

Neighborhood Stabilization Program

Analysis of the amount allocated
for Kansas City in the State of
Missouri Application

Allocation

- The Housing and Economic Recovery Act requires state to target funding to areas of greatest need based on the extent of:
 - Foreclosures,
 - Subprime mortgages,
 - Mortgage delinquencies, and
 - Mortgage defaults

Methodology

- To measure need, HUD analyzed data from the following:
 - Mortgage Bankers Assoc.'s *National Delinquency Survey* and the Census Bureau's *American Community Survey*;
 - Federal Reserve's Home Mortgage Disclosure Act data;
 - Office of Federal Housing Enterprise Oversight data;
 - Department of Labor;
 - U.S. Postal Service.
- HUD used the data to developed a risk score to measure the risk on a scale of 0 to 10, with 10 representing an area with the highest risk.

Missouri

- Based on HUD's methodology, funds were allocated to State of Missouri, the City of St. Louis, St. Louis County and City of Kansas City

	Allocation	Foreclosure Rate
MISSOURI STATE PROGRAM	\$42,664,187	3.8%
KANSAS CITY	\$7,323,734	5.4%
ST LOUIS	\$5,532,792	6.0%
ST LOUIS COUNTY	\$9,338,562	3.7%
STATEWIDE FORECLOSURE RATE		4%

State of Missouri—

Further Refine Areas of Greatest Need— Indicators

- INDICATOR A (HUD): Areas with income eligibility and considered high risk for foreclosure or abandonment. **Risk scores greater than 5 were considered high risk.** Scores ranged from 0 to 10, with 0 indicating very low risk and 10 indicating a very high risk.

State of Missouri—

Further Refine Areas of Greatest Need— Indicators

- INDICATOR B (UR): Areas with above average unemployment rates (greater than 6.1 percent) in Fiscal Year 2008.

Kansas City's unemployment rate is listed at 7.8 percent.

State of Missouri—

Further Refine Areas of Greatest Need— Indicators

- INDICATOR C (LAR): Areas with above average high-cost loans as a percentage of housing (greater than 1.52 percent) in 2007. High cost loans defined as having a rate spread greater than 5 percent between the annual percentage rate (APR) and the comparable maturity Treasury security rate.

Greatest Need Defined– Tier 1, 2, 3

- Data has been mapped and targeted areas identified under the following groupings:
 - **Tier Three**: Identified by HUD census block group data as eligible based on income *and* HUD risk score greater than 5 (risk of foreclosure or abandoned homes - scale 1 to 10).
 - **Tier Two**: Met above requirements, *and* census tract has above average unemployment rate for FY08.
 - **Tier One**: Met all above requirements, *and* census tracts contain above average high cost loans as percentage of housing in 2007, as defined by Home Mortgage Disclosure Act rate spread greater than 5%.

State's Proposed Method of Distribution

- **Category 1** – accept proposals from areas of greatest need (Tier 1 only), review activities and determine amounts; include in draft plan
- **Category 2** – provide funds to MHDC for down payment assistance program
- **Category 3** – accept proposals from areas of greatest need (Tier 1, 2, and 3) for focus on 50% of MHI activities only

