

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: February 9, 2011
COUNCIL DISTRICT(S): All
DEPARTMENT: Housing/Community Services
CMO: A. C. Gonzalez, 671-8925
MAPSCO: N/A

SUBJECT

Authorize (1) approval of the Receivership and Operation Goodwill Program Statement; and (2) acceptance of properties from the U.S. Marshal's office for referral to certified Community Housing Development Organizations (CHDO) - Financing: No cost consideration to the City

BACKGROUND

On September 1, 2009, the SB 1449 was enacted into law in Texas for the Receivership Program. It provided the authorization for the City of Dallas or designated qualified housing organizations to bring lawsuits against non-owner occupied dangerous properties to allow them to restore the properties to habitable conditions.

In July 2010, the U.S. Marshal's office asked the City to accept properties on a referral basis through the Consolidated Appropriations Act, 2004. This Act provides the Attorney General the authority to transfer forfeited real or personal property of limited or marginal value to the City for its intended purpose.

This Council action would provide approval of the Receivership and Operation Goodwill Program Statement and acceptance of properties from the U.S. Marshal's office for referral to certified Community Housing Development Organizations (CHDO).

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 6, 2010, the Housing Committee was briefed on the Receivership Program and Operation Goodwill Program and approved recommendations for the Programs.

FISCAL INFORMATION

No cost consideration to the City.

February 9, 2011

WHEREAS, On December 6, 2010, the Housing Committee was briefed on the Receivership Program and Operation Goodwill Program and approved recommendations for the Programs; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Council hereby authorizes **(1)** approval of the Receivership and Operation Goodwill Program Statement (Attachment A); and **(2)** acceptance of properties from the U.S. Marshal's office for referral to certified Community Housing Development Organizations (CHDO).

SECTION 2. That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas, and it is accordingly so resolved.

DISTRIBUTION:

Housing/Community Services Department
City Attorney's Office
Office of Financial Services/Community Development, 4FS

ATTACHMENT A
Receivership and Operation Goodwill
Program Statement

Provide certification for nonprofit housing organizations to participate in the Receivership Program and to receive referrals for property the Operation Goodwill Program. Once provided, certifications will be effective for a one year time period.

Conditions for certification of the nonprofit housing organization are:

1. Must be a 501(c)3
2. Must have record of community involvement
3. Must have organizational and financial capacity
4. Must have experience in housing rehabilitation
5. Must submit a formal request in writing to be certified

At the time of referrals, the nonprofit housing organization:

1. Must be working in the area where the property is located
2. Must have funding available to pay costs associated with the project and provide a budget identifying sources and uses of funds
3. Must present a written marketing plan to sell or rent the unit(s) (when applicable)
4. Must have the capacity to apply for the properties through the required channels

Process for Applying for Properties

1. Receivership
 - a. By request from the nonprofit housing organization, City will certify the organization on a case-by-case basis
 - b. Properties can be single-family, multifamily, and vacant, properties with serious health & safety issues
 - c. Organization must obtain real estate attorney
 - d. Organization must file case directly with the court
 - e. Organization must have funding to rehabilitate or redevelop property
2. Operation Goodwill
 - a. Properties referred to the City by U.S. Marshal
 - b. City will inform Organization of available properties
 - c. Organization must submit detailed proposal (with previously mentioned details) to the City to forward to the U.S. Marshal
 - d. Attorney General will notify the City and Organization of final award
 - e. Process steps for proposal approval include:
 - i. Asset Forfeiture Office (AFO) will review proposal
 - ii. Upon approval, U.S. Marshal will review the proposal
 - iii. Upon concurrence, Criminal Division will review the proposal
 - iv. Final approval is obtained from the Attorney General's Office
 - v. Memorandum of Understanding is signed by nonprofit housing organizations and Federal Government

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SUBJECT

A public hearing to receive comments on Substantial Amendment No. 1 to the FY 2010-11 Consolidated Plan for the Neighborhood Stabilization Program 3 (NSP3) including: **(a)** acceptance of grant funds from the U.S. Department of Housing and Urban Development in an amount of \$2,356,962 pursuant to the Housing and Economic Recovery Act of 2008 (HERA), as amended on July 21, 2010 under the Dodd-Frank Act; **(b)** approval of the Program Statement, Attachment A; **(c)** the addition of staff positions and reimbursement for existing positions to provide for the administration, planning, oversight, reporting, and implementation of the NSP3 projects over a three year period; **(d)** execution of the grant agreement; **(e)** the receipt and deposit of program income in an amount not to exceed \$1,020,000 generated from NSP activities; and **(f)** the establishment of appropriations in an amount not to exceed \$1,020,000 in the NSP Program Income Fund to be used for other eligible activities; and at the close of the public hearing, authorize Substantial Amendment No. 1 to the FY 2010-11 Consolidated Plan for the NSP3 - Total not to exceed \$3,376,962 - Financing: 2010 - 11 Neighborhood Stabilization Program 3 Funds

BACKGROUND

In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) was enacted into law. HERA appropriated \$3.92 billion to assist states and localities in redevelopment efforts, particularly for foreclosed or abandoned housing properties. The Program is referred to as the Neighborhood Stabilization Program 1 (NSP1) and is considered a Special Allocation of 2008 Community Development Block Grant Funds.

