



MIAMI BEACH

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LTC # 286-2008

LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: November 4, 2008

SUBJECT: INFORMATION REGARDING THE NEIGHBORHOOD STABILIZATION PROGRAM FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The purpose of this LTC is to update the Mayor and City Commission on recent funding announced by the Department of Housing and Urban Development (USHUD) for the Neighborhood Stabilization Program (NSP).

The NSP is a product of the Housing and Economic Recovery Act of 2008, which was enacted on July 31, 2008. As a result of that legislation, Congress directed USHUD to allocate \$3.92 billion to states and units of local government as emergency assistance for the purchase and redevelopment of abandoned and foreclosed homes. USHUD announced its funding allocations on September 26, 2008.

Section 2301 of the Housing and Economic Recovery Act of 2008 directs that the funds be allocated to "States and units of general local government with the greatest need, as such need is determined in the discretion of the Secretary," based on:

- (A) the number and percentage of home foreclosures in each State or unit of general local government;
- (B) the number and percentage of homes financed by a subprime mortgage related loan in each State or unit of general local government; and
- (C) the number and percentage of homes in default or delinquency in each State or unit of general local government.

A list of Frequently Asked Questions (FAQs) provided by the Florida Department of Community Affairs (DCA) is attached.

FUNDING ALLOCATIONS

It is USHUD's intent to allocate funds to entitlement jurisdictions that receive formula funding under the Community Development Block Grant program (CDBG). There are seven entitlement jurisdictions in Miami-Dade County: Hialeah, Miami, North Miami, Miami Beach, Miami Gardens, Homestead and Miami-Dade County. However, USHUD determined that they will only provide direct allocations to entitlement jurisdictions that, based on the need-based allocation formula used, would qualify for more than \$2 million on NSP funding; the allocation for those entitlement jurisdictions that would receive less than \$2 million under the allocation formula would be sent to their respective state, in addition to the state's own direct allocation.

Based upon USHUD's data, the State of Florida received an allocation of \$91,141,478. Miami-Dade County was provided a direct allocation of \$62,207,200 to address the County's foreclosure problem within their entitlement jurisdiction, and the other five other entitlement jurisdictions in Miami-Dade County will also receive direct allocations. The City of Miami Beach did not qualify for a direct entitlement of funding which, based on USHUD's established formula, would be approximately \$1,566,166. The DCA would administer the grant funds allocated to the State, inclusive of the

State's direct allocation, as well as the allocation for Florida's twenty-six entitlement jurisdictions that did not receive a direct allocation from USHUD.

As the state's lead agency, DCA is working with Governor Crist's Office on the Action Plan to administer the \$91 million in NSP funds awarded to the state. On October 8, 2008, staff and the City's lobbyists attended DCA's Stakeholder Input Meeting regarding the state's NSP allocation, which includes the amounts identified by USHUD for entitlement jurisdictions not receiving a direct allocation. Under the program, the State of Florida is not obligated to 'pass through' to these entitlement jurisdictions the amounts identified by USHUD. Part of the State's development of their Action Plan will include some distribution of funds to areas with the greatest need; however, the State's methodology to determine 'need' has not yet been developed.

The State's Action Plan for use of the NSP funds is due to USHUD by December 1, 2008. It is the City's understanding that the draft of the State's plan will not be released until November 14, 2008. The Administration and the City's lobbyists continue to work toward the goal of including in the State's Action Plan that their funding formula and allocation strategy include, at a minimum, the full allocation to entitlement jurisdictions (such as Miami Beach) whose funds were provided to the State by USHUD because they did not meet the \$2 million threshold to receive direct funding from USHUD. The Administration is also working to ensure that, in determining need, DCA takes into account not only the foreclosure rate within jurisdictional boundaries, but the additional, unique negative impacts that foreclosures create in condominium buildings, and the need to place as many foreclosed condominium units back in to service as soon as possible for purposes of stabilizing the buildings and protecting other unit owners.

To this end, the team has been in communication with the Governor's Office of Policy and Budget, the Department of Community Affairs, the Florida Housing Finance Corporation, the Department of Financial Services, and Representatives Gelber and Garcia. The team will continue to look for avenues to reinforce the City's position.

