1 BALDWIN STREET,
MONTPELIER, VT 05633-5701

PHONE: (802) 828-2295
FAX: (802) 828-2483

STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: James Reardon, Commissioner of Finance & Management

From: Nathan Lavery, Fiscal Analyst

Date: May 12, 2009

Subject: JFO #2370

The following grant item has been approved by the legislature, subject to the provisions of H.441 of 2009:

JFO #2370 — $19,600,000 grant from the U.S. Department of Housing and Urban Development (HUD) to the Agency of Commerce and Community Affairs – Housing and Community Affairs. These funds were allocated to Vermont for the Neighborhood Stabilization Program authorized under the Housing and Economic Recovery Act of 2008 and are intended to assist the State in addressing problems created by abandoned and foreclosed residential properties.
[*JFO received 3/25/09*]

H.441 specifies conditions for acceptance of funds associated with JFO #2374 as follows:

Sec. E.813.2 GRANT STATUS; JFO #2370
(a) In accordance with the legislature's authority under 32 V.S.A. § 5, the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP) grant (JFO #2370), in the amount of $19,600,000 is accepted pursuant to and subject to a memorandum of understanding (MOU) reached between the agency of commerce and community development (ACCD) and the Vermont housing and conservation board (VHCB) dated May 7, 2009, for the use of NSP funds by the Vermont housing and conservation board (VHCB) to grant subgrants to eligible projects. Further, the general assembly concludes that the MOU shall include the reservation of actual costs of $3,000,000 to be solicited and awarded by VHCB, and conveyed by a grant agreement to VHCB. The MOU shall also include, but is not limited to provisions that will allow VHCB to be reimbursed for the actual costs of its administration up to $400,000; a requirement that owners of projects funded with grant funds shall execute housing subsidy covenants to ensure permanent affordability; a requirement that VHCB will act according to and ensure compliance with, all applicable state and federal laws and regulations; and that ACCD will provide training and technical assistance to VHCB staff with regard to administration of the NSP grant. It is also understood that the total of the NSP funds awarded to the state of Vermont that are not allocated pursuant to the MOU shall be utilized consistent with the terms of the HUD approval of the NSP grant. The

MOU between ACCD and VHCB shall be submitted to the house and senate committees on appropriations and the joint fiscal committee immediately upon its execution.

We ask that you inform the Secretary of Administration and your staff of this action.

cc: Kevin Dorn, Secretary

VERMONT

JFO #2370

State of Vermont
Department of Finance & Management
109 State Street, Pavilion Building
Montpelier, VT 05620-0401

[phone] 802-828-2376
[fax] 802-828-2428

Agency of Administration

STATE OF VERMONT
FINANCE & MANAGEMENT GRANT REVIEW FORM

Grant Summary:	The Neighborhood Stabilization Program grant is to assist the State to address the problems created by abandoned and foreclosed residential properties in Vermont. At least 25% of this grant must benefit individuals with incomes at 50% or less of medium income with the balance of the grant limited to assisting individuals with incomes up to 120% of medium income.				
Date:	3/5/2009				
Department:	Housing and Community Affairs				
Legal Title of Grant:	Housing and Economic Recovery Act (HERA) CDBG Neighborhood Stabilization Program				
Federal Catalog #:	14.228				
Grant/Donor Name and Address:	U.S. Department of Housing and Urban Development ,Washington, D.C. 20410-7000				
Grant Period: From:	2/13/2009	**To:**	8/13/2010		
Grant/Donation	$19,600,000				
	SFY 1	**SFY 2**	**SFY 3**	**Total**	**Comments**
Grant Amount:	$1,595,000	$13,193,728	$4,811,272	$19,600,000	

	# Positions	Explanation/Comments
Position Information:	0	

Additional Comments:	This federal program requires that all of the federal funds must be obligated within 18 months from the time the grant agreement between the State and HUD has been signed.

Department of Finance & Management	JF 3/13/09	(Initial)
Secretary of Administration	RPM 3/16/09	(Initial)
Sent To Joint Fiscal Office	3/25/09	**Date**

RECEIVED
MAR 25 2009
JOINT FISCAL OFFICE

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION	
1. Agency:	Commerce and Community Development
2. Department:	Housing and Community Affairs
3. Program:	Neighborhood Stabilization Program (NSP)
4. Legal Title of Grant:	Housing and Economic Recovery Act (HERA) CDBG Neighborhood Stabilization Program
5. Federal Catalog #:	14.228

6. Grant/Donor Name and Address:
U.S. Department of Housing and Urban Development

7. Grant Period:	**From:**	2/13/2009	**To:**	8/13/2010

8. Purpose of Grant:
Assist states and local governments in addressing the effects of abandoned and foreclosed residential properties through eligible activities such as acquisition, rehabilitation, and resale of foreclosed residential properties, single and multi family, rehabilitation of abandoned and blighted properties meeting the definitions as outlined in the Regulation. Further, a minimum of 25% of the $19.6M allocation, or $4.9 million must benefit individuals whose income is 50% or less of the median income, and the balance of grant funds may assist individuals up to 120% of median income. The State is allowed up to 10% or $1.96 million for administrative costs associated with carrying out the Neighborhood Stabilization Program (NSP) and to ensure full compliance with all the Federal Regulations. The State has allocated $600,000 for administrative costs, putting $1.36M towards grants. Further, there will be ongoing subrecipient oversight monitoring.

9. Impact on existing program if grant is not Accepted:
The existing CDBG annual allocation of $7.3 million could never meet the demands of assisting foreclosed upon residential properties. Likewise, the existing CDBG program already has projects in the pipeline for preserving and creating jobs, housing rehabilitation, specifically for energy savings assistance, and other community public facilities projects that are imperative to maintain.

10. BUDGET INFORMATION

	SFY 1	**SFY 2**	**SFY 3**	**Comments**
Expenditures:	**FY** 2009	**FY** 2010	**FY** 2011	
Personal Services	$75,000	$150,000	$261,272	
Operating Expenses	$20,000	$43,728	$50,000	
Grants	$1,500,000	$13,000,000	$4,500,000	
Total	$1,595,000	$13,193,728	$4,811,272	
Revenues:				
State Funds:	$	$	$	
Cash	$	$	$	
In-Kind	$	$	$	
Federal Funds:	$	$	$	
(Direct Costs)	$1,595,000	$13,193,728	$4,811,272	
(Statewide Indirect)	$	$	$	
(Departmental Indirect)	$	$	$	
Other Funds:	$	$	$	
Grant (source)	$	$	$	

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

Total	$1,595,000	$13,193,728	$4,811,272	

Appropriation No:		**Amount:**	$19,600,000
	7110090000		$19,600,000
			$
			$
			$
			$
			$
		Total	$19,600,000

PERSONAL SERVICE INFORMATION

11. Will monies from this grant be used to fund one or more Personal Service Contracts? ☐ Yes ☒ No
If "Yes", appointing authority must initial here to indicate intent to follow current competitive bidding

Appointing Authority Name: Agreed by: _____________ (initial)

12. Limited Service Position Information:	**# Positions**	**Title**
Total Positions		

12a. Equipment and space for these positions: ☐ Is presently available. ☐ Can be obtained with available funds.

13. AUTHORIZATION AGENCY/DEPARTMENT

I certify that no funds have been expended or committed in anticipation of Joint Fiscal Committee Approval of this grant:	Signature: Kevin L. Dorn	Date: 3/4/09
	Title: Secretary Kevin L. Dorn	
	Signature:	Date:
	Title:	

14. ACTION BY GOVERNOR

☑	Check One Box: Accepted		3/24/09
☐	Rejected	(Governor's signature)	Date:

15. SECRETARY OF ADMINISTRATION

☐	Check One Box: Request to JFO	Linda P McIntire	3/16/09
☐	Information to JFO	(Secretary's signature or designee)	Date:

16. DOCUMENTATION REQUIRED

Required GRANT Documentation

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

☒ Request Memo ☐ Dept. project approval (if applicable) ☒ Notice of Award ☐ Grant Agreement ☒ Grant Budget	☒ Request Memo ☐ Dept. project approval (if applicable) ☐ Notice of Donation (if any) ☒ Grant (Project) Timeline (if applicable) ☐ Request for Extension (if applicable)

End Form AA-1

VERMONT

State of Vermont
Agency of Commerce and Community Development
National Life Building, Drawer 20
Montpelier, VT 05620-0501
www.dca.state.vt.us

[phone] 802-828-3211
[fax] 802-828-3383

To: Neale Lunderville, Secretary
From: Kevin Dorn, Secretary KD
Subject: Grant Acceptance for the new Neighborhood Stabilization Program
Date: March 2, 2009

Please accept the attached AA-1 form and pertinent supporting documentation for approval of acceptance of the grant for the new Neighborhood Stabilization Program (NSP).

The following documents are attached to assist you in your review and deliberations:

1. Letter of Approval of the State's NSP Plan and Award of funds
2. Letter of Allocation from HUD
3. Vermont Neighborhood Stabilization Program (NSP) approved Plan
4. Vermont NSP Plan Budget
5. Vermont NSP Timeline
6. Stakeholders Meeting announcement
7. Public hearing notice
8. Vermont Housing Conservation Board (VHCB) minutes to adopt resolution supporting the Vermont NSP proposal
9. NSP Federal Register
10. Guide to NSP Eligible Uses
11. NSP Instructions for Grantee submissions to HUD
12. RFP's for Municipal and Project-Specific Programs
13. Notice to Interested Parties of Award and Informational Meeting
14. Informational Meeting Agenda
15. Vermont's NSP Program Guide
16. Vermont's NSP application form for Grantee's

The U.S. Department of Housing and Urban Development (HUD) issued a notice of allocation to the State of Vermont on September 26, 2008 in the amount of $19.6 million for the Neighborhood Stabilization Program as authorized under the Housing and Economic Recovery Act of 2008. As stated in the attached letter, Vermont will receive $19.6 million for this one-time program for mortgage foreclosure impact mitigation,
$1.96M can be used for administration of the program. This legislation only became law in July 2008, and the regulations were promulgated on September 29, 2008. We only have 18 months to fully encumber the funds or the money will revert to HUD. The attached NSP Plan has been formally approved by HUD as of January 26, 2009. Any change to the Plan as approved shall require an amendment request to HUD, which may serve to be detrimental to Vermont's allocation from a timing standpoint.

The grant period with HUD is February 13, 2009 through August 13, 2010. Due to the structure of the Statute, the funds must be fully obligated or under Purchase and Sales contracts and construction contracts within 18 months; however, the State will be permitted to expend the funds until February 13, 2013 to allow adequate time to complete rehabilitation and construction projects. There will be subsequent subrecipient oversight monitoring and drawdown of the federal funds, and ongoing tracking of any Program Income to be returned to the U.S. Treasury.

Form AA-1 Note for #10 - The information presented over the 3 State fiscal year period meets the term of the grant agreement as specified by Federal Statute to address the 18 months to obligate the funds. However, actual expenditures potentially will be after the obligation period to carry out the rehabilitation work and construction activities. The funds may not be completely drawn down through the Letter of Credit until February 13, 2013.

This complex program was not anticipated and we never expected to be allocated an amount that is about three times our Annual CDBG allocation. The Vermont Community Development Program staff and the Grants Management staff in the Department of Housing and Community Affairs will administer the program in addition to their regular and standard duties. Further complicating this new program is the very prescriptive timeframe in which to use the funds, and an electronic reporting system that is detailed.

It should be noted that we have already received applications for the Project-Specific component. One has been reviewed and approved contingent upon the State's approval to accept this grant. The HARP is well-underway in contacting financial institutions to establish a list of foreclosed REO's to acquire and rehabilitate and sell to individuals up to 120% of area median income. Discussions are in process for interest from Municipalities for the Municipal Program.

Please do not hesitate to contact me at 828-5200, or via e-mail Jim.Saudade@state.vt.us with any questions or clarification you may need to assist you in your decision-making process. If I am unavailable, please contact Ann Kroll at 828-5225, or e-mail AnnKarlene.Kroll@state.vt.us; or Josh Hanford at 828-5201, or e-mail Josh.Hanford@state.vt.us.

We look forward to hearing from you shortly to ensure meeting the timelines imposed by the Statute and HUD for this new critically needed Program for the State of Vermont.

Thank you.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

JAN 26 2009

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FEB 4 2009
Department of
Economic Development

RECEIVED
GOVERNOR'S OFFICE
JAN 30 20
MONTPELIER, VT

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The Honorable James H. Douglas
Governor
State of Vermont
109 State St.
Montpelier, VT 05609

Dear Governor Douglas:

On behalf of Secretary Shaun Donovan, I am pleased to inform you that the Department is approving your jurisdiction's action plan amendment for Neighborhood Stabilization Program (NSP) funding and is awarding $19,600,000 for the State of Vermont.

The Housing and Economic Recovery Act of 2008 (HERA), enacted on July 30, 2008, established the NSP and appropriated $3.92 billion to be distributed to states and local governments to address the effects of abandoned and foreclosed properties in the nation's communities. The Department announced NSP funding allocations on September 26, 2008, and action plan amendments were due not later than December 1, 2008.

The Neighborhood Stabilization Program is a component of the long-standing Community Development Block Grant (CDBG) program. The program generally follows CDBG program requirements except as modified by HERA or by HUD to expedite use of NSP funds. Please refer to the October 6, 2008, *Federal Register* notice for NSP operating guidance. The NSP grant agreement will be sent under separate cover to the agency designated as administrator of your jurisdiction's program. * Please note that this letter does not represent the point of obligation for NSP funding; execution of the forthcoming grant agreement will be the point of obligation and will trigger the 18 month period in which the NSP funds must be used. *

The Department is pleased to partner with you in implementing this new program and will continue to provide extensive support and guidance to you and other NSP grantees. I suggest that you continually visit the NSP website at www.hud.gov/nsp for information and updates.

Sincerely,

Nelson R. Bregón

Nelson R. Bregón
General Deputy Assistant Secretary

JIM
JOSH
BETH
TAYT
AKK

- /

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

696022

ROBO #
Liaison BB
Response Due 10-15
Action Taken
File Code # 2206

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

SEP 2 6 2008

RECEIVED
GOVERNOR'S OFFICE
OCT 0 1 2008
MONTPELIER, VT 05609

The Honorable James Douglas
Governor
State of Vermont
109 State St.
Montpelier, VT 05609

Dear Governor Douglas:

On behalf of Secretary Steven Preston, I am pleased to inform you that the State of Vermont has been allocated $19,600,000 in funding through HUD's Neighborhood Stabilization Program (NSP). The NSP is authorized by the recently enacted Housing and Economic Recovery Act of 2008 (HERA) and is funded at a level of $3.92 billion.

The purpose of the NSP is to assist states and local governments in addressing the effects of abandoned and foreclosed properties in the nation's communities. The uses of NSP funds are:

- Establishment of financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties;
- Purchase and rehabilitation of abandoned and foreclosed homes and residential properties;
- Establishment of land banks for homes that have been foreclosed upon;
- Demolition of blighted structures; and
- Redevelopment of demolished or vacant properties.

Pursuant to the statutory directive of HERA, the NSP is closely related to the long standing Community Development Block Grant (CBDG) program. As a result, HUD will implement the NSP by relying upon existing CDBG requirements and making appropriate adjustments to accommodate the directives of HERA. The guidance implementing the NSP is contained in a Notice to be available September 29, 2008 on HUD's website at www.hud.gov/nsp and also published in the Federal Register during the first few days of October. This website will also provide a wide range of other information which will be useful to NSP grantees.

The Notice describes the application process that your jurisdiction will have to follow to obtain its NSP allocation. Briefly, the application will be an amendment to your jurisdiction's existing consolidated plan that governs the use of CDBG and other HUD formula program funds. This approach has the advantage of building upon planning actions already undertaken by your jurisdiction and, to further speed the process, HUD is abbreviating citizen participation requirements. These steps are intended to assist grantees in developing their program and submitting their application to HUD not later than December 1, 2008. Failure to apply by December 1, 2008 will result in the reallocation of your jurisdiction's funds to other grantees.

The Department is committed to assisting grantees in the implementation of the NSP at the state and local level. To this end, Secretary Preston is hosting a housing summit in Washington, DC on October 7 and 8 and I encourage you to attend to benefit from the most current information regarding the NSP and other aspects of HERA. Information on the housing summit can be found at www.hud.gov. Further, HUD will conduct a series of one day informational sessions on the NSP to be held at several locations across the country beginning October 10. Information on these sessions will be available on HUD's website as soon as details are finalized.

As your staff undertake efforts to develop an NSP program, I urge them to contact the Community Planning and Development staff in your assigned HUD field office if they have any questions. HUD's field staff is, as always, the best source of guidance as to program requirements and HUD's expectations.

I look forward to working with you to ensure the rapid and successful implementation of the NSP to benefit the nation's communities.

Sincerely,

Susan Peppler

Susan D. Peppler
Assistant Secretary

Neighborhood Stabilization Program (NSP)
Plan Budget
March 4, 2009

Total Allocation from HUD to State of Vermont	$19,600,000
Grant Components, including administration allowances**	
1. Home Acquisition and Rehabilitation Program (HARP)	$7,000.000
2. Municipal Program	$5,500,000
3. Project-Specific Program	$6,500,000
Total Grant Components	$19,000.000
Administration allocation	
HARP	$703,200
Municipal Program	$275,000
Project-Specific Program	$381,800
State Administration allowance	$600,000
Total Administration allowance **	$1,960,000
Total State Administration and Grant Components	$19,600,000

**Federal regulations allow up to 10% for administration costs. The administration allowance is included in the totals allocated to each of the 3 Programs

Attachment A

Neighborhood Stabilization Program (NSP)

TIMELINE – Amended 3/2/09

Stakeholders Meeting	August 27, 2008
Stakeholders Meeting	September 24, 2008
Stakeholders Meeting	September 25, 2008
Stakeholders Meeting	October 20, 2008
Notice Published for Public Hearing	October 27, 2008
Stakeholders Meeting and Presentation to CD Board	October 29, 2008
Vermont Housing & Conservation Board (VHCB) presentation	October 31, 2008
Vermont Association of Planning & Development Agencies (VAPDA)	November 6, 2008
Draft NSP Plan and documents posted to DHCA website	November 10, 2008
Public Hearing and Stakeholders Meeting	November 12, 2008
Final NSP Plan and Application and Proposal submitted to HUD	November 26, 2008
HUD Requested Revisions to the Plan for targeting	December 17, 2008
Revised Plan sent to HUD	December 22, 2008
HUD Approval of Plan and Award	January 26, 2009
ACCD issues RFP's for Projects	February 2009
ACCD accepting & commenting on RFP's	February – May 2009
NSP Informational Meeting held for applicants/developers	February 3, 2009
Meeting with HUD Inspector General staff	February 17, 2009
HUD issues Grant Agreement to State	March 2009

Proposals due to ACCD	May 2009
ACCD Award Decisions	June 2009
ACCD offers Grant Agreement to Awardee(s)	July 2009
NSP Funds Obligated/under contract	August 2010
NSP Funds fully expended & National Objective met	February 2013

Greetings,

As many of you are aware, Vermont has the opportunity to receive a $19.6 Million grant to fund activities related to the purchase, rehabilitation, or redevelopment of abandoned or foreclosed upon homes in the Neighborhood Stabilization Program (NSP) through the US Department of Housing & Urban Development (HUD). Timeframes are VERY tight & the Agency of Commerce and Community Development (ACCD) must submit a complete application and Consolidated Plan Amendment to HUD by December 1, 2008 to access this funding.

ACCD is convening a meeting of stakeholders and interest groups to comment on the Draft Vermont NSP Application/Plan on Wednesday November 12th and we are inviting you and/or your organization to participate. The Draft NSP Application/Plan will be available on the Department website on November 10, 2008 at www.dhca.state.vt.us/vcdp, or at the ACCD office at One National Life Drive, North Lobby, Sixth Floor; Montpelier, Vermont.

The stakeholder meeting will be followed by a public hearing at the same location. The Public Hearing Notice is attached and to ensure the widest distribution we ask you to post to your websites if possible.

- **Stakeholders Meeting** – November 12 at 3:00pm to 5:00pm,
- **Public Hearing** – November 12 at 5:00pm to 6:30pm

Pavilion Auditorium
Pavilion Building
109 State Street
Montpelier, VT 05602

We welcome your ideas, suggestions and encourage public comment from all sectors and through multiple avenues. Please visit www.HUD.gov\nsp to learn the more about the NSP and for the most up-to-date information regarding the program. Written comments on the draft plan will be accepted through November 24, 2008 and should be emailed to Cathy Scott at cathy.scott@state.vt.us .

From: Hanford, Josh
Sent: Thursday, October 23, 2008 4:03 PM
To: Saudade, Jim; Kroll, Ann Karlene; Boutin, Beth
Subject: Invitation to Neighborhood Stabilization Program- stakeholders meeting & public hearing- Nov. 12th!

Importance: High

Any thoughts, comments or suggestions for the "draft email" below? This email would have the official Public Hearing Notice attached and would be distributed to all of our distribution lists.
Thanks, josh

10/24/2008

Greetings,

As many of you are aware, Vermont has the opportunity to receive a $19.6 Million grant to fund activities related to the purchase, rehabilitation, or redevelopment of abandoned or foreclosed upon homes in the Neighborhood Stabilization Program (NSP) through the US Department of Housing & Urban Development (HUD). Timeframes are VERY tight & the Agency of Commerce and Community Development (ACCD) must submit a complete application and Consolidated Plan Amendment to HUD by December 1, 2008 to access this funding.

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Pavilion Auditorium
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109 State Street
Montpelier, VT 05602

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PLEASE POST

Public Hearing Notice

Neighborhood Stabilization Program (NSP)

Substantial Amendment to Consolidated Plan for Funding from the U. S. Department of Housing and Urban Development (HUD)

The State of Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs is seeking public comment prior to submission to HUD on the substantial amendment to the Consolidated Plan that governs the use of Community Development Block Grant (CDBG) Program, the Home Investment Partnerships Program (HOME), the Emergency Shelter Grant Program (ESG), and other HUD programs.

The substantial amendment is to manage the new Neighborhood Stabilization Program (NSP) in the amount of $19.6 million as authorized by the recently enacted Housing and Economic Recovery Act of 2008. The NSP is to assist states and local governments in addressing the effects of abandoned and foreclosed residential properties through eligible activities. Please go to www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspnotice.pdf for more information on the Act.

The Draft NSP application to HUD and amendment to the Consolidated Plan will be available on the Department website as of November 10, 2008 at www.dhca.state.vt.us/vcdp, or at the Agency offices at One National Life Drive, North Lobby, Sixth Floor; Montpelier, Vermont. Written comments will be accepted through November 25, 2008 and should be sent via e-mail to Cathy.Scott@state.vt.us. Only if unable to e-mail send comments addressed to Agency of Commerce and Community Development; 1 National Life Drive; Montpelier, VT 05620-0501.

The public hearing will be held on November 12, 2008 at 5:00pm – 6:30pm at the Pavilion Auditorium, 109 State Street; Montpelier, Vermont. The meeting room is fully accessible. Accommodations for persons with disabilities will be made upon request. Interpreters to meet the needs of non-english speaking persons will be made upon request. Requests should be made to Cathy Scott at (802) 828-5221. TTY#1-800-253-0191.

Vermont Housing & Conservation Board
October 31, 2008
Excerpted from the draft Minutes of the Meeting
Quechee Inn, Quechee, Vermont

Neighborhood Stabilization Program

Jim Saudade gave an overview of the Vermont Agency of Commerce and Community Development Department of Housing & Community Affairs application to utilize $19.6 million in federal funding from the Neighborhood Stabilization Program. He noted the proposal was subject to feedback to be received at a stakeholders meeting and a public hearing November 12.

Roy Folsom made a motion, seconded by Tom Weaver, to adopt a resolution supporting the concept for the program description as laid out by Jim.

John Ewing said he wanted to be sure VHCB staff understand the details of the proposal. Chris Hart said she is unclear what will be VHCB's role in the program.

All voted in favor.

VERMONT

State of Vermont
Department of Housing and Community Affairs
National Life Building, Drawer 20
Montpelier, VT 05620-0501
www.dhca.state.vt.us

[phone] 802-828-3211
[Department fax] 802-828-2928
[Historic Preservation fax] 802-828-3206

Agency of Commerce & Community Development

FAX COVER SHEET

TO:	Nathan Lavery	FROM:	Jim Saudade
OFFICE:	JFO	DATE:	4/1/09
PHONE:		TIME:	
FAX:	828-2483	# PAGES:	4 (including cover sheet)

If there are any problems with the transmission of this fax, please call 802-828-3211 and ask for

____________________.

This facsimile may contain privileged or confidential information intended only for the use of the individual or entity to whom it is addressed. If you receive this in error, please notify the sender by telephone immediately.

Notes:

RECEIVED 4/1/09 10:20 AM SEE ASTERISKS

FUNDING APPROVAL AND GRANT AGREEMENT FOR NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDS AS AUTHORIZED AND APPROPRIATED UNDER THE HOUSING AND ECONOMIC RECOVERY ACT OF 2008 (PUBLIC LAW 110-289, JULY 30, 2008)

NSP GRANTEE: **State of Vermont – Agency of Commerce and Community Development**

NSP GRANT NUMBER: **B-08-DN-50-0001**

NSP GRANT AMOUNT: **$19,600,000**

NSP APPROVAL DATE: **January 15, 2009**

This Grant Agreement between the Department of Housing and Urban Development (HUD) and the State of Vermont – Agency of Commerce and Community Development, (Grantee), is made pursuant to the authority of sections 2301 – 2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 (July 30, 2008)) (HERA). The program established pursuant to section 2301-2304 is known as the "Neighborhood Stabilization Program" or "NSP." The Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Redevelopment of Abandoned and Foreclosed Homes Under the Housing and Economic Recovery Act, 2008 published at 73 FR 58330 (October 6, 2008) (Notice); HERA; the Grantee's submission for NSP assistance (Grantee Submission), dated November 26, 2008; the HUD regulations at 24 CFR Part 570 (as modified by the Notice and as now in effect and as may be amended from time to time) (Regulations); and this Funding Approval, including any special conditions, constitute part of the Grant Agreement.

Subject to the provisions of this Grant Agreement, HUD will make NSP Grant Funds in the amount of $19,600,000 available to the Grantee upon execution of this Grant Agreement by the parties. * The Grantee shall have 18 months from the date of HUD's execution of this Grant Agreement to obligate the NSP Grant Amount pursuant to the requirements of HERA and the Notice. The Grantee shall have 48 months from the date of HUD's execution of this Grant Agreement to expend the NSP Grant Amount pursuant to the requirements of the Notice. The NSP Grant Funds may be used to pay eligible costs arising from eligible uses incurred after the NSP Approval Date provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-award planning and general administrative costs may not be paid with funding assistance except as permitted in the Notice; the Notice limits such costs to those incurred on or after September 29, 2008. Other pre-award costs may not be paid with funding assistance except as permitted by 24 CFR 570.200(h); for purposes of NSP, such costs are limited to those incurred on or after the date that the NSP substantial amendment was received by HUD.

The Grantee agrees to assume all of the responsibilities for environmental review, decisionmaking, and actions, as specified and required in regulations issued by the Secretary pursuant to Section 104(g) of Title I of the Housing and Community Development Act, as amended (42 U.S.C. 5304) and published in 24 CFR Part 58. The Grantee further acknowledges its responsibility for adherence to the Grant Agreement by sub-recipient entities to which it makes funding assistance hereunder available.

This Grant Agreement may be amended only with the prior written approval of HUD. In considering proposed amendments to this Grant Agreement, HUD shall review, among other things, whether the amendment is otherwise consistent with HERA, the Notice, and the Regulations.

The Grantee may amend its Grantee Submission; however, such amendments, including substantial amendments as defined in 24 CFR Part 91, will be subject to the requirements of 24 CFR Part 91 (or any successor regulation) and any revisions HUD may make to the Notice (or any successor Notice or regulation).

The Grantee shall at all times maintain an up-to-date copy of its Grantee Submission, including all amendments approved by HUD, on its Internet website as required by the Notice. Further, the Grantee shall maintain information on all drawdowns, deposits, and expenditures of grant funds and program income under this Funding Approval and Grant Agreement and any other records required by 24 CFR 570.506, in its files and shall make such information available for audit or inspection by duly authorized representatives of HUD, HUD's Office of the Inspector General, or the Comptroller General of the United States.

The Grantee shall submit information on performance measurement as established by the Secretary for activities undertaken with NSP grant funds.

