Memorandum

DATE June 12, 2009

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Voncel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Neighborhood Stabilization Program (NSP2) Neighborhoods

On Monday, June 15, 2009, you will be briefed on Neighborhood Stabilization Program (NSP2). A copy of the briefing is attached.

Please let me know if you have any questions.

A.G. Gonzalez, Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing Director
Jeanne Chipperfield, Director, Budget and Management Services
Helena Stevens-Thompson, Assistant to the City Manager

"Dallas, The City That Works: Diverse, Vibrant and Progressive."
Neighborhood Stabilization Program 2 (NSP2)

A Briefing to the Housing Committee

Housing Department
June 15, 2009
PURPOSE

To brief the Housing Committee on the City’s competitive bid application to HUD for $10 million to fund new construction on Land Bank lots
Background for Neighborhood Stabilization Programs 1 & 2

- In July 2008, the "Housing and Economic Recovery Act of 2008" (HERA) was enacted into law and appropriated $3.92 billion to assist States and localities in redevelopment efforts.
- The City was awarded $7.9 million in the Fall of 2008.
- In 2009, up to $1.93 billion in additional neighborhood stabilization funds were appropriated.
- The City is requesting $10 million from the second appropriation.
Neighborhood Stabilization Program 1

Three eligible uses were selected:

Activity #1
- Acquisition, Demolition, Maintenance & Redevelopment of Foreclosed or Abandoned Properties
  - This program would be operated through the Dallas Housing Acquisition and Development Corporation
  - $2,500,000 will be allocated for this program with 50 new units produced

Activity #2
- Acquisition, Rehabilitation, & Sell/Rent Foreclosed Properties on Bulk Sales basis
  - This program will be administered by the Housing Department
  - $4,639,300 will be allocated to this program with 50 new units produced

Activity #3
- Program Administration
  - $793,255 will be allocated to administer the programs
Neighborhood Stabilization Program 1 & 2 Eligible Uses

- Establish financing mechanisms for purchase & redevelopment of foreclosed upon homes & residential properties
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties
- Establish land banks for homes that have been foreclosed upon
- Demolish blighted structures
- Redevelop demolished or vacant properties as housing
States & localities must submit a competitive application for the NSP2 funds to HUD by July 17, 2009.

NSP2 grantees must expend 50% of its funds within 2 years and all of its funds within 3 years after execution of the grant agreement with HUD.

Projects must benefit individuals or families at 120% of Area Median Family Income (AMFI) or less.

Not less than 25% of funds available to each grantee must benefit individuals or families at 50% of AMFI or less.

Application must be for no less than $5 million and return a minimum of 100 abandoned or foreclosed homes back to productive use or mitigate their negative effects on the stability of the target geography.
Local NSP2 Guidelines

- Require a 10 day citizen comment period
- Require the sale of the home to be equal to or less than the cost to acquire and redevelop the property
- Repayment to the City of Dallas when units are sold
- Require deed restrictions for affordability for new homebuyers
- Require any new homebuyers to attend 8 hours of HUD approved Homebuyer Counseling
- Incorporate energy efficient and environmentally-friendly Green elements
- Permanent loans for new homebuyers must have fixed rates
Additional NSP2 Requirements

- Funding must be spent in Target Geography Areas by Census Tracts
  - With average foreclosure needs index scores greater than 18 on the HUD index;
    - Based on percent of foreclosure problems and
    - Based on number of foreclosure problems
  - Or
  - With average foreclosure with vacancy risk index scores greater than 18 on the HUD index
    - Combines 90-day vacancy rates with foreclosure problem rates
    - Ranks census tracts from 1 to 20
HUD NSP2 Mapping Tool

We are experiencing heavy traffic volume. Please be patient after clicking on the tracts, while the web page is updated.

Search by address to view and select the desired census tracts

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Foreclosure Score</th>
<th>Vacancy Score</th>
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<tbody>
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<td>19</td>
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HUD NSP2 Mapping Tool, (cont’d)

The "foreclosure" risk score is based on rank census tracts by two measures: (i) percent of foreclosure problems and (ii) number of foreclosure problems. Each tract receives the higher rank (from 1 to 20) from those two rankings.

The "vacancy" risk score is based on an algorithm that combines 90-day vacancy rates with foreclosure problem rates and then ranks census tracts from 1 to 20 on this estimate. For more information on how these estimates were developed, see the methodology.

The NSP tool displays the average risk score for selected census tracts. The average score is color coded with red indicating high risk. HUD grants are available only for the high risk areas. The census tracts need not have high risk scores for both foreclosure rates and vacancy rates.
City of Dallas Proposal for NSP2

- Proposed funding request of $10 million and 200 new homes on Land Bank lots
  - $9 million for new construction of 200 homes on Land Bank tax-foreclosed lots
  - Land Bank lots targeted due to:
    - Use of foreclosure property requirement of NSP2 program
    - Additional vehicle to build on Land Bank lots
  - Land Bank lots located within 15 target census tracts within the NIP areas
  - $1 million for general administration
  - $45,000 allocated per home from NSP2 funds
  - Up to an additional $55,000 per home in HOME funds to be provided through the Housing Department
  - Require developers to provide interim construction financing for part of their total budget
Timeline

- 6/18 – Proposed application posted on City’s website
- 6/21 – Information published in Dallas Morning News
- 6/22 – Required 10 calendar day comment period begins
- 7/7 – Required 10 calendar day comment period ends
- 7/14 – Final application sent to HUD
- 7/17 – Final application due to HUD
- 1st qtr 2010 – Funding awarded
- 2nd qtr 2010 – Request for applications sent to developers