

THE NSP SUBSTANTIAL AMENDMENT

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INTRODUCTION

The Department of Housing and Community Development (Department) formally amends, upon HUD approval, the State of California 2008-2009 Annual Plan Update of the 2005-2010 Consolidated Plan as allowed per the Housing and Economic Recovery Act of 2008 (HERA), pursuant to Title III of Division B, under the heading Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes, referred to henceforth as the Neighborhood Stabilization Program (NSP). This legislation was designed to provide funds to help States nationally and units of general local government deal with abandoned and foreclosed properties.

Congress has allocated \$3.92 billion for the NSP to States and units of local government with the greatest needs based on three factors:

- 1) Number and percentage of home foreclosures;
- 2) Number and percentage of homes financed by a subprime mortgage related loan;
and
- 3) Number and percentage of homes in default or delinquent.

Grantees, of which the State of California is one, are required to give priority emphasis in targeting the funds to “those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need based on HUD’s identified three factors.

Throughout California abandoned and foreclosed homes have had an adverse impact on various major metropolitan, suburban and rural areas to varying degrees. Specifically, many jurisdictions have been burdened with a correlated rise in blight, vandalism, illegal occupancy, code enforcement violations and declining land values as a result of abandoned and foreclosed homes and the declining housing market. Based on HUD projections, this matter is only forecasted to worsen due to relaxed underwriting

standards, in the recent past, for mortgages that are due to have variable interest rates reset in the near future, thus producing an increase in mortgage defaults and eventual foreclosures.

California is anticipated to receive \$529.6 million (13.5 percent) of the \$3.92 billion available nationwide for this program. Just over \$384.5 million is slated to be allocated directly to 46 CDBG entitlement counties or cities in California as determined by HUD, with the remaining \$145,071,506 allocated to the State of California to be administered by the California Department of Housing and Community Development.

The subsequent plan constitutes the State of California's Substantial Amendment of the Annual Plan Update for the use of its allocation of NSP funds.

A. AREAS OF GREATEST NEED

HUD Instructions

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 [[LINK – to HUD USER data](#)], in developing this section of the Substantial Amendment.

Response:

Selection of Data Sources

After careful consideration of available data sources for foreclosure numbers and rates, coverage and reliability, in comparison with HUD's data sources, the State of California determined that HUD's data sources and methodology are the most appropriate to be used in determining the state allocation. The rationale behind using HUD data is derived from HUD's description of the methodology, available at:

http://www.huduser.org/publications/commdevl/NSP_Allocation_Methodology.doc

The methodology explains that states with very high rates of correlation between HUD's foreclosure rate estimates and Equifax's 90-day delinquencies (with a correlation of 0.80 or higher) are California, Connecticut, Hawaii, Maryland, New Jersey, Rhode Island, and South Carolina.

To determine greatest need in the entire State of California, the Department analyzed the available data first at a regional level based on county-level data, then compared it with HUD's direct allocation. Subsequently, the State determined the greatest need at the jurisdictional based on HUD's county, place and Census Data Place (CDP) level data.

Identifying Greatest Need by Region

The number of mortgages for a region is based on its proportional share of its counties' cumulative numbers of loans made between 2004 and 2006 (the peak period) within the state (from HMDA data), multiplied by the total number of mortgages in the state (from American Community Survey 2006 on homeowners with a mortgage adjusted by HMDA data as a fraction of investor loans), as provided by HUD.

Using the HUD data, an analysis of the data aggregated into four regions in California (Northern, Central, Southern and Bay Area) identified the following the three regions of greatest need in California: Central, Southern, and Northern California.

Central California has the greatest regional foreclosure rate at 9.5 percent and is second in terms of number of foreclosures at 78,955. Within the Central Region, Merced County displays the highest percentage of foreclosures, in the region and the entire State at 12.5 percent, followed by San Joaquin County at 11.6 percent, and Stanislaus County at 11.5 percent. These counties also have the highest unemployment rates in the region, and among the highest in the State. All the counties in the balance of the Central region have an equal or lesser foreclosure rate of 9.5 percent. Central California has the highest high cost loan rate in the State, at 25.5 percent.

