

STATE OF ARIZONA, ARIZONA DEPARTMENT
OF HOUSING
NSP GRANT SUBMISSION TEMPLATE
& CHECKLIST

NSP grant allocations can be requested by submitting a paper NSP Substantial Amendment or a form under the Disaster Recovery Grant Reporting (DRGR) system. This template sets forth the suggested format for grantees under the NSP Program. A complete submission contains the information requested below, including:

- (1) The NSP Substantial Amendment (attached below)
- (2) Signed and Dated Certifications (attached below)
- (3) Signed and Dated [SF-424](#).

Grantees should also attach a completed NSP Substantial Amendment Checklist to ensure completeness and efficiency of review (attached below).

THE NSP SUBSTANTIAL AMENDMENT

<p>Jurisdiction(s): State of Arizona, Arizona Department of Housing</p> <p>Jurisdiction Web Address:</p> <ul style="list-style-type: none">• www.housingaz.com	<p>NSP Contact Person: Charlotte D. Grant-Cobb, PhD Assistant Deputy Director of Programs or Katherine Blodgett, Community Development and Revitalization Programs Administrator</p> <p>Address: 1110 W. Washington, Suite 310 Phoenix, Arizona 85007</p> <p>Telephone: (602) 771-1000</p> <p>Fax: (602) 771-1002</p> <p>Email: charlotteg@housingaz.com kathyb@housingaz.com</p>
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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. Grantees may wish to consult [this data](#), in developing this section of the Substantial Amendment.

<http://azcms.housingaz.com/azcms/uploads/NSP/HUD%20Risk%20Score%20Data.pdf>

Response:

In total, the State of Arizona (“the State”) received allocations in the amount of \$121.1 million, of which \$38.3 million was allocated directly (the “Direct NSP Allocation”) to the Arizona Department of Housing (“ADOH”). The remainder was distributed by HUD to the nine CDBG entitlement jurisdictions hardest hit by the foreclosure crisis in Arizona. In making its Direct NSP Allocation, HUD used the following sources:

1. The Mortgage Bankers Association (the "MBA") National Delinquency Survey data on the rate of foreclosures starts in 2007 and 2008 as well as current rates of subprime loans and loans in default or delinquency at the state-wide level;
2. Federal Reserve's HMDA data on owner-occupied and investor mortgages made between 2004 and 2006, as well as the percent of those loans that are high-cost;
3. Vacancy data from the USPS to determine areas where abandonment of homes due to foreclosure is more likely;
4. Public data from OFHEO to measure home price declines; and
5. Labor Department data on the rate of unemployment at the city and county level as a predictor of future foreclosures and abandonment.

A description of HUD's allocation formula can be found in HUD's "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008 (Docket No. FR-5255-N-01)."

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf>

Based on this analysis, NSP Allocation awards were made by HUD to each of the Direct Grantees listed herein (each, a "Direct Grantee"):

STATE OF ARIZONA	\$38,370,206
PHOENIX	\$39,478,096
MARICOPA COUNTY	\$9,974,267
MESA	\$9,659,665
TUCSON	\$7,286,911
GLENDALE	\$6,184,112
PIMA COUNTY	\$3,086,867
AVONDALE CITY	\$2,466,039
CHANDLER	\$2,415,100
SURPRISE TOWN	\$2,197,786

According to HUD, emphasis of NSP funds shall be made to areas of greatest need and to projects that will have a meaningful impact on their communities. HUD thereby requires that NSP funds be targeted to areas of greatest need within the State and be obligated within 18 months.

Methodology and Needs Assessment

ADOH recognized HUD's substantial effort and thoughtful analysis of complex data in addressing the HERA definition of "greatest need". In addition to reviewing the HUD data, ADOH worked closely with the Arizona Department of Financial Institutions, to better understand the characteristics of foreclosures in Arizona.

ADOH also met with HUD and other federal officials, NSP Direct Grantees, State agencies and non-profit housing providers. These meetings were not part of HUD's requirements, but rather were designed for Direct Grantees and ADOH to inform the State's approach to this Amendment. Finally, ADOH made non-binding inquiries among potentially interested parties about its Direct NSP Allocation strategy to further shape this Amendment.

Data

First, ADOH will rely on HUD's Estimated Foreclosure Abandonment Risk Score (the "Risk Score") in order to prioritize the State's Direct NSP Allocation. The Risk Score measures the estimated foreclosure and abandonment risk of every census tract block group in the State. This score is scaled from 0 to 10, with 10 being the highest or greatest risk. The Risk Scores were developed by HUD to assist grantees in targeting the areas of greatest need within their jurisdictions and were calculated using an examination of the following data sources:

1. Office of Federal Housing Enterprise Oversight ("OFHEO") data on decline in home values as of June 2008 compared to peak home value since 2000 at the Metropolitan/Micropolitan/Non-Metropolitan level.
2. Federal Reserve Home Mortgage Disclosure Act ("HMDA") data on percent of all loans made between 2004 and 2006 that are high cost at the Census Tract Level.
3. Labor Department data on unemployment rates in places and counties as of a June 2008.
4. United States Postal Services ("USPS") data on residential addresses identified as being vacant for 90 days or longer as of June 2008 at the Census Tract level.

