

**CITY OF BIRMINGHAM, ALABAMA
DEPARTMENT OF COMMUNITY DEVELOPMENT**

**NEIGHBORHOOD STABILIZATION PROGRAM
PRE-APPLICATION TO:**

**ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS
2008**

OVERVIEW/SUMMARY OF MORTGAGE AND NEIGHBORHOOD STABILIZATION ISSUES AND STRATEGIES IN BIRMINGHAM

The April 2008 issue of *Governing* featured an article titled "*The Two Faces of Foreclosure*". In significant detail, this article describes the fact that there are two different faces/natures of the current crisis—one as it applies to the Las Vegases of America and a second as it applies to the Daytons (and Birmingham) of America. While in many more prosperous communities the mortgage crisis is of recent origin, in communities like Birmingham, the mortgage crisis is just one more rock thrown into the pond. While the mortgage crisis is a significant problem for Birmingham, the response and the anticipated outcomes are greatly different from the response and anticipated outcomes in more prosperous communities. Accordingly, success will look different in Birmingham and Dayton than it does in Las Vegas.

Leading up to the mortgage foreclosure crisis, the City of Birmingham has experienced more than 4 solid decades of population loss. Our 1960 population was 340,000 and our current population is estimated at 225,000---each decade has seen losses of from 10,000 to 25,000 people. This sustained and significant population loss has triggered major disruptions in our housing market. For the past four decades, vacancy rates in the City have consistently and continuously hovered at an average of 15% as properties were systematically abandoned over time as patterns of disinvestment took root. We estimate that there are over 10,000 vacant and abandoned lots in the City. Over the past 17 years alone, City building permit records document some 11,900 residential demolitions. Poverty rates in the City hover at 25% and it some 29% of our population reports one form of disability or another. School enrollments have dropped dramatically. Approximately three-fourths of all City census tracts meet HUD's definition of predominantly low-moderate income. According to HUD data, many of our census tracts report the percentage of high-risk loans at 60 -70 %, suggesting that for a significant period of time, the only investments and lending going on have been non-conventional in nature as bank lending has been scarce. So when the foreclosure bubble burst, these already-vulnerable neighborhoods were significantly adversely hit. As our attached map indicates, the problems are deep and widespread, covering at least two-thirds of the City.

In the face of these overwhelming problems, the City understands that our \$2.5 million NSP funds will not answer all of these challenges. Our goal with NSP funds will be to

strategically direct the use of these funds both geographically and programmatically in two key ways:

- 1) Geographically, we will seek to identify, within our areas of greatest need, pockets of opportunity that will allow us to acquire, rehab and re-occupy clusters of abandoned and foreclosed properties so as to stabilize and/or reverse declines in those geographic areas. While we may not impact the full geographic ‘area of greatest need’ in the City, we hope to stabilize several smaller clusters via this method and positively impact physical conditions and prevent further declines in valuation.
- 2) Programmatically, a key goal of ours will be to work with non-profit organizations within the City in order to create additional opportunities for permanent supportive housing for persons with disabilities. Many of our residents (reportedly as high as 29%) report having disabilities, and many of these same residents are also very low income (at or below 50% of AMI) Our goal will be to cooperatively develop new models in the City of Birmingham for the provision of permanent supportive housing for very low income persons.

A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee’s jurisdiction.

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction’s consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State’s own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions’ consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity’s own plan.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. The City has consulted this data in developing this section of the Substantial Amendment and it is available at the referenced links herein.

Response:

A review of the City of Birmingham’s (hereinafter referred to as “the City”) overall situation indicates that for the purposes of this grant application, a large portion of the City exceeds the NSP program requirements for eligibility. The City will work within these areas where feasible but will not reject other areas of

foreclosure concentration not shown under the Priority Areas of Greatest Need. The foreclosure data presented was gathered from multiple sources but, due to time constraints, should not be considered all inclusive. Foreclosure data is not static and may change rapidly with market conditions.

For the purpose of this application, the summary needs data identifying geographic areas of greatest need in the City are listed in this section. Greatest needs within the City's were defined through the use of available data including the:

- (a) Greatest percentage of home foreclosures;
- (b) Highest percentage of homes financed by sub-prime mortgage related loan; and
- (c) Identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

The areas shown below have been selected as Priority Areas of Greatest Need for the use of NSP funds within the City. First you will see the Priority Areas of Greatest Needs which show most, though not all the factors which were included in the analysis. Among factors considered were the Current Rate of Foreclosure, the Estimated Foreclosure Abandonment Risk Score, Income eligibility, High Cost Loan Rate, 18 Month Problem Foreclosure Rate and USPS Residential Vacancy Rate among others.

