

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: August 17, 2010 [X] Consent [] Regular
Department: Housing and Community Development
Submitted By: Housing and Community Development

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: An amendment to the Program Guidelines for the Neighborhood Stabilization Program (NSP-1) funded Residential Redevelopment Program to allow for the rehabilitation cost of up to \$30,000 per unit for multi-family units.

Summary: On November 18, 2008, The Board of County Commissioners (BCC) approved the application which was submitted to U.S. Department of Housing and Urban Development (HUD) for funding under the Neighborhood Stabilization Program (NSP). This included the request for \$5,000,000 to fund a Residential Redevelopment Program which would allow non-profit agencies, municipalities and other public agencies to purchase and rehabilitate (if necessary) vacant, abandoned and foreclosed residential properties, which would then be resold or leased at affordable prices/rents to eligible homebuyers or renters for use as their primary residence. On April 21, 2009 the BCC approved Guidelines for the Residential Redevelopment Program (Agenda Item 6D-2). The proposed amendment would increase the rehabilitation cost limit for multi-family units from \$15,000 to \$30,000. Increasing the rehabilitation cost to no more than \$30,000 per multi-family unit would allow for the acquisition and rehab of more distressed properties that otherwise would not be able to be acquired under the NSP Residential Redevelopment Program. The acquisition and subsequent rehabilitation of these multi-family units would allow for the obligating of NSP funds that otherwise would not be obligated. This is critical since HUD has mandated that all NSP funding must be obligated on or before September 4, 2010. This amendment will assist in meeting that deadline. **Countywide** (TKF)

Background and Justification or Background and Policy Issues: On September 29, 2008, HUD published a Notice which advised of the availability of NSP funds, of which Palm Beach County was eligible to receive \$27,700,340. In order to gain access to these funds Palm Beach County was required to submit an application to HUD which outlined the proposed use of the entire award. HUD advised of their approval of the County's application on January 12, 2009.

(Continued on Page #3)

Attachments:

- A. Amended Program Guidelines for the NSP Residential Redevelopment Program
- B. BCC approved Program Guidelines for the NSP Residential Redevelopment Program

Recommended By: Edward W. Sprunt Department Director Date: 7/20/2010
Approved By: Shanna B. By Assistant County Administrator Date: 8/16/10

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

<u>Fiscal Years</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs:	_____	_____	_____	_____	_____
External Revenues:	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County):	_____	_____	_____	_____	_____
NET FISCAL IMPACT:	_____	_____	_____	_____	_____
# OF ADDITIONAL FTE POSITIONS (Cumulative):	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No _____

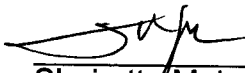
Budget Account #: Fund _____ Dept _____ Unit _____ Object _____

Program Code/Program Period _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

No fiscal impact at this time.

C. Departmental Fiscal Review:

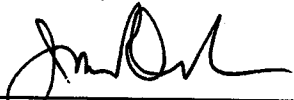
 7-20-10


 Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

Fiscal impact indeterminable at this time

 _____
 OFMB
 7/27/10

 7/29/10

 Contract Dev. and Control
 E. Jones 7/29/10

B. Legal Sufficiency:

 8/2/10

 Senior Assistant County Attorney

C. Other Department Review:

 Department Director

Background and Justification or Background and Policy Issues (continued)

The Board of County Commissioners (BCC) approved the Program Guidelines for the NSP Residential Redevelopment Program on April 21, 2009 and amended the Program Guidelines on August 18, 2009 to reduce the required minimum purchase discount from fifteen percent (15%) below the property's appraised market value to one percent (1%) below the market appraised value for each residential property purchased with NSP funds. This was done to comply with HUD's revision to the NSP Notice that was published on June 11, 2009. On November 3, 2009, the BCC approved eight organizations/municipalities to receive funding under the NSP Residential Redevelopment Program. It is anticipated that approximately forty-seven (47) housing units and (22 homeownership and 25 rental units) will be acquired and rehabilitated (if necessary) by the program participants. While undertaking the activity, some program participants have found that the \$15,000 limit placed upon the rehabilitation costs is, in most cases, not adequate to rehab the abandoned and foreclosed multi-family properties that are being acquired due to the properties' distressed condition. Program participants have requested that the limit of the rehabilitation cost for multi-family units and attached units be increased. This increase is needed because the units that are being acquired under the NSP Residential Redevelopment Program for the most part require intense rehabilitation as the properties have been abandoned for a lengthy period of time. Increasing the rehabilitation cost from \$15,000 to \$30,000 for multi-family units would allow for program participants to be able to acquire and rehabilitate vacant, abandoned and foreclosed multi-family properties that are in distressed condition; thus, allowing for the NSP Program objective of reducing the number of foreclosed upon properties within the County and arresting incidences of declining neighborhoods.

