

ST. PETERSBURG CITY COUNCIL
Consent Agenda
Meeting of December 6, 2018

TO: The Honorable Lisa Wheeler-Bowman, Chair, and Members of City Council

SUBJECT: A resolution approving (1) the change of the accounting of any future program income earned under the Neighborhood Stabilization Program (“NSP”) to the Community Development Block Grant (“CDBG”) program in order to close out NSP as requested by the U.S. Department of Housing and Urban Development (“HUD”) on or before September 30, 2020; (2) approving a transfer of the NSP loan portfolio as of September 30, 2018 in the amount of \$4,547,454 from the NSP Fund (“Fund 1114”) to the CDBG Fund (“Fund 1111”); authorizing the Mayor or his designee to execute all documents necessary to effectuate this resolution; and providing an effective date.

EXPLANATION: In March 2009, the City executed a grant agreement in the amount of \$9,498,962 from the U.S. Department of Housing and Urban Development (“HUD”) for the Neighborhood Stabilization Program 1 (“NSP-1”) to address its local foreclosure problem. The City amended its Annual Action Plan developing strategies to utilize this funding. NSP-1 was authorized by Title III of the Housing and Economic Recovery Act of 2008 (“HERA”).

In April 2011, the City received an additional amount of \$3,709,133 in funding from HUD to establish a Neighborhood Stabilization Program 3 (“NSP-3”) for the purpose stabilizing neighborhoods whose viability had been damaged by the economic effects of properties that have been foreclosed upon and abandoned. NSP-3 was authorized under the Dodd-Frank Wallstreet Reform and Consumer Protection Act of 2010.

The City has been successful in implementing and carrying out its NSP funded programs to acquire 87 parcels, rehabilitate, demolish and construct new homes, and, where demolition occurred on the properties, to place those parcels in a land bank. The City also funded its non-profit partners to create 40 rental units for very-low income households and provided funding to the Codes Compliance Department to demolish 22 blighted homes not acquired by the City.

HUD has requested that all NSP grantees begin the process of closing out the programs at its earliest convenience. To assist in the closing, HUD will give local governments the ability to: (a) move program income that may be sitting in its local NSP account into its local CDBG account, and/or (b) receipt any future program income earned under NSP as CDBG program income. Administration has elected to use all current funding in its local NSP account and receipt any future NSP program income earned into its CDBG program. This program income procedural change will be described in a close out plan that will be submitted to HUD for approval.

The City is in the process of engaging three developers to construct approximately 10 new homes with NSP funding, which will allow the City to establish a cut-off date and begin the process of closing out the programs. To complete the expenditure of NSP funding, the City will disburse, in the form of loans to the developers, both NSP entitlement funding and existing program income

to construct the 10 homes. The developers will sell the newly constructed units to eligible applicants whose income is verified to be at or below 120 percent of median income. When the homes are sold, the City expects to receive back some portion of the amount loaned, and, forgive the remaining balance of the loans. Any repayment of the loans will then be deposited into the CDBG Fund as program income.

Because the NSP Program will be closing out, the accounting for the existing NSP loan portfolio, totaling \$4,547,454 as of September 30, 2018, needs to be moved to the CDBG Program. As of this date, there are 49 loans consisting of single-family and multi-family. Of the 49 loans, 39 are single-family with a balance of \$849,517 and 10 loans are multi-family with a balance of \$3,697,937. Having the portfolio in the CDBG program will allow for any payments made on the loans to be deposited into the CDBG Fund. In addition, moving the portfolio between funds has no financial impact on the City's financial statements.

RECOMMENDATION: Administration recommends that City Council adopt the attached resolution approving (1) the change of the accounting of any future program income earned under the Neighborhood Stabilization Program ("NSP") to the Community Development Block Grant ("CDBG") program in order to close out NSP as requested by the U.S. Department of Housing and Urban Development ("HUD") on or before September 30, 2020; and (2) approving a transfer of the NSP loan portfolio as of September 30, 2018 in the amount \$4,547,454 from the NSP Fund ("Fund 1114") to the CDBG Fund ("Fund 1111"); and authorizing the Mayor or his designee to execute all documents necessary to effectuate this resolution; and providing an effective date.

