

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): City of Elk Grove	NSP Contact Person: Sarah Bontrager
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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.

Response:

The City used several data sources in evaluating the areas of greatest needs, including HUD data and City data on the number of bank-owned properties. Foreclosures are scattered throughout the City, with no area showing a significant concentration.

HUD provided data at the Census block group level, including home price declines since peak, unemployment rates, high cost loan rates, predicted 18-month foreclosure rates, and vacancy rates (see Appendix A). This information was used to create a foreclosure and abandonment risk score. Of the City's 41 block groups, scores ranged from 5 to 7 on a 10-point scale. This indicates that all areas of the City face roughly the same foreclosure risk.

The City compiles its own list of foreclosures, using information on bank-owned properties receiving utility billings. Bank-owned residential properties are generally considered foreclosures. The mapping of these foreclosed homes does not indicate a concentration of foreclosures in any particular area (see Appendix B). Foreclosures may be slightly more prevalent in residential areas built since 2003, but the correlation is weak and foreclosures are scattered throughout the City.

Foreclosures also have little relation to low-, moderate-, and middle-income (LMMI) areas of the City, occurring in those areas about as frequently as in the rest of the City. The LMMI areas generally have a higher concentration of rental housing, and in particular affordable rental housing, which has not suffered from foreclosure at nearly the rate of single-family homes.

Based on this data, all neighborhoods within the City are anticipated to have approximately the same risk of foreclosure and thus a similar level of need. The City's areas of greatest need encompass all areas within the City.

B. DISTRIBUTION AND USES OF FUNDS

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

Response:

As noted in the previous section, the City's areas of greatest need include all Census block groups within the City, as all have similar foreclosure risk. Appendix B shows that home foreclosures are scattered throughout the City, with no discernable concentration in any one residential area.

High cost loan rates correlate closely to subprime loans. Subprime loans are typically high cost because of the higher risk associated with making them, while prime loans generally have more favorable terms and lower risk of defaulting. The percentage of high cost loans in Census block groups within the City (the smallest area possible to aggregate) range from 16.1 percent to 27.3 percent, with a median of 23.6 percent.

The majority of Elk Grove's housing is newer, and there is a slightly higher percentage of foreclosures in areas built since 2003 than in older areas. However, foreclosures are occurring throughout the City, and are anticipated to continue to occur throughout the City. Between 2002 and 2007, housing in Elk Grove sold very quickly and at prices much higher than current sales prices. Housing within the older areas of Elk Grove remained some of the most affordable in the Sacramento region at the time, and many subprime loans were made for housing purchases there, as well as in the newer areas of the City.

The City will distribute funds to all areas of the City, and will reevaluate foreclosure statistics on a quarterly basis to ensure that our assumptions of the similar foreclosure risk faced by all areas continue to be accurate.

C. DEFINITIONS AND DESCRIPTIONS

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

Response:

(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 will be defined as not more than 30 percent of household income.

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

Response:

The City currently ensures affordability on its affordable ownership and rental properties using deeds of trust, and will continue to use this strategy for all NSP-assisted housing. Rental housing will be required to maintain affordability for a minimum of 45 years, and ownership housing will be required to maintain affordability for the term that the owner occupies the home. For-sale housing will be required to be owner-occupied.

The City will adopt the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254, but may make the affordability periods longer.

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

Response:

The City’s housing rehabilitation standards will conform to the Uniform Building Code and any local code.

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: **\$597,413**.

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

Response:

The City will provide a minimum of 25 percent of total NSP funding (\$597,413) to serve households with incomes not exceeding 50 percent of the area median income (currently \$35,500 for a family of four). The City plans to partner with a non-profit to own and manage a long-term affordable housing resource for very low-income individuals and/or families.

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:

The City does not plan to demolish or convert any low- and moderate-income dwelling units. The majority of the City's low- and moderate-income units are recently built and have low vacancy, and therefore would not be good candidates for demolition or conversion.

F. PUBLIC COMMENT

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

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

Response:

Public comment on the NSP Substantial Amendment will be taken from October 28, 2008 until November 12, 2008. A public hearing to approve the NSP Substantial Amendment will be held on November 12, 2008.

