

COMMUNITY DEVELOPMENT ACT ADVISORY COMMITTEE
(CDAAC)
05/14/09
Minutes

PUBLIC HEARING:

NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDING
THROUGH THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**City Hall 3rd Floor Conference Room
241 W. South Street
Kalamazoo, MI 49007**

Members Present: Mildred Smith, Chair; David Bills; Shirley Coleman;
David Kinsey

Members Excused: Buddy Hannah, Vice Chair; Charley Coss; Trent Hines

Guests: Wade Allen; Mike Linsea; Eric Sweet

City Staff: David C. Thomas, Neighborhood Development Supervisor;
Jackie Haske, Recording Secretary

PUBLIC HEARING

At 6:30 PM, Ms. Smith began the public hearing.

Mr. Thomas explained that he was in Lansing, MI yesterday for a training session on the Neighborhood Stabilization Program (NSP) funded through the Michigan State Housing Development Authority (MSHDA). During that training, he and Director Chamberlain received more information about the regulation of NSP funds, which are available under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA). Mr. Thomas directed attendees to a handout, which he then explained. Of the \$3.92 Billion of funding coming through the U.S. Department of Housing and Urban Development (HUD), MSHDA will receive \$98.6 Million. As an Entitlement Community, the City of Kalamazoo will subreceive \$1.7 Million of this funding from MSHDA.

Mr. Thomas explained that under NSP, 17 Entitlement Communities in Michigan did not qualify for \$2 million or more according to HUD's formula, making them ineligible for NSP directly from HUD. A total of \$21.75 Million has been set aside for those Michigan Entitlement Communities.

Mr. Thomas explained the timeline for using these funds. MSHDA, as a grantee of these funds from HUD, has 18 months to spend the money. He stated that as soon as the City

of Kalamazoo has signed agreements in place, we will have 12 months to expend the funding. The timeline for subgrantees is shorter, as MSHDA may be denied future funding if the money is not fully expended. Thus, MSHDA will have some time to re-award unused funding from one subgrantee to another, and avoid consequential denial of future funding from HUD. Mr. Thomas stressed the importance of the City spending all of its awarded funds in a timely fashion, as it may put the City in the running for extra funds in the future.

Mr. Thomas then explained that NSP has aspects of CDBG and HOME, but is a new program. He stated these funds must benefit those individuals and households of up to 120% of Area Median Income (AMI). Additionally, not less than 25% of HERA funds must benefit individuals at or below 50% AMI. Like HOME, NSP does have an affordability period. Additionally, homebuyers under this program must receive 8 hours of homeownership counseling.

The eligible activities allowed under this program were then outlined as:

- Financing Mechanisms
- Purchase/Rehab residential properties that have been abandoned or foreclosed upon
- Establish land banks
- Demolition of blighted structures
- Redevelop demolished or vacant properties

Mr. Thomas pointed out that the City does not intend to develop land banks. He also mentioned that the state lost approximately 50,000 residents last year alone, leaving cities with more housing stock than needed. The NSP money can be used to demolish blighted homes.

Discussion then turned toward the neighborhoods this program will target. Per HUD's ranking system, targeted areas had to have a minimum score of 8 based on the actual and predicted foreclosure rates, the number of abandoned structures, vacancy rates, blight, crime statistics, and the rate of subprime mortgages. Although many areas of the city scored a 10 on this system, NSP will target the Eastside, Edison and Northside neighborhoods. Mr. Thomas pointed out the third page of the handout with the following rationale for targeting these areas, as submitted in the application to MSHDA:

In determining the geographic areas of greatest need within the City of Kalamazoo for inclusion in the Neighborhood Stabilization Program (NSP), the following indicators were used: 1) areas with the greatest percentage of home foreclosures, 2) areas with the highest percentage of homes financed with subprime related loans, 3) areas with a high likelihood of facing additional incidences of home foreclosures, and 4) areas with high levels of blighted properties/code enforcement activity. The City of Kalamazoo had already been identified as a distressed community in Michigan prior to the national and statewide housing foreclosure crisis. Under the 120%-of-AMI qualifying guidelines of the