The Grantee is advised that providing false, fictitious or misleading information with respect to NSP Grant Funds may result in criminal, civil or administrative prosecution under 18 USC §1001, 18 USC §1343, 31 USC §3729, 31 USC §3801 or another applicable statute.

Close-out of this grant shall be subject to the provisions of 24 CFR 570.509 or such close-out instructions as may hereafter be issued by HUD specifically for NSP grants.

B-08-DN-50-0001

This NSP Grant Agreement is binding with respect to HUD in accordance with its terms upon the execution by HUD in the space provided above, subject to execution on behalf of the Grantee.

The United States Department of Housing and Urban Development	**The Grantee State of Vermont – Agency of Commerce and Community Development**
Richard L. Hatin	
Signature of Authorized Official	Signature of Authorized Offical
Richard L. Hatin	
Name of Authorized Official	Name of Authorized Official
Deputy Director, Community Planning and Development	
Title of Authorized Official	Title of Authorized Official
3.31.09	
Date of Signature	Date of Signature
RO/FO: 01/01 CPD-CDBG-09-00 Appropriation/PAS: 86x0162 NSP Source Yr: 2008Z FYI: 2008/08CDAB	036000274
	Grantee Tax Identification

For HUD CFO Use Only

Current Balances	Increases/Decreases	Ending Balance	Date

From: "Kroll, Ann Karlene" <AnnKarlene.Kroll@state.vt.us>
To: "Saudade, Jim" <Jim.Saudade@state.vt.us>, "Reardon, Jim" <Jim.Reardon@st...
CC: "'Nathan Lavery'" <nlavery@leg.state.vt.us>
Date: 3/27/2009 12:01 PM
Subject: RE: NSP

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The Process for this Substantial Amendment at a minimum would be:

1. Draft language for the Amendment;

2. Post notices in the standard 8 newspapers around the State, and to numerous appropriate websites;

3. Receive and consider comments for thirty (30) days;

4. Summarize the public comments;

5. Submit Substantial Amendment with public comments to HUD for review and approval;

6. HUD approval happens at the Field Office level, as well, as HUD Headquarters in Washington, DC - given all that is on their plate with new stimulus funds, HUD is not going to look kindly on this type of amendment that has no value-added and only is serving to delay obligating the funds, and harming the projects already in the pipeline; and

7. HUD has at least 30 days to respond to the amendment request.

So, at a very minimum just within the amendment process there is approximately 65 days, and then add on the days between now and when the Legislature votes to approve the AA-1 with the condition of funding to VHCB.

The impact of the amendment will probably reduce the 18-month obligation period by at least 3-4 very critical months.

Important Note: there is real danger of impacting the HARP component of the NSP Plan, as VHFA has been working feverishly to complete all the preliminary work to enable the purchase of several foreclosed upon homes the instance the State has a signed Grant Agreement from HUD, and the AA-1 has been approved. VHFA has already expressed concern about the delays from the State to get their Grant Agreement to begin in earnest obligating the $7M for the HARP, and not lose out on the purchase of these homes to other entities that will not be reselling the homes under the critical conditions of long-term affordability for households of up to 120%.

This message must be communicated to the House Appropriations Committee ASAP. akk
Ann Karlene Kroll
Director of Grants Management
Agency of Commerce & Community Development
One National Life Drive
Montpelier, VT 05620-0501
(802) 828-5225 fax# (802) 828-2928

From: Saudade, Jim
Sent: Thursday, March 26, 2009 1:52 PM
To: Reardon, Jim; Hartrich, Toni; Fisher, Kathy; Dorn, Kevin; Hanford, Josh; Bishop, Betsy; Brooks, Tayt; Boutin, Beth; Kroll, Ann Karlene
Subject: NSP

I have the House Appropriations Committee document entitled, "Funding for Vermont Housing and Conservation Board and offset:"

This document proposes to approve the AA-1 for the NSP program subject to a condition that "$4M be transferred to VHCB and administered by them..."

Please be advised:

1. Approval of the AA-I (JFO#2370) with this condition will stop our progress of deploying these funds jeopardizing the program.

2. We will be required to submit a request for program amendment to HUD to sub grant any dollars to VHCB. This will take time and in the end may not get approved since there is no supportive rationale for the amendment.

3. The VHCB board has voted unanimously not to act as an administrative authority for these funds. There is no authority from the board to accept these funds in the manner proposed. This position is not likely to change.

4. ACCD has offered to fund projects in the VHCB pipeline if they qualify for NSP effectively reducing the demand for transfer tax money.

5. There is no strategic advantage to this proposal over what was previously offered.

Please advise us of the progress regarding this issue so that we may proceed as required in an expeditious manner.

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This message must be communicated to the House Appropriations Committee ASAP. akk
Ann Karlene Kroll
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(802) 828-5225 fax# (802) 828-2928

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Agency of Commerce & Community Development
One National Life Drive
Montpelier, VT 05620-0501
(802) 828-5225 fax# (802) 828-2928

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115 STATE STREET
MONTPELIER, VT 05633-5201

PHONE: (802) 828-2228
FAX: (802) 828-2424

STATE OF VERMONT
GENERAL ASSEMBLY

November 24, 2008

Secretary Neale Lunderville
Agency of Administration
State of Vermont
109 State St
Montpelier, VT 05609

Dear Secretary Lunderville,

We appreciate Mr. Saudade's recent presentation before the Joint Fiscal Committee highlighting the public process and the draft Neighborhood Stabilization Plan (NSP) for the $19.6 million Vermont is expected to receive in federal Housing and Urban Development funds.

Pursuant to the Joint Fiscal Committee's discussion on November 18, we are writing to let you know that the Committee and the General Assembly have a keen interest in the Plan for NSP funds. These funds are crucial to our goal of targeting housing to those hardest hit by the current economic downturn: families who have lost their homes, especially those with very low incomes. Once these federal funds are awarded, the Joint Fiscal Committee must approve the grant as received or the General Assembly must swiftly specify in legislation how these funds will be used. Since the timeline for using the funds is compressed, it is important that the Plan as submitted clearly support legislative priorities. Legislative priorities call for a plan that:

- Is consistent with the Consolidated Plan's fundamental principle of investing in permanent affordability for low and moderate income Vermonters. All proposals for the multifamily housing projects must guarantee perpetual affordability as a precondition to eligibility for funding;
- Recognizes as a top priority, not just as an eligible category, projects that will demolish blighted structures and redevelop demolished or vacant buildings;
- Provides maximum economic stimulus by leveraging NSP funds with matching funds;
- Supports projects that are well developed, already in the pipeline, and able to move toward construction within the timing window of the act;
- Serves smaller, rural communities as well as cities and larger towns with projects that are appropriate in scale and scope, and
- Allows the most flexible use of the funds permitted under federal regulations to meet the unique needs of Vermont communities.

To meet these priorities, the Plan should include:

1. Project Specific Program – not less than $7.2 million to be administered by the Vermont Housing and Conservation Board for multi-family and permanent supportive housing. Projects should be developed in consort with community based organizations with track records of serving those with incomes at or below 50% of median income. The minimum grant amount should be lowered from $1 million to $500,000.
2. Homeownership Assistance Program – up to $7.2 million to be administered by the Vermont Housing Finance Agency to reprocess at least 55 foreclosed households.
3. Municipal Programs – up to $3.2 million to be administered by the Department of Housing and Community Affairs through an RFP to municipalities such as the City of Burlington. VHFA and VHCB funds should not be prevented from use in these communities.

Since our goal is to maximize economic stimulus, respond quickly to need, assist those with very low incomes, and employ the expertise of experienced housing professionals in project development, it is essential that Vermont's two lead housing organizations, VHFA and VHCB, administer initiatives 1 and 2 described above, with the Department of Housing and Community Affairs administering number 3. Administrative costs, not to exceed 10%, should be allocated to each of the three agencies proportional to the amount of funds they will administer as described above.

Thank you for incorporating these components into the Plan. On behalf of the Committee we would appreciate receiving the revised draft Plan and a summary of public comments by November 26, prior to the Plan's submission on December 1.

Sincerely,

Senator Susan Bartlett, Chair
Joint Fiscal Committee

Rep. Michael Obuchowski, Vice Chair
Joint Fiscal Committee

Rep. Martha Heath, Member
Joint Fiscal Committee

Senator Peter Shumlin, Member
Joint Fiscal Committee

Cc: Secretary Kevin Dorn, Vermont Agency Commerce & Community Development
Deputy Secretary Jim Saudade, Vermont Agency Commerce & Community Development

1 BALDWIN STREET,
MONTPELIER, VT 05633-5701

PHONE: (802) 828-2295
FAX: (802) 828-2483

STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members

From: Nathan Lavery, Fiscal Analyst

Date: March 26, 2009

Subject: Grant Request

Two members of the Joint Fiscal Committee have requested that the following item be held for legislative review and action:

JFO #2370 — $19,600,000 grant from the U.S. Department of Housing and Urban Development (HUD) to the Agency of Commerce and Community Affairs – Housing and Community Affairs. These funds were allocated to Vermont for the Neighborhood Stabilization Program authorized under the Housing and Economic Recovery Act of 2008 and are intended to assist the State in addressing problems created by abandoned and foreclosed residential properties.
[*JFO received 3/25/09*]

In accordance with 32 V.S.A. §5, JFO #2370 is not accepted unless and until approved by the legislature.

Questions and requests for materials associated with this item can be directed to the Joint Fiscal Office (Nathan Lavery at (802) 828-1488; nlavery@leg.state.vt.us).

cc: Neale Lunderville, Secretary
James Reardon, Commissioner
Kevin Dorn, Secretary

115 STATE STREET
MONTPELIER, VT 05633-5201

PHONE: (802) 828-2228
FAX: (802) 828-2424

STATE OF VERMONT
GENERAL ASSEMBLY

November 24, 2008

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Agency of Administration
State of Vermont
109 State St
Montpelier, VT 05609

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STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members

From: Nathan Lavery, Fiscal Analyst

Date: March 25, 2009

Subject: Grant Request

Enclosed please find one (1) request which the Joint Fiscal Office has received from the Administration:

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[*JFO received 3/25/09*]

Due to the large volume of supporting materials accompanying this submission, distribution of additional materials will be made at the request of Joint Fiscal Committee members.

The Joint Fiscal Office has reviewed these submissions and determined that all appropriate forms bearing the necessary approvals are in order.

In accordance with the procedures for processing such requests, we ask you to review the enclosed and notify the Joint Fiscal Office (Nathan Lavery at (802) 828-1488; nlavery@leg.state.vt.us) if you have questions or would like an item held for legislative approval. Unless we hear from you to the contrary by April 8 we will assume that you agree to consider as final the Governor's acceptance of this request.

cc: James Reardon, Commissioner
Kevin Dorn, Secretary

VERMONT

ANN KARLENE KROLL
Director of Grants Management
[phone] 802-828-5225 [fax] 802-828-2928
[toll free] 800-622-4553
[email] annkarlene.kroll@state.vt.us

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& Community Development
One National Life Drive
Montpelier, VT 05620-0501
www.dca.state.vt.us

Agency of
Commerce &
Community
Development

Neighborhood Stabilization Program Instructions for Grantee Submissions

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PROGRAM REQUIREMENTS

Areas of Greatest Need

Jurisdictions that receive NSP funds must give priority emphasis to the areas of greatest need within their states, including those:

(1) with the greatest percentage of foreclosures,
(2) with the highest percentage of homes financed by subprime mortgage related
loans, and
(3) identified as likely to face a significant rise in the rate of home foreclosures.

To assist grantees in identifying areas of greatest need, HUD developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions.

Eligible Uses of NSP Funds

NSP funds may be used for activities which include, but are not limited to:

- Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties;
- Purchasing and rehabilitating homes and residential properties abandoned or foreclosed;
- Establishing land banks for foreclosed homes;
- Demolishing blighted structures; or
- Redeveloping demolished or vacant properties

For more information, HUD prepared a Guide to NSP Eligible Uses.

Low/Moderate/Middle Income (LMMI) Requirements

- All NSP funds shall be used to benefit individuals and families whose incomes do not exceed *120 percent of area median income*, measured as 2.4 times the current Section 8 income limit for households below 50 percent of median income, adjusted for family size.
    - ***Note:*** An entitlement community receiving money from the state must apply the *area median income* levels applicable to its regular CDBG program; not the "balance of state" levels.
- At least 25 percent of NSP funds shall be used for the purchase of abandoned or foreclosed upon homes or residential properties that will be used *to house* individuals or families whose incomes do not exceed *50 percent of area median income*.

Grantees may visit the NSP Data website to identify LMMI areas.

SUBMISSION REQUIREMENTS

What to Submit

- NSP Substantial Amendment to the 2008 consolidated/action plan
- SF-424 (Signed & Dated)
- Signed certifications (Signed & Dated).

Note: Grantees may use the Substantial Amendment Template, which includes a form for the NSP Substantial Amendment and certifications.

Deadlines

- November 15, 2008. By November 15, 2008, grantees must publish and post their proposed NSP Substantial Amendments to their websites for the required 15-day public comment period.
- December 1, 2008. Grantees must submit a *substantially complete* Substantial Amendment by the December 1, 2008 deadline. Failure to submit a substantially complete Substantial Amendment on time means that HUD may reallocate the funds set aside under the formula.

Note: Further information on how to submit will be forthcoming.

Who Submits

- Each eligible grantee may submit its own NSP Substantial Amendment; OR
- Contiguous grantees (metropolitan cities or urban counties) in the same metropolitan area may submit joint requests, resulting in a single combined grant and a single NSP Substantial Amendment. A jurisdiction need not have a joint agreement with an urban county under the regular CDBG entitlement program to request a joint program for NSP funding. Grantees must specify which jurisdiction will receive the combined grant and administer the funds; OR
- Any eligible grantee may submit a joint request with its state. The state will receive the combined grant and administer the funds.

Note: Any existing entitlement city/urban county joint agreements and urban county participation agreements governing Fiscal Year 2008 regular CDBG will apply to NSP as well.

Management Information System

- Disaster Recovery Grant Reporting system (DRGR) is the Management Information System used for NSP;
- Grantees may submit Substantial Amendments via DRGR; or
- Grantees submitting paper Substantial Amendments must set up their action plan in DRGR prior to the first required performance report. Applicants submitting paper NSP Substantial Amendments are encouraged to use the NSP Substantial Amendment Template and Checklist in order to expedite HUD review.

Submission of Paper Substantial Amendments, Certifications, and SF-424s

- Further information forthcoming. Please contact your HUD field office for guidance.

Public Comment

- The proposed action plan must be published via the usual methods used for the grantee's consolidated plan and action plans, and on the (lead) grantee's public website for at least 15 calendar days for public comment.
- For joint requests, the citizen participation process must include citizens of all jurisdictions participating.
- The final NSP Substantial Amendments must include a summary of public comments.

Internet Postings

Grantees must maintain a website available to the general public containing the following information:

- Proposed NSP Substantial Amendment (for at least 15 days prior to final Substantial Amendment),
- Final NSP Substantial Amendment (*Note:* If a state is incorporating an entitlement jurisdiction's consolidated plan and NSP needs, include a hyperlink to the entitlement jurisdiction's consolidated plan and NSP substantial amendment),
- Standard Form 424, and
- DRGR Reports

Language

- All program information, including the NSP Substantial Amendment must be available in the appropriate languages for the geographic area for persons with limited English proficiency.
- *This may be a particular issue for states.* Because regular state CDBG funds are not used in entitlement areas, state CDBG staffs may not be aware of limited English proficient speaking populations in those metropolitan jurisdictions.

Pre-Award Costs

A grantee may incur pre-award costs necessary to develop the NSP Substantial Amendment and undertake other administrative actions necessary to receive the NSP grant, beginning September 29, 2008. A state may also authorize its subrecipients to incur costs prior to the state's award of funds to subrecipients.

Waivers

Grantees seeking a waiver under the provisions of the NSP notice, seeking to undertake an activity other than those specified in the NSP notice, or who have inquiries regarding whether an activity requires a waiver, should contact their local HUD field office.

Further information shall be forthcoming regarding the process of submitting waivers.

NSP SUBSTANTIAL AMENDMENT CONTENTS CHECKLIST

To ensure their submissions are substantially complete, grantees should include the following in their NSP Substantial Amendment.

General Information

- *Contact information.* Include administrator contact information.
- *Web Address.* Include the URL of administrator's website, where NSP documents are available.

Needs, Distribution, Use of Funds, and Definitions

- *Needs Data.* Summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.
- *Distribution and Use Narrative.* Narrative describing how the distribution and use of NSP funds prioritize the geographic 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 as likely to face a significant rise in the rate of home foreclosures.
- *Definitions.* Narratives shall include definitions of:
  - "blighted structure" (in the context of state or local law);
  - "affordable rents;"
- *Descriptions.* Narratives shall describe:
  - how the jurisdiction will ensure continued affordability for NSP-assisted housing; and
  - what housing rehabilitation standards shall apply to NSP-assisted activities.
- *Acquisition and Relocation.* If a grantee is planning to use NSP funds to demolish or convert any low- and moderate-income dwelling units, grantees shall 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.

Activity Information Describing the Use of Funds

A description of *each* activity shall include:

1. *General Use Information (For All Activities)*
   - The eligible use of funds under NSP.
   - The eligible activity or activities under the CDBG program that correlates with the NSP eligible use. To help determine which CDBG activities correlate with uses under the NSP, grantees can consult the crosswalk from the NSP Notice.
   - The geographic areas of greatest need addressed by the activity or activities.
   - Appropriate performance measures (e.g., units of housing to be acquired, rehabilitated, or demolished).
   - The amount of funds budgeted for the activity.
   - The name and location of the entity that will carry out the activity.
   - The expected start and end dates of the activity.
   - Expected benefit to income-qualified persons or households.
   - Whether the activity will count towards the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50 percent of area median income. If so, the estimated amount of funds to be used for this purpose.

2. *Specific Activity Requirements (if Applicable)*

Describe the general terms under which assistance will be provided, including:

- Discount required for acquisition of foreclosed upon properties for activities involving property acquisition.
- Range of interest rates for financing mechanisms.
- Duration or term of assistance.
- Tenure of beneficiaries. (renters vs. homeowners)
- How the housing production activities ensure affordable housing

Guide to Neighborhood Stabilization Program (NSP) Eligible Uses

This Guide is designed to present the activities that are eligible to be assisted under the Neighborhood Stabilization Program (NSP) found in Title III of Division B of the Housing and Economic Recovery Act of 2008. For guidance on how to apply for NSP funds, consult the NSP Quick Guide for Grantees and the Application and Checklist.

I. GENERAL INFORMATION

1. LOW AND MODERATE INCOME REQUIREMENT

(Housing and Economic Recovery Act §2301(f)(3)(A)(i) and (ii))

Requirements for the use of NSP funds:

(1) All of the funds made available under this section are to be used with respect to individuals and families whose incomes do not exceed 120% of area median income.

(2) Not less than 25% of these funds are to be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% of area median income.

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

For more information on the 120% of area median income requirement consult http://www.huduser.org/publications/commdevl/nsp.html.

Meeting the National Objective:

NSP allows for the use of *only* the LMMI national objective.

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

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

Examples of how funds can be used to meet the national objective:

Housing Activities: Providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

- Acquisition, Rehabilitation, Rental, Sale, Conversion, Construction of Housing Units
- Homeownership Assistance
- Infrastructure for housing as part of redevelopment
- All Units must be occupied by those meeting the low- and moderate-income requirement.

Area Benefit Activities: Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

- Grantees must identify the service area of each NSP-funded activity.
- HUD will provide data on the percentage of low-, moderate- and middle income persons, by census tracts and block groups.
  See http://www.huduser.org/publications/commdevl/nsp.html
- Demolition, Acquisition, Lank Banks if maintenance and demolition also take place
- No use of the "upper quartile" provision for exception criteria communities.

Limited Clientele Activities: Serving a limited clientele whose incomes are at or below 120 % of area median income (LMMC).

- Housing counseling for prospective purchasers/tenants

- Public facilities such as emergency shelters, group homes

Meeting the 50% of area median income requirement:

- The requirement applies to each grant, not to the NSP program as a whole, nor each project or activity, nor each subrecipient.

- Compliance based on dollars, not number of units

- Principal way to comply will be through rental housing:
    - New construction or conversion
    - Acquisition
    - Rehabilitation

2. PRIORITY FOR AREAS OF GREATEST NEED

(Housing and Economic Recovery Act §2301(c)(2))

- In distributing NSP funds, grantees are 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 subprime mortgage related loan;
  (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclsosures.

- 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 http://www.huduser.org/publications/commdevl/nsp.html

3. CONTINUED AFFORDABILITY

- Grantees shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301(f)(3)(A)(ii), to remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

- HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f), and 92.254 to be in minimal compliance with this affordability standard and expects any other standards proposed and applied by a grantee to be enforceable and longer in duration.

- If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosure or transfer in lieu of foreclosure pursuant to 24 CFR part 92, the grantee must revive the HOME affordability restrictions for the greater of the remaining period of HOME affordability or the continuing affordability requirements of this notice.

4. TIMELY USE AND EXPENDITURE OF FUNDS

(Housing and Economic Recovery Act §2301(c)(1))

- Grantees must use NSP funds within eighteen months of receipt.

Relevant Definition:

Use for the purposes of section 2301(c)(1). Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity; for example, for acquisition of a specific property. 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.

- A grantee will be deemed to have received its NSP grant at the time HUD signs its NSP grant agreement (or amendment thereto if funds are later reallocated to the grantee).

- Grantees must be expend on eligible NSP activities an amount equal to or greater than the initial allocation of NSP funds within four years of receipt of funds.

5. INFORMATION FOR STATES

- Unlike the CDBG program, states may distribute funds to or within any jurisdiction within the state (e.g. entitlement communities and Indian tribes) that is among those with the greatest need, even if the jurisdiction is among those receiving a direct formula allocation of funds from HUD under the regular CBDG program or NSP.

- Also, unlike the State CDBG program, a state receiving NSP funds may carry out NSP activities directly for some or all of its assisted grant activities in the same manner that entitlement communities are permitted under 24 CFR 570.200(f). Such activities include, but are not limited to, carrying out activities using its own employees, procuring contractors, private developers, and providing loans and grants through nonprofit subrecipients (including local governments and other public nonprofits such as regional or local planning or development authorities and public housing authorities).

II. ELIGIBLE USES

(Housing and Economic Recovery Act §2301(c)(3))

1. <u>FINANCING MECHANISMS</u>

§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

<u>Relevant Definition:</u>

Foreclosed. A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

<u>Correlated Eligible Activities from the CDBG Entitlement Regulations</u>

- As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.
- Financing mechanisms used to carry out CDBG eligible activities listed below.

2. <u>PURCHASE AND REHABILITATION</u>

§2301(c)(3)(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;

<u>Relevant Definitions:</u>

Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Current market appraised value. 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 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

Acquisition:

- Section 2301(d)(1) of HERA requires any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property.

- For mortgagee foreclosed properties, grantees must seek to obtain the "maximum reasonable discount" from the mortgagee, taking into consideration likely "carrying costs" of the mortgagee if it were to not sell the property to the grantee or subrecipient.

- Section 301 of the URA, regarding just compensation, does not apply to voluntary acquisitions.

- All acquisitions of property under NSP require an appraisal for purposes of determining the statutory purchase discount.

- For individual purchase transactions, the purchase discount is to be at least 5% from the current market appraised value of the home or property.

- For purchase transactions in the aggregate, the average purchase discount depends on how the purchase discount for an individual property is determined.

    - The average purchase discount shall be at least 10% if the State, unit of general local government, or subrecipient determines the discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5%).

        - Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period.

        - Carrying costs shall include, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.

    - If this methodology is not used, the minimum average discount shall be at least 15%.

- An NSP recipient may NOT provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay the necessary and reasonable costs related to the appraisal and transfer of title.

- Grantees that are contemplating using NSP funds to assist an acquisition involving an eminent domain action are advised to consult legal counsel before taking action, as this may present problems with the Takings Clause of the Fifth Amendment to the U.S. Constitution and prior Supreme Court rulings.

- HUD is not specifying alternative requirements to the relocation assistance provisions at 42 U.S.C. 5304(d).

- Grantees are encouraged to acquire and redevelop FHA foreclosed properties. HUD provides information on such properties at http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm. Grantees may also contact their local HUD FHA office for further information.

Rehabilitation

- Any rehabilitation of a foreclosed upon home or residential property shall be to the extent necessary to comply with applicable laws, codes and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. In their substantial amendment, grantees must define their housing rehabilitation standards that will apply to NSP assisted activities.

- Funds may be used for preservation, improving energy efficiency or conservation, or providing renewable energy source(s).

    - HUD encourages grantees to strategically incorporate modern green building and energy efficiency improvements to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public parks or mixed residential and commercial use.

- Grantees may rehabilitate property to be operated as rental housing by the grantee, by a subrecipient, by a lessee or by a purchaser. Grantees should note that the costs of purchase, rehabilitation, conversion and sale of such properties are eligible NSP activities, but the expenses of actually operating the rental housing (such as maintenance, insurance, deficits in monthly operating income) and tenant-based rental subsidies are not eligible NSP activities.

Sale

- If an abandoned or foreclosed upon home or residential property is to be sold to an individual as a primary residence, no profit may be earned on such sale.

- Section 2301(d)(2) directs that the sale of such property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

- The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of property).

- In determining the sales price, HUD will NOT consider the costs of boarding up, lawn mowing, maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs.

- Each NSP-assisted homebuyer is required to receive and complete at least eight hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- Grantees must ensure that homebuyers obtain a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages.

- Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- 24 CFR 570.201
  - (a) Acquisition
  - (b) Disposition
  - (i) Relocation
  - (n) Direct homeownership assistance to persons whose incomes do not exceed 120% of median income.

- 24 CFR 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties. Note that rehabilitation may include counseling for those seeking to take part in the activity.

3. LAND BANKS

§2301(c)(3)(C) establish land banks for homes that have been foreclosed upon;

Relevant definitions:

Land bank. A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Lank Bank Uses:

- A land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements. HUD does not believe that holding property alone is sufficient to stabilize most neighborhoods.

- The grantee must determine the actual service area benefiting from a land bank's activities.

- Grantees may pursue other Land Bank activities, however, NSP funds may only be used for acquisition

- For more information on land banks and examples of best practices visit: http://www.hud.gov/offices/cpd/about/conplan/foreclosure/landbanks.cfm

Correlated Eligible Activities from the CDBG Entitlement Regulations:

- 24 CFR 570.201
  - (a) Acquisition
  - (b) Disposition

4. DEMOLITION

§2301(c)(3)(D) demolish blighted structures;

Relevant definition:

Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

General information:

- The national objectives related to prevention and elimination of slums and blight and addressing urgent community development needs (24 CFR 570.208(b) and (c) and 570.483(c) and (d)) are not applicable to NSP-assisted activities.

- NSP grantees will NOT be required to meet the requirements of 42 U.S.C. 5304(d) as implemented at 24 CFR 42.375, which mandates one-for-one replacement of low- and moderate-income dwellings units that are demolished or converted for activities assisted with NSP funds.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- 24 CFR 570.201 (d) Clearance, for blighted structures only

5. REDEVELOPMENT

§2301(c)(3)(E) redevelop demolished or vacant properties

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- New construction of housing and building infrastructure for housing is an eligible use.

- Grantees may redevelop property to be used as rental housing.

- Grantees are encouraged to acquire and redevelop FHA foreclosed properties. HUD provides information on such properties at http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm. Grantees may also contact their local HUD FHA office for further information.

Correlated Eligible Activities from the CDBG Entitlement Regulations

- 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
(n) Direct homeownership assistance (for persons whose income does not exceed 120% of median income)

- 24 CFR 570.204 Community based development organizations

- New housing construction

6. **ADMINISTRATION AND PLANNING COSTS**
(Housing and Economic Recovery Act §2301(c)(3))

- An amount of up to 10% of an NSP grant provided to a jurisdiction and up to 10% of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.

- For all grantees, including states, the 10% limitation applies to the grant as a whole.

- There is no state match requirement for administrative costs as exists in the CDBG program.

- Activity delivery costs, as defined in 24 CFR 570.206, may be charged to the particular activity performed above and will not count as general administration and planning costs.

- Pre-award Costs: A grantee may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h). States may allow subrecipients to incur pre-award costs pursuant to 24 CFR 570.489(h).

7. **OTHER USES**

- If grantees would like to use funds for activities not specifically addressed, grantees must make a written request to their local HUD field office for approval. Such request must demonstrate that the proposed activity constitutes an eligible use under the NSP.

