

To: Interested Parties  
From: Kara Douglas, Affordable Housing Program Manager  
Re: Neighborhood Stabilization Program 3 – Announcement of Public Comment Period  
Date: January 27, 2011

Contra Costa County, as the County lead agency, has received an allocation of \$1,871,294 of Neighborhood Stabilization Program (NSP3) funds. In order to access these funds, the County must submit an application to the federal Department of Housing and Urban Development (HUD) no later than March 1, 2010.

The Board of Supervisors is tentatively scheduled to consider approval of the NSP3 application (or Substantial Amendment to the FY 2010/11 Annual Action Plan) on February 15, 2011. The draft Substantial Amendment/NSP3 application is available for public review. The public review period will end on February 14, 2011.

### Background

In 2010, Congress appropriated a third round of neighborhood stabilization funds under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-202, approved July 21, 2010) (Dodd-Frank Act).

NSP3 provides targeted emergency assistance to state and local governments to acquire and redevelop vacant or foreclosed residential properties that might otherwise become sources of abandonment and blight within our communities.

The County has 24 months from the date it executes a contract with HUD to spend 50 percent of the funds, and three years to expend all funds and complete all projects. Twenty-five percent of the funds must be spent on projects that will be affordable to households with incomes that are less than 50 percent of the area median income (i.e. \$45,150 for a household of four).

The purpose of the Substantial Amendment to the Annual Action Plan is to set forth the target areas and programs for Contra Costa County NSP3 activities.

### *Determination of Target Areas*

HUD requires NSP3 funds be targeted to the areas with a high need as determined by HUD and in a manner that will have the highest impact to the neighborhood.

HUD requires NSP3 grantees use the HUD Foreclosure Need website. On the website, HUD provides estimates of foreclosure need and a foreclosure related needs score at the census tract level. The scores range from 1 to 20, with a score of 20 indicating census tracts with the HUD-estimated greatest need. In California, a minimum score of 17 is needed to be eligible for NSP3 funds. In Contra Costa County, there are 7 cities or communities that have at least one census tract with a score of 17 or higher. They are Richmond, North Richmond, San Pablo, Concord, Bay Point, Pittsburg, and Antioch.

HUD requires that grantees use HUD data to determine how many units in a given area must be rehabilitated to affect a positive impact on an area. The areas must be very small in order to make an impact with an allocation of only \$1.8 million. The Governor's budget proposal to disestablish redevelopment agencies may mean there will not be any redevelopment agency funds to assist in NSP3 activities.

HUD also requires grantees to also evaluate market conditions in order to select areas of need where market conditions will support the program and where there is a reasonable likelihood that the program will have a stabilizing impact on the community.

County staff consulted with city and County redevelopment agency staff to discuss NSP3. The city and redevelopment staff provided the County with additional neighborhood and market information. They also provided information on potential projects in those neighborhoods that would qualify for NSP3 funds.

*Determination of NSP3 Activities*

The County analyzed the data from HUD, the cities and County redevelopment areas, and other sources to evaluate need and market conditions. Staff then developed three tiers of projects: Tier 1 includes a portion of the Monument Corridor in Concord, downtown Pittsburg, and the south end of Tabora Road in Antioch. Tier 1 activities are multi-family rental projects that will serve low- and moderate-income families.

Tier 2 includes the cities and communities of Bay Point, North Richmond (City and County) and San Pablo. Tier 2 activities are multi-family rental projects that will serve low- and moderate-income families.

Tier 3 will initially be limited to a single Tier 1 or Tier 2 area. The Tier 3 activities are acquisition and rehabilitation of single family homes and home buyer downpayment assistance/shared appreciation loans.

Due to the highly constrained time frame in which HUD and local jurisdictions are working, this amendment contains flexibility to allow the County to reallocate funds between tiers without requiring additional substantial amendments.

The following table summarizes the program recommendations and amount of funds allocated to each program.

*NSP3 Activities*

<b>Activity #</b>	<b>Program</b>	<b>Area</b>	<b>NSP3 Allocation</b>	<b>Number of Units/Homes</b>
1	Multi-family foreclosure or vacant property acquisition, rehabilitation or construction for low-income households (LH25)	Tier 1 and Tier 2	At least \$467,824	6 units, more with additional funds for this activity
2	Multi-family foreclosure or vacant property acquisition, rehabilitation or construction for low-income households (LMMH)	Tier 1 and Tier 2	Up to \$1,216,341	12 units, fewer if more funds are used to support Activity 1
3	Revolving Fund for Purchase and Rehabilitation for Low Income Households (LH25)	Tier 3	None at this time. This project may be funded with at least \$467,824 if the Tier 1 and Tier 2 activities are not	To be determined

			feasible.	
4	Revolving Fund for Purchase and Rehabilitation (LMMH)	Tier 3	None at this time. This project may be funded with up to \$1,216,341 if the Tier 1 and Tier 2 activities are not feasible.	To be determined
5	Downpayment Assistance/Shared Appreciation Loans (LMMH)	Tier 3	None at this time. This project may be funded if the Tier 1 and Tier 2 activities are not feasible.	To be determined
6	NSP Program Planning and Administration	N/A	\$187,129	N/A

*NSP3 Implementation*

The County will issue a Request for Proposals in early spring seeking projects or developers in all tiers. County staff will initially pursue projects in the Tier 1 Areas. If there are no feasible projects in Tier 1, then the County will move to Tier 2. Finally, if there is no viable multi-family Tier 1 or Tier 2 project, the County will move forward with scattered site single family acquisition and rehabilitation activities in the Tier 3 areas.

The County will strive to coordinate activities with the Economic Development Board and local job training programs to meet the NSP3 “vicinity hire” requirement.