In July 2010, the HERA was amended in Section 1497 of the Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to add \$1 billion for NSP3 to assist states and localities in redevelopment efforts for foreclosed or abandoned housing properties.

BACKGROUND (continued)

On October 13, 2010, the City of Dallas was notified of the award of additional funds under the NSP3 program in the amount of \$2,356,962. To accept these funds, the City of Dallas must 1) select one to two areas which reflect high concentrations of home foreclosures, homes financed by subprime mortgage loans, homes in default or delinquency, vacant land, unemployment, and decreased home values (these figures are provided by the Department of Housing & Urban Development (HUD), 2) show City of Dallas investment in those areas, 3) define the eligible activities to be conducted in those areas, and 4) provide for Citizen Participation and input prior to submitting the final application to HUD.

This Council action would provide for public comment on the Substantial Amendment No. 1 to the FY 2010-11 Consolidated Plan for the Neighborhood Stabilization Program3 (NSP3) and following the public hearing provide for final adoption of Substantial Amendment No. 1 to the FY 2010-2011 Consolidated Plan for the NSP3.

Source of Funds:

| | | |
|----------|--|-------------|
| FY 10-11 | Neighborhood Stabilization Program (NSP) 3 | \$2,356,962 |
|----------|--|-------------|

Use of Funds:

| | | |
|----------|---|-------------|
| FY 10-11 | Acquisition, Redevelopment and Homebuyer Assistance | \$2,121,266 |
|----------|---|-------------|

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|----------|------------------------|-----------|
| FY 10-11 | Program Administration | \$235,696 |
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PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 6, 2010, the Housing Committee was provided an update briefing on NSP 1 activities to date.

On December 6, 2010, the Housing Committee was briefed on the NSP3 allocation and approved recommendations for the use of the funds.

On January 12, 2011, the City Council provided preliminary approval of Substantial Amendment #1 to the FY 2010-11 Consolidated Plan for the Neighborhood Stabilization Program3 (NSP3) and set the public hearing for February 9, 2011 to receive citizen comments.

FISCAL INFORMATION

FY 2010-11 Neighborhood Stabilization Program3 Funds

\$2,356,962 Entitlement

\$1,020,000 Program Income (est)

\$3,376,962

February 9, 2011

WHEREAS, On December 6, 2010, the Housing Committee was briefed on the NSP3 allocation and reviewed recommendations for the use of funds; and

WHEREAS, On January 12, 2011, the City Council provided preliminary approval of Substantial Amendment No. 1 to the FY 2010-11 Consolidated Plan for the Neighborhood Stabilization Program3 (NSP3) and set the public hearing for February 9, 2011 to receive citizen comments; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Council hereby authorizes final adoption of Substantial Amendment No. 1 to the FY 2010-11 Consolidated Plan for the Neighborhood Stabilization Program3 (NSP3) including: **(a)** acceptance of grant funds from the U.S. Department of Housing and Urban Development in the amount of \$2,356,962 pursuant to the Housing and Economic Recovery Act of 2008 (HERA) as amended on July 21, 2010 under the Dodd-Frank Act; **(b)** approval of the Program Statement, Attachment A; **(c)** addition of staff positions and reimbursement for existing positions to provide for the administration, planning, oversight, reporting, and implementation of the NSP3 projects over a three year period; **(d)** execution of the grant agreement; **(e)** the receipt and deposit of program income in an amount not to exceed \$1,020,000 generated from NSP activities; **(f)** the establishment of appropriations in an amount not to exceed \$1,020,000 in the NSP Program Income Fund to be used for other eligible activities.

SECTION 2. That the City Manager be authorized to establish appropriations in Fund NS10, Dept HOU, Unit 478C for \$2,121,266, and in Fund NS10, Dept HOU, Unit 479C for \$235,696, in a total amount not to exceed \$2,356,962.