In Attachment A, the City has attached a table and map setting forth the “Areas of Greatest Need” in the City of Birmingham for the expenditure of CDBG-NSP Funds. Criteria for inclusion in this identified ‘target’ area are that, based on our analysis of HUD data, our “Areas of Greatest Need” are those Census Block Groups in which: 1) the Estimated Foreclosure Risk Score is 9 or higher; 2) the High Cost (Sub prime) Loan Rate exceeds 40%; and 3) the Predicted 18 month problem foreclosure rate exceeds 6.0%.

Comparing this map to other similar programmatic maps we have used in Community Development, the geographic area identified by these criteria compares almost identically with previously defined areas of low-moderate income housing needs, including housing rehabilitation.

B. PROJECT DESCRIPTION

THE CITY OF BIRMINGHAM, ALABAMA PROPOSES TWO PROJECTS OR ACTIVITIES. THEY ARE ITEMIZED AS FOLLOWS:

NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name:

Purchase and Rehabilitation Program for Sale, Rent or Redevelopment.

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP Eligible Use:

NSP Eligible Use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

CDBG Eligible Use:

- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.
- 25CFR 570.201 (a) acquisition, (b) dispositions, (i) Relocation, and (n) Direct homeownership assistance (as modified below):
- 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).
.24 CFR 570.201 (a) Acquisition and (b) Disposition.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

This activity meets the national objective by providing or improving permanent residential structures that will benefit low, moderate and middle income persons, as defined in the NSP Notice---i.e., < 120% of area median income.

(4) Projected Start Date:

March 1, 2009.

(5) Projected End Date:

February 28, 2013

- (6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Birmingham, Alabama
Housing Division
Department of Community Development
710 North 20th Street; 7th Floor City Hall
Birmingham, Alabama 35203

Administrator Contact: James F. Fenstermaker

Phone: 205-254-2483

Fax: 205-254-2282

E-mail: jim.fenstermaker@birminghamal.gov

The City may, at its discretion, determine to utilize a non-profit or for-profit developer(s) for all or a portion of the activities proposed. Entities chosen for this purpose will be selected through competitive proposals with an emphasis on experience and capacity in order to facilitate the highest and best use of the funds within the allocated time frame.

- (7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

A review of the City's overall situation indicates that for the purposes of this grant application, a large portion of the City exceeds the NSP program requirements for eligibility.

The City will prioritize the expenditure of NSP funds in its identified Areas of Greatest Need, described in Attachment A, and we will place emphasis on identifying projects in these identified Census Block Groups. Our goal will be to expend all NSP dollars within these identified areas. Within these identified areas, we will seek to identify 'clusters of opportunity' in which a targeted investment of NSP funds in a grouping of foreclosed, abandoned or blighted properties can become the catalyst for reversal of neighborhood decline. We would hope to identify as many as 3-5 such clusters within our Areas of Greatest Need.

The City will work within these areas were feasible but will not reject other areas of foreclosure concentration not shown under the Priority Areas of Greatest Need. Foreclosure data is not static and may change rapidly with market conditions.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Funds utilized under this activity will be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a sub prime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures.

In Attachment A, we have attached a table and map setting forth the “Areas of Greatest Need” in the City of Birmingham for the expenditure of CDBG-NSP Funds. Criteria for inclusion in this identified ‘target’ area are that, based on our analysis of HUD data, our “Areas of Greatest Need” are those Census Block Groups in which: 1) the Estimated Foreclosure Risk Score is 9 or higher; 2) and the High Cost (Sub prime) Loan Rate exceeds 40%; and 3) the Predicted 18 month problem foreclosure rate exceeds 6.0%.

The expected benefit to income qualified persons will be to provide or improve permanent residential structures for low, moderate and middle income persons, as defined in the NSP Notice---i.e., < 120% of area median income. This activity will be used to meet the low income housing requirement for those below 50% of area median income. Units purchased, rehabilitated or redeveloped under this Program **may be gifted** at no cost to qualified 501(c) (3) organizations that demonstrate the ability to maintain and manage the units over time or to other eligible program participants.

