

RESOLUTION NO. 2009-90

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
APPROVING MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN
CITY OF MARINA AND MONTEREY COUNTY, CALIFORNIA,
CONCERNING THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)
AND AUTHORIZING CITY MANAGER TO EXECUTE MEMORANDUM OF
UNDERSTANDING ON BEHALF OF CITY SUBJECT TO FINAL REVIEW
AND APPROVAL BY THE CITY ATTORNEY

WHEREAS, the U.S. Congress established the Neighborhood Stabilization Program (NSP) in 2008 to respond to the nationwide foreclosures crisis, and;

WHEREAS, the City of Marina is eligible for an allocation of \$117,278 of NSP funds from the State Department of Housing and Community Development, but may not apply for the funds directly because the allocation is less than \$1 million (one million dollars), and;

WHEREAS, Monterey County is prepared to include the City in a joint grant application for the funds and administer the grant on behalf of the City, and;

WHEREAS, execution of a Memorandum of Understanding (MOU) between the City and the County confirms the County acting on behalf of the City.

WHEREAS, NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina hereby:

1. Approve a Memorandum of Understanding (Exhibit A) between the City of Marina and Monterey County, California concerning the Neighborhood Stabilization Program (NSP), and;
2. Authorizing the City Manager to execute the Memorandum of Understanding on behalf of the City subject to final review and approval by the City Attorney.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 2nd day of June 2009, by the following vote:

AYES, COUNCIL MEMBERS: Ford, Gray, McCall, O'Connell, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: None

ABSTAIN, COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Dimitra M. Hubbard, Deputy City Clerk

EXHIBIT A
MEMORANDUM OF UNDERSTANDING
NEIGHBORHOOD STABILIZATION PROGRAM
- MONTEREY COUNTY JURISDICTIONS

EXHIBIT B



CITY OF MARINA
211 HILLCREST
AVENUE
MARINA, CA 93933
831- 884-
278; FAX 831- 384-9148

June 3, 2009

Mr. Jim Cook,
Director of Redevelopment and Housing
County of Monterey
168 W. Alisal Street, 3rd floor
Salinas, CA 93901

Dear Mr. Cook:

Re: Neighborhood Stabilization Program

The City of Marina ("City") has been allocated \$117,278.00 in Neighborhood Stabilization Program (NSP) funds by the State of California Department of Housing and Community Development (HCD) due to the foreclosure problem identified in the City.

In accordance with HCD's requirements under the Notice of Funding Allocation, HCD will only accept applications for NSP funds in a minimum amount of \$1.0 million. The City recognizes that its allocation is insufficient to apply directly for these funds. Therefore, as part of a City/County cooperative effort, the City hereby requests that the County include the City funding allocation in the NSP application to be submitted by the County of Monterey.

Sincerely,

Anthony J. Altfeld
City Manager
City of Marina

Cc: Doug Yount, Director of Development Services
Jennifer Coile, Interim Housing Coordinator

May 28, 2009

Item No: **10c**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 2, 2009

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2009-,
APPROVING MEMORANDUM OF UNDERSTANDING (MOU)
BETWEEN CITY OF MARINA AND MONTEREY COUNTY,
CALIFORNIA, CONCERNING NEIGHBORHOOD STABILIZATION
PROGRAM (NSP) AND AUTHORIZING CITY MANAGER TO
EXECUTE MEMORANDUM OF UNDERSTANDING ON BEHALF
OF CITY SUBJECT TO FINAL REVIEW AND APPROVAL BY THE
CITY ATTORNEY**

REQUEST:

It is requested that the City Council:

1. Consider adopting Resolution No. 2009-, approving Memorandum of Understanding between City of Marina and Monterey County, California, concerning Neighborhood Stabilization Program (NSP), and;
2. Authorizing City Manager to execute Memorandum of Understanding on behalf of City subject to final review and approval by the City Attorney.

BACKGROUND:

The Neighborhood Stabilization Program (NSP) is a Federal grant program of the U.S. Department of Housing and Urban Development (HUD), created in July 2008 when Congress passed the "Housing and Economic Recovery Act" (HERA). The goal is to stabilize areas suffering from high foreclosure and housing abandonment rates. In California, the funds are allocated to cities and counties through the California Department of Housing and Community Development (HCD).

There are five (5) eligible activities for NSP funds:

- Establish "financing mechanisms" for purchase and redevelopment of foreclosed homes and residential properties, such as "soft-second," loan loss reserves and shared-equity loans;
- Purchase and rehabilitate homes and residential properties abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties;
- Establish land banks for homes that have been foreclosed upon;
- Demolish blighted structures, and;
- Redevelop demolished or vacant properties.

NSP priority areas are defined as areas with the greatest percentage of foreclosures, areas with the highest percentage of homes financed by sub-prime loans, and areas identified as likely to face a significant rise in the rate of foreclosures.

All activities must meet at least one (1) of three (3) national objectives:

- Housing Activities: provide and improve permanent residential structures that will be occupied by household with income at or below 120% of area median income (LMMI);

- Area Benefit Activators; benefit all the residents of a primarily residential area in which at least 51% of the residents LMMI, and;
- Limited clientele activities: serve limited clientele who are LMMI.

