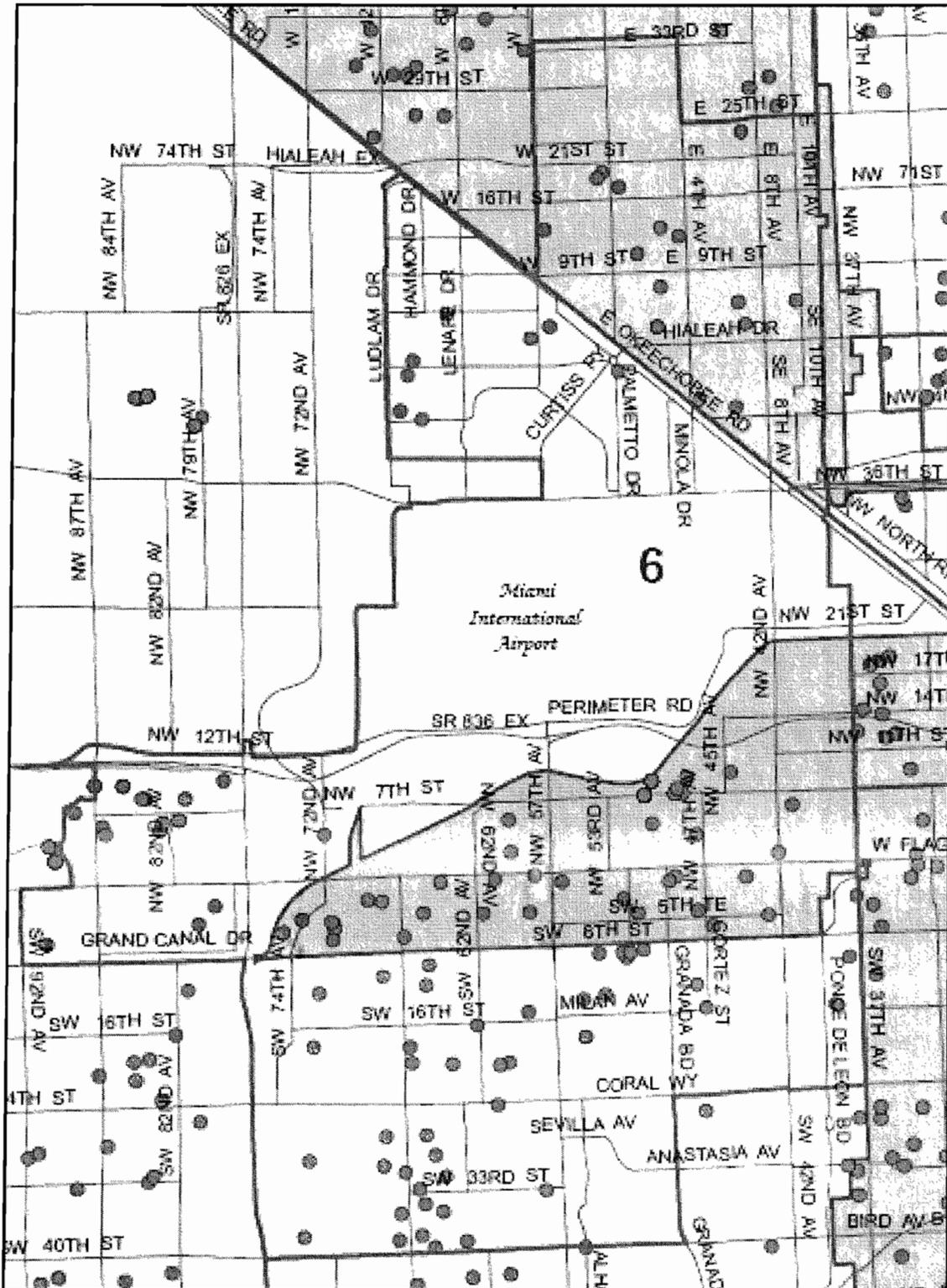


*City of Hialeah shaded in grey, City of Miami in olive green and
City of Miami Beach in tan.*

Foreclosures (Reposessed by Lender, REO), November 2007 to July 2008
District 6, Commissioner Sosa

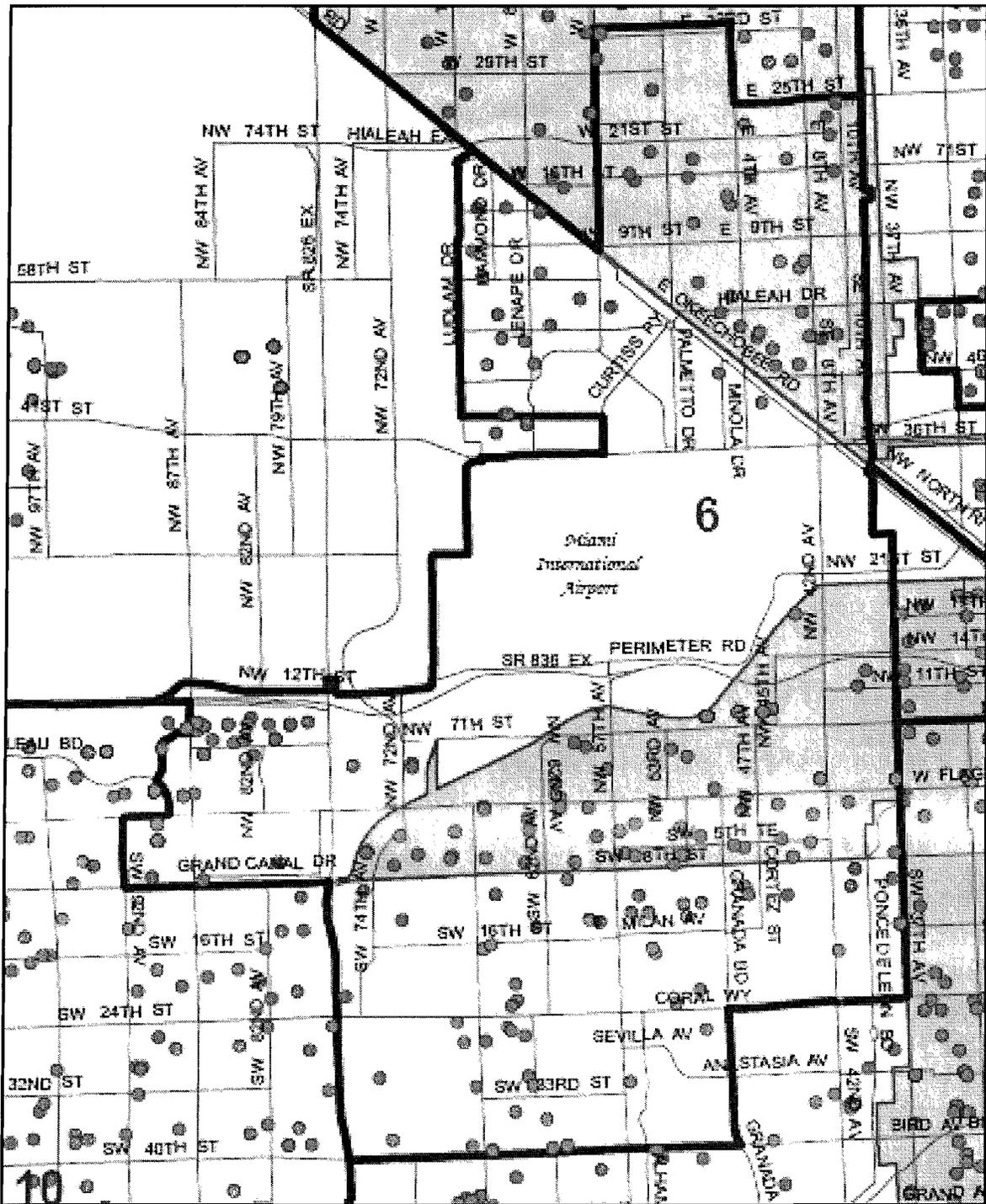


Foreclosures (Repossessed by Lender, REO), May to July 2008
District 6, Commissioner Sosa



