

# THE NSP SUBSTANTIAL AMENDMENT

<p><b>Jurisdiction(s):</b> State of Oregon <i>(identify lead entity in case of joint agreements)</i></p> <p><b>Jurisdiction Web Address:</b> <a href="http://www.ohcs.oregon.gov/">http://www.ohcs.oregon.gov/</a></p> <p><i>(URL where NSP Substantial Amendment materials are posted)</i> <a href="http://www.ohcs.oregon.gov/OHCS/DO_NSP_Admdendment.shtml">http://www.ohcs.oregon.gov/OHCS/DO_NSP_Admdendment.shtml</a></p>	<p><b>NSP Contact Person:</b> Dona Lanterman <b>Address:</b> Oregon Housing and Community Services 725 Summer St. NE, Ste. B Salem OR 97301 <b>Telephone:</b> (503) 986-2120 <b>Fax:</b> (503) 986-2125 <b>Email:</b> <a href="mailto:dona.lanterman@state.or.us">dona.lanterman@state.or.us</a></p>
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## **OVERVIEW**

Oregon Housing and Community Services (OHCS) is the state's affordable housing finance agency. OHCS provides financial and program support to create and preserve quality, affordable housing for Oregonians. The department administers federal and state programs that support antipoverty, homeless, energy assistance, and community services. The OHCS mission: "Provide leadership that enables Oregonians to gain housing, become self-sufficient, and achieve prosperity."

Under the Housing and Economic Recovery Act (HERA) of 2008, the U.S. Department of Housing & Urban Development (HUD) has allocated \$19.6 million in grant funds to the State of Oregon. It has been determined that OHCS will receive the allocated grant funds, commonly referred to as the Neighborhood Stabilization Program (NSP), and administer it according to the guidelines outlined by HERA. The activities included in the NSP Substantial Amendment provide for allocation of NSP funds to areas of greatest need identified throughout the state of Oregon. The funds are intended to return foreclosed, abandoned or blighted property to the market in order to stabilize neighborhoods. The main purpose of the NSP program is to redevelop abandoned and foreclosed homes. One hundred percent of NSP funds must be used to benefit individuals and households that do not exceed 120% of area median income (AMI). Public facilities are permitted under eligible activity to the extent that they support housing. Although commercial redevelopment is not an ineligible use of funds, it is not the intent of the program.

OHCS strongly encourages grantees to use NSP funds not only to stabilize neighborhoods in the short-term, but to strategically incorporate modern, green building and energy-efficiency improvements in all NSP activities to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

OHCS will explore a number of options to award funds to areas of greatest need throughout the state and will work directly with counties, municipalities and organizations to determine the best strategy to utilize and distribute the funds as quickly as possible based on NSP requirements. In some circumstances a competitive or expedited request for qualifications or request for proposal process may be used to distribute the funds for projects or activities. In all cases, the underlying distribution and use of funds will be mandated by the eligible uses and eligible activities as determined by OHCS and as set forth in the NSP notice and any subsequent amendments.

## **WAIVER REQUEST**

OHCS is requesting waivers for the following items:

1. the requirement that rental program income (operational income over and above expenses) must be returned to HUD and, instead, allow rental program income to remain within the individual project to insure long term financial feasibility and viability. OHCS will place limits on rent increases and direct net operating income towards reserve accounts; and
2. the requirement that program income from the sale of NSP assisted properties must be returned to HUD after July 20, 2013. OHCS requests that HUD allow this program income to be returned to the Oregon NSP program to continue funding NSP activities.

### **A. AREAS OF GREATEST NEED**

**HUD Requirement:** *Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.*

*Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.*

*HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult [this data](#), in developing this section of the Substantial Amendment.*

### **OHCS Response:**

In order to focus Neighborhood Stabilization Program funding in the areas of greatest need, OHCS established target block groups where the NSP funds are eligible to be spent. These target areas were determined by using the following two items:

1. [the HUD calculated foreclosure abandonment risk score](#): The estimated foreclosure abandonment risk score incorporates the following three elements which are shown to be significant predictors of foreclosure: The Federal Reserve Home Mortgage Disclosure Act (HMDA) data on high cost loans, Office of Federal Housing Enterprise Oversight Data on rates of home prices decline, and the Bureau of Labor Statistics data on rules of unemployment; in addition to United States Postal Service local 90-day vacancy rates.
2. [the 18 month foreclosure rate](#): The 18 month estimated foreclosure rate was calculated using the following three data elements which are shown to be significant predictors of foreclosure: The Federal Reserves Home Mortgage Disclosure Act (HMDA) Data on