SECTION 3. That the City Controller be authorized to receive and deposit funds in Fund NS10, Dept HOU, Unit 478C, Revenue Source 6506 for \$2,121,266, and in Fund NS10, Dept HOU, Unit 479C, Revenue Source 6506 for \$235,696, in a total amount not to exceed \$2,356,962.

SECTION 4. That the City Controller be authorized to disburse grant funds from Fund NS10, Dept HOU, Unit 478C, Obj 3099 for \$2,121,266, and from Fund NS10, Dept HOU, Unit 479C, Obj 3099 for \$235,696, in a total amount not to exceed \$2,356,962.

SECTION 5. That the City Manager be authorized to establish appropriations in Fund NS10, Dept HOU, Unit 480C in an amount not to exceed \$1,020,000.

February 9, 2011

SECTION 6. That the City Controller is hereby authorized to receive and deposit the NSP Income funds not to exceed the amount of \$1,020,000 in the Neighborhood Stabilization Program Fund NS10, Department HOU, Unit 480C, Revenue Source 8474.

SECTION 7. That the City Controller be authorized to disburse grant funds from Fund NS10, Dept HOU, Unit 480C, Obj 3099 in an amount not to exceed \$1,020,000.

SECTION 8. That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas, and it is accordingly so resolved.

DISTRIBUTION:

Housing/Community Services Department
City Attorney's Office
Office of Financial Services/Community Development, 4FS

ATTACHMENT A

PROGRAM STATEMENT NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP3)

Program Purpose: To provide Neighborhood Stabilization Program 3 (NSP3) funding for the establishment of financing mechanisms for the acquisition, maintenance, redevelopment and sale of foreclosed or abandoned properties for affordable housing.

Program Description: The NSP3 is designed to benefit certain neighborhoods by making loans/grants to nonprofit and for profit organizations to redevelop abandoned/foreclosed properties.

NSP areas are identified as "Areas of Greatest Need" (AGN). Areas were selected using a GIS Mapping Tool provided by HUD. The data was based on high concentrations of home foreclosures, homes financed by subprime mortgage loans, homes in default or delinquency, vacant land, unemployment, and decreased home values. The Areas of Greatest Need selected for NSP3 are the Bexar/Rochester Neighborhood and the Lancaster Corridor Neighborhood:

- The Bexar St. /Rochester area bounded by Hatcher on the North, S. Lamar on the West, 2nd Ave. on the East and Donald Street on the South.
- The Lancaster Corridor area bounded by Lancaster Corridor which is E. Illinois on the North, Ewing/Ramona on the West, Kellogg/Garrison on the East, and Simpson Stuart on the South.

NSP3 will provide for:

- The acquisition of foreclosed residential properties within the AGN (HUD Activity B)
- The redevelopment of affordable housing on foreclosed residential properties within the AGN (HUD Activity E)
- Principal reduction, down payment and closing cost assistance for homebuyers of NSP 3 redeveloped properties (HUD Activity A)
- Administrative oversight, monitoring, and reporting of 10% or \$235,696

ATTACHMENT A

PROGRAM STATEMENT NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP3)

- All affordable units redeveloped must serve households with income at or below 120% Area Median Family Income (AMFI) with 25% of the NSP3 funds expended to serve households with income at or below 50% of AMFI

Program Requirements:

- Redeveloped properties will carry a 15-year deed restriction for affordability.
- Principal reduction grant shall not exceed 50% of total costs of acquisition and redevelopment.
- Downpayment & closing cost assistance shall not exceed \$5,000 per homebuyer.
- Proceeds from the sale of the redeveloped property will be returned to the City of Dallas for reuse on activities within this NSP3 Program Statement.
- The City Housing Department will solicit applications via a Request for Application (RFA) until all funds are committed.
- The City Housing/Community Services Department is responsible for implementation, monitoring, and evaluation under this program. Housing/Community Services Department Director (or designee) will provide approval of individual applications and execute all required documentation for funding under this program.
- Developer must sell redeveloped properties for total cost (acquisition & redevelopment) minus amount of grant from City of Dallas.
- Homebuyer must successfully complete homeownership education from an approved housing counseling agency.
- Homes not sold within the 5 year period will convert to rental units and will remain affordable for a period not to exceed a total of 15 years.
- The Developer or any of its associated companies must not have any outstanding compliance issues, delinquent taxes, or code violations with the City of Dallas.

ATTACHMENT A
PROGRAM STATEMENT
NEIGHBORHOOD STABILIZATION PROGRAM 3
(NSP3)

Homebuyer Requirements:

- Incomes must not exceed 120% AMFI
- 8 hours of homebuyer education
- No first-time homebuyer requirement
- Must occupy property as homestead
- Homebuyer must obtain FHA or Conventional mortgage
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