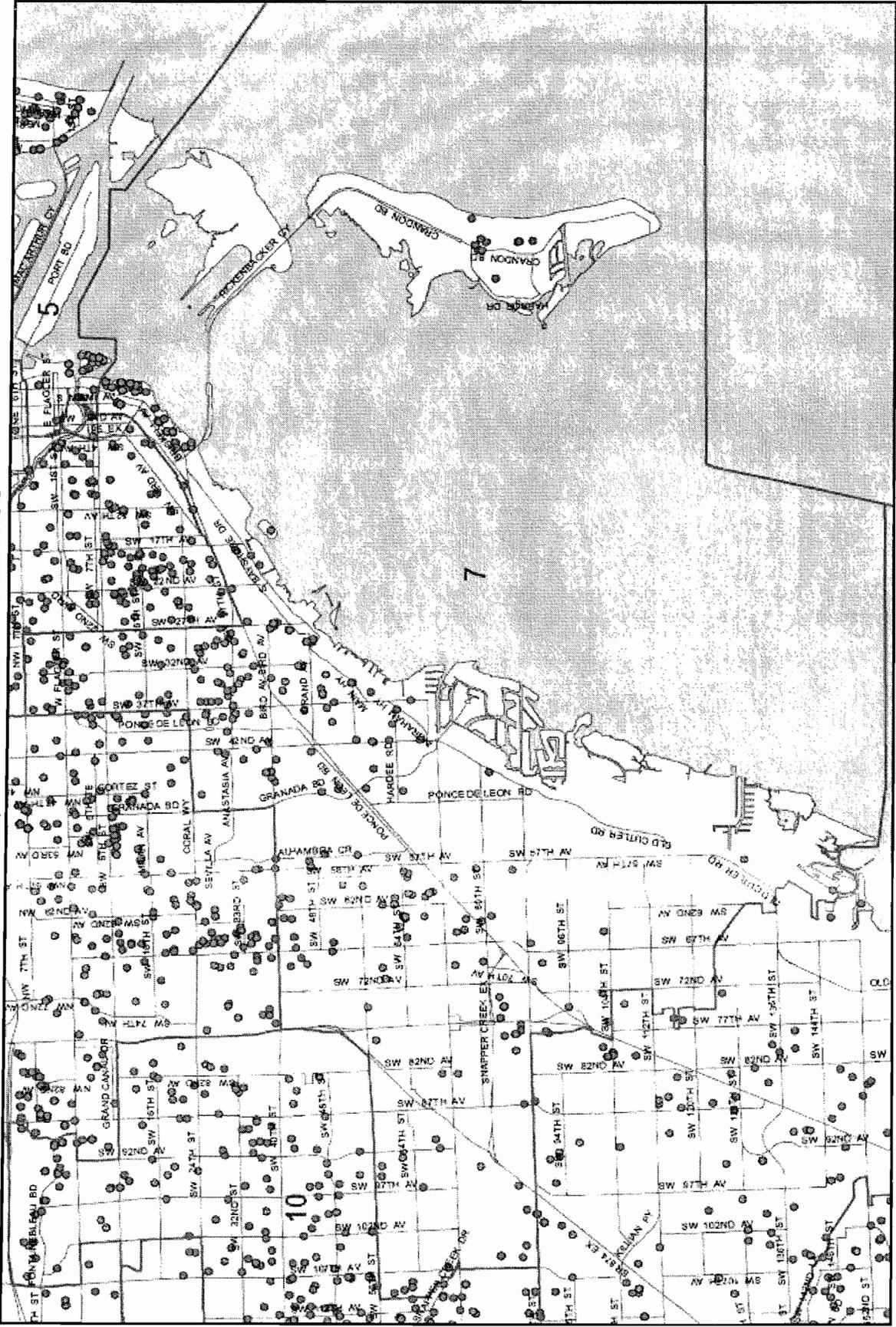
Areas within City of Hialeah shaded in grey and City of Miami in olive green.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008 District 6, Commissioner Sosa

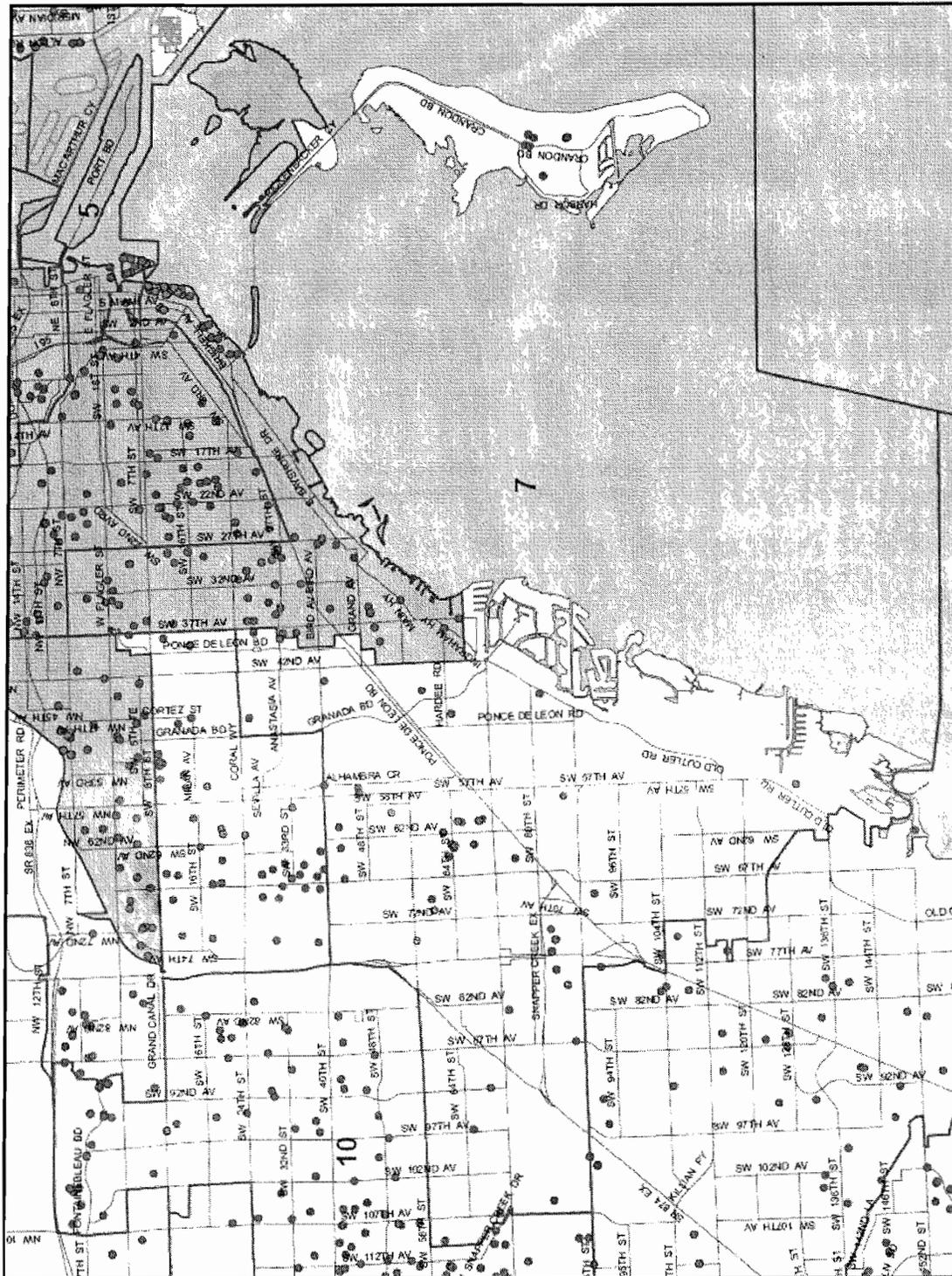


Areas within City of Hialeah shaded in grey and City of Miami in olive green.