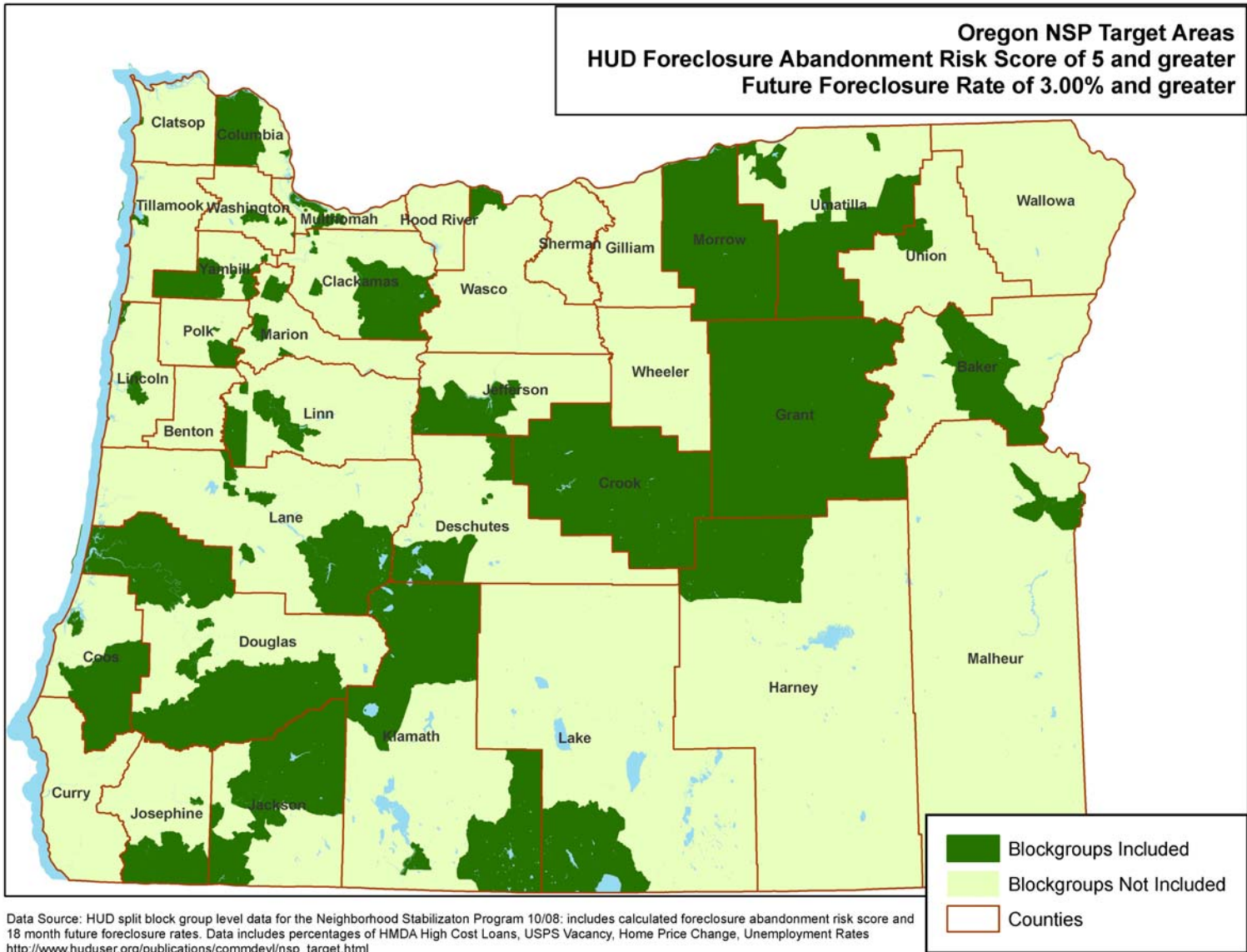
high cost loans, Office of Federal Housing Enterprise Oversight Data on rates of home prices decline, and the Bureau of Labor Statistics data on rates of unemployment.

These two measures described above were taken into consideration to identify the areas where the NSP funds should be targeted.

The selected NSP target block groups (based on U.S. Census block groups) in Oregon covers approximately one-third of the block groups and population in Oregon (35% and 34% respectively). This was accomplished by including in the targeted block groups those where the foreclosure abandonment risk score is five (5) or greater (which accounts for 27.4% of the block groups in Oregon) as well as those with an 18 month foreclosure rate estimate of 3.0% and higher (which accounts 24.7% of the block groups in Oregon). Twenty-nine of the thirty-six counties in Oregon have NSP target areas within them using this method for target area identification. Within each county the targeted block groups are those which according to the loan, home price, unemployment, and vacancy data indicate both high rates of foreclosure and potential for abandonment in Oregon.

The map on the next page shows the priority targeted areas where NSP funds may be utilized in Oregon.

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Neighborhood Stabilization Program Substantial Amendment

The table below shows all thirty-six Oregon counties, the total block groups in each county, the total number of block groups eligible to receive NSP resources and those counties that do not have any targeted block groups.

**NSP Targets; Blockgroups and Population Distribution  
HUD Foreclosure Abandonment Risk Score of 5 and Greater  
Future Foreclosure Rate of 3.00% and Greater**