Proposed Fund Breakdown

Total State Allocation = **\$42,664,187**

10% Administration (state and local) = **\$4,266,418**

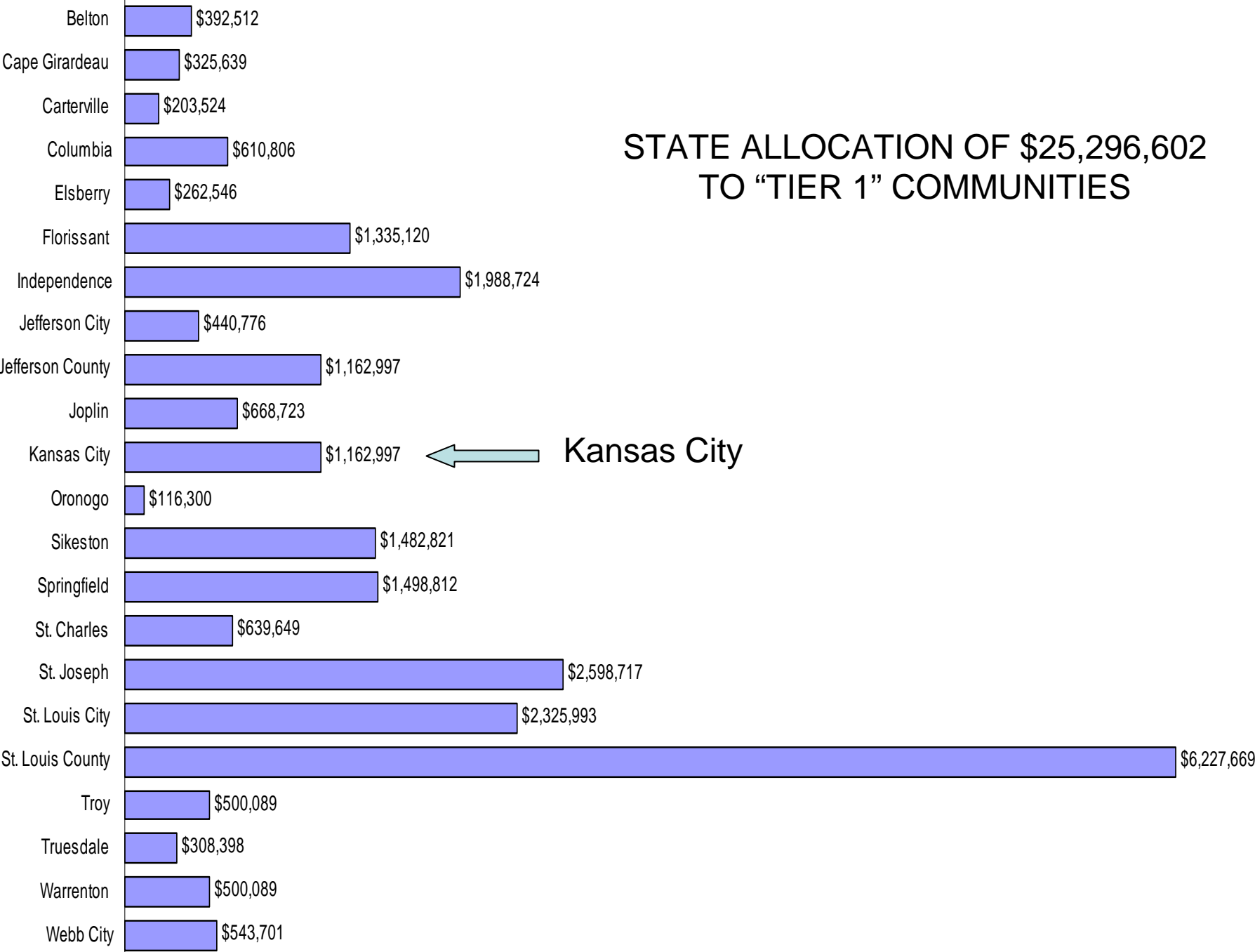
Category 1 = **\$23,531,722** ←

Category 2 = **\$4,200,000**

Category 3 = **\$10,666,047**

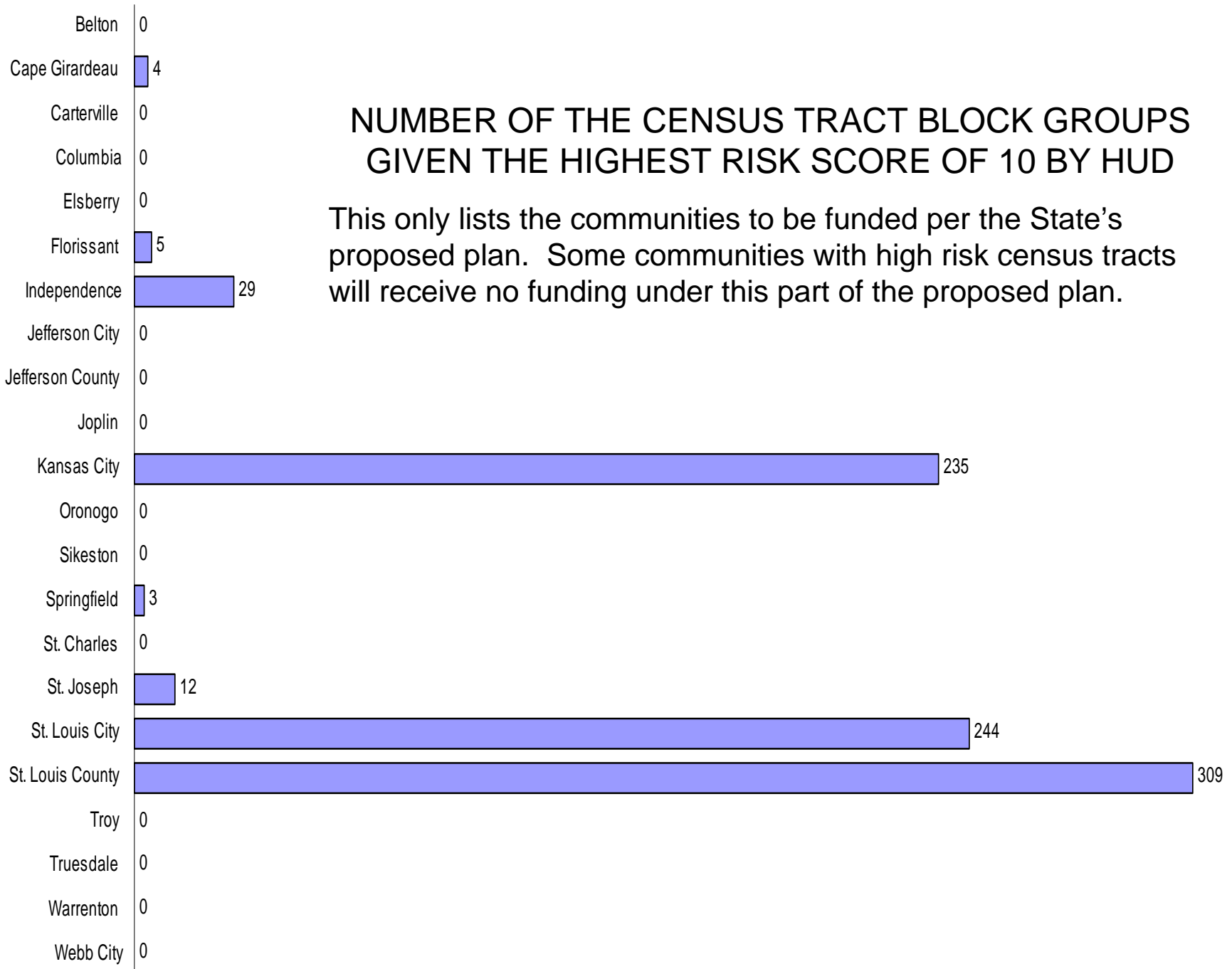
Have these funds been allocated to the areas of the greatest need?

