



## CITY COUNCIL AGENDA

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**SUBJECT:**

Public Hearing and Resolution 2855-1009 - Amendment to the Neighborhood Stabilization Plan

**MEETING DATE:**

10/19/2009

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**TO:** Mayor and Council

**FROM:** Gina Montes, Neighborhood and Family Services Director (623)333-2727

**THROUGH:** Charlie McClendon, City Manager

**PURPOSE:**

The purpose of this item is to request that City Council hold a public hearing and adopt a resolution amending the 2008-2009 Annual Action Plan, Neighborhood Stabilization Program Plan (NSP Plan) which outlines a strategy for alleviating the problem of home foreclosures and related vacancies.

**BACKGROUND:**

The NSP Plan, approved by Council on November 17, 2008, describes the activities Avondale is undertaking with its NSP funds from the Housing and Economic Recovery Act of 2008 which appropriated \$2,466,039 to Avondale for assisting in the redevelopment of foreclosed homes. Staff proposes the following changes to the NSP Plan:

1. Delete the rental rehabilitation activity and move \$616,510 to homeownership assistance; and
2. Add 9 neighborhoods to the list of Target Neighborhoods.

The Neighborhood and Family Services Commission recommended accepting the changes at their August 26, 2009 meeting.

**DISCUSSION:**

NSP funds must be targeted to the neighborhoods with the greatest number of foreclosures (Target Neighborhoods). Recent market data on loan delinquencies indicates the probability of a significant number of new foreclosures in 9 neighborhoods that were not included as part of the original 21 Target Neighborhoods. Based on current foreclosure and loan default data, staff is proposing addition of the following subdivisions as target neighborhoods: Coldwater Springs, Diamond Ridge, Dysart Ranch, Tres Rios Landing, Garden Trails, Crystal Ridge, Fulton Estates, Donatela II and Cantada Ranch.

To fund the additional service area staff is recommending eliminating the rental rehabilitation NSP activity and transferring the associated \$616,510 budget to the homebuyer assistance activity and assisting an additional 12 to 18 homebuyers (see new budget in resolution). The \$616,510 constitutes the 25% Very-Low Income (VLI) set-aside from which Avondale is required to assist households earning 50% of the HUD Area Medium Income. Market conditions currently support VLI homeownership. Forty-Eight Percent (48%) of the foreclosed homes on the market this month are priced below \$120,000, the affordability range for VLI homeowners. A surplus of multi-family rental units (as indicated by the 9% vacancy rate) and single family investor owned rental units has decreased rental rates overall and increased the availability of rental units affordable to VLI renters. A secondary consideration in making this recommendation is the reduced need for rental units affordable to very low income families. There is an abundance of affordable rental opportunities for families in Avondale.

**BUDGET IMPACT:**

The NSP funds are provided to the City in the form of a grant and do not require matching funds. There is no impact on the General Fund.

**RECOMMENDATION:**

Staff recommends that the City Council hold a public hearing and adopt a resolution amending the 2008-2009 Annual Action Plan, Neighborhood Stabilization Program Plan (NSP Plan) which outlines a strategy for alleviating the problem of home foreclosures and related vacancies.

**ATTACHMENTS:**

**Description**

[NSP Plan Amendment](#)

[Resolution 2855-1009](#)

**2008-2009 ANNUAL ACTION PLAN AMENDMENT NO 2**  
**AVONDALE NSP PLAN**  
**JULY 31, 2009**

The City of Avondale engaged in a sustained proactive response to the collapse of the housing market in Avondale when it began implementation of its Neighborhood Stabilization Program (NSP) on March 19, 2009, the effective date the \$2.4 million NSP funding contract with the U.S. Department of Housing and Urban Development (HUD). Through this contract Avondale committed to convert vacant foreclosed properties into homeownership and rental opportunities and demolish blighted properties. Avondale is undertaking these activities in its areas of greatest need (“Target Neighborhood”) established by the following criteria using September 2008 market data: 1) Greatest percentage of home foreclosures; 2) highest percentage of homes financed by a subprime mortgage related loan; and 3) likely to face a significant rise in the rate of foreclosures.

Avondale keeps up to date with current market conditions and trends to inform NSP project implementation and adjust program design as necessary to remove obstacles to implementation. This is accomplished by maintaining real estate data base subscriptions, regular discussions with Housing Our Communities (homebuyer assistance provider) and regular meetings with the Avondale Real Estate Advisory Group (representatives from the real estate community). Recent changes in the market require adjustment to Avondale’s NSP program through an amendment to the NSP Plan.

