COUNTY DEPARTMENT AGENDA REQUEST

Department:	Planning & Zoning	Presenter(s):	Pete Frisina/Tom Williams
Meeting Date:	Wednesday, September 2, 2009	Type of Request:	Old Business

Wording for the Agenda:

Discussion of the Neighborhood Stabilization Program (NSP) Grant Award approved on March 27, 2009, in the amount of $1,178,544.

Background/History/Details:

On January 14, 2009, the BOC approved the submittal of an application for a NSP Grant for a down payment assistance program to provide incentives for purchasing houses under foreclosure. The application was submitted on January 15, 2009. The grant award was approved on March 27, 2009, by the DCA with 21 General Conditions and six (6) Special Conditions. Special Condition #3 limits NSP assistance to only four (4) census block groups. The County had 45 days to respond to the Special Condition. Staff responded on May 8, 2009, and requested the area be expanded to include a total of 13 census block groups. Only July 10, 2009, the DCA provided notice to the County that Special Condition #3 still retained the limit of only four (4) census block groups.

What action are you seeking from the Board of Commissioners?

Direction from the Board of Commissioners regarding participation in the Neighborhood Stabilization Program.

If this item requires funding, please describe:

The Grant will require Staff time for administration; however, approximately $70,712 will be available from the $1,178,544 Grant for administrative costs. The Grant does not require matching funds.

Has this issue come before the Commissioners in the past?	Yes	If so, when?	Thursday, May 28, 2009
Do you need audio-visual for the presentation?	Yes	Back-up Material Submitted?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing	Yes	Approved by County Clerk	Yes
Administrator's Approval	Yes		

Staff Notes:

Board of Commissioners
May 28, 2009

PUBLIC HEARING:

A. Presentation of an update on the Federal Neighborhood Stabilization Program and the grant awarded to Fayette County in the amount of $1,178,544. The public will be allowed to comment or ask questions.

Community Development Director Pete Frisina stated this public hearing was required under the Neighborhood Stabilization Program, or NSP, due to the grant award which was received at the end of March 2009, and that this hearing required no action from the Board. He clarified that this public hearing was to discuss the estimated amount of the grant, how the County intended to used the money, and what activities would be funded for the benefit of low, moderate, and middle-income persons. He explained that the NSP is a two-goal program with the first goal facilitating the purchase of foreclosed or abandoned homes so they do not fall into disrepair and the second goal benefitting low, moderate, and middle-income groups by placing them in housing. Mr. Frisina next gave a brief history regarding how Fayette County received the NSP grant award agreement, and noted there were 21 general conditions detailing requirements and administrative procedures that must be adhered to and six special conditions specified to Fayette County's application. Mr. Frisina briefly discussed the six special conditions applied to Fayette County, and gave further information about the particulars of the NSP, before the public was allowed to speak on this topic.

Alice Jones: Mrs. Alice Jones, a resident of Fayette County, asked what is the target area that the Department of Community Affairs, or DCA, identified to receive the funds.

Michael Meyer: Mr. Michael Meyer, a resident of Fayetteville and a former real estate investor, asked if there was any way to make the NSP available to investors or for nonowner occupied homes since many of the homes require money after they are purchased and many of the people who qualify for these types of homes are not looking for a "fixer-upper".

Virginia Dunn: Ms. Virginia Dunn, a resident of Fayette County and speaking on behalf of her community, stated she did not want investors to come into her community to buy the foreclosed homes. She explained the reason the community opposed the investors was because all the investors care about is money, that they do not care who moves into the community, and that the practice will only cause property to depreciate.

Gordon Furr: Mr. Gordon Furr, a resident of Tyrone, was concerned about purchasing extremely old foreclosed homes since the cost of cleaning the homes would need to be considered. He added old homes contain asbestos and lead and he did not believe the County's tax dollars would cover those expenses. He said his concern was driven by how he was personally affected by asbestos and lead due to his work around construction all his life and that was why he continually fights for clean air and water.

Larry Furr: Mr. Larry Furr, a resident of Fayette County, stated he was opposed to the West Fayetteville Bypass. Chairman Smith responded that this discussion was not pertaining to the West Fayetteville Bypass.

Mr. Frisina replied that the target areas designated by the DCA for grant funding were concentrated in the northern parts of Fayette County since the census plots in that area have risk scores of eight or greater. He added that the County is trying to expand the area to other portions of the County including Peachtree City, Tyrone, and the City of Fayetteville. Mr. Frisina also stated that if the County or investors obtained the homes, they would still be held responsible to ensure that only qualified people with low, moderate, or middle incomes would be placed in the homes and that the homes would have to remain affordable and stay in the possession of the people who ultimately take the home. He continued giving an explanation of the guidelines and stipulations imposed with the dispersion and use of the grant money and answered questions from the Board.

Chairman Smith clarified the downpayment assistance that the County agreed to facilitate with respect to the grant is for owner-occupied homes, and if the home is resold by the individual, which is outside the control of the county, then that person must repay the grant if they have not lived in the home for indicated period of time. He added the NSP is not designed for investor purchases of homes.

