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City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 4, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF AUTHORIZING THE CITY MANAGER TO EXECUTE A CONSORTIUM FUNDING AGREEMENT FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S (HUD) NEIGHBORHOOD STABILIZATION PROGRAM (NSP2)

ISSUE: Consideration of authorizing the City Manager to execute a Consortium Funding Agreement for the Department of Housing and Urban Development's (HUD) Neighborhood Stabilization Program (NSP2). The application is currently pending HUD's review and approval.

RECOMMENDATION: That the City Council authorize the City Manager to execute the requested NSP2 Consortium Funding Agreement with the Metropolitan Washington Council of Governments (COG) in order to meet HUD's requirement that such agreements be ratified by January 29, 2010.

BACKGROUND: The NSP was created in 2008 through the Housing and Economic Recovery Act (HERA) to help stabilize communities that are being hard hit by residential foreclosures, vacancy and abandonment. The City did not qualify for the first round of NSP funding as an entitlement jurisdiction, but did request and received an allocation of \$935,955 in NSP funds through the Virginia Department of Housing and Community Development's competitive application program. This program is now underway and the City recently completed its first purchase, rehabilitation and re-sale of a foreclosed home using these funds.

In 2009, the American Recovery and Reinvestment Act (ARRA) provided an additional \$2 billion to the program, an allocation commonly referred to as NSP2. Because NSP2 grant policies favor regional proposals, the City joined five other jurisdictions in applying for the program as a consortium with the Metropolitan Washington Council of Governments. These jurisdictions are the Counties of Fairfax, Prince George's and Prince William, and the Cities of Bowie and Gaithersburg. If awarded funds through NSP2, the City plans to use funding received through this program to assist first-time homebuyers in buying foreclosed homes within two Census tracts identified as eligible for the program. A portion of the funds will also be used to

acquire foreclosed units to be preserved as affordable, long-term rental housing. Only two City census tracts were identified by the Department of Housing and Urban Development as having a high risk of foreclosure activity, and were found to be eligible for inclusion in an application for NSP 2 funding: 1) Census Tract 2004.01, which includes areas of Eisenhower Avenue West and South Van Dorn Street; and 2) Census Tract 2001.03, which includes Lincolnia Hills and communities along Quantrell Avenue and Armistead Street. The total NSP2 request to HUD from the COG consortium was approximately \$30.9 million, of which \$3.56 million would be allocated to the City if the application is fully funded.

HUD has indicated that NSP2 awards will be announced in January 2010 and has requested that NSP2 lead agencies (in this case, COG) execute individual funding agreements with each consortium member by January 29, 2010. The agreement as currently drafted does not indicate the actual NSP2 amount, but will be completed upon HUD's final announcement of program awards. NSP2 will require completion of a programmatic Environmental Review Record and subsequent site specific environmental reviews. HUD does not require that the City amend its Consolidated Plan for Housing and Community Development prior to committing NSP 2 funds. The program can be implemented quickly as it relies on existing staffing and programs.

FISCAL IMPACT: An allocation of up to \$3,559,478 in NSP2 funds to the City of Alexandria. The NSP 2 Program has no match requirement, although communities are expected to leverage non-federal funds to the extent possible. Leveraging sources identified in the NSP2 application include the City's homebuyer training and counseling program, homebuyer contributions, and fees collected from exhibitors at the annual homeownership fair. The proposed program will provide supplemental funding to programs that already exist in the City and will not create a long-term commitment on the part of the City. It is expected that once NSP 2 funds have been expended over the course of the three year implementation cycle, the City's ongoing home purchase assistance programs, funded through the federal HOME Program and the City's Housing Trust Fund, could be used to meet this community need.

STAFF:

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