Because Arizona is still very much in the midst of the foreclosure crisis, ADOH proposes to periodically analyze updated data on a semi annual basis at minimum, to determine whether census tract block groups should be added to or removed from the list of "areas of greatest need" in order to ensure compliance with the HERA Act.

ADOH has determined that its NSP activities will be focused on the census tract block groups within the state that are areas of greatest need based on receiving a Risk Score of 7, 8, 9 or 10. According to the HUD data, the following communities in Arizona contain a census tract or tracts with a Risk Score of 7 or greater:

County	City or Town
Cochise	Bisbee, Douglas, Sierra Vista
Coconino	Census tract 00500, Block Groups 1, 3, 4
Gila	Globe, Miami
Graham	Safford
La Paz	Parker
Maricopa	Apache Junction, Avondale, Buckeye, Chandler, El Mirage
	Gilbert, Glendale, Goodyear, Guadalupe, Litchfield Park, Mesa
	Peoria, Phoenix, Scottsdale, Surprise, Tempe, Tolleson, Youngstown,
Mohave	Bullhead City, Kingman, Lake Havasu
Navajo	Holbrook, Winslow
Pima	Marana, Sahuarita, South Tucson, Tucson
Pinal	Casa Grande, Coolidge, Eloy, Maricopa, Superior
Santa Cruz	Nogales, Rio Rico
Yavapai	Prescott
Yuma	Yuma

Maps are available for review on the department's website "*Map of NSP Areas of Greatest Need*".

<http://www.housingaz.com/ShowPage.aspx?ID=260>

Further, a summary by community, of the Risk Score and census tracts may be found on our website.

Tract Analysis: http://azcms.housingaz.com/azcms/uploads/NSP/tract_analysis_risk_score_7_10.pdf

Second, ADOH may consider other HUD data sets including Estimated Foreclosure Rate, Estimated High Cost Loan Rate and OFHEO prices changes as it develops program specifics. ADOH will continue to update its data about foreclosed properties and the results of its investment using the DRGR system.

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds 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 subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

As more fully described in Part G and in response to HUD's requirements, ADOH will 1) invest its Direct NSP Allocation into a statewide Soft Second Loan financing program to be directly administered by ADOH. The soft second will be used to assist homebuyers at or below 120% of Area Median Income in the purchase of foreclosed and vacant single family property located in census tracts with a HUD foreclosure Risk Score of 7 or greater; 2) invest its Direct NSP Allocation in redevelopment of

foreclosed and/or vacant and/or blighted multifamily properties; giving priority to properties in portfolios owned or guaranteed by HUD, Rural Development or other similar federal guarantors, as well as properties identified by Direct Grantees; and directly select for redevelopment foreclosed and/or vacant and/or blighted multifamily properties that are consistent with the preservation strategies outlined in the State’s Fourth Year Annual Action Plan.

Characteristics of Residential Foreclosures in Arizona

Arizona’s foreclosures are characterized by the results of overbuilding of units based on forecasted population growth, overheated housing prices and high risk mortgage products and declining home prices.

Number of Foreclosure Starts Past 18 Months	Percent of Loans to Start Foreclosure Past 18 Months	Number of Subprime Loans	Percent Subprime Loans
81,020	5.6%	212,799	14.8%

Source: HUD Statewide Allocation Data:

<http://www.huduser.org/publications/commdevl/Statewide Allocations Formula.xls>

These characteristics prompted ADOH to work in conjunction with other Direct Grantees to ensure that the greatest number of Arizonans could participate in the NSP Program. The result of this collaboration is the Neighborhood Stabilization Investment Matrix for Arizona.

This statewide investment strategy of all NSP Direct Grantees provides the full spectrum of eligible activities under the Act. The role of ADOH as a provider of the soft second financing mechanism is critical to the delivery system as it gives the ability to serve the greatest number of Arizonans who are income eligible while targeting the areas of greatest need. The State of Arizona is the only Direct Grantee establishing a state-wide financing mechanism. This means that ADOH will administer activities (NSP-eligible uses) described under letters (A) “Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-and moderate –income [middle-income] homebuyers”; and (E) “Redevelop demolished or vacant properties,” as stated in the Federal Register/Vol. 73, NO. 194/Monday, October 6, 2008/Notices.

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf>

The Direct Grantee governments, based on their individual needs assessments for their NSP Substantial Amendments, will administer all other NSP-eligible activities. ADOH has incorporated the Direct Grantees needs as shown in the matrix herein and has provided links to each of the Direct Grantees NSP Substantial Amendments.