- If not otherwise stated, if an activity is ineligible under CDBG, it is ineligible under the NSP program.

- HUD will not consider requests to allow foreclosure prevention activities, such as refinancing mortgages and paying back taxes; or to allow demolition of structures that are not blighted; or to allow purchase of residential properties and homes that have not been abandoned or foreclosed upon as provided in HERA and defined in this notice

NEIGHBORHOOD STABILIZATION PROGRAM
Request for Proposals for Project-Specific Activities

The State of Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs is seeking project proposals to be funded through the new Neighborhood Stabilization Program (NSP) from nonprofit and/or for profit entities/developers. The proposals must address the goals and priorities established in the NSP Plan as submitted to HUD to assist in acquiring and developing foreclosed properties, or the re-development of blighted and abandoned properties to be brought back into residential use. The activities to be carried out under the Project-Specific Program will serve persons of low, moderate, and middle income (up to 120% of the area median income). However, priority will be given to those proposals that will benefit individuals at ≤ 50% of the area median income. Proposals that seek perpetual affordability are encouraged, at a minimum rehabilitated properties must be kept affordable for a 15 year term, and new construction must meet a 20 year term of affordability. Project-Specific Programs should provide a solution to foreclosed, abandoned or blighted properties that provide greater than four residential units.

The estimated amount available for this activity is $6,500,000 with a minimum proposal amount of $1,000,000.

Please go to www.dhca.state.vt.us to review the NSP Plan that identifies the goals, regulations, eligible activities, and strategies, and to obtain a copy of the NSP application forms that must be completed and submitted to the Department of Housing and Community Affairs (DHCA). The Proposals will be reviewed immediately upon receipt to provide preliminary approvals pending release of funding from HUD (estimated to be mid-February 2009). DHCA will continue to accept proposals until all the funds have been awarded, but no later than May 2009. For additional information, contact Josh Hanford at DHCA, One National Life Drive; Montpelier, VT 05620-0501, josh.hanford@state.vt.us, (802) 828-5201.

NEIGHBORHOOD STABILIZATION PROGRAM
Request for Proposals from Municipalities

The State of Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs is seeking project proposals from Municipalities to be funded through the new Neighborhood Stabilization Program (NSP). The proposals must address the goals and priorities established in the NSP Plan as submitted to HUD to assist in acquiring and developing foreclosed properties, or the re-development of blighted and abandoned properties to be brought back into residential use. The activities to be carried out under the Municipal Program will serve persons of low, moderate, and middle income (up to 120% of the area median income). However, priority will be given to those proposals that will benefit individuals at ≤ 50% of the area median income. Proposals that seek perpetual affordability are encouraged, at a minimum rehabilitated properties must be kept affordable for a 15 year term, and new construction must meet a 20 year term of affordability. Municipal Programs should provide for a comprehensive solution to foreclosed, abandoned or blighted properties in the community, looking at single family properties (1-4 units), as well as multi-family structures (greater than 4 units). Municipalities with no staff capacity to manage grants should look to partner with professional developers (nonprofit and/or for profit). The estimated amount available for this activity is $5,500,000 with a minimum proposal amount of $1,000,000.

Please go to www.dhca.state.vt.us to review the NSP Plan that identifies the goals, regulations, eligible activities, and strategies, and to obtain a copy of the NSP application forms that must be completed and submitted to the Department of Housing and Community Affairs (DHCA). The Proposals will be reviewed immediately upon receipt to provide preliminary approvals pending release of funding from HUD (estimated to be mid-February 2009). DHCA will continue to accept proposals until all the funds have been awarded, but no later than May 2009. For additional information, contact Josh Hanford at DHCA, One National Life Drive; Montpelier, VT 05620-0501, josh.hanford@state.vt.us, (802) 828-5201.

VERMONT

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National Life Building, Drawer 20
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Agency of Commerce & Community Development

MEMORANDUM

To: All Interested Parties

From: Josh Hanford, DHCA-Vermont Community Development Program

CC: Lt. Governor Brian Dubie; Jim Saudade; Betsy Bishop, Tayt Brooks, Ann Kroll, Beth Boutin

Date: January 16, 2009

Re: VT Neighborhood Stabilization Program (NSP)

DHCA has recently been informed that HUD has approved Vermont's $19.6 Million NSP plan. However, in order to receive that approval HUD directed that our NSP plan target NSP funds only to those areas of the state that have the greatest demonstrated need, based on available foreclosure data, despite our argument that the foreclosure problem in Vermont is not concentrated and is very dispersed. We also informed HUD, that some of the areas shown to have the greatest need also have a very low population, and potentially, lack the capacity to carryout a NSP project. Despite these arguments, HUD's Targeting requirement has resulted in making some areas of the state in-eligible for NSP funding at this time. We believe that not allowing NSP funding considerations through a statewide competitive process will negatively impact a number of potential Vermont NSP projects and is not the best approach and we are therefore still accepting applications from all areas of the state. Please visit our Website at: www.dhca.state.vt.us/VCDP/NSP.html to see the targeted areas under Vermont's NSP plan.

We are notifying you of this change as it may affect your plans to submit and/or the review of your submitted Vermont NSP Application. We hope that you will support our efforts in asking HUD to reconsider or revise its Targeting requirements for the Vermont NSP. We will be working with our partner organizations, the governor's office, and our congressional delegation to ask HUD to reconsider this requirement in addition to other regulatory requirements that will be difficult for Vermont and other rural states to meet under NSP.

We are also involved with the efforts of our liaison group, the Council of State Community Development Agencies (COSCDA), in asking congress to make the appropriate changes to the NSP legislation to allow all states, the best opportunity to use the funds for the intended purpose. Several of the recommended legislative and regulatory changes are of particular interest to Vermont and include removing restrictions on the type of projects that would not count toward the funding threshold of benefiting those at 50% of Area Median Income (AMI) and below. Currently NSP regulatory restrictions will not allow blighted or vacant properties assisted with NSP funds, regardless of the re-development and the associated beneficiaries' income levels to count toward meeting this benefit threshold. In addition, NSP projects funding transitional and/or supportive housing would not count towards this threshold under the current NSP regulations. These restrictions will severely hamper all of our efforts for a meaningful and successful NSP program in Vermont. You can view a complete list of COSCDA's recommended changes on our Website at: www.dhca.state.vt.us/VCDP/NSP.html

We will be hosting a Vermont NSP Informational Meeting on February 3, 2009 at 1PM in Montpelier to provide additional information on the Vermont NSP plan, and to assist applicants in completing their applications. We will provide up-dates on any NSP regulatory changes, provide applicants guidance on writing competitive applications, and answer any questions regarding NSP projects.

Please visit our Website at: www.dhca.state.vt.us/VCDP/NSP.html for more information and to register for the NSP Informational Meeting. At this Website you will also find Vermont's revised NSP plan with changes as required by HUD, NSP Income Limits at 50% AMI and 120% AMI for Vermont and a new Vermont NSP Proposal Review Scoring Criteria reflecting HUD's Targeting criteria.

VERMONT NEIGHBORHOOD STABILIZATION PROGRAM
INFORMATIONAL WORKSHOP
FEBRUARY 3, 2009

AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
National Life Drive, North Lobby Entrance
6th Floor, Calvin Coolidge Conference Room
Montpelier, Vermont

1:00 – 4:00 PM

- **Opening Remarks, HERA, and NSP Legislation Overview** – *Jim Saudade, Deputy Secretary, Agency of Commerce & Community Development*

- **Room Introductions**

- **VT NSP Overview**

    - **The Approved VT NSP plan** – *Josh Hanford, Director, Vermont Community Development Program*

    - **VHFA's NSP role-Homeownership Acquisition & Rehabilitation Program (HARP)** – *David S. Adams, Chief of Program Operations, Vermont Housing Finance Agency*

    - **NSP Regulations** – *Ann Karlene Kroll, Director, Grants Management*

    - **Vermont's Foreclosure Process** – *Grace Pazdan, Poverty Law Fellow, Vermont Legal Aid*

    - **Application Selection Criteria & Review Process** – *Beth Boutin, Community Development Specialist, Vermont Community Development Program*

- **Short Break**

- **Questions & Answers**

- **Adjourn**

The Vermont Neighborhood Stabilization Program (VT NSP) features a three-pronged approach to effectively and quickly deploy the funds, serve the need in Vermont, capture the desired benefit and meet all program requirements. The three-pronged approach is as follows:

I. Homeownership Acquisition and Rehabilitation Program (HARP)
II. Municipal Program
III. Project-Specific Program

I. Homeownership Acquisition and Rehabilitation Program (HARP)

The Homeownership Acquisition and Rehabilitation Program (HARP) will provide funding to the Vermont Housing and Finance Agency (VHFA), its affiliate, or subsidiary to acquire 1-4 family properties that are real estate owned (REO), with priority being given to acquire properties from Vermont-based lending institutions, municipalities who have acquired residential property through a tax taking procedure, FHA, and then from out-of-state lenders as funds allow. The foreclosure process must be complete prior to purchase by VHFA and the deed and clear title must be in the possession of the mortgagee. VHFA will:

1. Acquire properties clear of all liens and encumbrances; and

2. Rehabilitate all acquired homes to comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient; and

3. Sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds; or

4. Transfer or sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes

available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds; or

5. Sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for homeownership and rehabilitated rental properties will be required.

Funds from the State of Vermont to VHFA will be structured as grants or 0% loans. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household.

Note: VHFA must acquire the property for no more than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%.

In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

NSP Eligible Uses (HARP)

1. 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.

2. Establish land banks for foreclosed upon homes.

Eligible Activities fully described in Appendix 1.

NSP Eligible Locations (HARP)

The activities to be carried out by the Homeownership Acquisition and Rehabilitation Program (HARP) will be targeted to the following counties:

- Essex
- Orleans
- Caledonia
- Orange
- Rutland
- Windham
- Southern Windsor

Note: VHFA can acquire properties anywhere in the state in any of the above mentioned counties but not in municipalities that are awarded funds through the Municipal component of the Vermont NSP.

Total Budget (HARP)

Estimated at $7,000,000

Note: The budgeted amount is subject to change once local proposals are approved by the State.

Performance Measures/Projected Beneficiaries (HARP)

The State of Vermont estimates that a minimum of 55 units of foreclosed or abandoned homes will be acquired and/or rehabilitated through the Housing Assistance Program. Additionally the State expects the duration of benefit to be long-term with the tenure of beneficiaries to majorly as homeowners and some renters.

The income level of beneficiaries projected is as follows:

- At or below 120% of median area income – 55 Households

Note: Households at or below 50% of the median area income are not excluded from this program should it be affordable to them, however at this time the State of Vermont expects few of the beneficiaries under this activity to fall within that income range. It should also be noted that the above benefit amount is subject to change once local proposals are approved by the State.

II. Municipal Program

Vermont NSP funds will be made available to municipalities who wish to carry out a foreclosure mitigation program of their own provided they:

1. have or can acquire the capacity to effectively administer such a program;

2. have a well documented need, defined by objective, supporting data; and

3. have a plan that at a minimum will:

   a) address the municipally identified single family and/ or multi-family need quickly and efficiently;

   b) demonstrate a very, high likelihood that the municipality will fully encumber the sub grant within twelve months (estimated August, 2010); and

   c) is compliant with all applicable regulations.

The foreclosure process must be complete prior to purchase by the municipality and the deed and clear title must be in the possession of the mortgagee. Municipalities can:

1. Acquire properties clear of all liens and encumbrances; and

2. Rehabilitate all acquired homes to comply with the State of Vermont Department Public Fire and Safety and CDBG Lead Paint regulations, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient; and

   Refer to Appendix 2 for information on green and energy efficient policies of the Agency.

3. Sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds; or

4. Transfer or sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds; or

5. Sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Refer to Appendix 3 for information on affordable rent requirements.

Funds from the State of Vermont to Municipal Program grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

Note: Municipalities must acquire the property for no more than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%.

In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

NSP Eligible Uses (Municipal Program)

1. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers.

2. 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.

3. Establish land banks for homes that have been foreclosed upon.

4. Demolish blighted structures.

5. Redevelop demolished or vacant properties.

See Appendix 1 for specific information on the above eligible activities.

NSP Eligible Locations (Municipal Program)

The activities to be carried out by the Municipal Program will be targeted to the following Municipalities only:

- City and Town of Barre
- Town of Bennington
- City of Burlington
- Town of Hardwick
- City and Town of Newport
- City and Town of Rutland
- Town of St. Johnsbury
- Town of Springfield

Communities are encouraged to work with other contiguous communities that have similar foreclosure problems.

Total Budget (Municipal Program)

Estimated at $5,500,000

Note: The budgeted amount is subject to change once local proposals are approved by the State.

Performance Measures/Projected Beneficiaries

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Municipal Program. Additionally, the State anticipates the tenure of beneficiaries to majorly be rental and homeownership, each with a long-term duration of benefit.

The income level of beneficiaries projected is as follows:

- 81- 120% of median area income – 13 Households
- 51- 80% of median area income – 12 Households
- Less than 50% of median area income – 25 Households

Note: The above benefit numbers are subject to change once local proposals are approved by the State.

III. Project Specific Program

The Project Specific program component is designed to address specific projects that are more than four-units per structure or aggregated properties that are smaller than four units each but together comprise more than four units, and are not addressed through a municipal program.

Project proponents:

1. may be for profit or non profit entity;
2. must have a demonstrated record of completing successful and like projects; and
3. must have the capacity and experience to secure all required financing, permits, and other requirements in a very short window of time.

The highest priority for these funds is to secure foreclosed properties that:

1. are occupied by low and moderate income households (LMI);
2. have project based mortgage, rent or other subsidies, which are in danger of losing those subsidies; and
3. are ready to proceed.

Developers will be encouraged to find foreclosed properties which may include mobile home parks, mixed use properties and scattered sites and formulate creative approaches to the reutilization of the properties. Reuse can include demolition and new construction, replacing mobile homes with stick built or modular units, urban homestead projects and other creative and effective ways to make rental and homeownership opportunities available to low, moderate, and middle income (LMMI) households with NSP funds.

All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

Refer to Appendix 2 for information on green and energy efficient policies of the Agency.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Refer to Appendix 3 for information on affordable rent requirements.

Funds from the State of Vermont to Project Specific grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

Note: Developers must acquire the property for no more than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%.

In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

NSP Eligible Uses (Project Specific Program)

1. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds,

loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers.

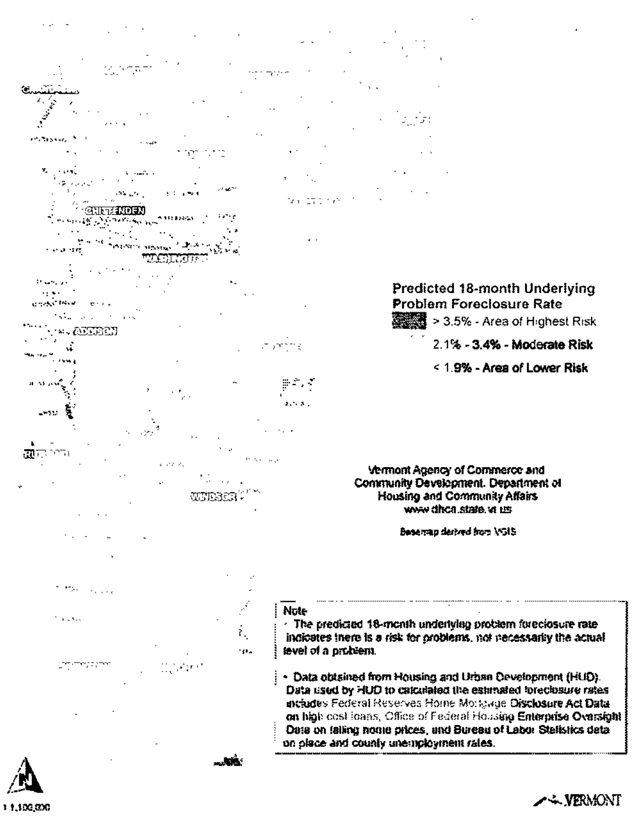
2. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
3. Establish land banks for homes that have been foreclosed upon.
4. Demolish blighted structures.
5. Redevelop demolished or vacant properties.

See Appendix 1 for specific information on the above eligible activities.

NSP Eligible Locations (Project Specific Program)

Project Specific grants may be awarded for projects in the below communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem. *See Appendix 4 for larger map*

Predicted 18-month foreclosures



Note: Project Specific grants may be awarded for projects in any community except for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.

Total Budget (Project Specific Program)

Estimated at $6,500,000

Note: The budgeted amount is subject to change once local proposals are approved by the State.

Performance Measures/Projected Beneficiaries (Project Specific Program)

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Project Specific program. Additionally, the State anticipates the tenure of beneficiaries to majorly be rental with a long-term duration of benefit. It is believed that some homeownership opportunities may also be created through the Project Specific component.

The income level of beneficiaries projected is as follows:

- 81- 120% of median area income - 13 Households
- 51- 80% of median area income - 12 Households
- Less than 50% of median area income - 25 Households

Note: The above benefit numbers are subject to change once local proposals are approved by the State.

ADDITIONAL INFORMATION

*Timeline**

ACCD Conditional RFP Released	December 12, 2008
ACCD Applications Accepted (Rolling basis)	January 2009
HUD Grant Agreement to Vermont	February 2009
ACCD Award Decisions (Rolling basis)	February 2009
ACCD Grant Agreements (Rolling basis)	February 2009
ACCD Final Deadline for all VT NSP Applications	May 2009
ACCD Final Deadline for Award Decisions	June 2009
ACCD Final Deadline for Grant Agreements	July 2009
VT NSP Funds Obligated/Under Contract by Grantees	August 2010

VT NSP Funds Fully Expended & National Objective Met February 2013

**This timeline is based solely on the receipt of the Grant Agreement from HUD.*

Selection Process - Municipal and Project Specific Programs

There will be one round of Request for Proposals beginning immediately (effective Dec. 2008) to provide preliminary approvals pending the final approval for funding from HUD. Proposals will be accepted through May 2009. The review and decision making process will be complete in 45-days or less from the receipt of a complete proposal.

Applications will be individually reviewed, scored, and ranked by a team of ACCD staff and management members. The Vermont Community Development Board will review all application scores and rakings to make a recommendation to the Secretary of the Agency of Commerce and Community Development. The Secretary will make the final grant award decisions.

- Staff reviews of applications - 15- calendar days from receipt of application;
- Provide additional documentation, make corrections or supplement application in - 7-calendar days from completion of staff review;
- Review of application & decision - Approximately 45-calendar days from the receipt of a complete proposal; and
- Grant agreements - 35-calendar days from date of the Agency's award, and

Unsuccessful applications that appear feasible but do not address the goals of the program as effectively as those applications resulting in awards, will be ranked and maintained for future consideration should a successful application(s) fail to proceed toward fruition.

Refer to Appendix 5 for the Agency scoring matrix and tiering..

<u>Competitive proposals would feature many of the following:</u>

- Saving occupied and subsidized housing;
- High likelihood of fully encumbering NSP funds within the required twelve month window (estimated August, 2010);
- Demonstrated capacity to undertake and complete the project proposed on time and on budget;
- Although not required, a high leveraging ratio of private to public funding;

- A high ratio of units made affordable to households at or below 50% AMI;
- Location in a designated Growth Center, New Neighborhood, Downtown, New Town Center or Village;
- High, residential utilization of otherwise underutilized properties;
- Redevelopment of demolished or vacant properties; and
- Maintenance of a property's historic character, if any.

Monitoring Process

Grant agreements will contain time line and benchmark provisions, developed by the applicant in its application. Grants will be periodically monitored by program staff to ensure that the time lines and benchmarks are being achieved as projected. If and when it is apparent that an applicant's program will not be implemented consistent with the agreement, the grant may be uncommitted and the funds made available to another applicant whose program was not funded and whose program may still be able to be fully implemented in the time remaining.

Reporting Requirements

The Agency will require monthly progress reports in order to meet HUD programmatic agreements in a format prescribed by the Agency.

Program Income

Any Program Income generated above and beyond the initial project funds shall be returned on an ongoing basis to the State for use in the VCDP program consistent with the NSP program described here. At the juncture when all the initial NSP Funds have been drawn down and Program Income is available prior to February 2013, the Agency may entertain accepting applications for projects that will use less than $1 million of NSP Program Income funds.

VERMONT NEIGHBORHOOD STABILIZATION PROGRAM

DEFINITIONS

Abandoned - A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Affordable Rents – Affordable rents for the Vermont NSP will be defined as those rents affordable to households at or below 30% AMI, 50% AMI, 80% and 120% AMI. The HOME rents for Vermont could be used to ensure affordable rents. Other established affordable rent definitions commonly used in Vermont such as: fair market rents, LIHTC rents, other rent limits imposed by other funding sources will be allowed. In all cases affordable rents under the Vermont NSP will be defined as monthly housing costs not exceeding 30% of gross monthly income for rent & utilities. *Refer to Appendix 3 – Affordable Rents.*

Blighted Structure - The Vermont Urban Renewal statute [24 VSA Chapter 85] provides definitions the Vermont Community Development Program (the state CDBG program) uses to comply with the requirements of the federal regulations that a determination be made as to whether a proposed activity meets the criteria of the National Objective for preventing or eliminating slums/blight:

> Blighted Area - shall mean an area which by reason of the presence of a substantial number of slum, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability; and is a menace to the public health, safety, morals, or welfare in its present condition and use.
>
> Slum Area - shall mean an area in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime; and is detrimental to the public health, safety, morals or welfare.

Although this Vermont statute and the definitions directly relate to determining when the

National Objective for preventing or eliminating slums/blight is used it is relevant to consider in forming the definition for "blighted structure" under Vermont's NSP program.

A **"blighted structure"** will be defined for the purposes of the Vermont NSP program as; a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare and/or an aggregation of deferred maintenance items that constitute incipient code violations and which pose an impending threat of harm to the occupants of the dwelling. Any structure unfit for use, habitation or dangerous to persons or other property meets this definition. This would include structures showing evidence of physical decay and damage, dilapidation, neglect, unsanitary conditions, environmental or biological contamination, functional obsolescence and lack of maintenance.

In cases where it is unclear or uncertain if a structure meets the definition of a "blighted structure" for the Vermont NSP; the Vermont Department of Labor & Industry, Vermont Department of Health, Vermont Agency of Natural Resources and the local Health Officer will be consulted to document conditions of the structure for threats to life, health and safety.

Continued Affordability – Continued affordability for the Vermont NSP for rental and homeownership housing will be assured by using the federal HOME program minimum requirements for continued affordability. However, permanent affordability will be the goal and will be an important factor in reviewing proposals that can meet this goal.

To ensure the fullest flexibility allowable under NSP and to ensure that the full Vermont NSP allocation is utilized we must not require that all project applications have permanent affordability to be eligible. Establishing permanent affordability as a threshold may exclude a number of potential and important projects from applying and this exclusion could have the un-intended consequence of not fully obligating Vermont's allocation.

Therefore, to the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all NSP properties with a required minimum 15 year term for homeownership and rehabilitated rental properties and a required minimum 20 year term for all newly constructed properties.

Current Market Appraised Value - 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 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, sub recipient, developer, or individual homebuyer.

Foreclosed - A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Land bank - A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Low, Moderate and Middle Income (LMMI) – For NSP HUD is defining LMMI as having incomes than or equal to 120% of area median. *Refer to Appendix 6 – Income Eligibility.*

VT NSP Housing Rehabilitation Standards – Achieving high housing quality and energy efficiency standards is a priority for the Vermont's NSP. All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet at a minimum the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, HUD Section 8 Housing Quality Standards (HQS) and meet or exceed Vermont building code requirements and promote built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

All housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP. In addition to the complete policy below; single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate. *Refer to Appendix 2 – Conservation of Water in Residential Properties.*

APPENDIX 1

VT NSP Eligible Activities

NSP Eligible Activity	CDBG Eligible Activity	HARP	Municipal Program	Project-Specific Program
Financing Mechanisms	To the extent that financing mechanisms are used to carry out the following: - Acquisition - Disposition - Clearance for Blighted Structures Only - Public Facility Improvements - Relocation - Direct Home Ownership Assistance - Rehabilitation & Preservation - Public Services for Housing Counseling - Related Delivery Costs		✓	✓
Purchase & Rehabilitation of Abandoned or Foreclosed Residential Properties	- Acquisition - Disposition - Relocation - Direct Home Ownership Assistance - Rehabilitation and Preservation - Public Services for Housing Counseling	✓	✓	✓
Establish Land Banks for Foreclosed Upon Homes	- Acquisition - Disposition (includes maintenance)	✓	✓	✓
Demolish Blighted Structures	- Clearance (blighted structures only)		✓	✓
Redevelop Demolished or Vacant Properties	- Acquisition - Disposition - Relocation - Direct Home Ownership Assistance - New Housing Construction - Public Facilities and Improvements - Public Services for Housing Counseling		✓	✓

FINANCING MECHANISMS - Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

PURCHASE AND REHABILITATION - P*urchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;*

Acquisition:

- HERA requires any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property.

- For mortgagee foreclosed properties, grantees must seek to obtain the "maximum reasonable discount" from the mortgagee, taking into consideration likely "carrying costs" of the mortgagee if it were to not sell the property to the grantee or sub recipient.

- URA, regarding just compensation, does not apply to voluntary acquisitions.

- All acquisitions of property under NSP require an appraisal for purposes of determining the statutory purchase discount.

- For individual purchase transactions, the purchase discount is to be at least 5% from the current market appraised value of the home or property.

- For purchase transactions in the aggregate, the average purchase discount depends on how the purchase discount for an individual property is determined.

    - The average purchase discount shall be at least 10% if the State, unit of general local government, or sub recipient determines the discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5%).

        - Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period.

        - Carrying costs shall include, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.

    - If this methodology is not used, the minimum average discount shall be at least 15%.

- An NSP recipient may NOT provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay the necessary and reasonable costs related to the appraisal and transfer of title.

Rehabilitation:

- Any rehabilitation of a foreclosed upon home or residential property shall achieve high housing quality and energy efficiency standards. All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

- All multi-family housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP (cited on page 27-30), in addition, all single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.

- Funds may be used for preservation, improving energy efficiency or conservation, or providing renewable energy source(s).

    - HUD encourages grantees to strategically incorporate modern green building and energy efficiency improvements to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public parks or mixed residential and commercial use.

- Grantees may rehabilitate property to be operated as rental housing by the grantee, by a sub recipient, by a lessee or by a purchaser. Grantees should note that the costs of purchase, rehabilitation, conversion and sale of such properties are eligible NSP activities, but the expenses of actually operating the rental housing (such as maintenance, insurance, deficits in monthly operating income) and tenant-based rental subsidies are not eligible NSP activities.

Sale:

- If an abandoned or foreclosed upon home or residential property is to be sold to an individual as a primary residence, no profit may be earned on such sale.

- The sale of such property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

- The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of property).

- In determining the sales price, HUD will NOT consider the costs of boarding up, lawn mowing, maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs.

- Each NSP-assisted homebuyer is required to receive and complete at least eight hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- Grantees must ensure that homebuyers obtain a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages.

- Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate.

LAND BANKS - E*stablish land banks for homes that have been foreclosed upon;*

- A land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements. HUD does not believe that holding property alone is sufficient to stabilize most neighborhoods.

- The grantee must determine the actual service area benefiting from a land bank's activities.

- Grantees may pursue other Land Bank activities; however, NSP funds may only be used for acquisition

DEMOLITION - *Demolish blighted structures;*

REDEVELOPMENT - R*edevelop demolished or vacant properties;*

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- New construction of housing and building infrastructure for housing is an eligible use.

- Grantees may redevelop property to be used as rental housing.

ADMINISTRATION AND PLANNING COSTS

- Activity delivery costs, as defined above, may be charged to the particular activity performed above and will not count as general administration and planning costs.

APPENDIX 2

VT NSP Conservation of Energy and Water in Residential Properties Policy

All housing units assisted with NSP funds will be required to meet the below policy. In addition single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.

