

Proposed Phoenix Neighborhood Stabilization Program

The City of Phoenix is receiving \$39.4 million for the Neighborhood Stabilization Program. We are seeking comment on our proposed strategies to address the impact of foreclosures on neighborhoods and to assist families to purchase foreclosed homes.

Consistent with of the Housing and Economic Recovery Act (HERA) of 2008 requirements, the city of Phoenix has defined areas with the greatest need as follows:

- 1) Areas in Phoenix having the greatest percentage of home foreclosures;
- 2) Areas in Phoenix with the highest percentage of homes financed by a subprime mortgage-related loan; and
- 3) Areas in Phoenix likely to face a significant rise in the rate of home foreclosures.

Due to the sizeable volume of foreclosed properties, the city of Phoenix's targeted approach will impact neighborhoods throughout the entire city and not just one or two specific zip codes or areas. In order to facilitate gathering data and analysis, zip codes were used in their entirety for purposes of establishing 'areas of greatest need;' at least a portion of the census tracts and/or neighborhood boundaries within each zip code met the HERA requirements for targeting. The city's highest foreclosure rates appear in the following general locations:

- Maryvale Village (Grand Avenue west to 99th Avenue, Camelback Road to McDowell Road and 99th Avenue to El Mirage Road, Bethany Home Road to Indian School Road);
- Laveen/Estrella and South Mountain Areas of Phoenix;
- 23rd Avenue west to the city limits, Van Buren Street north to Cactus Road; and,
- Bell Road to Pinnacle Peak Road, from 7th Street to 23rd Avenue.

Our NSP's targeted approach will be used for maximum impact, giving priority emphasis to areas of greatest need. This approach is consistent with the goals of the Community Development Strategic Plan element of the Phoenix Consolidated Plan, 2005-2010. The strategy will respond to large areas of the city with significant foreclosure rates and widespread foreclosure risk factors through a three-tiered approach.

The Community Development goals established by City Council and the three NSP Tiers are:

Goal 1	Preserve good neighborhoods so they stay healthy	Tier 1
Goal 2	Turn around changing neighborhoods so that they become desirable	Tier 2
Goal 3	Redevelop and rebuild blighted areas so that they become workable neighborhoods	Tier 3

- Tier 1:** Currently, neighborhoods within these zip codes are experiencing low-to-moderate risk and have incipient problems with foreclosures or are threatened by the spreading risk from nearby areas of greater distress. In order to preserve healthy neighborhoods, homebuyer assistance (down payment and/or closing costs) will be provided to encourage new homebuyers to purchase foreclosed properties within these areas. Acquisition, rehab and possibly demolition will only be available on an exception basis to address properties with the most serious health and safety issues.
- Tier 2:** These zip codes have some neighborhoods experiencing moderate-to-high risk. Many of these neighborhoods are volatile and are at risk of becoming undesirable as the impacts of foreclosure become more evident. The NSP focus in these areas is to quickly stabilize neighborhoods so that they remain or once again become desirable to homebuyers and reduce the impacts on surrounding homeowners. Homebuyer assistance and moderate rehab assistance will encourage homebuyers to purchase foreclosed homes needing repairs. This will help restore confidence in neighborhoods where there is still a relatively strong market potential.

Some acquisitions may be necessary within these areas to stabilize neighborhoods where a property is in need of more extensive rehab for resale, blight removal or possible redevelopment. Foreclosed multi-family properties in these neighborhoods could also be rehabbed for the Housing Department's portfolio. Phoenix will pursue quick successes in Tier 2 areas where confidence can be built back into a neighborhood that, but for a few key properties, would otherwise be attractive to homebuyers.

- Tier 3:** Many neighborhoods within these zip codes are experiencing the highest rates and risk of continued foreclosure activity and abandonment. Many of these areas were already distressed and the city and our community partners have been actively working to redevelop and rebuild these communities. Other, newer neighborhoods also face health and safety concerns due to blight and vandalism of vacant properties.

