



City Council Staff Report

DATE: June 3, 2009 NEW BUSINESS

SUBJECT: APPROVE THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF PALM SPRINGS AND COUNTY OF RIVERSIDE FOR NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDING

FROM: David H. Ready, City Manager

BY: Department of Community & Economic Development

SUMMARY

The Neighborhood Stabilization Program (NSP) is a special allocation of the federal Community Development Block Grant (CDBG) funds provided through the U.S. Department of Housing and Urban Development (HUD) under the Housing and Economic Recovery Act of 2008 (HERA). The City of Palm Springs is eligible to receive \$549,970 in NSP funding. Applicants that do not meet the \$1 million threshold individually are required to submit a joint application. Therefore, the City of Palm Springs will need to partner with the County of Riverside, the City of Coachella, and the City of Palm Desert in order to meet the requirement to pursue funding.

RECOMMENDATION:

- 1) Approve the Memorandum of Understanding (MOU) between the City of Palm Springs and the County of Riverside for NSP funding; and
- 2) Authorize the City Manager/Executive Director to finalize and execute the NSP plan and MOU joint agreement.

STAFF ANALYSIS:

The basic intent of the NSP is to mitigate the impacts of increasing foreclosures and falling home prices by purchasing foreclosed and abandoned homes and other residential properties at a discounted value, rehabilitating or redeveloping these properties if necessary, and reselling or reusing the properties.

Currently, there are three Tiers of funding available through the State's NSP from the California Housing and Community Development (HCD). Based on its formula relative to the number of foreclosures and per mortgage percentage of home foreclosures, Tier 1 jurisdictions were determined to have the greatest need and received direct federal allocations, provided that the direct allocation was more than \$1 million. Tier 2 jurisdictions were those where the need was identified, but their respective allocation was less than \$1 million.

On its own, the City of Palm Springs is eligible for \$549,970; therefore, it is considered a Tier 2 jurisdiction. Within the County of Riverside there were five jurisdictions that did not qualify for Tier 1 funding; those include Palm Desert, Palm Springs, Calimesa, Coachella, and Rancho Mirage for a total of \$2,300,235.

In order to meet the minimum application threshold of \$1 million, the State permits jurisdictions in Tier 2 to combine their allocations with other contiguous jurisdictions through a joint agreement. Contiguous is defined by HUD as jurisdictions that are located within the boundaries of the same county. As a result, the City of Palm Springs may enter into a joint agreement with the County of Riverside, the City of Palm Desert, and the City of Coachella. The County of Riverside would apply as the lead agency to meet the contiguous requirement. Both Rancho Mirage and Calimesa have decided not to seek Tier 2 NSP funding. If a joint agreement is not approved, the funding allocated to these Tier 2 cities will be reallocated county-wide for those areas which it has designated as having the greatest need and may not be in the Coachella Valley.

In addition to the joint agreement, the County is required to prepare and submit an application to HCD for the NSP Program. Under the requirements provided by HUD, the City of Palm Springs must give priority emphasis to the areas of greatest need, including those:

1. With the greatest percentage of foreclosures;
2. With the highest percentage of homes financed by subprime mortgage related loans; and
3. Identified as likely to face a significant rise in the rate of home foreclosures.

Additionally, under the NSP requirements, participating jurisdictions may perform the following activities:

- A. Establish financing mechanisms for purchase and redevelopment of foreclosed-upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.
- B. 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.
- C. Establish land banks for homes that have been foreclosed upon.
- D. Demolish blighted structures.
- E. Redevelop demolished or vacant properties.

The County's NSP Action Plan identifies the aforementioned eligible activities. The City of Palm Springs efforts would primarily focus on the following two activities:

- ◆ Redevelopment of vacant or demolished properties, such as the Rosa Garden Apartment's infrastructure improvements; and
- ◆ Enhanced First-Time Home Buyers (FTHB) Program which offers a financing mechanism to eligible first-time home buyers to enable them to directly acquire foreclosed or abandoned single-family homes using NSP funds. Additionally, the Program will provide down-payment assistance to low- and moderate-income

households that have not owned homes within a three-year period. The Enhanced FTHB program will be available for households with an annual income that is no greater than 120% of the area median income as published by HUD. Finally, the Program will provide up to 20% of the purchase price with a 15-year affordability period as a "silent second" loan, plus a rehabilitation component to enhance the physical appearance of the home and remove all health and safety concerns to satisfy the Housing Quality Standards (HQS). The total amount of assistance for each home will not exceed \$75,000 (which includes both down payment assistance and rehab).

As part of the overall County of Riverside study, the Economic Development Agency developed a map of geographical areas of greatest need with the County using the HUD requirements and local data. These maps, along with other data sources, were used in determining the areas within Palm Springs of greatest need. The areas identified as having the greatest need within the City of Palm Springs is concentrated in the northern part of the city. It is the intent to not only target and stabilize these neighborhoods in the short term but to strategically incorporate modern, green-building, and energy-efficiency improvements in NSP activities thereby providing increased sustainability and attractiveness of housing and neighborhoods.

Staff recommends that the City Council approve the MOU joint agreement as to form; and authorize the City Manager to finalize and execute the MOU joint agreement and its NSP activities.

