



**RESOURCE MANAGEMENT  
AGENCY  
COUNTY OF TULARE  
AGENDA ITEM**

**BOARD OF SUPERVISORS**

ALLEN ISHIDA  
District One

PETE VANDER POEL  
District Two

PHILLIP A. COX  
District Three

J. STEVEN WORTHLEY  
District Four

MIKE ENNIS  
District Five

**AGENDA DATE:** February 1, 2011

Public Hearing Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Published Notice Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Advertised Published Notice	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Meet & Confer Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Electronic file(s) has been sent	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Personnel Resolution attached	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Resolution, Ordinance or Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>

CONTACT PERSON: Celeste Perez PHONE: (559) 624-7000

**SUBJECT:** Review Options for Use of Neighborhood Stabilization Program 3 Grant Funds

**REQUEST(S):**

That the Board of Supervisors:

1. Review the eligible uses and options for the expenditure and allocation of a Housing and Urban Development Neighborhood Stabilization Program 3 (NSP3) Grant.
2. Provide direction to staff to use all of its NSP3 allocation within the unincorporated area of the County.

**SUMMARY:**

The County of Tulare has been awarded \$2,845,529 in Neighborhood Stabilization Program 3 (NSP3) funds from the Department of Housing and Urban Development (HUD). HUD released its NSP3 Action Plan and Guidelines on November 18, 2010. County staff met with HUD representatives on December 9, 2010 to discuss the Action Plan. HUD held a workshop on January 20, 2011 to give further direction regarding the Action Plan and give jurisdictions the opportunity to discuss their projects one-on-one with various HUD representatives. The Action Plan will be used to implement and administer NSP3 grant funds and is due to HUD by March 1, 2011.

NSP3 is designed to mitigate the negative impact of the nation's economic decline and housing market collapse and to stabilize and revitalize communities. The

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County has been selected by HUD to receive NSP3 funds; no other jurisdiction within the County was selected by HUD to receive NSP3 funds. NSP3 funds were allocated by a formula based on the number of foreclosures and vacancies in the 20 percent of U.S. neighborhoods with the highest rates of homes which are either financed by a subprime mortgage, are delinquent, or are in foreclosure. The minimum grant amount award was \$1 million for non-state grantees. As a result, these funds are targeted to communities with the most severe problems associated with the foreclosure crisis. NSP3's expenditure milestones are as follows: 50% must be obligated two years after executing the Grant Agreement and 100% after three years.

NSP3 includes the following uses:

- Use A: Financing Mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including soft seconds, loan loss reserves, and shared-equity loans.
- Use 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.
- Use C: Land bank homes and residential properties that have been foreclosed upon.
- Use D: Demolish blighted structures.
- Use E: Redevelop demolished or vacant properties as housing.

HUD requires that grant recipients target a specific neighborhood where funds would make an impact in arresting the decline of home values, reducing or eliminating vacant or abandoned residential properties, increasing sales of residential property, and increasing market values of real estate. However, it is permitted for a grantee to choose two neighborhoods to stabilize. Although, the grantee must demonstrate that stabilization has occurred in each neighborhood and that this will not reduce the impact that NSP3 funds have within the jurisdiction.

The County may use its NSP3 allocation throughout the entire County, including within city limits, provided each area of benefit is a specific geographically contiguous neighborhood. Additionally, the areas of benefit must meet selection criteria of the state minimum qualifying score as determined by HUD. The County is not required to enter into any partnerships to administer its NSP3 funds and could use its funds within city limits without partnering with that jurisdiction.

Staff is recommending the following uses for the County's NSP3 funds as a result of program regulations and direction from HUD.

*Option 1:*

Staff recommends using the County's NSP3 funds in support of the Ivanhoe Family Apartments project. The Ivanhoe Family Apartments project is a multi-family affordable housing complex being developed by the non-profit housing developer

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Corporation for Better Housing (CBH). The complex includes 80 units, all of which will be designated as affordable.

CBH has been in the process of developing this property since 2008. The County and Redevelopment Agency have partnered with CBH in support of this project and have secured various sources of grant funding. CBH has also been successful in securing other funding for the project. Below is a list of all of the funding being partnered on this project:

- HOME Investment Partnership Program grant: \$ 2,100,000
- Joe Serna Jr. Farmworker Housing grant: \$ 3,500,000
- Neighborhood Stabilization Program 1 grant (NSP1): \$ 854,000
- Community Development Block Grant (CDBG): \$ 350,000
- CDBG Program Income: \$ 400,000
- Tulare County Redevelopment Agency Tax Increment: \$ 150,000
- Permanent Mortgage Financing: \$ 1,510,000

To complete this project, CBH must also seek additional funding. If the entire NSP3 grant is committed to the Ivanhoe Family Apartments, CBH will be able to secure 4% Tax Credits from the California Tax Credit Allocation Committee. These types of Tax Credits are non-competitive. With Tax Credits secure, CBH will be able to move forward with the construction of the project in the summer of 2011.

