

# NSP GRANT SUBMISSION TEMPLATE

(UPDATED 10.21.08)

Substantial Amendment to PY 2008  
Cuyahoga Urban County  
CDBG Application to  
The U. S. Department of Housing & Urban Development

December 1, 2008

Cuyahoga County, Board of Commissioners  
Department of Development  
112 Hamilton Ave, 4<sup>th</sup> floor  
Cleveland, OH 44114

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- 1) 2008 Urban County Participating Communities
- 2) FY 2000-2007 Mapped Progression of Sheriff’s Sales Deeds
- 3) NSP Substantial Amendment Checklist
- 4) *Foreclosure and Beyond: A report on ownership and housing values following sheriff’s sale, Cleveland and Cuyahoga County, 2000-2007*

# THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): _Cuyahoga Urban County,  Jurisdiction Web Address: <a href="http://www.cuyahogacounty.us">www.cuyahogacounty.us</a> and <a href="http://development.cuyahogacounty.us">http://development.cuyahogacounty.us</a>	NSP Contact Person: Paul Oyaski, Director, Department of Development Address: 112 Hamilton Ave, 4 <sup>th</sup> flr Telephone: (216) 443-7535 Fax: (216) 443-7258 Email: poyaski@cuyahogacounty.us
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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.

### Response: Areas of Greatest Need

HUD has developed data to assist grantees in targeting the areas of greatest need within their jurisdictions. Using the first data available on HUD’s NSP website, staff of the Urban County then parsed out all data not directly related to the 50 jurisdictions in the Urban County (A list of Urban County participating communities is located in Appendix.1. Staff then created two documents: 1) One included information on those persons that were at or below the 120% of median income at the census tract, block group level to determine which areas and/or communities were eligible under the NSP area benefit criteria. (Map 2) and 2) A second Excel spread sheet included information on HUD’s predicted 18 month underlying problem foreclosure rate, the HMDA high cost loan rate, and HUD’s foreclosure/abandonment risk score. Maps were created for all four data sets by staff at the County Planning Commission. This set of information was compared to heuristic research from the Federal Reserve Bank of Cleveland. Additional mapping was created by Carl Cooley, Economic Analyst, Federal Reserve Bank of Cleveland using data at the Zip Code level in the county to determine where subprime loans as of August 2008 were in foreclosure and where subprime loans were at least 90 days delinquent. The HUD data was validated by the Fed data. Because Fed data is proprietary information from regulated financial institutions it cannot be shared without Federal Reserve permission. After this comprehensive analysis, staff at the Urban County determined that the foreclosure/abandonment risk score reflects the areas of greatest need.

A second way to demonstrate the needs of the entire jurisdictions in the Urban County is to utilize Case Western Reserve University’s Mandel School of Applied Sciences, NEO CANDO data on foreclosures in every Urban County community. As can be seen by Table 1 (on the next page) foreclosures have occurred throughout the Urban County, the number of foreclosures in “perceived to be stable areas” of the Urban Areas is increasing, and total foreclosures tripled from 2005 to 2007. This is very troubling as school and local governments in Ohio depend on local property taxes for major portions of their funding. Vacant/foreclosed properties do not generate income tax revenues, drain local government resources, and reduce the property value of housing within 1,000 feet.

**Table 1  
Urban County Residential Foreclosures 2000-2007**

Community	2000	2001	2002	20003	2004	2005	2006	2007	Cumulative	2000-2007 Cumulative
								*1	*2	Count Residential Foreclosures by Parcels
										/ 100 Residential Parcels
Bay Village city	3	1	6	4	10	11	16	23	65	1
Beachwood city	3	1	2	4	3	2	7	15	31	0.8
Bedford city	13	10	16	19	28	39	58	84	235	4.5
Bedford Heights city	9	15	14	12	13	26	34	77	169	5.2
Bentleyville village	0	0	0	0	0	0	1	0	1	0.3
Berea city	7	8	13	20	12	32	44	51	165	2.5
Bratenahl village	2	3	1	4	0	3	1	6	17	2
Broadview Heights city	0	2	3	5	3	6	7	27	44	0.7
Brook Park city	12	11	10	11	14	28	44	51	161	1.9
Brooklyn city	4	3	3	3	2	12	17	17	54	1.3
Brooklyn Heights village	0	1	1	1	0	0	2	0	5	0.6
Chagrin Falls Township	0	0	0	0	0	0	0	0	0	0
Cuyahoga Heights village	1	0	0	0	2	0	0	0	3	0.6
Fairview Park city	7	7	8	8	15	17	27	30	109	1.6
Garfield Heights city	34	27	46	49	57	112	165	293	665	5.4
Gates Mills village	1	0	2	0	0	1	5	3	11	1
Glenwillow village	0	0	0	0	0	0	0	8	5	2.4
Highland Heights city	2	2	2	2	0	3	3	8	19	0.6
Highland Hills village	0	1	0	0	0	1	3	6	9	4.3
Independence city	0	1	0	2	0	1	3	5	10	0.3
Linndale village	0	0	0	0	0	0	0	2	1	0.8
Lyndhurst city	3	7	9	2	6	7	23	30	77	1.1
Maple Heights city	57	68	81	61	89	150	200	428	962	9
Mayfield Heights city	3	2	5	7	9	19	16	41	88	1.4
Mayfield village	1	0	1	0	1	1	3	6	11	0.8
Middleburg Heights city	2	2	3	5	5	3	10	20	43	0.7
Moreland Hills	1	2	0	1	0	0	3	8	12	0.9
Newburgh Heights village	0	5	5	6	4	10	8	21	50	5.6
North Olmsted city	13	15	12	17	13	33	42	71	190	1.5
North Randall village	1	0	0	1	1	2	0	9	10	3.7
North Royalton city	11	11	16	10	16	18	23	51	136	1.4
Oakwood village	3	10	0	7	10	22	19	24	82	5.2
Olmsted Falls city	2	6	6	4	7	18	30	41	100	3
Olmsted Township	3	3	1	6	3	8	16	21	54	1.8
Orange village	0	0	2	2	2	3	9	8	23	1.8
Parma Heights city	10	5	3	11	14	18	28	65	131	1.9
Pepper Pike city	2	1	2	3	3	5	5	14	30	1.2
Richmond Heights city	3	6	7	5	5	12	14	47	82	2.4