FISCAL IMPACT:

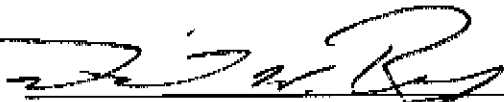
There is no direct fiscal impact to the General Fund. These dollars are the City's allocated federal Community Development Block Grant (CDBG) funds provided through the U.S. Department of Housing and Urban Development (HUD) under the Housing and Economic Recovery Act of 2008 (HERA). If the City fails to approve the MOU Joint Agreement, HCD will roll-over the funds solely to the County and the County will proceed to reallocate to other County jurisdictions with the greatest need, and no certainty would be Coachella Valley jurisdictions.



DALE E. COOK, JR.
Community Development Administrator



THOMAS J. WILSON
Assistant City Manager

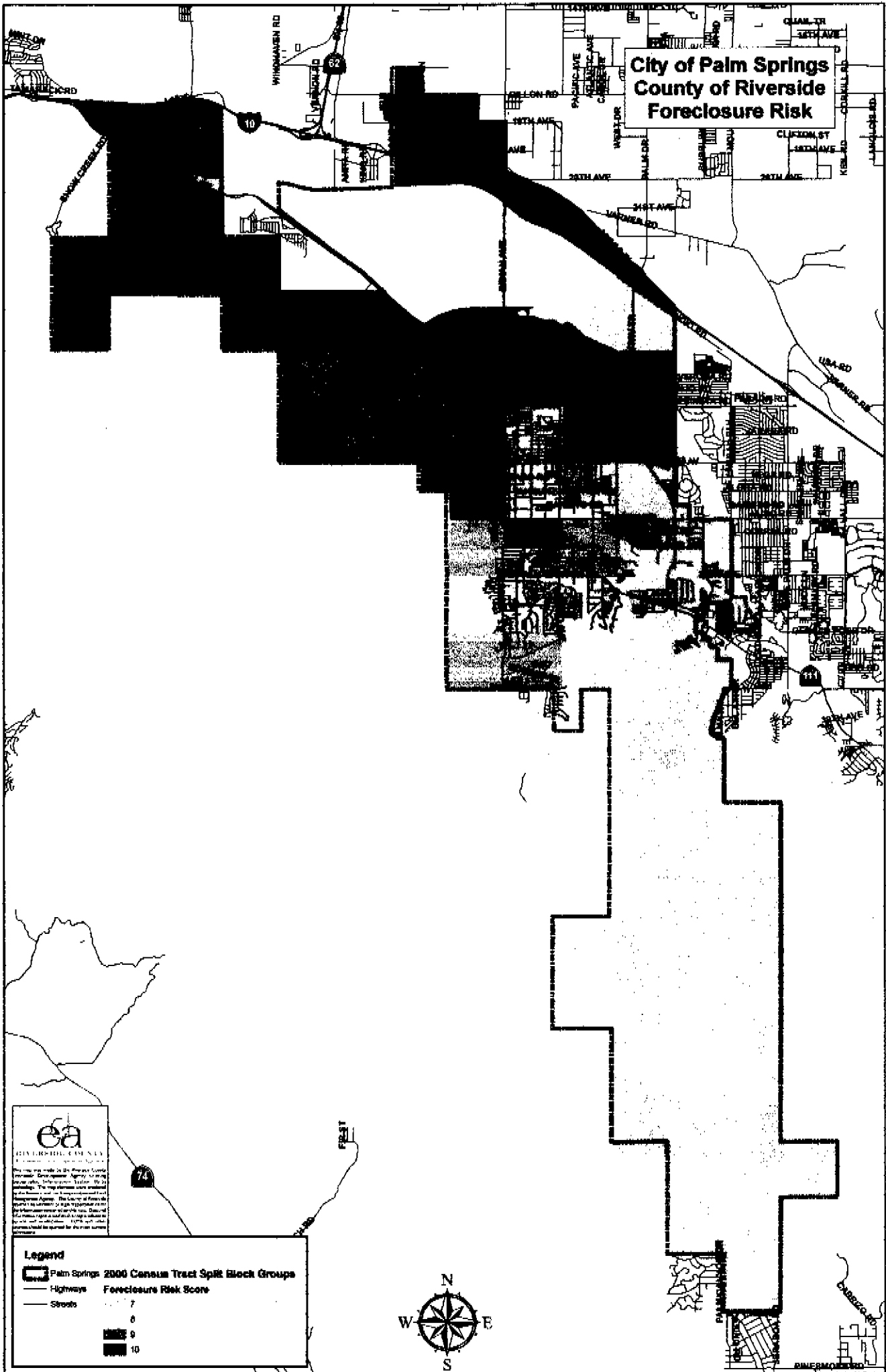


DAVID H. READY, Esq. Ph.D.
City Manager

ATTACHMENT: County of Riverside MOU Joint Agreement
County of Riverside Foreclosure Risk Map

County of Riverside MOU Joint Agreement
not included will be provided as Additional Materials at the Meeting.

**City of Palm Springs
County of Riverside
Foreclosure Risk**



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ENVIRONMENTAL ANALYSIS
A DIVISION OF THE CITY OF PALM SPRINGS

This map was made in the Planning Commission's "Development Agency" to help the city's "Development Agency" better understand the city's "Development Agency". The map shows the city's "Development Agency" and the city's "Development Agency". The map shows the city's "Development Agency" and the city's "Development Agency".

Legend

- Palm Springs 2000 Census Tract Split Block Groups
- Highways
- Streets
- 7
- 9
- 10