Public comment and/or questions about programs may be submitted to:

Sarah Bontrager, Grants Manager
City of Elk Grove – Development Services
8401 Laguna Palms Way
Elk Grove, CA 95758
916-231-3354
sbontrager@elkgrovecity.org

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

- (1) Activity Name: Downpayment Assistance Program
- (2) Activity Type: NSP: 2301(c)(3)(a) – Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
CDBG: 24 CFR 570.201(a) – Acquisition
- (3) National Objective: Benefit to LMMI persons
- (4) Activity Description:
The downpayment assistance program will provide low-interest silent second loans primarily to moderate- and middle-income households. Eligible households will be those not having owned a home in the previous three years and purchasing a foreclosed home with the City.
- 5) Location Description: Citywide
- (6) Performance Measures: 20 units of housing acquired for moderate-income households; 20-40 units of housing acquired for middle-income households
- (7) Total Budget: Up to \$1,553,273 (Council to provide direction) in NSP funds; unknown private investment, but likely around \$4.8 million provided by lenders for first mortgages
- (8) Responsible Organization: City of Elk Grove. For more information, contact Sarah Bontrager, Grants Specialist, at 916-231-3354.
- (9) Projected Start Date: January 1, 2009
- (10) Projected End Date: May 30, 2010
- (11) Specific Activity Requirements:
Homes will be acquired at a minimum of 5 percent discount over current appraisal value, with an average of 15 percent discount for the entire portfolio.

Loan interest rates will be 3 percent. Loans will be deferred until sale, cessation of owner-occupancy, or other qualifying circumstance.

The homes will be deed-restricted with a shared equity provision to ensure long-term affordability.

- (1) Activity Name: Acquisition and Rehabilitation Program
- (2) Activity Type: NSP: 2301(c)(3)(b) – Purchase and rehabilitate foreclosed or abandoned homes and residential properties to sell or rent to LMMI households
CDBG: 24 CFR 570.201(a) – Acquisition, 24 CFR 570.202 - Rehabilitation
- (3) National Objective: Benefit to LMMI persons
- (4) Activity Description:
The acquisition and rehabilitation program will have two components: nonprofit and City.

The nonprofit component will provide funding to an eligible nonprofit to purchase and rehabilitate homes or residential properties that will be rented or sold to low-income households. This activity will most likely take place where a larger vacant property can be acquired, or where a multi-family building has been foreclosed upon. Funds for this component will meet the low-income housing requirement for those below 50 percent of the area median income. The City will solicit proposals from nonprofits interested in purchasing and managing housing within the City.

The City component will target specific properties within the City that are severely negatively impacting values of neighboring properties. This component will identify properties for purchase and rehabilitation, primarily in older areas of the City, with the goal of reselling the properties to moderate-income homebuyers.
- (5) Location Description: Nonprofit: Unknown
City: Locations to be determined, mostly older areas of City
- (6) Performance Measures: 6 units of housing acquired and rehabilitated for moderate-income households; 2-4 units of housing acquired and rehabilitated for moderate-income households
- (7) Total Budget: Nonprofit: \$597,413, initial private investment not anticipated; City: up to \$1,553,273 (Council to provide direction) in NSP funds, private investment anticipated to be around \$480,000 provided by lenders for first mortgages
- (8) Responsible Organization: City of Elk Grove. For more information, contact Sarah Bontrager, Grants Specialist, at 916-231-3354. Nonprofit is in the process of being selected, contact Sarah Bontrager for more information.
- (9) Projected Start Date: January 1, 2009
- (10) Projected End Date: June 30, 2009

(11) Specific Activity Requirements:

Homes and residential properties will be acquired at a 15 percent discount over current appraisal value.

For-sale homes will be deed-restricted with a shared equity provision to ensure long-term affordability. Loans will be deferred until sale, cessation of owner-occupancy, or other qualifying circumstance.

Rental units will be deed-restricted for a minimum of 45 years to ensure continued affordability.

- (1) Activity Name: Redevelop Vacant Properties
- (2) Activity Type: NSP: 2301(c)(3)(e) – Redevelop demolished or vacant properties
CDBG: 24 CFR 570.201(a) and (b) – Acquisition and disposition
- (3) National Objective: Benefit to LMMI persons
- (4) Activity Description:
The redevelopment of vacant properties is expected to serve neighborhoods containing a vacant parcel larger than two acres. The City will purchase the land, develop a plan for using it to meet neighborhood and City housing needs, and work with a developer to build housing or a public facility. The ultimate use of the land will be LMMI housing, possibly in a mixed-use development.
- (5) Location Description: The City is considering several parcels of foreclosed vacant land for this program.
- (6) Performance Measures: A minimum of 4 units of housing for low- or moderate-income households
- (7) Total Budget: Up to \$1,553,273 (Council to provide direction) in NSP funds; unknown private investment, but likely at least \$5 million in private funding
- (8) Responsible Organization: City of Elk Grove. For more information, contact Sarah Bontrager, Grants Specialist, at 916-231-3354.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: Funds obligated by March 1, 2010; project completed by March 1, 2012
- (11) Specific Activity Requirements:
Vacant parcels will be acquired at a 15 percent discount over current appraisal value.

The City will consider proposals from various developers for housing and other uses on the site. At this time, the City will consider both rental and homeownership opportunities. All housing will be deed-restricted to ensure continued affordability.

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