POTENTIAL USES OF NSP FUNDS IN MIAMI BEACH

In reviewing the NSP specifics and limitations, there are several options for the use of any funds that the City may receive. It is important to point out that the NSP funds cannot be used for foreclosure prevention. As developed, the program is intended to assist in stabilizing neighborhoods that have been impacted by high rates of foreclosure. Specific information on eligible uses are in the attached, previously referenced FAQs.

Based on the most recent foreclosure statistics compiled for the City, so far in 2008 the City has had a final judgment of foreclosure recorded for a total of 300 units. Of those units, 202 (67%) are worth \$417,000 or less, and 61 (20%) are valued at less than \$200,000. The vast majority of these units are in condominium buildings. In addition, a total of 1,874 units currently have a lis pendens, of which 1,261 (67%) are valued below \$417,000, and 449 (24%) below \$200,000.

In looking at how we can best utilize any potential NSP funds, we have looked at how we currently manage homebuyer programs in the City. As you are aware, the City of Miami Beach administers homebuyer funds through our State SHIP program. This program pairs qualified first-time homebuyers with available properties within certain affordable housing ranges. Part of the program includes homebuyer counseling and assistance in improving the capacity of the potential homebuyer to qualify, let alone buy, housing in our community. The housing purchased with this allocation must fall within specific program guidelines (first-time homebuyer, income limits, etc.). As you are aware, the City Commission recently amended our Local Housing Assistance Program to allow us to

provide a deeper subsidy for those first-time homebuyers with incomes at 50% and below of the Area Median Income; current total assistance provided to an eligible, lower-income homebuyer is now \$60,000 instead of \$40,000, which makes a difference in assisting participants at the lower income levels. The SHIP program also allocates rehabilitation funding for the purchased housing, which is frequently used to address code issues, or for any repairs needed for move-in. The SHIP program requires that at least 30% of the SHIP funds be used to assist eligible participants that earn 50% or below Area Median Income (AMI).

Pursuant to NSP regulations, eligible participants can earn up to 120% of the AMI, but at least 25% of the NSP funding must be used to assist persons earning at or below 50% of the AMI. NSP funds are not limited to first-time homebuyers.


It is our recommendation that, should funding be allocated to the City from the NSP funding provided to the State, the City expand the current homebuyer program further by specifically assisting homebuyers only with the purchase of foreclosed properties. The program specifics would be as follows:

- NSP only used for the acquisition of foreclosed multi-family housing;
- Priority for NSP funding for acquisition to be provided to acquire foreclosed units in buildings with at least a 20% rate of foreclosed units;
- NSP funds can be used to leverage SHIP or other homebuyer program allocations to assist the lower income participants in acquiring foreclosed units, but will not (combined or alone) provide 100% of acquisition funding;
- Up to \$20,000 in NSP funds will be available for rehabilitation of the units (to address repairs in the foreclosed units) or to leverage non-NSP rehabilitation funding.

We must wait for the State to issue their final program rules to ensure that our proposed strategy is consistent with their priorities and eligible for funding.

Consistent with the manner in which we currently manage our homebuyer programs, it is our recommendation to issue a competitive process to select one or more program sponsors to implement this program. Specifically, the program sponsor would: assist in the identification of eligible participants; qualify the participants; identify units eligible for acquisition under this program (including a review of current and anticipated monthly maintenance expenses); negotiate favorable acquisition terms with the mortgage-holders (NSP requires a minimum five percent discount by the mortgage holder); assist in securing private financing, as needed, for the eligible participant; and assist in coordinating any necessary rehabilitation of the unit. It is expected that the sponsor(s) will leverage other available resources, including SHIP and other funds to assist with the acquisition, closing costs and/or rehabilitation. It is also expected that homebuyer counseling be provided by the sponsor either directly, or through referrals to appropriate entities. (Note: we will not know how much in administrative funding will be available for the City or the project sponsor(s) until the program rules are published).