Commissioner Maxwell recalled that when he first heard about the NSP he was not in favor of it, but because no strings were attached to the grant money, he accepted it. He mentioned that the federal government would pay Fayette County an administrative fee of $70,000, but during the initial presentation of the NSP the Board was shown a map of eligible areas for NSP funds including unincorporated Fayette County, areas in the City of Fayetteville, areas in Peachtree City, and areas in the Town of Tyrone. He recalled commenting that because the NSP was for the entire County he was interested in the NSP since there were no strings attached. It seemed to him after the application was made all of a sudden there were a lot of strings attached to it and he did not know where the program was going. He understood during the initial presentation that the County was simply applying for the NSP grant, but he did not believe he could support the NSP if it only supported a little area in north Fayette County since most of the money would be wasted. He did not believe he could support a program like that, where he has misgivings, after he was told it would apply to the entire County and now it appears to apply only to a very small portion of the County. He said there were other areas in the County dealing with foreclosures and did not understand why the NSP did not apply to the entire County.

Mr. Frisina replied "We are trying to get that expanded". He explained the strings were due to the administration regarding how to fill out "all these things and follow all these guidelines", and said it was "just a mess, it is an amazing amount of work to keep track of this money, make sure you are spending it correctly, you have to be accountable for it at any time for DCA to come down and audit our procedure or our books".
Mr. Frisina concluded that DCA has not responded to the County's request to make the rest of the County eligible for grant funds and that the County is still in the application process even though Fayette County has the award.

Gloria Furr: Mrs. Gloria Furr, a resident and Council Person of Tyrone, asked what area in Tyrone had been specifically designated for NSP funds. She concluded that she was very concerned about the NSP, agreed with Commissioner Maxwell's concerns, and repeated her original question.

Chairman Smith replied that the original application included areas from different parts of the County where foreclosures were significant, but the approved grant did not include most of the areas that were indicated as qualifying when the County made its original application. He summarized that the grant money received by Fayette County did not include money designated for Tyrone.

Tom Waller: Mr. Tom Waller, a resident of Fayetteville, asked how long would the County have to continue submitting reports after it accepts the grant money, and he also wanted to know what department would be "saddled" with the requirement.

Mr. Frisina replied that the first half of Mr. Waller's question was dependent on the amount of money the County expends on an individual house or foreclosed property and that the different periods of affordability could be anywhere from five, ten or fifteen years. He stated the County is trying to stay within the five-year period of affordability and it would be controlled with legal documents and liens on the property. He answered Mr. Waller's second question saying the Planning and Zoning Department is working on the administrative portion of the NSP and the Finance Department is helping with the financial aspects. He added that the County is also working with lending institutions and the real estate community since they are partners in this endeavor, and those institutions are doing the front-end work by finding foreclosed homes, approving loans for people who can afford to purchase the homes, and by helping with down-payment assistance. Mr. Frisina concluded his presentation by answering more questions from the Board. A copy of the request, identified as "Attachment 2", follows these minutes and is made an official part hereof.

Fayette County Neighborhood Stabilization Program
Briefing Paper
August 17, 2009

Legislative Background In July 2008, President George W. Bush signed a bill approving the Housing and Economic Recovery Act of 2008 (HERA), providing funding for the Neighborhood Stabilization Program (NSP), a federal program addressing the housing foreclosure crisis.

Following expedited drafting and adoption of rules, regulations and guidelines by HUD, the Georgia Department of Community Affairs (DCA) completed the Georgia Action Plan for implementing the program in Georgia.

State Action Plan The State Action Plan requires grant recipients to meet requirements of the federal regulations, including:

1. A minimum of 25% of the grant funds must be expended for the benefit of households with an annual income less than 50% of the area median income (AMI).
2. The remaining funds must be expended for the benefit of households with an annual income less than 120% of the area median income (AMI).
3. All grant funds must be obligated no later than 18 months from the date of the grant offer (September 4, 2010 based on March 4, 2009 HUD grant offer).
4. The grant funds must be spent within HUD approved target areas.
5. A cap of $244,000 is set on the contract cost for each house.

That action plan included an allocation of $1,179,000 for use in Fayette County. Potential grant recipients were required to submit an application for the program funds no later than January 15, 2009.

Fayette County Application The Fayette County Board of Commissioners directed staff to apply for the NSP funding. On January 15, the NSP application was filed. That application proposed a program of Down Payment Assistance (up to $14,999 per house) with a requirement for Homebuyer Counseling. The eligible areas as proposed in the Fayette County application included 34 of the 40 Census block groups in Fayette County which is 85 per cent of the block groups.

