



**REPORT TO MAYOR AND CITY COUNCIL**

AGENDA ITEM

TO: THE HONORABLE MAYOR  
AND CITY COUNCIL

DATE: January 20, 2009

SUBJECT: Approve a Memorandum of Understanding (MOU) between the City of Woodland, the City of West Sacramento, and Yolo County for the Neighborhood Stabilization Program, Submit a Joint Application for the Neighborhood Stabilization Program, and Hold a Public Hearing for the Application Submittal.

**Report in Brief**

The City of Woodland received a preliminary award of \$468,395 under the Neighborhood Stabilization Program (NSP) to purchase, redevelop, and finance foreclosed<sup>1</sup> or abandoned<sup>2</sup> homes and rental properties in the City. To apply for the funds, the City of Woodland must submit a joint application with the City of West Sacramento and Yolo County for a total of \$1.3 million. The California State Office of Housing and Community Development (HCD) also requires two public hearings for application submittal. The first public hearing was held on December 16, 2008. The second public hearing is required for the application's submittal.

Staff recommends that the City Council:

- Hold a second public hearing on the Neighborhood Stabilization Program
- Authorize the City Manager to execute on behalf of the City of Woodland, a Memorandum of Understanding (MOU) and all other documents required by HCD for participation in the Neighborhood Stabilization Program
- Authorize submittal of a joint application requesting \$1.3 million from the State Department of Housing and Community Development (HCD) Neighborhood Stabilization Program

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<sup>1</sup> The Federal Register defines "foreclosed" as a property that under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until the title for the property has been transferred from the former homeowner.

<sup>2</sup> The Federal Register defines "abandoned" where mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days AND the property has been vacant for at least 90 days.

### **Background**

In July of this year, Congress passed the Housing and Economic Recovery Act of 2008, also known as H.R. 3221 which included an allocation of \$3.9 billion dollars in funds to cities, counties and states for the purchase and redevelopment of foreclosed housing to stabilize local neighborhoods. On September 26th, the U.S. Department of Housing and Urban Development (HUD) announced its allocation list and program requirements for the Neighborhood Stabilization Program (NSP) as it has been called. These funds can be used for five eligible activities:

1. The establishment of financing mechanisms for the purchase and redevelopment of foreclosed homes and rental properties, including low interest loans, downpayment assistance, silent seconds, loan loss reserves, and shared-equity loans for households of 50-120 percent of area median income (AMI);
2. The purchase and rehabilitation of homes and rental properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
3. The establishment of land banks for homes that have been foreclosed upon;
4. The demolition of blighted residential structures; and
5. The redevelopment of demolished or vacant residential properties.

The funds **cannot** be used to assist owners that are currently in default and attempting to cure loan delinquencies, but only those homes where the original buyer has lost ownership and it has been returned to the lender. The funds also cannot be used to simply rehab or maintain homes that are foreclosed, but still owned by the lender.

Woodland did not receive a direct allocation from HUD. Instead, HCD received a direct allocation of \$145 million which it will disburse to individual jurisdictions after an application process. The maximum each jurisdiction can receive was announced November 14<sup>th</sup>. From that allocation, collectively, Woodland, West Sacramento, and Yolo County can receive \$1,319,114 in Neighborhood Stabilization funds. Woodland's individual allocation is \$468,395.

In order to obtain these funds Woodland, West Sacramento, and Yolo County must establish a MOU and submit a joint application. Woodland cannot apply for their portion of funds without the other two jurisdictions. In addition, **if the City decides not to apply for these funds the City will prohibit West Sacramento and Yolo County from applying for the funds as well.** Staff has met with West Sacramento and Yolo County representatives regularly to negotiate the MOU and prepare for the joint application.

NSP does not require matching funds. The program does allow for administration expenses. Under the State's allocation, the State will receive five percent of each allocation and the allocatees will receive five percent, for a total of 10 percent for administration costs per the program legislation.

### Discussion

This program has had to develop quickly due to the strict timeline the Congressional legislation demands. Therefore, many of the program details have not yet been decided by HCD. HCD has told allocates that the details of the program will be provided upon the Notice of Funding Availability's (NOFA) release in mid to late January. Once these details are made available staff will be able to answer many of the City Councils' previous questions.