COST/FUNDING/ASSESSMENT INFORMATION: Accounting of future program income earned under the Neighborhood Stabilization Program will be recognized in the Community Development Block Grant Program. NSP loan portfolio funds will be available in the Community Development Block Grant Fund (1111) after a transfer in the amount of \$4,547,454 from the Neighborhood Stabilization Program Fund (1114).

Attachments: Resolution and letter from HUD

APPROVALS:

Administration:  Budget: 

Resolution No. 2018-_____

A RESOLUTION APPROVING (1) THE CHANGE OF THE ACCOUNTING OF ANY FUTURE PROGRAM INCOME EARNED UNDER THE NEIGHBORHOOD STABILIZATION PROGRAM (“NSP”) TO THE COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”) PROGRAM IN ORDER TO CLOSE OUT NSP AS REQUESTED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”) ON OR BEFORE SEPTEMBER 30, 2020; (2) APPROVING A TRANSFER OF THE NSP LOAN PORTFOLIO AS OF SEPTEMBER 30, 2018 IN THE AMOUNT OF \$4,547,454 FROM THE NSP FUND (“FUND 1114”) TO THE CDBG FUND (“FUND 1111”) AND; AUTHORIZING THE MAYOR OR HIS DESIGNEE TO EXECUTE ALL DOCUMENTS TO EFFECTUATE THIS RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City received \$9,498,962 in Neighborhood Stabilization Program 1 (“NSP-1”) funding in March 2009 from the U.S. Department of Housing and Urban Development (“HUD”); and

WHEREAS, the purpose for the funding was to provide units of general local governments (“UGLG”) resources to address the nation’s serious foreclosure problems; and

WHEREAS, in April 2011 the City received an additional \$3,709,133 in Neighborhood Stabilization Program 3 (“NSP-3”) program funding from HUD; and

WHEREAS, the purpose of the funding was to continue to assist states and local governments in addressing the effects caused by the abandonment of foreclosed properties in their local communities through use of the NSP funds; and

WHEREAS, the City has been successful in implementing and carrying out its NSP programs to acquire, rehabilitate, demolish and construct new housing; and

WHEREAS, HUD has requested that all entitlement grantees who received NSP funding begin the process of closing out the program; and

WHEREAS, the City will disburse the remaining NSP entitlement funding and existing program income to developers to construct approximately ten new homes; and

WHEREAS, upon the sale of the constructed homes any repayment from the developer loans will be deposited into the CDBG fund as program income; and

WHEREAS, because the NSP program will be closing out, transferring the NSP loan portfolio, totaling \$4,547,454 as of September 30, 2018, to the CDBG fund will allow for proper accounting of loan payments to the CDBG program; and

WHEREAS, effective December 1, 2018, all program income received from transacting business associated with the City's NSP-1 or NSP-3 programs will be accounted for in the Community Development Block Grant ("CDBG") program; and

WHEREAS, all actions need to be implemented to meet the timeline to close-out the NSP program per HUD on or before September 30, 2020.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of St. Petersburg, Florida, that this City Council approves a resolution authorizing (1) the change of the accounting of any future program income earned under the Neighborhood Stabilization Program ("NSP") to the Community Development Block Grant ("CDBG") program in order to close out NSP as requested by the U.S. Department of Housing and Urban Development ("HUD") on or before September 30, 2020; (2) approving a transfer of the NSP loan portfolio as of September 30, 2018 in the amount of \$4,547,454 from the NSP fund ("Fund 1114") to the CDBG fund ("Fund 1111") and

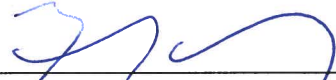
BE IT FURTHER RESOLVED that the Mayor or his designee is authorized to execute all documents necessary to effectuate this resolution.

BE IT FURTHER RESOLVED that there is hereby approved the following transfer for FY19:


Neighborhood Stabilization Program Fund (1114)
Transfer to: Community Development Block Grant Fund (1111) \$4,547,454

This resolution shall become effective immediately upon its adoption.