Foreclosures (Reprocessed by Lender, REO), November 2007 to July 2008
District 7, Commissioner Gimenez

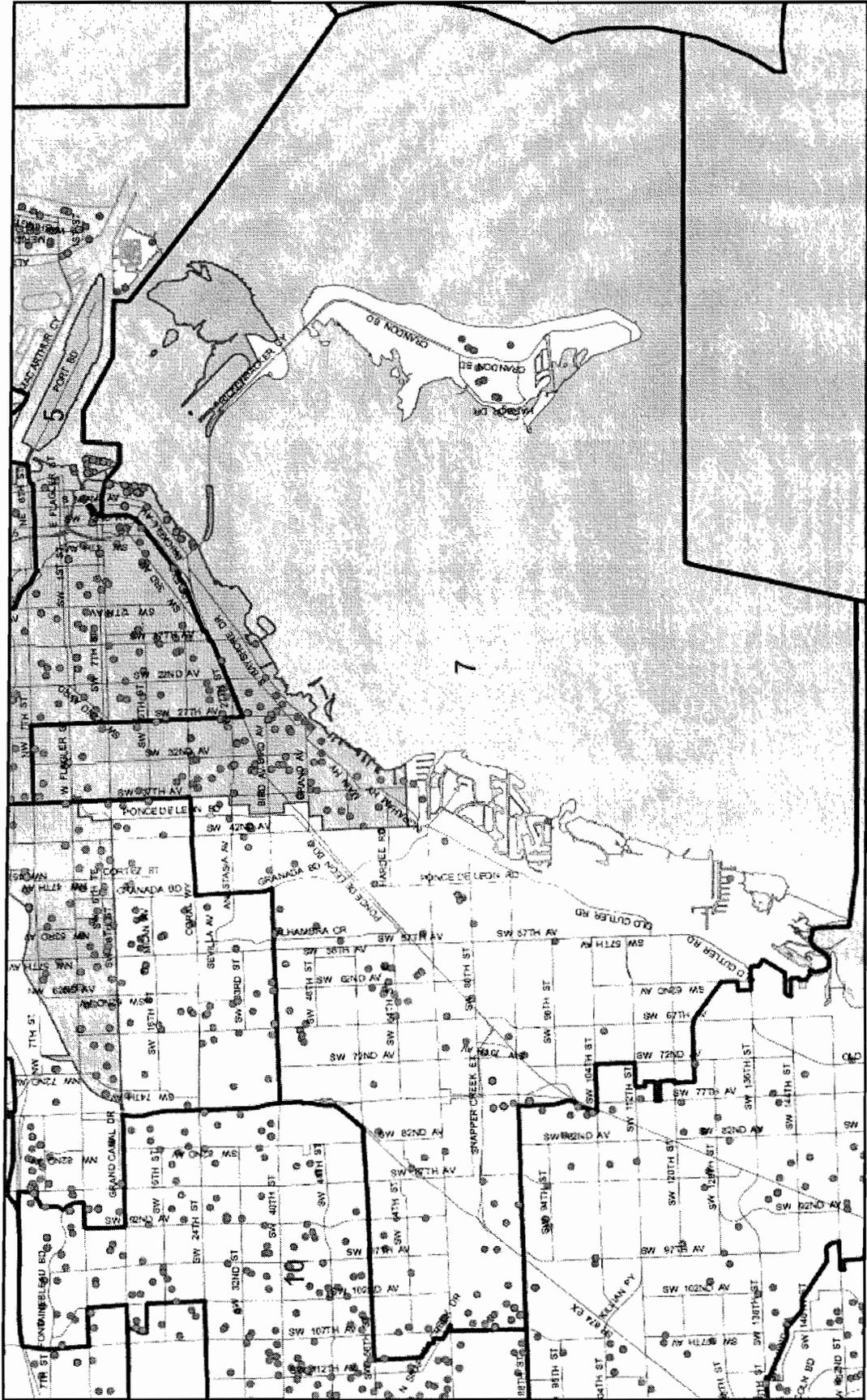


Foreclosures (Reposessed by Lender, REO), May to July 2008 District 7, Commissioner Gimenez



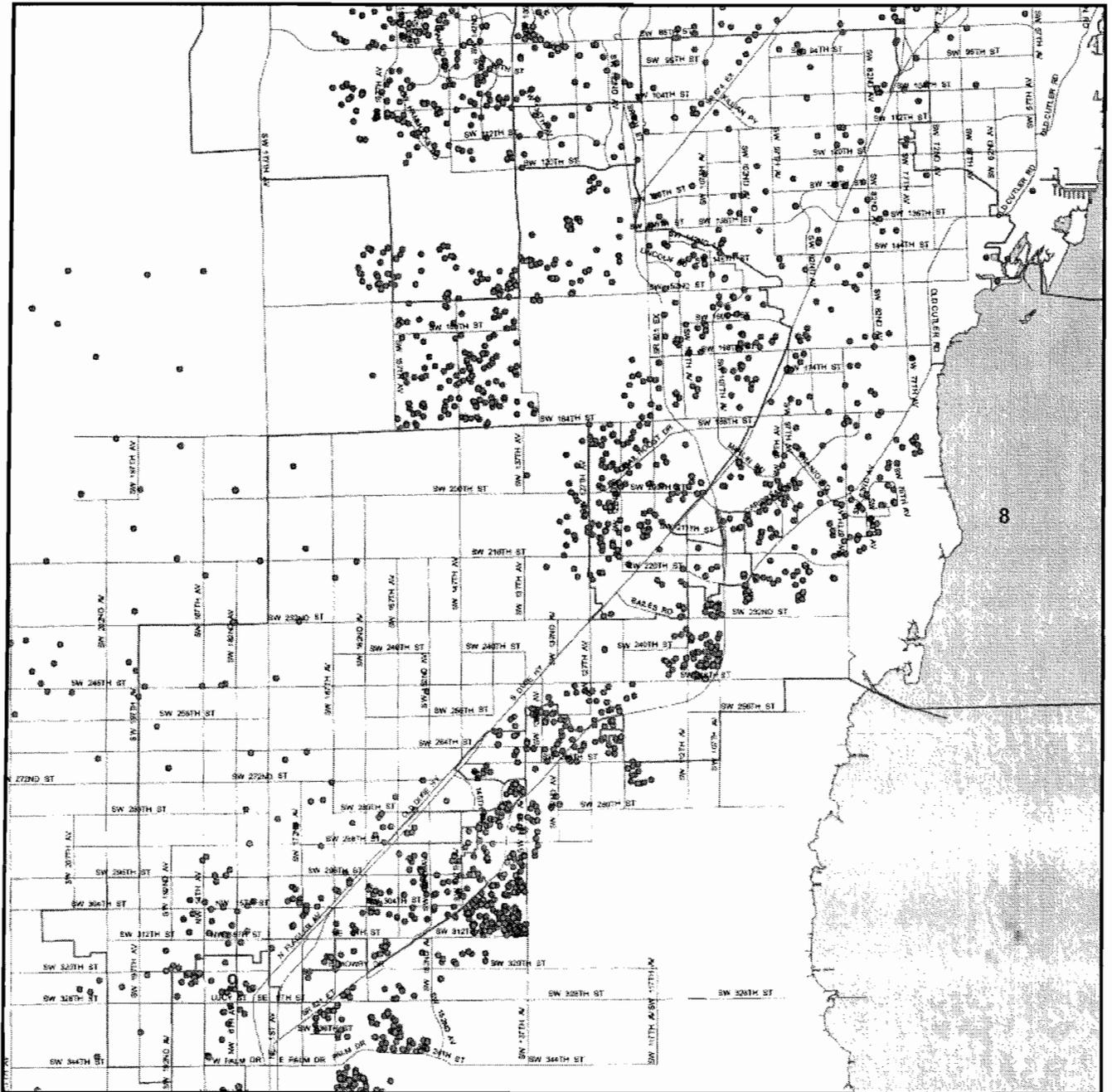
Areas within City of Miami shaded in olive green and City of Miami Beach in tan.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 7, Commissioner Gimenez

