COMMUNITY DEVELOPMENT COMMISSION
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November 18, 2008

Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

AUTHORIZE INCORPORATION OF NEW FEDERAL FUNDS FOR ACQUISITION AND REDEVELOPMENT OF FORCLOSED PROPERTIES (ALL DISTRICTS) (3 Vote)

SUBJECT:

This letter requests authorization to enable the Community Development Commission of the County of Los Angeles (Commission), on behalf of the County of Los Angeles (County), to receive and administer Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development's (HUD) Neighborhood Stabilization Program under the Housing and Economic Recovery Act of 2008, to provide targeted emergency assistance to the County for acquisition and redevelopment of foreclosed properties that might otherwise become sources of abandonment and blight within the 47 participating cities and the unincorporated areas of the County.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the incorporation of NSP funds is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

2. Authorize the Acting Executive Director to accept and incorporate $16,847,672 in Neighborhood Stabilization Program (NSP) funds into the Commission's Fiscal Year 2008-2009 budget, and to execute agreements for implementation of the NSP, as described in the amended Action Plan, to be effective upon approval as to form by County Counsel and execution by all parties.

3. Authorize the Acting Executive Director to accept and incorporate any additional funds received from the State of California NSP funds into the Commission's budget.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

On May 27, 2008, your Board approved the 2008-2009 One-Year Action Plan for the Thirty-Fourth Program Year (July 1, 2008 through June 30, 2009) to receive CDBG funds from HUD. The Action Plan contains the County's One-Year Plan to carry out housing and community development activities funded by the CDBG Program. The proposed additional NSP funds in the amount of $16,847,672 are consistent with the purposes set forth in the Action Plan. These funds will provide targeted emergency assistance for acquisition and redevelopment of foreclosed properties that might otherwise become sources of abandonment and blight within the 47 participating cities and the unincorporated areas of the County.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. A total amount of $16,847,672 in CDBG funds from HUD's NSP will be incorporated into the Commission's Fiscal Year 2008-2009 approved budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On July 30, 2008, the U.S. Congress enacted the Housing and Economic Recovery Act of 2008 (HERA), which created the NSP. The NSP is authorized under Title III of HERA to provide targeted emergency assistance to every State and certain local grantees to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of home values.

Based on HUD's allocation formula, the State of California will receive a total of $145,071,506 and the County will receive $16,847,672. Allocations to other local area jurisdictions are as follows:

- **Los Angeles Urban County** **$16,847,672**
- City of Los Angeles $32,860,870
- City of Palmdale $ 7,434,301
- City of Lancaster $ 6,983,533
- City of Long Beach $ 5,070,310
- City of Pomona $ 3,530,825
- City of Compton $ 3,242,817

Each NSP grantee receiving an allocation of NSP funds, including the State of California and Los Angeles County, must submit an Action Plan amendment to HUD by December 1, 2008 describing the intended use of these funds, and all funds must be committed within the statutory deadline of 18 months from their receipt. A related item on today's agenda for the Board of Supervisors recommends approval of the Action Plan amendment. Grantees may also apply to the State for additional funding if they can demonstrate that they have unmet needs and have the capacity to spend the funds in a timely manner.

The Commission will serve as the agent of the County for administration of the allocated NSP funds, implementing both homebuyer and affordable rental activities. In order to meet the program deadlines for commitment and expenditure, the Commission has adopted the design and procedures for two of its existing HOME Program activities: the HOME Ownership Program and the Scattered Sites Rental Program. Properties eligible for NSP funds must have been foreclosed upon or abandoned, and must be located within the target areas of the County that have been identified with the greatest need. Maps of the target areas are included in the Amendment to the Action Plan.

NSP Homebuyer Program

The NSP Homebuyer Program is designed to meet the needs of first time homebuyers who are unable to qualify for a mortgage and/or obtain the necessary down payment without financial assistance. NSP funds will provide financial assistance through zero-interest deferred loans secured by a Second Deed of Trust, as well as down payment and/or closing cost assistance. A grant will also be offered to rehabilitate properties to decent, safe, and habitable conditions. The homebuyers must have incomes that do not exceed 120% of area median income. Marketing efforts for the NSP Homebuyer Program will include outreach to prospective homebuyers through the lending institutions in the Commission's current homebuyer programs, posting information on the County Housing Resources Center and the Commission's website, homebuyer education seminars, and housing fairs.

NSP Scattered Sites Rental Program

The NSP Scattered Sites Rental Program is designed to provide financial assistance for creation of affordable rental housing for low-income persons below 50% of area median income. Housing developers will receive secured zero-interest deferred loans to acquire and rehabilitate residential properties with up to four units. The Rental Program will seek input on program implementation and design at stakeholders meetings, and then the finalized program will be advertised through newspapers, the City of Industry Program mailing list of developers, the Commission's website, and the County Housing Resources Center website. Efforts will be made to coordinate the

Program for affordable low-income housing with other public funding, such as the Homeless and Housing Program Fund that your Board established to help prevent homelessness. Connectivity among such funding sources will promote innovation and will expedite the utilization of the NSP funds.

Rental Program applicants with projects located in the unincorporated area of the County must provide evidence of that the project conforms with the County's current Consolidated Plan. Applicants with projects located in a participating city must provide evidence of jurisdictional support in the form of a letter from a non-elected top official, such as a City Manager, Housing Director, or other official authorized to give such support. The letter must indicate support for the specific project for which the applicant is seeking funding. Alternatively, applicants may provide evidence of community support for the project through submission of letters from groups representing community interests such as Councils of Governments, town councils, coordinating councils, improvement associations, homeowners associations and/or other types of groups organized to represent the community's interest, including homeless and affordable housing groups.

ENVIRONMENTAL DOCUMENTATION:

The incorporation of NSP funds to the Action Plan is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(1), because it is a planning document and does not involve activities that will alter existing environmental conditions. The Action Plan is not subject to the provisions of the CEQA, pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

Each program within the Action Plan will be reviewed for environmental impact on a project-by-project basis before funding is released.

IMPACT ON CURRENT PROJECTS:

The NSP-funded projects incorporated into the amended Action Plan will benefit low-, moderate-, and middle-income residents of the unincorporated County and participating cities.

Respectfully submitted,

Bobbette A. Glover

for WILLIAM K. HUANG
Acting Executive Director