The expected benefit to income-qualified persons will be as follows:

Income Group	Projected # Beneficiaries
0-50%	05
51-120%	14

For housing related activities, include:

- **Tenure of beneficiaries--rental or homeownership;**

Tenure of beneficiaries under this activity may be rental or homeownership. It is anticipated that those toward the lower end of the income spectrum will be rental and those toward the higher end will be homeownership. Each NSP assisted homebuyer will be required to receive and complete at least 8 hours of homebuyer

counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. Homebuyers must obtain a mortgage loan from a lender who agrees to comply with the bank regulator's guidance for non-traditional mortgages (see, Statement on Sub prime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration, available at <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>).

Duration or term of assistance;

The minimum term of assistance for rental projects will be 5, 10, 15 or 20 years as described in the table below: 24 CFR 92.252 Qualification as Affordable Housing: Rental Housing. The minimum term of term of assistance for homeownership will be 5, 10 or 15 years as described in the table below: 24 CFR 92.254 Qualifications as Affordable Housing: Homeownership.

Description of how the design of the activity will ensure continued affordability;

The City has adopted the HOME Program affordability standards found at 24 CFR 92.252 (a), (c), (e), and (f), and 24 CFR 92.254 to meet the continued affordability standards of the Neighborhood Stabilization Program. Utilizing these standards, the City will ensure that all NSP assisted housing remains affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301 (f) (3) (A) (ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

Enforcement Mechanisms

HOME rules require that assisted properties remain affordable for a specific period of time (5, 10, 15 or 20 years), depending on the activity and the level of funds invested. Participating Jurisdictions are required to place certain restrictions on assisted properties in order to preserve affordable housing in their communities. Restrictions involving the period of affordability will be incorporated in a deed restriction and/or mortgage documents or other appropriate and binding documents (Note: covenants on land may be used in lieu of deed restrictions).

Qualification as Affordable Housing: Rental Housing

Continued Affordability

- (a) *24 CFR 92.252 (a)* Rent limitation. HUD provides the following maximum HOME rent limits. The maximum HOME rents (High HOME Rents) are the lesser of:
- (1) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR § 888.111; or
 - (2) A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.
- (b) *24 CFR 92.252 (c)* Initial rent schedule and utility allowances. The participating jurisdiction shall establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction shall review and approve rents proposed by the owner for units subject to the maximum rent limitations in paragraphs (a) or (b) of this section. For all units subject to the maximum rent limitations in paragraphs (a) or (b) of this section for which the tenant is paying utilities and services, the participating jurisdiction shall ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.
- (c) *24 CFR 92.252 (e)* Periods of Affordability. The NSP-assisted units must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. They shall be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure. The participating jurisdiction may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former has or had family or business ties, obtains an ownership interest in the project or property.

Rental housing activity	Minimum period of affordability in years
Rehabilitation or acquisition of existing housing per unit amount of NSP funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15
New construction or acquisition of newly constructed housing	20

- (d) 24 CFR 92.252 (f) Subsequent rents during the affordability period.
- (1) The maximum HOME rent limits are recalculated on a periodic basis after HUD determines fair market rents and median incomes. HUD then provides the new maximum HOME rent limits to participating jurisdictions. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.
 - (2) The participating jurisdiction must provide project owners with information on updated HOME rent limits so that rents may be adjusted (not to exceed the maximum HOME rent limits in paragraph (d) (1) of this section) in accordance with the written agreement between the participating jurisdiction and the owner. Owners must annually provide the participating jurisdiction with information on rents and occupancy of NSP-assisted units to demonstrate compliance with this section.
 - (3) Any increase in rents for NSP-assisted units is subject to the provisions of outstanding leases, and in any event, the owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents.

92.254 Qualification as Affordable Housing: Homeownership

Acquisition with or without rehabilitation. Housing that is for acquisition by a family must meet the affordability requirements referenced in this of this section.

- 1. The housing must be single-family housing.
- 2. The housing must be modest housing as follows:

The City will use the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) (which may be obtained from the HUD Field Office) for projects/properties assisted with NSP funds.

- 3. The housing must be acquired by a homebuyer whose family qualifies as a low, moderate, and middle income, (LMMI) family and the housing must be the principal residence of the family throughout the period described in paragraph (4) of this section.
- 4. *Periods of affordability.* The NSP-assisted housing must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion. The per unit amount of NSP funds and the affordability period that they trigger are described more fully below.