Southern California, which encompasses the Counties of Imperial, San Bernardino, Riverside, Los Angeles, Santa Barbara, Ventura, San Diego and Orange, depicts the second highest foreclosure rate at 6.8 percent, the highest number of foreclosures at 243,709 units, and the greatest high-cost loan rate in the region and the entire State at 23.8 percent. The Counties of Imperial, San Bernardino, and Riverside are leading in terms of foreclosure rates at 10.6 percent, 9.4 percent and 9.0 percent, respectively. Los Angeles County has a slightly lower rate at 6.5 percent but has the highest number of foreclosures in the region at 88,606.

Northern California is third in the ranking of regional greatest need, with a slightly higher foreclosure rate than Southern California (6.9 percent versus 6.8 percent), but a considerably lower number of foreclosures at 43,540. Northern California also ranks third in high-cost loan rates at 21.9 percent. Yuba, Sutter and Sacramento have foreclosure rates of 10.1 percent, 9.2 percent and 7.8 percent, respectively.

By cross-referencing the level of funding from HUD with the State's greatest need determination by region, the Department determined that 73 percent of the total State's allocation of \$529,601,773 was directly allocated by HUD to 46 entitlement jurisdictions, as follows:

- 9 cities and counties in Central California were allocated 14.34 percent of the funds
- 27 cities and counties in Southern California were allocated 45.12 percent of the funds
- 3 cities and counties in Northern California were allocated 6.46 percent of the funds
- 7 cities and counties in the Bay Area were allocated 6.05 percent of the funds.

The remaining 27 percent was allocated to the State program to be distributed by the State to areas of greatest need, including to "those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those with the following conditions:

1. The greatest percentage of home foreclosures;
2. The highest percentage of homes financed by a subprime mortgage related loan; and
3. Likely to face a significant rise in the rate of home foreclosures.

Based on the above findings, the State of California made the following determinations:

- Although the State of California had almost 25 percent of the number of foreclosures nationwide, it only received 13.5 percent of the total NSP allocation due to other factors used by HUD (i.e., low vacancy and availability of buyers).

- Entitlement jurisdictions directly funded by HUD have had at least some of their needs addressed by HUD's direct allocation, with 46 jurisdictions receiving over 73 percent of the total allocation for the State.
- There are several entitlement jurisdictions with significant needs such as the Cities of Merced and Hayward that did not receive an allocation because of the \$2 million floor imposed by HUD on direct allocations.
- There are numerous non-entitlement cities or counties, such as the City of Los Banos or the County of Merced, with foreclosure rates over 12 percent that were not included in HUD's determination of greatest needs due to their non-entitlement status.
- There are approximately 200 cities that are part of Urban County agreements that were not individually included in HUD's determination of greatest needs, but rather through their Counties' allocations.

As a result, the State determined that jurisdictions directly funded be eliminated from the determination of the State's greatest need when compiling and calculating data at the jurisdictional level.

Identifying Greatest Need by Jurisdiction

In determining the greatest need by jurisdiction, the State used HUD's data available at city, CDP and county levels. (See Appendix A for a detailed description of the calculations and assumptions.)

As a result of the methodology used, and after assessing each region's greatest needs, the Department allocated the funds to the following areas of greatest need:

- \$13.9 million to the Central California Cities of Merced, Tracy, Los Banos, Manteca, and the Counties of Merced and Tulare;
- \$8.3 million to the Southern California Cities of Perris, Oxnard, and Adelanto, and
- \$2.06 million to the Northern California Counties of El Dorado and Yuba.

In addition to these allocations, the Department also created a secondary funding process that will distribute funds to cities based upon joint agreements or to their counties. For a full description of the methodology and the distribution of funds, please see Appendices A, B and C.

B. DISTRIBUTION AND USES OF FUNDS

HUD Instructions

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:

The Department anticipates receiving and administering \$145,071,506 in Neighborhood Stabilization Program funds as described herein. The Department intends to make the allocated funds and any subsequent re-allocations from HUD available to potential applicants through a Notice of Funding Availability (NOFA) process. See Appendix A for a description of the allocation methodology. The Department will require that the funds be made available, as mandated, to address the problem of abandoned and foreclosed homes, and be targeted to areas based on greatest need, including those with the greatest percentage of home foreclosures, highest percentage of homes financed by a subprime mortgage related loan, and areas identified by the State as likely to face a significant rise in the rate of home foreclosures.

