

**NSP ACTION PLAN (SUBSTANTIAL AMENDMENT)**  
**AMENDMENT #2**  
**March 9, 2016**

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On November 12, 2008, the City of Elk Grove adopted the Neighborhood Stabilization Program (NSP) Substantial Amendment to the FY 2008-09 Community Development Block Grant Action Plan; this document is also known as the NSP Action Plan. The NSP Action Plan was submitted to HUD for review on November 12, 2008 and approved by HUD on January 15, 2009.

On March 25, 2009, the City adopted Amendment #1 to the NSP Action Plan, in order to undertake an activity not described in the original NSP Action Plan.

Since the adoption of Amendment #1 to the NSP Action Plan, the City has completed the described activities. Some of those activities resulted in program income, such as from repayment of loans. The City now must amend the NSP Action Plan to allow expenditure of the program income on one or more eligible activities. The proposed changes to the NSP Action Plan are highlighted in this document.

**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:

“Blighted Structure” shall mean buildings or conditions causing blight as defined in California Health and Safety Code, Section 33031(a)(1) and (2).

*(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 deed-restriction documents, such as Regulatory Agreements, 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), plus 25 percent of total NSP program income, to serve households with incomes not exceeding 50 percent of the area median income (currently \$35,750 for a family of four). The City plans to partner with a nonprofit to own and manage long-term affordable housing resources 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., ≤ 80% of area median income).*

*If so, include:*

- *The number of low- and moderate-income dwelling units—i.e., ≤ 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., ≤ 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:*NSP Action Plan*

Public comment on the NSP Substantial Amendment was taken from October 28, 2008 until November 12, 2008. The City noticed the NSP Substantial Amendment online and in the local newspaper (see Attachment C). A public hearing to approve the NSP Substantial Amendment was held on November 12, 2008. No public comment was received.

*NSP Action Plan – Amendment #1*

Public comment on the NSP Substantial Amendment was taken from March 10, 2009 until March 25, 2009. The City noticed the NSP Substantial Amendment online on the City's website. A public hearing to approve the NSP Substantial Amendment was held on March 25, 2009. No public comment was received.

*NSP Action Plan – Amendment #2*

Public comment on Amendment #2 to the NSP Action Plan was taken from February 23, 2016 until March 9, 2016. The City noticed the NSP Substantial Amendment on the City's website. A public hearing to approve the NSP Action Plan – Amendment #2 was held on March 9, 2016. No public comment has been received to date.

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

**Tax-Default Property Rehabilitation Program – LH25**

*This is a new activity.*

Activity Name

Tax-Default Property Rehabilitation Program – LH25

Activity Type

NSP: 2301(c)(3)(b) – purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

CDBG: 24 CFR 570.201(a) – acquisition  
24 CFR 570.201 (b) – disposition  
24 CFR 570.202 – rehabilitation

National Objective

LMMH – low, moderate, and middle income housing

Activity Description

The City will purchase vacant tax-defaulted residential properties (generally meaning property taxes have not been paid in at least five years). These properties will meet the definition of “abandoned.” The City will rehabilitate the properties for use as permanent housing, either as stand-alone units or as shared housing, in which bedrooms are rented to separate households. The City anticipates transferring the properties to one or more nonprofit partners for long-term ownership and management. Properties will be deed-restricted to ensure affordability to low-income households (at or below 50 percent of the area median income).

Location Description

Citywide

Performance Measures

2 units of housing acquired and rehabilitated for very low-income households

Total Budget

\$300,000

Responsible Organization

City of Elk Grove

Projected Start Date

March 10, 2016

Projected End Date

December 31, 2020

Specific Activity Requirements

The City will acquire only properties meeting the definition of “abandoned,” and therefore the appraisal and discount provisions will not apply. Nevertheless, the City anticipates obtaining properties at a substantial discount from market value.

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

### **Tax-Default Property Redevelopment Program**

*This is a new activity.*

#### Activity Name

Tax-Default Property Redevelopment Program

#### Activity Type

NSP: 2301(c)(3)(b) – purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

2301(c)(3)(e) – redevelop demolished or vacant properties

CDBG: 24 CFR 570.201(a) – acquisition

24 CFR 570.201 (b) – disposition

24 CFR 570.201 (c) – public facilities and improvements

24 CFR 570.201 (d) – clearance

24 CFR 570.202 – rehabilitation

#### National Objective

LMMH – low, moderate, and middle income housing

LMMA – low, moderate, and middle income area (for public improvements only)

#### Activity Description

The City will purchase vacant tax-defaulted properties (generally meaning property taxes have not been paid in at least five years). These properties will meet the definition of “abandoned,” and may be residential, commercial, or industrial properties. The City will redevelop the properties with uses consistent with public benefit, which may include permanent affordable housing, temporary housing facilities, public parks (including both active and passive recreational uses), and other public facilities. For residential uses, the City anticipates transferring the properties to one or more nonprofit partners for long-term ownership and management. Residential properties will be deed-restricted to ensure affordability to LMMI households.