<i>County</i>	<b>BlockGroups Included</b>	<b>Total Block Groups</b>	<b>% of City BlockGroups Included</b>	<b>People Included</b>	<b>Total People</b>	<b>Percent Population Included</b>
<b>OREGON</b>	<b>1,660</b>	<b>4,771</b>	<b>34.8%</b>	<b>1,148,878</b>	<b>3,421,399</b>	<b>33.6%</b>
Baker County	23	36	63.9%	11,596	16,741	69.3%
Benton County		118	0.0%		78,153	0.0%
Clackamas County	59	382	15.4%	47,340	338,391	14.0%
Clatsop County	18	105	17.1%	4,461	35,630	12.5%
Columbia County	31	89	34.8%	18,931	43,560	43.5%
Coos County	52	139	37.4%	25,327	62,779	40.3%
Crook County	35	35	100.0%	19,182	19,182	100.0%
Curry County		42	0.0%		21,137	0.0%
Deschutes County	63	158	39.9%	46,323	115,367	40.2%
Douglas County	146	209	69.9%	66,501	100,399	66.2%
Gilliam County		7	0.0%		1,915	0.0%
Grant County	26	26	100.0%	7,935	7,935	100.0%
Harney County	23	26	88.5%	5,621	7,609	73.9%
Hood River County		42	0.0%		20,411	0.0%
Jackson County	132	246	53.7%	108,453	181,269	59.8%
Jefferson County	31	38	81.6%	14,998	19,009	78.9%
Josephine County	32	107	29.9%	22,406	75,726	29.6%
Klamath County	56	121	46.3%	30,798	63,775	48.3%
Lake County	14	18	77.8%	5,064	7,422	68.2%
Lane County	107	427	25.1%	85,162	322,959	26.4%
Lincoln County	24	108	22.2%	11,043	44,479	24.8%
Linn County	122	188	64.9%	67,768	103,069	65.8%
Malheur County	47	72	65.3%	19,356	31,615	61.2%
Marion County	169	360	46.9%	146,387	284,834	51.4%
Morrow County	31	31	100.0%	10,995	10,995	100.0%
Multnomah County	159	620	25.6%	209,486	660,486	31.7%
Polk County	21	99	21.2%	12,951	62,380	20.8%
Sherman County		10	0.0%		1,934	0.0%
Tillamook County	8	66	12.1%	2,251	24,262	9.3%
Umatilla County	78	156	50.0%	32,704	70,548	46.4%
Union County	14	59	23.7%	6,220	24,530	25.4%
Wallowa County		22	0.0%		7,226	0.0%
Wasco County	33	62	53.2%	14,112	23,791	59.3%
Washington County	60	431	13.9%	60,409	445,342	13.6%
Wheeler County		5	0.0%		1,547	0.0%
Yamhill County	46	111	41.4%	35,098	84,992	41.3%

## **B. DISTRIBUTION AND USES OF FUNDS**

**HUD Requirement:** *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.*

### **OHCS Response:**

HUD established guidelines that require OHCS to "give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those—

- (A) with the greatest percentage of home foreclosures;
- (B) with the highest percentage of homes financed by a subprime mortgage related loan; and
- (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures categories."

OHCS approached the NSP fund allocations in two steps: first, establishing target areas where the funds are eligible to be spent, and second, apportioning the state funding to Community Development Block Grant (CDBG) entitlement communities based on their percentage of Oregon's total foreclosure/subprime/high cost loans.

### **Allocations to Entitlements**

OHCS noticed that a high percentage of the NSP targeted areas are located in most of the CDBG entitlement communities. In order to meet the timelines of obligating all the NSP resources within 18 months, OHCS approached the entitlements who have NSP targeted areas within their jurisdiction to solicit their interest in being a subrecipient. Each of the entitlements with target areas within these jurisdictions agreed to administer a proportionate share of the resources. Each of these communities submitted preliminary information on the activities they would undertake.

In order to apportion the NSP funding to regions and the CDBG entitlements for use in targeted block groups, and to ensure that they are distributed based on relative need as specified by the NSP program, a three variable measure was used to complement the data used in the target block group identification. The factors considered in these calculations were the numbers of subprime loans (NY Federal Reserve Bank & Loan Performance data), foreclosures (HUD, calculated from Mortgage Bankers Association data), and high cost loans (2004-2007 Home Mortgage Disclosure Act Data) that are in Oregon as a whole in comparison to how many of each variable are within the individual CDBG entitlement areas and the counties in the balance of the state. The percentage distributions of each of these three variables were given equal weights to identify a data-based fund distribution strategy in line with the NSP. By using these three variables we were able to apportion the funding based on a) percentage of home foreclosures, b) percentage of subprime & related loans, and c) based on what has been identified as the portion of the overall potential foreclosure problem in Oregon.

The table below shows the amount of resources that will be allocated to each CDBG entitlement community.

### Neighborhood Stabilization Program Entitlement Allocation Strategy

Entitlements	Total NSP Allocation	Program Funds	Admin \$s	Very Low Income Programs Funding (25% of total funds)
MEDFORD	\$459,257	\$421,767	\$37,490	\$114,814
BEND	\$402,386	\$369,538	\$32,848	\$100,596
SALEM	\$920,725	\$845,564	\$75,161	\$230,181
EUGENE	\$618,519	\$568,028	\$50,491	\$154,630
SPRINGFIELD	\$356,196	\$327,119	\$29,077	\$89,049
CLACKAMAS COUNTY	\$1,922,527	\$1,765,586	\$156,941	\$480,632
PORTLAND/MULTNOMAH CTY	\$3,538,217	\$3,249,383	\$288,834	\$884,554
GRESHAM	\$645,329	\$592,649	\$52,680	\$161,332
WASHINGTON CTY/BEAVERTON/HILLSBORO	\$2,572,605	\$2,362,597	\$210,008	\$643,152
REMAINDER OF STATE	\$8,164,239	\$7,137,769	\$1,026,470	\$2,041,060
<b>Total</b>	<b>\$19,600,000</b>	<b>\$17,640,000</b>	<b>\$1,960,000</b>	<b>\$4,900,000</b>

#### Timely Use of Funds and Redistribution

All NSP funds must be initially obligated within 18 months or HUD will recapture the unused funds from the state. All activities are anticipated to be initiated upon the release of NSP funds which is expected in mid January, 2009. All funds must be spent within four years. Several of the NSP activities anticipate returning funds (program income) which will continue to be used within the NSP guidelines.

