

CITY COUNCIL

For City Clerk's Use:

APPROVED **DENIED**

Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: 21

Date: June 22, 2011

TO: Honorable Mayor and Members of the City Council

FROM: Jerry Van Leeuwen, Director of Community Services

SUBJECT: Second Amendment to Approved Activities of the Fiscal Year 2009 Neighborhood Stabilization Program (NSP) Grant

RECOMMENDATION:

Staff recommendation is for adoption of Resolution No. 2011-79 authorizing a second amendment to the approved Redevelopment Activity of the FY 2009 Neighborhood Stabilization Program (NSP) Grant to expand the permitted uses to allow funds to be used for new construction on eligible properties within the NSP Target Areas.

Staff also recommends the adoption of Resolution No. 2011-80 authorizing staff to request a one-year extension of the contract from the California Department of Housing and Community Development (HCD) and authorization for staff to negotiate and execute said extension.

FISCAL ANALYSIS:

The City has been awarded \$1,309,830 for Neighborhood Stabilization Program (NSP) activities from the California Department of Housing and Community Development (HCD). These are federal funds passed down from U.S. Department of Housing and Urban Development (HUD). All NSP activities and related administrative costs will be funded solely by NSP grant funds and will not impact the General Fund.

BACKGROUND:

In April of 2009 the State of California released a Notice of Funding Availability for Neighborhood Stabilization Program (NSP) activities.

On June 10, 2009, in a public hearing, Council adopted Resolution No. 2009-81 authorizing submittal of an application for funding from the State of California NSP program. The City's application outlined three specific activities of the program as follows:

- 1) **Financing Mechanisms:** Establishing financing mechanisms by offering a Homebuyer Down Payment Assistance Program for potential homebuyers whose income is at or below 120% of the area median income; and

Neighborhood Stabilization Program (NSP)

June 22, 2011

Page 2

- 2) Redevelopment: Acquiring vacant or demolished single-family homes for the purpose of demolishing those homes determined to be blighted structures. After demolition, the sites would be made available for future redevelopment of dwellings for potential renters/homebuyers whose income is at or below 120% of the area median income; and
- 3) Demolition: Demolition of blighted structures acquired that pose a threat to human health, safety and public welfare.

On November 12, 2009, the State notified the City that its planned activities were approved through execution of a Standard Agreement, contingent upon submittal of additional documentation for each site identified for acquisition and/or demolition.

On April 14, 2010, in a public hearing, Council adopted Resolution No. 2010-54 authorizing the first amendment to the State contract to expand the categories of land uses and properties approved for acquisition, to include any previously-improved vacant properties or parcels of land that are suitable for redevelopment. Additional land use categories include, but are not limited to, those properties zoned for single-family or multi-family residential, mixed-use (combined commercial and residential projects), or planned developments, within the approved NSP Target Areas.

On May 5, 2010, the State notified the City that its planned activities were approved through execution of an amendment to the Standard Agreement.

Citizen Participation Requirements:

As required by the State's guidelines, a public hearing is necessary for the purpose of seeking public input into the design or any amendment to the NSP program activities. This hearing meets the Citizen Participation requirements for amendment to the Standard Agreement and approved grant activities.

Second Amendment to Program Activities:

At the time of submittal of the application to the State for NSP funding, it was City's intention to identify and acquire three to four vacant, single-family homes that were determined to be blighted and suitable for demolition (boarded up and deteriorating). NSP funds have been used to acquire four vacant parcels. Two previously-improved lots with single-family homes that were determined to be suitable for future redevelopment were included in a 2010 RFP and are being redeveloped by Community HousingWorks and San Diego Habitat for Humanity. Each non-profit has been able to leverage adjacent properties to develop viable projects (36 units of rental housing and 14 units of ownership housing). The City also purchased two improved lots with commercial structures; the non-profit partner was not able to leverage adjacent properties in compliance with HCD's timeline. These

Neighborhood Stabilization Program (NSP)

June 22, 2011

Page 3

properties will be taken over by the Community Development Commission and will be retained for future redevelopment. Funds used to purchase the properties must either be returned to HCD or committed into a new project.