Neighborhood Stabilization Investment Matrix for Arizona

Grantee	Financing Mechanisms	Acquisition Rehab/Resale	Acquisition Rent	Land Bank	Demo Blight Structures	Redevelop Demolished or Vacant Properties
Phoenix ftp://www.phoenix.gov/pub/NSD/nspsa.pdf	X	X	X (MFH <50%)	X	X	X (DPA)
State of Arizona www.azhousing.gov	X					X (MFH<50%)
Maricopa County http://www.maricopa.gov/comm_dev/pdf/NSP/DraftNSPSubstantialAmendmentFY2008.pdf		X	X (MFH <50%)			
Mesa http://www.mesaaz.gov/neighsvc/pdf/FINAL_NSPSubstantialAmendment.pdf		X	X (MFH <50%)		X	X (DPA)
Tucson http://www.tucsonaz.gov/csd/What_s_New/NSP%20Final%20Application%20with%20Attachments.pdf		X	X (SF rental<50%)	X		
Glendale http://www.glendaleaz.com/CommunityPartnerships/documents/112508CouncilComNSPSubstantialAmendmentFY2008_09_2_110508.pdf		X	X (MFH <50%)			X (DPA)
Pima County http://www.pima.gov/CED/Data/documents/PimaNSPapp.doc						
Avondale http://www.avondale.org/documents/City%20Departments/Neighborhood%20&%20Family%20Services/Community%20Development/NSP%20Amendment%20%2008-09%20Annual%20Action%20Plan%20%282%29.DOC		X			X	X (MFH<50%)
Chandler http://www.chandleraz.gov/Content/NSP%20Template.doc		X				X
Surprise http://www.surpriseaz.com/DocumentView.asp?DID=3777		X	X (SF rental<50%)			X (DPA)

C. DEFINITIONS AND DESCRIPTIONS

Background

Certain terms are used in HERA that are not used in the regular CDBG program, or the terms are used differently in HERA and the HCD Act. In the interest of speed and clarity of administration, HUD is defining these terms in this notice for all grantees, including states. For the same reason, HUD is also defining eligible fund uses for all grantees, including states. States may define other program terms under the authority of 24 CFR 570.481(a), and will be given maximum feasible deference in accordance with 24 CFR 570.480(c) in matters related to the administration of their NSP programs.

Required Definitions:

Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

CDBG funds. CDBG funds means, in addition to the definition at 24 CFR 570.3, grant funds distributed under this notice.

Current market appraised value. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

Foreclosed. A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Land bank. A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP program, a land bank

will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Revenue for the purposes of section 2301(d)(4). Revenue has the same meaning as program income, as defined at 24 CFR 570.500(a) with the modifications in this notice.

Subrecipient. Subrecipient shall have the same meaning as at the first sentence of 24 CFR 570.500(c). This includes any nonprofit organization (including a unit of general local government) that a state awards funds to. Subrecipient may also mean Lender Partners or Developers under contract with ADOH to undertake eligible NSP funded activities.

Use for the purposes of section 2301(c)(1). Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity; for example, for acquisition of a specific property. Funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or subrecipient during the same or a future period. Note that funds are not obligated for an activity when subawards (e.g., grants to subrecipients or to units of local government) are made.

(1) Definition of “blighted structure” in context of state or local law.

Response:

The State of Arizona traditionally defers to the code enforcement standards of local government. For the purpose of this NSP Substantial Amendment, the State will modify the broadest definition used in the Federal Register/Vol.73, No. 194/Monday, October 6, 2008:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsptime.pdf>

“Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare (continuous and/or multiple code violations).”

(2) Definition of “affordable rents.” *Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

The definition of affordable rents will be consistent with the definition adopted for the State Housing Fund Program Summary and Application Guide:

<http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF Program Summary App Guide.pdf>

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

For NSP-assisted rental units, the required period will be consistent with the requirements of the HOME program as described in Chapter 4 of the State Housing Fund Program Summary and Application Guide:

<http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF Program Summary App Guide.pdf>

ADOH will ensure continued affordability of multi-family units thru recording of conditional property use restrictions with a term equal to at minimum, the affordability requirements of the HOME program the term of which is based on the amount funds invested per unit.

For NSP-assisted single family units, the required period will be consistent with the requirements of the HOME program as described in Chapter 3 of the State Housing Fund Program Summary and Application Guide:

<http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF Program Summary App Guide.pdf>

ADOH will secure financing mechanism assistance thru a Promissory Note and recorded Deed of Trust with a term equal to the affordability periods as defined by the HOME program which is based on the amount of assistance per unit. The recorded documents will ensure continued affordability of the assisted housing units.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

The housing rehabilitation standards that will apply to NSP assisted activities will be consistent with those articulated in the adopted State Rehabilitation Standards:

<http://azcms.housingaz.com/uploads/HOMEOWNERSHIP/State Rehabilitation Standards.pdf>

At a minimum, the State of Arizona adheres to HUD Quality Standards (24 CFR, Subtitle B, Chapter IX, Part 982, Subpart I). In addition, the State requires adherence to the "State Rehabilitation Standards for Owner Occupied Housing Rehabilitation"

which were originally adopted in 1998. These standards have been accepted by HUD thru the approval of the States FY2005-2009 Consolidated Plan.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$_____.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

ADOH anticipates investing approximately \$14,533,185 of its Direct NSP Allocation in the redevelopment of foreclosed and/or vacant and/or blighted multifamily properties to be targeted for individuals and families whose incomes do not exceed 50% of area median income. As HUD has stated, should NSP funds be recaptured, HUD will potentially re-allocate those funds to the States showing high performance and expenditure of their NSP allocation. Should ADOH benefit from a re-allocation, an increase to the NSP funds targeted to multifamily redevelopment of units serving persons at or below 50% AMI may occur.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., \leq 80% of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., \leq 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., \leq 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

ADOH does not propose to land bank or hold any properties thru direct investment of its NSP allocation. Neither does it intend to demolish or convert blighted properties. Therefore ADOH attributes -0- units to this activity.