If less than the full amount of NSP3 funds is contributed to CBH, then they will not be able to seek 4% Tax Credits and will be forced to compete for 9% Tax Credits. Because of the housing crisis, 9% Tax Credits have been very competitive in recent years, and if CBH were unsuccessful in securing either type of Tax Credits, the funds that have been contributed to this project would be in jeopardy of being disencumbered by their funding source. For these reasons, County staff believes that the best use of NSP3 funds would be to assist in the development of the Ivanhoe Family Apartments.

The advantages of this option are:

- the County would retain control over the use of grant funds;
- the County and Redevelopment Agency would receive the greatest amount of affordability covenants;
- the number of affordable units that are produced as a result of NSP3 funds would be greatest and the cost of producing these units would be less;
- NSP3 funds would have the greatest neighborhood impact; and
- administration costs would be decreased.

The disadvantages of this option are:

- only one jurisdiction would benefit from these funds.

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*Option 2:*

In addition to using the NSP3 funds within the unincorporated area of the County as indicated in Option 1, the Board could direct staff to use funds within a selected city. HUD has indicated that, if the County chooses to undertake activities within more than one geographical area, the County will be required to demonstrate that stabilization has occurred within both neighborhoods. Through this option, County staff would administer the entire NSP3 grant, but would use the funds within a selected city's jurisdiction and within the County. The Board could also choose to direct staff to use all of the NSP3 funds within a selected city's jurisdiction.

The advantages of this option are:

- multiple jurisdictions benefit from the grant funds;
- the County retains control over the expenditure of funds; and
- the funds would be used more efficiently as less administration and overhead would be required than through a partnership.

The disadvantages of this option are:

- the County would be required to demonstrate, through a variety of factors, that stabilization occurred in multiple jurisdictions as a direct result of these grant funds;
- the number of affordable units produced would be decreased and the cost of producing each unit would increase; and
- if the funds are distributed among a large number of jurisdictions, the effects of the program desired by HUD may not be achieved.
- less funding towards the Ivanhoe Family Apartments project will result in CBH being forced to compete for 9% tax credits.

**FISCAL IMPACT/FINANCING:**

NSP3 grant funds will cover administration, activity, and activity delivery costs for projects in the unincorporated areas or within a city's jurisdiction, as described in either option.

There is no net County cost to the General Fund.

**LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:**

**Economic Well Being** – This grant will allow the County to provide much needed housing assistance to low, moderate and middle-income residents throughout the County, which is consistent with the County's General Plan, Housing Element.

**Quality of Life** – This grant will further assist the County in demolishing and redeveloping blighted structures and preserving existing housing stock, which improves public health and welfare and furthers attainment of a suitable, affordable housing environment.

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**ALTERNATIVES:**

Staff has presented these options for consideration:

1. Use the entire NSP3 allocation within the unincorporated area of the County for the Ivanhoe Family Apartments project; or
2. Use a portion of the NSP3 allocation within the unincorporated area of the County for the Ivanhoe Family Apartments project and direct staff to administer a portion of the NSP3 allocation within a selected city.

**INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:**

Department of Housing and Urban Development to monitor the grant; County Counsel to review all documents; and Auditor/Controller to provide accounting and funds disbursement.

**ADMINISTRATIVE SIGN-OFF:**



Roger Hunt, Assistant RMA Director  
Administration/Community Development Branch

cc: Auditor/Controller  
County Counsel  
County Administrative Office (2)

Attachment(s)

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF REVIEWING )  
OPTIONS FOR USE OF ) RESOLUTION NO. \_\_\_\_\_  
NEIGHBORHOOD STABILIZATION ) AGREEMENT NO. \_\_\_\_\_  
PROGRAM 3 GRANT FUNDS )

UPON MOTION OF SUPERVISOR \_\_\_\_\_, SECONDED BY  
SUPERVISOR \_\_\_\_\_, THE FOLLOWING WAS ADOPTED BY THE  
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD FEBRUARY 1, 2011,  
BY THE FOLLOWING VOTE:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

ATTEST: JEAN M. ROUSSEAU  
COUNTY ADMINISTRATIVE OFFICER/  
CLERK, BOARD OF SUPERVISORS

BY: \_\_\_\_\_  
Deputy Clerk

\* \* \* \* \*

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2. Provided direction to staff to use all of its NSP3 allocation within the unincorporated area of the County.