Community	2000	2001	2002	2003	2004	2005	2006	2007	Cumulative	2000-2007 Cumulative
								*1	*2	Count Residential Parcels
										/ 100 Residential Parcels
Rocky River city	2	2	6	7	5	14	16	14	61	0.7
Seven Hills city	1	2	2	6	5	4	10	14	39	0.8
Shaker Heights city	23	32	29	32	42	48	94	153	387	3.9
Solon city	11	9	9	7	5	15	9	47	96	1.2
South Euclid city	22	29	15	32	28	44	85	167	362	3.9
Strongsville city	18	19	17	17	12	25	32	59	176	1.1
University Heights city	9	10	10	10	9	25	29	69	144	3.3
Valley View village	0	0	1	0	0	1	2	0	4	0.3
Walton Hills village	0	0	1	0	1	3	1	0	6	0.5
Warrensville Heights city	24	30	19	29	33	54	94	174	380	7.8
Westlake city	10	6	9	8	7	19	22	36	105	0.9
Woodmere village	0	1	0	0	0	0	3	2	5	2.3
Total by Year	333	376	398	440	494	875	1283	2346	5625	
*1 This is an annualized figure based on the first 8 months of 2007										
*2 This is an unduplicated count of the properties that had a sheriff sale in 2000-2007.										
Prepared by Center on Urban Poverty and Community Development, Mandel School of Applied Sciences, Case Western Reserve University										
Source: NEO CANDO ( <a href="http://neocando.case.edu">http://neocando.case.edu</a> ), Cuyahoga County Auditor										

The information in the above table was extrapolated from a report entitled *Foreclosure and Beyond: a report on ownership and housing values following sheriff's sales, Cleveland and Cuyahoga County, 2000-2007* by Claudia Coulton, Kristen Mikelbank, & Michael Schramm who work for the Center on Urban Poverty and Community Development at the Mandel School of Applied Social Services, Case Western Reserve University and with funding from The Cleveland Foundation and The George Gund Foundation. The full report is included in the Appendix to this Substantial Change Amendment. When quoted in the text of the amendment, the citation will be surrounded by parentheses and referenced by Foreclosure and Beyond -- shortened to "F&B".

"Rates of foreclosures have quadrupled since 2000 in Cuyahoga County, primarily as a result of the large numbers of sub-prime loans." (F&B, p 2) The increasing numbers of properties at sheriff sales had the effect of dragging down home sale prices. "Homes re-sold in 2007 following sheriff's sales in 2006 brought median sales prices that were 44% of their previous valuation. Moreover, foreclosures, vacancy and declining values are geographically concentrated" (see Appendix 4) "not only in Cleveland but also in the Cuyahoga County suburbs. Under these circumstances, greater efforts are required to protect the growing number of vacant homes and limit spillover effects to surrounding properties.(F&B, p 2) As noted in the timed maps in the F&B report, the concentration of Sheriff's deeds is analogous to an epidemiologist mapping the progress of a contagious disease. Using the analogy of a contagious disease outbreak, the medical professionals not only treat those already afflicted but also attempt to stop further spreading of the disease by working in areas of newly increasing cases. This methodology is central to how the Urban County selected its areas of concentration. Assistance is planned and directed not only to the heart of the problem areas in the 50 communities that comprise the Urban County but also to the areas where foreclosures are

trending upward and potentially creating new concentrations in the future. This phenomenon was particularly evident in the zip code maps from the Federal Reserve Bank of Cleveland and reviewed with Urban County staff. Thus, the Urban County has identified communities with block groups with **abandonment risk scores of 6** as needing assistance. (**Map 2**)

The abandonment/foreclosure crisis in the Urban County has been exacerbated by the weak economy in Ohio which has not seen job growth match that of the US job growth rate for 150 consecutive months, (George Zeller, local economist). Simply put, Ohio has never recovered from the recession of 2000. With this fact in mind, HUD's published unemployment figures at the block group level in the Urban County were not considered in determining areas of greatest need as the values varied little from one block group and tract to another.

The loss of jobs in Cuyahoga County totaled 79,030 from the continuing 2000s recession and that number represents 10% of its total number of jobs in 2000. Translated into paycheck earnings, Cuyahoga County lost \$3.95 billion in earnings. Many of the total jobs lost came from high-wage manufacturing jobs lost since 2001. (28.1% of these jobs were lost.) Adding further distress, in the most recent period 2007 –2008 Cuyahoga County lost more jobs in Finance and Insurance than it lost in Manufacturing. (Citation from "Research Consultant Report" by George Zeller, October 31, 2008)

The injection of massive numbers of vacant and foreclosed properties has driven down property values of neighboring homes that are occupied and have been maintained. The housing market has seen property values decline with the sheer volume of unsold real estate that is taking a longer time to sell. Lending institutions have increased credit-lending standards, making the purchase of any home more difficult. It is the intention of the Urban County's NSP funding to meet the statutory requirements set forth by Congress and, at the same time, begin to assist in stabilizing the local real estate market in the Urban County by working with the private sector elements of the housing market, by increasing home ownership opportunities, by removing blighting structures, and by re-invigorating the capacity of the Real Estate Owned (REO) rehabilitation industry.

#### ***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:

- 1) **The Urban County is defining its areas of greatest need by targeting communities with foreclosure/abandonment risk scores of 8 or above** for a larger competitive grant process to fund significant initiatives. (**Areas are mapped in Map 1**) Predicted 18-month underlying problem foreclosure rates and HMDA high cost loan rates will be factors in making decisions on which communities will be funded. The foreclosure/abandonment risk score of 8 or above correlated statistically well with HMDA high cost neighborhood block groups with values

greater than 0.20 but not well for the predicted 18 month underlying problem foreclosure rates which included many areas with higher house values and greater non low-, moderate-, and middle-income citizens. The areas with risk scores of 8 are:

Whole Community Eligible	Some Eligible Areas	Community Not Eligible
Bedford	North Olmsted	Bay Village
Bedford heights	Parma Heights	Beachwood
Brooklyn	Shaker Heights	Bentleyville
Brook Park		Berea
Cuyahoga Heights		Bratenahl
Garfield Heights		Broadview heights
Glenwillow		Brooklyn Heights
Highland Hills		Chagrin Falls Township
Linndale		Fairview Park
Maple Heights		Gates Mills
Newburgh Heights		Highland Heights
North Randall		Independence
Oakwood		Lyndhurst
Richmond Heights		Mayfield
South Euclid		Mayfield Heights
University Heights		Middleburgh Heights
Warrensville heights		Moreland Hills
		North Royalton
		Olmsted Township
		Olmsted Falls
		Orange
		Pepper Pike
		Rocky River
		Seven Hills
		Solon
		Strongsville
		Valley View
		Walton Hills
		Westlake
		Woodmere

Community Eligible Areas

North Olmsted the entire Census Tracts numbered 174106, 174206, and 174207

Parma Heights the entire Census Tract numbered 178201

Shaker Heights the entire Census Tracts numbered 183402, 183603, 183604, 183605, and 183606

**2) Downpayment assistance and acquisition-rehab-sale-subsidies will be offered in those local communities which have at least one block group with a foreclosure/abandonment risk score over 6 or above. (Map 1) In most cases the entire community has a risk score greater than 6 or above**

NSP Down Payment and Acquisition –Rehab-Sale-Subsidy Areas

*Area benefit eligibility applies to demolition and non-housing redevelopment activities*