Homeownership assistance NSP amount per-unit	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
T Over \$40,000	15

5. Continued Affordability

The Recapture Requirements [92.254(a) (5)]

The City will use the Recapture option for NSP funding. Recapture provisions must ensure that the participating jurisdiction recoups all or a portion of the NSP assistance to the homebuyers, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

Under the “recapture” option, the recipient repays some or all of the NSP subsidy to the Participating Jurisdiction and is able to sell

his/her home to any buyer at whatever price the market will bear. The City will require full repayment of outstanding NSP funds at the time of resale or, if the net proceeds are less than the full amount of the NSP subsidy, recapture of the net proceeds. The net proceeds of a sale are the sales price minus any non-NSP loan repayments and closing costs. The City may at its option reduce the NSP investment amount to be recaptured on a pro-rata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period. In those cases where the real estate does not appreciate sufficiently to allow a full recapture, The City will reduce the repayment of the NSP subsidy to allow the original purchaser to resell the unit without incurring a loss. The period of affordability is based upon the total amount of NSP funds subject to recapture described in paragraph (4) of this section.

6. *Lease Purchase.* NSP funds may be used to assist homebuyers through lease-purchase programs for existing housing and for housing to be constructed. The housing must be purchased by a homebuyer within 36 months of signing the lease-purchase agreement. The homebuyer must qualify as a low-income family at the time the lease-purchase agreement is signed. If NSP funds are used to acquire housing that will be resold to a homebuyer through a lease-purchase program, the NSP affordability requirements for rental housing in § 92.252 shall apply if the housing is not transferred to a homebuyer within forty-two months after project completion. Lease purchase agreements shall be for a period of one year and renew annually. A portion of the monthly lease payment may be set aside to help the homebuyer accumulate funds for a down-payment and/or closing costs. Approvals of homebuyers for lease purchase are on a case-by-case basis and are at the sole discretion of the City.
7. *Contract to purchase.* If NSP funds are used to assist a homebuyer who has entered into a contract to purchase housing to be constructed, the homebuyer must qualify as a LMMI family at the time the contract is signed.
8. *Preserving affordability.*

If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosure or transfer in lieu of foreclosure pursuant to 24 CFR part 92, the City will revive the HOME affordability restrictions for the greater of the remaining period of

HOME affordability or the continuing affordability requirements of this notice.

(i) Notwithstanding § 92.214 (a) (6), to preserve the affordability of housing that was previously assisted with NSP funds and subject to the requirements of § 92.254(a), a participating jurisdiction may use additional NSP funds to acquire the housing through a purchase option, right of first refusal, or other preemptive right before foreclosure, or to acquire the housing at the foreclosure sale, to undertake any necessary rehabilitation, and to provide assistance to another homebuyer. The housing must be sold to a new eligible homebuyer in accordance with the requirements of § 92.254(a). Additional NSP funds may not be used if the mortgage in default was funded with NSP funds.

(ii) The total amount of original and additional NSP assistance may not exceed the maximum per-unit subsidy amount established under § 92.250.

For acquisition activities, include:

- **discount rate** -
A discount rate of 5% for individual purchases will be applied and 15% for purchases in aggregate. Aggregate purchases for NSP are defined as all properties that an NSP grantee purchases with its entire NSP grant. Arranging to purchase multiple properties in bulk may not have much effect on meeting the individual and aggregate purchase discount requirements. The individual discount requirement still applies to each individual house and an appraisal is required for each house.

- **Voluntary Termination of Right of Redemption** -
The City does, however, intend on offering modest compensation to foreclosed property owners in return for their forfeiture of their right of redemption under Alabama State law. This will have the effect of expediting the acquisition of foreclosed homes.

For financing activities, include:

- **range of interest rates**

0% interest rates.

I. Total Budget: (Include public and private components)

NSP Grant Funds: \$1,900,000.00

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

Income Group	Projected # Beneficiaries
0-50%	05
51-120%	14

NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Administration.

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP Eligible

NSP Eligible Use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

CDBG Eligible Use:

- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., \leq 120% of area median income).

This activity meets the national objective by providing or improving permanent residential structures that will benefit low, moderate and middle income persons, as defined in the NSP Notice---i.e., $<$ 120% of area median income.