NSP, the vast majority of Kalamazoo qualifies for the program. However, the limited funding available through the NSP for Kalamazoo makes a delineation of strategically targeted areas critical in our ability to make a significant impact. Our review and analysis of the specific data concerning concentrated incidences of blighted properties, subprime mortgage related loans, and foreclosures in the City since 2005 indicate three specific areas of concern: the Eastside neighborhood (Census Tract 1.00), Northside neighborhood (Census Tracts 2.02 and 3.00), and the Edison neighborhood (Census Tracts 9.00, 10.00 and part of 11.00). [...] These three areas have been selected as the City of Kalamazoo targets for revitalization through the NSP program. A summary of the data follows for each targeted area:

The City of Kalamazoo will target those areas that have the highest Risk Score, as determined by [HUD], and which demonstrate by means of other indicators, that they would benefit most from the investment of NSP funds. Therefore, each of the three target areas has scored the highest possible ranking, a 10 on the HUD Foreclosure Risk Score.

The three target areas are:

Northside: Census Tract (CT) 2.02, Block Group (BG) 1 – 2, and CT 3.00, BG 1 – 5.

All BG received a score of 10 on the HUD estimated foreclosure abandonment risk score. The percentages of eligible persons at or below 120% of AMI ranges from 79.9% - 94.3%. The home price decline is -3%. The unemployment rate for each of the BG in this area is 9.3%, the highest in the City of Kalamazoo. The Residential Vacancy Rate ranges from 13.5% to 15.3%. The High Cost Loan Rate ranges from 13.9% to 15.5%. These indicators both include the highest reported percentages in the City.

Eastside: CT 1.00, BG 1 – 3.

All BG received a score of 10 on the HUD estimated foreclosure abandonment risk score. The percentages of eligible persons at or below 120% of AMI ranges from 80.2% - 86.8%. The home price decline is -3%. The unemployment rate for each of the BG in this area is 9.3%, the highest in the City of Kalamazoo. The Residential Vacancy Rate is 14.3%. The High Cost Loan Rate is 64.3%, and the Predicted 18-month Foreclosure Rate is 13.2%.

Edison: CT 9.00, BG 1 – 2, and CT 10.00, BG 1 – 7.

All BG received a score of 10 on the HUD estimated foreclosure abandonment risk score. The percentages of eligible persons at or below 120% of AMI ranges from 75.9% - 91.9%. The home price decline is -3%. The unemployment rate for each of the BG in this area are 9.3%, the

highest in the City of Kalamazoo. The Vacancy Rate ranges from 13.4% to 15.8%. The High Cost Loan Rate ranges from 51.3% to 52.6%, and the Predicted 18-month Foreclosure Rate ranges from 10.9% to 11.1%.

Mr. Thomas reiterated that most of the city is eligible under NSP, and these were identified as target areas. He then pointed attendees to the proposed NSP budget:

