

*STAFF REPORT**CITY OF OCEANSIDE*

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DATE: October 14, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department

SUBJECT: **APPROVAL TO ACCEPT \$1,422,487 IN GRANT FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND TO APPROPRIATE THESE FUNDS TO THE NEIGHBORHOOD SERVICES DEPARTMENT**

**SYNOPSIS**

Staff recommends that the City Council accept \$1,422,487 in grant funds from the California Department of Housing and Community Development awarded to the City of Oceanside, and appropriate these funds to the Neighborhood Services Department for the Neighborhood Stabilization Program.

**BACKGROUND**

The Neighborhood Stabilization Program (NSP) was authorized by Congress under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) to assist in the redevelopment of abandoned and foreclosed homes. Under HERA, any local government that receives NSP funds shall, in distributing such funds, give priority emphasis and consideration to those urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those:

- With the greatest percentage of home foreclosures;
- With the highest percentage of homes financed by a subprime mortgage related loan; and
- Identified by the State or local government as likely to face a significant rise in the rate of home foreclosures.

The U.S. Department of Housing and Urban Development (HUD) was given responsibility for program management. HUD distributed funds to eligible cities and counties that met a minimum \$2,000,000 threshold based on the above factors, with remaining funds distributed to the states. The California Department of Housing and Community Development (HCD) used these same factors to compile a list of cities that are eligible to apply directly to HCD based on a minimum allocation amount of \$1,000,000. Under the HCD formula the City of Oceanside is eligible to receive \$1,442,487 of NSP funds.

Under HERA guidelines, participating jurisdictions may allocate funds for the following eligible uses:

- A. Establish financing mechanisms for purchase and redevelopment of foreclosed-upon homes and residential properties, including such mechanisms

as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;

- B. 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;
- C. Establish land banks for homes that have been foreclosed upon;
- D. Demolish blighted structures; or
- E. Redevelop demolished or vacant properties.

NSP funds must be used to benefit low-, moderate- and middle-income (LMMI) neighborhoods and must benefit the LMMI area (LMMA). NSP redefines and supersedes the definition of “low- and moderate-income” of the CDBG Program by allowing households whose incomes exceed 80 percent but are no greater than 120 percent of the Area Median Income (AMI) to qualify for NSP funds. This new income group is referred to as “middle-income”; the NSP may thus, for example, benefit a family of four persons with household income of up to \$89,880.

The City Council at a public hearing on June 10, 2009, adopted a resolution authorizing application for NSP grant funds from the HCD and authorizing the Director of Neighborhood Services to sign the application and all grant documents.

## **ANALYSIS**

The California Department of Housing and Community Development has awarded \$1,442,487 of NSP funds to the City. The City proposes to use the grant funds to address NSP-eligible activity (E), “redevelop demolished or vacant properties.” Under this plan the City will assist a nonprofit housing developer to acquire and rehabilitate residential units that are vacant, including single-family homes, duplexes or small apartment buildings. The NSP requires that any units acquired must be rehabilitated to meet federal Housing Quality Standards (HQS). Once rehabilitation is complete, the units will be rented to households that graduate from transitional housing programs under a “Next Step” program helping the individuals or families move toward independent, self-sufficient living. Households will pay 30 percent of their income as rent, which will be used for utilities, maintenance and program management, and to develop a long-term major repair fund. Households must have been Oceanside residents prior to entering transitional housing.

The City will require 55-year affordability for NSP units to ensure that the units remain available to LMMI households. HCD has stated that this use meets the CDBG National Objective that NSP funds be used to benefit low- and moderate-income individuals, families and neighborhoods. The program as designed will eliminate blight and increase stability in neighborhoods.

The City has completed all required environmental review for the program. Each residential structure proposed for acquisition will undergo a specific environmental review prior to acquisition

**FISCAL IMPACT**

The California Department of Housing and Community Development has awarded \$1,442,487 to the City under the Neighborhood Stabilization Program. The City proposes to appropriate the funds to the Neighborhood Services Department for acquisition and rehabilitation of vacant residential structures (917115200273). NSP funds will pay for all program delivery and staff costs. There will be no impact on the General Fund and there is no match requirement.

**COMMISSION OR COMMITTEE REPORT**

The Housing Commission conducted a public hearing on May 18, 2009, to hear explanation of the NSP from staff and to receive public comment on possible uses of NSP funds in the City. The Commission supported the concept proposed in the application, to redevelop vacant properties for ultimate use as rental units for low- and moderate-income households.

**CITY ATTORNEY'S ANALYSIS**

City Attorney analysis does not apply.

**RECOMMENDATION**

Staff recommends that the City Council accept \$1,422,487 in grant funds from the California Department of Housing and Community Development awarded to the City of Oceanside, and appropriate these funds to the Neighborhood Services Department for the Neighborhood Stabilization Program.

PREPARED BY:

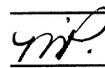
SUBMITTED BY:

  
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John A. Lundblad  
Management Analyst

  
\_\_\_\_\_  
Peter A. Weiss  
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager  
Margery M. Pierce, Director, Neighborhood Services  
Teri Ferro, Director, Financial Services

  
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Attachment: Standard Agreement Summary Page

STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
STD 213 (Rev 06/03)

AGREEMENT NUMBER

09-NSP1-6106

REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:  
STATE AGENCY'S NAME

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

CONTRACTOR'S NAME

City of Oceanside

2. The term of this Agreement is: **Upon HCD Approval through 09/30/2011**

3. The maximum amount of this Agreement is: **\$1,422,487.00**

4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement.

Exhibit A - Authority, Purpose and Scope of Work 11

Exhibit B - Budget Detail and Payment Provisions 6

Exhibit C - HCD General Terms and Conditions 8

Exhibit D - State of California General Terms and Conditions 6

Exhibit E - Special Terms and Conditions 6

Exhibit F - Additional Provisions 0

**TOTAL NUMBER OF PAGES ATTACHED: 37 pages**

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

**CONTRACTOR**

California Department of  
General Service  
Use Only

CONTRACTOR'S NAME (if other than an individual, state whether a corporation, partnership, etc)  
City of Oceanside

BY (Authorized Signature)

DATE SIGNED (Do not type)

*Margery M. Pierce*  
PRINTED NAME AND TITLE OF PERSON SIGNING

*Sept. 23, 2009*

Margery M. Pierce, Director of Neighborhood Services  
ADDRESS  
Nevada Street Annex, 300 North Coast Highway, Oceanside, CA 92054

SEP 23 2009

**STATE OF CALIFORNIA**

AGENCY NAME

Department of Housing and Community Development

BY (Authorized Signature)

DATE SIGNED (Do not type)

*Stacy Q. Hernandez*  
PRINTED NAME AND TITLE OF PERSON SIGNING

*9/23/09*

Stacy Q. Hernandez, Contracts Manager, Budget and Contracts Branch  
ADDRESS

1800 Third Street, Room 350, Sacramento, CA 95811

X Exempt per: SCM 4.04.3 (DGS Memo dated 6/12/81)

**New BU#**

917115200273 CA HCD - Nnbrhd Stabilization Prg

**BU Title**

**Fund**

273 908

**Cat. 8**

**Description**

Capital Contribution

**Cat 15**

10

**Description**

Other