

Oakland County Neighborhood Stabilization Program

2008 Community Development Block Grant Program Component

Housing and Economic
Recovery Act of 2008

Section 2301 Emergency
Assistance for the Redevelopment
of Abandoned and Foreclosed
Homes



Background - Housing & Economic Recovery Act, 2008 (HERA)

- Signed by President Bush July 30, 2008 - multifaceted
- Section 2301- provides \$4 Billion for Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes
 - \$180 Million to counseling organizations to provide loss mitigation counseling
 - \$3.92 Billion in CDBG funds to States and Entitlements to address abandoned or foreclosed properties, now known as the “**Neighborhood Stabilization Program (NSP)**”



Goals



- Diminish housing vacancy rates
- Reverse the decline of neighborhood housing values
- Stabilize neighborhoods negatively impacted by foreclosure and abandonment
- Reduce blighted housing and other buildings in neighborhoods hardest hit by foreclosure and abandonment

Federal NSP Allocations

\$3.92 Billion



- Treated as CDBG funds amending the 2008 CDBG program
- Federal regulations (Oct. 6, 2008) alter CDBG requirements to expedite use of NSP funds
- Amounts to CDBG states and entitlement jurisdictions were targeted based on a HUD formula and HERA criteria including:
 - Number and % of home foreclosures
 - Number and % of homes with subprime mortgages
 - Number and % of homes in default
 - Federal data available for Urban County level, not CVT
- **Oakland County receives \$17,383,776 to infuse one time emergency assistance for the redevelopment of abandoned and foreclosed homes into areas of highest need**

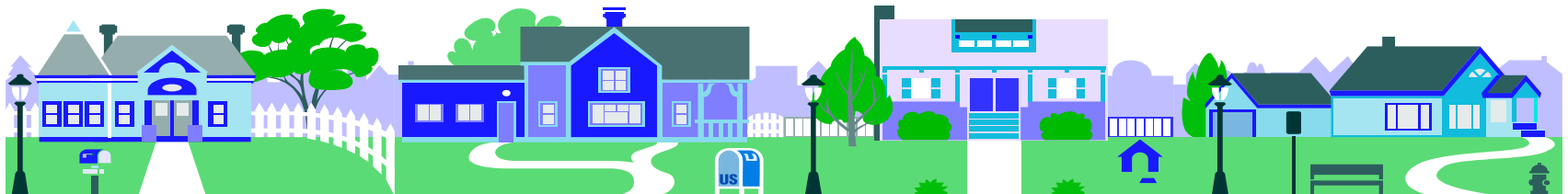
NSP Eligible Uses

- Financing to purchase and redevelop foreclosed homes or properties for buyers with < 120% area median income (Family of 4 = \$83,900)
- Purchase and rehabilitate abandoned or foreclosed homes or residential properties in order to sell, rent, or redevelop
- Establish land banks for foreclosed homes- properties may be held for no more than 10 years
- Demolish blighted structures (in target areas with >51% concentration of households at <120% AMI)
Note: (CDBG targets areas with 36.6% concentration of HH at < 80%AMI)
- Redevelop demolished or vacant properties



Criteria for Local Distribution

- NSP grantees must target funds to areas with greatest need
 - With the greatest % of home foreclosures
 - With the highest % of homes with sub-prime mortgages
 - Identified as likely to face a significant rise in the rate of home foreclosures



Oakland County NSP Allocation Strategy Within 2008 CDBG Framework

- Follow current County CDBG allocation methodology within the targeting parameters of NSP
 - Allocate 10% Admin and Housing Counseling funds to CHI Division
 - Allocate 1/3 of fund balance to County-level Homebuyer Assistance and Rehabilitation Program serving 50 CDBG communities
 - Allocate 2/3 of funds to top quartile CTVs with the highest neighborhood destabilization ratios. **Targets** local initiatives
 - Oakland County housing counselors provide **all** NSP homebuyers 8 hours of pre/post purchase counseling as **mandated** in the legislation



Proposed NSP Budget

\$17,383,776

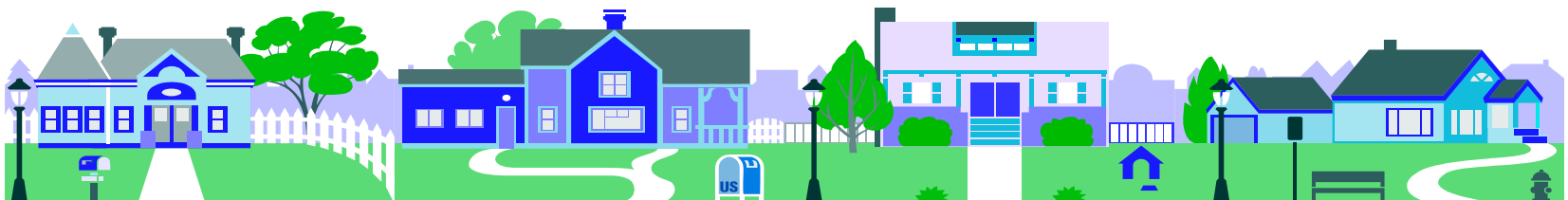
- County Administration \$1,738,377
 - 2.5 positions & operations based on 4 yr implementation
- Housing Counseling \$ 650,000
 - 1 position & operations based on 4 yr implementation
- 1/3 – County Homebuyer Assistance/Rehab \$4,998,467
- 2/3 – Targeted Community Allocations \$9,996,932
 - Upper quartile CTVs (12) with highest NDR ratios
- **Total:** **\$17,383,776**



