Neighborhood Housing and Community Development

RECOMMENDATION FOR COUNCIL ACTION

Subject: Approve a resolution authorizing the negotiation and execution of a contract between the City of Austin and the Texas Department of Housing and Community Affairs, in an amount not exceed $2,542,618, to help mitigate the impact of the foreclosure crisis in Austin neighborhoods through the Neighborhood Stabilization Program funded by the Housing and Economic Recovery Act 2009.

Amount and Source of Funding: Funding in the amount of $2,542,618 will be provided through the Texas Department of Housing and Community Affairs. The Neighborhood Stabilization Program is a reimbursement program that will require repayment.

Fiscal Note: A fiscal note is attached.

For More Information: Margaret R. Shaw, Director, Neighborhood Housing and Community Development, 974-3100

Prior Council Action: January 29, 2009 - Council authorized the City Manager to apply to the Texas Department of Housing and Community Affairs for Housing and Economic Recovery Act Neighborhood Stabilization Program funds.

This recommended action authorizes Neighborhood Housing and Community Development (NHCD) staff to negotiate and execute a contract with the Texas Department of Housing and Community Affairs (TDHCA) to accept Neighborhood Stabilization Program (NSP) funds up $2,542,618.

While Austin has not seen the devastating foreclosure rates other regions of the country are experiencing, local foreclosure numbers are on the rise. With this NSP and existing NHCD/Austin Housing Finance Corporation (AHFC) programs, staff expects to assist between 15 – 20 new homeowners by purchasing foreclosures, making necessary repairs and providing eligible buyers with down payment and closing cost assistance. NHCD plans to utilize its current programs and methods of delivery to allocate these funds which will ensure limited time is spent on program development and resources can be focused on disseminating the new resource as quickly as possible. Repayment of TDHCA funds will be income generated by home sales. These programs include:

- Land Bank/Trust;
- Down Payment and Closing Cost Assistance;
- Home Buyer Education;
- Acquiring, demolishing, rehabilitating and redeveloping foreclosed, blighted, demolished and vacant properties

The federal Housing and Economic Recovery Act of 2009 established the NSP. This $3.92 billion dollar fund is designed to aid communities fighting the devastation brought about by the national foreclose 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 the TDHCA for all other Texas communities to access for the purposes of:
• demolishing blighted structures;
• purchasing abandoned or foreclosed homes with the intention to sell or rent the properties;
• 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;
• acquiring, demolishing and/or rehabilitating foreclosed and blighted properties and holding properties for up to 10 years in land banks; and
• redeveloping demolished or vacant properties.

While the city may develop individual requirements for delivery of the funds, HERA stipulates:

• All NSP funds must be used on foreclosed properties or properties that are in the process of being foreclosed upon;
• Foreclosures must be mortgage foreclosures rather than tax foreclosures;
• Properties must be vacant at least 90 days before acquisition;
• 25 percent of the funds must be allocated to residents at 50 percent MFI and below;
• 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
• The end result of any utilized funds must be the eventual purchase of a foreclosed property by a qualified buyer or renter.