

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Planning and Community Development *AK*

BOARD AGENDA # 9:10 a.m.

Urgent Routine

AGENDA DATE June 24, 2014

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Close the 30-day Public Comment Period and Conduct a Public Hearing to Consider Approval of the Substantial Amendment to the Neighborhood Stabilization Program 1 and Neighborhood Stabilization Program 3 Annual Action Plans Adding Demolition as an Eligible Activity

STAFF RECOMMENDATIONS:

1. Close the 30-day public comment period and conduct a public hearing.
2. Approve the Substantial Amendment to the Neighborhood Stabilization Program 1 and Neighborhood Stabilization Program 3 Annual Action Plans adding demolition as an eligible activity and authorize staff to submit to the United States Department of Housing and Urban Development (HUD).

FISCAL IMPACT:

The Neighborhood Stabilization Program (NSP) allows for 10% of NSP funding to be used to demolish abandoned properties. Since 2009, and as of May 31, 2014, the program has expended a total of \$18.25 million and has a balance of \$2.25 million in unexpended program income. These numbers have been updated since setting of the public hearing to reflect on-going NSP activities. Of the total \$20.5 million of NSP funding, \$2 million represents the 10% available for use to fund demolition activities to be undertaken by the proposed substantial amendment to the NSP 1 and NSP 3.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2014-335

On motion of Supervisor Monteith, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, Monteith, and Chairman De Martini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT: (Continued)

All costs (administrative and demolition/clean-up) of the proposed substantial amendment and ongoing NSP 1 and 3 activities will be fully covered by NSP funds already allocated to the Stanislaus Urban County by the United States Department of Housing and Urban Development (HUD). There will be no cost to the County General Fund.

DISCUSSION:

As the “lead entity” of the Stanislaus Urban County (hereafter “Urban County”), Stanislaus County has been allocated a total of \$13,920,429 in Neighborhood Stabilization Program (NSP) 1 and 3 funding (\$9,744,482 and \$4,175,947 respectively) to mitigate the negative effects of foreclosed properties. NSP funding was allocated by the United States Department of Housing and Urban Development (HUD) and may be used to acquire land and property; to demolish or rehabilitate abandoned properties; and/or to offer down payment and closing cost assistance to low- to moderate-income homebuyers (household incomes not exceeding 120 percent of area median income).

The Urban County’s program has been concentrated on the acquisition, rehabilitation and resale of foreclosed properties as eligible activities. The Urban County’s NSP program does not recognize demolition as an eligible activity, except when conducted as part of the acquisition and rehabilitation of a foreclosed property. From 2009 to May 31, 2014, the Urban County has expended a total of \$18.25 million in NSP funding and program income, generated from the resale of rehabilitated properties, meeting all required expenditure deadlines. At this time, there are no further HUD expenditure deadlines for the use of NSP funding and a fund balance of \$2.25 million remains available to be spent for NSP eligible activities.

While funding is available to acquire foreclosed properties, the home foreclosure activity in Stanislaus County has decreased since NSP was initiated and, as such, the availability of properties for acquisition has greatly diminished. While foreclosed properties are no longer a large segment of the homes available on the market, blight resulting from abandoned and dangerous buildings is still having a negative effect on communities within Stanislaus County.

The Abandoned and Dangerous Buildings Program (ADB) is an existing program administered by the Building Permits Division of the Stanislaus County Planning and Community Development Department. The ADB is responsible for investigating requests from the public and public agencies regarding structures that pose a threat to the health and safety of unincorporated Stanislaus County communities. ADB staff inspects structures and determines whether the building meets the local definition of dangerous. A dangerous building is a structure which has been determined to have lost

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75% or more of its value due to neglect and/or damage and is no longer fit for human habitation and, as a result, poses a distinct health and safety threat to the surrounding community.

If a structure is determined to be a dangerous building, ADB staff begins the abatement process by working with the property owner to bring the structure into compliance with all applicable codes. If the owner is unwilling or unable to take adequate corrective action, demolition and removal of the dangerous building is undertaken as a last resort. ADB abatements are subject to the property being declared a nuisance by the County (through actions by the Board of Supervisors and Nuisance Abatement Hearing Board) before any demolition/clean-up is undertaken. ADB activity is funded by abatement liens placed on the parcel at the conclusion of the abatement process. Urban County partner cities operate programs similar to the ADB. Staffing constraints and decreasing cost recovery has forced a conservative approach in ADB program activity.

