

AGENDA



Thursday, January 29, 2009

**Neighborhood Housing and Community Development
RECOMMENDATION FOR COUNCIL ACTION****Item No. 12**

Subject: Approve a resolution authorizing the City Manager to apply to the Texas Department of Housing and Community Affairs for Housing and Economic Recovery Act Neighborhood Stabilization Program funds to help mitigate the impact of the foreclosure crisis in Austin neighborhoods.

Amount and Source of Funding: Funding is provided through the Texas Department of Housing and Community Affairs.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Margaret R. Shaw, Director, Neighborhood Housing and Community Development, 974-3184.

Neighborhood Housing and Community Development (NHCD) is asking for Council authorization to submit an application to the Texas Department of Housing and Community Affairs (TDHCA) for Housing and Economy Recovery Act (HERA) Neighborhood Stabilization Program (NSP) funds.

The Housing and Economic Recovery Act of 2008 established the NSP. This \$3.92 billion dollar fund is designed to aid communities fighting the devastation brought about by the national foreclosure crisis. The funds originate with the U.S. Department of Housing and Urban Development (HUD). Of approximately \$178 million allocated to Texas, \$75 million has been directly allocated to cities and counties (of which Austin is not included); the balance of which, approximately \$102 million, will be distributed through TDHCA for all other Texas communities to access for the purposes of:

1. Demolishing blighted structures;
2. Purchasing abandoned or foreclosed homes with the intention to sell or rent the properties;
3. Providing financing such as mortgage financing for households earning 50 percent or less of area median family income (MFI, currently \$35,550 for a family of four) or down payment and closing cost assistance for households earning up to 120 percent MFI (currently \$82,900 for a family of four) of the area median family income;
4. Acquiring, demolishing and/or rehabilitating foreclosed and blighted properties and holding properties for up to 10 years in land banks; and
5. Redeveloping demolished or vacant properties.

While Austin has not seen the devastating foreclosure rates other regions of the country are experiencing, our foreclosure numbers are on the rise.

TDHCA is providing Travis and Williamson Counties direct allocations of \$2,017,952 and \$1,066,554 respectively. Austin is in a particularly positive position in this case because the city boundaries are located within both Travis and Williamson Counties. The City of Austin will be allowed to apply for funds from both of these county-wide allocations in collaboration with each county. Additionally, \$10 million is being earmarked for land banks and trusts. The Texas State Affordable Housing Corporation (TSHAC) will coordinate these local and statewide activities. Travis and Williamson Counties, including the City of Austin, are also eligible to apply for these funds for use in conjunction with or coincidental to the other direct allocation of funds.

To simplify the application process, TDHCA calculated funding amounts based on need county-wide. NHCD is working with Travis and Williamson Counties' housing staffs to determine a process to apply for funds to ensure each entity will have access to adequate funding to serve their respective populations. NHCD and Travis County staffs are currently determining a proposed division of the available funds.

While the city and county governments will be able to develop individual requirements for delivery of the funds within the approved uses, there are requirements outlined in the HERA legislation. Those requirements are:

1. All NSP funds must be used on foreclosed properties or properties that are in the process of being foreclosed upon;
2. Foreclosures must be mortgage foreclosures rather than tax foreclosures;
3. Properties must be vacant at least 90 days before acquisition;
4. Twenty-five percent of the funds must be allocated to residents at 50 percent MFI and below;
5. Properties purchased for rehabilitation, redevelopment and sale or land banking must be purchased at a discount (at least five percent from the appraised value with appraisal no more than 60 days from purchase); and
6. The end result of any utilized funds must be the eventual purchase of a foreclosed property by a qualified buyer or renter.

NHCD anticipates submitting a proposal in collaboration with Travis and Williamson counties for the direct allocation of funds in February 2009 and if authorized, will also further research and possibly apply for, land bank NSP funds from TSAHC. If approved, the detailed program design will be presented to the Community Development Commission for review and comment. The Austin Housing Finance Corporation will administer any programs utilizing these NSP funds.