Requirements for use of NSP funds

All of the funds under the NSP used for housing must be made available to benefit individuals and families whose incomes do not exceed 120 percent of area median income (AMI). Activities such as demolition, acquisition, and land banks, which benefit all residents of a primarily residential area, must have at least 51 percent of the residents identified as having incomes at or below 120 percent of AMI for the defined area. Grantees must identify the service area of each NSP-funded activity.

Not less than 25 percent of the funds will be used to house individuals or families whose incomes do not exceed 50 percent of area median income. The State will set aside 25 percent of the awarded funds for targeted, over-the-counter subgrants to eligible applicants who will specifically target households at 50 percent or less of area median income as beneficiaries of these funds. Each State-awarded subgrantee will be required to meet strict AMI targeting requirements with all NSP dollars expended. The assistance provided with the 25 percent funds must be for permanent housing only and excludes transitional or temporary housing types. The final determination of actual State compliance will be based upon completion of all NSP subgrants. Compliance is based on 25 percent of the State's total NSP allocation expended (excluding general administration) and not the number of units assisted.

Eligible Applicants

NSP-eligible applicants include consideration of California cities, counties, and Indian Tribes with the greatest percentage of home foreclosures, highest percentage of homes financed by a subprime mortgage-related loan, and areas identified by the State as likely to face a significant rise in the rate of home foreclosures. California will publish a list of eligible jurisdictions (see Appendices B and C of this Substantial Amendment) for NSP funding allocations. In addition, Appendices B and C will be provided in the NOFA/Application.

Joint applications are encouraged for applicants with contiguous boundaries. Under a joint application, applicants may apply for up to a combined maximum dollar amount as defined in the NOFA. Joint applications will require a lead agency and all the applicants must enter into a Joint Powers Agreement (JPA) or Memorandum of Understanding (MOU).

Eligible Activities

Unlike the State's CDBG program, the State of California is permitted to carry out NSP activities directly for some or all of its assisted grant activities in the same manner that entitlement communities are permitted under 24 CFR 570.200 (f).

Eligible NSP activities may include the following:

1. The establishment of financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-, moderate-and middle income homebuyers;
2. The purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
3. The establishment of land banks for homes that have been foreclosed upon;
4. The demolition of blighted structures; and
5. The redevelopment of demolished or vacant properties.

Method of Soliciting Applications

The Department will release a Notice of Funding Availability and application package. The Neighborhood Stabilization Program's NOFA and application process will be expedited to facilitate the mandate to obligate funds to activities within an 18-month time period. All eligible applicants will be provided timely, pertinent information regarding the availability of the NOFA application, and instructions on how to obtain a digital or hard copy of the NOFA/application package.

Application Requirements

To obtain funds through the State's NSP, applicants will need to adhere to the following requirements:

1. All applicants must certify that all NSP funds appropriated will be used solely for the benefit of individuals and families whose income does not exceed 120 percent of area median income for housing. Exceptions to this requirement are activities such as demolition, acquisition, and land banks, which benefit all residents of a primarily residential area. These activities must have at least 51 percent of the residents identified as having incomes at or below 120 percent of AMI for the defined area. Grantees must identify the service area of each NSP funded activity.
2. All applicants targeting beneficiaries by providing permanent housing for individuals and families whose incomes do not to exceed 50 percent of area median income must demonstrate how the funds, if awarded, shall be used to meet this benefit criteria.
3. All applicants must demonstrate the capacity to carry out the activities proposed.
4. All applicants must demonstrate readiness factors as they relate to NSP activities and the timely use of funds.
5. All applicants must provide proposed performance measurement data, such as the following:
 - a. proposed number of foreclosed homes to be purchased from a lender at a minimum discount of 15 percent,
 - b. proposed number of homes to be rehabilitated,
 - c. proposed number of homes that will be made available as affordable housing for purchase at below market value by income eligible low-, moderate-, and middle-income households (LMMH) homebuyers,
 - d. proposed number of units to be demolished,
 - e. proposed number of multi-family units made available at affordable rents for LMMH households, and
 - f. proposed number of beneficiaries by ethnicity/race, income level, including individuals and families under the 50 percent AMI directly assisted with NSP funds.
6. All applications must contain appropriate governing-board resolutions, adhere to applicable public noticing requirements, and include required certifications.