The role of ADOH as a provider of the soft second financing mechanism is critical to the delivery system as it gives us the ability to serve the greatest number of Arizonans who are income eligible while targeting the areas of greatest need. The State of Arizona is the only Direct Grantee establishing a state-wide financing mechanism. This means that ADOH will directly administer activities (NSP-eligible uses) described under letter (A) "Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-and moderate -income [middle-income] homebuyers". ADOH will prove commitment thru executed Lender Agreements which provide specific addresses for foreclosed and vacant properties in the Lender's REO portfolio to be made available for purchase to persons at or below 120% AMI. The properties will be located in a census tract identified as an "area of greatest need" based on a HUD Risk Score of 7 or greater. ADOH proposes to make available approximately 400 affordable units by investing NSP funds into eligible financing mechanism activities.

In alignment with NSP eligible activity (E) "Redevelop demolished or vacant properties, "as stated in the Federal Register/Vol 73, NO. 194/Monday,October6,2008/Notices:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf> ADOH may invest in redevelopment activities that ensure the adequate completion of a project that results in multi-family units that serve persons at or below 50% AMI. ADOH will accomplish this one of two ways: 1) invest its Direct NSP Allocation in redevelopment of foreclosed and/or vacant and/or blighted multifamily properties; giving priority to properties in portfolios owned or guaranteed by HUD, Rural Development or other similar federal guarantors, as well as properties identified by Direct Grantees, and 2) directly select for redevelopment foreclosed and/or vacant and/or blighted multifamily properties that are consistent with the preservation strategies outlined in the State's Fourth Year Annual Action Plan. ADOH will prove commitment thru contractual funding agreements (either with Direct Grantees in the case of activity 1 or with Developers in the case of activity 2) requiring completion of affordable multi-family units. ADOH will provide approximately 85 multi-family units for persons at or below 50% AMI thru these activities. 85 units is based on a calculation using HUD 203(b) limits and is considered a minimum. Should ADOH be successful in forming partnerships, the number of units for persons at below 50% AMI could greatly increase.

The Direct Grantee governments will administer all other NSP-eligible activities, as previously shown in the Neighborhood Stabilization Investment Matrix for Arizona.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Note: proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction’s website for no less than 15 calendar days for public comment.

Response:

On November 10th, 2008 ADOH delivered both the NSP Substantial Amendment to the Action Plan and an invitation to the public for comment on the plan via an electronic bulletin and by posting these documents to our website: www.housingaz.com . Expiration of the public comment period was November 25th, 2008. ADOH received several responses that proposed either the same comment or question and therefore we have aggregated our responses into a Frequently Asked Questions (FAQ) format which is posted on our website and contained herein:

NEIGHBORHOOD STABILIZATION
PROGRAM IN ARIZONA
UPDATED – November 26, 2008

Frequently Asked Questions
FAQs

On September 26, 2008, the U.S. Housing and Urban Development, HUD, announced its intent to allocate a total of \$3.92 billion to all states and particularly hard-hit areas trying to respond to the effects of high foreclosures. HUD's new Neighborhood Stabilization Program (NSP) will provide targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.

At Congress’s direction, HUD developed a data-driven formula, in addition to assessing the level of funding at which a meaningful impact could occur at the State and local level. The formula used by HUD resulted in the following allocation to the state of Arizona:

ARIZONA STATE PROGRAM	\$38,370,206
PHOENIX	\$39,478,096
MARICOPA COUNTY	\$ 9,974,267
MESA	\$ 9,659,665
TUCSON	\$ 7,286,911

GLENDALE	\$ 6,184,112
PIMA COUNTY	\$ 3,086,867
AVONDALE	\$ 2,466,039
CHANDLER	\$ 2,415,100
SURPRISE	\$ 2,197,786

Did you know the Total Investment of NSP Funds stated in your draft document does not add up to \$38,370,206? (3 comments)

Yes. ADOH will apply for the full amount of its NSP allocation. The Draft NSP Action Plan stated that ADOH would invest *at least* \$9.6 million of its Direct NSP Allocation in foreclosed and/or vacant multifamily properties. Based on guidance provided through the comments received, ADOH will make adjustments to its investment allocation for the final plan submittal and will indicate an increase to the amount invested for multifamily property redevelopment to \$14,533,185.

Can the NSP funds be used for redevelopment activities that include vacant retail buildings, deteriorated commercial properties or other “main street” activities? (1 question)

No. These funds are targeted to addressing housing needs and not commercial needs. NSP funding is provided through HUD's *Community Development Block Grant (CDBG) Program* under the *Housing and Economic Recovery Act of 2008*; however, the allocation methodology is quite different than HUD's usual allocation process. The modifications provided for the Neighborhood Stabilization Program are described by HUD in [*Docket No. FR-5255-N-01*], *Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008*.

- 1) The NSP Action Plan must meet the requirements of Section 2301(c) (2) of HERA, that funds 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 subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures.
- 2) The NSP Action Plan must include a narrative on how the distribution and use of NSP funds will meet the requirements of the States greatest need including entitlements that do not receive NSP grants, and entitlements that do receive NSP grants.
- 3) The NSP Action Plan must include information on how the state will address the requirement that 25% of the funds benefit persons or families whose incomes do not exceed 50% of area median income.

