

**City of Homestead Summary of Proposed Amendment to the Neighborhood
Stabilization Program (NSP)
June 2010**

Background

In 2008, the U.S. Department of Housing and Urban Development (HUD) allocated \$2,887,010 in Neighborhood Stabilization Program (NSP) funds to the City of Homestead. Since that time, the City has been working to fulfill the requirements of the program, which mandates obligation of funds within 18 months of the contract award. Program funds must be spent within strict parameters and are designed primarily to provide homeownership opportunities to low and moderate income residents through the acquisition of foreclosed properties.

After operating the program for 14 months, it is apparent that some strategies are working well and others are not. Therefore, an amendment to NSP is required to shift funding between categories and to adjust strategies as needed. The deadline to obligate funds is September of 2010.

The amendment will also revise the original NSP submission to clarify program procedures, incorporate relevant HUD correspondence, and reflect the current amendment. The original premises of the NSP submission (methodology, source data, etc.) will not change.

The amendment will include a 15-day public comment period, a public meeting, submission to HUD for review, and a revision of budgeted activity amounts.

Proposed Changes

Overall, the NSP has progressed successfully in the City of Homestead. The following chart summarizes the current allocation of funding the proposed shifts. An explanation by line item is provided below.

Current NSP Activities		Amended NSP Activities		
Activity	Amount	Activity	Amount	Amount of Increase or Decrease
LMI Rental Rehabilitation	\$721,752.00	LMI Rental Rehab	\$ 872,685.00	\$ 150,933.00
Downpayment Assistance	\$888,278.50	Dowpayment Assistance	\$ 50,000.00	\$ (838,278.50)
Purchase Rehabilitation	\$888,278.50	Purchase Rehabilitation	\$ 1,675,624.00	\$ 787,345.50
Demolition	\$100,000.00	Demolition	\$ -	\$ (100,000.00)
Administration	\$288,701.00	Administration	\$ 288,701.00	\$ -
TOTAL	\$2,887,010.00	TOTAL	\$ 2,887,010.00	\$ -

Line Item Explanation

LMI Rental Rehabilitation:

In the original NSP amendment application, LMI Rental Rehabilitation was referred to as “LMI and Special Needs” which is the required 25 percent set-aside for very low income people (defined as people who earn 50 percent or less of area median income). As the program has progressed, the category has been refined to “LMI” and can include Special Needs, but is not necessarily a combination of both. The budget for this activity is increasing from the mandatory 25 percent to approximately 30 percent of the NSP allocation. The current budget is \$721,752, and the amended budget will be \$872,685. The intent of this activity is to provide rental properties for low income families. All properties that have been purchased will be rehabilitated and then offered to low income families for rent at affordable rates.

The increase was necessary because there are a large number of properties available for this activity. All acquisitions at this time are or will be within the 33030 ZIP Code, which is the traditional center of Homestead. This ZIP Code is ideal for rental properties because of its proximity to retail, services, and public transportation.

Downpayment Assistance:

The largest shift in funding is the transfer of \$838,270.50 out of the Downpayment Assistance activity into other areas such as LMI Rental Rehabilitation and Purchase Rehabilitation. The revised budget is now \$50,000.

The reduction is the result of several factors. First, the NSP requirements are complex, with few ways to simplify the program. This created delays that were not conducive to securing property in a competitive marketplace. Second, many of the applicants who were able to qualify and meet program requirements were, to a large extent, bankable and did not require the NSP assistance. It is possible that, given more time, the program would be successful. However, with a deadline approaching it is more important at this time to move the funds into other activities that are proceeding smoothly.

Purchase Rehabilitation:

The Purchase Rehabilitation activity purchases foreclosed properties, rehabilitates them completely, and then offers them for sale to low and moderate income people. This program has proved to be very successful. The amendment will increase funding from \$888,278.50 to \$1,675,624.

Demolition:

The Demolition activity is being deleted. This activity was originally intended to demolish abandoned buildings. However, the funds were not utilized due to program constraints and could be better used in other activities.

Administration:

This activity was budgeted at 10 percent of the overall allocation. There is no change in this activity.

Geographic Distribution:

The original NSP submission organized the program according to ZIP Codes within the City of Homestead. This amendment adheres to this methodology, although the allocation now varies among the ZIP Codes from the original submission.

Zip Code	Activity	Percentage Allocated by Activity Per Zip Code	Amount
33033	Downpayment Assistance	2%	\$ 50,000.00
33030	LMI Rental Rehabilitation	30%	\$ 872,685.00
33033	Purchase Rehabilitation	16%	\$ 451,151.00
33035	Purchase Rehabilitation	42%	\$ 1,224,473.00
	Administration	10%	\$ 288,701.00
	Total	100%	\$ 2,887,010.00

ZIP Code 33033

The 33033 ZIP Code alone will receive downpayment assistance based on current demand. The 33033 ZIP Code will receive Purchase Rehabilitation funding in essentially the same amount as before.

ZIP Code 33030

LMI Rental Rehabilitations will be directed to this ZIP Code based on demand and the proximity to services for renters who may not have transportation. This ZIP Code is proximate to City services, grocery stores, pharmacies, restaurants and public transportation. LMI rental providers have requested this ZIP Code because of its convenient location.

ZIP Code 33035

ZIP Code 33035 will receive a larger allocation of Purchase Rehabilitation funds because there is a huge inventory of foreclosed houses in this area. This is a newer part of the City and demand for housing is high among moderate income families.