

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: July 19, 2011

<input checked="" type="checkbox"/>	Consent	<input type="checkbox"/>	Regular
<input type="checkbox"/>	Ordinance	<input type="checkbox"/>	Public Hearing

Department: Housing & Community Development

Submitted By: Housing & Community Development

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: Approve revisions to the Palm Beach County's Neighborhood Stabilization Program 1 (NSP1) and Neighborhood Stabilization Program 2 (NSP2) Residential Redevelopment Grant Program Policies.

Summary: On November 18, 2008, the Board of County Commissioners (BCC) approved the County's NSP1 application to HUD including \$5,000,000 for a Residential Redevelopment Program under which subrecipients would acquire vacant, abandoned, and foreclosed upon residential properties for resale or rental to income-eligible households. On July 7, 2009, the BCC approved the County's proposed NSP2 activities including \$20,130,000 for a similar Residential Redevelopment Program. Separate competitive solicitations were conducted under NSP1 and NSP2 resulting in the award of funding to 11 subrecipient agencies. Certain Residential Redevelopment Program policies have posed challenges given certain housing market conditions. Also, technical advisory staff from the U.S. Department of Housing and Urban Development (HUD) has urged the County to make certain policy revisions which include: elimination of the \$50,000 per unit cap on NSP housing rehabilitation funding and elimination of the minimum housing resale price of 75% of development cost. The proposed policy revisions will thusly improve the County's ability to implement the programs and serve targeted clientele in the current housing market. The revisions will also enhance the County's ability to meet NSP Program requirements. **These are Federal Neighborhood Stabilization Program funds which require no local match.** (Planning) Countywide (TKF)

Background and Policy Issues: The Housing and Economic Recovery Act of 2008 (HERA), approved on July 30, 2008, as amended, appropriated \$2 Billion under the Act's Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes provisions, known as the Neighborhood Stabilization Program . The American Recovery and Reinvestment Act of 2009 (ARRA), signed into law by President Obama on February 17, 2009, appropriated \$1.93 Billion for NSP2. Palm Beach County was awarded \$27,700,340 under NSP1 and \$50,000,000 under NSP2 from the U.S. Department of HUD on March 4, 2009 and February 11, 2010, respectively.

Attachments:

- ## 1. Palm Beach County NSP Residential Redevelopment Grant Program Policies

Recommended By: Obaidul W. Zaman 6/27/2011
Department Director Date

Approved By: Shannon G. Grogan 7/7/11
Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	2014	2015
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT	0				


# ADDITIONAL FTE POSITIONS (Cumulative)	-0-				
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Is Item Included In Current Budget? Yes _____ No _____
 Budget Account No.:

Fund _____ Depart _____ Unit _____ Object _____ Program Code/Period _____


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


☒ No Fiscal Impact.

C. Departmental Fiscal Review: 
 Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:


 OFMB
6/28/11
2/28/11


 Contract Development and Control
7-1-11 *B. Wheeler*

B. Legal Sufficiency:


 Senior Assistant County Attorney
7/6/11

C. Other Department Review:

 Department Director

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

PALM BEACH COUNTY
PROGRAM POLICIES
NEIGHBORHOOD STABILIZATION PROGRAM 1 AND 2
RESIDENTIAL REDEVELOPMENT GRANT PROGRAM

Introduction

Palm Beach County was awarded \$27,700,340 under the Neighborhood Stabilization Program 1 (NSP1) and \$50,000,000 under the Neighborhood Stabilization Program 2 (NSP2) from the U.S. Department of Housing and Urban Development (HUD) on March 4, 2009 and February 11, 2010, respectively. Both NSP Programs are administered through the County by its Department of Housing and Community Development (HCD).

One component under the County's NSP1 and NSP2 Programs is the Residential Redevelopment Grant Program (RRGP). Sums of \$5,000,000 under NSP1 and \$20,130,000 under NSP2 were made available to be distributed under the RRGP for the acquisition and rehabilitation of vacant and abandoned or foreclosed residential properties for affordable resale or rental to NSP2 eligible households.

Eligible RRGP Subrecipients

Eligible subrecipients are limited to non-profit organizations, Public Agencies (including Public Housing Authorities), and Municipalities with existing interlocal agreements with Palm Beach County to participate in the CDBG Urban County Program. Non-profit organizations which apply for funding under this program must be principally located in Palm Beach County.

Eligible Properties

All properties to be acquired must meet HUD's definition of foreclosed at FR-5321-N-04.