The city proposes a more targeted approach, providing rehabilitation assistance with higher maximum amounts in addition to the assistance available in Tier 1 and Tier 2 areas. This would serve as an incentive for homebuyers to purchase homes in distressed areas which may also require extensive and/or more expensive repairs. Acquisition, rehab and resale, or demolition and redevelopment of properties may also be necessary to stabilize these neighborhoods as concentrations of foreclosures have eroded market potential that may have already been weak. Such neighborhoods may have larger numbers of foreclosures, may be in overall poorer physical condition, or more challenged to rebound without intensive intervention.

*Please refer to Page 4 summary of the Neighborhood Stabilization Program Activities including zip codes for each Tier.

A large area of the city is Tier 2 or Tier 3, with a higher concentration of foreclosed and abandoned homes along with a high risk of future foreclosures or abandonment. A priority emphasis will be given to neighborhoods within these Tiers as they face more challenging physical or market circumstances. The majority of NSP funding and the most intensive NSP eligible activities will be targeted to the highest risk/foreclosure rate areas. Initial strategies that further target the NSP activities are outlined in the Plan. These initial NSP strategies will be developed, deployed and continually refined to address the unique neighborhood sub-markets within these areas.

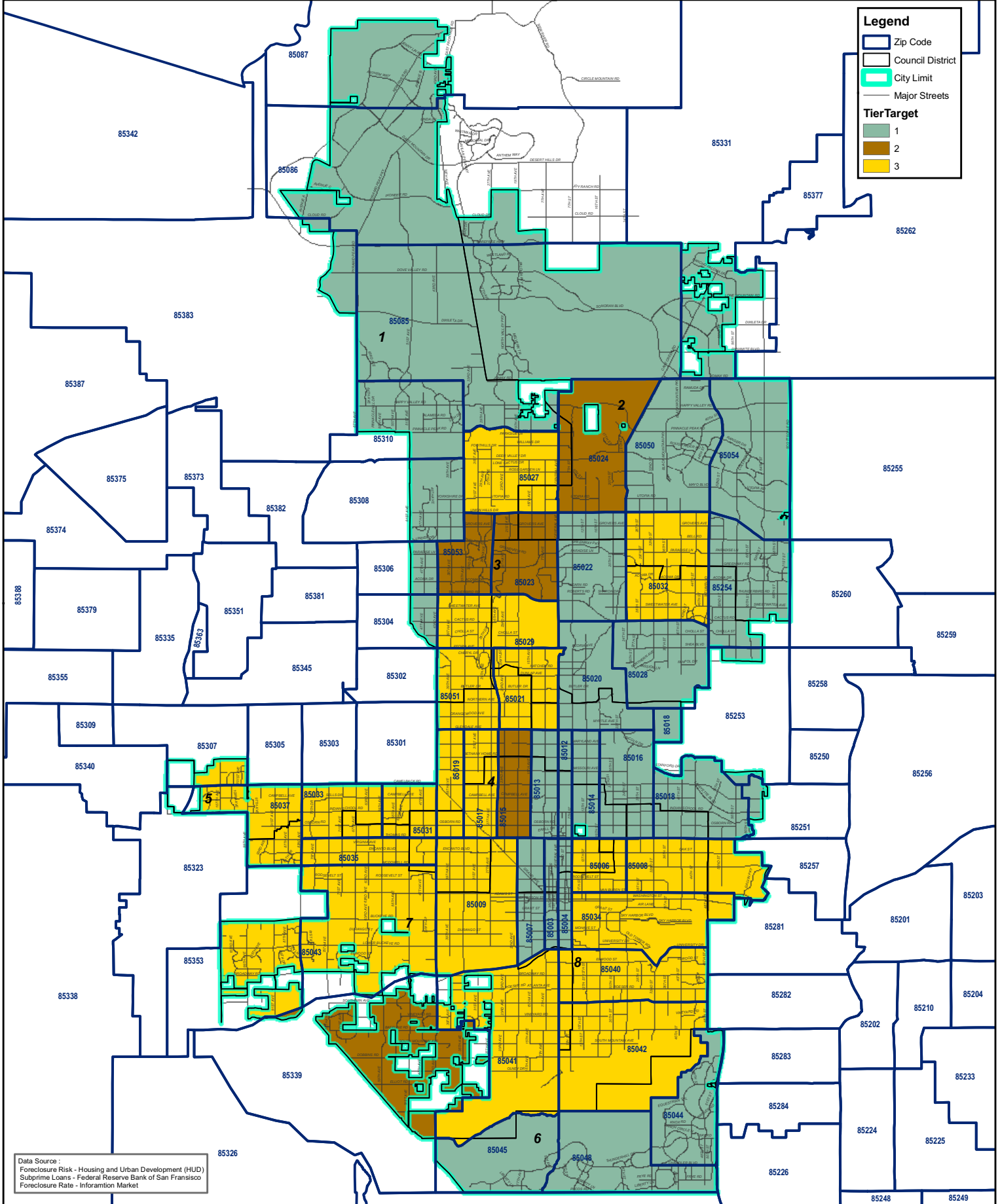
The draft Phoenix Neighborhood Stabilization Program, Substantial Amendment to the US Department of Housing and Urban Development Consolidated Plan and 2008 Annual Action Plan was available for public review and comment from November 12 to November 26, 2008. The Neighborhood Stabilization Program application was submitted to the U.S Department of Housing and Urban Development on December 1, 2008 and we expect them to turn it around early in 2009.