How will ADOH meet the Congressional definition of “greatest needs?” (8 comments)

HUD recognizes the short timeline and the pressure imposed on states and local communities in meeting the Congressional definition of “greatest needs.” To help grantees and stakeholders better understand the requirements of the NSP, HUD is maintaining an NSP information site, at:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

Further, in determining the state’s allocations, HUD followed Congress’ direction that grants be targeted to areas based on the number/percent of foreclosures, subprime mortgages and mortgage defaults and delinquencies. HUD took a data driven approach to this process, relying on numerous data sets from government agencies and private sources. HUD has provided an analysis of state’s foreclosure picture at:

http://www.huduser.org/publications/commdevl/nsp_foreclosure_data.html

These resources, and others provided by HUD have been invaluable in helping ADOH meet this aggressive timeline. ADOH will rely on the data analysis provided by HUD research in identifying areas of “greatest need” in the state.

Many communities showed concern for real estate foreclosure data in their communities being inaccurate due to market lag averaging 6 to 8 months. Concerns indicated that this affected their Risk Score and that perhaps future data would indicate census tract block groups in their communities that were now determined to be “areas of greatest need” yet the State’s NSP Substantial Amendment had excluded their eligibility to receive assistance. ADOH determined early on that in fairness to all communities, it was critical to use consistent data to analyze which areas of the state are of “greatest need.” Thus, individual community analysis of these needs could not be accepted. However,. ADOH proposes to periodically analyze updated data on a semi annual basis at minimum, to determine whether census tract block groups should be added to or removed from the list of “areas of greatest need” in order to ensure compliance with the HERA Act.

How can communities both urban and rural that did not receive a direct grant from HUD receive an allocation of NSP funds or participate in NSP programs? (9 comments)

Though many neighborhoods in our state are experiencing the impact of foreclosures, Section 2301(c) (2) of HERA is very definitive. Within the context of HUD’s strong guidance to adhere to the Congressional definitions of “greatest need,” along with requirements to obligate the funds within 18 months, the NSP funds can be directed

only toward areas identified as having the greatest number/percent of foreclosures, subprime mortgages and mortgage defaults and delinquencies whether or not those areas are located within the jurisdiction of an NSP Direct Grantee. ADOH provided a narrative in its NSP Action Plan which describes how the distribution and use of NSP funds will meet the requirements of the state's areas of greatest need, including entitlements and communities that do not receive NSP grants, and entitlements that do receive NSP grants. It should be noted that ADOH did not identify communities to be served but rather according to the HUD Data, communities that contained census tract block groups with a Risk Score of 7 or greater.

ADOH has determined that its NSP activities will be focused on the census tracts within the state that are areas of greatest need based on receiving a Risk Score of 7, 8, 9 or 10. Specifically, ADOH will 1) administer a statewide Soft Second Loan financing program; 2) invest its Direct NSP Allocation in foreclosed and/or vacant multifamily properties; giving priority to properties in portfolios owned or guaranteed by HUD, Rural Development or other similar federal guarantors, as well as properties identified by Direct Grantees; and directly select vacant and/or foreclosed multifamily properties that are consistent with the preservation strategies outlined in the State's Fourth Year Annual Action Plan.

During the development of the Draft NSP Action Plan, ADOH deliberated on the methodologies for investment and allocation of funds to NSP eligible activities and determined that distribution of funds directly to communities to administer NSP programs would ultimately dilute the resource to an amount that could not adequately address the foreclosure issues in that community. In addition, regulatory and programmatic requirements including the aggressive 18 month timeline would put a significant administrative burden on those same communities. Therefore, ADOH determined that self administration of a State wide soft second financing mechanism and multifamily redevelopment would be a more effective use of the NSP Allocation.

Will any NSP funds be made available for down payment and closing cost assistance to the borrower?

(1 comment)

ADOH will develop a financing tool that will make it easier for eligible, credit-worthy homebuyers to obtain mortgages. This tool will take the form of direct subsidy, interest rate buy down or other credit enhancement that would provide assurances to lending institutions providing mortgages to households purchasing a home in NSP targeted areas. The subsidy provided through the financing mechanism will reduce the amount of the first mortgage, and to the degree possible, provide a cushion against future price declines in the market. Such a substantial investment of NSP funds in each property is necessary to encourage neighborhood stabilization, but prohibits additional investment

in the form of borrower-assisted investments. Each borrower will be expected to contribute down payment and closing costs.

Can NSP funds be used to prevent foreclosures? (1 question)

No. Title III of Division B of the Housing and Economic Recovery Act of 2008, is for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes referred throughout the notice as the Neighborhood Stabilization Program (NSP). As stated in the "Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008 (Docket No. FR-5255-N-01)." <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsptime.pdf>

"b. HUD will not consider requests to allow foreclosure prevention activities, or allow demolition of structures that are not blighted, or to allow purchases of residential properties and homes that have not been abandoned or foreclosed upon as provided in HERA and defined in this notice. HUD does not have the authority to permit uses or activities not authorized by HERA.