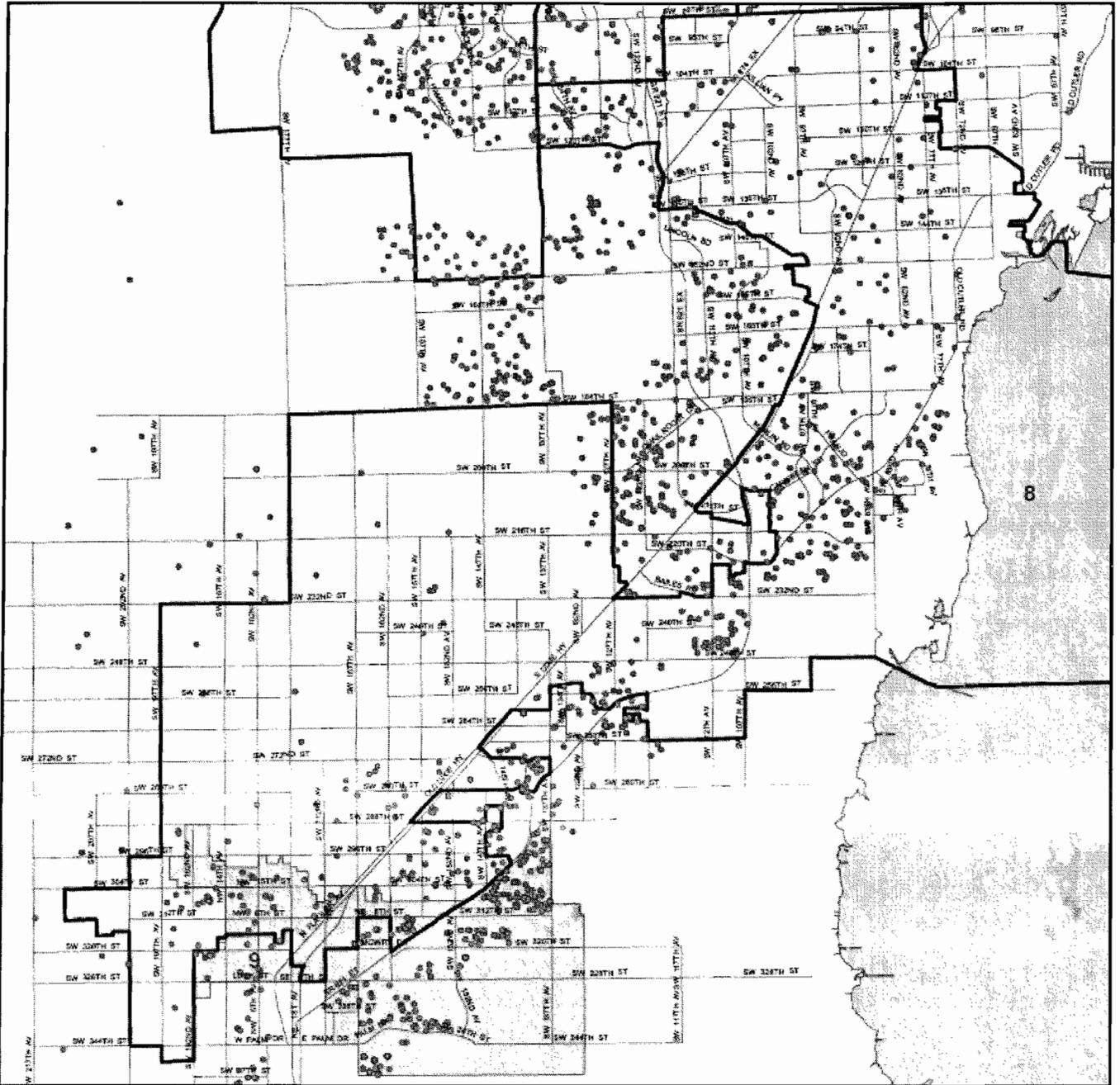


Areas within City of Miami shaded in olive green and City of Miami Beach in tan.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 8, Commissioner Sorenson

