



## Legislation Text

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Resolution to Accept and Appropriate a \$850,000.00 Grant from the Michigan State Housing Development Authority (MSHDA) for Neighborhood Stabilization Program Funds (\$850,000.00 CDBG -NSP Funds) **(8 Votes Required)**

Attached for your review and approval is a resolution to accept and appropriate a \$850,000 grant from the Michigan State Housing Development Authority (MSHDA) for Neighborhood Stabilization Program funds.

The City of Ann Arbor has been allocated \$850,000.00 out of a total national allocation of \$3,920,000,000.00 under Title III of Division B of the Housing and Economic Recovery Act (HERA) by Congress for the Neighborhood Stabilization Program (NSP). These funds are a special Community Development Block Grant (CDBG) allocation. Because the City's formula allocation was less than \$2 million, the funds went to the State of Michigan to administer instead of directly to the City of Ann Arbor. MSHDA issued an RFP in December 2008 and Community Development submitted the attached response to the RFP in January 2009.

Under this Act, Ann Arbor must distribute these funds to the areas with the greatest need, defined as those Census Block Groups with the:

- Greatest percentage of home foreclosures;
- Highest number and percentage of homes financed by sub-prime mortgage related loans
- Greatest number and percentage of homes likely to face a significant rise in the rate of home foreclosures based on default or delinquency rates

HUD pre-ranked all census blocks from 1 to 10, with 1 being the lowest and 10 being the highest. The City of Ann Arbor's highest ranked Census Tract was a 7. All NSP funds will be spent in Census Tracts ranked as a 6 or a 7. Please see the attached map for eligible areas.

NSP funds are restricted to 5 eligible uses:

1. Financing Mechanisms: Establish financing mechanisms for purchase and redevelopment of foreclosed upon home and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate- income buyers
2. Purchase and Rehabilitation: 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
3. Land Bank: Establish land banks for homes that have been foreclosed upon
4. Demolition: Demolish blighted structures
5. Redevelopment: Redevelop demolished or vacant properties

Unfortunately, NSP funds CANNOT be used to provide counseling, legal assistance, advocacy or any other help for people who are unable to make mortgage or tax payments on their homes or rental properties. Following is the budget submitted to MSHDA for the NSP funds:

Financing Mechanism: Purchase & Rehabilitation of Rental Housing	\$200,000.00
Financing Mechanism: Purchase & Rehabilitation of Owner Housing	\$490,000.00
Homebuyer Education	\$ 25,000.00
Demolition	\$ 50,000.00
Administration	\$ 85,000.00
TOTAL	\$850,000.00

The City of Ann Arbor must commit its NSP funds to a property within 18 months of the contract execution between HUD and MSHDA in March, 2009. Community Development has issued an affordable housing RFP and proposals have been evaluated for owner and rental funding consideration. Habitat for Humanity of Huron Valley and Community Housing Alternatives are recommended for \$245,000.00 each in homeowner funding. POWER Inc, on behalf of the Washtenaw Housing Education partners (WHEP) is recommended for \$25,000.00 in homebuyer education funding, and, Avalon Housing Inc. is recommended for \$200,000.00 to acquire and rehabilitate a rental housing property. In addition, CD will work with Systems Planning and Planning and Development Services to identify properties for demolition.

The Office of Community Development is a joint department between the City of Ann Arbor and Washtenaw County operating under a Partnership Agreement since the inception of the joint department in 2004. In Resolution R-09-224 on June 15, 2009, City Council approved an Operating Agreement with the County to administer the City's NSP grant. The Operating Agreement is a supplemental document to the current Partnership Agreement expanding the scope of services and responsibilities between the municipalities. The Office of Community Development now recommends that City Council accept the NSP grant. The County is also receiving a \$3.2 million NSP allocation directly from HUD.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director and Jayne Miller, Community Services Administrator

Whereas, The City of Ann Arbor has been allocated \$850,000.00 out of a total national allocation of \$3,920,000,000.00 under Title III of Division B of the Housing and Economic Recovery Act (HERA) by Congress for the Neighborhood Stabilization Program (NSP);

Whereas, The State of Michigan through the Michigan State Housing Development Authority (MSHDA) is the administrator of Ann Arbor's NSP allocation because Ann Arbor's formula allocation was less than \$2 million; and

Whereas, In Resolution R-09-224 on June 15, 2009, City Council approved an Operating Agreement with the County to administer the City's NSP grant;

RESOLVED, That City Council accept the grant for \$850,000.00 from MSHDA for Neighborhood Stabilization Program funds;

RESOLVED, That City Council appropriate, when received, grant funds in the amount of \$850,000.00, increase the expenditure budget in Fund 0078 by the same amount during the life of

the grant and authorize the expenditure of the grant funds, regardless of fiscal year, for the purposes stated in the grant; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.