With these funds, staff is proposing, **as the first and most appropriate option**, to fund homebuyer assistance loans and housing rehabilitation loans to low and moderate income homebuyers (50-120% AMI). This option offers the opportunity to provide assistance to the greater number of families and households and can be effectively implemented in coordination with current City housing programs. Other options are that the City could buy homes directly, rehabilitate them and resell them, or more likely because of the limited fund availability, it may just offer financial assistance to buyers. The City may also attempt to reduce the levels of financial assistance needed by limiting the program to areas outside the floodplain (to avoid the high cost of flood insurance) or properties that do not require payment of Mello-Roos bonds. These provisions would expand eligibility to more buyers, because less financial subsidy would be needed, and cover more projects. Using only NSP funds, staff estimates the City could assist approximately four to six households. If the NSP funds can be leveraged with Community Development Block Grant (CDBG) funded Housing Rehabilitation loans or other homebuyer assistance funds, it is estimated that approximately six to eight households could be assisted. Staff estimates there are approximately 100 foreclosed homes in Woodland.

HCD recently announced that they will make program income available to the lead agency for reuse, but it must expend or obligate the program income within 90 days of receipt. Program income is any revenue the City might receive from repayments on loans or home sales. Any program income funds not expended or obligated in this 90-day period must be returned to the State. Jurisdictions will also be required to report quarterly on the status of any program income. With the ability to retain program income, the City is able to purchase, rehabilitate, or offer homebuyer assistance on more foreclosed homes than the original grant amount allowed over the 5 year life of the program.

In order to increase efficiency and speed of implementation, City staff expects to use the existing homebuyer assistance program with its network of private lenders, real estate agents, and NeighborWorks' loan packaging services. The basic premises of the City's existing homebuyer assistance program is that buyers are qualified not only on the basis of the total household income, but they are expected to spend 30% of their income on household costs which include the principal, interest, insurance, and taxes required to obtain a mortgage. To be a good candidate for this program, the City will be looking for families that fall within the 50 – 120% AMI category, have a good credit, have steady employment, be able to provide some level of downpayment, and be able to secure a private loan. As an example according to the 2008 income limits families of four making between \$35,500 and \$85,200 would be income eligible for this program.

The benefits of this program are: a) to relieve the City of foreclosed, abandoned, and blighted homes; b) revive the look of neighborhoods that have been hit especially hard by the high vacancy rates; and c) replenish and stabilize property tax revenues for the City. Although the banks that now

own these foreclosed properties are usually diligent in paying their property taxes, the value of the home has decreased and therefore it impacts values throughout the neighborhood which causes an adverse affect on property tax revenues. With the use of these funds to assist buyers in the purchase or rehabilitation loans, the City will be able to put families into these foreclosed and abandoned homes, therefore stabilizing the value of neighboring properties and protecting the current property tax revenues, perhaps even increasing the value of the homes over time.

In order to apply for these funds, the City is required to enter into a MOU with West Sacramento and the County of Yolo. Staff negotiations have resulted in a MOU substantially in the form attached to this staff report (Attachment B). There may be minor administrative changes to this MOU as more information is received from the State. Under the MOU, it was decided that West Sacramento will be the lead agency, responsible for entering into a contract with the State of California for the funds. Each jurisdiction will also receive five percent of their individual allocations for administration costs.

### **Fiscal Impact**

With this program, the City could receive \$23,419.75 for administration costs. Therefore, implementation of this program should not require an obligation from the General Fund. The grant also does not require any matching funds.

There may be a short term fiscal impact because the City needs to advance the funds for the program and must wait to be reimbursed by HCD. This reimbursement can take up to three months. Because the funds are allocated from the federal government, the reimbursement will not be affected by the current state budget impasse.

### **Public Contact**

A public hearing was held on December 16, 2008. Responses to the questions raised at that time are addressed in this report. A notice for this second public hearing was published in the *Woodland Daily Democrat* on December 24, 2008. The item was also posted in the City Council agenda.

