

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

January 5, 2009

CALL TO PODIUM:

Louise Kauffmann, Housing and Community Development Director

RESPONSIBLE STAFF:

Louise Kauffmann

AGENDA ITEM:

(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)

Introduced	
Advertised	12/10/08
Hearing Date	12/15/08
Record Held Open	12/26/08
Policy Discussion	1/5/09

TITLE:

Resolution of the Mayor and City Council of Gaithersburg, Maryland, Approving an Application to the Maryland Department of Housing and Community Development Under its Neighborhood Conservation Initiative Program for Federal Neighborhood Stabilization Funds

SUPPORTING BACKGROUND:

Following a preliminary application submitted to the Maryland Department of Housing and Community Development in November 2008, staff undertook an examination of the foreclosure activity within the City, focusing on the Brighton West and Brighton East communities. Both of these neighborhoods have experienced high rates of foreclosure, particularly as compared to foreclosure events City wide. According to data provided by Realty Trak®, of the 14,908 homeownership units within the City, 564 (3.8 percent) had a foreclosure event, whereas, during the same 12-month period ending September 30, 2008, Brighton East and Brighton West saw a 9.03 percent and 11.4 percent event rate respectively. A foreclosure event is one in which the property is either in default, at auction or a bank owned REO. Five of the 14 Brighton East properties and 13 of the Brighton West properties in default have subsequently gone to auction or have become bank owned (REOs).

Neighborhood Conservation Initiative (NCI) funds may be used to purchase and rehabilitate foreclosed upon homes which have been vacant for at least 90 days. If grant funds are awarded, the City intends to contract with a private non-profit development organization to purchase and rehabilitate homes in these two neighborhoods. Additionally, grantees are encouraged to increase energy efficiency in the properties to reduce utility costs for the occupants.

In addition to using NCI funds to purchase and rehabilitate properties, the City intends to use a portion of the funds to assist homebuyers with down payment and closing cost assistance or with financing mechanisms that will assist low and moderate income purchasers acquire affordable mortgages.

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DESIRED OUTCOME:

Vote on Resolution

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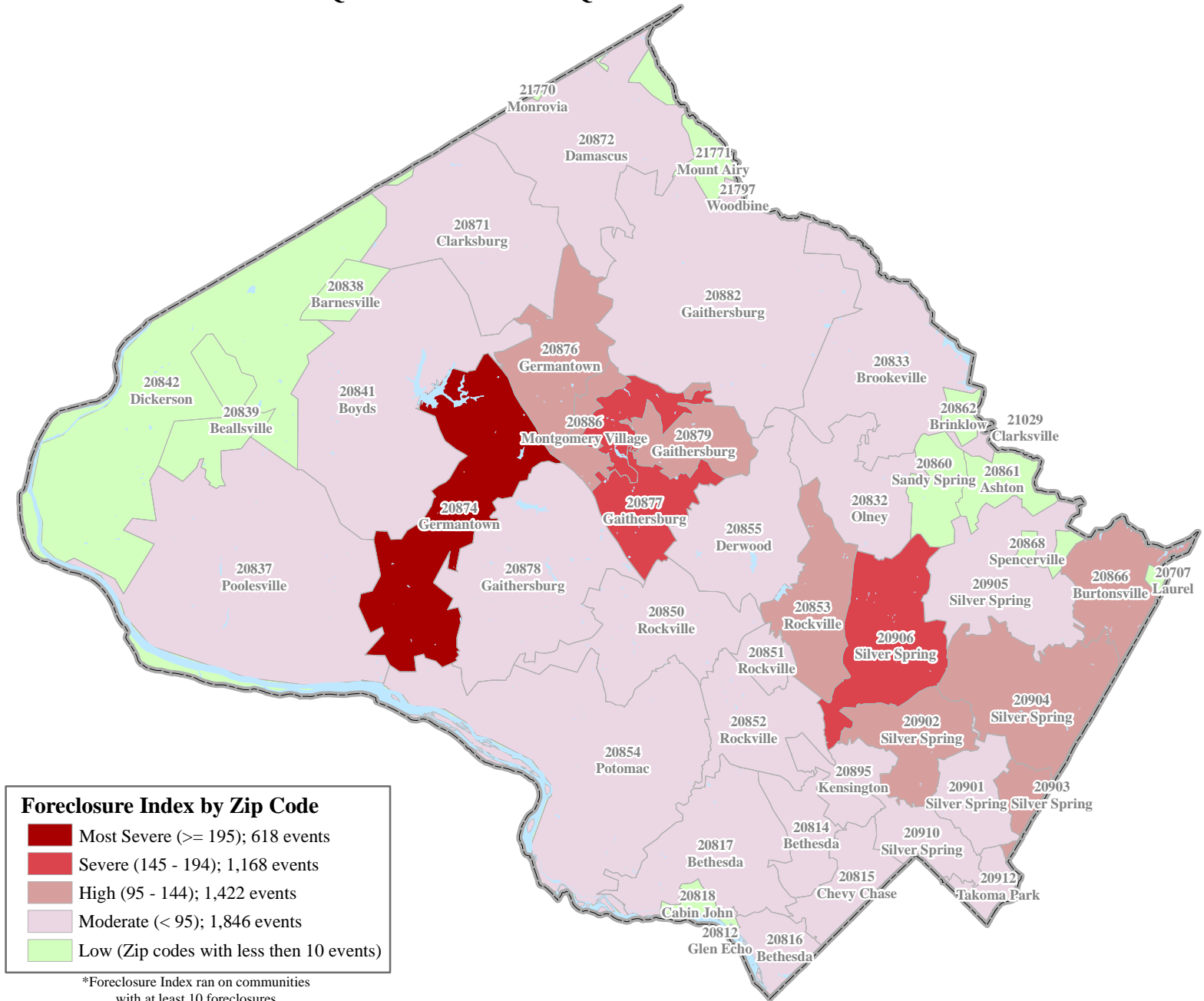
Although the City's initial application recommended funding for vacant properties in Brighton West alone, subsequent analysis has determined that there appears to be a similar level of distress in the Brighton East community. Additionally, Brighton East is in the 20877 zipcode, which the State has determined to be an area that is most severely impacted by foreclosures. (see FORECLOSURE ACTIVITY INDEX FOR MONTGOMERY COUNTY map attached.)