Will single-family home investors be able to participate in the State's Second Mortgage Loan Economic Recovery Program (SMLE) Commitment for Homeowners program? (1 question)

No. Homeownership is a requirement of this program. A period of affordability for each assisted homeownership unit will be modeled after the HOME homeownership affordability requirement and will be based on the amount of permanent subsidy going to the homebuyer, with a minimum affordability period of 5 years. If a homeowner received a permanent subsidy, the department will impose a lien, deed restrictions or CC&Rs to ensure compliance with the applicable affordability requirements. In addition, we will impose resale/recapture provisions if the home is sold during the period of affordability. The Arizona Department of Housing will also ensure that all homebuyers receiving assistance through this activity receive the NSP-required eight hours of homebuyer counseling.

G-1. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

((1) Activity Name: Second Mortgage Loan Economic Recovery Program (SMLE) Commitment for Homeowners.

(2) Activity Type: NSP eligible activity (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-and moderate –income [middle-income] homebuyers.

CDBG eligible activity: 24 CFR 5702.21 (n) Homeownership Assistance.

(3) National Objective: LMMH (Low/Moderate/Middle Income Housing benefit); provides or improves permanent residential structures that will be occupied by a household whose income is at or below 120 percent of area median income.

(4) Activity Description: The availability of credit for first mortgages continues to slow. The State of Arizona is concerned that many eligible homebuyers may not qualify for a mortgage that would allow them to purchase a foreclosed home in the areas targeted for NSP Direct Allocation. Any ability to increase homeownership in the areas targeted for NSP investment, coupled with other recovery activities could certainly stimulate economic recovery.

Because access to homeownership is fundamental to Arizona’s way of life, ADOH has developed a financing tool that will make it easier for eligible, credit-worthy homebuyers to obtain mortgages. The tool will take the form of direct subsidy, interest rate buy down or other credit enhancement that would provide assurances to lending institutions providing mortgages to households purchasing a home in NSP targeted areas. First Mortgage financing will be a fixed rate 30 year product with debt ratios not to exceed 33/41. ADOH anticipates making available approximately 400 affordable single family units through this NSP eligible activity.

This activity will address all the areas of greatest need as assistance will be targeted to those census tracts receiving a HUD Risk Score of 7 or greater.

The period of affordability for each assisted homeownership unit will be modeled after the HOME homeownership affordability requirement and will be based on the amount of permanent subsidy invested into the property, with a minimum affordability period of 5 years. The department will impose a soft second lien thru execution of a promissory note and deed of trust to ensure compliance with the applicable affordability requirements. In addition, we will impose resale/recapture provisions if the home is sold during the period of affordability.

We do not expect that this activity will be used to meet the requirement that 25% of the NSP funds be used to assist households making no more than 50% of the area median income (AMI), though some homebuyers may have incomes at this level.

The Arizona Department of Housing will also ensure that all homebuyers receiving assistance through this activity receive the NSP-required eight hours of homebuyer counseling thru access to HUD Certified Counseling Agencies in both urban and rural areas. In addition, each home must pass an HQS inspection. ADOH will not invest in properties requiring substantial rehabilitation.

(5) Location Description: All properties will be located in the areas of greatest need, as described in Part A. Specific addresses of properties to be assisted with homebuyer financing will be identified by participating lenders and financial service entities with REO properties at the time of commitment.

(6) Performance Measures ADOH anticipates that approximately 400 units of affordable single family housing units will be made available thru investment of NSP funds into this Soft Second financing mechanism activity. This measure is based on an average assistance per household of \$50,000. All 400 units will be available to persons at or below 120% of AMI.

(7) Total Budget: Investment of NSP is estimated at \$20 million which is expected to leverage approximately \$34 million in private first mortgage funds. The leverage amount is based on an average first mortgage amount of \$85,000.

(8) Responsible Organization: The Arizona Department of Housing will directly administer the Second Mortgage Loan Economic Recovery Program (SMLE) Commitment for Homeowners thru our offices located at:

Arizona Department of Housing
1110 W. Washington, Suite 310
Phoenix, Arizona 85007
PH. (602) 771-1000
FAX (602) 771-1002

Contact persons will be Charlotte D. Grant-Cobb, PhD, Asst. Deputy Director of Programs and Katherine Blodgett, Community Development and Revitalization Administrator.

ADOH has also contracted with CSG Advisors to act as financial advisory consultants for the financing mechanism activities.

Finally, ADOH will obtain Homebuyer Education assistance thru any of the HUD Certified Counseling Agencies within the state. The following link is to the list of HUD certified Agencies in the State of Arizona:

(9) Projected Start Date: March 2009

(10) Projected End Date: March 2013 (4 years)

(11) Specific Activity Requirements:

- discount rate - **15% Average for acquisition activities.**

 - range of interest rates – For Financing Activities. **Assistance will be provided at 0% interest due on sale should property be sold prior to the expiration of the affordability period. At the expiration of the affordability period the assistance is forgiven.**

 - duration or term of assistance – **If the NSP Assistance to end buyer is:**
 - **\$15,000 or less** – **Affordability Period is 5 years**
 - **\$15,001 to \$40,000** - **Affordability Period is 10 years**
 - **Greater than \$40,000** - **Affordability Period is 15 years**
- ADOH will secure financing mechanism assistance thru a Promissory Note and recorded Deed of Trust with a term equal to the affordability periods as defined by the HOME program and is based on the amount of assistance per unit as shown above. The recorded documents will ensure continued affordability of the assisted housing units.
- tenure of beneficiaries—**Homeownership. NSP Assistance is limited to those properties that are owner occupied primary residence with homeowner having no ownership interest in any other residential dwelling units.**

 - a description of how the design of the activity will ensure continued affordability. **NSP Assistance will be secured thru a promissory note and deed of trust recorded against the property to ensure the required affordability period based on the amount of NSP investment. Should the unit be sold prior to the expiration of the affordability period, the amount of NSP investment will be repaid to ADOH in full.**

G-2. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Foreclosed and Vacant Redevelopment (FAVR) of multifamily properties to be targeted for individuals and families whose incomes do not exceed 50 percent of area median income.