Vermont Housing & Conservation Board, Vermont Housing Finance Agency, and Vermont Community Development Program
POLICY ON THE
CONSERVATION OF ENERGY AND WATER IN RESIDENTIAL PROPERTIES
3/19/04

The Vermont Housing and Conservation Board, Vermont Housing Finance Agency and Vermont Community Development Program are concerned about the conservation of natural resources as well as the creation of housing that is perpetually affordable to lower income households. In order to assure such affordability, it is important to keep operating expenses, including utility expenses, as low as possible. Energy improvements and devices that conserve water have been shown to be cost effective in that capital costs can be paid for over time in savings to the operating budget. Therefore, we have adopted the following policy related to the conservation of energy and water in residential properties:

I. Energy and Water Goals

Building projects receiving funding from VHCB, VHFA, or VCDP should:

A. Achieve a level of energy and water efficiency that will result in maximum long-term housing affordability.

B. Select designs and systems with consideration of:

1. Economy
2. Future flexibility
3. Operation and maintenance costs
4. Impact on the environment, including potential use of renewable resources

C. Plan and implement mechanisms to encourage energy and water conservation practices by residents and owners.

D. Keep records of energy consumption by fuel type and on an individual building basis and on a residential unit basis where metering permits.

E. Periodically re-evaluate the energy and water using systems of each building under their ownership for cost-effective improvements.

II. Specific Energy Conservation Goals

A. New Construction

1. New Construction projects shall be designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the ENERGY STAR label from the US Environmental Protection Agency (EPA).

2. For low-rise (3 stories or less) new construction, the requirements for achieving the ENERGY STAR label under the EPA ENERGY STAR Homes program are well established and result in buildings which typically require over 20% less energy than if built to the minimum requirements of Vermont's Residential Building Energy Standards (available from Efficiency Vermont at 888- 921-5900).

3. For high-rise (4 stories or more) new construction, the level of efficiency to be achieved is over 20% less energy than if built to the minimum requirements of Vermont's Guidelines for Energy Efficient Commercial Construction (available from Efficiency Vermont at 888-921-5900) or ASHRAE 90.1 (1999 or later version). While requirements for achieving the ENERGY STAR label for high-rise buildings are still under development, it is expected to be consistent with this level of energy efficiency.

4. In addition, new construction projects should be designed and built to minimize the life cycle cost of any lighting, appliances or other equipment not addressed by the ENERGY STAR standard.

B. Existing Construction

1. Rehabilitation of existing buildings should endeavor to meet the ENERGY STAR levels of efficiency specified above for new construction. However, if life cycle cost-benefit analysis indicates a lower level of efficiency would be optimal for the particular circumstances of a rehab project, or a lower level of rehab is associated with the project, the design and construction should include levels of efficiency in all components that will result in maximum long-tem housing affordability. Where energy-related building materials, equipment, lighting and appliances are available that bear the ENERGY STAR label, they should be specified and used.

III. Specific Water Efficiency Goals

A. Projects should seek to include all cost effective water saving measures including but not limited to: bathroom faucets rated at $\leq$0.7 gpm ($\leq$2.0 gpm for faucets on a DHW system without circulating loop), bathroom faucets at $\leq$1.5 gpm ($\leq$2.0 gpm for faucets on DHW without circulating loop), showerheads at $\leq$2.0 gpm, and toilets rated at $\leq$1.6 gallons per flush.

IV. Specific Indoor Air Quality Goals

A. Applicants should strive to achieve the highest indoor air quality in both new and rehabilitation projects. A key to this is controlling moisture infiltration and air leakage. By adding effective ventilation, units should be designed to reduce moisture resulting in fewer mold and mildew problems. Efficient heating systems should force exhaust outside and in turn keep indoor air clean.

V. Energy Specifications

B. In order to achieve the goals stated above, grantees should incorporate all measures included in Efficiency Vermont's Multifamily Housing Checklist (available at 888-921-5990). If such measures can not be implemented, applicants must explain to VHCB and VHFA staff why not.

C. Provide a description of the status of utility sponsored efficiency programs, such as Efficiency Vermont, Burlington Electric Department, or Vermont Gas Systems, as they may apply to the project and the extent of likely participation in the project.

D. The completed checklist will be part of the application materials submitted to the Board.

E. Specifications for construction or rehabilitation shall include the energy and water use aspects of the work and shall specifically address: the building envelope, the heating, ventilating, and air conditioning system, domestic hot water system, lighting system, appliances, and any water saving devices to be installed.

F. Grantees may be required to employ an energy professional in the development of specifications and to supervise the energy related portion of construction work.

VI. Compliance and Commissioning

A. Commissioning is the process of ensuring that building systems are designed, installed, functionally tested, and capable of being operated and maintained according to the owner's operational needs. It is expected that, when a project is placed in service, mechanical systems will operate as specified. Grantees are encouraged to plan for and include appropriate funds in the project development budget to cover costs associated with an appropriate level of commissioning. The cost of commissioning is dependent on the size and complexity of the project, but it accounts for only a small portion of the construction budget. When commissioning is done properly, the savings usually far outweigh the costs.

   It is expected that commissioning or another approved method of operational testing will be completed within the construction warranty period on the following systems at a minimum:

   1. Boiler and heating systems and controls (for systems over 250,000 BTUs total heating capacity)
   2. Air conditioning system and controls (for systems over 10 tons total cooling capacity)
   3. Ventilation systems and controls including bathroom fans (all projects)

VII. Energy Concerns in Ongoing Project Management

Project management plans should include ongoing energy management including: bulk purchasing of fuel, cooperative purchasing of fuel, competitive bidding for fuel purchase, seasonal maintenance schedule, routine maintenance of heating plant, tenant education, and in cases where the owner pays utilities, discussion of whether or not any restrictions will be placed on what type of appliances residents will be allowed to install or utilize (e.g. air conditioners).

VIII. Funding

Grantees are encouraged to use multiple resources or programs to pay for implementation, including but not limited to utility efficiency programs, such as, Efficiency Vermont, Burlington Electric Department, and Vermont Gas Systems, and the State Economic Opportunity Office/Community Action Agency weatherization programs.

IX. Education

A. VHCB and VHFA will continue to work with other housing agencies, Efficiency Vermont, and the Public Service Department to continue to educate housing developers and property managers about energy and water consumption issues.

B. Grantees are encouraged to make residents aware of energy and water consumption and to educate them about ways to reduce such consumption, and to provide incentives, if feasible.

APPENDIX 3

VT NSP Affordable Rents

U.S. DEPARTMENT OF HUD 04/2008
STATE:VERMONT

	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
		2008 HOME PROGRAM RENTS						
Burlington-South Burlington, VT MSA								
	LOW HOME RENT LIMIT	617	661	793	917	1023	1129	1235
	HIGH HOME RENT LIMIT	729	807	1011	1159	1274	1387	1501
	For Information Only:							
	FAIR MARKET RENT	729	807	1013	1297	1454	1672	1890
	50% RENT LIMIT	617	661	793	917	1023	1129	1235
	65% RENT LIMIT	784	841	1011	1159	1274	1387	1501
Addison County, VT								
	LOW HOME RENT LIMIT	527	591	710	820	915	1009	1104
	HIGH HOME RENT LIMIT	527	659	793	1032	1131	1230	1329
	For Information Only:							
	FAIR MARKET RENT	527	659	793	1043	1391	1600	1808
	50% RENT LIMIT	552	591	710	820	915	1009	1104
	65% RENT LIMIT	698	749	901	1032	1131	1230	1329
Bennington County, VT								
	LOW HOME RENT LIMIT	521	558	670	773	862	951	1041
	HIGH HOME RENT LIMIT	525	658	766	972	1065	1157	1249
	For Information Only:							
	FAIR MARKET RENT	525	658	766	998	1173	1349	1525
	50% RENT LIMIT	521	558	670	773	862	951	1041
	65% RENT LIMIT	658	706	849	972	1065	1157	1249
Caledonia County, VT								
	LOW HOME RENT LIMIT	496	516	647	765	848	941	1030
	HIGH HOME RENT LIMIT	496	516	647	819	848	975	1102
	For Information Only:							
	FAIR MARKET RENT	496	516	647	819	848	975	1102
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Essex County, VT								
	LOW HOME RENT LIMIT	512	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	512	575	699	891	1045	1144	1235
	For Information Only:							
	FAIR MARKET RENT	512	575	699	891	1045	1202	1359
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Lamoille County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	518	623	725	962	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	518	623	725	1010	1273	1464	1655
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235

VT NSP Affordable Rents

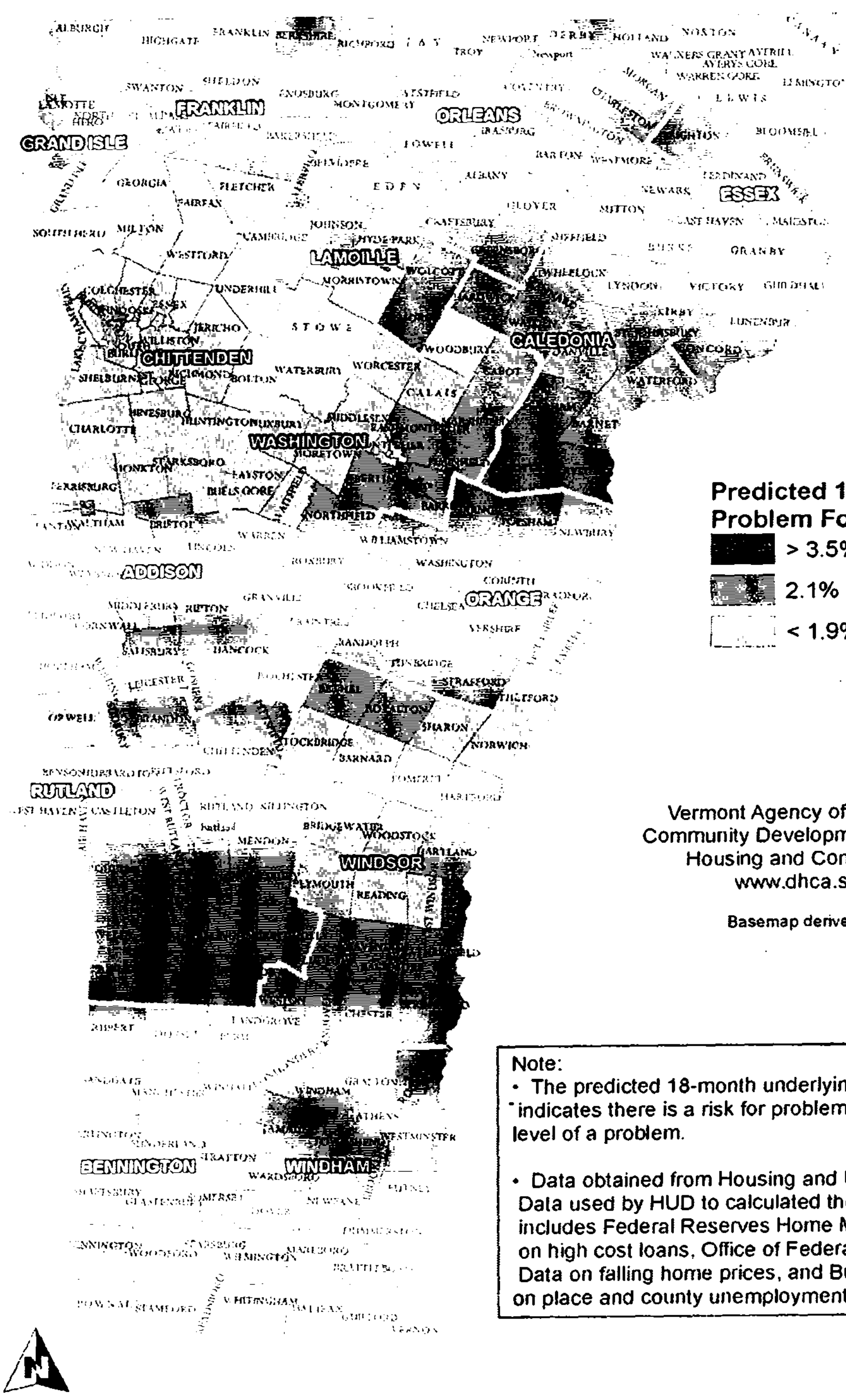
U.S. DEPARTMENT OF HUD 04/2008
STATE: VERMONT

	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
		2008 HOME PROGRAM RENTS						
Orange County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	553	624	727	962	1043	1144	1235
	For Information Only:							
	FAIR MARKET RENT	553	624	727	1012	1043	1199	1356
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Orleans County, VT								
	LOW HOME RENT LIMIT	373	516	576	727	853	941	1030
	HIGH HOME RENT LIMIT	373	516	576	727	915	1052	1190
	For Information Only:							
	FAIR MARKET RENT	373	516	576	727	915	1052	1190
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Rutland County, VT								
	LOW HOME RENT LIMIT	474	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	474	620	721	953	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	474	620	721	953	1220	1403	1586
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Washington County, VT								
	LOW HOME RENT LIMIT	521	610	737	851	950	1048	1146
	HIGH HOME RENT LIMIT	521	610	763	1031	1154	1281	1385
	For Information Only:							
	FAIR MARKET RENT	521	610	763	1031	1154	1327	1500
	50% RENT LIMIT	573	614	737	851	950	1048	1146
	65% RENT LIMIT	725	779	937	1074	1178	1281	1385
Windham County, VT								
	LOW HOME RENT LIMIT	526	564	677	782	872	963	1053
	HIGH HOME RENT LIMIT	617	643	845	984	1053	1171	1264
	For Information Only:							
	FAIR MARKET RENT	617	643	845	1021	1053	1211	1369
	50% RENT LIMIT	526	564	677	782	872	963	1053
	65% RENT LIMIT	665	714	859	984	1078	1171	1264
Windsor County, VT								
	LOW HOME RENT LIMIT	547	586	703	813	907	1001	1095
	HIGH HOME RENT LIMIT	581	651	766	1024	1123	1220	1319
	For Information Only:							
	FAIR MARKET RENT	581	651	766	1042	1240	1426	1612
	50% RENT LIMIT	547	586	703	813	907	1001	1095
	65% RENT LIMIT	693	743	894	1024	1123	1220	1319

APPENDIX 4

Project – Specific Eligible Locations

Predicted 18-month foreclosures



Predicted 18-month Underlying Problem Foreclosure Rate

- > 3.5% - Area of Highest Risk
- 2.1% - 3.4% - Moderate Risk
- < 1.9% - Area of Lower Risk

Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs
www.dhca.state.vt.us

Basemap derived from VGIS

Note:
- The predicted 18-month underlying problem foreclosure rate indicates there is a risk for problems, not necessarily the actual level of a problem.
- Data obtained from Housing and Urban Development (HUD). Data used by HUD to calculated the estimated foreclosure rates includes Federal Reserves Home Mortgage Disclosure Act Data on high cost loans, Office of Federal Housing Enterprise Oversight Data on falling home prices, and Bureau of Labor Statistics data on place and county unemployment rates.

1:1,100,000

VERMONT

APPENDIX 5

VT NSP Application Scoring Matrix

Project appropriately responds to documented need	25
Project Readiness, proceed and obligate funds in 12 months	20
Demonstrated capacity and experience of project developer	15
Project benefits $\leq$ 50% of area median income individuals	10
Project preserves existing public subsidy/investment	7
Project demonstrated longevity of benefit and affordability	7
Project design incorporates energy efficiency and conservation	5
Project located in designated downtown, village, new neighborhood or growth center	4
Project eliminates health or safety issues	3
Demonstrated project sustainability - cash flows	2
Cost effectiveness and match/leverage of NSP funds	1
Project meets other Consolidated Plan Priorities	1

Tiering

A. Eligible – Targeted - At or below 50% AMI
B. Eligible – Targeted - Not at or below 50% AMI
C. Eligible – Not Targeted - At or below 50% AMI
D. Eligible – Not Targeted - Not at or below 50% AMI

Feasible yet unsuccessful applications will be ranked and maintained for future consideration should a successful application(s) fail to proceed toward fruition.

APPENDIX 6

VT NSP Income Eligibility

	FY 2008 Income Limits for 50% of HUD Area Median Income							
Household Size	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Addison County	$22,100	$25,250	$28,400	$31,550	$34,050	$36,600	$39,100	$41,650
Bennington County	$20,850	$23,800	$26,800	$29,750	$32,150	$34,500	$36,900	$39,250
Caledonia County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Burlington-South Burlington, MSA	$24,700	$28,250	$31,750	$35,300	$38,100	$40,950	$43,750	$46,600
Burlington-South Burlington, MSA	$24,700	$28,250	$31,750	$35,300	$38,100	$40,950	$43,750	$46,600
Essex County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Lamoille County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Orange County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Orleans County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Rutland County	$20,600	$23,550	$26,500	$29,450	$31,800	$34,150	$36,500	$38,850
Washington County	$22,950	$26,200	$29,500	$32,750	$35,350	$38,000	$40,600	$43,250
Windham County	$21,050	$24,100	$27,100	$30,100	$32,500	$34,900	$37,300	$39,750
Windsor County	$21,900	$25,050	$28,150	$31,300	$33,800	$36,300	$38,800	$41,300

VT NSP Income Eligibility

	FY 2008 Income Limits for 120% of HUD Area Median Income							
Household Size	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Addison County	$53,000	$60,600	$68,150	$75,700	$81,800	$87,850	$93,900	$99,950
Bennington County	$50,000	$57,100	$64,250	$71,400	$77,100	$82,800	$88,550	$94,250
Caledonia County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Burlington-South Burlington, MSA	$59,300	$67,800	$76,250	$84,700	$91,500	$98,300	$105,050	$111,850
Burlington-South Burlington, MSA	$59,300	$67,800	$76,250	$84,700	$91,500	$98,300	$105,050	$111,850
Essex County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Lamoille County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Orange County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Orleans County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Rutland County	$49,500	$56,550	$63,600	$70,700	$76,350	$82,000	$87,650	$93,300
Washington County	$55,000	$62,900	$70,750	$78,600	$84,900	$91,200	$97,450	$103,750
Windham County	$50,550	$57,800	$65,000	$72,250	$78,000	$83,800	$89,600	$95,350
Windsor County	$52,600	$60,100	$67,600	$75,100	$81,150	$87,150	$93,150	$99,150

Federal Register

Monday,
October 6, 2008

Part III

Department of Housing and Urban Development

Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008; Notice

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–5255–N–01]

Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008

AGENCY: Office of the Secretary, HUD.

ACTION: Notice of allocation method, waivers granted, alternative requirements applied, and statutory program requirements.

SUMMARY: This notice advises the public of the allocation formula and allocation amounts, the list of grantees, alternative requirements, and the waivers of regulations granted to grantees under Title III of Division B of the Housing and Economic Recovery Act of 2008, for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes heading, referred to throughout this notice as the Neighborhood Stabilization Program (NSP). As described in the **SUPPLEMENTARY INFORMATION** section of this notice, HUD is authorized by statute to specify alternative requirements and make regulatory waivers for this purpose. This notice also notes statutory issues affecting program design and implementation.

DATES: *Effective Date:* September 29, 2008.

FOR FURTHER INFORMATION CONTACT: Stanley Gimont, Director, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 7286, Washington, DC 20410, telephone number 202–708–3587. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at 800–877–8339. FAX inquiries may be sent to Mr. Gimont at 202–401–2044. (Except for the "800" number, these telephone numbers are not toll-free.)

SUPPLEMENTARY INFORMATION:

Authority To Provide Alternative Requirements and Grant Regulatory Waivers

Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA) (Pub. L. 110–289, approved July 30, 2008) appropriates $3.92 billion for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties, and provides under a rule of construction that, unless HERA states otherwise, the grants are to be considered Community Development Block Grant (CDBG) funds. The grant program under Title III is commonly referred to as the Neighborhood Stabilization Program (NSP). When referring to a provision of the appropriations statute itself, this notice will refer to HERA; when referring to the grants, grantees, assisted activities, and implementation rules, this notice will use the term NSP.

HERA authorizes the Secretary to specify alternative requirements to any provision under Title I of the Housing and Community Development Act of 1974, as amended, (the HCD Act) except for requirements related to fair housing, nondiscrimination, labor standards, and the environment (including lead-based paint), in accordance with the terms of section 2301 of HERA and for the sole purpose of expediting the use of grant funds. (Current and former disaster recovery CDBG grantees should note that this authority is substantially and significantly more limited from that generally provided with disaster recovery CDBG supplemental appropriations; therefore, waivers under the NSP are much more limited. For example, HUD does not have authority to provide alternative requirements for the National Affordable Housing Act (NAHA) or for the Uniform Relocation Assistance Real Property Acquisition Policies Act of 1970 (URA). Unless this notice describes how HERA has superseded one of their provisions, these statutes will apply as in the CDBG program. Such regulatory relief as HUD deemed necessary and was authorized to provide under 24 CFR 5.110 and 91.600 to permit implementation of the NSP is provided in this notice.)

The Secretary finds that the following alternative requirements are necessary to expedite the use of these funds for their required purposes.

Under the requirements of HERA, the Secretary must provide Congress written notice of its intent to exercise the authority to specify alternative requirements not less than 10 business days before such exercise of authority is to occur. Under the HUD Reform Act, regulatory waivers must be justified and published in the **Federal Register**. The Department is also using this notice to provide grantees information about other ways in which the requirements for this grant vary from regular CDBG program rules. Compiling this information in a single notice creates a helpful resource for grant administrators and HUD field staff.

Except as described in this notice, statutory and regulatory provisions governing the CDBG program, including those at 24 CFR part 570 subpart I for states or, for CDBG entitlement communities, including those at 24 CFR part 570 subparts A, C, D, J, K, and O, as appropriate, shall apply to the use of these funds. (The State of Hawaii will be allocated funds and will be subject to part 570, subpart I, as modified by this notice.) Other sections of the notice will provide further details of the changes, the majority of which deal with adjustments necessitated by HERA provisions, simplifying program rules to expedite administration, or relate to the ability of state grantees to act directly instead of solely through distribution to local governments. In a separate guidance issuance, HUD also will provide a simplified "crosswalk" of NSP and State CDBG requirements for state grantee administrators.

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I. Allocations

A. Formula: Allocation

HERA provides $3.92 billion of funds that are generally to be construed as CDBG program funds for the communities and in the amounts listed in Attachment A to this notice. Attachment A also includes a description of the allocation formula used to determine the grant amounts, as required by HERA.

B. Formula: Reallocation

1.a. To expedite the use of NSP funds, the Department is specifying alternative requirements to 42 U.S.C. 5306(c). If a unit of general local government receiving an allocation of NSP funds under this notice (as designated in Attachment A) fails to submit a substantially complete application for its grant allocation by December 1, 2008, or submits an application for less than the total allocation amount, HUD will simultaneously notify the jurisdiction of the cancellation of all or part of its allocation amount and proceed to reallocate the funds to the state in which the jurisdiction is located.

b. If a state or insular area receiving an allocation of funds under this notice fails to submit a substantially complete application for its allocation by December 1, 2008, or submits an application for less than the total allocation amount, HUD will simultaneously notify the state or insular area of the reduction in its allocation amount and proceed to reallocate the funds to the 10 highest-need states based on original rankings of need.

2. If any jurisdiction, state, insular, or local area fails to meet the requirement to use its grant within 18 months of receipt of the amounts, as required, HUD, on the first business day after that deadline, will simultaneously notify the grantee and restrict the amount of unused funds in the grantee's line of credit. HUD will allow the grantee 30 days to submit information to HUD regarding any additional "use" of funds not already recorded in the Disaster Recovery Grant Reporting system (DRGR). Then HUD will proceed to recapture the unused funds. HUD will reallocate these unused funds in accordance with 42 U.S.C. 5306(c)(4).

II. Alternative Requirements and Regulatory Waivers

This section of the notice briefly provides a justification for alternative requirements, where additional explanation is necessary, and describes the necessary basis for each regulatory waiver. This section also highlights some of the statutory items applicable to the grants. This background narrative is followed by the NSP requirement(s).

HUD's resources for implementing HERA are limited and have other calls upon them (for managing the regular CDBG and HOME Investment Partnership programs (HOME) and the New York, Gulf Coast, and Midwest disaster recovery grants), and the Department wants to target the use of its resources toward achieving NSP program performance, and preventing and eliminating fraud, waste, and misuse of program funds. Because no funds were available specifically for tracking the use of NSP grants, HUD is applying an existing system, unmodified. This all militates toward keeping standards simple or familiar, wherever possible. Therefore, throughout this notice, where HUD had any choice of a standard to use to measure compliance, HUD selected the simplest one to administer, giving a preference to a standard already in common use.

Each grantee eligible for an NSP grant already receives annual CDBG allocations, has carried out needs hearings, has a consolidated plan, an annual action plan, a citizen participation plan, a monitoring plan, an analysis of impediments to fair housing choice, and has made CDBG certifications. The consolidated plan already discusses housing needs related to up to four major grant programs: CDBG, HOME, Emergency Shelter Grants (ESG), and Housing Opportunities for Persons With AIDS (HOPWA). A grantee's annual action plan describes the activities budgeted under each of those annual programs.

HUD is treating a grantee's use of its NSP grant to be a substantial amendment to its current approved consolidated plan and annual action plan. The NSP grant is a special CDBG allocation to address the problem of abandoned and foreclosed homes. HERA establishes the need, targets the geographic areas, and limits the eligible uses of NSP funds. Treating the NSP as a substantial amendment will expedite the distribution of NSP funds, while ensuring citizen participation on the specific use of the funds. HUD is waiving the consolidated plan regulations on the certification of consistency with the consolidated plan to mean the NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted areas set forth in the grantee's substantial amendment. In addition, HUD is waiving the consolidated plan regulations to the extent necessary to adjust reporting to fit the requirements of HERA and the use of the DRGR.

The waivers, alternative requirements, and statutory changes apply only to the grant funds appropriated under HERA and not to the use of regular formula allocations of CDBG funds, even if they are used in conjunction with NSP funds for a project. They provide expedited program implementation and implement statutory requirements unique to this appropriation.

A. Definitions for Purposes of the CDBG Neighborhood Stabilization Program

Background

Certain terms are used in HERA that are not used in the regular CDBG program, or the terms are used differently in HERA and the HCD Act. In the interest of speed and clarity of administration, HUD is defining these terms in this notice for all grantees, including states. For the same reason, HUD is also defining eligible fund uses for all grantees, including states. States may define other program terms under the authority of 24 CFR 570.481(a), and will be given maximum feasible deference in accordance with 24 CFR 570.480(c) in matters related to the administration of their NSP programs.

Requirement

Abandoned. A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Blighted structure. A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

CDBG funds. CDBG funds means, in addition to the definition at 24 CFR 570.3, grant funds distributed under this notice.

Current market appraised value. 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 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

Foreclosed. A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Land bank. A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP program, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Revenue for the purposes of section 2301(d)(4). Revenue has the same meaning as program income, as defined at 24 CFR 570.500(a) with the modifications in this notice.

Subrecipient. Subrecipient shall have the same meaning as at the first sentence of 24 CFR 570.500(c). This includes any nonprofit organization (including a unit of general local government) that a state awards funds to.

Use for the purposes of section 2301(c)(1). Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity; for example, for acquisition of a specific property. 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.

B. Pre-Grant Process

Background

With this notice, HUD is establishing the NSP allocation formula, including reallocation provisions, and announcing the distribution of funds. CDBG grantees receiving NSP allocations may immediately begin to prepare and submit action plan substantial amendments for NSP funds, in accordance with this notice. (Insular areas should follow the requirements for entitlement communities.)

To receive NSP funding, each CDBG grantee listed in Attachment A must submit an action plan substantial amendment to HUD in accordance with this notice by December 1, 2008.

HUD encourages each grantee to carry out its NSP activities in the context of a comprehensive plan for the community's vision of how it can make its neighborhoods not only more stable, but also more sustainable, competitive, and integrated into the overall metropolitan fabric, including access to transit, affordable housing, employers, and services.

HUD encourages each local jurisdiction receiving an allocation to carefully consider its administrative capacity to use the funds within the statutory deadline versus the capacity of the state administrator. HUD expects that after such consideration, some jurisdictions may choose to apply for less than the full amount, which will allow the balance of their grants to pass to the NSP administrator at the state level.

Another way jurisdictions may cooperate to carry out their grant programs is through a joint request to HUD. HUD is providing regulatory waivers and alternative requirements to allow joint requests among entitlement communities and to allow joint requests between an entitlement community and a state. Any two or more contiguous entitlement communities (metropolitan cities or urban counties) that are in the same metropolitan area and that are eligible to receive an NSP grant may instead make a joint request to HUD to implement a joint NSP program. A jurisdiction need not have a joint agreement with an urban county under the regular CDBG entitlement program to request a joint program for NSP funding. Similarly, any entitlement community eligible to receive an NSP grant may instead make a request for a joint NSP program with its state. An NSP joint request under a cooperation agreement results in a single combined grant and a single action plan substantial amendment. Potential requestors should contact HUD as soon as possible (as far as possible in advance of publishing a proposed NSP substantial amendment) for technical guidance. The requestors will specify which jurisdiction will receive the funds and administer the combined grant on behalf of the requestors; in the case of a joint request between a local government jurisdiction and a state, the state will administer the combined grant. (Grantees choosing this option should consider the Consolidated Plan and citizen participation implications of this approach. The lead entity's substantial amendment will cover any participating members. The citizen participation process must include citizens of all jurisdictions participating in the joint NSP program, not just those of the lead entity.)