Targeting Communities

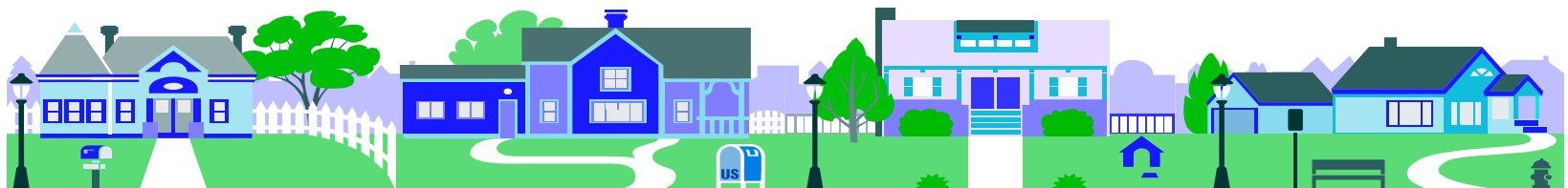
Neighborhood Destabilization Ratios

- Allocations to communities are based on funding the top quartile of 50 CDBG communities having the highest “Neighborhood Destabilization Ratios” in the 50 CDBG participating communities:
- Hazel Park, Oak Park, Madison Heights, Ferndale, Royal Oak Twp, Holly Vlg, Keego Harbor, Rose Twp, Ortonville, Holly Twp, Lathrup Vlg, Lake Orion Vlg
- **See handouts for data, ratios and rankings**



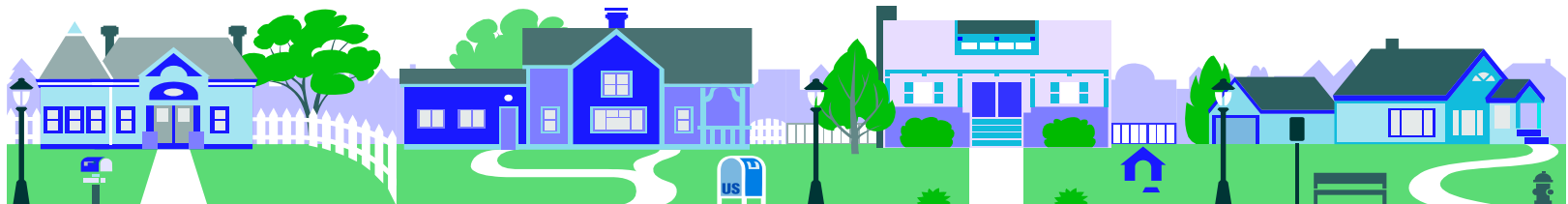
Neighborhood Destabilization Ratio

- NDR Formula Based on Destabilization Factors
 1. Local foreclosures/Local Hsg. Units
(factored twice) O.C. Equalization Data
 2. Local foreclosures/County foreclosures
O.C. Equalization Data
 3. Concentrations of Sub prime Mortgages
HUD Data
 4. Decline in Housing Values
O.C. Equalization Data
 5. Eligible Areas (51% Concentrations of 120%AMI)



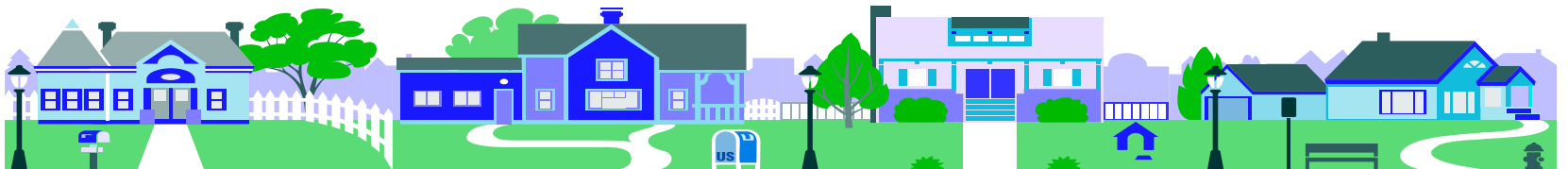
NSP Requirements

- All funds must comply with CDBG regulations/certifications
- Administration funds limited to 10% of NSP (CDBG is 20%)
- 18 months to obligate – 4 years to spend
- 75% of funds must benefit HH or target areas <120%AMI
- 25% of funds must benefit HH or target areas <50% AMI
- Any purchase of property must be discounted 5% from current market appraised value
- Rehab of a foreclosed residential home or property must comply with applicable laws and codes (Michigan Residential Bldg Code)
- Sale of abandoned or foreclosed residential homes or properties shall be in an amount equal to or less than cost to acquire and rehab