#### Location Description

Citywide

#### Performance Measures

3 properties acquired

2 units of new housing constructed for LMMI households

1 public facility/public improvement project completed

#### Total Budget

\$545,000

#### Responsible Organization

City of Elk Grove

#### Projected Start Date

March 10, 2016

Projected End Date

December 31, 2020

Specific Activity Requirements

The City will acquire only properties meeting the definition of “abandoned,” and therefore the appraisal and discount provisions will not apply. Nevertheless, the City anticipates obtaining properties at a substantial discount from market value.

Any homes constructed on the property will be sold at a price affordable to low-, moderate-, or middle-income households, and not more than the price of the acquisition plus improvements. Owner-occupied homes will be resale-restricted for a minimum of 15 years. Rental units and temporary housing facilities will be deed-restricted for a minimum of 45 years to ensure continued affordability. Public improvements will take place in neighborhoods where at least 50% of the population is low-, moderate-, or middle-income.

## **Downpayment Assistance Program**

### Activity Name

Downpayment Assistance Program

### 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

### National Objective

Benefit to LMML persons

### 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.

### Location Description

Citywide

### Performance Measures

5 units of housing acquired for moderate-income households; 10 units of housing acquired for middle-income households

### Total Budget

Up to \$553,273; unknown private investment, but likely around \$1.5 million provided by lenders for first mortgages  
Actual: \$541,861.00 (\$540,294.06 grant funds and \$1,566.94 program income)

### Responsible Organization

City of Elk Grove

### Projected Start Date

January 1, 2009

### Projected End Date

May 30, 2010

### 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.

## **Residential Property Redevelopment Program**

### Activity Name

Residential Property Redevelopment Program

### Activity Type

NSP: 2301(c)(3)(b) – purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

2301(c)(3)(d) – demolish blighted structures

2301(c)(3)(e) – redevelop demolished or vacant properties

CDBG: 24 CFR 570.201(a) – acquisition

24 CFR 570.201 (b) – disposition

24 CFR 570.201 (c) – public facilities and improvements

24 CFR 570.201 (d) – clearance

24 CFR 570.202 – rehabilitation

### National Objective

Benefit to LMMI persons

### Activity Description

In order to prevent further blight and decline in housing values, the City will purchase or assist in the purchase of residential properties that have not been occupied. These properties will have been either foreclosed upon or abandoned. Properties may include foreclosed homes requiring substantial rehabilitation, half-built homes abandoned by developers, and build-ready lots. The City will redevelop these properties as housing. The City may demolish existing improvements or structures on these properties subsequent to purchase and prior to redevelopment, as necessary.

### Location Description

Citywide

### Performance Measures

6 units of housing acquired and rehabilitated for very low-income households

### Total Budget

\$1,000,000

Actual: \$1,314,491.83 (\$1,012,978.94 grant funds and \$301,512.89 program income)

### Responsible Organization

City of Elk Grove

### Projected Start Date

May 1, 2009

### Projected End Date

May 30, 2010

Specific Activity Requirements

Properties will be acquired at a minimum of 5 percent discount over current market value, with an average of 15 percent discount for the entire portfolio.

Any homes constructed on the property will be sold at a price affordable to low-, moderate-, and middle-income households, and not more than the price of the acquisition plus renovation. The City will execute a Deed of Trust in the amount of the assistance required to reduce the purchase price from fair market value to an affordable purchase price. NSP funds invested in the property will be recaptured on resale. Owner-occupancy will be required for a minimum of 15 years.

## Acquisition and Rehabilitation Program

### Activity Name

Acquisition and Rehabilitation Program

### 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

### National Objective

Benefit to LMMI persons

### Activity Description

The acquisition and rehabilitation program 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 very 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.

### Location Description

Unknown

### Performance Measures

6 units of housing acquired and rehabilitated for very low-income households

### Total Budget

\$597,413; initial private investment not anticipated

Actual: \$675,732.68 (\$550,158.12 grant funds and \$125,574.56 program income)

### Responsible Organization

City of Elk Grove

### Projected Start Date

January 1, 2009

### Projected End Date

June 30, 2009

### 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 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.

## Administration

Activity Name: Administration

Activity Type:

NSP: Federal Register Vol. 73, No. 194, II(H) – Administration

CDBG: 24 CFR 570.206 – Administration

National Objective

Benefit to LMMI persons

Activity Description

The administration activity provides funding for staff oversight of the downpayment assistance and acquisition/rehab programs, as well as any other programs the City may consider in amendments to the NSP Substantial Amendment.

Location Description

N/A

Performance Measures

N/A

Total Budget

\$288,974

Actual to-date: \$248,568.33 (\$218,647.04 in grant funds and \$29,921.29 in program income)

Responsible Organization

City of Elk Grove

Projected Start Date

December 1, 2009

Projected End Date

June 30, 2010

Specific Activity Requirements

N/A