For NSP1, all properties must be located in designated Areas of Greatest Need, as identified by the following zip codes: 33414, 33467, 33470, 33409, 33413, 33415, 33411, 33463, 33445, 33446, 33484, 33428, 33433, 33434, 33498, 33458, 33469, 33477, 33436, 33437, 33460, 33404, 33403, 33417, 33462, 33430, 33476, 33493, and 33438.

For NSP2, all properties must be located in the Palm Beach County Urban Redevelopment Area (URA). The approximate boundaries of the URA are Community Drive to the north, Lake Worth Drainage District (LWDD) L-14 Canal to the south, Interstate I-95 to the east, and Jog Road to the west at the farthest point (see URA map on page 3 of 3). Project properties which fall within the URA and are within the municipal boundaries of the City of West Palm Beach are ineligible for NSP2 grant funding, as well as properties which are located adjacent to the URA.

Should there be any ambiguity regarding the eligibility of a property location in relation to the NSP1 or NSP2 program requirements, final determination shall be made by the County.

Income Targeting Requirements

All housing units assisted through the RRGP must be sold or leased to households whose incomes are no greater than 80% of the currently applicable Area Median Income (AMI) for Palm Beach County. However, at least 50% of the funding awarded to each subrecipient under the RRGP must be expended on housing (rental or homeownership) for occupancy by households whose incomes are no more than 50% of the AMI.

Eligible Costs

RRGP funds may be used to fund property acquisition price, closing costs, rehabilitation, carrying costs, and related activity delivery costs. Aside from property purchase price and related costs which are paid by the County directly at closing, all other eligible RRGP expenditures incurred by the subrecipient and documented to the County's satisfaction will be paid by the County on a reimbursement basis.

Maximum Purchase Price

The maximum cost for acquiring and rehabilitating an individual housing unit through the RRGP shall not exceed \$280,000.

Purchase Discount

All properties must be purchased at a minimum discount of one percent (1%) below the current appraised market value. The subrecipient 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

NSP1 and NSP2 assisted rehabilitation of foreclosed residential properties shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, habitability, and marketability in order to sell or rent such properties. Rehabilitation may also include improvements to increase the energy efficiency of such properties or to provide a renewable energy source or sources for such properties.

There is no maximum limit on the amount of NSP1 or NSP2 funding that may be expended on the rehabilitation of a NSP acquired housing unit. However, applicants are encouraged to purchase properties needing the least amount of rehabilitation. HCD will make all final determinations as to reasonableness of rehabilitation work write-up items and costs of the same.

Affordability

All housing units acquired with NSP funds for resale to prospective homebuyers shall be sold at or below the lesser of Fair Market Value as determined by an appraisal at time of resale or the combined NSP2 acquisition and rehabilitation cost of the property. Per HUD guidelines, any amount NSP funding expended on acquisition and rehabilitation which exceeds the Fair Market Value of the property after rehabilitation will be considered a development subsidy, and shall not be recouped or otherwise encumber the NSP-assisted property. The County may allow a subrecipient to reduce the property resale price below Fair Market Value to a level to ensure affordability to the homebuyer so that the homebuyer will expend no more than 35% of income on gross housing cost. The amount of the purchase price reduction will be secured by a forgivable 30 year second mortgage that will become due and payable in full upon sale, transfer of title, or cessation of the property as the homebuyer's principal residence during the 30 year period of the mortgage. All sales must be pre-approved by the County. Owner-occupied housing units whose acquisitions were assisted with NSP funds shall meet the affordability requirements for at least 20 years from time of NSP purchase and at all times during that period remain the owners' principal residence. In the event of a resale during the period of affordability, affordability will be maintained if the home is sold to another income eligible household. The resale price shall be subject to NSP program requirements and approval by HCD.

All housing units acquired for rental purposes must be leased to eligible households at Affordable Rents, as defined by the County's NSP programs. 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 30 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 utilized for affordable residential rental purposes.

The required periods of affordability will be enforced through encumbrances placed by the County upon title of all NSP assisted properties.

Program Income

All revenues from the sale or rental of NSP assisted housing units, less allowable costs, is program income and shall be reported and returned to the County. The County shall have sole discretion in determining allowable and reasonable carrying and operating costs for purposes of calculating program income. The County may elect to allow subrecipients to utilize program income to undertake additional eligible NSP activities.

Mandatory Homebuyer Counseling

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

PALM BEACH COUNTY URBAN REDEVELOPMENT AREA