In accordance with NSP, “funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or subrecipient during the same or a future period. Note that funds are not obligated for an activity when subawards (*e.g.*, grants to subrecipients or to units of local government) are made.”

In order to assure funds are expended within this strict time frame, OHCS will evaluate each recipient’s progress in obligating their NSP resources at nine months after the grant agreement is signed by OHCS. Any recipient not on target to obligate all resources may be at risk of recapture of said funds by OHCS. OHCS will subsequently reallocate the unused NSP funds.

At nine months into the process OHCS also intends to re-evaluate the overall state foreclosure and abandonment data. If significant changes surface, OHCS may update the priority areas and provide opportunity for redistribution of any remaining NSP resources and program income into these revised targeted areas.

### Eligible Activities

OHCS will make NSP funds available for the following statutorily eligible activities.

- ◆ Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second and shared-equity loans for low-, moderate-, and middle-income (up to 120% of area median income) homebuyers.
- ◆ Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
- ◆ Establish land banks for homes that have been foreclosed upon.
- ◆ Demolish blighted structures.
- ◆ Redevelop demolished or vacant properties.

### Distribution Process

OHCS is distributing a portion of the resources directly to CDBG entitlement communities who will administer the resources within their NSP targeted areas.

For the NSP resources retained by OHCS to serve the remainder of the state, OHCS anticipates utilizing various methods to distribute the resources including, but not limited to, a competitive process as well as a set aside pool of resources.

- ◆ Competitive process: A competitive process will be initiated in early 2009 using a notice of funding availability or Requests For Proposal process. Applications will be reviewed against established ranking criteria which will take into consideration applicant capacity, ability to utilize resources in a timely manner, readiness to proceed, financial viability, and meeting NSP program criteria. Successful applicants will have a maximum of nine months to obligate the NSP resources to a particular project. OHCS may recapture and reallocate unobligated funds at the end of that time.
- ◆ Set-aside pool: A portion will be retained by the State for distribution to lending institutions to facilitate a homebuyer's purchase of foreclosed upon properties. Assistance can be in the form of downpayment assistance, closing costs, loan buydown, or rehabilitation.

Other distribution processes may be implemented if OHCS determines it best meets the need of distributing funds quickly and addresses high priority need.

### Administrative Funds

Ten percent of the NSP funds are available for administrative use. OHCS will distribute these funds as follows: OHCS is responsible for program administration and monitoring oversight for the entire NSP allotment. Therefore, two percent of the administrative funds will be retained by OHCS to accomplish this requirement. Eight percent will be shared among each of the entitlements receiving an NSP allocation. This includes the allocation retained by OHCS to serve the remainder of the state.

Pre-award administrative costs are permitted, provided the activities are eligible and undertaken in accordance with the requirements of 24 CFR 570.489(b) and 24 CFR part 58. All costs must be well documented to show they are related to NSP administration.

Disbursement of administrative funds will be incremental based upon the percentage of completion of the total NSP award.

### **C. DEFINITIONS AND DESCRIPTIONS**

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

#### **OHCS Response:**

Unless otherwise defined by local law, the definition of blighted structure shall conform with Oregon Revised Statute 457.010 Definitions. As used in this chapter, unless the context requires otherwise:

(1) “Blighted areas” means areas that, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. A blighted area is characterized by the existence of one or more of the following conditions:

(a) The existence of buildings and structures, used or intended to be used for living, commercial, industrial or other purposes, or any combination of those uses, that are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:

- (A) Defective design and quality of physical construction;
- (B) Faulty interior arrangement and exterior spacing;
- (C) Overcrowding and a high density of population;
- (D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or
- (E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses.

**HUD Requirement:** (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.*

#### **OHCS Response:**

Unless otherwise defined below, NSP-assisted rental units will carry rent and income restriction requirements. Rental units must be occupied only by households that are eligible as low-, moderate-, or middle-income families. Households must have incomes that are less than or equal to 120% of area median income, adjusted for family size.

NSP assisted rental units must meet the following requirements to qualify as affordable housing.

1. For the NSP required 25% set aside to house individuals or families whose incomes do not exceed 50% of area median income, rents must be equal to or less than the Low Income Housing Tax Credit program rent level for 50% of area median income units. If the unit receives Federal or State project-based rental subsidy and the very low-income

family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

2. For all other rental units created under the NSP program, affordable rents will be the lesser of:
  - ♦ The applicable fair market rents for the area, less all utility costs paid by the tenants; or
  - ♦ Thirty percent (30%) of the adjusted income of a family whose annual income equals eighty percent (80%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit or family size.

On a case-by-case basis, OHCS may grant rent exceptions as necessary to assure long term viability of rental housing projects as long as the rents meet NSP requirements.

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

**OHCS Response:**

For each foreclosed-upon home or residential property which will have an investment of NSP funds, the home or residential property must be purchased at a discount of at least fifteen percent (15%) from the current market-appraised value of the home or property unless a smaller discount is approved by OHCS. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

Home ownership activities:

For NSP assisted housing used for home ownership, resale or recapture provisions will be placed against the property in the form of a use restriction and/or Deeds of Trust and Promissory Notes.

NSP funds that are used to acquire or rehabilitate a foreclosed upon single family property will be recaptured upon transfer of title or a refinance of said property. The recaptured NSP investment, including OHCS' portion of a shared appreciation loan, must be returned to OHCS. Oregon Housing and Community Services will use the recaptured funds for other approved NSP eligible activities or return to the United States Treasury as outlined in the NSP rules.