### **Council Committee Recommendation**

Due to time constraints, the Affordable Housing Subcommittee has not been briefed on this issue. However, staff believes that the Subcommittee needs to be briefed on the State's Neighborhood Stabilization Program Guidelines when they are released with the NOFA and therefore comment on the design of the program before the application is submitted. The NOFA is expected to be released in mid to late January. The Subcommittee involvement will also guide staff in evaluating issues that may require additional consideration by the entire City Council.

**Alternative Courses of Action**

Alternative 1:

- Hold a second public hearing on the Neighborhood Stabilization Program
- Authorize the City Manager to execute on behalf of the City of Woodland, a Memorandum of Understanding (MOU) and all other documents required by HCD for participation in the Neighborhood Stabilization Program
- Authorize submittal of a joint application requesting \$1.3 million from the State Department of Housing and Community Development (HCD) Neighborhood Stabilization Program

Alternative 2:

- Do not approve the MOU between the City of Woodland, City of West Sacramento, and Yolo County
- Do not authorize submittal of a joint application to the Neighborhood Stabilization
- Do not a hold a public hearing for the Neighborhood Stabilization Program

**Recommendation for Action**

Staff recommends that the City Council approve Alternative 1.

Prepared by: Devon Horne  
Redevelopment/Housing  
Analyst

Reviewed by: Cynthia Shallit  
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP  
Assistant City Manager

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Mark G. Deven  
City Manager

Attachment A: Resolution

Attachment B: Memorandum of Understanding

**MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF WEST SACRAMENTO,  
THE CITY OF WOODLAND AND THE COUNTY OF YOLO  
FOR THE ADMINISTRATION OF A NEIGHBORHOOD STABILIZATION PROGRAM GRANT  
FROM THE STATE OF CALIFORNIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

This Memorandum of Understanding (“MOU”) dated \_\_\_\_\_, 2008, is entered into by and between the City of West Sacramento, a political subdivision of the State of California; the City of Woodland, a political subdivision of the State of California; and the County of Yolo, a political subdivision of the State of California (individually, “Party”; collectively, “Parties”).

WHEREAS, foreclosed and abandoned homes have an adverse effect on public safety and the general welfare by contributing to blight, vandalism, illegal occupancy, violation of public nuisance laws, and declining property values; and

WHEREAS, the State of California Department of Housing and Community Development (“HCD”) has announced that the Parties are eligible to submit a joint application for Neighborhood Stabilization Program (“NSP”) funding to reduce the number of foreclosed and abandoned homes; and

WHEREAS, the Parties intend to submit a joint application to HCD to receive NSP funding; and

WHEREAS, Appendix A of the State of California NSP Substantial Amendment submitted to the U.S. Department of Housing and Urban Development requires the Parties to execute a memorandum of understanding to be eligible to submit a joint application for NSP funding.

NOW, THEREFORE, the Parties hereto agree as follows:

1. General

This MOU is subject to the terms and requirements of applicable sections of the Code of Federal Regulations and the California Code of Regulations. The Parties shall be responsible for the activities designated below.

- a. The establishment of financing mechanisms for the purchase and redevelopment of foreclosed homes and rental properties, including low interest loans, downpayment assistance, silent seconds, loan loss reserves, and shared-equity loans for households of 50-120 percent of area median income (AMI);
- b. The purchase and rehabilitation of homes and rental properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- c. The establishment of land banks for homes that have been foreclosed upon;
- d. The demolition of blighted residential structures; and
- e. The redevelopment of demolished or vacant residential properties.

2. Future Applications

Submission of future joint applications to HCD for NSP funding shall be governed by this MOU. Any future application for NSP funds submitted individually by any Party to this MOU shall not be subject to the terms of this MOU.

3. Purpose

This MOU sets forth the relationship and responsibilities of the Parties in applying for and, if successfully awarded funding from the State of California, administering and implementing the State of California NSP.