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

NSP Eligible Activity (E) "Redevelop demolished or vacant properties "as stated in the Federal Register/Vol 73, NO. 194/Monday, October 6, 2008/Notices:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf>

CDBG eligible activity: 24 CFR 570.201 (a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited prospective purchasers or tenants of the redeveloped properties,

(3) National Objective: LMMH (Low/Moderate/Middle Income Housing benefit); provides or improves permanent residential structures that will be occupied by a household whose income is at or below 120 percent of area median income. ADOH will target household incomes at or below 50% AMI for multi-family activities.

(4) Activity Description:

ADOH anticipates investing approximately \$14,533,186 of its Direct NSP Allocation in the redevelopment of foreclosed and/or vacant and/or blighted multifamily properties to be targeted for individuals and families whose incomes do not exceed 50% of area median income. Priority will be given to properties in portfolios owned or guaranteed by HUD, Rural Development or other similar federal guarantors, as well as properties identified by Direct Grantees. ADOH may also directly select for redevelopment foreclosed and/or vacant and/or blighted multifamily properties that are consistent with the preservation strategies outlined in the State's Fourth Year Annual Action Plan.

As HUD has stated, should NSP funds be recaptured, HUD will potentially re-allocate those funds to the States showing high performance and expenditure of their NSP allocation. Should ADOH benefit from a re-allocation, an increase to the NSP funds targeted to multifamily redevelopment of units serving persons at or below 50% AMI may occur.

Redevelopment activities will ensure completion of projects which make available affordable multi-family units serving persons at or below 50% AMI.

The definition of affordable rents will be consistent with the definition adopted for the State Housing Fund Program Summary and Application Guide:

<http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF Program Summary App Guide.pdf>

(5) Location Description: All properties will be located in the areas of greatest need, as described in Part A. ADOH will invest its Direct NSP Allocation in foreclosed and/or vacant and/or blighted multifamily properties; giving priority to properties in portfolios owned or guaranteed by HUD, Rural Development or other similar federal guarantors, as well as properties identified by Direct Grantees; and directly select foreclosed and/or vacant and/or blighted multifamily properties that are consistent with the preservation strategies outlined in the State's Fourth Year Annual Action Plan.

(6) Performance Measures: ADOH anticipates that approximately 85 affordable multi-family units will be made available to persons at or below 50% AMI thru the investment of NSP funds into this multi-family redevelopment activity. 85 units is based on a calculation using HUD 203(b) limits and is considered a minimum. Should ADOH be successful in forming partnerships, the number of units for persons at below 50% AMI could greatly increase.

(7) Total Budget: Investment of NSP Funds will be approximately \$14,533,185. ADOH anticipates that redevelopment projects will be leveraged at approximately \$7.5 million per project with an NSP investment of approximately \$2.5 million. This would be a total leverage of roughly \$45 million and completion of a projected 6 projects. However, ADOH would like to remain flexible should it be necessary to provide 100% funding to redevelopment of any multi-family project serving persons at or below 50%AMI which in turn would mean that no leveraging would occur.

(8) Responsible Organization: The Arizona Department of Housing will directly administer the Foreclosed and Vacant Redevelopment (FAVR) of multifamily properties thru our offices located at:

Arizona Department of Housing
1110 W. Washington, Suite 310
Phoenix, Arizona 85007
PH. (602) 771-1000
FAX (602) 771-1002

Contact persons will be Charlotte D. Grant-Cobb, PhD, Asst. Deputy Director of Programs and Katherine Blodgett, Community Development and Revitalization Administrator.

ADOH will also use the expertise of staff in the Rental Division to assist with redevelopment activities administration.

Contractual funding agreements will be executed with units of local government in areas of greatest need where a multi-family property has been selected for redevelopment. The units of local government will be responsible for completion of project activities with ADOH administrative oversight.

Finally, should ADOH directly select a multi-family property for redevelopment, contractual agreements will be executed with multi-family developers who will complete project activities with ADOH administrative oversight.

