

## MEMORANDUM

To: City Council

From: David J. Deutsch  
City Manager

Subject: City of Bowie's Application to the U.S. Department of Housing and Urban Development As A Team Member of the Metropolitan Washington Council of Government Consortium for Neighborhood Stabilization Program 2 Grant Funds R-51-09

Date: August 3, 2009

The U.S. Department of Housing and Urban Development has issued an RFP for grant proposals to combat the many economic challenges faced by State and local governments as result of the massive foreclosures throughout the United States. The RFP has a minimum project-based threshold for any applicant of \$5 million. Due to the major hurdles associated with achieving the housing acquisition, rehab, and resale/rental goals required by the RFP, most municipalities were unable to respond to HUD'S proposal. HUD has labeled this initiative as Neighborhood Stabilization Program 2 (NSP2). In their NSP1 RFP only State and County governments could apply. The City tried unsuccessfully to obtain funds as a sub-recipient to the State DHCD.

Over the past three months the City has worked with several members of the Metropolitan Washington Council of Governments (COG), of which Bowie is a member, to develop a relationship that would enable us to respond to the RFP as a "Consortium" with COG as the applicant. We reached a consensus and agreed to move forward to craft a set of parameters that fit the conditions in our respective communities, yet served the greater good of the regional relations that affect us all. To that end, COG retained consultants such as the Urban Institute to conduct an analysis of the census tracts most affected by foreclosures in our respective jurisdictions and compared these census tracts with the proximity to major transit facilities and major employers. The results form the basis of the Consortium's justification for the grant request. The Consortium has concluded the following:

"COG and six of its member jurisdictions have created the Metropolitan Washington Area Consortium. Comprised of the City of Alexandria; the City of Bowie, MD in Prince George's County; Fairfax County; the City of Gaithersburg, MD in Montgomery County; Prince George's County; and Prince William County, the Consortium is committed to tackling the dual housing and transportation problems that are negatively affecting the region. These jurisdictions range in population from 53,352 (Bowie) to 1,015,302 (Fairfax County), based on 2006 Census figures. Collectively, the member jurisdictions have 2.45 million residents, which equates to more than half of the region's total population. We intend to concentrate our efforts principally in strong and

intermediate markets that either have or are at significant risk of experiencing high concentrations of foreclosed homes. Within those broad criteria, we have selected neighborhoods that:

- have easy access to public transportation or thoroughfares that lend themselves to carpooling, such as Interstates 95, 270, 395 and 495 and U.S. Routes 1, 50, 240 and 301;
- are close to major employers such as United States governmental offices (such as the Suitland Federal Center), United States military bases (Andrews Air Force Base and Fort Belvoir), the University of Maryland, Washington Dulles Airport, and national corporate headquarters (Booz Allen Hamilton, Capital One, Freddie Mac, and Sodexo);
- have experienced some recent investment (the \$35 million redevelopment of the Suitland Manor complex, for example); and
- are located near neighborhoods with strong housing markets.”

Information in the proposal to HUD cites the following about the City of Bowie:

*Bowie, MD*

Located in northeastern Prince George’s County, Bowie sits on the MARC commuter line into Washington, DC and Baltimore. The five tracts in the city targeted for NSP2 assistance are relatively affluent – in no tract do more than 12 percent of households have incomes under 50 percent of the region’s median – yet foreclosure is a serious problem. On average, more than a quarter of the mortgages made in the tracts from 2004 through 2007 carried interest rates 3 or more percentage points above the comparable Treasury yield, and many of those borrowers have struggled to pay the higher rates. Largely as a result of the increase in foreclosures (from an average of 0.4 to 4.0 percent of mortgages in the past two years), property values have fallen by 25 percent in the ZIP codes in which the selected tracts are located. Yet affordable housing remains out of reach for many households, as the purchase of a median priced home would require an \$83,000 annual income.

	Alexandria	Bowie	Gaithersburg
# of Tracts	2	5	1
Tracts within 1 Mile of Public Transportation Line	1	0	1
Tracts within 1 Mile of Employment Center	2	2	1
Average March 2009 % of Loans 90 days + delinquent	2.8	5.8	4.5
Average March 2009 Foreclosure Inventory as % of Total Loans for ZIP codes	2.0	4.0	5.2
Average Housing Vacancy Rate	1.7	0.7	2.3
% of Households with Incomes <50% of AMI	24.3	9.2	29.9
% of Households with Incomes <80% of AMI	40.0	18.1	46.3
% of Households with Incomes <120% of AMI	72.0	54.3	78.1