The Urban County is proposing to integrate the NSP and ADB programs to more effectively address issues of blight resulting from abandoned and dangerous buildings declared a nuisance in NSP target areas. Staff from the respective Urban County partner jurisdictions will conduct the administrative activities (including field inspections and on-site property postings) and contract out for clean-up/demolition activities. These activities will be funded with available NSP funds administered by County NSP staff. Liens in the amount of all expended NSP funds will be placed on abated parcels and, once recovered, returned to the original NSP fund for reuse in undertaking like activities. The County Tax Collector's revenue recovery program, in addition to liens, may also be utilized as a means of abatement cost recovery. For Stanislaus County, the average cost for an ADB case (single family dwelling), resulting in demolition is \$8,050 (\$2,550 for administration and \$5,500 for clean-up/demolition).

The proposed substantial amendment to the NSP 1 and 3 Action Plans is necessary to include demolition (federally defined as "eligible use D") as an eligible activity under the Urban County's NSP (See Attachment 1). "Eligible use D" allows the demolition of structures that meet the local definition of blighted when the grantee has the legal authority to demolish the structure. Up to 10% of NSP program funding may be used for demolition activities, which is approximately \$2 million based on expended and available funding as of May 31, 2014.

Under the proposed substantial amendments, eligible activity areas meeting NSP 1 and 3 income requirements (target areas where at least 51% of the residents have a household income at or below 120% of area median income) will remain the same (See Attachment 2). The original action plans implementing NSP 1 and 3 were approved by the Board of Supervisors on November 18, 2008 and February 15, 2011, as part of Community Development Block Grant (CDBG) Annual Action Plan amendments, and are available on-line at: <http://www.stancounty.com/planning/cdbg/cdbg.shtm>.

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The proposed substantial amendment is the third amendment for NSP1 and the second amendment for NSP 3. The following is an overview of the previous amendments which are also available on-line at the above location:

- NSP 1 Substantial Amendment No. 1 – Chapter 4 approved April 27, 2010 to expand the eligible activity areas of NSP 1 and to include down payment assistance as an eligible activity.
- NSP 1 Substantial Amendment No. 2 – Chapter 5 approved on September 18, 2012 to provide options for disposition of an NSP acquired property in the City of Oakdale.
- NSP 3 Substantial Amendment No. 1 – Appendix D approved on September 18, 2012 to include additional target areas.

The proposed substantial amendment adds Chapter 6, Section 6.1 to NSP 1 and Section 7.1H to NSP 3 to include demolition as an eligible activity.

In addition to the 10% cap on the use of NSP funds for demolition activities, 25% of overall NSP funds must be used to provide housing for households with incomes below 50% of area median income. Total program caps will need to be carefully monitored.

In order to approve the proposed substantial amendment, the Board of Supervisors must hold a public hearing to solicit public comment. If approved by the Board of Supervisors, the substantial amendment will be submitted to HUD for approval.

POLICY ISSUES:

Approval of the proposed substantial amendment furthers the Board's priorities of A Safe Community, A Healthy Community, A Well Planned Infrastructure System, and Efficient Delivery of Public Services by providing a funding source allowing for the proactive abatement of structures posing a health and safety threat to the surrounding community.