Rental Housing Activities:

For all NSP assisted units in rental housing projects, rents as well as incomes of tenants will be restricted in accordance with the affordability requirements outlined in (C)(2) above for a minimum of 20 years. Affordability requirements will be maintained through a use restriction and/or Deeds of Trust and Promissory Notes. Requests for subordination of NSP affordability requirements for financing purposes will be reviewed on a case by case basis.

On a case-by-case basis, OHCS may grant exceptions to the term of affordability but in no case can the term be less than required under the HOME program.

**HUD Requirement:** (4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

**OHCS Response:**

A foreclosed-upon home or residential property shall be rehabilitated to the extent necessary to assure safety, quality, and habitability. OHCS will require a thorough assessment of all properties. The assessment must examine the major building components and describe the work necessary to bring each building component to the level of maximum expected life span. HUD's Housing Quality Standards (HQS) outlined in 24 CFR 982.401, will be the minimum standard for judging the actual physical condition of a property and determining the scope of work.

Rehabilitation of a residential property must be performed in compliance with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability. If work requires building permits, all rehabilitation must be performed to current building code(s). A property inspection must be conducted by a disinterested third party to determine the scope of work needed prior to rehabilitation. The factors to be considered in the inspection include HQS, a pest and dry rot report, roof inspection if deemed appropriate, and a site specific review of environmental concerns including lead-based paint assessment if the property was built prior to 1978.

General property improvements, such as painting and replacement of cabinets and flooring may be completed only after all code deficiencies, health and safety items and lead-based paint hazards (if needed) have been cured. General improvements must have durable fit and finish with reasonable cost expectations.

All NSP recipients are encouraged to use green building techniques and make all NSP assisted properties more energy efficient.

***D. LOW INCOME TARGETING***

**HUD Requirement:** 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: *a minimum of \$4,900,000.*

*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.*

**OHCS Response:**

The state will receive an NSP allocation of \$19,600,000. Of this amount a minimum of 25%, or \$4,900,000, will be set aside for the purchase and redevelopment of properties that have been foreclosed or abandoned that will provide housing to individuals and families whose incomes do not exceed 50% of area median income. OHCS will pass along the 25% set-aside requirement to each of the CDBG entitlement subrecipients receiving an allocation of NSP funds from OHCS as well as all other subrecipients that may receive an allocation of NSP resources.

OHCS anticipates a variety of NSP eligible housing activities may be undertaken to meet this goal. Units assisted under this set-aside must provide permanent housing and cannot be shelter or transitional housing units, or group homes, as these activities are considered public facility activities under the CDBG program and part of the NSP requirements.

Eligible Housing Activities:

- Use of NSP funds as low or no interest loans, or shared appreciation loans that will assist home buyers with the purchase and rehabilitation of foreclosed homes or residential properties. Loans may be used for:
  - up to 50% of a bank required down payment;
  - loan buy-down;
  - closing costs; and
  - rehabilitation of the home to assure safety, quality, and habitability.
- ◆ Acquisition and rehabilitation of foreclosed or abandoned residential properties that may be used for rental housing. Models likely to be undertaken include rental housing units for special needs populations such as homeless, chronically mentally ill, developmentally disabled, and released offenders. Permanent supportive housing is eligible as well as units for low income families. Shared housing models can be considered if each tenant has an individual lease.
- ◆ Acquisition and rehabilitation of foreclosed or abandoned residential properties that will subsequently be sold to very low- income home buyers. This can include a community land trust model or self-help housing projects, etc.
- ◆ Landbanking, demolition of blighted structures and redevelopment of demolished sites into affordable rental units or homeownership opportunities may also be accomplished as long as the properties have been abandoned or foreclosed. The project must meet an eligible CDBG housing activity and provide housing for very low income individuals and families under 50% of area median income.

## ***E. ACQUISITIONS & RELOCATION***

**HUD Requirement:** *Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 120% of area median income).*

*If so, include:*

- *The number of low- and moderate-income dwelling units—i.e., ≤ 120% 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.*

### **OHCS Response:**

No specific properties that would receive NSP resources have been identified at this time. It is therefore unknown whether demolition or conversion of low and moderate income dwelling units will occur. If NSP eligible activities result in demolition or conversion of low and moderate-income units, then the required information on the number of converted or demolished units and number of affordable units produced by activity and income level will be made available.

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

**HUD Requirement:** *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.*

### **OHCS Response:**

*Process:* OHCS worked closely with the Portland HUD office to assure the citizen participation process was both appropriate and efficient. Two publications were used for the official notice; the state-wide *Oregonian*, and to reach Spanish speaking citizens, *El Latino de Hoy* newspaper. In addition, OHCS undertook a massive direct notification campaign to all city and county local governments, port and economic development authorities, public housing authorities and their state association, Community Development Corporations and CHDOs and their state association, tribes, ESG connected homeless service providers and shelters, DHS/HOPWA contacts and service providers, HOME tenant based rental assistance providers, and various other groups and individuals. Each of the nine entitlement participating jurisdictions acting as subrecipients has notified their individual internal mailing/contact lists of the comment period as well. Further, OHCS will send a press release to over 100 media outlets in the state, as well as posting to its own website. The comment period was from November 11<sup>th</sup> through and including November 26<sup>th</sup>.

A chart summarizing comments received during the 15 day comment period will be provided at submission of the application to HUD.