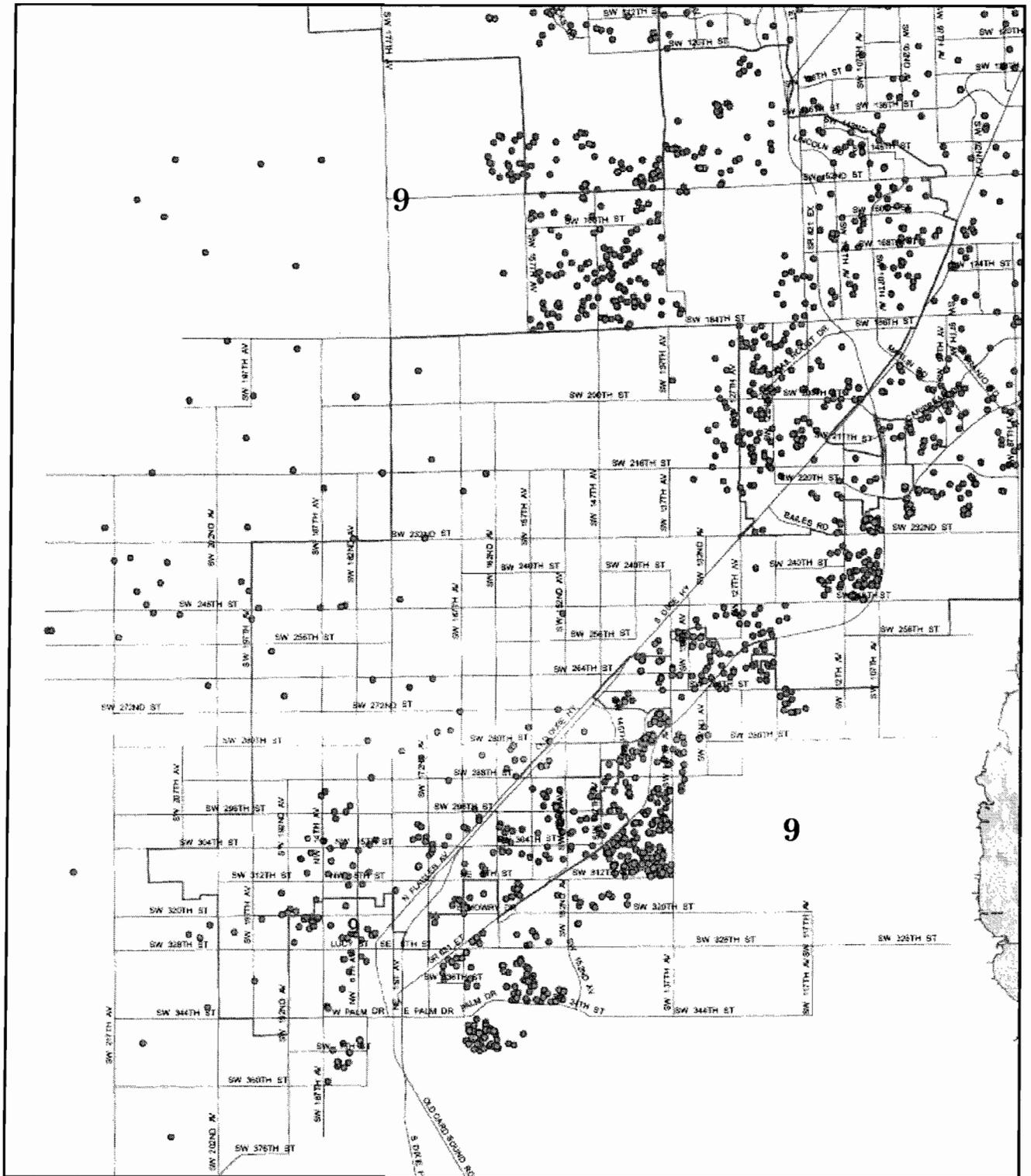


Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 8, Commissioner Sorenson

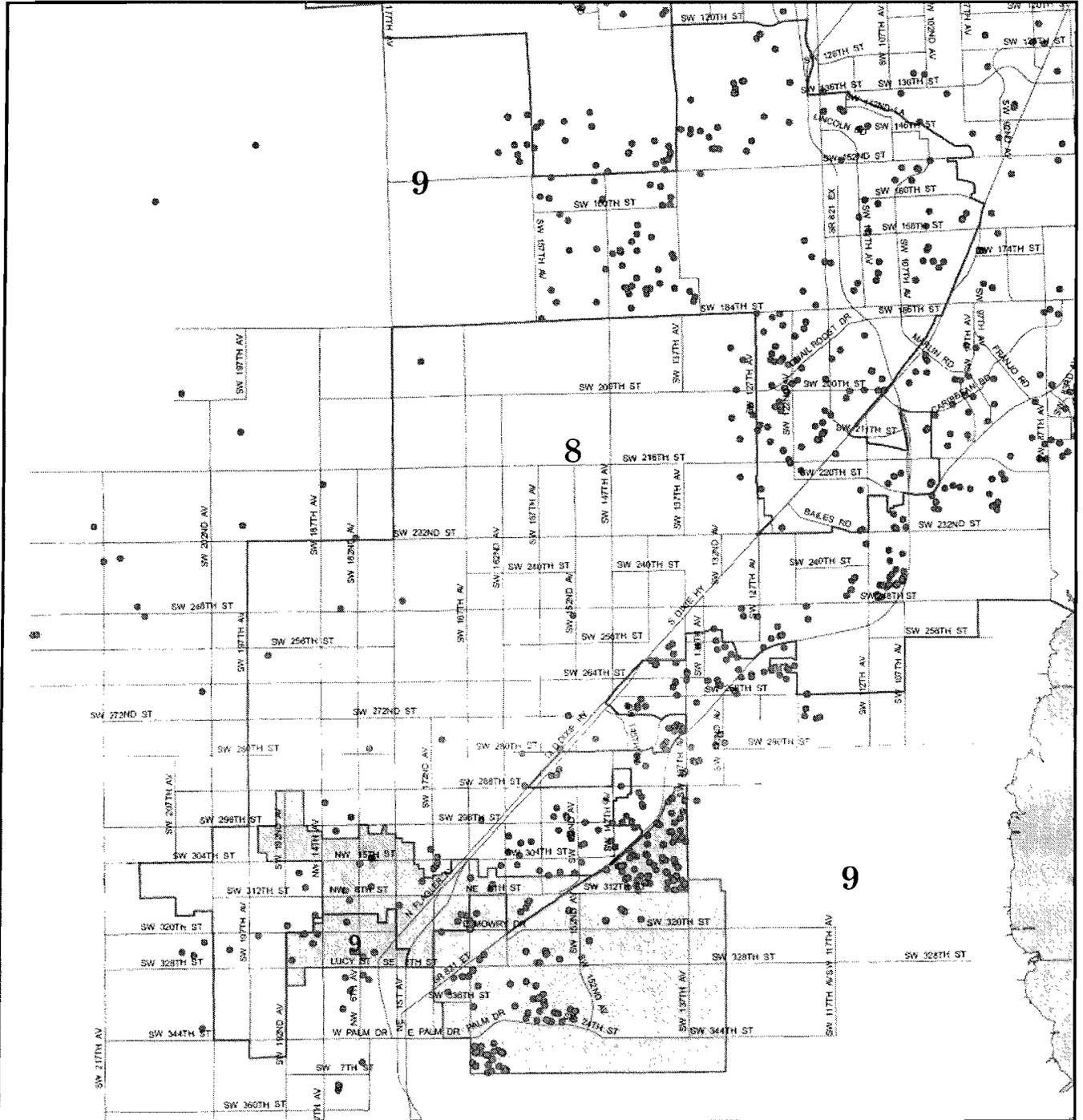


City of Homestead shaded in light green.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 9, Commissioner Moss

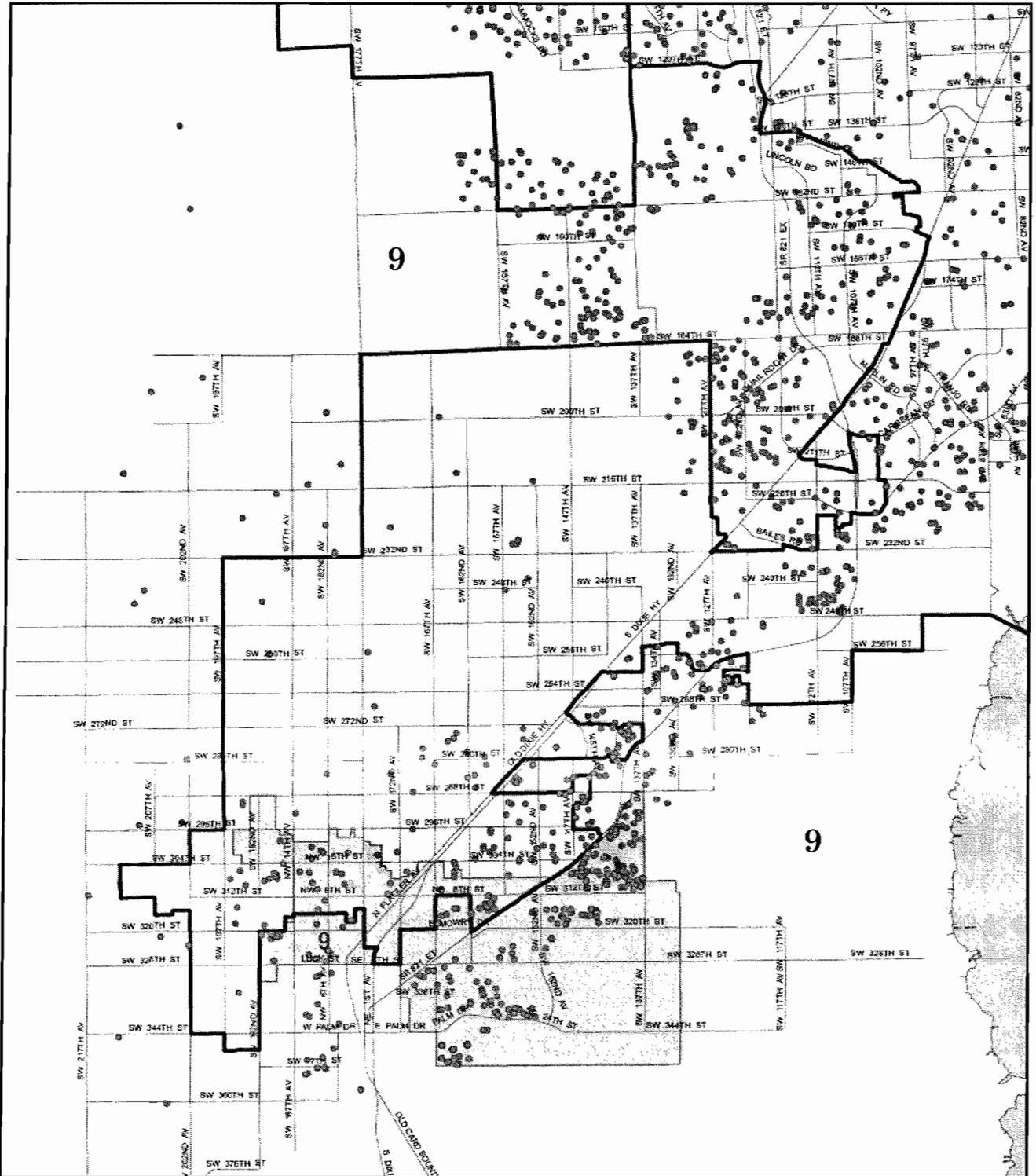


Foreclosures (Repossessed by Lender, REO), May to July 2008
District 9, Commissioner Moss