(4) Projected Start Date: March 1, 2009

(5) Projected End Date: February 28, 2013

(6) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

City of Birmingham, Alabama
Department of Community Development
710 North 20th Street; 10th Floor City Hall
Birmingham, Alabama 35203

Administrator Contact: James F. Fenstermaker, Director

Phone: 205-254-2483

Fax: 205-254-2282

E-mail: jim.fenstermaker@birminghamal.gov

(7) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

City of Birmingham, Alabama
Department of Community Development
710 North 20th Street; 10th Floor City Hall
Birmingham, Alabama 35203

(8) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Administration of the NSP Program.

I. Total Budget: (Include public and private components)

\$100,000.00

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

ADMINISTRATIVE EXPENSES RELATED TO THE NSP PROGRAM.

C. IMPACT AND COST EFFECTIVENESS:

In Attachment A, we have attached a table and map setting forth the “Areas of Greatest Need” in the City of Birmingham for the expenditure of CDBG-NSP Funds. Criteria for inclusion in this identified ‘target’ area are that, based on our analysis of HUD data, our “Areas of Greatest Need” are those Census Block Groups in which: 1) the Estimated Foreclosure Risk Score is 9 or higher; 2) and the High Cost (Sub prime) Loan Rate exceeds 40%; and 3) the Predicted 18 month problem foreclosure rate exceeds 6.0%.

Comparing this map to other similar programmatic maps we have used in Community Development, the geographic area identified by these criteria compares almost identically with previously defined areas of low-moderate income housing needs, including housing rehabilitation.

Although it is impossible to know at this point in time, we anticipate spending on average \$100,000 per housing unit for acquisition and rehabilitation.

D. CAPACITY AND READINESS:

The City of Birmingham’s Community Development Department has been involved in the administration of the CDBG Program since its inception in 1974; the ESG Program since its inception; the HOME/ADDI Program since its inception; and the HOPWA Program since 1999. We are a Department of approximately 53 full time staff with five standing divisions; Administration, Housing, Grants Management, Accounting, and Community Resources.

Our Department is well experienced in the administration of HUD Programs and presently administers the CDBG Program (\$6,587,112.00); the ESG Program (\$295,046.00); the HOME/ADDI (2,048,799.00) Program; and HOPWA (\$538,000.00) Program. Additionally, the City is a direct recipient of NSP Funding in the amount of \$2,580,214.00.

E. COMPLIANCE WITH RULES:

Discount Rate: A discount rate of 5% for individual purchases will be applied and 15% for purchases in aggregate. Aggregate purchases for NSP are defined as all properties that an NSP grantee purchases with its entire NSP grant. Arranging to purchase multiple properties in bulk may not have much effect on meeting the individual and aggregate purchase discount requirements. The individual discount requirement still applies to each individual house and an appraisal is required for each house.

At least 25% of funds must be expended to house individuals and families earning less than or equal to 50 percent of area median income. The City proposes to utilize at a minimum \$475,000.00 of NSP funding for this purpose.

One Hundred Percent of funds must be used for activities that qualify to benefit individuals and households less than or equal to 120 percent of area median income. All anticipated beneficiaries under this program will meet that requirement.

Regarding the continued affordability of housing units, the City has adopted the HOME Program affordability standards found at 24 CFR 92.252 (a), (c), (e), and (f), and 24 CFR 92.254 to meet the continued affordability standards of the Neighborhood Stabilization Program. Utilizing these standards, the City will ensure that all NSP assisted housing remains affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301 (f) (3) (A) (ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

Regarding the obligation of funds for specific activities in 18 months and expenditure in 4 years, the City will obligate all NSP funding within 18 months of execution of NSP grant agreements with ADECA by written contract. All funding will be expended within four years of execution of the NSP grant agreements with ADECA.

Regarding the range of interest rates and reuse of program income, the City will provide financing at zero (0%). The City anticipates no program income but will adhere to all NSP program guidelines in reuse should program income be generated by this program.

Regarding Ten-Year timeline for use of land bank properties, the City plans no land banking activities.

Regarding homebuyer counseling, the City will require at a minimum of 8 hours of homebuyer counseling for all NSP program participants.

Regarding the restriction against use of sub-prime loans, the City plans no such use of sub-prime loan lenders in the NSP Program.

ATTACHMENT A

TABLE & MAP SETTING FOR THE “AREAS OF GREATEST NEED”