Federal and state NSP regulations require that all properties purchased must be at a discount of fifteen (15%) percent from current appraised value. All homebuyers must complete homeownership education and counseling through a HUD-certified counseling program, such as that offered by the Housing Resource Center (formerly Housing Assistance Council and MOCHA) in Monterey County. The homes have affordability restrictions on resales for fifty-(50) years. NSP funds cannot be used for foreclosure prevention.

In October 2008, the Monterey County Tax Assessor provided foreclosure data in the incorporated cities and balance of the County. This report stated that in Marina, fifty-four (54) homes were in pre-foreclosure status and one hundred ten (110) had become bank-owned.

Since October 2008, the City's interim Housing Coordinator has participated in the Countywide Foreclosures Work Group to comment on draft NSP Program Guidelines and prepare for the County's eventual application for funds. The Group included city managers and other representatives of the NSP-eligible cities of Seaside, Gonzales, Greenfield, City of King and Soledad.

On January 26, 2008, staff conducted a duly noticed Public Hearing on "Comments on Opportunities for NSP Funding" required for the County application for NSP funds. Ten (10) people, including Planning Commissioner Steve Zmak and Council Member Frank O'Connell, attended the hearing. Hearing Notices were sent to five (5) local realtors, seven (7) lenders, the City's hearing notification email list and the Housing Element interested parties' list.

On February 3, 2009, the State Department of Housing and Community Development (HCD) announced a recalculation of the NSP allocation formula utilizing three (3) types of foreclosures data. HCD calculated an allocation for Marina of \$117, 278.

At a regular meeting of the Economic Development Commission on February 5, 2009, the Commission received information about the program.

According to HCD regulations, the minimum grant application for NSP is \$1 million. Marina may not apply directly to HCD for the funds, but needs to collaborate with other jurisdictions in order to reach the \$1 million threshold to submit a grant application. To support the County's grant application, the County Foreclosures Work Group recommends that each participating city executes a Memorandum of Understanding (MOU) with Monterey County.

The proposed MOU would authorize the submittal of a cooperative application and authorize the County as the Lead Agency for the purpose of submitting the application and implementing the program, identify the eligible NSP activities that will be undertaken and generally set forth how the program will be implemented if the funding is awarded ("**EXHIBIT A**").

The proposed MOU describes two (2) potential programs for utilization of the NSP funds, developed through the collaborative discussions of the Countywide Foreclosures Work Group:

- Activity A: establishment of financing mechanisms to assist eligible homebuyers purchase foreclosed homes.
- Activity B: acquisition and rehabilitation of foreclosed homes

Program descriptions with flow charts are attached to the MOU.

The recent “Federal Stimulus” package contained an additional \$2 billion for NSP, however, it will be allocated on a nationwide competitive basis, rather than the formula basis through the state programs. Applications must meet a threshold of a minimum of \$5 million and one hundred (100) units. As it was just released, it is too early to tell which jurisdictions, if any, will be applying for funds.

ANALYSIS:

The NSP program is complex and HCD has developed administrative requirements that combine the requirements of Community Development Block Grant, HOME, and many federal regulations such as the National Environmental Policy Act. The proposed Memorandum of Understanding (MOU) with Monterey County was developed through many months of research and discussion to develop a workable program to get income-eligible families into vacant foreclosed properties. Participating in the Countywide program enables Marina to enjoy the benefits of the program without the responsibility for compliance with the numerous state and federal program regulations for which the County will be responsible.

If the City elects to support the County’s application by participating in the MOU, the City has the option of designating a representative of the City to participate in a County NSP steering committee (staff level, not elected or appointed officials) responsible for policy development and program oversight. Execution of the MOU would facilitate the application for funds which must be obligated by March 31, 2010, subsequent to HCD approval of the grant application.

If Marina, or any city with an NSP allocation, declines to participate in the MOU with the County, the HCD program regulations provide for the NSP allocation to be automatically added to the “balance of county” allocation for Monterey County to administer.

Marina residents and employees are eligible to participate in Activity A, Financial Assistance, when they complete a homebuyer education program offered by HRC in Salinas and meet other program eligibility requirements. They may buy a home in Marina or elsewhere in the County’s NSP priority areas that meets the program’s criteria, such as homes constructed after 1978.

Vacant foreclosed properties within Marina may be included in Activity B, Acquisition and Rehabilitation, for purchase by income eligible and trained homebuyer-ready families on the HRC’s list of eligible families.

There is no local match/cash contribution required to participate in the countywide program. Should the City choose to send staff (possibly the interim Housing Coordinator) to participate in the County NSP steering committee, the City may incur costs for the time of the City representative to attend meetings and review documents.

Should the City Council approve the MOU, the County has requested a letter of support to include in the County’s NSP grant application (“**EXHIBIT B**”).

FISCAL IMPACT:

Should the City Council approve this request, the City will not receive the grant revenues directly because the County will administer the grant. Should the City elect to voluntarily participate in the County NSP steering committee, \$10,000 of funding for consultant time expended on the NSP steering committee activities is contained in the FY 2009-10 Budget and will be charged to Marina Redevelopment Agency, Project Area No. 1, Low and Moderate Housing Fund, Below Market Rate (BMR) Program Management, Account No. 47.447.67404.7401.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Jennifer N. M. Coile, AICP
Interim Housing Coordinator
City of Marina

REVIEW AND CONCUR

Douglas A. Yount
Development Services Director
City of Marina

Anthony J. Altfeld
City Manager
City of Marina

REVIEWED/CONCUR FISCAL IMPACT

Lauren Lai, CPA
Finance Director
City of Marina