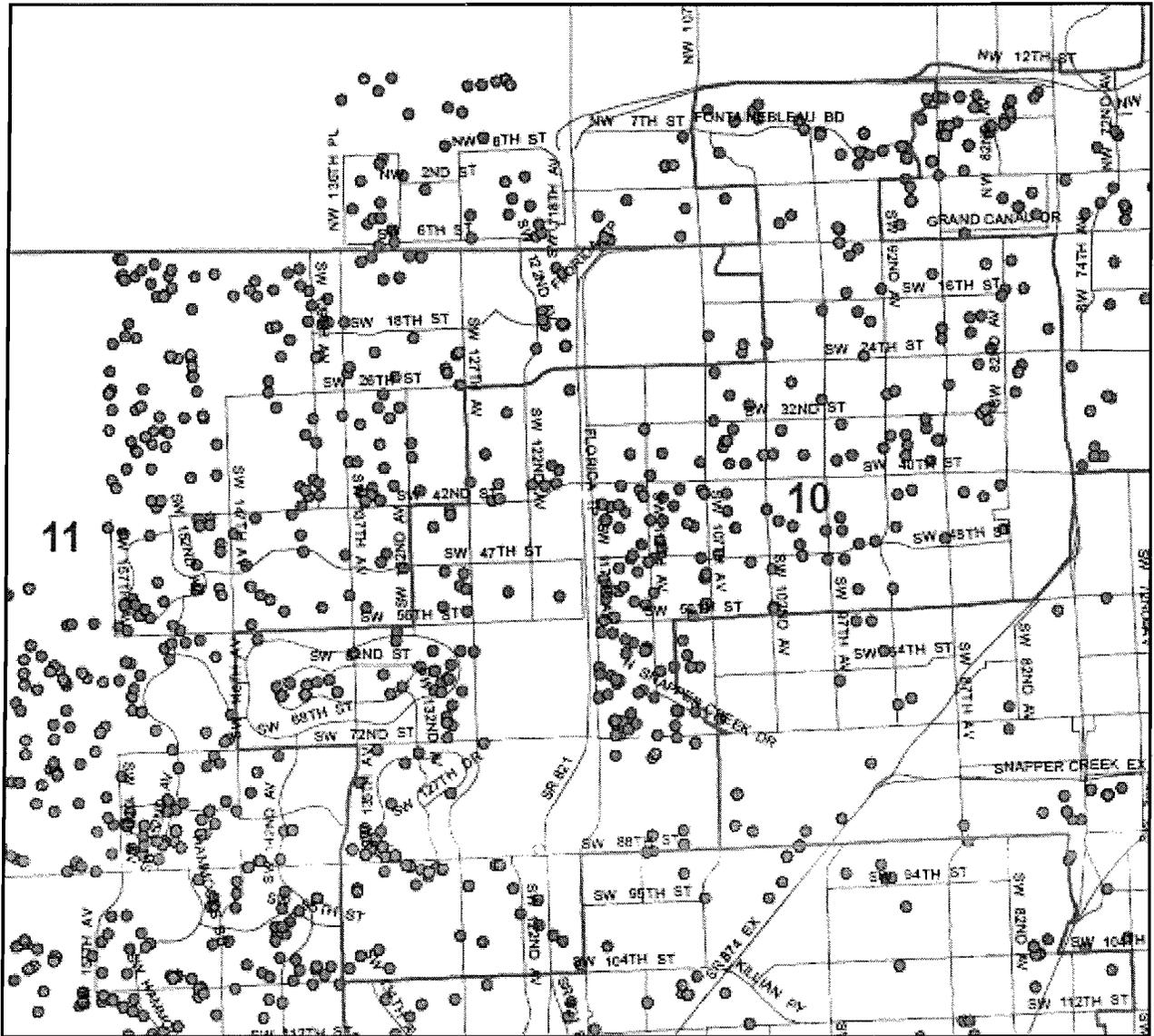
City of Homestead shaded in light green.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 9, Commissioner Moss

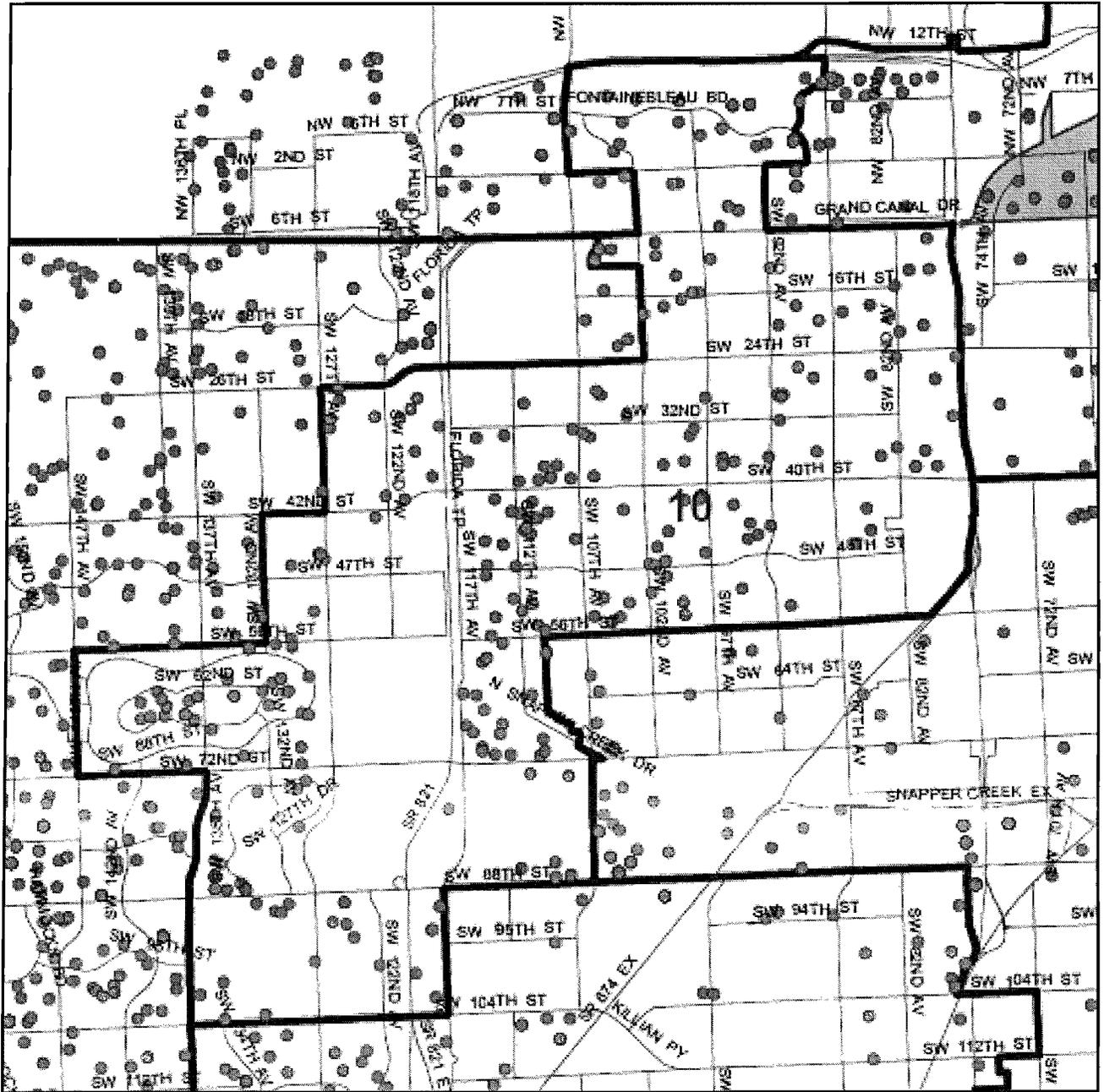


City of Homestead shaded in light green.

