

TRANSMITTAL

To:

THE COUNCIL

Date: JUN 21 2011

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read "Antonio R. Villaraigosa".

ANTONIO R. VILLARAIGOSA
Mayor



HOMEOWNERSHIP & PRESERVATION DIVISION – NEIGHBORHOOD STABILIZATION PROGRAM

Los Angeles Housing Department LAHD

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Antonio R. Villaraigosa, Mayor
Douglas Guthrie, General Manager

June 17, 2011

Council File: 07-2438-512
10-0799
Council District: Citywide
Contact Persons:
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The Honorable Antonio R. Villaraigosa
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Pamela Finley
Legislative Coordinator

REQUEST FOR AUTHORITY TO SUBMIT A SUBSTANTIAL AMENDMENT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TO IMPLEMENT THE CITY NEIGHBORHOOD STABILIZATION PROGRAM 2 FUNDED BY THE AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 (ARRA)

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests authority to apply for a substantial amendment for the City's Neighborhood Stabilization Program 2 (NSP2), subject to the approval of the U.S. Department of Housing and Urban Development (HUD). The Substantial Amendment will allow for a technical amendment to the NSP2 application and Action Plan to add an additional Census Tract to the NSP2-eligible target areas for the acquisition, rehabilitation and disposition of foreclosed upon properties for affordable rental housing opportunities. If approved, this action will increase the NSP2-eligible target areas from 164 to a total of 165 Census Tracts. LAHD seeks to add an additional target area to acquire defaulted and abandoned properties near a transit center for rehabilitation as affordable rental housing. NSP funds will leverage other public investment in transit to reduce the inventory of abandoned and nuisance properties and create long-term affordable housing units.

In July 2009, the City submitted a competitive application for \$100 million in grant funds through a Notice of Funding Availability (NOFA) process during the second funding round of the federal Neighborhood Stabilization Program. The City's competitive application was subsequently approved by HUD and resulted in the execution of the Funding Approval and Grant Agreement Number

B-09-LN-CA-0046 between the City and HUD (Grant Agreement). All NSP2 funds were authorized under the American Reinvestment and Recovery Act of 2009 [Public Law 111-005] (ARRA).

All federal NSP2 allocations were based on a competitive scoring process, therefore all technical amendments to the NSP2 Action Plan are subject to the approval of HUD. LAHD is required to submit a Substantial Amendment to the NSP2 Action Plan to HUD to allow for a reevaluation of the application score to meet the criteria to have been selected for funding under the initial NSP2 competition. The City is also required to obtain Mayor and City Council approval prior to submitting the Substantial Amendment to the NSP2 Action Plan to HUD.

RECOMMENDATIONS

The General Manager, LAHD, respectfully requests:

- I. That your Office schedule this transmittal in the next available meeting(s) of the appropriate City Council Committee(s) for consideration and forward it to the full City Council immediately thereafter.
- II. That the City Council authorize the General Manager of LAHD, or designee, to submit a Substantial Amendment, and any other required documents between HUD and the City, for a technical amendment to the NSP Action Plan to: 1) include target areas with foreclosure related indexes of 15 or above; and, 2) add one additional census tract (Census Tract 207100) to the NSP2-eligible target areas for grant activities under the terms of the Funding Approval and Grant Agreement Number B-09-LN-CA-0046 between the City and HUD in the amount of \$100 million.
- III. That the Mayor concur with the actions of the City Council.

BACKGROUND

In June 2010, the General Manager of LAHD was authorized by the Mayor and Council to accept a NSP2 grant allocation in the amount of \$100 million to be utilized for grant activities described in the competitive NSP2 NOFA application (C.F. 10-0799). LAHD continued several grant requirements for NSP2 from the first funding round of the federal program (NSP1), which consist of: eligible uses of funds; CDBG National Objectives; income eligibility definitions; building standards; 10 percent maximum threshold on administrative costs; and, program goals to stabilize declining property values in areas most affected by the foreclosure crisis. The competitive application included NSP2 eligible target areas within the City that are smaller than NSP1 eligible target areas. The NSP1 was authorized by Mayor and Council in February 2009 (C.F. 07-2438-S8).