After re-evaluating the current market in Escondido, staff recommends a second amendment to the Redevelopment activity to allow a new use of the funds: New Construction. Currently, NSP redevelopment projects include the provision for new construction of residential dwellings by selected Developers in order to rent or sell such dwellings to potential renters/homebuyers whose income is at or below 120% of area median income. This amendment will allow the City to leverage foreclosed, abandoned or vacant properties by allowing the investment of NSP Grant funds directly towards new construction. Investment can be made in construction activities on properties obtained through the NSP grant or controlled by the City, including several City-owned lots in Escondido Views Mobile Home Park and Mountain Shadows Mobile Home Park, two resident-owned family parks that the City helped convert to ownership in the 1990s. Redevelopment of these parks has been stalled due to financing issues related to the purchase of undeveloped mobile home lots. Building new units on permanent foundations will allow park redevelopment to progress. Staff intends to put out an RFP in July 2011 to identify a Developer for a NSP new construction project.

This amendment will allow the City to take greater control over the timeline of potential projects while meeting Housing Priorities identified in the FY 2010-15 Consolidated Plan. Priorities which may be addressed include: expanding the supply of affordable rental housing, conserving the supply of existing ownership housing, promoting neighborhood stability by increasing the length of tenure of renter households, increasing home ownership opportunities, increasing the supply of well-designed multi-family units, and expanding the supply of three- and four-bedroom rental units for low-income families.

The FY 2009 NSP Grant funds must currently be expended by September 30, 2011. Any funds not expended on a viable project by the end of the contract period will need to be returned to HCD. This amount is currently anticipated to be \$784,344. Amending the use of funds and extending the contract for one year will allow the City to retain this funding for improvement of neighborhoods most affected by the foreclosure crisis. It will also confirm that residents will be in their NSP-assisted homes in February 2013.

Conclusion:

Staff recommendation is for adoption of Resolution No. 2011-79 authorizing an amendment to the approved Redevelopment Activity of the FY 2009 Neighborhood Stabilization Program (NSP) Grant to expand the permitted uses to allow funds to be used for new construction on eligible properties within the NSP Target Areas.

Neighborhood Stabilization Program (NSP)
June 22, 2011
Page 4

Staff also recommends the adoption of Resolution No. 2011-80 authorizing staff to request a one-year extension of the contract from the California Department of Housing and Community Development (HCD) and authorization for staff to negotiate and execute said extension.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jerry Van Leeuwen", written over a horizontal line.

Jerry Van Leeuwen
Director of Community Services

RESOLUTION NO. 2011-79

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
APPROVING A SECOND AMENDMENT TO
APPROVED ACTIVITIES OF THE FY 2009
NEIGHBORHOOD STABILIZATION PROGRAM
(NSP) GRANT

WHEREAS, in April of 2009 the State of California released a Notice of Funding Availability for Neighborhood Stabilization Program (NSP) activities; and

WHEREAS, on June 10, 2009, at a Public Hearing, Council authorized submittal of the NSP grant application for the amount of \$1,309,830 for certain activities as set forth in the public notice and in Resolution No. 2009-81; and

WHEREAS, on November 12, 2009, the State of California entered into a Standard Agreement with the City for provision of the NSP program and the approved activities as set forth in the resolution; and

WHEREAS, on April 14, 2010, at a Public Hearing, Council authorized an amendment to the approved Redevelopment/ Acquisition activities of the NSP Grant to expand the categories of land uses and properties approved for acquisition to include any previously-improved vacant properties or parcels of land that are suitable for redevelopment, including, but not limited to, those properties zoned for single-family or multi-family residential, mixed-use (combined commercial and residential), or planned development, as set forth in the public notice and in Resolution No. 2010-54; and

WHEREAS, on May 5, 2010, the State of California approved the Amendment to the Standard Agreement with the City for provision of the NSP program and the

approved activities as set forth in the resolution; and

WHEREAS, the City now desires to amend the approved Redevelopment Activity of the NSP Grant to expand the permitted uses under the Redevelopment Activity to allow funds to be used for New Construction on eligible properties; and

WHEREAS, all of the above-mentioned activities are to be performed within the city limits of the City of Escondido, and within targeted census tracts and neighborhoods, as submitted to and accepted by the State NSP program, specifically:

<u>Census Tract</u>	<u>Block Group(s)</u>
201.05	1, 2
201.06	1, 2
201.08	1, 2, 3, 4
201.09	3, 4, 6
202.02	1, 2, 3, 4
202.06	1, 2
202.07	1, 2
202.08	1
202.09	1, 2
202.10	2
202.11	1, 2, 3
202.12	1, 2, 3, 4
203.02	1, 2, 3, 4, 5
203.04	3
203.05	2
203.07	2, 3, 4, 5
204.04	1, 2
205.00	1, 2, 3, 4
206.01	1, 2, 3, 4
206.02	1, 2, 3, 4
207.05	1, 2, 3
207.06	2
207.07	1, 2
207.08	1
207.09	1