ELIGIBLE ACTIVITY	NSP FUNDS REQUESTED	PROPOSED NUMBER OF NSP UNITS	PROPOSED NUMBER OF NON - LEVERAGED NSP UNITS	FUNDS
Financing Mechanisms				
Reduced interest rates on multifamily rental projects	0	0	0	0
Homebuyer Assistance	\$100,000	10	0	\$500,000
Sub-Total	\$100,000	10	0	0
Redevelopment of Abandoned and Foreclosed Properties				
Acquisition	\$180,000	9	0	0
Disposition	0	0	0	0
Relocation	0	0	0	0
	\$(4 @ \$10,000/each - See Financing Mechanisms)	* (included in Financing)		
Direct homeownership assistance			0	0
Rehabilitation & preservation	\$470,000	0	0	\$200,000
Counseling	0	0	0	0
Sub-Total	\$650,000	9	0	0
Displacement Prevention for Foreclosed Households				
Acquisition	N/A			
Disposition				
Relocation				
Direct homeownership assistance				
Rehabilitation & preservation				
Counseling				
Sub-Total	0			
Land Banking				
Acquisition	N/A			
Disposition		0		
Sub-Total	0			
Demolition of Blighted Structures				
Demolition	\$300,000	40	12	\$100,000
Sub-Total	\$300,000	40	0	0
Redevelopment of Demolished or Vacant Properties				
Acquisition	0	0	0	0
Disposition	0	0	0	0
Public Facilities	0	0	0	0
Housing Counseling	0	0	0	0
Relocation	0	0	0	0
	*(6 @ \$10,000/each - See Financing Mechanisms)	* (included in Financing)		
Direct homeownership assistance			0	0
New Construction	\$480,000	9	0	\$330,000
Sub-Total	\$480,000	9	0	0
Administration - 10%	\$170,000			
Sub-Total	\$170,000			
TOTAL:	\$1,700,000			

He stated that MSHDA will authorize the City of Kalamazoo for acquisition and rehabilitation of projects as outlined above. He added that there are several federal

regulations for these projects that will need to be followed including public noticing and review. He also added that this funding is the first round of HERA funds.

At this time, Mr. Thomas opened the public hearing to questions and comments.

PUBLIC COMMENTS

One attendee asked if there are any anticipated matching funds, to which Mr. Thomas replied there are no matching requirements. The attendee also asked what the consequences were if the money isn't entirely spent in the allotted time. Mr. Thomas replied that not spending all the money will likely lead to the City being ineligible to participate in additional HERA funding rounds. An attendee asked if the next round of HERA funding would be used for similar projects. Mr. Thomas replied that the City has many blighted and vacant housing stock that can be demolished, and indicated that another round of funding can be used for that purpose at a minimum. An attendee stated it was good to demolish the slated homes now with hopes that the City will be awarded further funding to help more people later.

Another attendee asked for clarification on HUD's administrative caps. Mr. Thomas replied HUD receives 5% administration on a national level, while program recipients may take 10% administration as awarded through MSHDA.

One attendee asked if the 8 hours of homebuyer's training is through a national curriculum. Mr. Thomas stated that locally, Kalamazoo Neighborhood Housing Services is a NeighborWorks America affiliate and can provide that training. He added that other local agencies are working on obtaining this recognition.

One attendee asked if there was any hierarchy involved with the targeted neighborhoods. Mr. Thomas clarified there is no hierarchy, and the application's language is loose so collaboration on projects may occur, and to adjust as success warrants.

As there were no further comments or questions, Mr. Thomas then closed the public hearing.

REGULAR CDAAC MEETING
City Hall 3rd Floor Conference Room
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Members Present: Mildred Smith, Chair; David Bills; Shirley Coleman;
David Kinsey

Members Excused: Buddy Hannah, Vice Chair; Charley Coss; Trent Hines

Guests: Wade Allen; Mike Linsea; Eric Sweet

City Staff: David C. Thomas, Neighborhood Development Supervisor;
Jackie Haske, Recording Secretary

CALL TO ORDER

At approximately 6:50 PM, Ms. Smith called the May 14, 2009 regular CDAAC meeting to order.

APPROVAL OF AGENDA (05/14/09)

Mr. Kinsey, supported by Ms. Coleman, moved to approve the May 14, 2009 CDAAC Agenda as submitted. With a voice vote, the motion passed unanimously.

APPROVAL OF MINUTES (05/14/09)

Mr. Kinsey, supported by Mr. Bills, moved to approve the April 30, 2009 CDAAC minutes as submitted. With a voice vote, the motion passed unanimously.

CITIZEN COMMENTS ON NON-AGENDA ITEMS

None.