Funding Criteria

The State will use the following funding criteria for applicants:

1. Documented need based on the following factors:
 - a. greatest percentage of home foreclosures;
 - b. highest percentage of homes financed by a subprime mortgage related loan; and
 - c. areas identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.
2. NSP eligibility for proposed activities.
3. Capacity to carry out the proposed activities.
4. Readiness to expend the requested NSP funds.

The State will review all submitted applications in a timely manner. Applications will be accepted as of the release date of the NSP's NOFA and will be stamped for receipt date and time. Each application will be reviewed for threshold compliance in the order received.

Applications that do not meet threshold requirements may be returned to the applicant for re-submittal once the threshold items have been corrected. Additionally, the State may communicate threshold deficiencies to applicants, via telephone, in order to expedite the re-submittal of threshold items in question. The final date for submission of an application by an eligible applicant will be determined and outlined in the NOFA.

Maximum Grant Amounts

Maximum grant amounts per eligible jurisdiction will be specified in Appendices B and C of this Substantial Amendment and the NOFA/application.

HUD National Objective

All NSP activities must meet the HUD national objective of low-, moderate-, middle-income (LMMI). NSP allows for the use of *only* the LMMI national objective.

Note that NSP redefines the definition of "low- and moderate-income" of the CDBG program by allowing households whose incomes exceed 80 percent, but are no greater than 120 percent of area median income to qualify for NSP funds. HUD refers to this new income group as "middle income." The CDBG definitions of "low-income" and "moderate-income" remain the same. HUD will use the term "low-, moderate- and middle-income" (LMMI) to refer to the national objective of the NSP program.

Activities may not qualify under NSP using the "prevent or eliminate slums or blight" or "address urgent community development needs" national objectives as allowed in the overall benefit provisions of the HCD Act and the CDBG regulations.

Although NSP changes the low- and moderate-income requirement level of the CDBG program, the remaining requirements of 24 CFR 570.208(a) and 570.483(b) regarding area benefit, housing, and limited clientele benefit remain unchanged.

Matching Funds

No matching funds will be required by any applicants; however the subgrantees are strongly encouraged to leverage funds to employ meaningful strategies in stabilizing their neighborhoods.

General Administration

Per HUD guidelines, the grantee may utilize up to 10 percent of the overall funds for general administrative costs. The State will use up to five percent of the funds to administer the program. The State will utilize these funds for NSP staffing costs to administer the program, training, monitoring and implementation components. A portion of the State General Administration will be made available for use by jurisdictions directly funded by HUD that apply and are successful in securing a grant from the 25 percent set-aside allocation which targets those whose incomes are at 50 percent or below of AMI.

All eligible applicants, who are awarded funds, will be allowed up to five percent of their allocation amount for general administration costs.

Minimizing Relocation and Displacement

All eligible applicants awarded funds must certify compliance in accordance with the Uniform Relocation Assistance Real Property Acquisition Policies Act of 1970 as amended by the Uniform Relocation Act Amendments of 1987 (URA) and Section 104(d) of the Housing and Community Development Act of 1974. In addition, if any proposed activity has the potential to cause displacement of persons, the grantee will be required to submit a plan to the State for meeting the relocation requirements of persons affected.

Monitoring

The State will meet all HUD requirements for reporting on each NSP grant and/or subgrant in the DRGR system, which uses a streamlined, Internet-based format. The State will exercise oversight for compliance with the requirements for the prevention of fraud, waste, and abuse of funds. The State will conform to HUD's configuration of DRGR performance measures to be determined and designed specifically for the DRGR to fit the NSP activities. The State will post the NSP report on the HCD website for public viewing when it submits the report to HUD.

The Department shall use a system similar to the existing State's CDBG Program monitoring policies and procedures to ensure compliance with federal guidelines. These policies and procedures primarily mirror those used by HUD to monitor the State's administered and entitlement programs. The Department will monitor all funded contracts to ensure compliance with federal and state laws, rules, and regulations governing NSP funding.