WHEREAS, on June 22, 2011, the City Council of the City of Escondido conducted a Public Hearing for the purpose of seeking public input for the inclusion of an amendment to the approved NSP program activities; and

WHEREAS, the City Council has determined that federal Citizen Participation requirements have been met regarding the approval of this amendment to the activities of the NSP Program; and

WHEREAS, the City Council desires at this time, and deems it to be in the best public interest, to approve a Second Amendment to the approved Redevelopment Activity of the NSP Grant to expand the permitted uses under the Redevelopment Activity to allow funds to be used for New Construction on eligible properties within the approved NSP Target Areas.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council approves the Second Amendment to the approved Redevelopment Activity of the NSP Program to expand the permitted uses under the Redevelopment Activity to allow funds to be used for New Construction on eligible properties within the approved NSP Target Areas.
3. That the City Manager is authorized to execute a Second Amendment to the Standard Agreement with the State of California Housing and Community Development Department to include said Amendment to the approved activities.
4. That all other provisions of Resolution No. 2009-81 and Resolution No. 2010-54 remain in effect and applicable to the FY 2009 Neighborhood Stabilization Program (NSP) Grant.

RESOLUTION NO. 2011-80

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
AUTHORIZING THE REQUEST AND
NEGOTIATION OF A ONE-YEAR EXTENSION
OF THE FY 2009 NEIGHBORHOOD
STABILIZATION PROGRAM (NSP) GRANT

WHEREAS, in April of 2009 the State of California released a Notice of Funding Availability for Neighborhood Stabilization Program (NSP) activities; and

WHEREAS, on June 10, 2009, at a Public Hearing, Council authorized submittal of the NSP grant application for the amount of \$1,309,830 for certain activities as set forth in the public notice and in Resolution No. 2009-81; and

WHEREAS, on November 12, 2009, the State of California entered into a Standard Agreement with the City for provision of the NSP program and the approved activities as set forth in the resolution; and

WHEREAS, on April 14, 2010, at a Public Hearing, Council authorized an amendment to the approved Redevelopment/ Acquisition activities of the NSP Grant to expand the categories of land uses and properties approved for acquisition to include any previously-improved vacant properties or parcels of land that are suitable for redevelopment, including, but not limited to, those properties zoned for single-family or multi-family residential, mixed-use (combined commercial and residential), or planned development, as set forth in the public notice and in Resolution No. 2010-54; and

WHEREAS, on May 5, 2010, the State of California approved the Amendment to the Standard Agreement with the City for provision of the NSP program and the

approved activities as set forth in the resolution; and

WHEREAS, the City now desires to request a one-year extension of the NSP contract; and

WHEREAS, the City now desires to authorize staff to negotiate said extension; and

WHEREAS, all of the above-mentioned activities are to be performed within the city limits of the City of Escondido, and within targeted census tracts and neighborhoods, as submitted to and accepted by the State NSP program, specifically:

<u>Census Tract</u>	<u>Block Group(s)</u>
201.05	1, 2
201.06	1, 2
201.08	1, 2, 3, 4
201.09	3, 4, 6
202.02	1, 2, 3, 4
202.06	1, 2
202.07	1, 2
202.08	1
202.09	1, 2
202.10	2
202.11	1, 2, 3
202.12	1, 2, 3, 4
203.02	1, 2, 3, 4, 5
203.04	3
203.05	2
203.07	2, 3, 4, 5
204.04	1, 2
205.00	1, 2, 3, 4
206.01	1, 2, 3, 4
206.02	1, 2, 3, 4
207.05	1, 2, 3
207.06	2
207.07	1, 2
207.08	1
207.09	1

WHEREAS, on June 22, 2011, the City Council of the City of Escondido conducted a Public Hearing for the purpose of seeking public input for the extension of the NSP contract; and

WHEREAS, the City Council has determined that federal Citizen Participation requirements have been met regarding the approval of this amendment to the activities of the NSP Program; and

WHEREAS, the City Council desires at this time, and deems it to be in the best public interest to approve a one-year extension of the NSP contract as well as to negotiate and execute said extension with the State of California.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council authorizes staff to request and negotiate a one-year extension of the NSP Contract.
3. That the City Manager is authorized to execute an extension to the Standard Agreement with the State of California Housing and Community Development Department.
4. That all other provisions of Resolution No. 2009-81 and Resolution No. 2010-54 remain in effect and applicable to the FY 2009 Neighborhood Stabilization Program (NSP) Grant.