COMMUNICATIONS/MEMBERS' REPORTS/STAFF UPDATES

Mr. Thomas stated there is no new news regarding the CDBG-R and HPRP funds discussed at the last CDAAC meeting and public hearing. He stated he would keep CDAAC abreast of new information.

Mr. Thomas then discussed the Community Development Manager position that the City recently interviewed candidates for. He stated of the over 90 applications, the City narrowed its search to 2 candidates for a second interview. He stated both of the final applicants are good candidates with different skill sets that can benefit the community. He added that one candidate is from Benton Harbor, MI while the other currently resides in California. One is a coalition builder while the other is well versed in federal programs the City may apply for in the future. He stated a final decision has not yet been made, but stated the new Community Development Manager will be introduced to CDAAC shortly upon being hired.

OLD BUSINESS

SUBSTANTIAL AMENDMENTS

Mr. Thomas updated CDAAC regarding the substantial amendments that are required as part of both HPRP and CDBG-R funds. He stated these documents are amendments to the PY2008 Action Plan. Mr. Thomas stated the HPRP substantial amendment is complete, has been signed by the City Manager, and will be mailed shortly. That

amendment justifies the use of the HPRP funding. On May 5, HUD released guidance regarding the CDBG-R substantial amendment. Mr. Thomas stated per that guidance, it should be noted that some of the information presented at the April 30th public hearing was not current, and the City will post revisions shortly. He stated part of the information to be updated is in regards to specific addresses for projects; the City originally kept the application language loose but now must specify its plans.

ANNUAL ACTION PLAN

Mr. Thomas stated that the Annual Action Plan has been prepared. He stated the Plan was due to HUD on April 15th but the City did not receive official information regarding its allocation by HUD until May. Therefore, the environmental review processes that were followed need to be revised, and postings need to be republished in the newspaper. Additionally, there needs to be another public comment period associated with the revisions. Mr. Thomas reiterated that the new funding year begins in June.

NOMINATING COMMITTEE

Mr. Kinsey stated an application has been received from Lena Haynes, who was present at the April 30th public hearing. He stated there may be a possible issue with her residential status, which may or may not be resolved by her affiliation with People United to Secure Housing (PUSH). More information is forthcoming.

Mr. Kinsey also stated that last night the nominating committee met and brainstormed for ideas. Although they have been to the Vine neighborhood, they will visit other neighborhood associations including those that are CDBG-ineligible to recruit At-Large members. Mr. Kinsey stated that he is trying to contact staff at the associations so he can get their meeting schedules and coordinate with the Nominating Committee. He also would like to meet with other organizations such as the League of Women Voters and the NAACP. The Nominating Committee was at The Strutt coffee-shop and some of the college students and city residents there seemed interested, but nothing has resulted. He also stated flyers could be distributed at the next Art Hop, and be available at places like the Park Trades Center, and posted on bulletin boards.

Mr. Bills and Mr. Kinsey then discussed approaching college faculty. Ms. Coleman suggested Don Cooney or others in his department could be contacted. Mr. Kinsey added that someone in the Edison neighborhood was also interested, and was given the website information for filling out the application, but believes the interested party has not submitted an application.

NEW BUSINESS

None.

CITIZEN COMMENTS

Mr. Linsea, consultant for Solar Winds Power Systems, briefly discussed photovoltaic panels, answered questions, and passed his card around. Mr. Thomas thanked him for the information and informed him that CDAAC is an advisory committee to the City Commission. He added that he will put Mr. Linsea in touch with the Code Administration Division and Warren Cook, Business Growth Specialist.

ADJOURNMENT

Ms. Coleman, supported by Mr. Bills, moved to adjourn the May 14, 2009 CDAAC meeting. With a voice vote, the motion passed unanimously.

Ms. Smith adjourned the meeting at 7:13 PM.

Submitted by: _____ Dated: _____
(Recording Secretary)

Reviewed by: _____ Dated: _____
(Staff Liaison)

Approved by: _____ Dated: _____