Foreclosures (Repossessed by Lender, REO), November 2007 to July 2008
District 10, Commissioner Souto

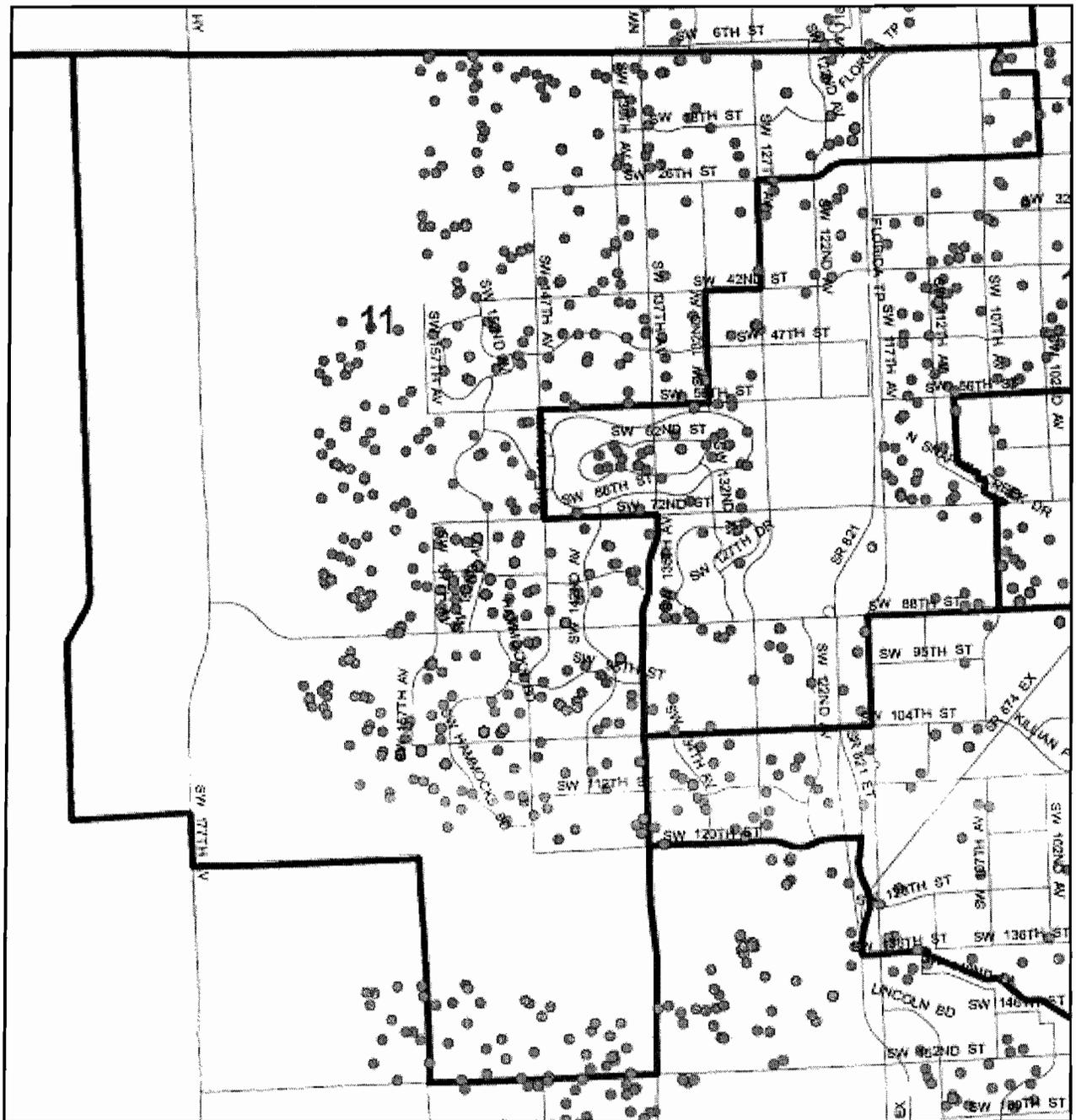


Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 10, Commissioner Souto

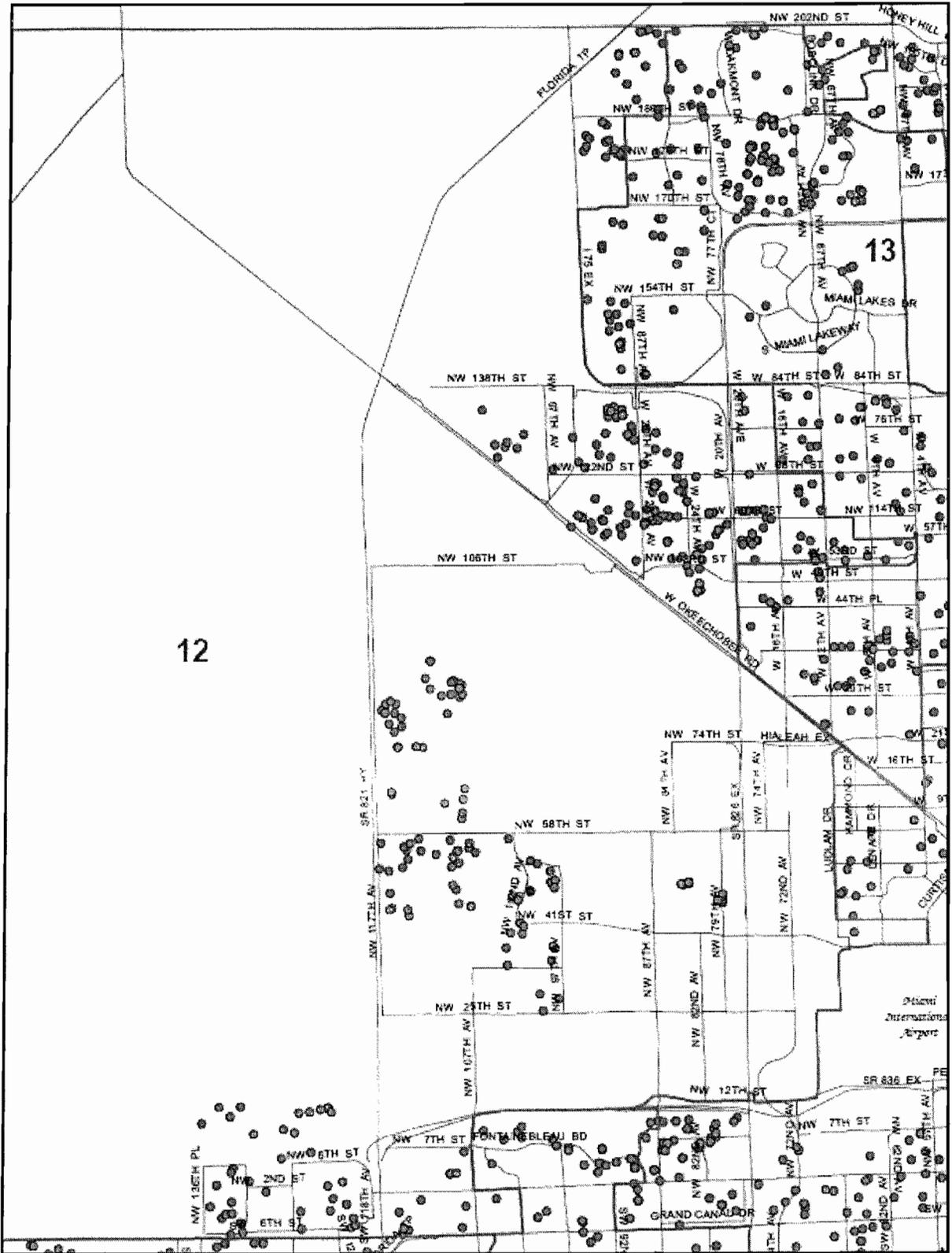


Area within City of Miami is shaded in olive green

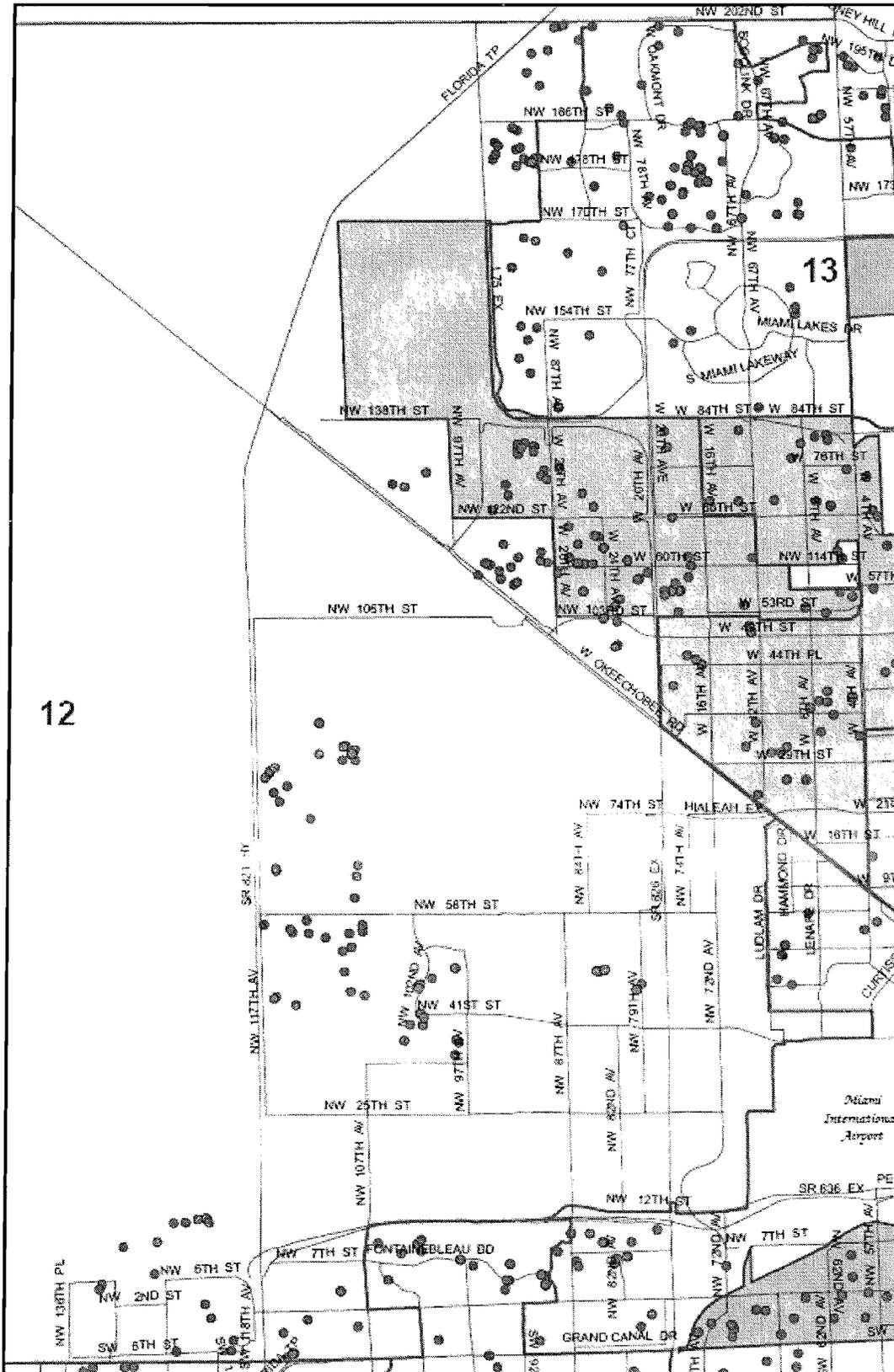
Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 11, Commissioner Martinez