<b>Eligible Communities</b>	<b>Non-eligible Communities</b>
Bay Village	Bentleyville
Beachwood	Gates Mills
Bedford	Highland Heights
Bedford Heights	Independence
Berea	Mayfield
Bratenahl	Moreland Hills
Broadview Heights	
Brooklyn	
Brooklyn Heights	
Brook Park	
Chagrin Falls Township	
Cuyahoga Heights	
Fairview Park	
Garfield Heights	
Glenwillow	
Highland Hills	
Linndale	
Lyndhurst	
Maple Heights	
Mayfield Heights	
Middleburg Heights	
Newburgh Heights	
North Olmsted	
North Randall	
North Royalton	
Oakwood	
Olmsted Township	
Olmsted Falls	
Orange	
Parma Heights	
Pepper Pike	
Richmond Heights	
Rocky River	
Seven Hills	
Shaker Heights	
Solon	
South Euclid	
Strongsville	
University Heights	
Valley View	
Walton Hills	
Warrensville Heights	
Westlake	
Woodmere	

**3) Projects for those funds reserved to assist persons <50% AMI occupants** will be determined with out respect to community targeting as these facilities directly benefit the most needy in our community and it is difficult to find suitable vacant/abandoned properties in our market area. Projects serving these set-aside funds to develop rental housing will be considered with priority given throughout our Urban County area, and to geographically adjacent NSP entitlement cities and non-NSP entitlement cities if the special CDBG NSP rules for finding projects in neighboring communities can be met.

**4) Demolition of vacant/abandoned properties that have a harmful impact**, this program will be targeted to communities that as a whole meet the criteria for being over the 120% of LMM income or in communities that have block groups that are =120% LMM I.

**(Map 2)**

The communities below meet the LMM area benefit criteria with eligibility for NSP:

NSP Area Benefit Eligibility by Urban County Community

*Area benefit eligibility applies to demolition and non-housing redevelopment activities*

<b>Whole Community Eligible</b>	<b>Some Eligible Areas*</b>	<b>Community Not Eligible</b>
Bedford	Bay Village	Beachwood
Bedford Heights	Broadview Heights	Bentleyville
Berea	Highland Heights	Bratenahl
Brooklyn	Independence	Brooklyn Heights
Brook Park	Lyndhurst	Chagrin Falls Township
Cuyahoga Heights	North Royalton	Gates Mills
Fairview Park	Olmsted Falls	Highland Hills
Garfield Heights	Rocky River	Mayfield
Glenwillow	Seven Hills	Moreland Hills
Linndale	Shaker Heights	Orange
Maple Heights	Strongsville	Pepper Pike
Mayfield Heights	University Heights	Solon
Middleburg Heights	Valley View	Walton Hills
Newburgh Heights		Westlake
North Olmsted		
North Randall		
Oakwood		
Olmsted Township		
Parma Heights		
Richmond Heights		
South Euclid		
Warrensville Heights		
Woodmere		

\*Detailed listing of eligible census tracts and block groups appears on the next page  
NSP Area Benefit Eligibility Census Tracts and Block Groups in Partially Eligible Communities

Bay Village	Tract 1301.05 Block Group 7 Tract 1301.06 Block Group 2
Broadview Heights	Tract 1361.01
Highland Heights	Tract 1551.02 Block Group 1
Independence	Tract 1561.01 Tract 1561.02 Block Group 3
Lyndhurst	Tract 1701.01 Block Groups 1 & 2 Tract 1701.02 Block Groups 1, 3 & 4 Tract 1702.01 Block Group 2 Tract 1702.02 Block Group 4
North Royalton	Tract 1751.03
Olmsted Falls	Tract 1761.00 Block Group 2
Rocky River	Tract 1811.00 Block Group 2 Tract 1812.01 Block Group 1 Tract 1812.03 Block Group 8 Tract 1812.04 Block Group 1 Tract 1821.04 Block Group 3
Seven Hills	Tract 1821.03
Shaker Heights	Tract 1831.00 Block Group 3 Tract 1834.02 Block Groups 2 & 3 Tract 1835.01 Block Group 2 Tract 1836.03 Tract 1836.05 Block Group 1 Tract 1836.06 Block Group 1
Strongsville	Tract 1861.03 Block Group 3 (Rural Portion Only) Tract 1861.04 Block Group 1 Tract 1861.06 Tract 1862.06 Block Group 1 (Rural Portion Only)
University Heights	Tract 1871.03 Block Groups 2 & 3 Tract 1871.05 Block Group 3 Tract 1871.06 Block Group 1
Valley View	Tract 1929.00 Block Group 1

## C. DEFINITIONS AND DESCRIPTIONS

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

Because Ohio is a “home rule” state, we will allow each community in which NSP funded demolition is carried out to determine when a residential structure contains specific physical defects which render it harmful to the public welfare and therefore require its demolition. No structure will be considered blighted for any reason other than specific physical defects – that is, functional obsolescence will not be considered in determining blight for NSP funded demolition.

**(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.

HOME program rules will be applied to NSP funded rental projects. The high HOME rent limit will apply to all NSP assisted units and the low HOME rent limit will apply to 20% of the NSP assisted units under the same conditions and exceptions as in the HOME program. The number of NSP assisted units will be calculated based on the percentage of the total project costs that are paid by NSP funds exactly as in the HOME program. Fixed or floating units may be used on a project-by-project basis.

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

HOME program rules will be applied. Each NSP assisted rental project will be subject to a legally enforceable, recorded, declaration of restrictive covenants that will bind the project to maintaining affordable rents for the NSP assisted rental units, for the applicable HOME affordability period based on the amount of NSP funds used per NSP assisted unit. HOME rules will be applied to determine what action is needed if a households occupying an NSP assisted rental unit experiences increased income above 50% of area median. No household will be required to move from an NSP assisted unit simply because its income has increased. All tenant protections required by the HOME program will also apply to rental of NSP assisted units. The number of NSP assisted units will be calculated as in the HOME program based on the percentage of total project costs paid by NSP funds. Fixed or floating units may be used on a project-by-project basis.

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

Each foreclosed house purchased with NSP funding will be inspected by the local community under its regular point of sale inspection program. Funds must be escrowed as required by local ordinances with a minimum escrow of 100% of the estimated cost to repair code violations. A visual paint assessment will be carried out as required by HUD lead paint regulations and any area of deteriorated paint exceeding the *de minimis* amount must be repaired by a person properly trained in lead safe work practices, with a subsequent clearance examination required.

Additionally, foreclosed houses acquired by nonprofit or private developers for renovation and sale to NSP-eligible owner occupants will be inspected by qualified Cuyahoga County Department of Development staff and all health and safety problems must be corrected even if they are not cited as code violations in the local community's point of sale inspection.

All NSP assisted rental housing must be constructed or renovated, as applicable, in full compliance with the applicable local housing code and must pass any inspection required under local law to receive a certificate of occupancy.