A significant rise in the loan delinquency rate in many Avondale neighborhoods indicates the coming of a second wave of foreclosures within the next few months. The average number of delinquencies in Avondale neighborhoods is double now what it was when the original Target Neighborhoods were established, up 54% from 4.4% to 6.8%. Realtor attending the most recent Real Estate Advisory Group on July 9, 2009 indicated that current loan delinquencies will most probably default and become foreclosures by the end of the summer. In compliance with NSP greatest need criteria (#3 above) Avondale proposes to add 10 neighborhoods with above average delinquencies (6.8%) to its list of Target Neighborhoods (see Table 2 below). All of the neighborhoods proposed as new Target Neighborhoods have a Need Factor of 20 pursuant to the NSP 2 HUD Website.

A related adjustment necessary in Avondale’s NSP Plan is an increase in funding for the homebuyer assistance activity to fund the increase in Target Neighborhoods. Avondale proposes to shift its 25% Very-Low Income (VLI) set-aside from rental rehabilitation to homebuyer assistance (see Table 1 below). Low housing prices and low interest rates create ideal conditions for VLI homebuyers. Of the foreclosed homes on the market this month, 48% are below \$120,000 (the price range for most VLI homebuyers). Housing Our Communities Inc. asserts that it is possible to assist the 12 to 18 VLI homebuyers necessary to spend the \$616,510 set-aside based on the number of VLI applicants on file and that 21% of the homeowners assisted in the last year are VLI. The change in the set-aside activity is further supported by the scarcity of small multi-family properties necessary to accomplish the original rental rehabilitation concept.

## **RESOLUTION NO. 2855-1009**

A RESOLUTION OF THE COUNCIL OF THE CITY OF AVONDALE, ARIZONA, APPROVING A SECOND AMENDMENT TO THE 2008-2009 ANNUAL ACTION PLAN PORTION OF THE 2006-2009 CONSOLIDATED PLAN AND AUTHORIZING ITS SUBMISSION TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REGARDING AMENDING THE USE OF NEIGHBORHOOD STABILIZATION FUNDS.

**WHEREAS**, Title III of Division B of the Housing and Economic Recovery Act (“HERA”) (Public Law 110-289, approved July 30, 2008), establishes the Neighborhood Stabilization Program (“NSP”) for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties, and provides under a rule of construction that, unless HERA states otherwise, the grants are to be considered Community Development Block Grant (“CDBG”) funds; and

**WHEREAS**, the City of Avondale (the “City”) entered in a contract with the U.S. Department of Housing and Urban Development (“HUD”) on March 19, 2009, to provide \$2,466,039 in NSP funds for the City to use within an 18-month period from the date of receipt to purchase and redevelop abandoned and foreclosed homes and residential properties; and

**WHEREAS**, HUD has issued regulations in the Federal Register [under Docket No. FR-5255-N-01] (the “Regulations”) which define the statutory requirements of NSP and which require an amendment to the 2008-2009 Annual Action Plan as a condition of receiving NSP funds; and

**WHEREAS**, the City of Avondale 2006-2009 Consolidated Plan (the “Consolidated Plan”) was approved by Council of the City of Avondale (the “City Council”) on May 1, 2006 and by HUD in June 2006; and

**WHEREAS**, the City of Avondale 2008-2009 Annual Action Plan (the “Action Plan”) was approved by the City Council on April 21, 2008; and

**WHEREAS**, the City prepared an amendment to the Action Plan to accommodate the NSP funds (the “First Amendment”) in accordance with the Regulations, which First Amendment was approved on November 17, 2008; and

**WHEREAS**, the City has completed public participation requirements in accordance with the Regulations, including a 30-day comment period during which a draft of a second amendment was posted on the City website (August 4, 2009 through September 4, 2009) through

which comments were able to be received from City residents for incorporation into the Action Plan (the “Second Amendment”).

**NOW, THEREFORE, BE IT RESOLVED** BY THE COUNCIL OF THE CITY OF AVONDALE as follows:

SECTION 1. That the recitals set forth above are hereby incorporated as if fully set forth herein.

SECTION 2. That the Action Plan Second Amendment and the reallocation of funding to the activities to be undertaken described below is hereby approved and authorized for submission to HUD.

Table 1				
Avondale NSP Amendment # 1 - Activity				
Activity	Original NSP		Proposed Amendment	
	Units	Allocation	Units	Allocation
Acquisition, Rehabilitation and Sale Homes Homeownership Assistance	40	\$1,230,000	52	\$1,846,510
Acquisition, Rehabilitation and Operation of Rental Housing (25% Set Aside for 50% AMI)	4	\$616,510	0	\$0
Demolition of Vacant, Foreclosed Properties	3	\$372,925	3	\$372,925
Administration	N/A	\$246,604	N/A	\$246,604
<b>Total</b>	<b>47</b>	<b>\$2,466,039</b>	<b>55</b>	<b>\$2,466,039</b>

SECTION 3. That the neighborhoods described below are hereby designated as TARGET NEIGHBORHOODS and eligible to receive NSP assistance.