Grant Award and Special Conditions On March 27, 2009, the notice of grant award was received. The grant award included approximately $1,098,000 for down payment assistance programs (focus of this briefing) and $80,700 for program administration and property disposition. The notice included 21 general conditions and six special conditions. Two special conditions were of concern to the county. Special Condition #2 required more detail on program ability to meet the required 25% minimum for households with income less than 50% of AMI. Special Condition #3 restricted the approved target area to only block groups with HUD Risk Scores of 8, 9 or 10. This requirement limited the Fayette County eligible area to four block groups in the northeastern part of the county (approximately 10% of Fayette's 40 total block groups). This restriction would make it very difficult for Fayette County to meet the 25% goal for HH's <50% AMI as it would reduce the potential pool of foreclosed upon properties.

Additionally, DCA set a new deadline of December 31, 2009 for termination of this round of grants. It now will require that no earlier than December 1, each grant recipient must file a progress report with a request for extension to the mandated project deadline of September 4, 2010. If DCA concurs that a grant recipient has made adequate progress, an extension would be approved.

Fayette Request for Target Area Expansion County staff researched foreclosure deed filings at the Superior Court, ranging from January 2007 through March 2009. Key findings include: the county's foreclosure problem is countywide with hotspots scattered throughout the county. Additional research of real estate listings (MLS) found that affordable housing for the target income groups was located throughout the county. Staff also found that the HUD defined target area did not have sufficient activity to utilize the available funds or to meet the 25% quota for low income households.

Citing the findings of this local research, on May 8, 2009, the county requested the addition of nine more block groups for a total of 13 block groups (approximately 33% of the county's total block groups).

State Response On July 10 the county received notice that all special conditions had been cleared, however, DCA's Special Condition #3 still retained the limitation that "..: Fayette County will only use NSP funds in Census Tracts with a HUD Risk score of 8 or higher." DCA did not expand the area as requested.

Fayette County Concerns DCA's response presents a dilemma for the county in that the restriction on eligible areas and a loss of 5 months from a tight 18 month mandated schedule makes it very difficult to achieve program objectives for encumbrance of funds. These concerns are supported by the following facts:

1. We must encumber and dispense grant funds for down payment assistance to show sufficient progress by December 1, 2009. Although DCA has not defined sufficient progress we assume that the evaluation would consider monthly progress for encumbrance of funds. At that point the 18 month grant would be 50% complete, so it is presumed that a key measure would be whether the grant recipient had drawn or encumbered half of its available funds. In the case of Fayette County, this would mean a total of $549,000. The monthly draw would need to be in the range of $91,500.
2. Fayette County's NSP grant is for a program of Down Payment Assistance (DPA) ranging from $13,000 to $14,999. We are assuming that 75% of the DPA awards will be at the $13,000 level and the remainder will be at the $14,999 level. This will require approximately seven closing a month over the next 12 months.
3. This must be done in an area where new listings (MLS) of foreclosed houses average 4.3 per month. The greatest number of new listings (MLS) of foreclosed houses in one month in the HUD target area is seven. (Based on review of July 29, 2009 MLS listings).
4. MLS data indicates that the HUD target area has a notably lower demand, as indicated by an average days on market of 126 as compared to 82 for the remainder of Fayette County.
5. County staff has continued to express concern that the available housing supply in the limited HUD target area is not sufficient to successfully disperse the grant funds within the program timeframe.

To exemplify these concerns, a scenario was developed for operation of a program from mid-August 2009 to the mandated deadline of September 4, 2010.

> In June 2009 there were seven available houses in the HUD target area. Assuming that the Fayette DPA program assists approximately 75% of the homebuyers, five would be sold with assistance of Fayette County NSP-DPA funds. Of those five, one would be at the $14,999 level and 4 at the $13,000 level for a total assistance of $66,999. Add to that approximately 3.5 new listings assisted each month based on an average of 4.5 total new monthly listings. That would total 42 homebuyers assisted over the 12 months: (31 at the $13,000 level and 11 at the $14,999 level), for a subtotal of $557,000. A total of $623,989 would have been encumbered or dispersed and 47 homebuyers assisted. This scenario is somewhat optimistic in that it assumes 75% capture of the foreclosed housing market in the area; has a slightly above average number of new listings; and, does not consider potential difficulties in finding eligible low income applicants and affordable houses.
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> The key finding in this scenario is that over the remaining period of the program to September 4, 2010, only 57% of the funds would have been drawn for program activities; and that is only if DCA provides an extension from December 31, 2009 to September 4, 2010, for the Fayette County program.

In consideration of the above concerns, input was sought from the Fayette County NSP's technical advisory committee which consists of representatives of the real estate industry and lending institutions. The committee recognized the issues and concerns as presented herein, and, despite regret over the loss of funds, there was an acknowledgment by some of the members of the committee that Fayette County's best course of action would be to withdraw from the program.

In closing, it is noted that Fayette County has never supported involvement in a Neighborhood Stabilization Program with a target area as limited as the one required by DCA and HUD. In our application submitted on January 15, 2009 and in the May 8 response to Special Conditions in the Grant Award, staff has sought approval of a large enough target area to support a program and provide both stabilization of affected neighborhoods and a housing base for qualifying low income households.