ATTACHMENT: Neighborhood Stabilization Program – Frequently Asked Questions


JMG/HF/AP

Division of Housing and Community Development

[Division Home \(FloridaCommunityDevelopment.org\)](http://www.floridacommunitydevelopment.org)

Community Development Block Grant Program

[Program Home](#) | [Neighborhood Stabilization Program](#) | [Disaster Recovery](#) | [Forms, Documents and Program Guidance](#) | [Related Links](#) | [Consolidated Plan](#) | [Contacts](#)

Neighborhood Stabilization Program

Frequently Asked Questions

- 1. *What is the Neighborhood Stabilization Program?*** The Neighborhood Stabilization Program provides State and local governments with a source of funding to help them respond to rising foreclosures and declining property values.
- 2. *How did the Neighborhood Stabilization Program come about?*** On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 to address the severe housing crisis. Title III of the Act appropriates \$3.92 billion of grant funds under the Neighborhood Stabilization Program for states and local governments to purchase and redevelop abandoned or foreclosed properties. The Housing and Economic Recovery Act of 2008 directed the U.S. Department of Housing and Urban Development to target funding to areas with the greatest needs based on the extent of foreclosures, subprime mortgages, and mortgage delinquencies and defaults. The Federal Notice, which was released on September 30th, provides information regarding method of allocation, program requirements, application procedures, and waivers granted.
- 3. *How were Neighborhood Stabilization Program funds allocated?*** More than 250 local cities and counties received grants as well as all 50 states, including Puerto Rico and the District of Columbia, with each state receiving at least \$19.6 million. The State of Florida has been allocated \$541 million, which includes \$91,141,478 being awarded to the Department of Community Affairs, under the State's Community Development Block Grant program, and approximately \$450 million being allocated directly to 48 local governments. For a complete breakdown of Florida's funds, please visit the [U.S. Department of Housing and Urban Development's website](#).
- 4. *How is the money to be spent?*** States and local governments (Neighborhood Stabilization Program grantees) may use funding to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Eligible uses for the funds include:
 - o Buying foreclosed homes
 - o Buying land and property
 - o Demolishing or rehabilitating abandoned properties
 - o Offering downpayment and closing cost assistance to low- to moderate-income homebuyers
 - o Creating "land banks" to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of property
- 5. *How long does the State and local communities have to spend this money?*** Congress was very clear that there is an urgency to deal with a national housing crisis and has provided under the Act that the funds be put to work quickly. Grantees have 18 months to obligate these funds, and four years to spend them. In some areas, this level of federal funding will be unprecedented, so the U.S. Department of Housing and Urban Development will help these communities implement their programs.
- 6. *What will happen if grantees don't obligate their funds within 18 months?*** The U.S. Department of Housing and Urban Development will recapture the funds and return the money to the taxpayers.
- 7. *What does the Department of Community Affairs have to do to comply with the Neighborhood Stabilization Program guidelines?*** In order to receive the grant allocation, the Department of Community Affairs must develop and publish a substantial amendment to their action plan and put it on the agency's internet site for 15 calendar days. Citizens must have equal access to the information. The amendment must be submitted to the U.S. Department of Housing and Urban Development for approval no later than December 1, 2008. The Department of Community Affairs will utilize several methods to solicit input about the development of the Action Plan amendment and ensure that citizen participation requirements are met.

8. **How will the Department of Community Affairs solicit public input?** The Department of Community Affairs will:
- o Work closely with stakeholders and partners to develop the action plan amendment
 - o Host a Stakeholder Input Meeting on October 8, 2008 in Tallahassee
 - o Host a Public Hearing in the near future
 - o Provide additional web-based opportunities for comments and input to be shared
9. **Will this be like the Community Development Block Grant Disaster Recovery Program?** No. The Federal Register Notice emphasizes that the authority for this funding is "substantially and significantly more limited from that generally provided with disaster recovery Community Development Block Grant supplemental appropriations". Therefore, the U.S. Department of Housing and Urban Development will have very little authority to waive any requirements.

Additional Information

Community Development Grant Program [Contacts](#)

[Customer Service Survey](#)

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