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

**Neighborhood Stabilization Budget by Activity**

<b>Activity No.</b>	<b>Activity Name</b>	<b>Use</b>	<b>Assisted Units</b>	<b>Amount</b>
1	Financing Mechanisms	Assist buyers with the purchase and rehabilitation of homes that have been abandoned or foreclosed upon.	206	7,350,000
2	Purchase and Rehabilitate Homes	Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed in order to sell or rent.	66	8,640,000
3	Establish land banks	OHCS land bank activity for homes that have been foreclosed upon.	26	1,000,000
4	Demolish blighted structures	Demolish blighted structures.	17	450,000
5	Redevelop demolished or vacant properties	Redevelop demolished or blighted properties.	3	200,000
		Administration of program.		1,960,000
		<b>TOTAL</b>	<b>318</b>	<b>19,600,000</b>

The following pages provide information on each of the five activities proposed to be undertaken with NSP funds. The descriptions, timelines, budgets, and accomplishments outlined in each activity are projections. They are based on input OHCS has received through discussions with many of our partners including: real estate professionals, community development corporations, community action programs, housing authorities, county and city jurisdictions, nonprofits, etc. These estimates will change as proposals and projects are identified.

The dollar amounts set aside for each of the six activities are initial guidelines. During the term of this grant, should needs for the NSP resources change from what is proposed under this amendment, OHCS reserves the right to transfer funds from an activity with surplus funds to an activity with a greater identified need. When soliciting proposals, OHCS also reserves the right to further limit activities in order to address the greatest identified needs.

(1) **Activity Name:**    **1 - Financing Mechanisms**

(2) **Activity Type:**

<b>NSP ELIGIBLE USE</b>	<b>CDBG ELIGIBLE ACTIVITY</b>
Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second and shared-equity loans for low and moderate income homebuyers.	24 CFR 570.206 Activity Delivery Costs, 24 CFR 570.201 (a) Acquisition, (b) Disposition, (i) relocation, (n) direct homeownership assistance, 24 CFR 570.202 rehabilitation and preservation including housing counseling for those seeking to take part in the activity.

(3) **National Objective:**

Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

(4) **Activity Description:**

The activity will provide financial assistance for eligible buyers to purchase foreclosed and abandoned homes. NSP resources will provide the opportunity for low, moderate and middle income buyers to purchase a home. Buyers must have incomes at or below 120% of area median. NSP financing may be used for loan buy down assistance, closing costs, rehabilitation of the home and down payment assistance. NSP resources used to pay a lender required down payment is limited to 50% of the cost in accordance with CDBG regulations.

The maximum NSP investment per homebuyer cannot exceed the lesser of:

- ◆ \$50,000 or
- ◆ the difference between the total cost (acquisition and modest rehabilitation) and amount of a mortgage that can be obtained by buyer. Families within the upper limit of the targeted population 81-120% AMI (Area Median Income) are the primary target for this activity. Due to the cost of housing in Oregon, few 50% or below area median income families will qualify for this activity.

Funds will be provided in the form of a soft second loan. Interest on the loan will be zero percent. Repayment of the loan will be deferred until refinance or transfer of the title. A share of the appreciation will be due at transfer of title. On a case by case basis, OHCS may provide exceptions to repayment at time of transfer of title. All repayments are due to OHCS.

(5) **Location Description:**

Specific sites will not be known until recipients are selected and properties are identified. However, foreclosed upon and abandoned properties purchased under this activity must be located within one of the priority targeted block groups. Refer to the state map and list of targeted block groups for detailed locations. The link below will take you to the listing of targeted block groups.

[http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON\\_NSP\\_Target\\_Block\\_Groups.xls](http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON_NSP_Target_Block_Groups.xls)

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible subrecipient projects.

**(6) Performance Measures:**

It is anticipated that 206 abandoned or foreclosed homes will be purchased with NSP funds and 24 of these buyers may have incomes below 50% area median income. The remaining 182 households will have incomes between 51% - 120% of area median.

**(7) Total Budget:**

\$7,350,000 of NSP resources is targeted to this activity.

**(8) Responsible Organization:**

Oregon Housing and Community Services  
725 Summer Street NE, Ste. B  
Salem, Oregon 97301  
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(503) 986-2120 – phone  
(503) 986-2125 – fax

Potential subrecipients in identified entitlement areas include: City of Springfield, City of Bend, City of Medford, City of Eugene, City of Gresham, City of Salem, Clackamas County, Washington County, City of Hillsboro, City of Beaverton, City of Portland and Multnomah County. Potential subrecipients in the balance of the state of Oregon have not been identified but will likely be community based development organizations, community development corporations and other non-profit entities.

**(9) Projected Start Date:**

February 1, 2009

**(10) Projected End Date:**

January 1, 2013

**(11) Specific Activity Requirements:**

- ◆ Homebuyers are not permitted to obtain a subprime mortgage.
- ◆ All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by OHCS. In no circumstance can a discount be less than 5%.
- ◆ NSP resources will be provided in the form of a zero percent loan due upon refinance or transfer of title.
- ◆ Eight hours of housing counseling assistance is required of all homebuyers.
- ◆ Priority to purchase FHA foreclosed properties is encouraged.

- ◆ All purchases must be voluntary transactions and of vacant properties. Given the limited timeline to obligate the NSP funds, permanent displacement of individuals is discouraged. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.