Given the rule of construction in HERA that NSP funds generally are construed as CDBG program funds, subject to CDBG program requirements, HUD generally is treating NSP funds as a special allocation of Fiscal Year (FY) 2008 CDBG funding. This has important consequences for local governments presently participating in an existing urban county program, and for metropolitan cities that have joint agreements with urban counties. HUD will consider any existing cooperation agreements between a local government and an urban county governing FY2008 CDBG funding (for purposes of either an urban county or a joint program) to automatically cover NSP funding as well. These cooperation agreements will continue to apply to the use of NSP funds for the duration of the NSP grant, just as cooperation agreements covering regular CDBG Entitlement program funds continue to apply to any use of the funds appropriated during the 3-year period covered by the agreements. For example, a local government presently has a cooperation agreement covering a joint program or participation in an urban county for federal FYs 2007, 2008 and 2009. The local government may choose to discontinue its participation with the county at the end of the applicable qualification period for purposes of regular CDBG entitlement funding. However, the county will still be responsible for any NSP projects funded in that community, and for any NSP funding the local government receives from the county, until those funds are expended and the funded activities are completed.

A third method of cooperating is also available. A jurisdiction may choose to apply for its entire grant, and then enter into a subrecipient agreement with another jurisdiction or nonprofit entity to administer the grant. In this manner, for example, all of the grantees operating in a single metropolitan area could designate the same land-bank entity (or the state housing finance agency) as a subrecipient for some or all of their NSP activities.

Each grantee will have until December 1, 2008, to complete and submit a substantial amendment to its annual action plan. A grantee that wishes to initially submit its action plan amendment to HUD electronically in the DRGR system rather than via paper may do so by contacting its local field office for the DRGR submission directions. Paper submissions to HUD also will be allowed, although each grantee must set up its action plan in DRGR prior to the deadline for the first required performance report after receiving a grant.

HUD is using DRGR for the NSP because no other application and reporting system was sufficiently flexible to deal with the alternative requirements. The emergency nature of this legislation and corresponding statutory time frames do not give HUD sufficient time to develop a new system or modify an existing system to perfectly fit NSP.

HUD encourages grantees, during development of their action plan amendments, to contact HUD field offices for guidance in complying with these requirements, or if they have any questions regarding meeting grant requirements.

Normally, in the CDBG program, a grantee takes at least 30 days soliciting comment from its citizens before it submits an annual action plan to HUD, which then has 45 days to accept or reject the plan. To expedite the process and to ensure that the NSP grants are awarded in a timely manner, while preserving reasonable citizen participation, HUD is waiving the requirement that the grantee follow its citizen participation plan for this substantial amendment. HUD is shortening the minimum time for citizen comments and requiring the substantial amendment materials to be posted on the grantee's official website as the materials are developed, published, and submitted to HUD.

Each grantee must use its NSP funds within 18 months of receipt. A grantee will be deemed by HUD to have received its NSP grant at the time HUD signs its NSP grant agreement (or amendment thereof, in the case of a state that later receives reallocated grant funds).

Grantees are cautioned that, despite the expedited application and plan process, they are still responsible for ensuring that all citizens have equal access to information about the programs. Among other things, this means that each grantee must ensure that program information is available in the appropriate languages for the geographic area served by the jurisdiction. This will be a particular issue for those states that this notice is allowing to make grants throughout the state, including into regular CDBG entitlement areas. Because regular State CDBG funds are not used in entitlement areas, State CDBG staffs may not be aware of limited English proficient (LEP) speaking populations in those metropolitan jurisdictions.

HUD will review each grantee submission for completeness and consistency with the requirements of this notice and will disapprove incomplete and inconsistent action plan amendments. HUD will allow revision and resubmission of a disapproved action plan in accordance with 24 CFR 91.500 so long as any such resubmission is received by HUD 45 days or less following the date of first disapproval and in no case later than the close of business February 13, 2009.

In combination, the notice alternative requirements provide the following expedited steps for NSP grants:

- Proposed action plan amendment published via the usual methods and on the Internet for no less than 15 calendar days of public comment;
- Final action plan amendment posted on the Internet and submitted to HUD by December 1, 2008 (grant application includes Standard Form 424 (SF–424) and certifications);
- HUD expedites review,
- HUD accepts the plan and prepares a cover letter, grant agreement, and grant conditions;
- Grant agreement signed by HUD and immediately transmitted to the grantee;
- Grantee signs and returns the grant agreements;
- HUD establishes the line of credit and the grantee requests and receives voice response system (VRS) access;
- After completing the environmental review(s) pursuant to 24 CFR part 58 and, as applicable, receiving from HUD or the state an approved Request for Release of Funds and certification, the grantee may draw-down funds from the line of credit.

The action plan substantial amendment and citizen participation alternative requirement will permit an expedited grant-making process, but one that still provides for public notice, appraisal, examination, and comment on the activities proposed for the use of NSP grant funds.

Requirement

1. General note. Except as described in this notice, statutory and regulatory provisions governing the CDBG program for states and entitlement communities, as applicable, shall apply to the use of these funds.

2. Contents of an NSP Action Plan substantial amendment. The elements in the NSP substantial amendment to the Annual Action Plan required for the CDBG program under part 91 are:

a. General information about needs, distribution, use of funds, and definitions:

i. Summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction. (A state must include the needs of the entire state and not just the areas not receiving an 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);

ii. 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. The grantee's narrative must address the three need categories in the NSP statute, but the grantee may also consider other need categories;

iii. For the purposes of the NSP, the narratives will include:

(A) A definition of "blighted structure" in the context of state or local law;

(B) A definition of "affordable rents;"

(C) A description of how the grantee will ensure continued affordability for NSP-assisted housing; and

(D) A description of housing rehabilitation standards that will apply to NSP-assisted activities.

b. Information by activity describing how the grantee will use the funds, identifying:

i. The eligible use of funds under NSP;

ii. The eligible CDBG activity or activities;

iii. The areas of greatest need addressed by the activity or activities;

iv. The expected benefit to income-qualified persons or households or areas;

v. Appropriate performance measures for the activity (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels represented in DRGR, which are currently 50 percent of area median income and below, 51 to 80 percent, and 81 to 120 percent);

vi. Amount of funds budgeted for the activity;

vii. The name and location of the entity that will carry out the activity; and

viii. The expected start and end dates of the activity.

c. A Description of the general terms under which assistance will be provided, including:

i. If the activity includes acquisition of real property, the discount required for acquisition of foreclosed-upon properties;

ii. Range of interest rates (if any);

iii. Duration or term of assistance;

iv. Tenure of beneficiaries (e.g., rental or homeownership); and

v. If the activity produces housing, how the design of the activity will ensure continued affordability; and

vi. If the funds used for the activity are to count toward the requirement at section 2301(f)(3)(A)(ii) to provide benefit to low-income persons (earning 50 percent or less of area median income).

d. Information on how to contact grantee program administrators, so that citizens and other interested parties know who to contact for additional information.

3. Continued affordability. Grantees shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301(f)(3)(A)(ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

a. In its NSP action plan substantial amendment, a grantee will define "affordable rents" and the continued affordability standards and enforcement mechanisms that it will apply for each (or all) of its NSP activities. HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254 to be in minimal compliance with this standard and expects any other standards proposed and applied by a grantee to be enforceable and longer in duration. (Note that HERA's continued affordability standard is longer than that required of subrecipients and participating units of general local government under 24 CFR 570.503 and 570.501(b).)

b. The grantee must require each NSP-assisted homebuyer to receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. The grantee must ensure that the homebuyer obtains a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages (see, Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration, available at *http://www.fdic.gov/regulations/laws/rules/5000-5160.html).* Grantees must design NSP programs to comply with this requirement and must document compliance in the records, for each homebuyer. Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate, including homebuyers who qualify for traditional mortgage loans.

c. If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosure or transfer in lieu of foreclosure pursuant to 24 CFR part 92, the grantee must revive the HOME affordability restrictions for the greater of the remaining period of HOME affordability or the continuing affordability requirements of this notice.

4. Citizen participation alternative requirement. HUD is providing an alternative requirement to 42 U.S.C. 5304(a)(2) and (3), to expedite distribution of grant funds and to provide for expedited citizen participation for the NSP substantial amendment. Provisions of 24 CFR 570.302 and 570.486 and those of 24 CFR 91.105(k) and 91.115(i), with respect to following the citizen participation plan, are waived to the extent necessary to allow implementation of the requirements below.

a. To receive its grant allocation, a grantee must submit to HUD for approval an NSP application by December 1, 2008. This submission will include a signed standard federal form SF-424, signed certifications, and a substantial action plan amendment meeting the requirements of paragraph b below. (24 CFR 91.505 is waived to the extent necessary to require submission of the substantial amendment to HUD for approval in accordance with this notice.)

b. Each grantee must prepare and submit its annual Action Plan amendment to HUD in accordance with the consolidated plan procedures for a substantial amendment under the annual CDBG program as modified by this notice or HUD will reallocate the funds allocated for that grantee. HUD is providing alternative requirements to 42 U.S.C. 5304(a)(2) and waiving 91.105(k) and 91.115(i) to the extent necessary to allow the grantee to provide no fewer than 15 calendar days for citizen comment (rather than 30 days) for its initial NSP submission, and to require that, at the time of submission to HUD, each grantee post its approved action plan amendment and any subsequent NSP amendments on its official website along with a summary of citizen comments received within the 15-day comment period. After HUD processes and approves the plan amendment and both HUD and the grantee have signed the grant agreement, HUD will establish the grantee's line of credit in the amount of funds included in the Action Plan amendment, up to the allocation amount.

5. Joint requests. To expedite the use of funds, HUD is providing an alternative requirement to 42 U.S.C. 5304(i) and is waiving 24 CFR 570.308 to the extent necessary to allow for additional joint programs described below.

a. Entitlement Community Joint Agreements. Two or more contiguous entitlement communities (metropolitan cities or urban counties) that are eligible to receive a NSP allocation and are located in the same metropolitan area may enter into joint agreements. All members to the joint agreement must be eligible to receive NSP funds, and one unit of general local government must be designated as the lead entity. The lead entity must execute the NSP grant agreement with HUD. Consistent with 24 CFR 570.308, the lead entity must assume responsibility for administering the NSP grant on behalf of all members, in compliance with applicable program requirements. The substantial amendment to the lead entity's action plan will include all participating entitlement communities.

b. Joint agreements with a state. Any entitlement community that is eligible to receive an NSP allocation may enter into a joint agreement with its state. The state shall be the lead entity and must assume responsibility for administering the NSP grant on behalf of the entitlement community, in compliance with applicable program requirements. The substantial amendment to the state's action plan will include any participating entitlement community.

6. Effect of existing cooperation agreements governing joint programs and urban counties. Any cooperation agreement between a unit of general local government and a county, concerning either a joint program or participation in an urban county under

24 CFR 570.307 or 570.308, and governing CDBG funds appropriated for federal FY 2008, will be considered to incorporate and apply to NSP funding. Any such cooperation agreements will continue to apply to the use of NSP funds until the NSP funds are expended and the NSP grant is closed out. Grantees should note that certain provisions in existing cooperation agreements that govern FY2008 CDBG funding may be inconsistent with parts of HERA and this notice. For instance, set minimum and/or maximum allocation amounts may conflict with priority distributions to areas of greatest need identified in the grantee's action plan substantial amendment. Conforming amendments should be made to existing cooperation agreements, as necessary, to comply with HERA and this notice.

C. Reimbursement for Pre-Award Costs

Background

NSP allocatees will need to move forward rapidly to prepare the NSP substantial amendment and to undertake other administrative actions, including environmental reviews, as soon as allocations are known. Therefore, HUD is granting permission to states and entitlement jurisdictions receiving a direct allocation of NSP funds (see Attachment A) to incur pre-award costs as if each was a new grantee preparing to receive its first allocation of CDBG funds.

Requirement

24 CFR 570.200(h) is waived to the extent necessary to grant permission to entitlement jurisdictions receiving a direct NSP allocation under this notice to incur pre-award costs as if each was a new grantee preparing to receive its first allocation of CDBG funds. Similarly, in accordance with OMB Circular A–87, Attachment B, paragraph 31, HUD is allowing states to incur pre-award costs as if each was a new grantee preparing to receive its first allocation of CDBG funds. As a new grantee, an NSP allocatee will be allowed to incur costs necessary to develop the NSP substantial action plan amendment and undertake other administrative actions necessary to receive its first grant, prior to the costs being included in the final plan, provided that the other conditions of 24 CFR 570.200(h) are met. (For units of general local government (including entitlements not receiving a direct NSP allocation under this notice) applying to the state, 24 CFR 570.489(b) applies unmodified.)

D. Grant Conditions

For NSP grantees that HUD determines are high risk in accordance with 24 CFR 85.12(a), HUD will apply additional grant conditions in accordance with 24 CFR 85.12(b).

E. Income Eligibility Requirement Changes

Background

The NSP program includes two low- and moderate-income requirements at section 2301(f)(3)(A) that supersede existing CDBG income qualification requirements. Under the heading "Low and Moderate Income Requirement," HERA states that: "All of the funds appropriated or otherwise made available under this section shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income."

This provision does two main things. First, for the purposes of the NSP, it effectively supersedes the overall benefit provisions of the HCD Act and the CDBG regulations, which allow up to 30 percent of a grant to be used for activities that meet a national objective other than the low- and moderate-income one. Thus, NSP allows the use of only the low- and moderate-income national objective. Activities may not qualify under NSP using the "prevent or eliminate slums and blight" or "address urgent community development needs" objectives.

Second, this provision also redefines and supersedes the definition of "low- and moderate-income," effectively allowing households whose incomes exceed 80 percent of area median income but do not exceed 120 percent of area median income to qualify as if their incomes did not exceed the published low- and moderate-income levels of the regular CDBG program. To prevent confusion, HUD will refer to this new income group as "middle income," and keep the regular CDBG definitions of "low-income" and "moderate income" in use. Further, HUD will characterize aggregated households whose incomes do not exceed 120 percent of median income as "low-, moderate-, and middle-income households," abbreviated as LMMH. For the purposes of NSP CDBG only, an activity may meet the HERA low- and moderate-income national objective if the assisted activity:

- Provides or improves permanent residential structures that will be occupied by a household whose income is at or below 120 percent of area median income (abbreviated as LMMH);
- Serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of area median income (LMMA);
- Creates or retains jobs for persons whose household incomes are at or below 120 percent of median income (LMMJ); or
- Serves a limited clientele whose incomes are at or below 120 percent of area median income (LMMC).

HUD will use the parenthetical terms above to refer to NSP national objectives in program implementation, to avoid confusion with the regular HCD Act definitions.

Land banks are not allowed in the regular CDBG program because of the very high risk that the delay between acquiring property and meeting a national objective can be excessively long, attenuating the intended CDBG program benefits by delaying benefit far beyond the annual or even the 5-year consolidated plan cycles. In the regular CDBG program (and in the NSP other than in an eligible land-bank use), a property acquisition activity is dependent on the national objective met by the subsequent reuse of the property in order to demonstrate program compliance. Given this, the HERA direction that assistance to land banks is an eligible use of NSP funds requires an alternative requirement and policy clarification.

For grantees choosing to assist land banks or demolition of structures with NSP funds, the change to the income qualification level for low-, moderate-, and middle-income areas will likely include most of the neighborhoods where property stabilization is required. If an assisted land bank is not merely acquiring properties, but is also carrying out other activities intended to arrest neighborhood decline, such as maintenance, demolition, and facilitating redevelopment of the properties, HUD will, for NSP-assisted activities only, accept that the acquisition and management activities of the land bank may provide sufficient benefit to an area generally (as described in 24 CFR 570.208(a)(1) and 570.483(b)(1)) to meet a national objective (LMMA) prior to final disposition of the banked property. HUD notes that the grantee must determine the actual service area benefiting from a land bank's activities, in accordance with the regulations.

However, HUD does not believe the benefits of just holding property are sufficient to stabilize most neighborhoods or that this is the best use of limited NSP funds absent a re-use plan. Therefore, HUD is requiring that 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.

Note that if a state provides funds to an entitlement community, the entitlement community must apply the area median income levels applicable to its regular CDBG program geography and not the "balance of state" levels.

Other than the change in the applicable low- and moderate-income qualification level from 80 percent to 120 percent, the area benefit, housing, jobs, and limited clientele benefit requirements at 570.208(a) and 570.483(b) remain unchanged, as does the required documentation.

The other NSP low- and moderate-income related provision states that: "not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income."

HUD advises grantees to take note of this new threshold as they design NSP activities. This provision does not have a parallel in the regular CDBG program. Grantees must document that an amount equal to at least 25 percent of a grantee's NSP grant (initial allocation plus any reallocations) has been budgeted in the initial approved action plan substantial amendment for activities that will provide housing for income-qualified individuals or families. Prior to and at grant closeout, HUD will review grantees for compliance with this provision by determining whether at least 25 percent of grant funds have been expended for housing for individual households whose incomes do not exceed 50 percent of area median income.

Requirements

1. Overall benefit supersession and alternative requirement. The requirements at 42 U.S.C. 5301(c), 42 U.S.C. 5304(b)(3)(A), 24 CFR 570.484 (for states), and 24 CFR 570.200(a)(3) that 70 percent of funds are for activities that benefit low- and moderate-income persons are superseded and replaced by section 2301(f)(3)(A) of HERA. One hundred percent of NSP funds must be used to benefit individuals and households whose income does not exceed 120 percent of area median income. NSP shall refer to such households as "low-, moderate-, and middle-income."

2. National objectives supersession and alternative requirements. The requirements at 42 U.S.C 5301(c) are superseded and 24 CFR 570.208(a) and 570.483 are waived to the extent necessary to allow the following alternative requirements:

a. For purposes of NSP only, the term "low- and moderate-income person" as it appears throughout the CDBG regulations at 24 CFR part 570 shall be defined as a member of a low-, moderate-, and middle-income household, and the term "low- and moderate-income household" as it appears throughout the CDBG regulations shall be defined as a household having an income equal to or less than 120 percent of area median income, measured as 2.4 times the current Section 8 income limit for households below 50 percent of median income, adjusted for family size. A state choosing to carry out an activity directly must apply the requirements of 24 CFR 570.208(a) to determine whether the activity has met the low-, moderate-, and middle-income (LMMI) national objective and must maintain the documentation required at 24 CFR 570.506 to demonstrate compliance to HUD.

b. The national objectives related to prevention and elimination of slums and blight and addressing urgent community development needs (24 CFR 570.208(b) and (c) and 570.483(c) and (d)) are not applicable to NSP-assisted activities.

c. Each grantee whose plan includes assisting rental housing shall develop and make public its definition of affordable rents for NSP-assisted rental projects.

d. An NSP-assisted property may not be held in a land bank for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements.

F. State Distribution to Entitlement Communities and Indian Tribes

Background

This notice includes an alternative requirement to the HCD Act and a regulatory waiver allowing distribution of funds by a state to CDBG regular entitlement communities and Tribes. This is consistent with the provision of HERA that specifically sets distribution priorities for areas with the greatest need, including "metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas * * *" Therefore, states receiving allocations under this notice may distribute funds to or within any jurisdiction within the state that is among those with the greatest need, even if the jurisdiction is among those receiving a direct formula allocation of funds from HUD under the regular CDBG program or this notice.

Requirement

Alternative requirement for distribution to CDBG metropolitan cities, urban counties, and Tribes. In accordance with the direction of HERA that grantees distribute funds to the areas of greatest need, HUD is providing an alternative requirement to 42 U.S.C. 5302(a)(7) (definition of "nonentitlement area") and waiving provisions of 24 CFR part 570, including 24 CFR 570.480(a), that would prohibit states electing to receive CDBG funds from distributing such funds to units of general local government in entitlement communities or to Tribes. The appropriations law supersedes the statutory distribution prohibition at 42 U.S.C. 5306(d)(1) and (2)(A). Alternatively, the state is required to distribute funds without regard to a local government status under any other CDBG program and must use funds in entitlement jurisdictions if they are identified as areas of greatest need, regardless of whether the entitlement receives its own NSP allocation.

G. State's Direct Action

Background

In the State CDBG program, states receiving CDBG funds may not directly use the funds for activities, but must distribute them to units of general local government, which then use the funds for program activities. States may still use this "method of distribution" program model under NSP, but HUD reminds the states of the 18-month "use" requirement. HUD also notes the language of section 2301(c) that says, in part, that:

> Any State * * * that receives amounts pursuant to this section shall * * * use such amounts to purchase and redevelop * * *.

This clearly speaks to the states using funds directly for projects and supersedes the HCD Act direction for states to only distribute funds to nonentitlement areas. Direct use of funds by a state may also result in more expeditious use of NSP funds. Therefore, a state receiving NSP funds may carry out NSP activities directly for some or all of its assisted grant activities, just as CDBG entitlement communities do under 24 CFR 570.200(f), including, but not limited to, carrying out activities using its own employees, procuring contractors, private developers, and providing loans and grants through nonprofit subrecipients (including local governments and other public nonprofits such as regional or local planning or development authorities and public housing authorities).

For those activities a state chooses to carry out directly, HUD strongly advises the state to adopt the recordkeeping required for an entitlement community at 570.506 and the subrecipient agreement provisions at 570.503. Also, in such cases, as an alternative requirement to 42 U.S.C. 5304(i), the state may retain and re-use program income as if it were an entitlement community.

HUD is granting regulatory waivers of State CDBG regulations to conform the applicable management, real property change of use, and recordkeeping rules when a state chooses to carry out activities as if it were an entitlement community.

Requirements

1. Responsibility for state review and handling of noncompliance. This change conforms NSP requirements with the waiver allowing the state to carry out activities directly. 24 CFR 570.492 is waived and the following alternative requirement applies: The state shall make reviews and audits, including on-site reviews of any subrecipients, designated public agencies, and units of general local government as may be necessary or appropriate to meet the requirements of 42 U.S.C. 5304(e)(2), as amended, as modified by this notice. In the case of noncompliance with these requirements, the state shall take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence. The state shall establish remedies for noncompliance by any designated public agencies or units of general local governments and for its subrecipients.

2. Change of use of real property for state grantees acting directly. This waiver conforms the change of use of real property rule to the waiver allowing a state to carry out activities directly. For purposes of this program, in 24 CFR 570.489(j), (j)(1), and the last sentence of (j)(2), "unit of general local government" shall be read as "unit of general local government or state."

3. Recordkeeping for a state grantee acting directly. Recognizing that the state may carry out activities directly, 24 CFR 570.490(b) is waived in such a case and the following alternative provision shall apply: State records. The state shall establish and maintain such records as may be necessary to facilitate review and audit by HUD of the state's administration of NSP funds under 24 CFR 570.493. Consistent with applicable statutes, regulations, waivers and alternative requirements, and other federal requirements, the content of records maintained by the state shall be sufficient to: (1) Enable HUD to make the applicable determinations described at 24 CFR 570.493; (2) make compliance determinations for activities carried out directly by the state; and (3) show how activities funded are consistent with the descriptions of activities proposed for funding in the action plan. For fair housing and equal opportunity purposes, and as applicable, such records shall include data on the racial, ethnic, and gender characteristics of persons who are applicants for, participants in, or beneficiaries of the program.

4. State compliance with certifications for state grantees acting directly. This is a conforming change related to the waiver to allow a state to act directly. Because a state grantee under this appropriation may carry out activities directly, HUD is applying the regulations at 24 CFR 570.480(c) with respect to the basis for HUD determining whether the state has failed to carry out its certifications, so that such basis shall be that the state has failed to carry out its certifications in compliance with applicable program requirements.

5. Clarifying note on the process for environmental release of funds when a State carries out activities directly. Usually, a state distributes CDBG funds to units of local government and takes on HUD's role in receiving environmental certifications from the grant recipients and approving releases of funds. For this grant, HUD will allow a state grantee to also carry out activities directly instead of distributing them to other governments. According to the environmental regulations at 24 CFR 58.4, when a state carries out activities directly, the state must submit the certification and request for release of funds to HUD for approval.

H. Eligibility and Allowable Costs

Background

Most of the activities eligible under NSP represent a subset of the eligible activities under 42 U.S.C. 5305(a). Due to limitations in the reporting system, DRGR, the NSP-eligible uses must be correlated with CDBG-eligible activities. The alternative to this approach, using a paper-based action plan and reporting process using NSP-eligible uses only would be much slower to implement. This correlation also reduces implementation risks, because it will ensure that the NSP grants are administered largely in accordance with long-established CDBG rules and controls. The table in the requirements paragraph below shows the eligible uses under NSP and the corresponding eligible activities from the regulations for the regular CDBG entitlement program that HUD has determined best correspond to those uses. If a grantee creates a program design that includes a CDBG-eligible activity that is not shown in the table to support an NSP-eligible use, the Department is providing an alternative requirement to 42 U.S.C. 5305(a) that HUD may allow a grantee an additional eligible-activity category if HUD finds the activity to be in compliance with the NSP statute. As under the regular CDBG program, grantees may fund costs, such as reasonable developer's fees, related to NSP-assisted housing rehabilitation or construction activities. NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public park, commercial use, or mixed residential and commercial use.

The annual entitlement CDBG program allows up to 20 percent of any grant amount plus program income may be used for general administration and planning costs. The State CDBG program is also subject to the 20 percent limitation, but within that cap up to 3 percent may be used by the state for state administrative cost and technical assistance to potential local government program grant recipients, with the remainder available to be granted to local government recipients for their administrative costs. Because some of the costs usually allocated under these caps are not applicable to NSP grants (for example, the costs of completing the entire consolidated plan process), these amounts seem excessive to HUD in the context of the NSP program. On the other hand, HUD wants to encourage and support expeditious, appropriate, and compliant use of grant funds, and to prevent fraud, waste, and abuse of funds. Therefore, HUD is providing an alternative requirement that an amount of up to 10 percent of an NSP grant provided to a jurisdiction and of up to 10 percent of program income earned may be used for general administration and planning activities as those are defined at 24 CFR 570.205 and 206. For all grantees, including states, the 10 percent limitation applies to the grant as a whole.

The regulatory and statutory requirements for state match for program administration at 24 CFR 570.489 (a)(i) are superseded by the statutory direction at section 2301(e)(2) that no matching funds shall be required for a state or unit of general local government to receive a grant.

Requirements

1. Use of grant funds must constitute an eligible use under HERA.

2. In addition to being an eligible NSP use of funds, each activity funded under this notice must also be CDBG-eligible under 42 U.S.C. 5305(a) and meet a CDBG national objective.

3.a. Certain CDBG-eligible activities correlate to specific NSP-eligible uses and vice versa. 42 U.S.C. 5305(a) and 24 CFR 570.201–207 and 482(a) through (d) are superseded to the extent necessary to allow the eligible uses described under section 2301(c)(3) of HERA in accordance with this paragraph (including the table and subparagraphs below) or with permission granted, in writing, by HUD upon a written request by the grantee that demonstrates that the proposed activity constitutes an eligible use under NSP. All NSP grantees, including states, will use the NSP categories and CDBG entitlement regulations listed below.

NSP-eligible uses	Correlated eligible activities from the CDBG entitlement regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.	• As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. • Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(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 570.201(a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); • 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).
(C) Establish land banks for homes that have been foreclosed upon	24 CFR 570.201(a) Acquisition and (b) Disposition.
(D) Demolish blighted structures	• 24 CFR 570.201(d) Clearance for blighted structures only.
(E) 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). • 204 Community based development organizations.

b. HUD will not consider requests to allow foreclosure prevention activities, or to allow demolition of structures that are not blighted, or to allow purchase of residential properties and homes that have not been abandoned or foreclosed upon as provided in HERA and defined in this notice. HUD does not have the authority to permit uses or activities not authorized by HERA.

c. New construction of housing is eligible as part of eligible-use (E) to redevelop demolished or vacant properties.

d. 24 CFR 570.201(n) is waived and an alternative requirement provided for 42 U.S.C. 5305(a) to the extent necessary to allow provision of NSP-assisted homeownership assistance to persons whose income does not exceed 120 percent of median income.

