

Debra Vaca

From: Jacqueline McBride
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To: Jacqueline McBride
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Federal funds help rebuild foreclosed homes

Carolyn Said, Chronicle Staff Writer

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His tie flapping in the morning breeze, Patrick Lynch gestured at a boarded-up eight-unit apartment building in Richmond's Iron Triangle with foreclosure notices still taped to an iron gate across the front door.



"Look how many families we could house here," he said. "Across the street there, you can see those people care about keeping their house maintained. If we can purchase several properties here, we can stabilize this entire block."

Lynch, Richmond's housing director, was leading his staff on a tour of foreclosed homes that the city hopes to purchase, rehabilitate and turn into low-income housing with funds from the federal Neighborhood Stabilization Program and help from nonprofit housing developers.

Trying to help communities combat blight posed by vacant, foreclosed homes, Congress allocated \$3.92 billion for the national program last summer and added another \$2 billion this year.

The funds are divvied up among the hardest-hit areas. Richmond received \$3.3 million. In the Bay Area, federal NSP grants also went to Antioch, Oakland, San Jose, Vallejo and the counties of Alameda and Contra Costa; some other local cities may get NSP funds being disbursed by the state. This year's \$2 billion allotment has not yet been allocated.

The money must be used directly on foreclosed homes - purchasing and fixing them up, assisting new buyers with financing, creating land banks for future uses, demolishing them or redeveloping them for other uses.

"Each plan is truly focused on neighborhoods that without NSP dollars will just spiral into even worse declines," said Rose Cade, senior program director in Northern California for Enterprise Community Partners, an affordable-housing nonprofit.

For Richmond, that means targeting homes in the Iron Triangle and North Richmond. Both areas already have some anchors to build on. In the Iron Triangle, Richmond will purchase homes within a couple of blocks of two brand-spanking-new revitalization projects: the \$20 million Trinity Plaza senior housing complex and \$5 million Nevin Park. In North Richmond, the city will concentrate its NSP funds on properties near a senior housing complex, a neighborhood health clinic and a neighborhood of 87 affordable single-family homes built by the city.

Concentrated areas

"We're tying it to where we have already invested," Lynch said.

That's going to be important, because the fund allocations are limited, enough for Richmond to buy perhaps 25 to 35 homes initially, in a city with hundreds of foreclosures. By investing in concentrated areas near existing revitalization projects, Lynch hopes to increase NSP's impact.

Like other cities, Richmond plans to stretch the grants as far as possible by tapping other public and private funding sources, and to recycle the money to buy new foreclosures as rehabbed ones are sold off.

It also will leverage the existing Richmond Build apprenticeship program, requiring the rehab contractors to hire young graduates of Richmond Build to assist with solar installations, carpentry, plumbing and electrical work on the foreclosed homes.

NSP homes are on a fast track, unlike most low-income housing projects, which can take years to go from concept to fruition. Richmond plans to buy the first 10 homes within the next two months, start rehab immediately and have them ready for occupancy by late July. Other cities have similarly ambitious timetables.

One NSP requirement is that banks sell foreclosed homes to cities for 15 percent less than their current market value.

"We can pick up very nice homes very inexpensively," Lynch said. "They're being offered at the \$40,000 to \$60,000 mark. Because of the price point, it makes it very affordable to a broader array of families. I have so many families in need, I want to purchase as much property as I can."

Strict limits on spending

While the NSP goals sound laudable, the program has come under fire for its red tape and strict limits on how the money can be spent - there are no funds to help prevent foreclosures, for instance. Once the money is parceled out at the city level, the amounts are small, particularly for communities struggling with scores of foreclosed homes.

"While NSP is useful, it's really only a drop in the bucket," said Cade, of Enterprise Community Partners.

One big concern, she said, is whether cities will be able to attract home buyers into the targeted neighborhoods. There are a number of stumbling blocks: The homes are in the most blighted (read: least desirable) areas, there will be restrictions on resale (they must remain affordable housing for decades), they must compete with the cheap foreclosures already on the market, and potential low-income buyers must still be able to secure financing.

One-quarter of the grants must benefit households making less than half of an area's median income. That money is generally going to create rental units. The rest of the funds can benefit families earning up to 120 percent of area median income.

For more information about the Neighborhood Stabilization Program, go to www.hud.gov/nsp.

Where the money goes

Federal Neighborhood Stabilization Program funds are already allocated to these Bay Area cities and counties. Other cities may receive NSP funds disbursed by the state.

Antioch\$4 million

Oakland\$8.3 million

Richmond\$3.3 million

San Jose\$5.6 million

Vallejo\$2.7 million

Alameda County\$2.1 million

Contra Costa County\$6 million

E-mail Carolyn Said at csaid@sfchronicle.com.

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Jacqueline A. McBride

Community Redevelopment Agency
~ Office of Economic Development ~
P O Box 4046 * Richmond, CA 94804
(510) 307-8150 * (510) 307-8149 F