Foreclosures (Reposessed by Lender, REO), November 2007 to July 2008
 District 12, Commissioner Diaz

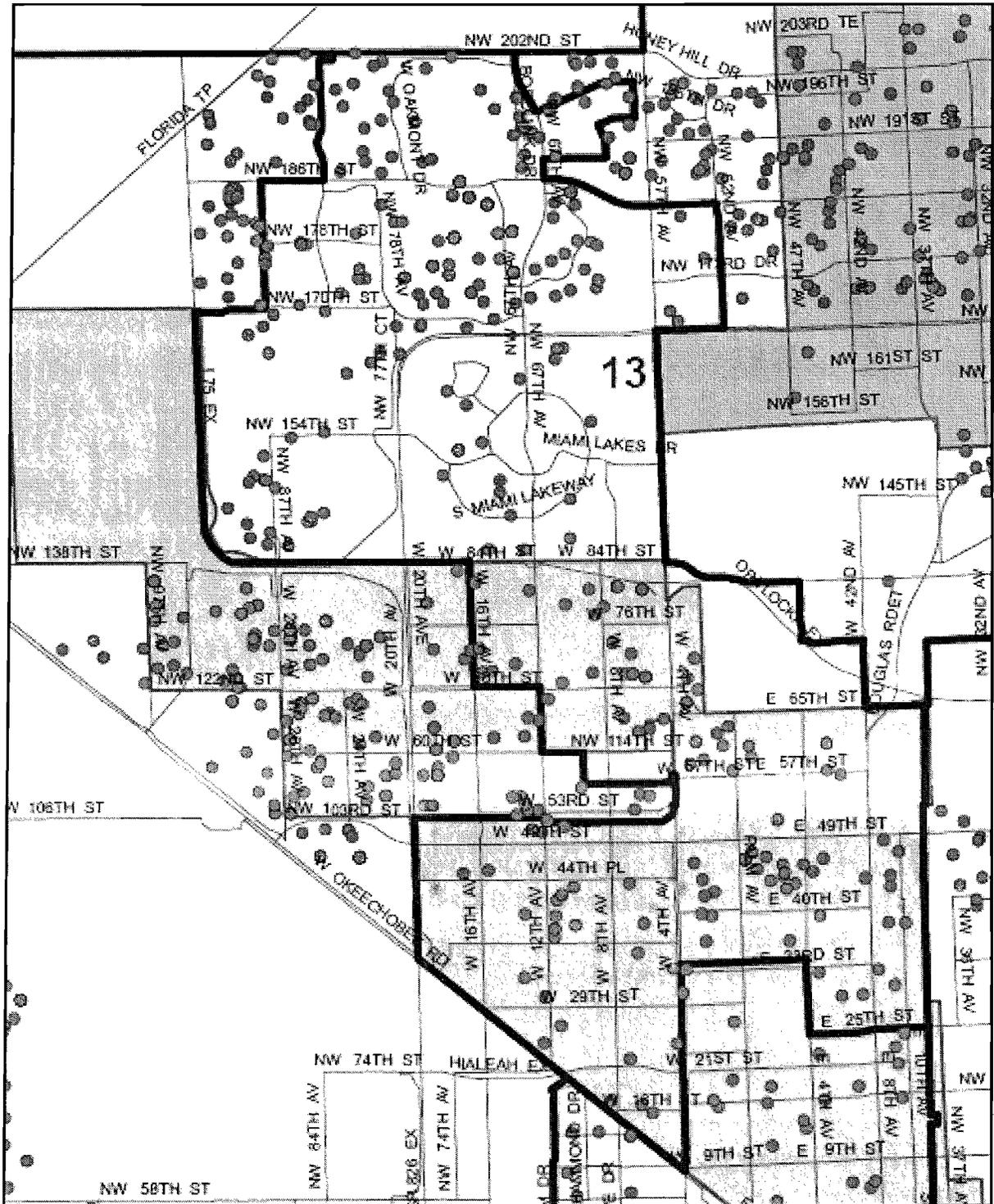


Foreclosures (Reposessed by Lender, REO), May to July 2008
 District 12, Commissioner Diaz



Areas within City of Hialeah shaded in grey.

Lis Pendens (Initiation of Foreclosure Action) May to July 2008
District 13, Commissioner Seijas



Areas within City of Hialeah shaded in grey.