4. Alternative requirement for the limitation on planning and administrative costs. 24 CFR 570.200(g) and 570.489(a)(3) are waived to the extent necessary to allow each grantee under this notice to expend no more than 10 percent of its grant amount, plus 10 percent of the amount of program income received by the grantee, for activities eligible under 24 CFR 570.205 or 206. The requirements at 24 CFR 570.489 are waived to the extent that they require a state match for general administrative costs. (States may use NSP funds under this 10 percent limitation to provide technical assistance to local governments and nonprofit program participants.)

I. Rehabilitation Standards

Background

HERA provides that any NSP-assisted rehabilitation of a foreclosed-upon home or residential property shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. This imposes a requirement that does not exist in the CDBG program. This means that each grantee must describe or reference in its NSP action plan amendment what rehabilitation standards it will apply for NSP-assisted rehabilitation. HUD will monitor to ensure the standards are implemented.

HERA defines rehabilitation to include improvements to increase the energy efficiency or conservation of such homes and properties or to provide a renewable energy source or sources for such homes and properties. Such improvements are also eligible under the regular CDBG program. HUD 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.

J. Sale of Homes

Background

Section 2301(d)(2) of HERA directs that, if an abandoned or foreclosed-upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) Note that the maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property).

Requirements

1. In its records, each grantee must maintain sufficient documentation

about the purchase and sale amounts of each property and the sources and uses of funds for each activity so that HUD can determine whether the grantee is in compliance with this requirement. A grantee will be expected to provide this documentation individually for each activity.

2. In determining the sales price limitation, HUD will not consider the costs of boarding up, lawn mowing, simply maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment of the property, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs. These costs may not be included by the grantee in the determination of the sales price for an NSP-assisted property.

3. For reporting purposes only, for a housing program involving multiple single-family structures under the management of a single entity, HUD will permit reporting the aggregation of activity delivery costs across the total portfolio of projects until completion of the program or closeout of the grant with HUD, whichever comes earlier.

K. Acquisition and Relocation

Background

Acquisition of Foreclosed-Upon Properties. HUD notes that section 2301(d)(1) of HERA conflicts with section 301(3) of the URA (42 U.S.C. 4651) and related regulatory requirements at 49 CFR 24.102(d). As discussed further, section 2301(d)(1) of HERA requires that any acquisition of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property and that such discount shall ensure that purchasers are paying below-market value for the home or property. Section 301(3) of the URA, as implemented at 49 CFR 24.102(d), provides that an offer of just compensation shall not be less than the agency's approved appraisal of the fair market value of such property. These URA acquisition policies apply to any acquisition of real property for a federally funded project, except for acquisitions described in 49 CFR 24.101(b)(1) through (5) (commonly referred to as "voluntary acquisitions"). As the more recent and specific statutory provision, section 2301(d)(1) of HERA prevails over section 301 of the URA for purposes of NSP-assisted acquisitions of foreclosed-upon homes or residential properties.

NSP Appraisal Requirements. As noted above, section 301 of the URA does not apply to voluntary acquisitions. While the URA and its regulations do not require appraisals for such acquisitions, the URA acquisition policies do not prohibit acquiring agencies from obtaining appraisals. Appendix A, 49 CFR 24.101(b)(2) acknowledges that acquiring agencies may still obtain an appraisal to support their determination of fair market value. Section 2301(d)(1) of HERA requires an appraisal for purposes of determining the statutory purchase discount. This appraisal requirement applies to any NSP-assisted acquisition of a foreclosed-upon home or residential property (including voluntary acquisitions).

One-for-One Replacement. HUD is providing an alternative requirement to the one-for-one replacement requirements set forth in 42 U.S.C. 5304(d)(2), as implemented at 24 CFR 42.375. The Department anticipates a large number of requests from grantees for whom the requirements will be onerous given the pressing rush to implement NSP, and several of the major housing markets affected by the foreclosure crisis have a surplus of abandoned and foreclosed-upon residential properties. The additional workload of reviewing requests under 42 U.S.C. 5304(d)(3) and 24 CFR 42.375(d) could cause a substantial backlog at HUD and delay NSP program operations. Therefore, the alternative requirement is that an NSP grantee will not be required to meet the requirements of 42 U.S.C. 5304(d), as implemented at 24 CFR 42.375, to provide one-for-one replacement of low- and moderate-income dwelling units demolished or converted in connection with activities assisted with NSP funds. Alternatively, each grantee must submit the information described below relating to its demolition and conversion activities in its action plan substantial amendment. The grantee will report to HUD and citizens (via prominent posting of the DRGR reports on the grantee's official Internet site) on progress related to these measures until the closeout of its grant with HUD.

As noted earlier, HUD does not have the authority to waive or specify alternative requirements to the URA's acquisition policies or relocation provisions. Those requirements that do not conflict with HERA continue to apply. HUD is *not* specifying alternative requirements to the relocation assistance provisions at 42 U.S.C. 5304(d). Guidance on meeting these requirements is available on the HUD Web site and through local HUD field offices. HUD urges grantees to consider URA requirements in designing their programs and to remember that there are URA obligations related to voluntary and involuntary property acquisition activities, even for vacant and abandoned property. HUD reminds grantees to be aware of the requirement to have and follow a residential antidisplacement and relocation plan for the CDBG and HOME programs. This requirement is not waived for those programs and continues to apply to activities assisted with regular CDBG and HOME funds.

Requirements

1. The one-for-one replacement requirements at 24 CFR 570.488, 570.606(c), and 42.375 are waived for low- and moderate-income dwelling units demolished or converted in connection with an activity assisted with NSP funds. As an alternative requirement to 42 U.S.C. 5304(d)(2)(A)(i) and (ii), each grantee planning to demolish or convert any low- and moderate-income dwelling units as a result of NSP-assisted activities must identify all of the following information in its NSP substantial amendment:

(a) The number of low- and moderate-income dwelling units reasonably expected to be demolished or converted as a direct result of NSP-assisted activities;

(b) The number of NSP affordable housing units (made available to low-, moderate-, and middle-income households) 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); and

(c) The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

The grantee must also report on actual performance for demolitions and production, as required elsewhere in this notice.

L. Note on Eminent Domain

Although section 2303 of HERA appears to allow some use of eminent domain for public purposes, HUD cautions grantees that section 2301(d)(1) may effectively ensure that all NSP-assisted property acquisitions must be voluntary acquisitions as the term is defined by the URA and its implementing regulations. Section 2301(d)(1) directs that any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market appraised value of the home or property and that such discount shall ensure that purchasers are paying below-market value for the home or property. However, the Fifth Amendment to the U.S. Constitution provides that private property shall not be taken for public use without just compensation. The Supreme Court has ruled that a jurisdiction must pay fair market value for the purchase of property through eminent domain. A grantee contemplating using NSP funds to assist an acquisition involving an eminent domain action is advised to consult appropriate legal counsel before taking action.

M. Timeliness of Use and Expenditure of NSP Funds

Background

One of the most critical NSP provisions is the HERA requirement at section 2301(c)(1) that any grantee receiving a grant:

> * * * shall, not later than 18 months after the receipt of such amounts, use such amounts to purchase and redevelop abandoned and foreclosed homes and residential properties.

HUD has defined the term "use" in this notice to include obligation of funds.

A further complication is that HERA clearly expects grantees to earn program income under this grant program. As provided under 24 CFR 85.21 for entitlements, grantees and subrecipients shall disburse program income before requesting additional cash withdrawals from the U.S. Treasury. States are governed similarly by 24 CFR 489(e)(3) and 31 CFR part 205. This requirement is reflected in the regulations governing use of program income by States and units of general local government under the CDBG program. This means that a grantee that successfully and quickly deploys its program and generates program income may obligate, draw down, and expend an amount equal to its NSP allocation amount, and still have funds remaining in its line of credit, possibly subject to recapture at the 18-month deadline.

On consideration, the Department chose to implement the use test based on whether the state or unit of general local government has expended or obligated the NSP grant funds and program income in an aggregate amount at least equal to the NSP allocation.

HUD is also imposing a deadline for expending NSP grant funds because the intent of these grants clearly is to quickly address an emergency situation in areas of the greatest need.

Requirements

1. Timely use of NSP funds. At the end of the statutory 18-month use period, which begins when the NSP grantee receives its funds from HUD, the state or unit of general local government NSP grantee's accounting records and DRGR information must reflect outlays (expenditures) and unliquidated obligations for approved activities that, in the aggregate, are at least equal to the NSP allocation. (The DRGR system collects information on expenditures and obligations.)

2. Timely expenditure of NSP funds. The timely distribution or expenditure requirements of sections 24 CFR 570.494 and 570.902 are waived to the extent necessary to allow the following alternative requirement: All NSP grantees must expend on eligible NSP activities an amount equal to or greater than the initial allocation of NSP funds within 4 years of receipt of those funds or HUD will recapture and reallocate the amount of funds not expended.

N. Alternative Requirement for Program Income (Revenue) Generated by Activities Assisted With Grant Funds

Requirement

Revenue received by a state, unit of general local government, or subrecipient (as defined at 24 CFR 570.500(c)) that is directly generated from the use of CDBG funds (which term includes NSP grant funds) constitutes CDBG program income. To ensure consistency of treatment of such revenue, the definition of program income at 24 CFR 570.500(a) shall be applied to amounts received by states, units of general local government, and subrecipients. However, Section 2301(d)(4) imposes certain limitations and requirements that necessitate an alternative requirement to govern the use of program income generated by activities carried out pursuant to Section 2301(c). The limitations and requirements are based on the NSP activity that generated the program income and on the date the income is received. In addition, Section 2301(d)(4) requires any revenue from the sale, rental, redevelopment, rehabilitation or any other eligible use of NSP funds to be provided to and used by the state or unit of local general government. This includes revenue received by a private individual or other entity that is not a subrecipient.

1. Program income generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E).

a. Program income received before July 30, 2013, may be retained by the state or unit of general local government if it is treated as additional CDBG funds and used in accordance with the requirements of Section 2301.

b. Program income received on or after July 30, 2013—Return to the Treasury.

Any program income received by a state, unit of general local government, or subrecipient on or after July 30, 2013, that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) (e.g., proceeds from the sale of rental housing by a state, unit of general local government, or subrecipient) and is not authorized to be retained as described below must be remitted to HUD for deposit in the Treasury. Any program income received by a state, unit of general local government, or subrecipient on or after July 30, 2013, that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) and that is in excess of the cost to acquire and redevelop or rehabilitate an abandoned or foreclosed-upon home or residential property may be retained if HUD approves a request to use the funds for other NSP purposes. Note that no profit can be earned on the sale of an abandoned or foreclosed-upon home or residential property to an individual as a primary residence; as provided under Section 2301(c)(3), the sale must be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate the home or property up to a decent, safe, and habitable condition.

Example: A unit of general local government acquires a foreclosed-upon multi-family residential property for $100,000, spends $100,000 to redevelop the property, and sells the property for $225,000. If the sale occurs on or after July 30, 2013, the amount to be remitted to HUD by the state or unit of general government is $200,000 if HUD authorizes the profit of $25,000 to be used for other NSP purposes, or $225,000 if HUD does not authorize such use.

c. Revenue received by a private individual or other entity that is not a subrecipient.

i. Any revenue generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) that is in excess of the cost to acquire and redevelop (including reasonable development fees) or rehabilitate an abandoned or foreclosed-upon home or residential property must be provided to the state or unit of general local government and treated as program income. The disposition of the program income by the state or unit of general local government is governed by a. and b. above.

ii. Any revenue that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) and is received on or after July 30, 2013, shall be provided to the State or unit of general local government and treated as program income. The disposition of the program income by the state or unit of general local government is governed by b. above.

Example: A unit of general local government uses NSP funds to make a loan (or grant) to a developer to finance the acquisition and rehabilitation of a foreclosed-upon multi-family residential property. The developer uses $200,000 in NSP funds (loan or grant) from the unit of general local government to pay the total costs of acquisition and rehabilitation (including reasonable development fees) and subsequently sells the property for $225,000. The developer is required to provide $225,000 to the unit of general local government. (If the NSP funding was a loan, the sale proceeds would be used to repay the NSP loan.) If the sale occurs on or after July 30, 2013, the unit of general local government must remit $225,000 to HUD for deposit in the United States Treasury, unless HUD approves a request to use $25,000 of that amount for other NSP purposes. If in this same example, the developer received $100,000 of NSP funding and used $100,000 of its own funds for eligible costs, the revenue to be provided to the local government would be $125,000.

2. Program income generated by activities carried out pursuant to Section 2301(c)(3)(A), (C) and (E). Program income received may be retained by the State or unit of general local government if it is treated as additional CDBG funds and used in accordance with the requirements of Section 2301. Revenue received by a private individual or other entity that is not a subrecipient must be returned to the State or unit of general local government.

3. Cash management. Substantially all program income must be disbursed for eligible NSP activities before additional cash withdrawals are made from the U.S. Treasury.

4. Agreements with subrecipients and other entities. States and units of general local governments must incorporate in subrecipient agreements such provisions as are necessary to ensure compliance with the requirements of this paragraph, including the requirement that program income described in N.1.(b) be remitted to HUD for deposit in the Treasury. States, units of general local government, and subrecipients must incorporate in agreements with private individuals and other entities that are not subrecipients such provisions as are necessary to ensure compliance with the requirements governing disposition of revenue generated by activities carried out pursuant to Section 2301(c).

O. Reporting

Background

HUD is requiring regular reporting on each NSP grant in the DRGR system to ensure the Department gets sufficient management information to follow-up promptly if a grantee lags in implementation and risks recapture of its grant funds. For NSP only, HUD is waiving the annual reporting requirements of the consolidated plan to allow HUD to collect more regular information on various aspects of the uses of funds and of the activities funded with these grants. HUD will use the reports to exercise oversight for compliance with the requirements of this notice and for prevention of fraud, waste, and abuse of funds.

The regular CDBG performance measurement requirements will not apply to the NSP funds. To the extent feasible, HUD will configure DRGR performance measures to fit the NSP activities and will provide additional guidance on NSP performance measures.

To collect these data elements and to meet its reporting requirements, HUD is requiring each grantee to report on its NSP funds to HUD using the online DRGR system, which uses a streamlined, Internet-based format. HUD will use grantee reports to monitor for anomalies or performance problems that suggest fraud, waste, and abuse of funds; to reconcile budgets, obligations, fund draws, and expenditures; to calculate applicable administrative and public service limitations and the overall percent of benefit to LMMI persons; and as a basis for risk analysis in determining a monitoring plan.

The grantee must post the NSP report on a Web site for its citizens when it submits the report to HUD (DRGR generates a version of the report that the grantee can download, save, and post).

Requirements

1. Performance report alternative requirement. The Secretary may specify the form and timing of reports provided by the grantee under both 42 U.S.C. 5304(e) (the HCD Act) and 42 U.S.C. 12708 (NAHA). Therefore, the consolidated plan regulation at 24 CFR 91.520 is waived and the alternative reporting form and timing for the NSP funds is that:

a. Each grantee must enter its NSP Action Plan amendment into HUD's web-based DRGR system in sufficient detail to meet the NSP action plan content requirements of this notice and to serve as the basis for acceptable performance reports. (Because DRGR was not specifically redesigned for the NSP, HUD field staff will provide grantees with specific technical assistance on where in DRGR the required NSP narrative and data elements must be placed.)

b.i. Each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the 15th month after initial receipt of grant funds. In addition to this quarterly performance reporting, each grantee will report monthly on its NSP obligations and expenditures beginning 30 days after the end of the 15th month following receipt of funds, and continuing until reported total obligations are equal to or greater than the total NSP grant. After HUD has accepted a report from a grantee showing such obligation of funds, the monthly reporting requirement will end and quarterly reports will continue until all NSP funds (including program income) have been expended and those expenditures are included in a report to HUD, or until HUD issues other instructions pursuant to paragraph b.ii. below. Each report will include information about the uses of funds, including, but not limited to, the project name, activity, location, national objective, funds budgeted and expended, the funding source and total amount of any non-NSP funds, numbers of properties and housing units, beginning and ending dates of activities, and numbers of low- and moderate-income persons or households benefiting. Reports must be submitted using HUD's web-based DRGR system and, at the time of submission, be posted prominently on the grantee's official Web site.

ii. During the winter of 2008–2009, HUD is undertaking a major enhancement of DRGR, initiated as part of a series of improvements designed to prevent fraud, waste, and abuse of funds in the Gulf Coast CDBG disaster recovery programs, whose grantees are reporting on the uses of more than $19 billion of CDBG disaster recovery funds through DRGR. Prior to roll-out of the enhancement, NSP grantees will use the Voice Response System (VRS) to access the line of credit and will prepare and submit action plans and performance reports through DRGR. After this enhancement is complete, grantees also will be able to access their lines of credit through DRGR. At that time, HUD will issue updated guidance on all DRGR reporting and require most activity data to be updated on a transactional basis.

P. Note That FHA Properties Are Eligible for NSP Acquisition and Redevelopment

The Department notes that it is an eligible use of CDBG grant funds to acquire and redevelop FHA foreclosed properties. The Department strongly urges every community to consider and include such properties under their NSP programs because the nature and location of many of these homes will make them very compatible with the eligible uses of grant funds, the areas of greatest need, and the income eligibility thresholds and limits. Furthermore, in many areas, FHA foreclosed properties will be available for purchase at below-market value to meet HERA requirements. FHA provides quick access to location, condition, and sales price information; FHA may also offer expedited closing time frames. These factors may help expedite NSP fund use.

HUD will provide technical assistance on its Web site regarding how these programs can effectively interact. Grantees may also contact their local HUD FHA field office for further information.

Q. Purchase Discount

Background

Section 2301(d)(1) limits the purchase price of a foreclosed home, as follows:

> Any purchase of a foreclosed upon home or residential property under this section shall be at a discount from the current market appraised value of the home or property, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.

To ensure that uncertainty over the meaning of this section does not delay program implementation, HUD is defining "current market appraised value" in this notice. For mortgagee foreclosed properties, HUD is requiring that grantees seek to obtain the "maximum reasonable discount" from the mortgagee, taking into consideration likely "carrying costs" of the mortgagee if it were to not sell the property to the grantee or subrecipient. These likely carrying costs are different from market to market, and the "maximum reasonable discount" is likely to be higher in markets where homes are taking many months to more than a year to sell as compared to markets with shorter average time to sell a property. In recognition of the need for flexibility in administering the purchase discount requirement, HUD has adopted an approach that requires a minimum discount of 5 percent for each residential property purchased with NSP funds and a minimum average discount for all properties acquired with NSP funds over the 18-month HERA use period. The minimum average discount for the "portfolio" of properties acquired with NSP funds depends upon how the purchase discount for an individual property is determined. If the state, unit of general local government, or subrecipient determines the discount through use of a methodology that incorporates the factors discussed above (keeping in mind that the discount must be at least 5 percent), then the minimum average discount for the NSP portfolio is 10 percent. If not, the minimum average discount is 15 percent. Recipients and subrecipients are cautioned that a purchase discount negotiated with the seller on an individual property that is below the minimum average discount requirement must be offset by a purchase discount that is above the minimum average discount.

Requirements

1.a. Individual purchase transaction. Each foreclosed-upon home or residential property shall be purchased at a discount of at least 5 percent from the current market-appraised value of the home or property.

b. Purchase transactions in the aggregate. Except as set forth below, the average purchase discount for all properties purchased with NSP funds during the 18-month use period shall be at least 15 percent. The average purchase discount shall be at least 10 percent if the state, unit of general local government, or subrecipient determines the maximum reasonable discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5 percent). Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period. Such carrying costs shall include, but not be limited to: Taxes, insurance, maintenance, marketing, overhead, and interest. The procedures to implement such methodology shall be in writing and applied consistently to all purchases. The analysis for each purchase transaction shall be documented in the grantee's program records.

2. An NSP recipient may not provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a subrecipient, homebuyer, developer, or jurisdiction will be NSP-assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.

3. The address, appraised value, purchase offer amount, and discount amount of each property purchase must be documented in the grantee's program records.

R. Removal of Annual Requirements

Requirement

Throughout 24 CFR parts 91 and 570, all references to "annual" requirements such as submission of plans and reports are waived to the extent necessary to allow the provisions of this notice to apply to NSP funds, with no recurring annual requirements other than those related to civil rights and fair housing certifications and requirements.

S. Affirmatively Furthering Fair Housing

Nothing in this notice may be construed as affecting each grantee's responsibility to carry out its certification to affirmatively further fair housing. HUD encourages each grantee to review its analysis of impediments to fair housing choice to determine whether an update is necessary because of current market conditions or other factors.

T. Certifications

Background

HUD is substituting alternative certifications. The alternative certifications are tailored to NSP grants and remove certifications and references that are appropriate only to the annual CDBG formula program.

Requirements

Certifications for states and for entitlement communities, alternative requirement. Although the NSP is being implemented as a substantial amendment to the current annual action plan, HUD is requiring submission of this alternative set of certifications as a conforming change, reflecting alternative requirements and waivers under this notice. Each jurisdiction will submit the following certifications:

1. Affirmatively furthering fair housing. The jurisdiction certifies that it 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 must submit a certification with regard to compliance 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 certifies that the consolidated plan is authorized under state and local law (as applicable) and that 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 jurisdiction certifies that the housing activities to be undertaken with NSP funds are consistent with its consolidated plan.

5. Acquisition and relocation. The jurisdiction certifies that it 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 certifies that it 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 certifies that it 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 a plan. The jurisdiction certifies it is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

9. Use of funds. The jurisdiction certifies that it will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using all of its grant funds within 18 months of receipt of the grant.

10. The jurisdiction certifies:

a. 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; and

b. 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.

11. Excessive force. The jurisdiction certifies that it has adopted and is enforcing:

a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and

b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

12. Compliance with anti-discrimination laws. The jurisdiction certifies that 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.

13. Compliance with lead-based paint procedures. The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

14. Compliance with laws. The jurisdiction certifies that it will comply with applicable laws.

U. Note on Statutory Limitation on Distribution of Funds

Section 2304 of HERA states that none of the funds made available under this Title or title IV shall be distributed to an organization that has been indicted for a violation under federal law relating to an election for federal office; or an organization that employs applicable individuals. Section 2304 defines applicable individuals.

V. Information Collection Approval Note

HUD has approval from the Office of Management and Budget (OMB) for information collection requirements in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520). OMB approval is under OMB control number 2506–0165. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor and a person is not required to respond to, a collection of information, unless the collection displays a valid control number.

W. Duration of Funding

The appropriation accounting provisions in 31 U.S.C. 1551–1557, added by section 1405 of the National Defense Authorization Act for Fiscal Year 1991 (Pub. L. 101–510), limit the availability of certain appropriations for expenditure. Such a limitation may not be waived. The appropriations acts for NSP grants direct that these funds be available until expended. However, the Department is imposing a shorter deadline on the expenditure of NSP funds in this notice.

Catalog of Federal Domestic Assistance

The Catalog of Federal Domestic Assistance numbers for grants made under NSP are as follows: 14.218; 14.225; and 14.228.

Finding of No Significant Impact

A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(C)(2)). The Finding of No Significant Impact is available for public inspection between 8 a.m. and 5 p.m. weekdays in the Office of the Rules Docket Clerk, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 10276, Washington, DC 20410–0500.

Establishment of Formula

I hereby establish the funding formula set out in Attachment A to this notice.

Dated: September 29, 2008.

Steven C. Preston,

Secretary.

Attachment A

HERA calls for allocating funds "to States and units of general local government with the greatest need, as such need is determined in the discretion of the Secretary based on—

(A) The number and percentage of home foreclosures in each State or unit of general local government;

(B) The number and percentage of homes financed by a subprime mortgage related loan in each State or unit of general local government; and

(C) The number and percentage of homes in default or delinquency in each

State or unit of general local government."

It further directs that "each State shall receive not less than 0.5 percent of funds". The allocation formula operates as follows. In this formula, the primary data on foreclosure rates, subprime loan rates, and rates of loans delinquent or in default come from the Mortgage Bankers Association National Delinquency Survey (MBA–NDS). Because the MBA–NDS may have uneven coverage from state-to-state in respect to the total number of mortgages reported, the total count of mortgages is calculated as the number of owner-occupied mortgages from the 2006 American Community Survey increased with data from the Home Mortgage Disclosure Act to capture the proportion of total mortgages made within a state made to investors between 2004 and 2006. The first step of the allocation is to make a "statewide" allocation using the following formula:

$$\text{Statewide Allocation} = \$3.92 \text{ billion}*$$

$$\{[0.70 * \frac{\text{(State's number of foreclosure starts in last 6 quarters)*}}{\text{National number of foreclosure starts in last 6 quarters}} \frac{\text{(Percent of all loans in state to enter foreclosure last 6 quarters)}}{\text{Percent of all loans in nation to enter foreclosure last 6 quarters}} +$$

$$0.15 * \frac{\text{(State's number of subprime loans)*}}{\text{National number of subprime loans}} \frac{\text{(Percent of all loans in state subprime)}}{\text{Percent of all loans in nation subprime}} +$$

$$0.10 * \frac{\text{(State's number of loans in default (90+ days delinquent)*}}{\text{National number of loans in default}} \frac{\text{(Percent of all loans in state in default)}}{\text{Percent of all loans in nation in default}} +$$

$$0.05 * \frac{\text{(State's number of loans 60 to 89 days delinquent)*}}{\text{National number of loans 60 to 89 days delinquent}} \frac{\text{(Percent of all loans in state 60 to 89 days delinquent)]*}}{\text{National percent of all loans 60 to 89 days delinquent}}$$

$$\frac{\text{(Pct of all addresses in state vacant in Census Tracts where more than 40\% of the 2004 to 2006 loans were high costs) \}}}{\text{Pct of all addresses in nation vacant in Census Tracts where more than 40\% of the 2004 to 2006 loans were high cost}}$$

This formula allocates 70 percent of the funds based on the number and percent of foreclosures, 15 percent for subprime loans, 10 percent for loans in default (delinquent 90 days or longer), and 5 percent for loans delinquent 60 to 90 days. The higher weight on foreclosures is based on the emphasis the statute places on targeting foreclosed homes. The percentage adjustments, the rate of a problem in a state relative to the national rate of a problem, are restricted such that a state's allocation based on its proportional share of a problem cannot be increased or decreased by more than 30 percent.

Because HERA specifically indicates that the funds are needed for the "redevelopment of abandoned and foreclosed upon homes and residential properties", HUD has included a variable to proxy where abandonment of homes due to foreclosure is more likely, specifically each state's rate of vacant residential addresses in neighborhoods with a high proportion (more than 40 percent) of loans in 2004 to 2006 that were high cost. Information on vacant addresses is based on United States Postal Service data as of June 30, 2008 aggregated by HUD to the Census Tract level. The residential vacancy adjustment factor reflects a state's vacancy rate relative to the national average and cannot increase or decrease a state's proportional share of the allocation based on foreclosures, subprime loans, and delinquencies and defaults by more than 10 percent.

Finally, if a statewide allocation is less than $19.6 million, the statewide grant is increased to $19.6 million. Because this approach will result in a total allocation in excess of appropriation, all grant amounts above $19.6 million are reduced pro-rata to make the total allocation equal to the total appropriation.

From each statewide allocation, a substate allocation is made as follows:

- Each state government is allocated $19.6 million.
- If the statewide allocation is more than $19.6 million, the remaining funds are allocated to FY 2008 CDBG entitlement cities, urban counties, and non-entitlement balance of state proportional to relative need.
- If a local government receives less than $2 million under this sub-allocation, their grant is rolled up into the state government grant.

Note that HUD has determined that HERA's direction that a minimum of $19.6 million be allocated to the state means that a minimum grant must be provided to each state government of $19.6 million. As a result, this approach provides state governments with proportionally more funding than their estimated need. As such, state governments should use their best judgment to serve both those areas not receiving a direct grant and those areas that do receive a direct grant, making sure that the total of all funds in the state are going proportionally more to those places (as prescribed by HERA):

- "With the greatest percentage of home foreclosures;
- With the highest percentage of homes financed by a subprime mortgage related loan; and
- Identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures."