**(1) Activity Name: 2 - Purchase and Rehabilitate Homes**

**(2) Activity Type:**

<b>NSP ELIGIBLE USE</b>	<b>CDBG ELIGIBLE ACTIVITY</b>
Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.	24 CFR 507.206 as part of an activity delivery cost for an eligible activity. 24 CFR 570.201(a) Acquisition (b) disposition (i) relocation, and (n) Direct homeownership assistance (as modified below) 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. Rehabilitation may include counseling for those seeking to take part in the activity.

**(3) National Objective:**

Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

**(4) Activity Description:**

The activity will allow foreclosed multi-family properties and single family homes to be purchased and rehabilitated. All housing and residential properties purchased and rehabilitated with NSP funds must either be rented to or purchased by individuals or families with incomes less than or equal to 120% of the area median income where the property is located. Rental properties will have rent limitations on the units.

OHCS anticipates a wide range of projects being funded under this activity. NSP funds may be used to purchase abandoned or foreclosed properties, provide rehabilitation and subsequently be sold to low to middle income purchasers. Recipients may acquire, rehabilitate and rent the housing to lower income families or special needs populations that are in need of service enriched housing. The NSP resources also provide the opportunity for the development of land trusts. The land trust model ensures continued affordability for low, moderate and middle income families.

Funds will be provided in the form of a soft second loan. Interest on the loan will be zero percent. Repayment of the loan will be deferred until refinance or transfer of the title. On a case by case basis, OHCS may provide exceptions to repayment at time of transfer of title. All repayments are due to OHCS, unless an agreement with a recipient permits NSP program income to be retained for financing other NSP eligible activities.

**(5) Location Description:**

Specific sites will not be known until recipients are selected and properties are identified. Foreclosed upon and abandoned properties purchased under this activity must be located within one of the priority targeted block groups. Refer to the state map and list of targeted block groups for detailed locations. The link below will take you to the listing of targeted block groups. [http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON\\_NSP\\_Target\\_Block\\_Groups.xls](http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON_NSP_Target_Block_Groups.xls)

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible subrecipient projects.

**(6) Performance Measures:**

It is anticipated that 66 abandoned or foreclosed homes will be purchased with NSP funds and 30 of these properties will provide housing opportunities for individuals and families with incomes below 50% area median income. The remaining 36 households will have incomes between 51% - 120% of median.

**(7) Total Budget:**

\$8,640,000 of NSP resources is targeted to this activity.

**(8) Responsible Organization:**

Oregon Housing and Community Services  
725 Summer Street NE, Ste. B  
Salem, Oregon 97301  
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(503) 986-2120 – phone  
(503) 986-2125 – fax

Potential subrecipients in identified entitlement areas include: City of Springfield, City of Bend, City of Medford, City of Eugene, City of Gresham, City of Salem, Clackamas County, Washington County, City of Hillsboro, City of Beaverton, City of Portland and Multnomah County. Potential subrecipients in the balance of the state of Oregon have not been identified but will likely be community based development organizations, community development corporations and other non-profit entities.

**(9) Projected Start Date:**

February 1, 2009

**(10) Projected End Date:**  
January 31, 2013

**(11) Specific Activity Requirements:**

- NSP rental assisted units must meet the rent, income and affordability requirements for a period of 20 years. A restrictive covenant will be recorded to assure compliance with this requirement.
- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by OHCS. In no circumstance can a discount be less than 5%.
- Eight hours of housing counseling assistance will be required of all homebuyers
- NSP resources will be provided in the form of a zero percent loan.
- Priority to purchase FHA foreclosed properties is encouraged.
- All purchases must be voluntary transactions. Permanent displacement of individuals is discouraged. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.
- Any sale of property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such property.

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**(1) Activity Name: 3 - Establish Land Banks**

**(2) Activity Type:**

<b>NSP ELIGIBLE USE</b>	<b>CDBG ELIGIBLE ACTIVITY</b>
Establish Land Banks for Homes that have been Foreclosed Upon	24 CFR 570.201(a) Acquisition (b) disposition (includes maintenance)

**(3) National Objective:**

Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income) or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA)

**(4) Activity Description:**

A land bank will operate in a specific, defined geographic area. It will purchase foreclosed upon properties for the purpose of creating land banks to assemble, temporarily manage, facilitate redevelopment of, market, and dispose of the land banked property. The purpose is to stabilize neighborhoods and encourage re-use or redevelopment of property. Land banking may include properties with or without structures, as long as they are foreclosed upon.

The benefits of just holding property may not be sufficient to stabilize most neighborhoods or be the best use of limited NSP funds absent a re-use plan. A land bank may not hold a property for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements.

**(5) Location Description:**

Specific sites will not be known until recipients are selected and properties are identified. Foreclosed upon and abandoned properties purchased under this activity must be located within one of the priority targeted block groups and in an area in which at least 51% of the residents have incomes at or below 120 percent of area median income (LMMA). Refer to the state map and list of targeted block groups for detailed locations. The link below will take you to the listing of targeted block groups.

[http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON\\_NSP\\_Target\\_Block\\_Groups.xls](http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON_NSP_Target_Block_Groups.xls)

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any un-obligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible subrecipient projects.

**(6) Performance Measures:**

It is anticipated that 26 abandoned or foreclosed upon properties could be purchased around the state. Ten properties will provide housing opportunities for individuals and/or families with incomes below 50% area median income and sixteen households between 51% and 120% of area median income. All properties must be redeveloped within 10 years in accordance with NSP regulations.

**(7) Total Budget:**

\$1,000,000 of NSP resources is targeted to this activity.