4. Managing Agency

- a. If the grant funds are awarded, the lead public entity shall be the City of West Sacramento ("Managing Agency"), which shall be responsible for the management of the NSP standard agreement which the Managing Agency shall execute with the State of California. The responsibilities of the Managing Agency shall include, but shall not be limited to the following:
  - i. Upon notice from HCD that the application has been approved for funding, execute all grant documents necessary for the administration of the grant.
  - ii. In accordance with federal and state regulations related to NSP administration, conduct financial management and reporting; compile and submit performance reports; complete grant closeout procedures; and fulfill audit and monitoring requirements.
  - iii. Provide to all Parties other than the Managing Agency one (1) copy of the NSP standard agreement; all NSP reports, including, but not limited to, payment requests, financial accomplishment reports, performance reports; and grant closeout reports.
  - iv. Upon a Party other than the Managing Agency providing the Managing Agency with a request for reimbursement payment, submit to HCD a request for payment in the same amount as requested by the requesting Party within a reasonable time, not to exceed thirty (30) days. Requests to HCD shall only be made by the Managing Agency provided that the requesting Party has provided sufficient documentation necessary to support the request for payment as required by the NSP standard agreement.
  - v. Upon receipt of money from HCD and only to the extent that HCD funds the specific request made by the Managing Agency on behalf of the requesting Party, pay to the requesting party consistent with the NSP standard agreement the full amount received from HCD within a reasonable time not to exceed thirty (30) days.

5. Grant Implementation

- a. The allowable NSP grant administration funds (5% of the grant, if received) will be **distributed** as follows:

City of West Sacramento: \$36,467.75

County of Yolo: \$6,068.20

City of Woodland: \$23,419.75.

- b. All Parties shall **provide** information and documentation to the Managing Agency as needed to comply with State NSP reporting and monitoring requirements.
- c. Each of the Parties shall be responsible for the implementation of the program or programs contained in the grant application for State NSP funds. Implementation responsibilities include, but are not limited to, fulfillment of federal and state regulations applicable to NSP regarding:
  - i. Citizen participation requirements.
  - ii. Environmental review procedures.
  - iii. Labor standards procedures.
  - iv. Procurement procedures, project design, work write-ups, bid processes, change orders, and other related project implementation steps required for the successful completion of NSP funded projects.
  - v. All other project requirements as set forth in federal and state regulations applicable to NSP.

6. Notifications

All notifications, documents or other written correspondence required for the submission of the NSP grant application or for grant administration or in any way related to this MOU shall be forwarded to:

CITY OF WEST SACRAMENTO  
 Housing and Community Investment  
 1110 West Capitol Avenue  
 West Sacramento, CA 95691  
 ATTN: Louise Collis

COUNTY OF YOLO  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 ATTN: \_\_\_\_\_

CITY OF WOODLAND  
 Redevelopment & Housing  
 520 Court Street  
 Woodland, CA 95695  
 ATTN: Cynthia Shallit

7. Duration of this MOU

This MOU shall be effective upon the date of submission of an NSP application to HCD. If funded, this MOU shall remain in effect until such time as the NSP standard agreement has been successfully closed out by HCD. In the event the joint NSP application is not funded, this MOU may be terminated by any of the Parties by submitting a written thirty (30) day notice to all Parties.

8. Disposition of Acquired Property or Assets

All property, real or personal, acquired during the administration of this grant shall be disposed of in accordance with federal and state regulations applicable to NSP. Any additional funds

contributed to the grant by the Parties to this MOU and remaining on hand after the completion of the grant shall be returned to each Party in the amount originally contributed.

9. Amendments

This MOU may only be amended by mutual written agreement of all of the governing bodies of all of the Parties. The amendment must have prior approval from the State of California NSP and may not materially affect the State's responsibilities for administering the NSP.

10. Provision of Insurance

The Parties to this MOU shall maintain comprehensive general and automobile liability insurance during the term of this MOU. The amount of insurance coverage shall not be less than one million dollars (\$1,000,000) per occurrence.

11. Worker's Compensation

Consistent with state law, the Parties to this MOU shall maintain Worker's Compensation insurance during the term of this MOU.

11. Indemnity

Each party shall indemnify, defend, and hold harmless all other Parties, their officers, officials, agents, and employees and volunteers from and against any and all claims, damages, demands, liability, costs, losses and expenses, including, without limitation, court costs and reasonable attorneys' fees, arising in any manner by reason of negligent acts or negligent failure to act, errors, omissions or willful misconduct incident to the performance of this MOU. The provisions of this paragraph shall survive termination or suspension of this MOU.