Approvals:

Legal:  _____

Administration:  _____

Budget:  _____

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

June 20, 2018

Joshua Johnson
Director
Housing & Community Development
City of St. Petersburg
P.O. Box 2842
St. Petersburg, FL 33731-2842

Dear Mr. Johnson:

As we approach the second half of the federal fiscal year, the U.S. Department of Housing and Urban Development (HUD) is encouraging its partners in the Neighborhood Stabilization Program (NSP) to emphasize closing NSP grant(s). From 2008 through 2011, in three separate funding rounds (NSP1, NSP2, and NSP3), Congress awarded over \$6.8 billion to state and local governments and select nonprofits to stabilize neighborhoods damaged by properties that had been foreclosed upon and abandoned. Over 97% of that grant funding has been spent, along with 87% of the \$1.75 billion received in program income. These funds helped to rehabilitate 50,994 single and multi-family units, demolish 24,422 sub-standard housing structures, construct 16,886 new housing units and provide homebuyer assistance to 16,126 American households.

Below is a summary of the City of St. Petersburg's NSP grants and reporting:

Appropriation	Grant Amount	PI Earned	Funds Remaining as of 6/13/2018		Date of Last Draw	Date of Last QPR
			Grant	PI		
NSP1 B-08-MN-12-0028	\$9,498,962	\$2,151,454.93	\$705,619.17	\$86,692.97	8/27/2018	4/25/2018
NSP3 B-11-MN-12-0026	\$3,709,133	\$1,102,969.87	\$231,431.23	\$533,379.11	5/28/2018	4/25/2018
Total:	\$13,208,095	\$3,254,424.80	\$937,050.40	\$620,072.08		

Your obligation to expend at least 25% of all funds to benefit households with incomes at or below 50% of the Area Median Income has been met. If there are missing QPRs, grantees should contact their local Community Planning and Development (CPD) Representative in the local HUD field office to determine how to address any deficiency.

For Congressional leaders and citizens to be aware of the success of the program, accurate and timely data must be reported in the DRGR system. Currently, activities remain open, but have been stalled or not fully reported. Your community's participation will not be fully recognized for the stabilizing impact it has had on our economy without good, accurate data. Please make this a priority in 2018.

HUD is asking for the City of St. Petersburg's help in bringing NSP grants to a close. If all activities funded with grant funds are complete and have met a national objective, and DRGR financial data reconciles with local financial records, the grant can be closed. Closing a NSP grant closes the grant program funded

with grant funds (line of credit); the program can continue using program income. If all or most of a grantee's NSP funds (line of credit funds) have been drawn, HUD's NSP team is available to assist grantees with strategies to reach the finish line.

Grantees with program income may have a difficult time drawing grant funds since program income must be drawn before grant funds. This leaves some NSP grantees with substantial amounts of grant funds which they are unable to access. To remedy this situation, HUD now allows NSP grantees to transfer some or all program income that is on-hand to their Community Development Block Grant (CDBG). This permits a grantee to then draw on any grant funds remaining in their line-of-credit. If a grantee would like to discontinue reporting quarterly in DRGR, we have a solution. Once a grant is closed (line-of-credit closed), reporting is reduced to about 40 hours annually instead of the current 160 hours needed for reporting. Remember too that after closeout, reporting ceases when affordability and land bank long-term requirements are met.

The appropriation accounting provisions added by section 1405 of the National Defense Authorization Act for Fiscal Year 1991 (Pub. L. 101-510), limit the availability of certain appropriations for expenditure. Such a limitation may not be waived." Therefore, any NSP grantee without grant funds drawn in the two consecutive fiscal years, may be subject to HUD's determination that the funds are no longer needed, and those funds may be subject to recapture. If applicable, closing out would be to a grantee's advantage before HUD takes any action pursuant to Public Law 101-510.

For 2018, HUD's goal is to close at least 30 percent of remaining NSP grants. Your help is needed. Headquarters has assigned desk officers to each Region for NSP and developed tools, webinars, and other materials to support the HUD field office staff and grantees in closing out NSP grants. Additionally, technical assistance is available to assist any grantee getting ready to close out. This free assistance can address issues such as stalled activities and data clean up in the DRGR. You may request technical assistance directly by sending a message to nsp-questions@hud.gov. Please include the following information:

- 1) Grantee point of contact information;
- 2) Which grant program requires assistance: NSP1, NSP2 or NSP3;
- 3) The nature of the issue: DRGR/QPR and/or programmatic. It helps to be as specific as possible.

Please contact me or CPD Representative Lori Serino at 904-208-6108 or LoriSerino@HUD.gov if you have any questions or need more information.

Sincerely,



Tom Bilodeau, Program Manager
Community Planning and
Development Office, 4HD

cc: Honorable Rick Kriseman, Mayor