



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: February 17, 2009

SUBJECT: Cancellation of the City of Woodland's Neighborhood Stabilization Program funds

Report in Brief

In November 2008, the City of Woodland received a preliminary award of \$468,395 under the Neighborhood Stabilization Program (NSP) to purchase, redevelop, and finance foreclosed or abandoned homes and rental properties in the City. In the course of meeting the conditions associated with the use of these funds, staff worked with neighboring agencies and prepared information necessary to hold two public hearings.

As a result of revisions in the program, the City of Woodland will no longer receive the NSP funding from the State. The required changes were mandated by the US Department of Housing and Urban Development (HUD) which the State Housing and Community Development Department (HCD) must implement. These changes resulted in larger allocations of funds to urban counties and those communities with greater numbers of foreclosures. Woodland does not meet these thresholds.

A second public hearing to complete the application process had been scheduled for February 17, 2009 prior to staff being notified that Woodland is no longer eligible. The City Council needs to open the public hearing and announce the cancellation of the program.

Staff recommends that the City Council hold a second public hearing on the Neighborhood Stabilization Program and announce that the City is no longer eligible to receive the funds.

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, HUD announced its allocation list and program requirements for the Neighborhood Stabilization Program (NSP) as it has become known.

HCD received a direct allocation of \$145 million from HUD which it will disburse to individual jurisdictions after an application process. Woodland initially received a preliminary allocation of \$468,395 from HCD. To apply for the funds, the City of Woodland was required to submit a joint application with the City of West Sacramento and Yolo County for a total of \$1.3 million, execute a Memorandum of Understanding with the co-applicants and hold two public hearings. Staff worked to develop an MOU with West Sacramento and County staff and the City Council held a public hearing on December 16, 2008. A second public hearing was scheduled for January 20, 2009 and continued to February 17, 2009 when staff learned that the Notice of Funding Availability (NOFA) would be released in late January. The NOFA would contain all of the requirements and conditions associated with the use of the funds.

Unfortunately, on January 23, 2009 HCD released a memo explaining that HUD did not approve of HCD's methodology for allocating funds to jurisdictions. HCD was required to modify their methodology in order to receive HUD approval and funding. On February 2, 2009 new allocations were announced; under the new methodology the City of Woodland was not awarded NSP funds.

Discussion

This program has had to develop quickly due to the strict timeline the Congressional legislation demanded. In order to meet the strict timeline, staff worked with West Sacramento and Yolo County and presented information to the City Council for the December 16, 2008 public hearing even though all of the program conditions were not known or listed as preliminary. Many of the program details have since been revised to meet the objective of assisting larger urbanized communities recognized as having "the greatest need." After a revision of HCD's methodology, Woodland was no longer categorized as a jurisdiction with "the greatest need." When HCD announced a preliminary award of NSP funds to Woodland, staff estimated the number of foreclosures at approximately 100 homes. Today, there are 43 active foreclosures and 23 homes pending foreclosure in a community of 53,690. In comparison, the City of West Sacramento currently has about 700 foreclosures even though its population is comparable to Woodland.

Fiscal Impact

The City incurred program planning costs of less than \$1,000 in staff time and public noticing, in anticipation of receipt of funds. All program planning related expenses will be absorbed by the CDBG program.

Public Contact

A public hearing was held on December 16, 2008. A notice for the second public hearing was published in the *Woodland Daily Democrat* on December 24, 2008. The item was continued at the January 20, 2009 City Council meeting to February 17, 2009.

Recommendation for Action

Staff recommends that the City Council hold a second public hearing on the Neighborhood Stabilization Program and announce that the City is no longer eligible to receive the funds.

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