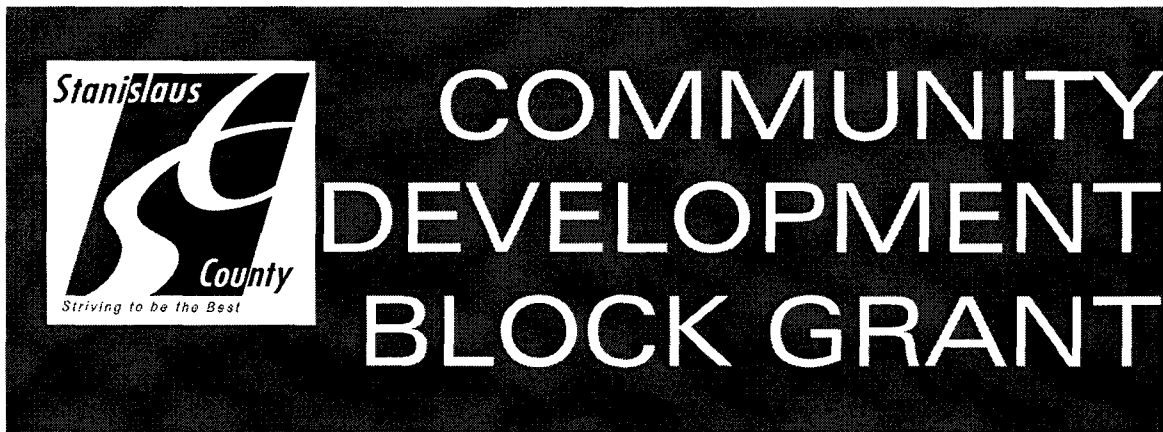
STAFFING IMPACT:

The Department of Planning and Community Development will be administering this program for the Urban County. The Department anticipates using existing staff to administer this component of the NSP program. If program activity increases to a point where additional staff is required to meet program needs, staffing options will be explored and will be fully funded by the NSP Program.

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ATTACHMENTS: (Available from Clerk)

1. Draft Substantial Amendment to Neighborhood Stabilization Program (NSP) 1 and 3 Annual Action Plans
2. NSP 1 and 3 Target Areas



STANISLAUS URBAN COUNTY

Prepared by the Stanislaus County
Planning and Community Development Department
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NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

THIS IS A SUBSTANTIAL AMENDMENT TO:
FISCAL Year 2008-2009 Annual Action Plan Amendment (NSP1)
FISCAL Year 2010-2011 Annual Action Plan Amendment (NSP3)

June 24, 2014

This amendment addresses the need for the use of NSP 1 & 3 program income funds to assist in alleviating blight in NSP 1 & 3 target areas. Proposed changes will be reflected as Chapter 6/Section 6.1 of the Fiscal Year 2008-2009 Annual Action Plan Amendment and Section 7.1H of the Fiscal Year 2010-2011 Annual Action Plan Amendment.

Approved Annual Action Plans and Amendments are available on-line at:
<http://www.stancounty.com/planning/cdbg/cdbg.shtm>

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Section 6.1/Section 7.1H - Demolition

A. PROPOSED ACTIVITY

The Stanislaus Urban County is proposing to use a portion of NSP program income available to alleviate blight in NSP target areas by demolishing and clearing vacant, abandoned residential structures that have been determined to be a source of blight.

The elimination of blighted structures is a permitted NSP activity under eligible use D. Structures must meet the definition of a blighted home as established by local and state law. The activity meets the Low Median-Moderate Area HUD national objective by removing a structure that poses a detriment to an NSP target area where at least 51% of the residents are at or below 120% of area median income. Abandoned structures have become an increasingly dangerous problem in NSP target areas and pose a threat to community health and safety.

Stanislaus County and its Urban County staff will utilize existing programs and processes to efficiently address the issue of blighted structures in NSP target areas. Stanislaus County and its partner cities have existing programs that identify and determine whether or not a structure meets the local definition of blight. If a structure is determined to be a blighted building, staff begins the abatement process by working with the owner to bring the structure into compliance with local and state codes. If the owner is unwilling or unable to take adequate corrective action, demolition and removal of the dangerous building is undertaken as a last resort.

This activity will be funded with NSP program income funds that will be administered by NSP staff. Liens in the amount of all expended NSP funds will be placed on abated parcels and, once recovered, returned to the original NSP fund for reuse in undertaking like activities. The County Tax Collector's revenue recovery program, in addition to liens, may also be utilized as a means of abatement cost recovery.

NSP staff will also explore the possibility of acquiring abandoned, blighted properties from owners for the purpose of constructing housing for resale or rental.

A maximum of 10% of expended NSP funds will be used to fund the investigation and demolition of blighted structures.