In determining appropriate monitoring for each grant, the Department shall consider prior grant administration, audit findings, as well as factors such as complexity of the project and the amount of funding. The Department shall determine the areas to be monitored, the number of monitoring visits, and their frequency. All grants shall be monitored at least once per year for the duration of project activities. The monitoring will address program compliance with contract provisions, including national objective, financial management, the requirements of 24 CFR Part 85 relating to procurement, and all applicable federal overlay requirements.

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 Definition

(1) Definition of "blighted structure" in context of State or local law.

Response:

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. This definition is consistent with California Health & Safety Code definition of a substandard structure under Section 17920.

Required Definition

(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:

Affordable Rents: Per the CDBG program, the generally accepted affordability standards are that households pay no more than 30 percent of household income for rent and utilities.

NOTE: For the purposes of NSP only, the percentage of annual median income is increased to 120 percent and otherwise is to be consistent with the California Health and Safety Code, Section 50053.

Required Description

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

Response:

The State will ensure continued affordability by applying HOME program guidelines, as suggested by HUD, for rental and owner-occupied properties.

At a minimum, all assisted properties of NSP funds will be subject to the HOME requirement of continued affordability as outlined in the regulations for the HOME Investment Partnership Program, Final Rule, 24 CFR part 92. These regulations are available at the following sites:

HOME affordability periods-Homeownership §92.254 (a)(4)
http://edocket.access.gpo.gov/cfr_2004/aprqtr/pdf/24cfr92.254.pdf

HOME affordability rental housing §92.252 (e)
http://edocket.access.gpo.gov/cfr_2004/aprqtr/pdf/24cfr92.252.pdf

Required Description

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

Response:

Each applicant's Housing Rehabilitation Program will provide written rehabilitation standards with a write-up of the deficiencies of each unit to be rehabilitated. After rehabilitation, the property must at a minimum meet the Section 8 Housing Quality Standards, applicable building codes, zoning ordinances, and cost-effective energy conservation standards.

D. LOW INCOME TARGETING

HUD Instructions

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 percent of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The State of California will, at a minimum, meet HERA's legislative statute that 25 percent of the funds be used for housing individuals and families whose incomes do not exceed 50 percent of area median income, adjusted for household size. A minimum of \$36,267,877 (25 percent of \$145,071,506) of the total allocation to the State will be used to meet this statutory requirement. These funds will be obtained by eligible applicants through an over-the-counter application process. Applicants will be required to specify how this income benefit criteria will be met and report on occupancy throughout the life of the grant and cumulatively at the termination date of the grant.

In addition, all other grants will include reporting requirements on the number of units occupied by lower-income individuals or families to ensure that the overall program performance related to this targeting requirement is captured.

In the event that the State receives additional NSP funds from HUD, this 25 percent ratio will be maintained to provide housing for individuals and families whose incomes do not exceed 50 percent of area median income, adjusted for household size, proportionate to the additional amount received.

E. ACQUISITIONS & RELOCATION

HUD Instructions:

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

If so, include:

- The number of low- and moderate-income dwelling units—i.e., \leq 80 percent 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., ≤ 120 percent 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:

Subgrantees will be required to provide information on their intent to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80 percent of area median income) in their application.

If an applicant intends to demolish or convert any low- and moderate-income dwelling units, they will be required to provide the following information in their application:

- a. The number of low- and moderate-income dwellings expected to be demolished;
- b. The number of NSP-affordable housing units to be made available to low-, moderate-, and middle-income households; and
- c. The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

F. PUBLIC COMMENT

HUD Instructions

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

Response:

HUD has provided alternative requirements and is waiving to the extent necessary to allow the grantee to provide no fewer than 15 calendar days for citizen comment, rather than 30 days. The State of California will post its Substantial Amendment to the Annual Plan Update, and any subsequent amendments, on its official website. The State will provide a minimum comment period of 15 days for comments on the Substantial Amendment after publishing it on the Department's official website.

The State will hold at least one public hearing to solicit comments on housing and community development needs prior to the final publishing of the Substantial Amendment to the Annual Plan Update, due December 1, 2008. The Department will hold this public hearing on November 21, 2008, in the Department's headquarters located at 1800 Third Street, Room 183, Sacramento, California 95811. The State will consider all written comments, including via facsimile or e-mail, received and provided at the public hearing. The Department will summarize and address in the final Substantial Amendment to the Annual Plan Update all comments received.