PROGRAM POLICIES FOR:
NEIGHBORHOOD STABILIZATION PROGRAM RESIDENTIAL REDEVELOPMENT
PROGRAM

Introduction

On September 29, 2008, HUD announced the allocation formula and allocation amounts, the list of grantees, alternative requirements, and the waivers of regulations granted to grantees under Title III of Division B of the Housing and Economic Recovery Act (HERA) of 2008 for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes heading, referred to as the Neighborhood Stabilization Program (NSP). Palm Beach County's allocation under the NSP was \$27,700,340. Per HUD's Notice, among the eligible activities is the "purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties." The County's Neighborhood Stabilization Program Residential Redevelopment Program falls under this activity type.

In accordance with HUD's rule, the following program requirements must be met:

- Each activity funded must be located in an "area of greatest need".
- Beneficiaries must have household incomes which do not exceed 120% of the Area Median Income (AMI), but at least 25% of the County's NSP funds must be used to provide housing benefits to households with incomes at or below 50% of the AMI.
- Each foreclosed upon home or residential property shall be purchased at a discount of at least one percent from the current market appraised value of the home or property.
- Properties which are acquired with NSP funds, and are then resold to eligible buyers must be resold at or below the NSP acquisition cost plus any carrying costs which were incurred.
- The long term affordability of all residential properties purchased must be ensured.

Activity Description

The activity to be funded under the NSP Residential Redevelopment Program involve the purchase and rehabilitation (if necessary) of vacant, abandoned or foreclosed upon residential properties by the applicant, which will subsequently be sold or leased at affordable prices to eligible homebuyers or renters for use as their primary residence. All housing units purchased must be used to provide permanent housing either through homeownership or rental.

Amount Available

A sum of \$5,000,000 is available to be distributed under this program. HCD will not impose any limits on the amount of funds which may be requested by any applicant.

Eligible Applicant

Non-profit organizations, Public Agencies (including Public Housing Authorities), and Municipalities within the Palm Beach County CDBG Entitlement Jurisdiction who had inter-local agreements with Palm Beach County during FY 2007-08.

Program Requirements

Eligible Areas

In order to satisfy program requirements that the NSP funds be expended in "**areas of greatest needs**", Palm Beach County used HUD's criteria, to determine the areas identified below. All properties acquired must be vacant, and abandoned or foreclosed upon, and must be located in an area of greatest need.

ZIP CODES	GEOGRAPHIC AREAS
33414, 33467, 33470	Wellington/ Loxahatchee Grove/Surrounding unincorporated Areas
33409, 33413, 33415	Unincorporated Palm Beach County (including Westgate) - S of 45 th Street; E of Turnpike; W of I-95; and N of Lake Worth Road.
33411	Royal Palm Beach/ Acreage
33463	Greenacres
33445, 33446, 33484	Unincorporated Palm Beach County - S of Boynton Beach Blvd.; E of Loxahatchee National Wildlife Refuge; W of Military Trail; and N of Clint Moore Rd.
33428, 33433, 33434, 33498	Unincorporated Palm Beach County - S of Clint Moore Rd.; E of Loxahatchee National Wildlife Refuge; W of I-95; and N of Broward County line
33458, 33469, 33477	Jupiter/Tequesta/Unincorporated Palm Beach County
33436, 33437	Unincorporated Palm Beach County (including Golf) – S of Gateway Blvd.; E of Loxahatchee National Wildlife Refuge; W of Congress Ave.; and N of Atlantic Ave.
33460	Lake Worth
33404	Riviera Beach
33403	Lake Park
33417	Haverhill
33462	Hypoluxo/Lantana/Atlantis/Manalapan/Unincorporated Palm Beach County
33430	Belle Glade
33476	Pahokee
33493	South Bay
33438	Canal Point