STATE ALLOCATION OF \$25,296,602 TO "TIER 1" COMMUNITIES

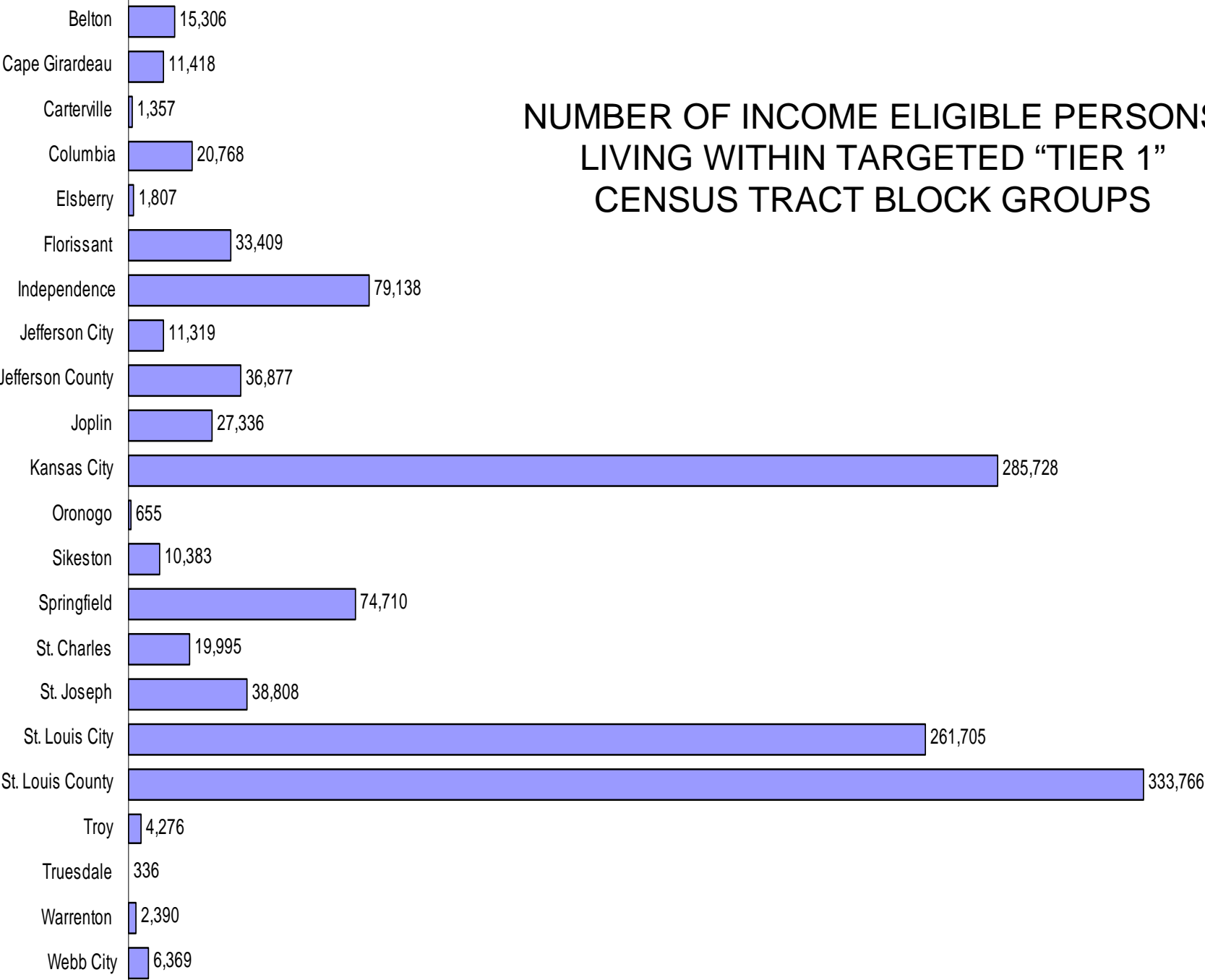


NUMBER OF THE CENSUS TRACT BLOCK GROUPS GIVEN THE HIGHEST RISK SCORE OF 10 BY HUD

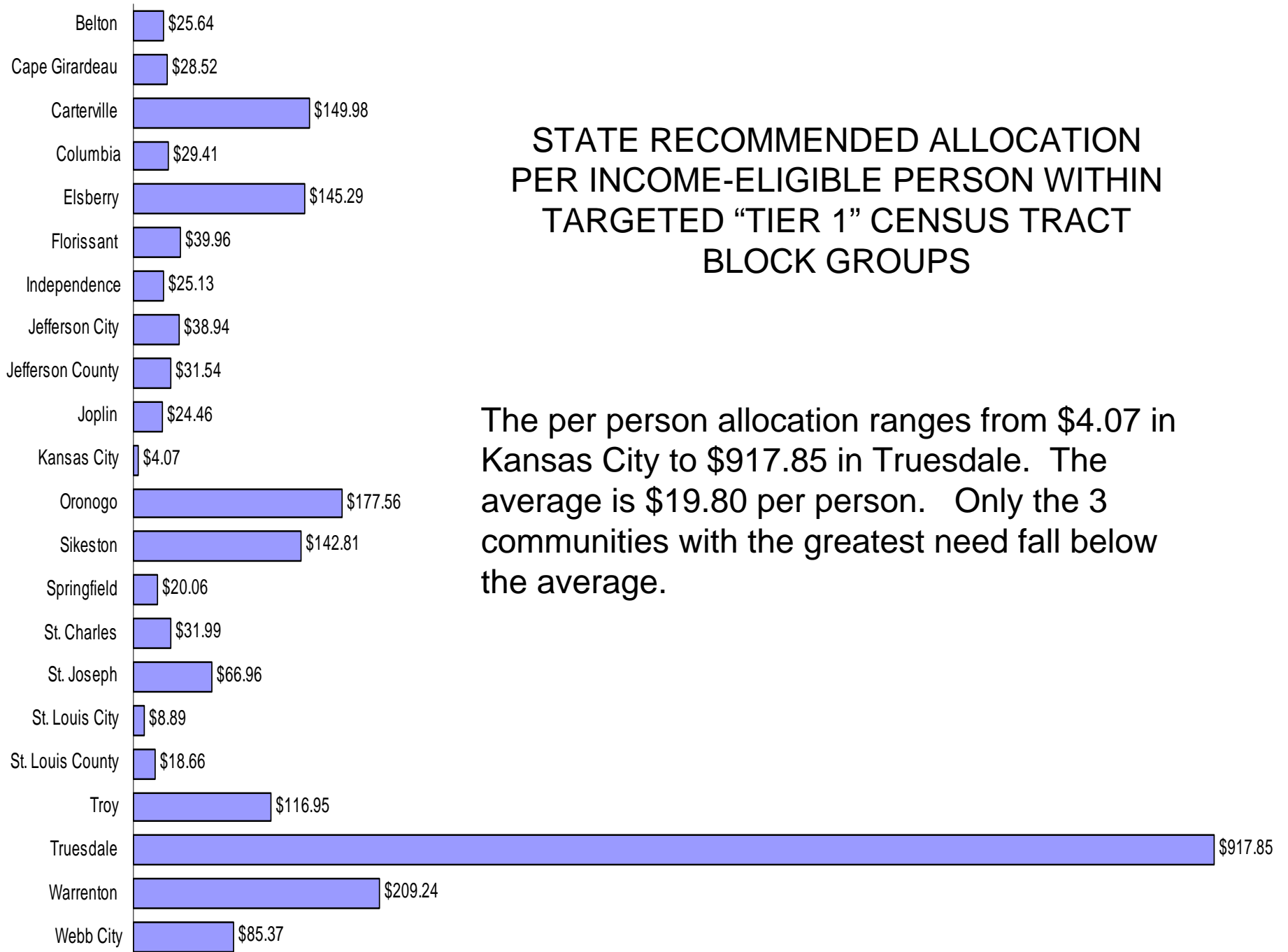
This only lists the communities to be funded per the State's proposed plan. Some communities with high risk census tracts will receive no funding under this part of the proposed plan.