Purchasers and developers will be encouraged to use green building techniques and cost reasonableness will be determined in light of the cost of green building methods, which may have a slightly higher initial cost than non-green methods. Reasonable energy efficiency improvements will be an allowable use for NSP funds for purchasers and developers.

***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.

Twenty-five per cent of the Cuyahoga Urban County's NSP allocation as a direct grantee will be used to purchase and redevelop qualifying property, which will be rented to households with incomes at or below 50% of area median. Please note that qualifying property includes vacant property as well as abandoned or foreclosed residential property. Vacant property may include the site formerly occupied by a demolished building and it may include non-residential buildings.

## ***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:

Strictly speaking, zero (no) low- and moderate-income dwelling units will be demolished or converted as a result of NSP assisted activities because only vacant buildings that have been determined to be blighted due to specific conditions of physical decay that are harmful to health or safety will be demolished with NSP funds, and any other units acquired will be retained as residential units subject to NSP household income limits. Given the demographic makeup of the Cuyahoga Urban County, we estimate that out of 100 blighted houses to be demolished, about 50 will have been formerly occupied by households at or below 80% of area median income.

Down payment assistance will make at least 50 NSP assisted units available. We estimate that none of these units will be sold to low income households, 5 of these units will be sold to moderate income households, and 45 will be sold to middle income households.

Developer loans to acquire, renovate, and sell foreclosed houses will make at least 20 NSP assisted units available. It is likely that none of these units will be sold to low income households, 2 will be sold to moderate income households, and 18 to middle income households.

Rental projects will produce at least 50 NSP assisted rental units for low income households.

The number of NSP assisted housing units to be produced by municipal redevelopment projects is unknown, since the end uses will depend on which projects are selected.

## ***F. PUBLIC COMMENT***

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

### Response:

Prior to the issuance of the NSP rules, staff of the Urban County invited the mayors and staff of the 50 Urban County communities, adjacent CDBG entitlement communities, local housing advocacy groups, representatives from the local health departments to a meeting on September 3<sup>rd</sup> in Bedford Heights. About 70 persons attended the 2-hour discussion of the nature of the act and how it might be applied in our jurisdiction. Four basic themes for applying the program to our communities, neighborhoods, and housing market became apparent. The themes were:

- 1) Municipal representatives wanted the ability to demolish abandoned homes that were dragging down housing values of nearby homes throughout the Urban County.
- 2) Communities did not want a program design where our rehabilitation and then sale of abandoned/ foreclosed properties would create sale comparables that would artificially drag down the sales prices for other private sales. Members of the group wanted the Urban County to develop programming to assist in building up the market pricing of homes.
- 3) Attendees wanted the Urban County to focus our programming on addressing housing issues.
- 4) Local representatives favored programming that would create a competitive system that distributed larger amounts of funding so they could design local programs that could make an impact.

Prior to the HUD announcement in late September of NSP Entitlement Grantees, a meeting was scheduled with representatives of organizations involved in the County's Continuum of Care process to discuss progress in meeting their 10-year goals and their ability to rapidly put together new projects that would further their goals.

An ad was published in the Cleveland Plain Dealer, the newspaper of general circulation in our area on November 12<sup>th</sup> to announce the ability to view and comment on the Urban County's Draft NSP Substantial Amendment to its 2008 Consolidated Plan. The Draft was placed on the County's website on November 10<sup>th</sup> and comments on the Substantial Amendment were accepted through November 28<sup>th</sup>. The Plan was submitted via email to HUD on December 1, 2008.

As of December 1<sup>st</sup>, the NSP Draft Substantial Amendment received 494 "hits" on the county's website, making it the most viewed single "page" on Development's portion of the county's website during the month of November.

On November 5<sup>th</sup> a copy of the Draft Substantial Amendment and its Appendices was emailed to HUD's Office of Community Planning and Development to obtain any comments from that Office on the Draft conforming to the application requirements of the Neighborhood Stabilization Program. No comments were received.

The ability to read the Draft Substantial Amendment was shared by direct emails to two local developers, two housing attorneys, a leading academic who is nationally known lecturer about the foreclosure/abandonment crisis, the Community Development Director of Cleveland and several council persons in the Urban County.

NSP Comments and Responses  
Cuyahoga Urban County

Five comments were submitted for consideration. They are summarized below:

1. One commenter stated that NSP funds granted to the Cuyahoga Urban County should be used for activities in Lakewood and other CDBG entitlement cities within Cuyahoga County that did not receive direct allocations of NSP funds. This commenter stated that the Cuyahoga Urban County's allocation of NSP funds was based on countywide data rather than data for the 50 member communities of the Cuyahoga Urban County. We disagree with this statement, because HUD specifically stated that the initial NSP allocations for Lakewood and other CDBG entitlement cities that did not reach the \$2 million threshold were included in the NSP funding allocated to the State of Ohio and not to NSP direct entitlement grantees.

We believe the need for NSP funded activities in the Cuyahoga Urban County is such that NSP funds should not be used outside its borders. The only exception will be the 25% set-aside for activities benefiting households with incomes under 50% AMI. Since it may be difficult to site these activities in the Cuyahoga Urban County, they will be considered on a countywide basis.

2. Several commenters stated that rental housing for low-income households with disabilities should have a specific allocation of NSP funds. We agree that developing rental housing for low-income households with disabilities is an important use of federal housing subsidy funds. Our HOME funds have been used for this purpose since the inception of the HOME program, with over \$3 million of subsidy provided to rental projects for persons with developmental disabilities. Because HOME funds have been and are still available for such projects, and because NSP funding is more restrictive than HOME funding (it cannot be used to build new housing on never-occupied vacant sites), we do not believe that a special set-aside of NSP funds for such housing is needed.

In the competitive funding round for the 25% of NSP our funds set aside to develop rental housing for low-income households, developing rental housing for persons and households with disabilities will be a fully eligible activity. We will consider awarding additional rating points to such projects in comparison to general rental housing projects. Furthermore, projects for persons and households with disabilities will be considered on a countywide basis, since it may be difficult to site them in the Cuyahoga Urban County.

3. One commenter stated that cities should be able to propose homeownership projects under the 25% of NSP funds we will set aside to develop rental housing for low income households. We will revise our draft plan to allow cities to apply for our \$100,000 loans to develop for-sale housing, which they may sell to low-income households. Cities are free to propose homeownership projects for households with incomes at or below 50% of area median income under the \$500,000 major project grant portion of our NSP program.

Since other portions of the NSP funding can already be used by cities to develop housing for low-income homebuyers, we do not believe it is necessary to use the 25% of NSP funds we have set aside for low-income rental housing for such projects.

4. One commenter stated that a different data source should be used to determine which census tracts are eligible for the \$500,000 major project grants. Although the commenter noted that smaller communities with fewer absolute numbers of foreclosures are eligible under the HUD data we used, the commenter did not present evidence that the suggested alternative data source was more reliable as a predictor of the risk of future foreclosures. We believe that the HUD data is at least as reliable as the proposed alternative and will continue to use this data to determine which census tracts are eligible for major projects.

The Urban County consulted NEOCANDO, Federal Reserve proprietary data, and HUD data to determine the areas of greatest need in the Urban County.

5. One commenter stated that cities which contain both eligible and ineligible census tracts, for the \$500,000 major project grants, should be able to submit projects anywhere in the city instead of only in the eligible census tracts. The comment was somewhat ambiguous because it referred both to projects “impacting” the targeted census tracts and also to citywide eligibility with no regard to which census tracts in the city are benefited. We believe that targeting at the census tract level is required for the most aggressive interventions using NSP funds, represented by the \$500,000 major project grants, to avoid diluting the impact of these projects. Due to their size only 5 projects can be done.

6. One commenter stated that more than \$788,000 should be budgeted for demolitions, due to the large need for demolitions in the Cuyahoga Urban County. However, our experience with a locally funded demolition grant program in 2007-2008 did not show a demand for these funds in excess of \$788,000. Only about \$250,000 was used in about one year of activity. We believe that local communities have increased their capacity to use grant funds for demolition, but we doubt the demand will more than double in 2009. If the State of Ohio makes NSP additional funds available to the Cuyahoga Urban County, we will consider requesting more funds for demolition grants from this source.

7. One commenter stated that down payment assistance should be limited to cities with higher foreclosure risk than in our draft plan, thereby reducing the number of eligible cities, and should also be limited to less than the \$39,999 we plan to offer per house. We believe that down payment assistance needs to be more widely available than the \$500,000 major project grants, which are heavily targeted, in order to stimulate interest in buying foreclosed houses in a range of cities where foreclosures are prevalent. We also believe that a large subsidy is needed to stimulate interest in buying foreclosed houses, among the limited number of eligible buyers currently in the market. Our experience is that buyers prefer non-foreclosed houses that are perceived to be in “move in” versus “fixer up” condition, and that a significant subsidy is needed to overcome this preference. We will limit our down payment loans to 50% of the purchase price plus repair escrow.

8. One commenter stated that cities should be allowed to act as developer and apply for our \$100,000 loans to buy and develop foreclosed houses. We agree.

9. One commenter stated that cities should be allowed to select the houses to be redeveloped with the \$100,000 loans. We agree that a city should be able to submit lists of specific foreclosed houses it has determined should not receive our loans, as long as the city can show it has taken other actions such as condemnation to ensure the houses on the list are not purchased and placed back into service by other buyers without our loans.

10. One commenter stated that developers should be allowed to buy city owned, formerly foreclosed, properties using our \$100,000 development loan. We agree as long as the 15% discount from appraised value required by HUD can be satisfied, and provided that HUD approves the eligibility of such a transaction using NSP funds.

11. One commenter stated that is municipal land bank should be eligible for NSP funding, as well as the proposed countywide Land Reutilization Authority. There are currently more than 15 communities in Cuyahoga County that have established municipal land banks, though few in the Cuyahoga Urban County are active. Cities can already apply for NSP funded demolition grants to demolish eligible houses in their land banks, and cities can apply for \$500,000 major project grants to redevelop vacant houses and lots on which houses were demolished in eligible census tracts. We believe this is sufficient and no additional allocation of NSP funds for city land banks is needed.



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

(1) Activity Name: **NSP 1 - Rental Projects**

(2) Activity Type: Sec. 2301(c)(3)(B) Purchase and Rehab and/or 2301(c)(3)(E) Redevelop correlated with 24 CFR 570.201(a) Acquisition, 570.202 Rehabilitation, and New Construction.

(3) National Objective: Low Moderate and Middle Income Housing, since all assisted households will be at or below 50% area median income which is below the 120% area median ceiling for NSP activities.

(4) Projected Start Date: One competitive funding round will be carried out in the first quarter of 2009 with all NSP funds set aside for this activity contractually obligated to the selected rental project(s) no later than July 31, 2010.

(5) Projected End Date: Projects will proceed in a timely manner and all units are expected to be in service no later than January 31, 2013.

(6) Responsible Organization: Since projects will be selected on a competitive basis it is not known at this time which organization(s) will be responsible for the selected project. Nonprofit, public, and private organizations may submit projects for NSP funding consideration.

(7) Location Description: Since projects will be selected on a competitive basis it is not known at this time where they will be located. Projects located in the Cuyahoga Urban County that are certain to proceed will receive priority over projects located in adjacent communities. NSP funds will be used outside the Cuyahoga Urban County only when the conditions for spending CDBG funds outside the boundaries of the CDBG entitlement jurisdiction are met.

(8) Activity Description:

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

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

Since affordable rental housing is needed throughout Cuyahoga County, it is not necessary to restrict the geographical location of NSP assisted rental projects beyond the usual CDBG

requirements for project location. The expected benefit to income-qualified persons is production of at least 50 affordable rental housing units. NSP funds used for this activity will meet the low-income housing requirement for those below 50% of area median income.

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

Since the assisted projects will be selected on a competitive basis, project funding is not known at this time. At least twenty-five per cent of the Cuyahoga Urban County's direct NSP funding allocation, amounting to at least \$2,803,112, will be spent on the selected project(s).

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

At least 50 rental units will be produced all of which will be occupied by low-income households.

(1) Activity Name: **NSP 2 – Municipal Project Grants**

(2) Activity Type: Secs 2301(c)(3)(B) Purchase and Rehab, 2301(c)(3)(D) Demolition, and/or 2301(c)(3)(E) Redevelopment; correlated with 24 CFR 570.201(a) Acquisition, 570.201(b) Disposition, 570.202 Rehabilitation, 570.201(d) Clearance, 570.201(c) Public Facilities and Improvements, New Housing Construction, and 570.203 Economic Development.

(3) National Objective: Low- Moderate- and Middle-Housing, Area Benefit, and/or Limited Clientele Activities depending on the type of project selected for funding.

(4) Projected Start Date: One competitive funding round will be held in the first quarter of 2009. Funds will be contractually obligated to selected projects no later than July 31, 2010.

(5) Projected End Date: Projects will be carried out as quickly as possible with completion expected by January 31, 2013.

(6) Responsible Organization: Since projects will be selected on a competitive basis it is not known which local governments will be the responsible organizations.

(7) Location Description: Since projects will be selected on a competitive basis it is not known which communities will receive funding. Only those communities and portions of communities listed in Section (B)(1) above will be eligible to apply.

(8) Activity Description:

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

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

Eligibility for the competitive funding will be targeted to areas of greatest need as set forth in Section (B)(1) above based on risk of home foreclosures. All projects will benefit low-, moderate-, and middle-income persons under the area benefit, housing, and/or limited clientele requirements depending on the type of project selected for funding. None of the funds for this activity will be used to meet the low-income housing requirement for those below 50% of area median income.

If foreclosed housing units are acquired either the 10% or 15% discount rate will be used, depending if the seller has carried out the analysis needed to qualify for the 10% discount.

If housing units are produced it is expected they will be owner occupied with the NSP assisted units subject to the same affordability requirements as in the HOME program. Assistance will be in the form of a grant to the community. The community may use some of its NSP grant funds for down payment assistance to buyers of the NSP assisted units. Buyers will execute a deferred payment mortgage to secure the amount of NSP funds that assist them to buy their unit.

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

Since projects will be selected on a competitive basis the budget for each project is not known at this time. We expect to award \$2.5 million of NSP funds for five projects at \$500,000 each.

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

Since projects will be selected on a competitive basis the type and amount of performance is not known at this time. Projects may produce green space, rehabilitated housing, new housing, and/or buildings to be used for eligible economic development activities. In the case of projects producing new housing, the number of units reserved for households with incomes at or below 120% of area median will be determined based on the percentage of NSP funds in the total cost.

- (1) Activity Name: **NSP 3 – Municipal Demolition Grants**
- (2) Activity Type: Sec 2301(c)(3)(D) Demolition correlated with 24 CFR 570.201(d) Clearance
- (3) National Objective: Low, moderate and middle income area benefit.
- (4) Projected Start Date: Assisted demolitions will start as soon as the NSP grant agreement is issued by HUD, expected to be sometime in January 2009.
- (5) Projected End Date: Assisted demolitions will continue through July 31, 2010 and may continue through January 31, 2013 if NSP program income is available.
- (6) Responsible Organization: Each eligible local community will administer demolitions in its own jurisdiction. The Mayor of each community is the responsible official, with responsibility delegated in most cases to the community's chief building official.
- (7) Location Description: The specific addresses of blighted residential buildings to be demolished are not yet known. This is an ongoing program starting in January 2009.
- (8) Activity Description:  
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

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

Since existence of a blighted residential building tends to decrease neighboring property values and thereby increases the risk of foreclosure and abandonment by neighboring property owners, this activity will be carried out in all communities and parts of communities meeting the area benefit requirement that 51% of the residents have incomes at or below 120% of area median.

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

The initial budget for demolition is \$788,091. NSP program income will also be used.

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

We estimate at least 100 blighted houses will be demolished at an average cost just under \$8,000. If larger residential buildings (apartment buildings) are demolished the number of structures demolished may be somewhat less since the cost to demolish a larger building is higher. The cost per unit demolished should actually decrease if multifamily buildings are demolished.

(1) Activity Name: **NSP 4 – Downpayment Loans**

(2) Activity Type: Sec 2301(c)(3)(A) Financing Mechanisms correlated with 24 CFR 570.201(a) Acquisition and 570.201(N) Direct Homeownership Assistance.

(3) National Objective: Low moderate and middle income housing national objective.

(4) Projected Start Date: Loans will be available as soon as the NSP grant agreement is issued by HUD which is expected to take place in mid-January 2009.

(5) Projected End Date: Loans will be made until July 31, 2010 or until all budgeted NSP funds and any program income assigned to this activity have been used, whichever comes first.

(6) Responsible Organization: The Cuyahoga County Department of Development will administer this program from our office. Our contact and location information is given above.

(7) Location Description: Downpayment loans will be available in Cuyahoga Urban County communities with one or more census tracts achieving a Foreclosure Risk Score of 6 or above. The list is given in section (B)(2) above.

(8) Activity Description:

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

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

This activity is targeted based on risk of foreclosure, as set forth in Section (B)(2) above.

Loans up to \$39,999 will be made to income eligible households, at or below 120% of area median income, buying foreclosed houses in which they will live as owner occupants, in any of the eligible communities listed in Section (B)(2) above. All cited local code violations will be corrected.

Buyers may escrow a minimum of 100% of the cost of code violation repairs at the time of title transfer. If a local ordinance requires a larger escrow it must be obeyed.

Funds for this activity will not be used to meet the low-income housing requirement for those below 50% of area median income. The interest rate on the down payment loans will be 0% and no payments will be due as long as the buyer continues to live in the home. The balance due on the loan will decrease by 1/10<sup>th</sup> of the original loan amount after every full year the buyer lives in the home. Affordability will be ensured by recapturing the balance currently due if the buyer sells or ceases to live in the home before a full 10 years have passed. After 10 full years of ownership and occupancy the buyer will owe nothing on the loan. These are the same affordability requirements we use in our HOME funded down payment loan program.

The buyer must secure their own first mortgage, which must be a conventional (non-subprime) loan. Our loan will be secured by a second mortgage. The buyer must attend 8 hours of counseling from a HUD-approved counseling agency. Since this is not a first time homebuyer program, the content of the counseling may be tailored to the greater experience of the buyers taking into account their record of success as homeowners.

If HUD interprets the NSP authorizing statute to require us to recover “program income” above and beyond the declining loan balance, if and when they buyer re-sells the house, we will collect the amount required by HUD’s interpretation before releasing our second mortgage lien.

Foreclosed houses will be acquired at either 15% below the current appraised value, or at 10% below the current appraised value if the seller has carried out an NSP-compliant calculation to justify the discount amount based on its holding costs.

I. Total Budget: We have budgeted \$2,000,000, which will fund 50 loans at \$39,999 each. The amount of non-NSP funds is unknown, since it will depend on the selling price of each house.

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

We expect to assist at least 50 homebuyers, of which none will be low income, 5 will be moderate income, and 45 will be middle income.

(1) Activity Name: **NSP 5 – Acquisition/Rehab Loans**

(2) Activity Type: Sec 2301(c)(3)(A) Financing Mechanisms and/or 2301(c)(3)(B) Purchase and Rehabilitate; correlated with 24 CFR 570.201(a) Acquisition, 570.201(n) Direct Homeownership Assistance and 570.202 Rehabilitation.

(3) National Objective: Low moderate and middle income housing.

(4) Projected Start Date: Loans will be made as soon as we receive the NSP grant agreement from HUD, which could be as early as mid-January 2009.

(5) Projected End Date: Loans will be made until July 31, 2010, or until all NSP funds and NSP program income allocated for this activity are used, whichever comes first.

(6) Responsible Organization: Cuyahoga County Department of Development will administer this activity. Our location and contact information are stated above.

(7) Location Description: The specific addresses are not known at this time. All houses will be located in Urban County communities with at least one census tract assigned a Foreclosure Risk score of 6 or above. A list of eligible communities is given in Section (B)(2) above.

(8) Activity Description:

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

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

This activity is targeted based on risk of foreclosure, as set forth in Section (B)(2) above.

Qualified developers, nonprofit, private, or Urban County communities will receive NSP funded loans up to \$100,000 per house to buy foreclosed houses in the eligible communities. All cited point of sale code violations must be corrected. Additionally, qualified Cuyahoga County Department of Development staff will inspect each house and approve the scope of rehabilitation work before work begins. All health and safety problems will be corrected even if they are not cited by the local community as code violations. The Cuyahoga County Board of Health will carry out a Lead Risk Assessment and all identified lead hazards will be corrected. Completed work will be

inspected by the local community (if violations were cited or permits pulled per local ordinances) as well as qualified staff of the Cuyahoga County Department of Development. Green building methods and energy efficiency improvements will be encouraged in the scope of work.

An Urban County community may submit lists of specific foreclosed houses it has determined should not receive our loans, as long as the city can show it has taken other actions such as condemnation to ensure the houses on the list are not purchased and placed back into service by other buyers without our loans.

NSP funds may be used to pay for acquisition, rehabilitation, carrying costs including the standard fee charged by a licensed real estate agent or broker to sell the house, a pre-set developer fee which will be approved by the Cuyahoga County Department of Development based on the scope of rehabilitation work required and expected total cost of the project, and for a down payment loan to the homebuyer sufficient to limit their first mortgage to 80% of their purchase price for the completed home. The developer will repay whatever part of their original NSP funded loan is necessary to ensure the developer receives only its pre-set developer fee.

The developer's loan will be secured by a mortgage that will be released by Cuyahoga County Department of Development upon sale of the house to its eligible owner-occupant buyer.

Participant homebuyers in the NSP-5 Program will not be eligible for NSP-4 Downpayment Loans.

All buyers must meet NSP income limits not to exceed 120% of area median income. Funds for this activity will not be used to meet the low-income housing requirement for those below 50% of area median income. The interest rate on the NSP funded down payment loans will be 0% and no payments will be due as long as the buyer continues to live in the home. The balance due on the loan will decrease by 1/10<sup>th</sup> of the original loan amount after every full year the buyer lives in the home. Affordability will be ensured by recapturing the balance currently due if the buyer sells or ceases to live in the home before a full 10 years have passed. After 10 full years of ownership and occupancy the buyer will owe nothing on the loan. These are the same affordability requirements we use in our HOME funded down payment loan program.

The buyer must secure their own first mortgage, which must be a conventional (non-subprime) loan. Our loan will be secured by a second mortgage. The buyer must attend 8 hours of counseling from a HUD-approved counseling agency. Since this is not a first time homebuyer program, the content of the counseling may be tailored to the greater experience of the buyers taking into account their record of success as homeowners.

If HUD interprets the NSP authorizing statute to require us to recover "program income" above and beyond the declining loan balance, if and when they buyer re-sells the house, we will collect the amount required by HUD's interpretation before releasing our second mortgage lien.

Foreclosed houses will be acquired at either 15% below the current appraised value, or at 10% below the current appraised value if the seller has carried out an NSP-compliant calculation to justify the discount amount based on its holding costs

I. Total Budget: Since each house is different, the amount of non-NSP funds cannot be determined at this time. We have allocated \$2,000,000 for 20 development loans at \$100,000.

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

We anticipate producing 20 rehabilitated houses of which none will be sold to low-income households, 2 will be sold to moderate-income households, and 18 will be sold to middle income households.

(1) Activity Name: **NSP 6 – Community Land Banks**

(2) Activity Type: Sec 2301(c)(3)(C) Land Banks correlated with 24 CFR 570.201(a) Acquisition, 24 CFR 570.201(b) Disposition, and/or 24 CFR 570.206 Activity Delivery Cost.

(3) National Objective: Low moderate middle income area benefit.

(4) Projected Start Date: If the State of Ohio passes enabling legislation and a qualifying land bank is formed, this activity may start in the first quarter of 2009 or any time thereafter before the end of the 18-month NSP funds availability period.

(5) Projected End Date: Contractual obligations for any NSP funded land bank activities will be in place by July 31, 2010.

(6) Responsible Organization: If the State of Ohio passes authorizing legislation a new legal entity may be formed to carry out land banking activities. Contact information is not yet available since there is not currently legal authority to form such a legal entity.

(7) Location Description: Land banking may take place in any Cuyahoga Urban County community or census tract within a community which qualifies under the Low Moderate Middle Income Area Benefit guideline. A list of eligible areas appears in Section (B)(3) above.

(8) Activity Description:

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

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

Since abandoned and foreclosed residential properties depress property values and increase the risk of foreclosure and abandonment in every community, targeting consists of limiting NSP funded activities to those communities and census tracts that meet Area Benefit guidelines.

If the State of Ohio passes authorizing legislation and a new legal entity is formed to carry out land banking activities in an area including the Cuyahoga Urban County, then NSP funds may be allocated to fund acquisition and/or disposition of abandoned and foreclosed residential properties

in the qualifying communities and census tracts, along with reasonable associated activity delivery costs which may include staff salaries for the staff of the new legal entity.

All foreclosed houses will be acquired at a 15% discount from a recent appraisal, or a 10% discount if the seller has calculated its selling price in accord with NSP requirements.

I. Total Budget: Although no NSP funds are currently budgeted for this activity, other non-NSP funds may be used (county general funds) and NSP funds may be reallocated from other NSP activities if the State of Ohio passes authorizing legislation and a new legal entity is formed to carry out land banking.

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

No performance goal is set initially because the State of Ohio has not yet passed the required authorizing legislation.

(1) Activity Name: **NSP 7 - Administration**

(2) Activity Type: Section 2301(c)(3) Administration correlated with 24 CFR 570.205 and 570.206 general administration and planning.

(3) National Objective: N/A

(4) Projected Start Date: Eligible pre-award costs starting September 29, 2008. Other administrative costs starting as soon as HUD issues our NSP grant agreement in January 2009.

(5) Projected End Date: Administration will continue as long as NSP funded activities are underway including activities funded by program income. The original 10% administrative allowance will be spent or contractually obligated by July 31, 2010.

(6) Responsible Organization: Cuyahoga County Department of Development – contact information is listed above. Some planning and administrative work may be subcontracted.

(7) Location Description: N/A

(8) Activity Description:

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

For housing related activities, include:

For acquisition activities, include:

For financing activities, include:

N/A

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

Subject to amendment, the original allocation of NSP administrative funds is \$500,000 for staff costs including payroll taxes and fringes, \$500,000 for contracted services, and \$121,244 for other operating costs which may include any allowable CDBG administrative expenditures.

Additional staff costs and operating costs may be charged to specific NSP funded activities as activity delivery costs. Up to 10% of NSP program income may be used for administrative costs.

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

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# 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

Neighborhood Stabilization Program  
Cuyahoga Urban County  
Additional Information requested by HUD  
January 12, 2009

1. What will be the criteria to screen the applications for the competitive RFP process?

Two sets of criteria will be applied - Threshold and Ranking:

Threshold criteria are factors that must be present for an application to be considered.