For the amount of funds above each state's $19.6 million, the remaining funds are allocated among the entitlement communities and nonentitlement balances using the following formula:

$$\text{Local Allocation} = (\text{Statewide allocation} - \$19{,}600{,}000)^* \left[\frac{(\text{Local estimate number of foreclosure starts in last 6 quarters})^*}{\text{State total number of foreclosure starts in last 6 quarters}}\right.$$

$$\left.\frac{(\text{Local vacancy rate in Census Tracts with more than 40\% of the loans High-cost})}{\text{State vacancy rate in Census Tracts with more than 40\% of the loans High-cost}}\right]$$

Where the residential vacancy rate adjustment cannot increase or reduced a local jurisdiction's allocation by more than 30 percent and the estimated number of foreclosures is calculated based on a predicted foreclosure rate times the estimated number of mortgages in a community. HUD analysis shows that 75 percent of the variance between states on foreclosure rates can be explained by three variables available from public data:

- Office of Federal Housing Enterprise Oversight (OFHEO) data on change in home values as of June 2008 compared to peak home value since 2000.
- Percent of all loans made between 2004 and 2006 that are high cost as reported in the Home Mortgage Disclosure Act (HMDA).
- Unemployment rate as of June 2008 (from Bureau of Labor Statistics).

Because these three variables are publicly available for all CDBG eligible communities and they are good predictors of foreclosure risk, they are used in a model to calculate the estimated number of foreclosures in each jurisdiction within a state. The formula used is as follows:

Predicted Foreclosure Rate = −2.211
−(0.131* Percent change in MSA OFHEO current price relative to the maximum in past 8 years)
+(0.152* Percent of total loans made between 2004 and 2006 that are high cost)
+(0.392*Percent unemployed in the place our county in June 2008).

This predicted foreclosure rate is then multiplied times the estimated number of mortgages within a jurisdiction (number of HMDA loans made between 2004 and 2006 times the ratio of ACS 2006 data on total mortgages in state / HMDA loans in state). This "estimated number of mortgages in the jurisdiction" is further adjusted such that the estimated number of foreclosures from the model will equal the total foreclosure starts in the state from the Mortgage Bankers Association National Delinquency Survey.

As noted above, for entitlement cities and urban counties that would receive an NSP allocation of less than $2 million, the funds are allocated to the state grantee. The District of Columbia and the four Insular Areas receive direct allocations and are not subject to the minimum grant threshold.

Because this funding is one-time funding and the eligible activities under the program are different enough from the regular program, HUD believes that a grantee must receive a minimum amount of $2 million to have adequate staffing to properly administer the program effectively. In addition, fewer grants will allow HUD staff to more effectively monitor grantees to ensure proper implementation of the program and reduce the risk for fraud, waste, and abuse.

State	Grantee name	NSP grant amount
AK	ALASKA STATE PROGRAM	$19,600,000
AL	ALABAMA STATE PROGRAM	37,033,031
AL	BIRMINGHAM	2,580,214
AL	JEFFERSON COUNTY	2,237,876
AR	ARKANSAS STATE PROGRAM	19,600,000
AZ	PHOENIX	39,478,096
AZ	ARIZONA STATE PROGRAM	38,370,206
AZ	MARICOPA COUNTY	9,974,267
AZ	MESA	9,659,665
AZ	TUCSON	7,286,911
AZ	GLENDALE	6,184,112
AZ	PIMA COUNTY	3,086,867
AZ	AVONDALE CITY	2,466,039
AZ	CHANDLER	2,415,100
AZ	SURPRISE TOWN	2,197,786
CA	CALIFORNIA STATE PROGRAM	145,071,506
CA	RIVERSIDE COUNTY	48,567,786
CA	LOS ANGELES	32,860,870
CA	SAN BERNARDINO COUNTY	22,758,188
CA	SACRAMENTO COUNTY	18,605,460
CA	LOS ANGELES COUNTY	16,847,672
CA	SACRAMENTO	13,264,829
CA	STOCKTON	12,146,038
CA	MORENO VALLEY	11,390,116
CA	KERN COUNTY	11,211,385
CA	FRESNO	10,969,169

State	Grantee name	NSP grant amount
CA	STANISLAUS COUNTY	9,744,482
CA	SAN DIEGO	9,442,370
CA	SAN JOAQUIN COUNTY	9,030,385
CA	BAKERSFIELD	8,982,836
CA	SAN BERNARDINO	8,408,558
CA	OAKLAND	8,250,668
CA	MODESTO	8,109,274
CA	PALMDALE	7,434,301
CA	FRESNO COUNTY	7,037,465
CA	LANCASTER	6,983,533
CA	RIVERSIDE	6,581,916
CA	CONTRA COSTA COUNTY	6,019,051
CA	FONTANA	5,953,309
CA	SANTA ANA	5,795,151
CA	SAN JOSE	5,628,283
CA	RIALTO	5,461,574
CA	VICTORVILLE	5,311,363
CA	SAN DIEGO COUNTY	5,144,152
CA	LONG BEACH	5,070,310
CA	HESPERIA	4,590,719
CA	ANTIOCH	4,049,228
CA	CORONA	3,602,842
CA	POMONA	3,530,825
CA	RICHMOND	3,346,105
CA	ORANGE COUNTY	3,285,926
CA	COMPTON	3,242,817
CA	APPLE VALLEY	3,064,836
CA	HEMET	2,888,473
CA	CHULA VISTA	2,830,072
CA	ONTARIO	2,738,309
CA	VALLEJO	2,657,861
CA	ANAHEIM	2,653,455
CA	ELK GROVE	2,389,651
CA	VISALIA	2,388,331
CA	RANCHO CUCAMONGA	2,133,397
CA	ALAMEDA COUNTY	2,126,927
CO	COLORADO STATE PROGRAM	34,013,566
CO	DENVER	6,060,170
CO	ADAMS COUNTY	4,600,211
CO	AURORA	4,474,097
CO	COLORADO SPRINGS	3,904,989
CT	CONNECTICUT STATE PROG	25,043,385
DC	WASHINGTON	2,836,384
DE	DELAWARE STATE PROGRAM	19,600,000
FL	FLORIDA STATE PROGRAM	91,141,478
FL	MIAMI-DADE COUNTY	62,207,200
FL	ORANGE COUNTY	27,901,773
FL	PALM BEACH COUNTY	27,700,340
FL	JACKSONVILLE-DUVAL	26,175,317
FL	PASCO COUNTY	19,495,805
FL	HILLSBOROUGH COUNTY	19,132,978
FL	LEE COUNTY	18,243,867
FL	BROWARD COUNTY	17,767,589
FL	POLK COUNTY	14,586,258
FL	TAMPA	13,600,915
FL	PORT ST LUCIE	13,523,132
FL	MIAMI	12,063,702
FL	ST PETERSBURG	9,498,962
FL	MIRAMAR	9,312,658
FL	PINELLAS COUNTY	8,063,759
FL	HOLLYWOOD	7,534,603
FL	COLLIER COUNTY	7,306,755
FL	SARASOTA COUNTY	7,140,861
FL	CAPE CORAL	7,065,484
FL	SEMINOLE COUNTY	7,019,514
FL	MIAMI GARDENS CITY	6,866,119
FL	ORLANDO	6,730,263
FL	DELTONA	6,635,909
FL	MARION COUNTY	6,324,055
FL	HIALEAH	5,385,046
FL	MANATEE COUNTY	5,283,122
FL	BREVARD COUNTY	5,269,667
FL	VOLUSIA COUNTY	5,222,831

State	Grantee name	NSP grant amount
FL	PALM BAY	5,208,104
FL	TAMARAC	4,772,218
FL	ESCAMBIA COUNTY	4,565,918
FL	PEMBROKE PINES	4,398,575
FL	POMPANO BEACH	4,366,157
FL	WEST PALM BEACH	4,349,546
FL	LAUDERHILL	4,293,288
FL	FT LAUDERDALE	3,700,096
FL	SUNRISE	3,494,986
FL	CORAL SPRINGS	3,378,142
FL	LAKE COUNTY	3,136,967
FL	BOYNTON BEACH	2,963,311
FL	HOMESTEAD CITY	2,887,010
FL	NORTH MIAMI	2,847,089
FL	KISSIMMEE	2,371,749
FL	FT MYERS	2,297,318
FL	MARGATE	2,106,555
FL	PLANTATION	2,016,309
FL	LAKELAND	2,005,781
FL	DEERFIELD BEACH	2,005,699
GA	GEORGIA STATE PROGRAM	77,085,125
GA	DE KALB COUNTY	18,545,013
GA	ATLANTA	12,316,082
GA	GWINNETT COUNTY	10,507,827
GA	FULTON COUNTY	10,333,410
GA	CLAYTON COUNTY	9,732,126
GA	COBB COUNTY	6,889,134
GA	COLUMBUS-MUSCOGEE	3,117,039
GA	AUGUSTA	2,473,064
GA	SAVANNAH	2,038,631
HI	HAWAII STATE PROGRAM	19,600,000
IA	IOWA STATE PROGRAM	21,607,197
ID	IDAHO STATE PROGRAM	19,600,000
IL	CHICAGO	55,238,017
IL	ILLINOIS STATE PROGRAM	53,113,044
IL	COOK COUNTY	28,156,321
IL	DU PAGE COUNTY	5,176,438
IL	WILL COUNTY	5,160,424
IL	LAKE COUNTY	4,600,800
IL	JOLIET	3,531,810
IL	MCCHENRY COUNTY	3,085,695
IL	AURORA	3,083,568
IL	KANE COUNTY	2,576,369
IL	ROCKFORD	2,287,004
IL	ST CLAIR COUNTY	2,262,015
IL	ELGIN	2,159,623
IL	CICERO	2,078,351
IN	INDIANA STATE PROGRAM	83,757,048
IN	INDIANAPOLIS	29,051,059
IN	FORT WAYNE	7,063,956
IN	LAKE COUNTY	5,738,024
IN	SOUTH BEND	4,098,521
IN	HAMMOND	3,860,473
IN	GARY	3,836,758
IN	EVANSVILLE	3,605,204
IN	HAMILTON COUNTY	2,343,868
IN	ELKHART	2,251,346
IN	KOKOMO	2,181,088
IN	ANDERSON	2,141,795
IN	MUNCIE	2,007,356
KS	KANSAS STATE PROGRAM	20,970,242
KY	KENTUCKY STATE PROGRAM	37,408,788
KY	LOUISVILLE	6,973,721
LA	LOUISIANA STATE PROGRAM	34,183,994
LA	BATON ROUGE	2,308,848
LA	NEW ORLEANS	2,302,208
MA	MASSACHUSETTS STATE PROG	43,466,030
MA	BOSTON	4,230,191
MA	SPRINGFIELD	2,566,272
MA	WORCESTER	2,390,858
MA	BROCKTON	2,152,979
MD	MARYLAND STATE PROGRAM	28,778,469
MD	PRINCE GEORGES COUNTY	10,883,234

State	Grantee name	NSP grant amount
MD	BALTIMORE	4,112,239
MD	BALTIMORE COUNTY	2,596,880
ME	MAINE STATE PROGRAM	19,600,000
MI	MICHIGAN STATE PROGRAM	98,653,915
MI	DETROIT	47,137,690
MI	WAYNE COUNTY	25,909,153
MI	OAKLAND COUNTY	17,383,776
MI	MACOMB COUNTY	9,765,375
MI	GENESEE COUNTY	7,506,343
MI	GRAND RAPIDS	6,187,686
MI	LANSING	5,992,160
MI	WARREN	5,829,447
MI	FLINT	4,224,621
MI	KENT COUNTY	3,912,796
MI	PONTIAC	3,542,002
MI	SOUTHFIELD	3,241,457
MI	REDFORD	3,041,364
MI	WASHTENAW COUNTY	3,024,719
MI	TAYLOR	2,495,056
MI	STERLING HEIGHTS	2,454,961
MI	DEARBORN	2,436,246
MI	LINCOLN PARK	2,417,688
MI	CANTON TWP	2,182,988
MI	CLINTON TWP	2,147,608
MI	WESTLAND	2,061,722
MI	WATERFORD TOWNSHIP	2,014,489
MN	MINNESOTA STATE PROGRAM	38,849,929
MN	MINNEAPOLIS	5,601,967
MN	ST PAUL	4,302,249
MN	HENNEPIN COUNTY	3,885,729
MN	DAKOTA COUNTY	2,765,991
MN	ANOKA COUNTY	2,377,310
MO	MISSOURI STATE PROGRAM	42,664,187
MO	ST LOUIS COUNTY	9,338,562
MO	KANSAS CITY	7,323,734
MO	ST LOUIS	5,532,792
MS	MISSISSIPPI STATE PROG	43,151,914
MS	JACKSON	3,116,049
MT	MONTANA STATE PROGRAM	19,600,000
NC	NORTH CAROLINA STA PROG	52,303,004
NC	CHARLOTTE	5,431,777
ND	NORTH DAKOTA STATE PROG	19,600,000
NE	NEBRASKA STATE PROGRAM	19,600,000
NH	NEW HAMPSHIRE STATE PROG	19,600,000
NJ	NEW JERSEY STATE PROGRAM	51,470,620
NJ	NEWARK	3,406,849
NJ	UNION COUNTY	2,601,755
NJ	PATERSON	2,266,641
NJ	JERSEY CITY	2,153,431
NJ	BERGEN COUNTY	2,096,194
NM	NEW MEXICO STATE PROGRAM	19,600,000
NV	NEVADA STATE PROGRAM	24,287,240
NV	CLARK COUNTY	22,829,062
NV	LAS VEGAS	14,775,270
NV	NORTH LAS VEGAS	6,837,736
NV	HENDERSON	3,205,044
NY	NEW YORK STATE PROGRAM	54,556,464
NY	NEW YORK CITY	24,257,740
NY	NASSAU COUNTY	7,767,916
NY	SUFFOLK COUNTY	5,681,443
NY	ISLIP TOWN	3,720,392
NY	BABYLON TOWN	2,170,909
NY	ORANGE COUNTY	2,163,744
OH	OHIO STATE PROGRAM	116,859,223
OH	COLUMBUS	22,845,495
OH	CLEVELAND	16,143,120
OH	TOLEDO	12,270,706
OH	CUYAHOGA COUNTY	11,212,447
OH	AKRON	8,583,492
OH	CINCINNATI	8,361,592
OH	HAMILTON COUNTY	7,970,490
OH	MONTGOMERY COUNTY	5,988,000
OH	DAYTON	5,582,902

State	Grantee name	NSP grant amount
OH	FRANKLIN COUNTY	5,439,664
OH	BUTLER COUNTY	4,213,742
OH	STARK COUNTY	4,181,673
OH	SUMMIT COUNTY	3,767,144
OH	CANTON	3,678,562
OH	LAKE COUNTY	3,402,859
OH	LORAIN	3,031,480
OH	YOUNGSTOWN	2,708,206
OH	EUCLID	2,580,464
OH	ELYRIA	2,468,215
OH	HAMILTON CITY	2,385,315
OH	SPRINGFIELD	2,270,009
OH	MIDDLETOWN	2,144,379
OK	OKLAHOMA STATE PROGRAM	29,969,459
OK	OKLAHOMA CITY	2,882,282
OR	OREGON STATE PROGRAM	19,600,000
PA	PENNSYLVANIA STATE PROG	59,631,318
PA	PHILADELPHIA	16,832,873
PA	ALLEGHENY COUNTY	5,524,950
PA	ALLENTOWN	2,113,456
PA	YORK COUNTY	2,017,253
PA	PITTSBURGH	2,002,958
PR	PUERTO RICO STATE PROG	19,600,000
RI	RHODE ISLAND STATE PROG	19,600,000
SC	SOUTH CAROLINA STA PROG	44,673,692
SC	GREENVILLE COUNTY	2,262,856
SC	RICHLAND COUNTY	2,221,859
SD	SOUTH DAKOTA STATE PROG	19,600,000
TN	TENNESSEE STATE PROGRAM	49,360,421
TN	MEMPHIS	11,506,415
TN	NASHVILLE-DAVIDSON	4,051,398
TN	SHELBY COUNTY	2,752,708
TN	KNOXVILLE	2,735,980
TN	CHATTANOOGA	2,113,727
TX	TEXAS STATE PROGRAM	101,996,848
TX	HARRIS COUNTY	14,898,027
TX	HOUSTON	13,542,193
TX	SAN ANTONIO	8,635,899
TX	DALLAS	7,932,555
TX	FORT WORTH	6,307,433
TX	DALLAS COUNTY	4,405,482
TX	TARRANT COUNTY	3,293,388
TX	EL PASO	3,032,465
TX	HIDALGO COUNTY	2,867,057
TX	FORT BEND COUNTY	2,796,177
TX	GRAND PRAIRIE	2,267,290
TX	MESQUITE	2,083,933
TX	ARLINGTON	2,044,254
TX	GARLAND	2,040,196
UT	UTAH STATE PROGRAM	19,600,000
VA	VIRGINIA STATE PROGRAM	38,749,931
VA	PRINCE WILLIAM COUNTY	4,134,612
VA	FAIRFAX COUNTY	2,807,300
VT	VERMONT STATE PROGRAM	19,600,000
WA	WASHINGTON STATE PROGRAM	28,159,293
WI	WISCONSIN STATE PROGRAM	38,779,123
WI	MILWAUKEE	9,197,465
WV	WEST VIRGINIA STATE PROG	19,600,000
WY	WYOMING STATE PROGRAM	19,600,000
XX	INSULAR AREAS	1,144,289

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BILLING CODE 4210–67–P

Second copy of Program Plan except this:
This is the edit version of the Program Plan

2008

Vermont Neighborhood Stabilization Program

January 15, 2009

Table of Contents

VERMONT
NEIGHBORHOOD STABILIZATION PROGRAM
SUBSTANTIAL AMENDMENT

As of January 15, 2009

Jurisdiction(s): Vermont Community Development Program, VT Department of Housing & Community Affairs Jurisdiction Web Address: www.dhca.state.vt.us/VCDP	NSP Contact Person: Josh Hanford Address: VT Dept. of Housing & Community Affairs National Life Building, Montpelier, VT 05620-0501 Telephone: 802 828-5201 Fax: 802 828-2928 Email: josh.hanford@state.vt.us

A. AREAS OF GREATEST NEED

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

Note: **An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; 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.

Response:

Vermont's problem is not concentrated, it is very disparate, and some of those areas of concentration from a high risk standpoint of subprime mortgage and high cost loans have a very low population, such as Orleans and Essex counties. These are extremely rural and/or mountainous regions of the state. Likewise, in the northern tier of Lamoille county, the southern tier of Orange county, the southern tier of Rutland county, and the majority of the towns showing a higher risk in Windham county have low populations from the rural character and the Green Mountains. The demonstrated need will encompass a review of all relative data from the criteria specified in the NSP Legislation of high foreclosure rates, high unemployment, sub-prime mortgages, and potential high risks occurring over the coming months with the population data to ensure the NSP funds are providing the best solution and the greatest impact to the most people.

Vermont developed its areas of greatest need pursuant to Title III of Division B of the Housing and Economic Recovery Act of 2008 as outlined below:

- Greatest percentage of home foreclosures;
- Highest percentage of homes financed by subprime mortgage related loans; and
- Areas identified as the most likely to face a significant rise in the rate of home foreclosures.

Greatest percentage of home foreclosures

To illustrate the current foreclosure scene the State of Vermont obtained foreclosure filing data from the Vermont Mortgage Bankers Association and the primary foreclosure attorney representing out-of-state banks. Additionally the State consulted with its five home ownership centers for data pertaining to clients receiving foreclosure counseling. This information is as follows:

Active Vermont Residential Property Foreclosures by County

Vermont Based Bank Survey - Residential Properties in Foreclosure*	
Addison county	8
Windsor county	8
Orange County	6
Washington county	6
Caledonia county	3
Orleans county	3
Windham county	3
Bennington county	2
Lamoille county	2
Rutland county	2
Chittenden county	1
Essex county	1
Franklin county	1
Grand Isle county	0
Total	**46**

Notes:
*Survey as of October 31, 2008 to 21 Vermont banks, of which 16 responded
Total value of properties "in foreclosure" equals $4,878,000.

Non Vermont Based Bank Active Residential Foreclosures - Filed 2007-2008 to date	
Chittenden county	220
Rutland county	204
Franklin county	143
Washington county	113
Windsor county	100
Windham county	96
Bennington county	64
Lamoille county	52
Addison county	51
Orleans county	51
Caledonia county	49
Orange County	49
Grand Isle county	28
Essex county	15
Total	**1235**

Notes:
Data as of 10/30/2008 from attorney representing approximately 60% of the Vermont foreclosures and primarily all out-of-state banks. Active means those which have NOT been closed or resolved.

Current HUD Foreclosures by County

HUD Active Foreclosure Listing as of November 3, 2008*	
Orleans county	4
Caledonia county	3
Windsor county	2
Chittenden county	1
Franklin county	1
Washington county	1
Windham county	1
Addison county	0
Bennington county	0
Essex county	0
Grand Isle county	0
Lamoille county	0
Orange County	0
Rutland county	0
Total	**13**

Notes:

*Listing is as of 11/3/08 obtained from HUD Manchester NH Housing Program Specialist representative.

Total value of HUD properties in foreclosure equals $434,540, which includes only the properties which have reached a status to receive a price value (6 out of 13).

Foreclosure Counseling by County

Foreclosure Prevention Counseling

Numbers counseled - January - October 2008

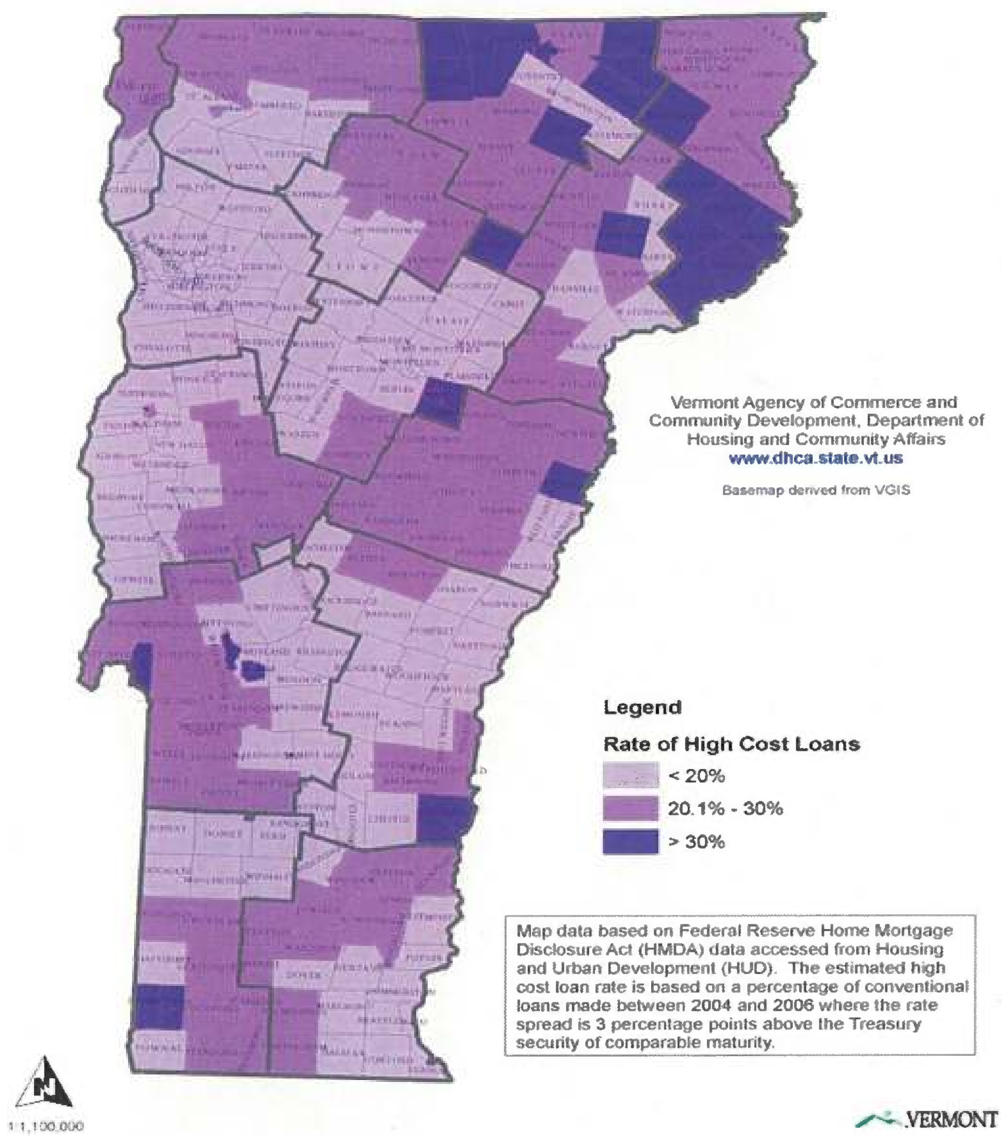
	Central Vermont	Gilman Housing Trust	Champlain Housing Trust	NeighborWorks of Rutland West	Southeastern Vemont RLF	Totals
Windham county					39	**39**
Caledonia county	1	29				**30**
Addison county	1			23		**24**
Bennington county				23	1	**24**
Rutland county				23		**23**
Washington county	17					**17**
Chittenden county			16			**16**
Franklin county	1		14			**15**
Orleans county		13				**13**
Windsor county					13	**13**
Orange County	7					**7**
Essex county		5				**5**
Lamoille county	2					**2**
Grand Isle county			1			**1**
Total counseled	29	47	31	69	53	229

Note: Data from Neighbor Works of Rutland West was provided as a whole for their service area, data was distributed equally to give a county by county view.

In sum, the above data reveals a relatively disbursed foreclosure problem throughout the state of Vermont.

<u>Highest percentage of homes financed by subprime mortgage related loans</u>
To demonstrate areas that contained the highest percentage of homes financed by a subprime mortgage loan Vermont utilized Home Mortgage Disclosure Act (HMDA) data, accessed from the U.S. Department of Housing and Urban Development (HUD).