(9) Projected Start Date: March 2009

(10) Projected End Date: March 2013 (4 years)

(11) Specific Activity Requirements:

- discount rate - 15% **Average for acquisition activities.**
- range of interest rates – For Financing Activities. **Assistance will be provided thru a deferred forgivable loan equal to the term of the required affordability period.**
- duration or term of assistance – For NSP-assisted rental units, the required affordability period will be consistent with the requirements of the HOME program as described in Chapter 4 of the State Housing Fund Program Summary and Application Guide:
[http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF Program Summary App Guide.pdf](http://azcms.housingaz.com/uploads/STATE%20HOUSING%20FUND/FY09%20Applications/SHF%20Program%20Summary%20App%20Guide.pdf)
ADOH will ensure continued affordability of multi-family units thru recording of conditional property use restrictions. Assistance term will be equal to at minimum, the affordability requirements of the HOME program the term of which is based on the amount funds invested per unit.
- tenure of beneficiaries—**Rental**
- a description of how the design of the activity will ensure continued affordability. **Affordability period will be enforced thru the recording of conditional use restrictive covenants.**

G-3. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Planning and Administration**

(2) Activity Type: **NSP-eligible use: 10 percent cap on planning and administrative costs. CDBG eligible activity: 24 CFR 570.206 (a) General management, oversight, and coordination and (e) indirect costs.**

(3) National Objective: **Not Applicable**

(4) Activity Description:
ADOH anticipates investing approximately \$3,837,020 of its Direct NSP Allocation in the planning and administration of NSP eligible activities.

(5) Location Description: **Planning and Administration activities will occur at ADOH offices located at 1110 W. Washington, Suite 310, Phoenix AZ 85007.**

(6) Performance Measures: **Not Applicable**

(7) Total Budget: **Investment of NSP Funds will be approximately \$3,837,020.**

(8) Responsible Organization: **The Arizona Department of Housing will expend funds for planning and administration activities thru our offices located at:**

**Arizona Department of Housing
1110 W. Washington, Suite 310
Phoenix, Arizona 85007
PH. (602) 771-1000
FAX (602) 771-1002**

Contact persons will be Charlotte D. Grant-Cobb, PhD, Asst. Deputy Director of Programs and Katherine Blodgett, Community Development and Revitalization Administrator.

(9) Projected Start Date: **November, 2008**

(10) Projected End Date: **March 2013 (4 years)**

(11) Specific Activity Requirements: **Not Applicable**

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

Date

Title

NSP Substantial Amendment Checklist

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

Contents of an NSP Action Plan Substantial Amendment

<p>Jurisdiction(s): State of Arizona, Arizona Department of Housing</p> <p>Jurisdiction Web Address:</p> <ul style="list-style-type: none"> • www.housingaz.com 	<p>NSP Contact Person: Charlotte D. Grant-Cobb, PhD Assistant Deputy Director of Programs or Katherine Blodgett, Community Development and Revitalization Programs Administrator</p> <p>Address: 1110 W. Washington, Suite 310 Phoenix, Arizona 85007</p> <p>Telephone: (602) 771-1000</p> <p>Fax: (602) 771-1002</p> <p>Email: charlotteg@housingaz.com kathyb@housingaz.com</p>
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. AREAS OF GREATEST NEED

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes No . Verification found on pages **2-5**.

B. DISTRIBUTION AND USES OF FUNDS

Does the submission contain a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds 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 subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes No . Verification found on page **5-7**.

Note: The grantee's narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

C. DEFINITIONS AND DESCRIPTIONS

For the purposes of the NSP, do the narratives include:

- a definition of "blighted structure" in the context of state or local law,
 Yes No . Verification found on page **9**.

- a definition of “affordable rents,”
Yes No . Verification found on page **9-10**.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,
Yes No . Verification found on page **10**.
- a description of housing rehabilitation standards that will apply to NSP assisted activities?
Yes No . Verification found on page **10**.

D. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page **10-11**.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page **11 and 21**
Amount budgeted = **\$14,533,185**.

E. ACQUISITIONS & RELOCATION

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes No . (If no, continue to next heading)
Verification found on page **11-12**.

If so, does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?
Yes No . Verification found on page **11**.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?
Yes No . Verification found on page **11-12**.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?

Yes No Verification found on page **12**.

F. PUBLIC COMMENT PERIOD

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes No Verification found on page **12-17**.

Is there a summary of citizen comments included in the final amendment?

Yes No Verification found on page **12-17**.

G. INFORMATION BY ACTIVITY

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,
Yes No Verification found on page **18-24**.
- correlated eligible activity under CDBG,
Yes No Verification found on page **18-24**.
- the areas of greatest need addressed by the activity or activities,
Yes No Verification found on page **18-24**.
- expected benefit to income-qualified persons or households or areas,
Yes No Verification found on page **18-24**.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No Verification found on page **21**.
- appropriate performance measures for the activity,
Yes No Verification found on page **18-24**.
- amount of funds budgeted for the activity,
Yes No Verification found on page **18-24**.
- the name, location and contact information for the entity that will carry out the activity,
Yes No Verification found on page **18-24**.
- expected start and end dates of the activity?
Yes No Verification found on page **18-24**.

- If the activity includes acquisition of real property, the discount required for acquisition of foreclosed upon properties,
Yes No . Verification found on page **18-24**.
- If the activity provides financing, the range of interest rates (if any),
Yes No . Verification found on page **18-24**.
- If the activity provides housing, duration or term of assistance,
Yes No . Verification found on page **18-24**.
- tenure of beneficiaries (e.g., rental or homeownership),
Yes No . Verification found on page **18-24**.
- does it ensure continued affordability?
Yes No . Verification found on page **18-24**.

H. CERTIFICATIONS

The following certifications are complete and accurate:

- | | | |
|--|---|-----------------------------|
| (1) Affirmatively furthering fair housing | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3 | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds \leq 120 of AMI | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |