



**COUNTY ADMINISTRATOR**  
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TO: Conan Smith, Chair  
Ways & Means Committee

THROUGH: Robert E. Guenzel  
County Administrator

FROM: Mary Jo Callan, Director  
Office of Community Development

DATE: March 4, 2009

SUBJECT: CDBG Neighborhood Stabilization Program

**BOARD ACTION REQUESTED:**

It is requested that the Board of Commissioners ratify the electronic submission of the grant application to the U.S. Department of Housing and Urban Development (HUD) for the 2008-09 Neighborhood Stabilization Program (NSP) Grant in the amount of \$3,024,719 for the period of four years after the executed date.

**BACKGROUND:**

In September 2008, the U.S. Department of Housing and Urban Development (HUD) announced the allocation of nearly \$3.92 billion in funding to stabilize neighborhoods in states and local communities impacted by the foreclosure crisis. HUD's new Neighborhood Stabilization Program (NSP) will provide targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.

On behalf of the Washtenaw Urban County, the Office of Community Development (OCD) submitted the NSP grant application on December 1, 2008 to HUD for approval of the substantial amendment to the Washtenaw Urban County 2008-2009 Annual Action Plan. OCD will act as the lead agency for administering NSP funds for the Washtenaw Urban County. The NSP funding must be obligated to specific properties no later than 18 months after execution of the grant agreement with HUD and the funds must be spent within 4 years of execution of the grant agreement.

**DISCUSSION:**

The Washtenaw Urban County has been allocated \$3,024,719 out of a total national allocation of \$3,920,000,000 under Title III of Division B of the Housing and Economic Recovery Act (HERA) by Congress for the Neighborhood Stabilization Program (NSP).

These funds are a special Community Development Block Grant (CDBG) allocation. The member Urban County jurisdictions include:

- Ann Arbor Township
- Bridgewater Township
- Pittsfield Township
- Northfield Township
- Salem Township
- Scio Township
- Superior Township
- City of Ypsilanti
- Charter Township of Ypsilanti
- York Township

Under this act, Washtenaw County must distribute these funds to the areas with the greatest need, defined as those Census Block Groups with the:

- Greatest percentage of home foreclosures;
- Highest number and percentage of homes financed by sub-prime mortgage related loans; and
- Greatest number and percentage of homes likely to face a significant rise in the rate of home foreclosures based on default or delinquency rates

OCD analyzed and mapped data sources provided by HUD to determine the area of greatest needs within its jurisdictions. To assist communities in identifying neighborhoods that face a high risk of foreclosure and abandonment, HUD created a data model that ranks each Census Block Group and assigns a risk factor on a scale of one to ten, with a rank one indicating relatively low risk and ten indicating the greatest risk. HUD also provided data at the Census Tract level on the percent of all loans made between 2004 and 2006 that are considered to be high cost. Data was also collected by HUD that shows Census Tracts with high foreclosure rates from January 2007 through June 2008 divided by total mortgages during that time period.

The Urban County will continue to fund projects in all member jurisdictions using HOME and regular CDBG funds, however, NSP funds will be targeted to the highest need areas identified by census block groups with a score of 8 - 10. The Washtenaw Urban County will only allocate NSP funds to projects that are located in the HUD high priority Census Block groups identified on the map entitled "*Washtenaw County: Potential NSP Target Block Groups*".

The jurisdictions with census block groups with the highest need include Superior Township, the Charter Township of Ypsilanti and the City of Ypsilanti.

All of the identified high need census block groups are also in Low- Moderate and Middle- Income (LMMI) census tracts, meaning that at least 51% of the households have an income that does not exceed 120% of the Area Median Income, [measured as

2.4 times the current Section 8 income limit for households below 50% of median income, adjusted for household size].

FY 2008 Income Limits for 120% of HUD Area Median Income

<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>	<u>8 person household</u>
69,200	79,100	89,000	98,900	106,800	114,700	122,600	130,500

All NSP funds must be spent on activities that meet the CDBG National Objective of benefitting low-, moderate- and middle income households (LMMI).

NSP funds are restricted to 5 eligible uses:

1. Financing Mechanisms: Establish financing mechanisms for purchase and redevelopment of foreclosed upon home and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income buyers:
2. Purchase and Rehabilitation: 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
3. Land Bank: Establish land banks for homes that have been foreclosed upon
4. Demolition: Demolish blighted structures
5. Redevelopment: Redevelop demolished or vacant properties

NSP funds cannot be used to provide counseling, legal assistance, advocacy or any other help for people who are unable to make mortgage or tax payments on their homes or rental properties. The Office of Community Development (OCD) strongly supports prevention and crisis management efforts to help people either stay in their homes or plan for a stable transition out of their home. Therefore, the City of Ann Arbor and Washtenaw County have allocated funds from other sources to the Foreclosure Prevention Collaboration for this purpose. The collaboration includes the Washtenaw County Treasurer's Office, the Housing Bureau for Seniors, Legal Services of South Central Michigan and MSU Extension.

OCD staff has met with elected officials and employees of the three jurisdictions impacted: Superior Township, the City of Ypsilanti and the Charter Township of Ypsilanti. These jurisdictions have identified current properties that are foreclosed, blighted, vacant or abandoned in the high priority areas. As OCD moves forward with program implementation for the NSP funds, staff will work with building officials, assessors, planners, attorneys, and financial staff in the jurisdictions as well as the County Treasurer's office to research the eligibility of properties under the NSP program. NSP funds will be used to demolish both private and publicly owned properties that are blighted. OCD will work with the impacted jurisdictions and neighborhood associations to prioritize projects and plan for future redevelopment. The County

Treasurer has spearheaded the formation of a Land Bank to acquire, demolish and redevelop some of these properties. It will take approximately 4-6 months for the Land Bank to become operational.

In addition, OCD is working with the Washtenaw Housing Education Partners (WHEP) which consists of seven non-profits that provide counseling and financial education for households who wish to become homebuyers as well as homeowners who are facing potential mortgage or tax foreclosure. WHEP has an existing program to ensure that potential homebuyers are ready and able to purchase a home. WHEP educates homebuyers on predatory lending practices and the home purchase process; provides credit repair counseling and financial literacy classes; and helps homebuyer's access down payment and rehabilitation funds from multiple sources. WHEP will provide HUD-certified counseling and home maintenance classes as a requirement before a home buyer can use NSP funds to purchase a home. OCD staff is working with Kimberly Mortson, Communications Liaison for the Community Services Area (City of Ann Arbor) to create marketing materials for this program along with other housing programs offered by Community Development.

A Request for Proposal has been issued to non-profit housing providers to implement three homeownership programs: Down Payment Assistance (DPA), Homebuyer Purchase and Rehabilitation (HPR), and Acquisition Rehabilitation and Resale (ARR). The homeowner program will emphasize qualified homebuyers as the first step and letting the homebuyer select the home to purchase using DPA alone or with rehabilitation through the HPR program. The ARR program will only be used for HUD \$1 homes, which must be purchased by Washtenaw County, and Habitat homes, which have a qualified buyer. The NSP funds will not be used to purchase and rehabilitate single family homes on speculation.

Finally, CD staff will work with non-profit housing providers to acquire and redevelop abandoned or foreclosed multi-family rental housing in the targeted census block groups. NSP funds will not be used to support conversion of single family owner housing to rental housing in traditional single family neighborhoods, unless no other option exists. A Request for Proposal has been issued to provide funding to high performing non-profit housing providers to acquire and rehabilitate rental properties that are large enough to be self-sustaining. Eligible rental projects include permanent supportive housing for special needs populations as well as rental units occupied by households up to 50% of Area Median Income. A market study will be required to support the redevelopment of rental properties. Partial demolitions may be requested to eliminate blighted rental properties that are too costly to rehabilitate, given a lack of market demand.

The needs in the community exceed the resources available through the NSP program. NSP funds must be committed to project addresses within 18 months of allocation by HUD. Therefore, the NSP budget is based on both the need and capacity of community partners to commit the funds to specific addresses.

**IMPACT ON HUMAN RESOURCES:**

None

**IMPACT ON THE BUDGET:**

The Neighborhood Stabilization Program (NSP) is a special CDBG allocation in the amount of \$3,024,719. Match is not required for the CDBG-NSP program. No General Fund dollars are requested with this board action. The administrative cap for the NSP grant is 10% of the total allocation. *The grant funding will be allocated to the following categories:*

- Acquisition, Rehabilitation and Resale (\$1,122,248)
- Land Bank (\$300,000)
- Down Payment Assistance (\$60,000)
- Demolition (\$500,000)
- Multi-Family Rehabilitation (\$740,000)
- Administration (\$302,471)

**IMPACT ON INDIRECT COSTS:**

Indirect costs are not included in this budget.

**IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:**

The Washtenaw Urban County represents the collaborative efforts of many governmental, nonprofit, and for-profit entities to provide decent affordable housing, a suitable living environment, and economic opportunities in the participating jurisdictions. The primary members are the City of Ypsilanti, Ypsilanti Charter Township, Pittsfield Charter Township, Scio Township, York Township, Superior Charter Township, Northfield Township, Salem Township, Ann Arbor Charter Township, and Bridgewater Township, the Michigan State Housing Development Authority, Employment Training and Community Services, MSU Extension, Community Housing Development Organizations, local housing rehabilitation contractors, Local Initiatives Support Corporation, and the Office of Community Development.

**CONFORMITY TO COUNTY POLICIES:**

This request conforms to County policies.

**ATTACHMENTS:**

- Washtenaw County Neighborhood Stabilization Program (NSP) application and checklist
- CDBG NSP Budget
- Potential NSP Target Block Group Map

A RESOLUTION RATIFYING THE ELECTRONIC SUBMISSION OF THE GRANT APPLICATION TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR THE 2008-09 NEIGHBORHOOD STABILIZATION PROGRAM (NSP) GRANT IN THE AMOUNT OF \$3,024,719; AUTHORIZING THE COUNTY ADMINISTRATOR TO SIGN THE NOTICE OF GRANT AWARD; APPROVING THE BUDGETS; AND AUTHORIZING THE COUNTY ADMINISTRATOR TO SIGN DELEGATE CONTRACTS.