To implement the City's NSP2, LAHD obtained approval of the NSP2 NOFA application by HUD which was approved as the NSP2 Action Plan document. The NSP2 Action Plan consists of several grant activities continued from NSP1 for the acquisition, rehabilitation and resale or disposition of foreclosed upon residential properties in areas of greatest need throughout the City. As such, LAHD requests authority to apply for a Substantial Amendment to the NSP2 Action Plan that will improve the City's capacity to successfully implement its NSP2. LAHD will add Census Tract 207100 to allow for improved program performance, including, but not limited to: expenditure of funds for affordable rental housing; completion of 947 affordable rental housing units; leveraged funds with other public investment in

transit oriented development; and, reduction of inventory of abandoned and nuisance properties. The additional Census Tract is located in an NSP1-eligible target area adjacent to a transit center operated by the Los Angeles County Metropolitan Transportation Authority.

The technical change described in this request meets HUD’s definition of a Substantial Amendment as follows:

24 CFR 91.505 (a) Amendments to the plan. The jurisdiction shall amend its approved plan whenever it makes one of the following decisions:

- (1) To make a change in its allocation priorities or a change in the method of distribution of funds;*
- (2) To carry out an activity, using funds from any program covered by the consolidated plan (including program income), not previously described in the action plan; or,*
- (3) To change the purpose, scope, location, or beneficiaries of an activity.*

LAHD is required to follow citizen participation and formal Substantial Amendment processes with HUD. The citizen participation process requires that all NSP2 Substantial Amendments are posted for public comment for 10 days. All citizen comments or a report of no comments must be provided with each application to HUD. A notice was published on June 14, 2011 to open a public comment period through June 23, 2011. A copy of the notice is available at LAHD website at <http://lahd.lacity.org>.

Background on the City’s NSP2 Application

HUD approved the NSP2 Action Plan document that included a total of 463 Block Groups in 164 Census Tracts for the NSP2 target areas. All 463 Block Groups have a foreclosure related index at a minimum of 18.0, with a combined average foreclosure index of 18.8 out of a possible 20.0. These areas are marked by a high concentration of foreclosures resulting in declining home values and increasing poverty and unemployment rates. The NSP2 Action Plan described the City’s goal to reduce the number of vacant and abandoned properties, reduce the absorption period for sales of foreclosed properties and stabilize home values. Upon approval of Substantial Amendment to the NSP Action Plan, the addition of Census Tract 207100 will result in an average foreclosure index of 18.79 out of a possible 20.0. The table below provides a description of the City’s NSP2 award and Action Plan:

City’s Award:	<ul style="list-style-type: none"> • The City submitted a competitive application to request \$100 million in funds. • In January 2010, the City was awarded the full \$100 million – the largest allocation to a single jurisdiction.
Use of Funds:	<ul style="list-style-type: none"> • The City must expend at least \$50 million by February 11, 2012; and, • Expend \$100 million in NSP2 funds by February 11, 2013.
NSP2 Target Areas:	<p>Following is the methodology in selecting NSP2 targeted areas:</p> <ul style="list-style-type: none"> • Using the HUD-issued index risk scores, LAHD selected census tracts with a foreclosure risk score of 18 or above out of a possible 20. • The LAHD selected all the census block groups within those high foreclosure risk census tracts that met the HUD income criteria of a majority of households at 120% of Area Median Income (AMI) and below.

	<ul style="list-style-type: none"> • Citywide foreclosure activity coincided with the eligible NPS2 census tracts. • Mapping these areas revealed eligible NSP2 geographic clusters in the Eastside of Los Angeles, South Los Angeles, and in the San Fernando Valley.
Income Eligibility:	<ul style="list-style-type: none"> • All grant funds (100%) must be used to assist low, moderate, and middle income individuals and families whose incomes do not exceed 120% of AMI. • At least \$25 million (25%) of grant funds awarded shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families with incomes not to exceed 50% of AMI.
Eligible Uses:	<p>Funds can only be utilized for foreclosed or vacant properties for the following:</p> <ul style="list-style-type: none"> • Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties, including soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers. • 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. • Redevelop demolished or vacant properties as housing (including new construction of housing).
Ineligible Uses:	<ul style="list-style-type: none"> • Foreclosure prevention activities (e.g. counseling). • Demolition of structures that are not blighted. • Demolition of public housing. • No more than 10% of grant funds can be used for demolition-only activities. • Purchase of properties that have not been abandoned or foreclosed. • Assistance to households with incomes greater than 120% AMI.

FISCAL IMPACT STATEMENT


There will be no impact on the General Fund.

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