Once funds have been awarded, the City and development team will identify vacant properties that have been foreclosed upon for purchase and rehabilitation, including upgrading energy systems. Residents selected to purchase or rent the units will initially be screened for income eligibility based on a three tiered threshold: families at or below 50 percent of Area Median Income (AMI); between 50 and 80 percent of AMI, and between 80 and 120 percent of AMI. The State will give preference to projects where at least 25 percent of its award goes to provide housing to individuals and families at or below 50 percent of AMI. The City intends to use the majority of its allocation to offer homeownership housing to residents between 80 and 120 percent of AMI.

The State will also give priority to applications that demonstrate significant levels of community partnerships and financial leveraging. To that end, the City intends to offer priority to households displaced by redevelopment, thereby expanding its partnership with the Housing Opportunities Commission. Additionally, the City has agreements with Home Free USA and Family Services, Inc. both of which may offer housing counseling services at no cost to the program.

FORECLOSURE ACTIVITY INDEX for MONTGOMERY COUNTY

1st Quarter 2007 to 3rd Quarter 2008



Resolution No. _____

Resolution of the Mayor and City Council of Gaithersburg, Maryland, Approving
an Application to the Maryland Department of Housing and Community
Development Under its Neighborhood Conservation Initiative
Program for Federal Neighborhood Stabilization Funds

WHEREAS, the State of Maryland through the Department of Housing and
Community Development has solicited applications from eligible applicants to apply for
federal funding under the Maryland neighborhood Conservation Initiative (NCI) Program;
and

WHEREAS, a requirement of the applicant is a resolution from the legislative body
where the activities would take place in support of the application; and

WHEREAS, the City of Gaithersburg proposes to assist the Brighton East and
Brighton West neighborhoods, which have been particularly hard hit by the foreclosure
crisis:

NOW THEREFORE BE IT RESOLVED, that the Mayor and City Council of
Gaithersburg hereby approve the application to be submitted in the approximate amount
of Two Million Dollars (\$2,000,000) for the following activities: to provide down payment
and closing assistance and other financial mechanisms to assist eligible residents
purchase homes in the targeted neighborhoods; to provide acquisition and rehabilitation
funds for these homes and to provide funds to assist in the management and delivery of
these project costs.

BE IT FURTHER RESOLVED, that the Mayor and City Council hereby endorses
this Resolution, thereby indicating approval thereof; and

ADOPTED by the City Council this 5th day of January, 2009.

Sidney A. Katz, Mayor and
President of the Council

THIS IS TO CERTIFY that the
foregoing resolution was
adopted by the City Council in
public meeting assembled on
the 5th day of January, 2009.

Angel L. Jones, City Manager