Household Income Limits and Low Income Targeting

Homes or residential properties acquired under this program must be sold or leased to households whose income is no more than 120% of the currently applicable Area Median Income (AMI). However, at least 40% of the funding awarded to each successful applicant under the Residential Redevelopment Program NSP must be expended on housing (rental or homeownership) for households whose incomes does not exceed 50% of the AMI.

Eligible costs

NSP funds may be used to fund direct acquisition price, closing costs, cost of rehabilitation (if required), and related activity delivery costs which may include, among other items, costs related to the purchase of the property.

Maximum Purchase Price

The maximum cost for acquiring and rehabilitating an individual dwelling unit cannot exceed \$280,000.

Purchase Discount

All properties must be purchased at a minimum discount of one percent below the current appraised market value. The applicant is solely responsible for the identification of eligible single-family and multi-family properties as well as completing all negotiations with the property owner.

Rehabilitation Standards

All rehabilitation undertaken must be consistent with the existing County CDBG rehabilitation policies except that eligible beneficiaries will be required to have income which is at or below 120% of the AMI. All rehabilitation work done under this program will seek to upgrade the property to ensure compliance with applicable municipal, county and state housing and building standards to the extent that the repairs performed are practical and feasible.

NSP assisted rehabilitation of a foreclosed upon home or residential property shall be to the extent necessary comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability in order to sell rent or redevelop such homes and properties.

Rehabilitation may also include improvements to increase the energy efficiency or conservation of such homes and properties or to provide a renewable energy source or sources for such homes and properties.

Rehabilitation cost should not exceed \$35,000 for single-family detached units and \$30,000 per unit for multi-family and attached units. Applicants are encouraged to purchase properties needing the least amount of rehabilitation.

Resale and Affordability

Dwelling units acquired with NSP funds for resale to prospective homebuyers must be sold at or below the acquisition/rehabilitation costs and costs related to the sale of the property plus carrying cost, if any. All sales must be approved by the County and the resale price should not be less than 75% of the purchase price. All housing units acquired for rental purposes must be leased to eligible households at "affordable rents". If the property to be acquired is to be used as a rental property, the affordability provisions which will be imposed shall require the units to be affordable for at least 20 years. The entire amount of the NSP award is required to be repaid if title to the rental property is transferred or if the property ceases to be a residential unit.

Privately owned dwelling units whose acquisition was assisted with NSP funds must meet the affordability requirements for at least 30 years and at all times during that period be the owners' principal residence. In the event of a resale of the dwelling unit, affordability will be maintained if it is sold to an income eligible household. The resale price shall be subject to program requirements and approval by HCD.

Program Income

All proceeds from the sale or rental of the units will become program income and must either be returned to the county or used to fund a NSP eligible activity approved by the County.

Mandatory Counseling

All prospective homebuyers must attend a housing counseling session, lasting for at least eight (8) hours, conducted by a HUD approved housing counseling agency.

Process to Select Organization for Funding

The Department of Housing and Community Development will publish a Notice of Funding Availability (NOFA) inviting non-profit organizations, public agencies and municipalities to apply for funding under the NSP Residential Development Program. The applications will be reviewed and selected for funding based on the following criteria, among others: compliance with basic HUD and County program criteria; extent to which the applicant has proceeded to identify properties for purchase; extent to which properties to be purchased are for rental purposes *vis-a-vis* for homeownership; extent to which the purchase price of the property is discounted below the required 15% of the current appraised value and the extent to which this purchase price is below the maximum allowable price of \$280,000; maximization of use of NSP funds; the availability of a pre-qualified list of prospective homebuyers/renters to the applicant; the extent to which the applicant will seek to purchase units requiring little or no rehabilitation; the applicants' past experience in providing housing (homeownership and rental) to middle-, moderate- and low- income households; and the applicants, capacity to undertake the activity (administrative, financial, human resources).

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