Attachment 2 – Neighborhood Stabilization Program (NSP) 1 & 3 Target Areas

NSP1 TARGET AREAS

1. EMPIRE
2. KEYES
3. SALIDA
4. AIRPORT NEIGHBORHOOD
5. SHACKELFORD NEIGHBORHOOD
6. WEED & SEED NEIGHBORHOOD
7. CITY OF CERES
8. CITY OF NEWMAN
9. CITY OF OAKDALE
10. CITY OF PATTERSON
11. CITY OF WATERFORD
12. STANISLAUS-CERES REDEVELOPMENT COMMISSION AREA
13. BURBANK-CHICAGO NEIGHBORHOOD
14. DENAIR

NSP3 TARGET AREAS* (ONLY LISTS AREAS THAT ARE NOT ALSO NSP1 TARGET AREAS)

15. PARKLAWN NEIGHBORHOOD
16. SPRUCE STREET
17. CROWS LANDING
18. HICKMAN
19. GRAYSON
20. WESTLEY

**NSP 3/SUBSTANTIAL AMENDMENT NO. 1 ALSO INCLUDES REFINED DESCRIPTIONS OF TARGET AREAS WITHIN THE CITIES OF CERES, OAKDALE, AND WATERFORD.*

SUBSTANTIAL AMENDMENT TO NEIGHBORHOOD STABLIZIATION PROGRAM (NSP) 1 AND 3 ANNUAL ACTION PLANS



NEIGHBORHOOD STABILIZATION PROGRAM (NSP) 1 AND 3

- Since 2009, \$13,920,429 in NSP funding allocated to mitigate the negative effects of foreclosed properties.
 - Acquire land and property;
 - To demolish or rehabilitate abandoned properties; and/or
 - To offer down payment and closing cost assistance to low to moderate-income homebuyers of NSP properties.



NEIGHBORHOOD STABILIZATION PROGRAM (NSP) 1 AND 3

- Since 2009, the Urban County has expended a total of \$18.25 million in NSP funding, including Program Income (PI).
 - PI generated from the resale of acquired properties to income eligible persons.



NEIGHBORHOOD STABILIZATION PROGRAM (NSP) 1 AND 3

- At this time, all NSP expenditure deadlines have been met and a fund balance of \$2.25 million remains available to be spent for NSP eligible activities.
- Foreclosure activity has decreased, but blight from abandoned and dangerous buildings has increased.



ABANDONED AND DANGEROUS BUILDINGS (ADB) PROGRAM

- The ADB Program is an existing program responsible for investigating and addressing structures that pose a threat to the health and safety of the community.



ABANDONED AND DANGEROUS BUILDINGS (ADB) PROGRAM

- A dangerous building is a structure which has been determined to have lost 75% or more of its value due to neglect and/or damage and is no longer fit for human habitation.



ABANDONED AND DANGEROUS BUILDINGS (ADB) PROGRAM

- 1st step: voluntary compliance
- Last resort: demolition and removal by the County.
- Average cost: \$8,050
- Cost recovery: liens
- Constraints: staffing and funding



ABANDONED AND DANGEROUS BUILDINGS (ADB) PROGRAM



ABANDONED AND DANGEROUS BUILDINGS (ADB) PROGRAM



DEMOLITION AS AN ELIGIBLE ACTIVITY

- NSP allows for the demolition of structures declared to be a nuisance (blight) by the County.
- Up to 10% of NSP program funds may be used for demolition activities.
 - As of May 31, 2014, \$2 million in funding available.



DEMOLITION TARGET AREAS

- Remain the same as NSP 1 and 3.
 - Listed in Attachment 2.
 - Unincorporated community areas and the Urban County partner cities.



SUBSTANTIAL AMENDMENT

- Adding demolition as an eligible activity.
- NSP 1 – third amendment; adding Chapter 6, Section 6.1.
- NSP 3 – second amendment; adding Section 7.1H.



STAFF RECOMMENDATION

1. Close the 30-day public comment period and conduct a public hearing.
2. Approve the Substantial Amendment to the NSP 1 and 3 Annual Action Plans adding demolition as an eligible activity and authorizing staff to submit to HUD.