NUMBER OF INCOME ELIGIBLE PERSONS LIVING WITHIN TARGETED "TIER 1" CENSUS TRACT BLOCK GROUPS



STATE RECOMMENDED ALLOCATION PER INCOME-ELIGIBLE PERSON WITHIN TARGETED "TIER 1" CENSUS TRACT BLOCK GROUPS

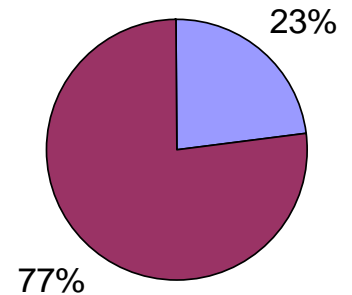


The per person allocation ranges from \$4.07 in Kansas City to \$917.85 in Truesdale. The average is \$19.80 per person. Only the 3 communities with the greatest need fall below the average.

THE ALLOCATION FOR KANSAS CITY IS TOO LOW

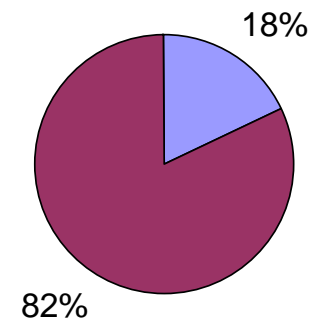
KC's allocation if based upon percentage of highest risk census tracts that are located in KC.

23% or \$5,818,218



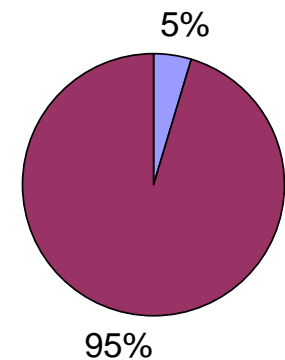
KC's allocation if based upon percentage of "Tier 1" census tracts

18% or \$4,553,388



Recommended amount.

5% or \$1,162,997



CONCLUSION

- The Request for Proposals and allocation methodology used by the State did not fulfill the Housing and Economic Recovery Act requirement that the funds be allocated to the areas with the greatest need.

Response from State:

“We had approximately \$23 million available for Tier 1 applications, and received over \$86 million in requests. The Kansas City application did not provide information on specific activities to be addressed, nor did it request specific amounts for those activities.”

The RFP was announced on October 23, 2008 with a deadline of November 13, 2008 at Noon. City Council approval was needed by November 6, 2008 in order to meet the deadline. Therefore, we had 2 weeks to prepare the response to the RFP. This was achieved.

Our proposal requested \$9 million to rehabilitate 250 foreclosed and abandoned homes. It described the area of the city where the activity would occur, provided a timeline for events to occur, and described how the activity would be carried out. All of the requirements of the RFP were met.

What has been done:

- Provided public comment on the plan.
The City Manager sent a letter protesting the allocation for Kansas City. A copy of the letter was mailed to HUD officials and our US Congress representatives.
Our objective is for HUD to reject the submitted plan and ask the State to revise it.

What we can do:

- Lobby the State for an increased allocation once HUD has rejected the plan.
Copies of the letter of protest are being sent to the Governor, Governor-Elect, and 42 area state legislators.
- Continue to develop and prepare for implementation of our plan. This will improve our chances of obtaining an increased allocation. It needs to be very obvious that we are “ready to roll”.

For further information

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