Neighborhood Stabilization Program Activity Summary

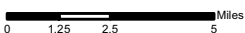
The following table summarizes the targeted distribution of NSP funds by Program Tier and neighborhood zip code, and identifies the program activity associated with each.

NSP PROGRAMS, BY TIER:			
TIER 1	TIER 2	TIER 3	
“Preserve stable neighborhoods so they stay healthy”	“Turn around changing neighborhoods so they become desirable”	“Redevelop and rebuild blighted areas so they become workable”	
HUD Risk Factor 0-6	HUD Risk Factor 7-8	HUD Risk Factor 9-10	
Homebuyer Assistance (all Tiers): Subordinate loan for part of the purchase price, to encourage new homebuyers to purchase foreclosed properties.			
Promote use of HUD 203(k) to assist homebuyers with needed repairs.	Homebuyer Assistance w/ Rehab Assistance Moderate rehab assistance to incent homebuyers to purchase foreclosed houses needing minor rehab.	Homebuyer Assistance w/ Rehab Assistance: Higher maximum amounts to incent homebuyers to purchase and rehab in the most distressed areas.	
Acquisition only on an exception basis, with: <ul style="list-style-type: none"> - rehab and resale for ownership - rehab for operation as multi-family rental 	Limited acquisition (some bulk purchases) with: <ul style="list-style-type: none"> - rehab and resale for ownership - rehab for operation as multi-family rental - holding, rehabbing, maintaining and remarketing - demolition and redevelopment 	Acquisition (including large bulk purchases) with: <ul style="list-style-type: none"> - rehab and resale for ownership - rehab for operation as multi-family rental - holding, rehabbing, maintaining and remarketing - demolition and redevelopment 	
Spot Demolition, on an exception basis only, to address most serious health and safety issues.	Scattered Demolition	Demolition	
ZIP CODE TARGETING:			
TIER 1	TIER 2	TIER 3	
All Phoenix Zip Codes	85015	86006	85034
	85023	85008	85035
	85024	85009	85037
	85053	85017	85040
	85339	85019	85041
		85021	85042
		85027	85043
		85029	85051
		85031	85307
		85032	85353
		85033	
Notes:			
¹ Zip Code boundaries do not conform with city limits. All the zip codes listed are all or partly in Phoenix; certain zip codes include portions of neighboring cities. City of Phoenix NSP funds will be used to benefit only City of Phoenix residents.			
² Zip Codes were included in entirety for purpose of establishing ‘areas of greatest need.’ At least a portion of the census tracts and/or neighborhood boundaries within each zip code met the HERA requirements for targeting.			

Map 1-4 City of Phoenix - NSP Areas of Greatest Need



2008



Neighborhood Services Department

