

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE

OCTOBER 5, 2009

Item 2, File #090703

File Number 090703 is a resolution authorizing the Community Development Grants Administration to transfer \$362,278 from the Department of City Development's HOME Owner-Occupied, Deferred-Payment Home Rehabilitation Loan Program account to its HOME Housing Production program account.

Background

1. The Department of City Development ("DCD") received \$1,648,000 in 2009 federal HOME Investment Partnerships entitlement and reprogramming dollars for its Owner-Occupied, Deferred-Payment, Home Rehabilitation Loan Program. This program is administered for DCD by the Neighborhood Improvement Development Corporation ("NIDC"). Because of the timing of receipt of this funding and the level of demand for it among homeowners, it appears that there will be a surplus of funds in this program's account at the end of the year.
2. DCD/NIDC's Housing Production Program uses federal grant dollars to construct new housing units and rehabilitate existing homes for sale to owner-occupants at less than the full cost of property acquisition and construction/rehabilitation. This program did not receive a HOME funding allocation in 2009, but has been funded in previous fiscal years.
3. Due to weakness in the housing market, NIDC has been unable to sell a number of Housing Production Program homes at the original and even subsequently-reduced asking prices. As a result, it is amassing a sizable inventory of unsold properties with substantial holding costs averaging at least \$500 per month per home. These holding costs include the costs of property taxes, security, utilities and maintenance.

Discussion

1. This resolution authorizes the Community Development Grants Administration to transfer \$362,278 in HOME funds from DCD's Owner-Occupied, Deferred-Payment, Home Rehabilitation Loan Program account to its Housing Production Program account.
2. This transfer of funds will enable NIDC to lower the asking prices for 8 homes in the Housing Production Program inventory (3 rehabs, 5 new construction), thereby expediting the sale of those properties. This will help NIDC reduce its inventory of unsold homes and save it thousands of dollars in holding costs.
3. The transferred funds will, in effect, be used to make up the difference between NIDC's total costs for each home (property acquisition, construction/rehabilitation, financing, broker fees and holding costs) and the final sale price for the property.

Fiscal Impact

Since the funds being transferred by this resolution have already been awarded to the City by the U.S. Department of Housing and Urban Development and appropriated to DCD, adoption of this resolution has no fiscal impact on the City.

Prepared by: Jeff Osterman, x2262
LRB-Research & Analysis Section
October 2, 2009

cc: Rocky Marcoux
Martha Brown
Joe' Mar Hooper
Jim Sayers
Marianne Walsh