



**Date:** August 2, 2011

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Mike Barros, Director  
Department of Community Development  
**Subject:** Grant Project Ordinance (GPO) for the Neighborhood Stabilization Program 3 Grant (NSP3) Program

### **Executive Summary**

The State of North Carolina received an allocation of \$5,000,000 in the newly-authorized third round of the Neighborhood Stabilization Program (NSP3), which was provided under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). NSP funds were originally authorized under Section 2301(b) of the Housing and Economic Recovery Act of 2008 (HERA), as amended. The State solicited grant applications during December 2010 with potential grants ranging from \$500,000.00 to \$1,000,000.00. The City of Durham submitted its NSP3 application on January 31, 2011 and has been awarded \$950,000.00.

### **Recommendation**

The Department of Community Development recommends that City Council adopt the NSP3 Grant Project Ordinance (GPO) for the purpose of recognizing the grant amount awarded to the City for FY 2012 in the amount of \$950,000.00.

### **Background**

The primary focus of the NSP3 program is the preservation or creation of rental housing as a tool to promote neighborhood stabilization. The North Carolina Department of Commerce received seventeen applications for funding and awarded funds to five local units of government. Not less than 30% of the NSP3 funding must assist households whose incomes do not exceed 50% of the area median income. The City was awarded NSP3 funds to be used as a part of the City's subordinate financing commitment for the development of 80 low income housing tax credit (LIHTC) units as part of the Southside neighborhood revitalization project. Thirty-two (32) of those units will serve households with incomes at or below 50% of the area median income.

### **Issues/Analysis**

The NSP3 grant will be a part of the City's subordinate financing for Phase I of the Southside Revitalization project. NSP3 funds loaned to McCormack Baron Salazar will be at 0% interest with a loan term of up to 45 years subject to repayment from excess cash flows. The loan will be structured as a construction/permanent financing. Construction of the rental units and the drawdown of NSP3 funds will begin in mid 2012.

**Alternatives**

Failure to adopt the NSP3 GPO will make the City ineligible to expend the funds for the intended purpose set forth in the grant application.

**Financial Impacts**

There will be no fiscal impact in the general fund.

**SDBE Summary**

Specific SDBE goals will be established prior to any construction activity.