- The proposed project or activity must be eligible for NSP funding. With respect to municipally sponsored projects, the project must either produce housing units to be occupied by households at or below 120% of area median income, or benefit a clearly defined area with 51% or more of its households at or below 120% of median income.
- With respect to projects considered for “25% set-aside” funding, the project must produce housing units to be occupied solely by households at or below 50% of area median income in order to be eligible for consideration.
- The proposed project or activity must be ready for NSP funding. It must be reasonably certain to go forward if our NSP funds are committed. Readiness can be demonstrated by site control and commitment of other required funding sources.

Ranking criteria are factors that will cause an application to be ranked more highly within the group of eligible and ready projects and activities proposed for NSP funding. When the formal Request for Proposals is issued, it will clearly state a numerical scoring scale so that all applications will be fairly and equally considered during the review and ranking process.

- Experience of the applicant in developing similar projects will be rewarded
- Projects with greater amounts of non-NSP leverage will score more highly
- Projects located in our assigned NSP service area will score more highly than projects located in adjacent communities (which must still be eligible under CDBG rules).
- Projects with a greater coordination of social services will be rated more highly
- Projects supported by community leaders and elected officials will be rewarded

2. How insure the 25% set-aside for low income persons will be utilized solely for them?

Our staff has over 15 years successful experience monitoring HOME funded projects to ensure household income limits are met in all HOME assisted units. The same procedures will be followed to monitor “25% set-aside” NSP funded projects to insure the 50% area median income household income limit is met in all “25% set-aside” NSP assisted units for the full period of affordability. Elements of these procedures include, without limitation:

- Recording a legally enforceable Declaration of Restrictive Covenants before any NSP funds are provided, to ensure income limitations survive any change of ownership.
- Requiring proper documentation of household income for each tenant before they are allowed to move in to a NSP assisted unit, including tenants who fill later vacancies.
- Requiring the property owner to have its management office document the household income of each tenant household annually, under the same procedures as for HOME.
- Monitoring each “25% set-aside” project annually, including review of tenant files.

3, And, the third concern that HQ has is that the description for Community Land Banks, since according to the application, it will receive \$0 for NSP funds, HQ highly recommends that this portion is removed from the application and that the corrected copy is sent in.

As we prepared our NSP application we listed land bank as an activity with the caveat that the land bank had to be allowed to be created by the General Assembly. Our plan is to contract with the land bank once it is incorporated to acquire properties in our 50 suburban communities that comprise the Urban County. The land bank would acquire tax foreclosed homes, assess their suitability for rehab (unlikely) and then demolish the properties with the local government's approval until a use could be identified. Internally, the county CD staff indicated they will likely be proposing that \$1 million in NSP funds be used in conjunction with this project if the legislation is passed.

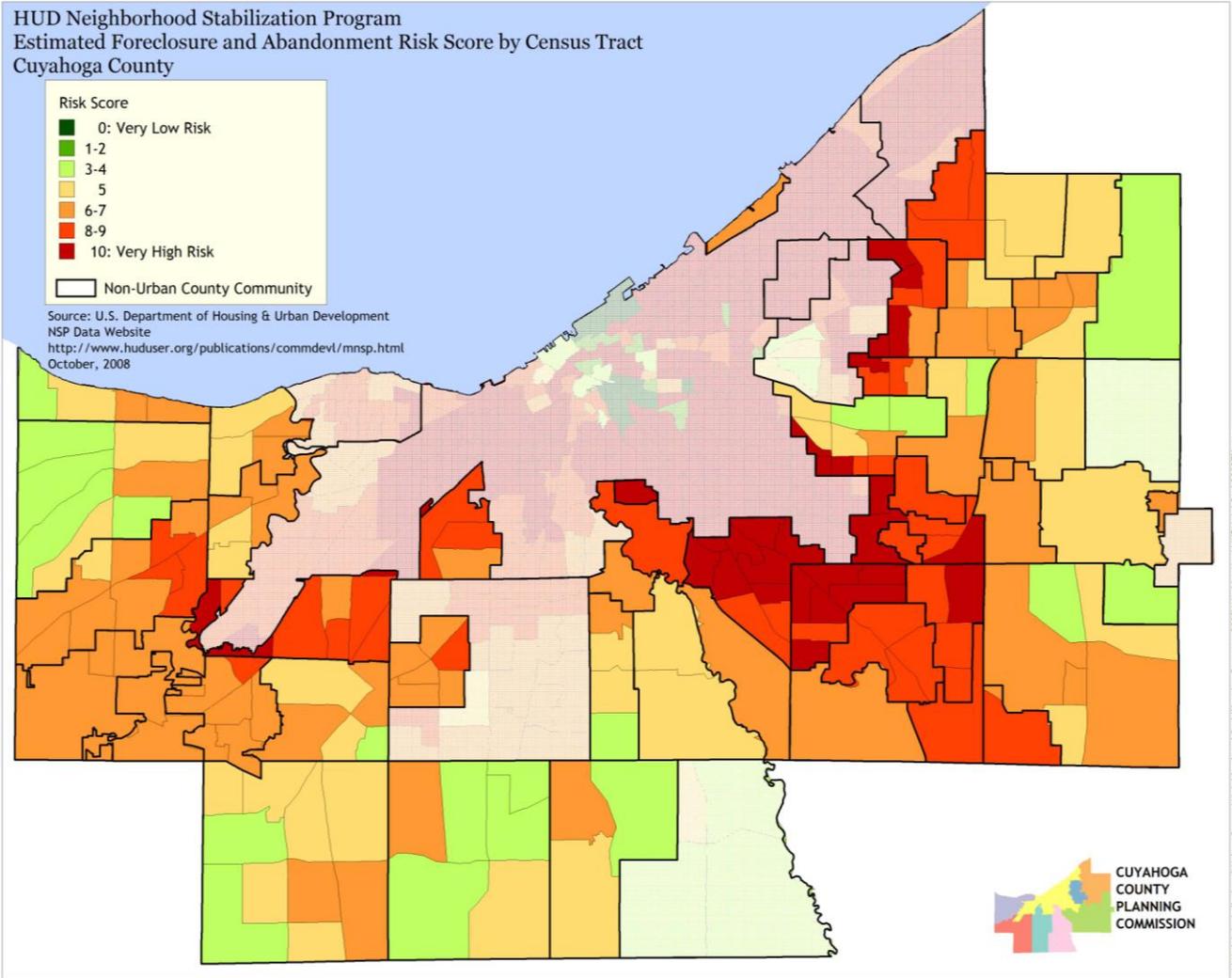
# Maps

**Map 1 HUD Abandonment/Foreclosure Risk Scores Areas by Block Group within the Urban County** p 39

**Map 2 Areas with Populations Earning  $\geq$  120% median income by Block Group within the Urban County** p 40

# Map 1

## HUD Foreclosure/Abandonment Risk Score by Block Group



## Map 2 Low-, Moderate-, & Middle-Income Eligible Block Groups that are $\geq$ 120% of Median Income