Table 2					
Avondale NSP Amendment # 1 – Target Neighborhoods					
NEIGHBORHOOD NAME		September 2008 Assessment		July 2009 Assessment	
		% Foreclosed	% Delinquent	% Foreclosed	% Delinquent
1	Waterford Square	21.2%	9.7%	1.8%	11.5%
2	Rio Crossing	20.0%	6.4%	2.0%	9.3%
3	Fieldcrest	19.7%	7.5%	.7%	9.3%
4	Littleton Manor	16.5%	3.7%	3.7%	10.1%
5	Cambridge Estates	16.3%	5.0%	1.6%	8.3%
6	Starlight Trail	15.0%	7.4%	3.6%	10.4%
7	Sanctuary	14.7%	7.3%	1.4%	8.9%
8	Palm Meadows	13.1%	7.1%	3.3%	12.6%
9	Los Arbolitos Ranch	12.6%	2.2%	1.3%	7.2%
10	Glenhurst	11.5%	6.4%	1.5%	9.2%
11	Harbor Shores	11.0%	5.9%	.8%	5.7%
12	Palm Gardens	10.6%	2.8%	.7%	6.3%
13	Durango Park	10.5%	6.9%	1.6%	8.7%
14	Coldwater Ridge	10.5%	5.1%	1.4%	8.2%
15	Upland Park	10.3%	4.8%	.6%	7.3%

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16	Westwind	9.2%	4.9%	2.2%	7.1%
17	Garden Park	9.1%	6.7%	2.4%	9.1%
18	Crystal Point	8.9%	2.8%	1.4%	4.6%
19	Litchfield Mountain View	8.8%	7.5%	4.8%	6.1%
20	* Roosevelt Park Phase 1	8.3%	5.8%	9.1%	7.1%
21	Coldwater Springs	8.3%	3.9%	.6%	7.0%
22	Diamond Ridge	7.6%	1.4%	.5%	9.5%
23	Dysart Ranch	7.6%	6.5%	1.4%	7.6%
24	Tres Rios Landing	7.2%	4.2%	1.1%	8.3%
25	Corte Sierra	7.0%	4.6%	.5%	4.7%
26	Crystal Gardens	6.7%	3.8%	.4%	4.9% <sup>o</sup>
27	Sage Creek	6.6%	2.1%	.7%	4.3%
28	Garden Trails	6.3%	5.6%	.7%	6.9%
29	Crystal Ridge	6.2%	7.8%	2.3%	8.5%
30	Crystal Park Estates	6.0%	6.0%	1.4%	4.0%
31	** Old Town Avondale	6.0%	3.4%	.9%	3.1%
32	Rancho Santa Fe	6.0%	4.2%	.7%	4.1%
33	Pecan Groves	6.0%	3.6%	1.4%	6.0%
34	Tierra Ranchettes	5.7%	1.4%	1.3%	5.7%
35	Garden Lakes	5.6%	2.7%	.6%	4.0%
36	Fulton Estates	5.2%	2.1%	1.4%	9.4%
37	Las Palmeras West	5.2%	1.5%	.4%	4.9%
38	Donatela II	5.1%	5.9%	15.3	.8%
39	Glenarm Farms	5.0%	2.5%	0%	4.3%
40	Las Ligas	3.4%	1.6%	1.3%	1.9%
41	Rio Vista	2.9%	1.9%	0%	1.5%
42	Cashion	2.0%	1.5%	.1%	.2%
43	Cantada Ranch	1.6%	2.0%	1.4%	8.8%
44	Desert Springs Village	1.1%	3.8%	1.4%	4.3%
45	Del Rio Ranch	0.1%	0.1%	.1%	.2%
<b>AVERAGE</b>		<b>8.4%</b>	<b>4.4%</b>	<b>1.3%</b>	<b>6.8%</b>
New Target Neighborhoods					
Previous Target Neighborhoods					

SECTION 4. That the City Council hereby finds that all expenditures as set forth in the Action Plan Second Amendment are necessary and appropriate and further that said expenditures for the NSP program will meet the low-moderate and middle income national objective.

SECTION 5. That during the five-year period following the approval date of the HERA (the “Five-Year Period”), any revenue generated from the sale, rental, redevelopment, rehabilitation or other eligible use that is in excess of the cost to acquire and redevelop or rehabilitate an abandoned or foreclosed upon home or residential property (“Excess Revenues”) shall be reinvested by the City into the NSP and used to carry out the purpose and intent of the

NSP. Any Excess Revenues remaining at the end of the Five-Year Period shall be deposited into the Treasury of the United States.

SECTION 6. That the Mayor, the City Manager or authorized designee, the City Clerk and the City Attorney are hereby authorized and directed to take all steps and execute all documents necessary to carry out the purpose and intent of this Resolution.

**PASSED AND ADOPTED** by the Council of the City of Avondale, October 19, 2009.

\_\_\_\_\_  
Marie Lopez Rogers, Mayor

ATTEST:

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Carmen Martinez, City Clerk

APPROVED AS TO FORM:

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Andrew J. McGuire, City Attorney

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