12. Assurances

The Parties to this MOU agree to be bound by any and all assurances required pursuant to federal and state regulations applicable to NSP and the NSP NOFA issued by HCD.

13. Resolutions

This MOU shall be accompanied by certified resolutions from each Party authorizing its execution.

14. Entire Agreement

This MOU contains the entire agreement of the Parties regarding the subject matter herein. This MOU supersedes any prior or contemporaneous negotiations, representations, agreements, and understandings of the Parties with respect to the subject matter herein.

15. California Law

Except to the extent governed by federal requirements, this MOU is made under and will in all respects be interpreted, enforced, and governed by the laws of the State of California, without regard to rules regarding conflict of interest law.

16. Legal Actions

Any legal action arising out of this MOU shall be filed in and adjudicated by a court of competent jurisdiction in the County of Yolo, State of California.

17. Jointly Negotiated

This MOU has been jointly negotiated and drafted. The language of this MOU shall be construed as a whole according to its fair meaning and not strictly for or against any Party to this MOU.

18. Effective Date

This MOU shall become effective on the date on which the last governing board to approve this MOU executes this MOU.

19. Counterparts

This MOU may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. Assignment

No Party to this MOU shall have the right to assign this MOU or any interest or right hereunder without the prior written consent of the governing boards of all of the other Parties.

NOW, THEREFORE, the Parties hereto execute this MOU, effective as of the last date executed by all Parties.

**CITY OF WEST SACRAMENTO**

**COUNTY OF YOLO**

\_\_\_\_\_  
By: Christopher Cabaldon  
Title: Mayor  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ATTEST:**

**ATTEST:**

\_\_\_\_\_  
By: Kyrss Rankin  
Title: City Clerk

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**APPROVED AS TO FORM:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
By: Robert Murphy  
Title: City Attorney

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF WOODLAND**

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By: Mark G. Deven

Title: City Manager

Date: \_\_\_\_\_

**ATTEST:**

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By: Susan Vannucci

Title: City Clerk

**APPROVED AS TO FORM:**

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By: Andrew Morris

Title: City Attorney

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND  
TO APPROVE THE MEMORANDUM OF UNDERSTANDING, APPROVE  
SUBMITTAL OF A JOINT APPLICATION TO THE NEIGHBORHOOD  
STABILIZATION PROGRAM, HOLD A PUBLIC HEARING TO RECEIVE  
COMMUNITY INPUT ON THE JOINT APPLICATION**

**WHEREAS**, foreclosed and abandoned homes have an adverse effect on public safety and the general welfare by contributing to blight, vandalism, illegal occupancy, violation of public nuisance laws, and declining property values; and

**WHEREAS**, the State of California Department of Housing and Community Development (“HCD”) has announced that the Parties are eligible to submit a joint application to the Neighborhood Stabilization Program (“NSP”) for approximately \$1.3 million to reduce the number of foreclosed and abandoned homes; and

**WHEREAS**, Appendix A of the State of California NSP Substantial Amendment submitted to the U.S. Department of Housing and Urban Development requires the Parties to execute a memorandum of understanding to be eligible to submit a joint application for NSP funding.

**WHEREAS**, the Parties must enter into a Memorandum of Understanding (MOU) (substantially in the form attached to the staff report) in order to apply for NSP funding;

**WHEREAS**, the Parties intend to submit a joint application to HCD to receive NSP funding; and

**NOW, THEREFORE, BE IT RESOLVED, as follows:**

**Section 1:** This City Council hereby finds and determines that the foregoing recitals are true and correct;

**Section 2:** This City Council hereby approves the MOU (substantially in the form attached to the staff report and is on file with the City Clerk) between the City of West Sacramento, City of Woodland and County of Yolo;

**Section 3:** This City Council hereby directs staff to submit an application for NSP funding;

**Section 5:** This City Council hereby authorizes the City Manager to execute any agreements, contracts or other documents with the appropriate entities to carry out the NSP funded activities;

**Section 6:** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED, APPROVED AND ADOPTED** this 20<sup>th</sup> day of January, 2009 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Marlin H. "Skip" Davies

ATTEST:

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Sue Vannucci, City Clerk

APPROVED AS TO FORM:

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Andrew Morris, City Attorney