**(8) Responsible Organization:**

Oregon Housing and Community Services  
725 Summer Street NE, Ste. B  
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(503) 986-2120 – phone  
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Potential subrecipients in identified entitlement areas include: City of Gresham, City of Portland and Multnomah County and State of Oregon and yet to be determined recipients.

**(9) Projected Start Date:**

February 1, 2009

**(10) Projected End Date:**

January 31, 2019

**(11) Specific Activity Requirements:**

- All properties must be purchased at a minimum discount rate of 15% below current market appraised value unless a lesser discount is pre-approved by OHCS. In no circumstance can a discount be less than 5%.

- NSP resources will be provided in the form of a zero percent loan due on sale. Deed restriction will require a future redevelopment within 10 years that meets NSP requirements.
- Applicants must submit a plan to maintain property until time of redevelopment and submit a plan outlining future development which will meet the requirements of NSP.
- All purchases must be voluntary transactions. Permanent displacement of individuals is discouraged. Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.

**(1) Activity Name: 4 - Demolish Blighted Structures**

**(2) Activity Type:**

NSP ELIGIBLE USE	CDBG ELIGIBLE ACTIVITY
Demolish Blighted Structures	24 CFR 570.201(d) Clearance for blighted structures only

**(3) National Objective:**

Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income) or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income.

**(4) Activity Description:**

Specific sites will not be known until recipients are selected and properties are identified. The properties demolished with these funds must be blighted structures (under the State’s definition); some of which will be previously foreclosed upon homes. NSP funds cannot be used to acquire properties unless the properties are foreclosed. While funds may not provide a direct benefit to households at or below 50% AMI, the blight removal may provide benefits to locations in which the income for the area is at or below 50% AMI.

**(5) Location Description:**

Foreclosed upon and abandoned properties purchased under this activity must be located within one of the priority targeted block groups and in an area in which at least 51% of the residents have incomes at or below 120% of area median income. Refer to the state map and list of targeted block groups for detailed locations. The link below will take you to the listing of targeted block groups.

[http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON\\_NSP\\_Target\\_Block\\_Groups.xls](http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON_NSP_Target_Block_Groups.xls)

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible subrecipient projects.

**(6) Performance Measures:**

Seventeen properties are anticipated to be demolished with NSP funds.

**(7) Total Budget:**

\$450,000 of NSP resources is targeted to this activity.

**(8) Responsible Organization:**

Oregon Housing and Community Services

725 Summer Street NE, Ste. B

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Potential subrecipients include the cities of Springfield and Gresham and yet to be determined recipients under the state’s program.

**(9) Projected Start Date:**

February 1, 2009

**(10) Projected End Date:**

January 31, 2013

**(11) Specific Activity Requirements:**

- ◆ NSP funds will be provided in the form of a zero percent interest loan due on sale or transfer of title.
- ◆ Applicants must submit a plan to maintain property until time of redevelopment and submit a plan outlining future development which will meet the requirements of NSP.

**(1) Activity Name: 5 - Redevelop Demolished or Vacant Properties**

**(2) Activity Type:**

<b>NSP ELIGIBLE USE</b>	<b>CDBG ELIGIBLE ACTIVITY</b>
Redevelop Demolished or Vacant Properties	24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below). 24 CFR 570.204 Community based development organizations.

**(3) National Objective:**

Meets national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income) or serves an area in which at least 51% of the residents have incomes at or below 120% of area median income.

**(4) Activity Description:**

The main purpose of the NSP program is to redevelop abandoned and foreclosed homes. Public facilities are permitted under eligible activity to the extent that they support housing. Although commercial redevelopment is not an ineligible use of funds, it is not the intent of the program. Therefore commercial redevelopment will not be an eligible use the Oregon’s NSP funds unless pre-approved by OHCS.

OHCS sees this activity as a type of redevelopment that would provide benefit to the surrounding neighborhood and stabilize the area. For example, a vacant property could be turned into a neighborhood park.

**(5) Location Description:**

Specific sites will not be known until recipients are selected and properties are identified. Properties assisted under this activity must be located within one of the priority targeted block groups. Refer to the state map and list of targeted block groups for detailed locations. The link below will take you to the listing of targeted block groups.

[http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON\\_NSP\\_Target\\_Block\\_Groups.xls](http://www.ohcs.oregon.gov/OHCS/DO/docs/HERA/OREGON_NSP_Target_Block_Groups.xls)

Midway through the NSP performance period, foreclosure data will be re-reviewed to determine whether additional LMMA areas need to be identified as “greatest need” areas. Any unobligated NSP funds will be eligible for redistribution in the additional identified area(s) for eligible subrecipient projects.

**(6) Performance Measures:**

Unknown at the present but anticipate up to three types of redevelopments might be assisted with NSP funds.

**(7) Total Budget:**

\$200,000 of NSP resources is targeted to this activity.

**(8) Responsible Organization:**

Oregon Housing and Community Services

725 Summer Street NE, Ste. B

Salem, Oregon 97301

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State of Oregon will administer this activity which will cover the targeted priority areas.

(9) **Projected Start Date:**  
February 1, 2009

(10) **Projected End Date:**  
January 31, 2013

(11) **Specific Activity Requirements:**

- ◆ NSP funds will be provided in the form of a zero percent interest loan due on sale or transfer of title.
- ◆ Investment of NSP resources to properties located in the 100-year flood plain is discouraged. For properties located in a 100-year flood plain, flood insurance must be maintained on the property.