WASHTENAW COUNTY BOARD OF COMMISSIONERS

March 18, 2009

WHEREAS, in September 2008, the U.S. Department of Housing and Urban Development (HUD) announced the allocation of nearly \$3.92 billion in funding to stabilize neighborhoods in states and local communities impacted by the foreclosure crisis; and

WHEREAS, HUD's new Neighborhood Stabilization Program (NSP) will provide targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become of abandonment and blight within their communities; and

WHEREAS, on behalf of the Washtenaw Urban County, the Office of Community Development (OCD) submitted the NSP grant application on December 1, 2008 to HUD for approval of the substantial amendment to the Washtenaw Urban County 2008-2009 Annual Action Plan; and

WHEREAS, the NSP funding must be obligated to specific properties no later than 18 months after execution of the grant agreement with HUD and the funds must be spent within 4 years of execution of the grant agreement; and

WHEREAS, the Washtenaw Urban County has been allocated \$3,024,719 out of a total national allocation of \$3,920,000,000 under Title III of Division B of the Housing and Economic Recovery Act (HERA) by Congress for the Neighborhood Stabilization Program (NSP); and

WHEREAS, these funds are a special Community Development Block Grant (CDBG) allocation; and

WHEREAS, the Urban County will continue to fund projects in all member jurisdictions using HOME and regular CDBG funds, however, NSP funds will be targeted to the highest need areas identified by census block groups with a score of 8 - 10; and

WHEREAS, the jurisdictions with census block groups with the highest need include Superior Township, the Charter Township of Ypsilanti and the City of Ypsilanti; and

WHEREAS, all of the identified high need census block groups are also in Low-Moderate and Middle- Income (LMMI) census tracts, meaning that at least 51% of the households have an income that does not exceed 120% of the Area Median Income; and

WHEREAS, NSP funds are restricted to 5 eligible uses including financing mechanisms, purchase and rehabilitation, land bank, demolition, and redevelopment; and

WHEREAS, NSP funds cannot be used to provide counseling, legal assistance, advocacy or any other help for people who are unable to make mortgage or tax payments on their homes or rental properties; and

WHEREAS, CD staff has met with elected officials and employees of the three jurisdictions impacted: Superior Township, the City of Ypsilanti and the Charter Township of Ypsilanti. These jurisdictions have identified current properties that are foreclosed, blighted, vacant or abandoned in the high priority areas; and

WHEREAS, the County Treasurer has spearheaded the formation of a Land Bank to acquire, demolish and redevelop some of these properties; and

WHEREAS, the Washtenaw Housing Education Partners (WHEP) will provide HUD-certified counseling and home maintenance classes as a requirement before a home buyer can use NSP funds to purchase a home; and

WHEREAS, a Request for Proposal has been issued to non-profit housing providers to implement three homeownership programs: Down Payment Assistance (DPA), Homebuyer Purchase and Rehabilitation (HPR), and Acquisition Rehabilitation and Resale (ARR); and

WHEREAS, CD staff will work with non-profit housing providers to acquire and redevelop abandoned or foreclosed multi-family rental housing in the targeted census block groups; and

WHEREAS, eligible rental projects include permanent supportive housing for special needs populations as well as rental units occupied by households up to 50% of Area Median Income; and

WHEREAS, this matter has been reviewed by Corporation Counsel, Finance, Strategic Planning and Budget, Human Resources, the County Administrator's Office and the Ways and Means Committee.

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby ratifies the County Administrator's signature on the electronic submission of the grant application to the U.S. Department of Housing and Urban Development (HUD) for the 2008-09 Neighborhood Stabilization Program (NSP) grant

in the amount of \$3,024,719, and upon review of Corporation Counsel, to be filed with the County Clerk.

BE IT FURTHER RESOLVED that the Board of Commissioners takes the following actions contingent upon receipt of those awards in conformity with the application:

1. Authorizes the County Administrator to sign the Notice of Grant Award;
2. Approves the budget as attached hereto and made a part hereof; and
3. Authorizes the Administrator to sign delegate contracts upon review of Corporation Counsel to be filed with the County Clerk.

Community Development  
2008-09 NSP Program  
Business Unit 1294084600

		<b>Original</b>	<b>Revised</b>	<b>Variance</b>
<b>Revenue:</b>				
50000	Federal Revenue	\$0	\$3,024,719	\$3,024,719
69000	In-kind Contributions	\$0	\$0	\$0
	Total	\$0	\$3,024,719	\$3,024,719
<b>Expenditure:</b>				
70050	Personal Services	\$0	\$260,755	\$60,000
72600	Supplies	\$0	\$41,716	\$2,500
80000	Other Services & Charges	\$0	\$2,722,248	\$2,722,248
93500	In-Kind Charges	\$0	\$0	\$0
	Total	\$0	\$3,024,719	\$3,024,719