

NOTICE

NOTICE OF APPLICATION AND PUBLIC COMMENT PERIOD FOR THE NEIGHBORHOOD STABILIZATION PROGRAM 2 (NSP2)

Residents of the City of Los Angeles are advised about an application for funding for the new Neighborhood Stabilization Program 2 (NSP2), created by the American Recovery and Reinvestment Act (ARRA) of 2009 (H.R.1), signed by President Obama on February 17, 2009. The ARRA allocated nearly \$2 billion nationwide for this new program.

Los Angeles' greatest foreclosure problems are in older, lower-and-middle-income neighborhoods where new buyers purchased homes with dubious loan products and owners of existing homes took advantage of (or were taken advantage by) skyrocketing market values that permitted equity lines of credit and refinancing loans with terms that seemed to promise cash without consequences. Of the 15 Los Angeles City Council Districts, 12 contain census tracts that meet HUD requirements for NSP2 assistance. Most of these census tracts are in the target areas used for the first NSP grant (NSP1) application submitted in late 2008. Therefore, the City is proposing to intensify its existing NSP program operated by the Los Angeles Housing Department (LAHD) using NSP2 funds to significantly change and measurably improve housing market dynamics, as required by the NSP2 regulations.

The City's current NSP activities include participation in the property acquisition and leveraged financing programs offered by the National Community Stabilization Trust (Stabilization Trust) which works with financial institutions that hold title to foreclosed properties. These programs are complementary with and do not duplicate the City's local NSP activities. In order to participate in the financing programs offered by the Stabilization Trust, the LAHD will establish a financing approach which will leverage significantly more private loan capital to finance the acquisition and rehabilitation of vacant and foreclosed homes than would be possible without coordination with the Stabilization Trust. For more information, please see the Stabilization Trust's NSP2 webpage (www.stabilizationtrust.com).

The LAHD's strategies include transforming the worst, most blighted housing into attractive properties rehabilitated to the *Green Communities Standard*. A key feature of the LAHD approach will focus on homes and residential properties that are least likely to be purchased due to price and repairs needed. By purchasing or providing incentives to purchase these properties, LAHD will remove some of the most blighted properties that often provide opportunities for gang-related and other criminal activities in the neighborhoods. LAHD has designed two programs to do this:

- The Walk-In Purchase Assistance with Rehabilitation Program (WIP) Households with incomes at or below 120% area median income (AMI) identify foreclosed single family homes to purchase as their primary residences. All foreclosed properties acquired with NSP funds must be located within the identified target neighborhoods and purchased at a minimum 1% discount from the appraised value. The City provides mortgage assistance and rehabilitation loans to eligible homebuyers using NSP funds for "gap" mortgage assistance and rehabilitation loans up to:

- \$125,000 loan for low and moderate-income households at or below 80% AMI, (currently \$44,400 for an individual or \$63,500 for a family of four); and
- \$100,000 for middle-income households at or below 120% AMI (currently \$66,600 for an individual or \$95,150 for a family of four).

The LAHD staff will inspect the properties, develop the rehabilitation specifications and inspect construction to ensure that the methods, materials and workmanship match the scope of work.

- The REO Bulk Purchase Program through Restore Neighborhoods LA, Inc. (RNLA)
The RNLA, a Community-Based Development Organization (CBDO), is LAHD's NSP subrecipient, on contract to carry out NSP1 activities. It acquires foreclosed properties in bulk from lenders and servicers through the National Community Stabilization Trust. It rehabilitates single family homes and offers them for sale to homebuyers. It also works with mission-driven affordable housing developers to rehabilitate, purchase and manage rental housing with 55 year affordability covenants.

These two strategies can be used in every NSP target area, in combination and separately. Almost all foreclosed properties in the San Fernando Valley are single family detached homes and condominiums. The Valley has market forces that can be harnessed, with the proper financial incentives, to focus lower and middle income families on purchasing and rehabilitating foreclosures. The WIP provides these financial incentives.

The market in South Los Angeles and the Eastside is much more challenging. Because the average absorption periods are long – six and nine months respectively before a vacant home is purchased and occupied – blighted properties accumulate in those neighborhoods becoming havens for squatters and staging areas for crime. These foreclosed properties include smaller single family homes and two-to-four unit rental buildings. Strategies to address these areas differ from those that will work in the San Fernando Valley. The City is committed to arresting this downward spiral and eliminating blight in these neighborhoods. The REO Bulk Purchase Program will focus on South Los Angeles and the Eastside where the most distressed foreclosed properties are located. These properties will be purchased in bulk from lenders, rehabilitated and resold, transforming a huge negative into positive homeownership and long-term affordable rental opportunities for neighborhood residents.

The City's first NSP1 grant of \$32 million provided a needed starting point but much remains to be done to stabilize neighborhoods. Many more resources than are presently available will be required to stop the downward spiral of property abandonment. The NOFA requires that "the amount of NSP2 funds requested must be of sufficient size to contribute toward significant and measurable neighborhood stabilization in the target geography." This is why the City is requesting an allocation of \$100,000,000 in NSP2 funds to acquire, rehabilitate and re-sell approximately 1,200 affordable housing units.

The NSP2 eligible areas will be smaller target areas within the following 29 zip codes in the City: 90001, 90002, 90003, 90008, 90011, 90016, 90023, 90033, 90037, 90043, 90044, 90047, 90057, 90058, 90059, 90061, 90062, 91040, 91042, 91303, 91304, 91306, 91331, 91335, 91342, 91343, 91352, 91402, 91605. The NSP2 regulations

require that the grant dollars be used to significantly change and measurably improve housing market dynamics. Smaller areas must be used to create a visible difference in the neighborhood, gauge the impact of the program and support a ripple effect of improvement and rising property values.

The NSP2 application will be considered at the regular meeting of City Council Ad Hoc Committee on Economic Recovery and Reinvestment on the morning of July 10, at City Hall, 10th Floor, 200 N. Spring Street, Los Angeles, CA 90012. For exact time and room, see <http://lacity.org/lacity/YourGovernment/CityCouncil/CouncilCalendar/index.htm>

Written comments or questions on the proposed application will be accepted during the comment period from Friday July 3, 2009 through Monday, July 13, 2009. Comments can be sent by mail to the attention of Sally Richman, Los Angeles Housing Department, 1200 W. 7th Street, 9th Floor, Los Angeles, CA 90017, or by fax to 213-808-8404 or via email to srichman@lahd.lacity.org