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

Subgrantees will be required to provide detailed information, at the time of application submittal, regarding each activity planned for implementation. Only the five activities defined under Section III, Division B, of HERA will be allowable uses of NSP funds. Subgrantees shall provide the following information on each activity:

(1) Activity Name:

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

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

(4) Projected Start Date:

(5) Projected End Date:

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

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

(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-percent of area median income.

For housing related activities, include:

- tenure of beneficiaries—rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

(9) Total Budget: (Include public and private components)

(10) 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).

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 ≤ 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: (a) 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 (b) 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

Jurisdiction: State of California Jurisdiction Web Address: http://www.hcd.ca.gov/ (URL where NSP Substantial Amendment materials are posted)	NSP Contact Person: Frank Luera Address: 1800 3 rd Street, Suite 390 Sacramento, CA 95811 Telephone: (916) 327-2862 Fax: (916) 327-8823 Email: fluera@hcd.ca.gov
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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 page 3.

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 6.

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 11
- a definition of “affordable rents,”
 Yes No . Verification found on page 12
- a description of how the grantee will ensure continued affordability for NSP assisted housing,
 Yes No . Verification found on page 12

- a description of housing rehabilitation standards that will apply to NSP assisted activities?

Yes No . Verification found on page 12

D. 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 6 and 8
- correlated eligible activity under CDBG,
Yes No . Verification found on page 7
- the areas of greatest need addressed by the activity or activities,
Yes No . Verification found on page 8
- expected benefit to income-qualified persons or households or areas,
Yes No . Verification found on page 8.
- appropriate performance measures for the activity,
Yes No . Verification found on page 8
- amount of funds budgeted for the activity,
Yes No . Verification found on page (*Subgrantees will provide funds budgeted for each activity at time of application*)
- the name, location and contact information for the entity that will carry out the activity,
Yes No . Verification found on page (*Subgrantees will provide exact name, location, and contact information at time of application*)
- expected start and end dates of the activity?
Yes No . Verification found on page (*All activities defined under Section III, Division B, of HERA will be allowable used under NSP. Subgrantees will provide expected start and end dates at time of application*)

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E. SPECIFIC ACTIVITY REQUIREMENTS

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

- the discount required for acquisition of foreclosed upon properties,
Yes No . Verification found on page 14.

If the activity provides financing,

- the range of interest rates (if any),
Yes No . Verification found on page ____.

If the activity provides housing,

- duration or term of assistance,
Yes No . Verification found on page 12.
- tenure of beneficiaries (e.g., rental or homeownership),
Yes No . Verification found on page 12.
- does it ensure continued affordability?
Yes No . Verification found on page 12.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25 percent 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 percent of area median income?
Yes No . Verification found on page 13.

F. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25 percent 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 percent of area median income?
Yes No . Verification found on page 13 and Appendix A, page 1, Tier 3
- 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 percent of area median income?
Yes No . Verification found on page 13
Amount budgeted = \$36,267,877

G. DEMOLISHMENT OR CONVERSION OF LOW- AND MODERATE-INCOME UNITS

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 (*Unknown at this time. All activities defined under Section III, Division B, of HERA will be allowable used under NSP. Subgrantees will provide numbers at time of application*)

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Does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e., ≤ 80 percent 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 15 (*Numbers will need to be provided by subgrantees at time of application*)
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., ≤ 120 percent 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 15 (*Numbers will need to be provided by subgrantees at time of application*)
- 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 15 (*Numbers will need to be provided by subgrantees at time of application*)

H. 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 14 and Public Participation Notices attached to amendment submission

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

Yes No Verification found on page Appendix D.

I. WEBSITE PUBLICATION

The following Documents are available on the grantee’s website:

- SF 424 Yes No .
- Proposed NSP Substantial Amendment Yes No .
- Final NSP Substantial Amendment Yes No .
- Subsequent NSP Amendments Yes No .

Website URL: <http://www.hcd.ca.gov/fa/nsp/subamendment.html>

K. CERTIFICATIONS

The following certifications are complete and accurate:

- (1) Affirmatively furthering fair housing Yes No
- (2) Anti-lobbying Yes No
- (3) Authority of Jurisdiction Yes No

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| (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"/> |