

**CITY OF PEORIA, ARIZONA
CITY MANAGER REPORT**

RCM #: 36

Date Prepared: October 3, 2008

Council Meeting Date: October 21, 2008

TO: Carl Swenson, City Manager

FROM: Glen Van Nimwegen, Community Development Director
Bill Patena, Neighborhood Services Manager
Carin Imig, Management Analyst

SUBJECT: Neighborhood Stabilization Program

SUMMARY:

Last summer the Federal government enacted the Housing and Economic Recovery Act of 2008 for the purpose of assisting in the redevelopment of abandoned and foreclosed homes. This Act is now being referred to as the Neighborhood Stabilization Program (NSP). This Act appropriated \$3.92 Billion for emergency assistance. The State of Arizona will be receiving \$38,370,206 not including amounts that were directly allocated to individual towns or cities. The City of Peoria did not receive a direct allocation and, therefore, our funding will be allocated through the State's program. The program cut-off amount for direct allocation was \$2M. The most current estimate we received from the AZ Department of Housing indicated that Peoria's allocation may be as large as \$1.8M.

The grant funding is considered to be a "special" CDBG allocation and the City's Annual Action Plan and Consolidated Plan must be re-submitted to HUD to include this allocation after the best use of the funding has been determined. This must be done by December 1, 2008.

Some important provisions to this funding, versus CDBG regulations, are:

- HUD is actually creating a new definition of income for the purposes of this grant which will be called "middle income." In short, eligible income levels will be raised for the use of these funds in order to make more families/persons/households eligible for assistance.
- Land banks, which are not allowed under normal CDBG regulations, will be allowed under the NSP. Properties in a land bank can not be held more than 10 years.

- One-for-one replacements of demolished properties will not be required under activities through the NSP as compared to CDBG regulations.
- The City must certify that it will not attempt to use NSP funds to recover any costs associated with public improvements.
- Income generated through NSP activities can be re-utilized by the City until 2013. After 2013, income generated through NSP activities must be remitted to the Federal Treasury, unless we negotiate a continuance.
- Citizen participation requirements are reduced from 45 days to 15 days for NSP funds.

In general, NSP funding can be utilized as follows:

- To establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties.
- To purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed in order to sell, rent or redevelop such homes and properties. (It is mandatory that not less than 25% of the funding be utilized for this purpose).
- To establish land banks for homes that have been foreclosed upon.
- To demolish blighted structures.
- To redevelop demolished or vacant properties.

NSP funding can not be utilized to:

- Assist in any activity that requires the use of Eminent Domain.
- Assist in foreclosure prevention activities.
- Demolish structures that are not blighted.
- Purchase residential properties that have not been abandoned or foreclosed upon.

Provisions on use of the funds are still in flux. There is a chance that there will be a requirement that 15% of the funding be utilized for counseling. Staff will continue to participate in the process and keep the City Manager and Council updated.