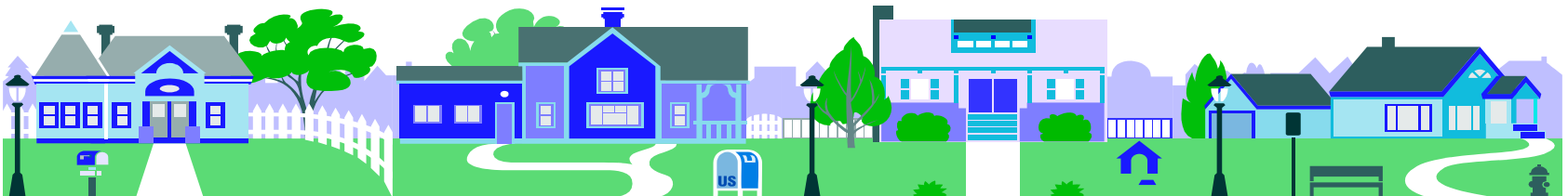
Five-Year Reinvestment Period

- Sales proceeds and any revenue exceeding costs are considered program income
- Program income must be returned to the County
- Program income must be used for the same types of activities that were originally funded
- Program income received after 5 yrs (2013) must be returned to the U.S. Treasury; HUD can grant waiver



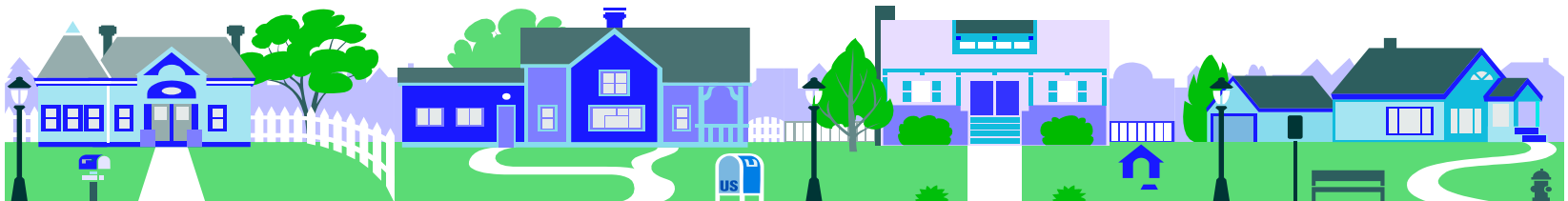
Strategy - Interim Controls

- Stabilize neighborhoods in 50 communities by reducing the “broken window” effect of vacant and foreclosed properties on a street (County-level Program)
- Targeted CTV’s focus on neighborhoods with documented spikes of foreclosed-upon and abandoned properties
- Targeted CTV’s remove blighted structures and demolish vacant or abandoned properties that are beyond feasible repair
- Targeted CTV’s redevelop vacant properties with new housing, split the lots and transfer the properties to adjacent property owners for residential or institutional uses or redevelop outside of residential use
- Targeted CTV’s may purchase/renovate/resell housing outright or manage properties through a land bank



2008 CDBG Amendment

- Application - amends the 2008 CDBG Action Plan with a 15 day citizen participation process
- Application must document foreclosures, vacancies, declining SEVs, and other indicators of decline to identify areas of greatest need and to specify targeted strategies
- Meet with Citizens Advisory Council, Oct. 22 and 50 CDBG communities, commissioners, Oct. 27 to discuss NSP strategy
- Meet with top quartile targeted communities to begin application and set local priorities – Oct. 29 **Applications due by Nov. 14**
- Oakland County Grant Amendment Process
- **Application is due to HUD by December 1, 2008**
- **Upon release of funds – County has 18 months to obligate all funds**



Administration



- Application and quarterly reports must be submitted through the federal electronic Disaster Recovery Grant Reporting System (DRGR)
- Funds to be drawn from HUD through the telephonic voice activated Letter of Credit Control System (LOCCS)
- A recapture/reallocation plan will be developed to ensure that communities and the county can obligate all funds within the 18 month deadline

Administration



- The NSP design is based on using current administrative capabilities and successes critical to administer a program with short performance timeframes and complex requirements
- Community & Home Improvement has long-standing established procedures to ensure CDBG compliance
- CDBG specialists are already accustomed to pre-qualifying clients and projects, reviewing for allowable costs, administering a down payment assistance and comprehensive housing rehabilitation program as well as obtaining proper performance data, tracking program income, monitoring communities, drawing down CDBG funds, and more.

Closing Comments

- Federal regulations state that the funding will be closely scrutinized by the HUD Inspector General and the FBI with particular concern for inflated appraisals, conflicts-of-interest and excessive fees
- Extensive information available on HUD's website – www.hud.gov/nsp

