Using Neighborhood Stabilization Program Funds for Demolition

<u>Background</u>

Under the regulations for the Neighborhood Stabilization Program (NSP), NSP funds may be used for demolition. Unlike other NSP funding categories, demolition is the one category in which the property does not have to be foreclosed and/or vacant and abandoned in order to qualify for funding.

If a property is "blighted" and falls within a census tract in which the average income of the population is less than 120% of the County's Average Median Income, the properly can be demolished utilizing NSP funds. Thus far, demolition funds are being used in the NSP Program to demolished blighting structures that are both foreclosed and not foreclosed. Unless the properties are owned by the City, or the City's foreclosure land bank, the cost of the demolition is being certified to the tax rolls and becomes the obligation of the owner.

The City has received a few requests from outside agencies asking if NSP funds may be used to assist them in the demolition of property in order to "prepare a site" for new development. If the City were to consider these requests, possible factors for evaluation could include:

- Is the property blighted and is it having significant negative impacts on the surrounding neighborhood?

- Will the planned reuse for the site positively contributed to the neighborhood, and is it consistent with area redevelopment and neighborhood plans?

- Will the proposed new development be taxable and what will the impact on the City's tax base be? If not, will the owner be willing to enter into a PILOT agreement with the City?

- Will the City's funds for demolition be matched on at least a dollar for dollar basis with other non-City funding sources?

- How imminent is the development? Is it likely to occur at least within _____ months of demolition? Can the developer demonstrate, through the plans they have prepared, preliminary financing and funding commitments, market information, etc. that the proposed new development is feasible and likely to occur?