**\*Based on FHA calculator available at [http://www.fha.com/calculator\\_afford.cfm](http://www.fha.com/calculator_afford.cfm) for mortgage term of 30 years at 7% interest, \$3500 in property taxes, and \$500 in monthly non-mortgage debt with 10% down-payment.**

City of Bowie

“The City of Bowie has recently undertaken a comprehensive program to upgrade its housing for senior citizens. The five-year program involves replacing roofs and HVAC systems, repairing structural damage, making bathrooms more accessible, and making homes more energy efficient by increasing insulation, installing energy star applicants, and installing solar energy technologies. The City has also launched two new programs in partnership with Prince George’s County and the Maryland Department of Housing and Community Development (DHCD). City employees, including police officers and teachers, who are looking to purchase their first home in Bowie are eligible for up to \$2,000 in closing cost assistance. We estimate that Bowie will complete 43 transactions through the NSP2 program, including acquiring, rehabilitating, and reselling 15 homes and providing homebuyer assistance to 28 households. Jesse Buggs, who is currently responsible for Bowie’s CDBG programs and manages all of the City’s grants, will coordinate the city’s NSP2 activities. Mr. Buggs has more than 20 years experience in community economic development and housing, having worked for DHCD and the Prince George’s County Economic Development Corporation (PGEDC). While with DHCD he was a member of a development team responsible for the targeted revitalization of neighborhoods and main streets throughout the State of Maryland. These projects included the financing, acquisition, and rehabilitation of residential and commercial properties. At PGEDC, Mr. Buggs served as the county’s Enterprise Zone administrator. He was responsible for developing a commercial tract in the County using incentives such as tax credits, accelerated permitting processes, and special property acquisition and capital improvement financing provided through a consortium of banks.”

The City’s request in the Consortium proposal includes funding in the amount of \$2,000,000 for the following:

Housing Acquisition /Rehab/Resale (Foreclosed Properties)	\$1,500,000
Homebuyer Assistance/Counseling	\$ 311,000
Administration (Hire Staff/Program Manager)	\$ 189,000

The City’s contribution (subject to annual appropriations in the City budget process) toward its request of \$2,000,000 is \$60,000. This request must be approved by the Council to substantiate and validate the City’s position as a member the Consortium.

**CONCLUSION:** Staff has completed its negotiations with the Consortium on behalf of the City for the purpose of forming a relationship to submit an application to HUD for the NSP2 grant program. The COG/Consortium proposal was submitted on time and the requisite announcement is on the COG and City of Bowie website for public view.

**RECOMMENDATIONS:** Staff recommends that City Council approve the allocation of \$60,000 for the COG Consortium application for NSP2 funds for the next three years.

Attachment:

Press Announcement of COG Consortium Application to HUD

Staff Report - Attachment to New Business Item E

## **Region to pitch for money to fight foreclosures**

By: David Sherfinski  
Examiner Staff Writer  
July 17, 2009

The Washington region is joining together to ask for stimulus money for neighborhoods that are being pummeled by foreclosures.

The Metropolitan Washington Council of Governments and six jurisdictions are applying for funds through the federal stimulus package's Neighborhood Stabilization Program to be used throughout the region. The group has targeted 60 areas that would benefit from the grants.

"We have tried to target neighborhoods within jurisdictions that are good places where there is a need for the funds, said Paul DesJardin, director of community planning and services for the Council of Governments. He said many areas are improving, specific sections are still struggling. For example, 121 vacant properties are in one census tract in the 20110 ZIP code of Manassas and 343 in a tract in the 22191 ZIP code in Woodbridge, according to an analysis of the targeted areas.

Prince William County, Alexandria, Bowie, Fairfax County, Gaithersburg and Prince George's County have joined together to apply for a portion of the \$2 billion available. The minimum grant request has to be at least \$5 million and must return at least 100 abandoned or foreclosed homes to productive use or limit their drain on the stability of the surrounding neighborhood. The consortium, which is considering asking for \$25 million, has until Friday to apply for the funding.

The \$5 million threshold makes it more difficult for individual jurisdictions to apply for funding, said Elijah Johnson, director of Prince William County's Department of Housing and Community Development. He added that one of the main goals of the program is to get people into homes.

Midyear foreclosure statistics released Thursday were mixed for the participating counties. Foreclosure filings in Fairfax, Loudoun, Manassas and Prince William all dropped from the first half of 2008, and foreclosures in Montgomery County, Prince George's, Alexandria and Arlington County rose, according to RealtyTrac.

"Unemployment-related foreclosures account for much of this increased activity, and the high number of borrowers who find themselves owing more on their mortgages than their homes' are now worth represent a potentially significant future risk," said James J. Saccacio, chief executive of RealtyTrac.

dsherfinski@washingtonexaminer.com