Memorandum

DATE: November 14, 2008

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

SUBJECT: Neighborhood Stabilization Program (NSP)

On Monday, November 17, 2008, you will be briefed on Neighborhood Stabilization Program (NSP). 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
   Judge 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, Budget Director, Office of Financial Services
   Helena Stevens-Thompson, Assistant to the City Manager

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

A Briefing
To The Housing Committee
November 17, 2008
KEY FOCUS AREA:
ECONOMIC VIBRANCY

Purpose:

- To provide an overview of the Housing & Economic Recovery Act of 2008-Neighborhood Stabilization Program (NSP)
- To provide a recommended Plan for the use of $7.9 million to be allocated to the City of Dallas
In July 2008, H.R. 3221, 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.

The Program is referred to as the Neighborhood Stabilization Program (NSP) and is considered a Special Allocation of 2008 Community Development Block Grant Funds.

Allocations to States and localities were based on percent and number of:
- Home foreclosures
- Homes financed by a subprime mortgage related loan
- Homes in default or delinquency
## Housing & Economic Recovery Act of 2008-NSP Local Allocations

<table>
<thead>
<tr>
<th>City</th>
<th>Allocation</th>
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</thead>
<tbody>
<tr>
<td>City of Dallas</td>
<td>$7,932,555</td>
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<tr>
<td>City of Ft. Worth</td>
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<td>City of Grand Prairie</td>
<td>$2,267,290</td>
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<td>$2,044,254</td>
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<td>City of Garland</td>
<td>$2,040,196</td>
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<tr>
<td>Dallas County</td>
<td>$4,405,482</td>
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<td>Tarrant County</td>
<td>$3,293,388</td>
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<td>State of Texas</td>
<td>$101,996,848</td>
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</table>
Neighborhood Stabilization Program (NSP) 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

- 10% of allocation can be used for Administrative costs
Additional NSP Rules

- States & localities must submit an amendment to their Consolidated Plan for the NSP funds to HUD by December 1, 2008

- NSP grantees must obligate all funds for a specific project no later than 18 months after execution of the grant agreement

- NSP grantees must spend all funds within 4 years

- 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
Additional NSP Rules (Cont’d)

- Funding must be spent in “Areas of Greatest Need” (Appendix B)
  - With greatest percentage of home foreclosures
  - With the highest percentage of homes financed by a subprime mortgage related loans; and
  - Identified as likely to face a significant rise in the rate of home foreclosures
Areas of Greatest Need

<table>
<thead>
<tr>
<th>NO.</th>
<th>*MAPSCO PAGE</th>
<th>FORCLOSURES</th>
<th>COUNCIL DISTRICTS</th>
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<td>7,4</td>
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<tr>
<td></td>
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<td>Total 1249</td>
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</tr>
</tbody>
</table>

*MAPSCO areas were used because they represented smallest areas in foreclosure data base
Recommendations for City of Dallas
Allocation of NSP

Activity #1

- Acquisition, Demolition, Maintenance & Redevelopment of Foreclosed or Abandoned Properties
  - This program would be operated through the Dallas Housing Acquisition and Development Corporation
    - NSP rules allow for Land Banks to hold property up to 10 years before redevelopment and sale
  - Properties will be acquired at 5-15% less than appraised value and delinquent taxes paid
  - Code Compliance will work with Housing Department to verify condition of abandoned and foreclosed properties to be acquired and demolition in the areas of greatest need
  - Foreclosed properties that are cleared and land banked will be sold to nonprofits and for-profit entities for redevelopment and resale
  - Staff recommends $2,500,000 be allocated for this program
Recommendations for City of Dallas Allocation of NSP (cont’d)

Activity #2
- Acquisition, Rehabilitation, & Sell/Rent Foreclosed Properties on Bulk Sales basis
  - This program would be administered by the Housing Department
    - Could include acquisition of duplexes and four-plexes, multifamily properties for Permanent Supportive Housing redevelopment, including Homeless rental units

- Requests for Proposals (RFPs) would be accepted from nonprofits and for profits

- Focus would be to acquire properties in most effected areas

- Staff recommends $4,639,300 be allocated to this program
Recommendations for City of Dallas
Allocation of NSP (cont’d)
Activity #3

- Planning and Administration costs of 10% or $793,255
  - Program administration for reimbursement for existing staff to provide planning, implementation, oversight, reporting, inspection, appraisals, and evaluation of the projects funded under NSP over four year period
  - Fund an Assistant Director level position to provide program management, coordination, monitoring and evaluation
    - Duties to include:
      - Liaison with mortgage lenders, Federal Housing Administration (FHA), Fannie Mae and other national non-profits with foreclosed properties in the City of Dallas
      - Manage process for Contracts executed from RFP’s
      - Will provide Code Enforcement updated listings of foreclosed properties for compliance monitoring
Recommendations for City of Dallas Allocation of NSP (cont’d)

- Other policies:
  - Preference for nonprofit or CHDO applications
  - Set cap for rehabilitation costs of $20,000 per unit
  - Require that foreclosure purchases be made at a discount of 15% of appraised value
  - Require equity investment from applicants
  - 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
  - Permanent loans for new homebuyers must have fixed rates
  - Rental/Lease Option for families that experienced a foreclosure due to subprime, adjustable rate or predatory lending scheme
Next Steps

- November 19, 2008 – City Council approval of Consolidated Plan Amendment #1 to include NSP
- December 1, 2008 – Submit HUD NSP application
- January 15, 2009 - Estimated date for execution of contracts with HUD for NSP funds
- January 2009 – Begin accepting applications and contracting for NSP projects
Appendix A

HUD Area Median Family Income Figures
Area Median Family Income Figures for the Dallas Area

as Published by HUD

Area Median Family Income for 2008 is $64,800

<table>
<thead>
<tr>
<th>Area Median Family Income</th>
<th>Number of Persons in the Household</th>
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<tr>
<td></td>
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<tr>
<td>50%</td>
<td>$23,275</td>
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<td>80%</td>
<td>$37,240</td>
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<td>100%</td>
<td>$46,550</td>
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<tr>
<td>120%</td>
<td>$55,860</td>
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(Effective February 13, 2008)

Figures displayed are actual calculated figures. HUD allows for rounding to the nearest $50 in determining eligibility.
Appendix B

Foreclosures in the City of Dallas
Foreclosures in the City of Dallas

As noted in the November 3, 2008 briefing to the Housing Committee:

- From January to August 2008, there were a total of 2,789 foreclosures in the City of Dallas.

- The heaviest concentration of foreclosed homes in the City of Dallas are generally south of I-30 from south Oak Cliff along Loop 12 to Pleasant Grove and north of I-20.
Foreclosures By Council District

Approximate number of foreclosed properties: **2789***

<table>
<thead>
<tr>
<th>District</th>
<th>Foreclosures</th>
<th>District</th>
<th>Foreclosures</th>
</tr>
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<tbody>
<tr>
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<tr>
<td>7</td>
<td>310</td>
<td>14</td>
<td>200</td>
</tr>
</tbody>
</table>

* Two properties have insufficient information to determine location
Areas of Greatest Need

- MAPSCO Pages 46, 48, 54, 55, 56, 58, 59, 64, 65 and 66