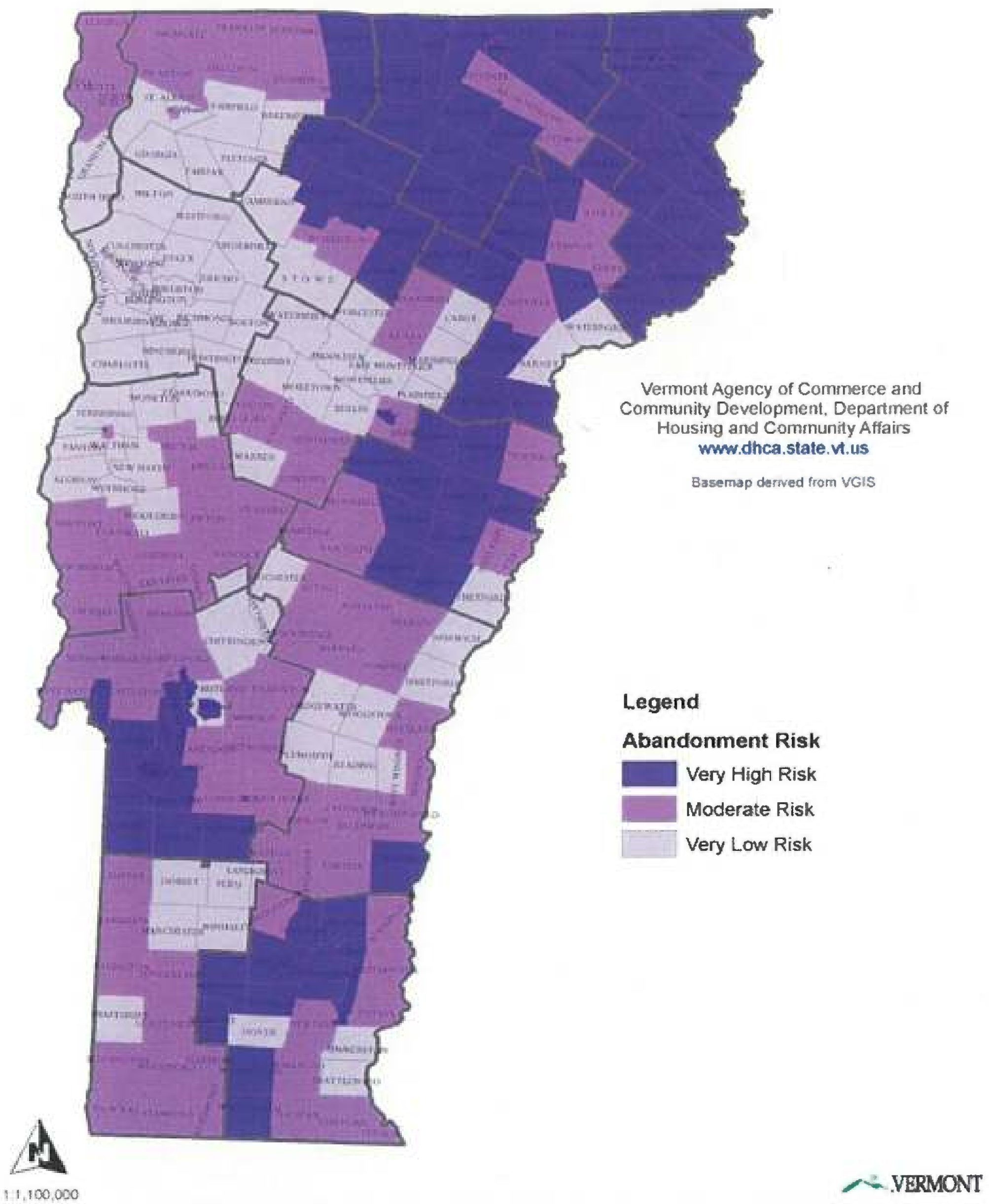
<u>High Cost Loans</u>



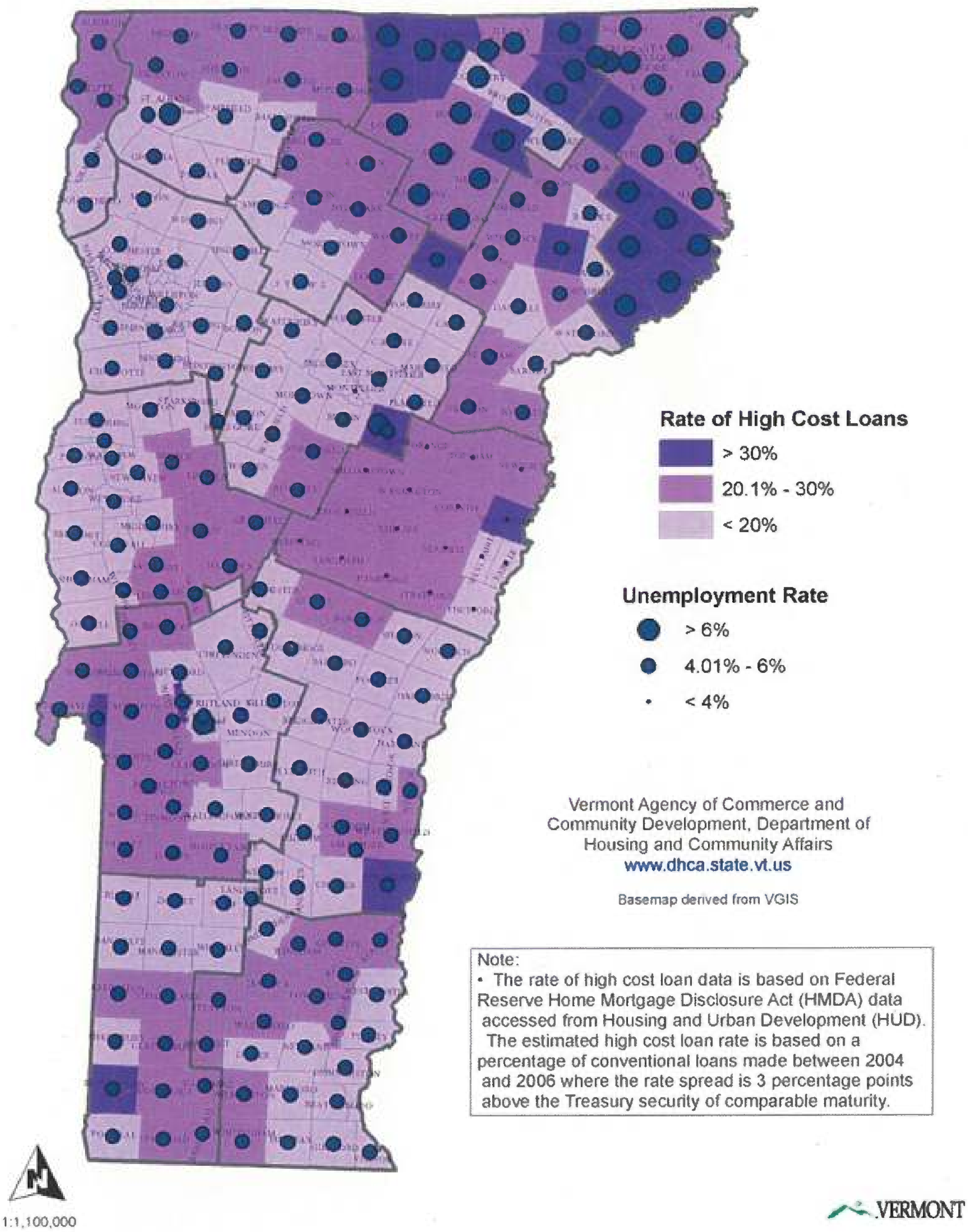
This data reveals pockets and isolated areas in which greater than 30% of the loans made between 2004 and 2006 were financed through sub-prime mortgages. In general, Vermont has been fortunate to realize a relatively broad and dispersed sub-prime loan pattern.

<u>Areas most likely to face a significant rise in the rate of home foreclosures</u>
Using Federal Reserve Home Mortgage Disclosure Act (HMDA), U.S. Postal Service, U.S. census, U.S. Bureau of Labor Statistics, and other data obtained from the U.S. Department of Housing and Urban Development (HUD) Vermont illustrates its areas most likely to face an increase in the rate of home foreclosures and abandonment as:

<u>Estimated Foreclosure Abandonment</u>

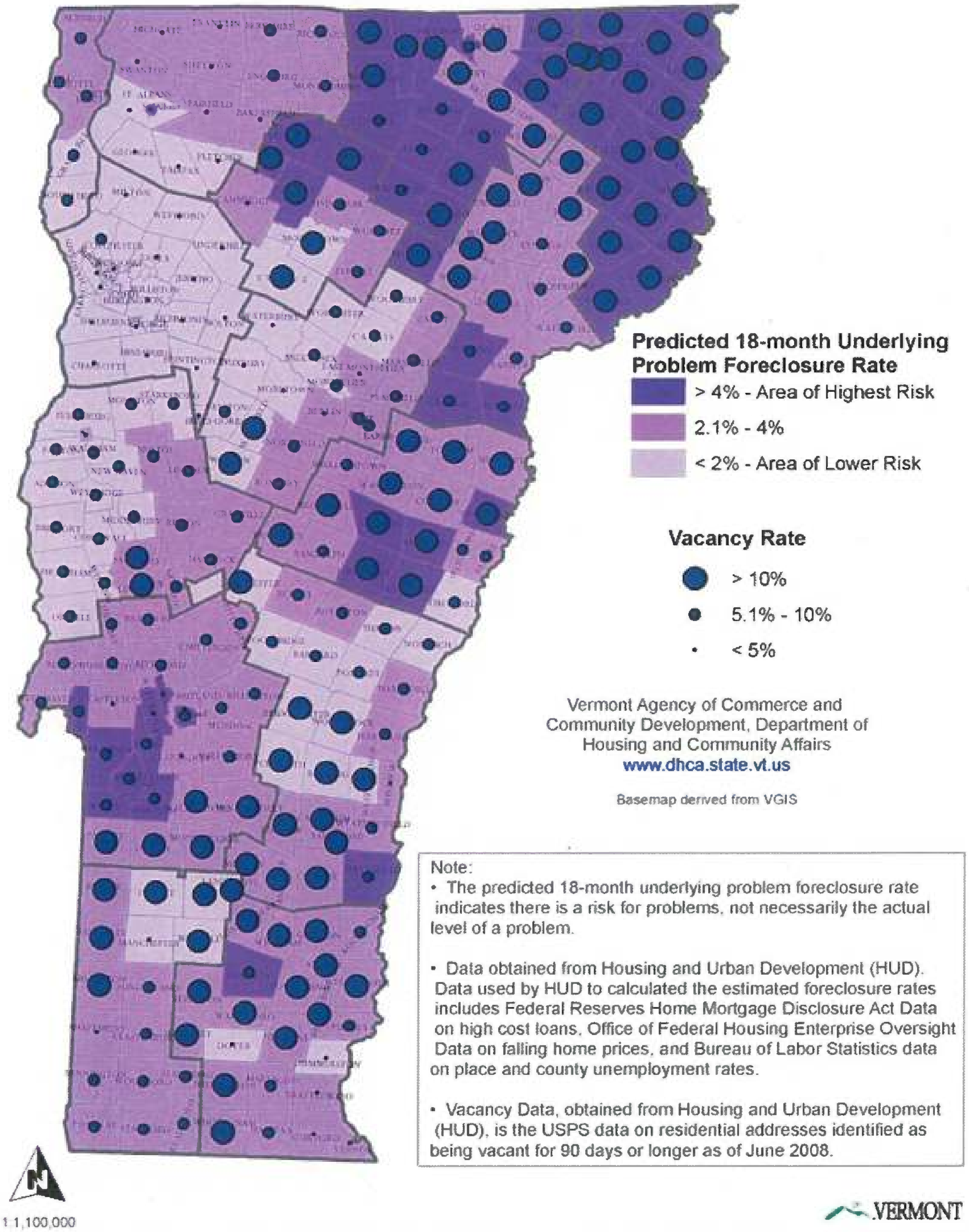


High Cost Loans and Unemployment

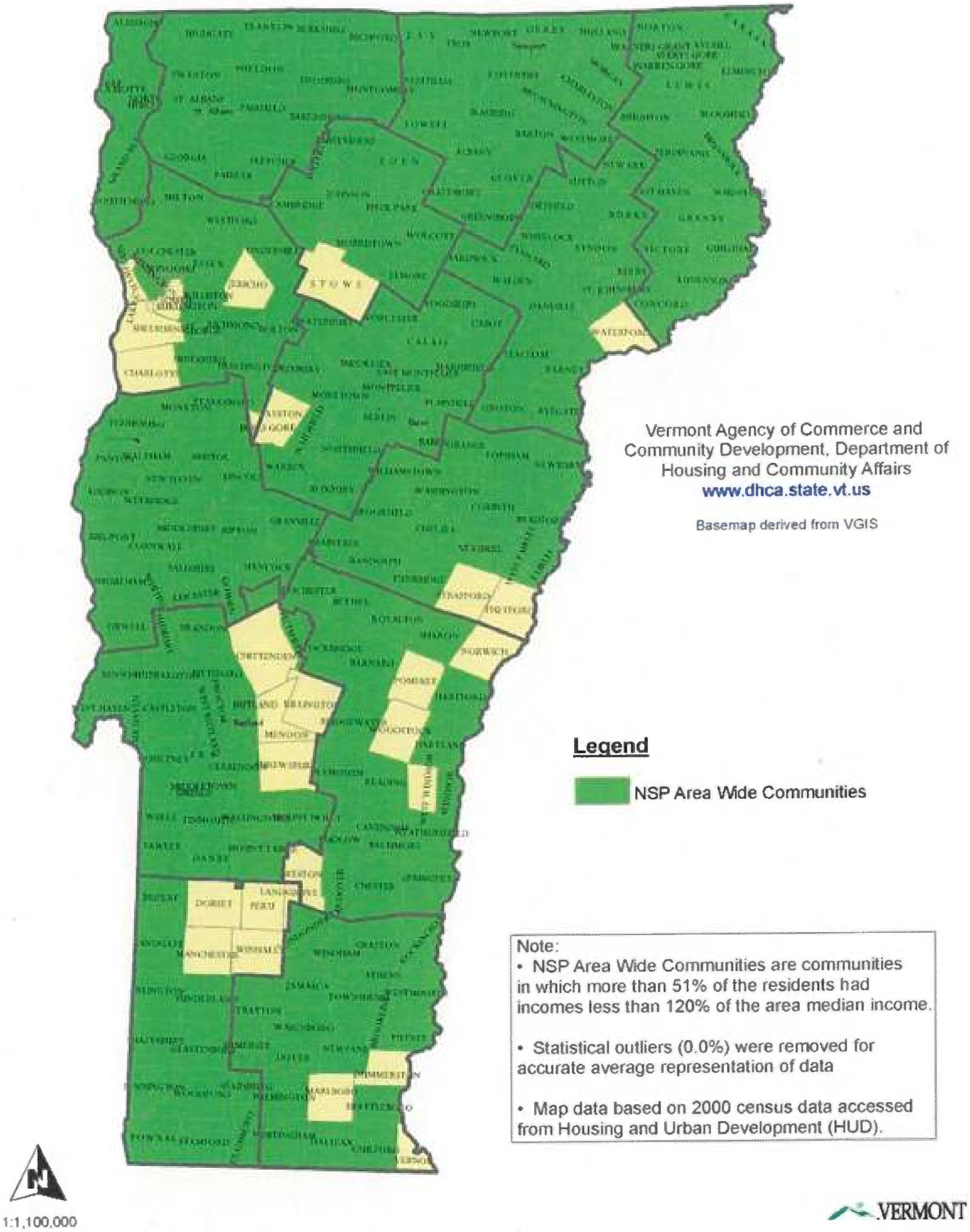


Note:
- The rate of high cost loan data is based on Federal Reserve Home Mortgage Disclosure Act (HMDA) data accessed from Housing and Urban Development (HUD). The estimated high cost loan rate is based on a percentage of conventional loans made between 2004 and 2006 where the rate spread is 3 percentage points above the Treasury security of comparable maturity.

Predicted 18-month foreclosures and Vacancy Rates



NSP Area Wide Eligible Communities

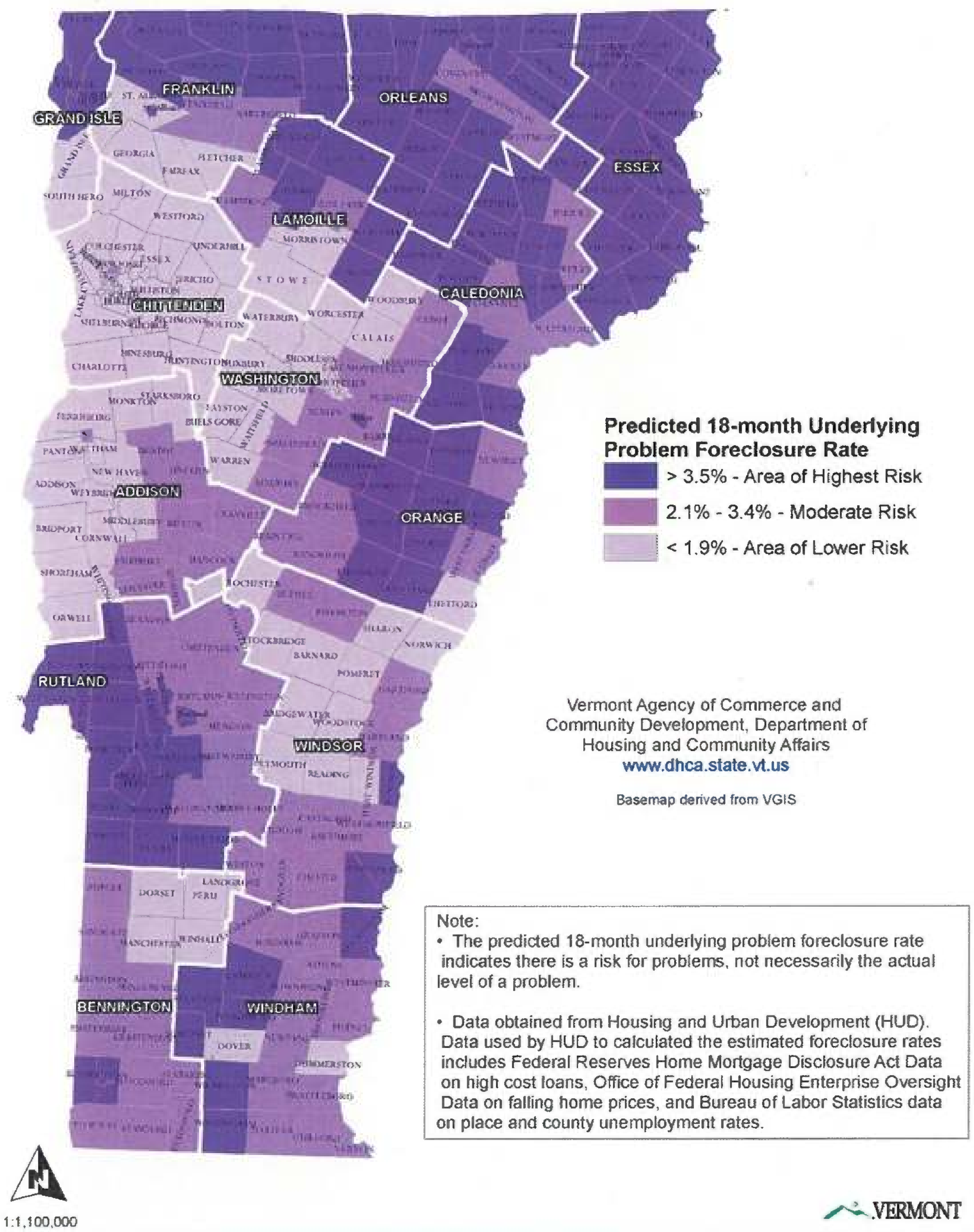


Conclusion

The State of Vermont has solicited, researched and analyzed conventional and unconventional data sources to determine concentrations of foreclosed properties, subprime loans, and areas likely to face a significant increase in the rate of home foreclosures. Reviews of this data as a whole reveal small pockets and geographically isolated problem areas for Vermont. The Vermont NSP has statistically identified those areas of greatest need and will target the NSP funds accordingly as ~~, and therefore the State will respond accordingly through a flexible program design to meet the needs throughout the entire state as~~ outlined below in Section B.

Project Specific Program Targeted Communities

Predicted 18-month foreclosures



To see the list of communities please refer to Attachment C.

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:

The Vermont Neighborhood Stabilization Program (NSP) will feature a three-pronged approach to effectively and quickly deploy the funds, serve the need in Vermont, capture the desired benefit and meet all program requirements. This approach is not meant to preclude eligible activities as specified under the Housing and Economic Recovery Act and the Neighborhood Stabilization Program as designed by HUD.

The three-pronged approach is as follows:

1. Homeownership Acquisition and Rehabilitation Program (HARP)
2. Municipal Program
3. Project-Specific Program

The Vermont NSP will target the funds for each of the three Programs as follows:

HARP - to Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor counties to meet the greatest need across the state of Vermont which is illustrated in Section A – Areas of Greatest Need.

Municipal Program – to the City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield to meet the greatest need as illustrated in Section A – Areas of Greatest Need, specifically High Cost Loans and Unemployment.

Project-Specific Program - to those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem to meet the greatest need as illustrated in Section A – Areas of Greatest Need. Supplemental map and listing included.

The statistical data gathered and analyzed supports targeting the NSP funds as presented and supports the Vermont NSP Priorities as outlined on page 19 and 20.

The Vermont Neighborhood Stabilization Program (NSP) will seek to fully encumber the entire grant from HUD within the eighteen month period allowed by law (estimated August, 2010). The program will be compliant with all requirements, laws and regulations and will be administered by the Vermont Community Development Program (the state CDBG program), Division of the Department of Housing and Community Affairs, Agency of Commerce and Community Development with assistance from the Agency's Grants Management Division and under the oversight of the Deputy Secretary.

The Vermont Neighborhood Stabilization Program (NSP) will allow all eligible uses under the Housing and Economic Recovery Act §2301(c)(3) which includes:

FINANCING MECHANISMS

§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

Relevant Definition:

Foreclosed - A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

PURCHASE AND REHABILITATION

§2301(c)(3)(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;

Relevant Definitions:
Abandoned - A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Current market appraised value - 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 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, sub recipient, developer, or individual homebuyer.

Acquisition:

- Section 2301(d)(1) of HERA requires any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property.

- For mortgagee foreclosed properties, grantees must seek to obtain the "maximum reasonable discount" from the mortgagee, taking into consideration likely "carrying costs" of the mortgagee if it were to not sell the property to the grantee or sub recipient.

- Section 301 of the URA, regarding just compensation, does not apply to voluntary acquisitions.

- All acquisitions of property under NSP require an appraisal for purposes of determining the statutory purchase discount.

- For individual purchase transactions, the purchase discount is to be at least 5% from the current market appraised value of the home or property.

- For purchase transactions in the aggregate, the average purchase discount depends on how the purchase discount for an individual property is determined.

    - The average purchase discount shall be at least 10% if the State, unit of general local government, or sub recipient determines the discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5%).

        - Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period.

- Carrying costs shall include, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.

  - If this methodology is not used, the minimum average discount shall be at least 15%.

- An NSP recipient may NOT provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay the necessary and reasonable costs related to the appraisal and transfer of title.

Rehabilitation

- Any rehabilitation of a foreclosed upon home or residential property shall ~~be to~~ Achieve high housing quality and energy efficiency standards . All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

- All multi-family housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP (cited on page 27-30), in addition, all single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.

- ~~the extent necessary to comply with applicable laws, codes and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. In their substantial amendment, grantees must define their housing rehabilitation standards that will apply to NSP assisted activities.~~

- Funds may be used for preservation, improving energy efficiency or conservation, or providing renewable energy source(s).

  - HUD encourages grantees to strategically incorporate modern green building and energy efficiency improvements to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public parks or mixed residential and commercial use.

- Grantees may rehabilitate property to be operated as rental housing by the grantee, by a sub recipient, by a lessee or by a purchaser. Grantees should note that the costs of purchase, rehabilitation, conversion and sale of such properties are eligible NSP activities, but the expenses of actually operating the rental housing (such as maintenance, insurance, deficits in monthly operating income) and tenant-based rental subsidies are not eligible NSP activities.

Sale

- If an abandoned or foreclosed upon home or residential property is to be sold to an individual as a primary residence, no profit may be earned on such sale.

- Section 2301(d)(2) directs that the sale of such property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

- The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of property).

- In determining the sales price, HUD will NOT consider the costs of boarding up, lawn mowing, maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs.

- Each NSP-assisted homebuyer is required to receive and complete at least eight hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- Grantees must ensure that homebuyers obtain a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages.

- Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate.

LAND BANKS

§2301(c)(3)(C) establish land banks for homes that have been foreclosed upon;

Relevant definitions:
Land bank - A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

Lank Bank Uses:

- A land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements. HUD does not believe that holding property alone is sufficient to stabilize most neighborhoods.

- The grantee must determine the actual service area benefiting from a land bank's activities.

- Grantees may pursue other Land Bank activities, however, NSP funds may only be used for acquisition

DEMOLITION
§2301(c)(3)(D) demolish blighted structures;

Relevant definition:
Blighted structure - A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. See section C. Definitions and Descriptions more detail.

REDEVELOPMENT
§2301(c)(3)(E) redevelop demolished or vacant properties;

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- New construction of housing and building infrastructure for housing is an eligible use.

- Grantees may redevelop property to be used as rental housing.

ADMINISTRATION AND PLANNING COSTS
§2301(c)(3))

- An amount of up to 10% of an NSP grant provided to a jurisdiction and up to 10% of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.

- For all grantees, including states, the 10% limitation applies to the grant as a whole.

- There is no state match requirement for administrative costs as exists in the CDBG program.

- Activity delivery costs, as defined in 24 CFR 570.206, may be charged to the particular activity performed above and will not count as general administration and planning costs.

- Pre-award Costs: A grantee may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h). States may allow sub recipients to incur pre-award costs pursuant to 24 CFR 570.489(h).

In addition to the goals articulated elsewhere in the current, Vermont Consolidated Plan, the goals of the Vermont Neighborhood Stabilization Program are:

- Preserve assisted housing for low and moderate income (LMI) households where those assisted projects are foreclosed upon;

- Acquire, renovate and sell or rent residential housing that has been foreclosed upon or abandoned to households with incomes at or below 120% of area median income (AMI) with priority for households with incomes below 50% (AMI);

- Allow those municipalities that meet all program requirements to locally address the foreclosed single and multi-family housing problems of their communities;

- Provide an opportunity to for profit and not for profit entities to acquire, redevelop and make available to low, moderate and middle income (LMMI) households, affordable housing, through creative projects that reutilize foreclosed properties;

- Ensure long-term affordability by encouraging projects that seek perpetual affordability; however, the minimum standard will be the Home Investment Partnerships Program (HOME) affordability terms and income limits;

- Alleviate the negative effects on neighborhoods and communities from blighted and abandoned buildings, by supporting the demolition of blighted structures and the redevelopment of demolished or vacant properties; and

- Support and enhance designated downtowns, villages, new neighborhoods and growth centers.

The program will feature a three-pronged approach to effectively and quickly deploy the funds, serve the need in Vermont, capture the desired benefit and meet all program requirements. This approach is not meant to preclude eligible activities as specified under the Housing and Economic Recovery Act and the Neighborhood Stabilization Program as designed by HUD.

The three-pronged approach is as follows:

1. Homeownership Acquisition and Rehabilitation Program (HARP)
2. Municipal Program
3. Project-Specific Program

The State will not completely allocate program funds across these three program components until proposals are received for the Municipal and Project-Specific programs. Setting amounts available before this stage of the program may unnecessarily prohibit important projects or well designed municipal programs. However, Municipal and Project-Specific program requests must be in amounts that reflect the outstanding needs identified in well documented, supporting data as well as reasonable operating and other soft costs.

The minimum grant application amount will be $1M and can be for multiple projects and the maximum will be $4M.

1. Homeownership Acquisition and Rehabilitation Program (HARP)

The Homeownership Acquisition and Rehabilitation Program (HARP) will provide funding to the Vermont Housing and Finance Agency (VHFA) or its affiliate or subsidiary to acquire 1-4 family properties that are real estate owned (REO), with priority being given to acquire properties from Vermont-based lending institutions, municipalities that have acquired residential property through a tax taking procedure and FHA, and then from out of state lenders as funds allow. The foreclosure process must be complete prior to purchase by VHFA and the deed and clear title must be in the possession of the mortgagee. VHFA will:

1. Acquire properties clear of all liens and encumbrances. Rehabilitation of~~,~~ ~~rehabilitate~~ the homes ~~to~~ shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are

green and energy efficient. ~~at least HUD Housing Quality Standards~~ and where possible achieve an appropriate Energy Star rating, and

2. sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

3. transfer or sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

4. sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

~~VHFA can acquire properties anywhere in the state but not in municipalities that are awarded funds through the Municipal component of the program~~
~~.~~ VHFA can acquire properties in any of the greatest need designated counties of Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor, but not in municipalities that are awarded funds through the Municipal component of the program.

VHFA must acquire the property for no more than ~~95~~90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%.

The Vermont Housing and Finance Agency (VHFA) will be allocated all the program funds not awarded through Municipal or Project-Specific program grants, but not less than $7M.

2. Municipal Program

NSP funds will be made available to targeted municipalities City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield designated having the greatest need identified in Section A: that wish to undertake and complete a foreclosure mitigation program of their own provided it demonstrates it:

1. has or can acquire the capacity to effectively administer such a program;
2. has a well documented need, defined by objective, supporting data; and
3. has a plan that at a minimum will:
    a. address the municipally identified single family and/ or multi-family need quickly and efficiently;
    b. demonstrate a very, high likelihood that the municipality will fully encumber the sub grant within twelve months (estimated August, 2010); and
    c. is compliant with all applicable regulations.

Communities will be encouraged to work with other contiguous communities (if those communities have been designated having the greatest need identified in Section A, as stated above) that have similar foreclosure problems.

All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

3. Project Specific Program

The Project Specific program component is designed to address specific projects that are more than four-units per structure or aggregated properties that are smaller than four units each but together comprise more than four units, and are not addressed through a municipal program. A Request for Proposals will be offered at the same time the municipal RFP is issued. Project proponents:

- may be for profit or non profit entity;
- must have a demonstrated record of completing successful and like projects; and
- must have the capacity and experience to secure all required financing, permits, and other requirements in a very short window of time.

The highest priority for these funds is to:

- secure foreclosed properties that are occupied by low and moderate income households (LMI), and
- have project based mortgage, rent or other subsidies, which are in danger of losing those subsidies,
- and are ready to proceed.

However, developers will be encouraged to find foreclosed properties which may include mobile home parks, mixed use properties and scattered sites and formulate creative approaches to the reutilization of the properties. Reuse can include demolition and new construction, replacing mobile homes with stick built or modular units, urban homestead projects and other creative and effective ways to make rental and homeownership opportunities available to low, moderate, and middle income (LMMI) households with NSP funds.

Competitive proposals would feature many of the following:

1. Saving occupied and subsidized housing;
2. High likelihood of fully encumbering NSP funds within the required twelve month window (estimated August, 2010);
3. Demonstrated capacity to undertake and complete the project proposed on time and on budget;
4. Although not required, a high leveraging ratio of private to public funding.
5. A high ratio of units made affordable to households at or below 50% AMI;
6. Location in a designated Growth Center, New Neighborhood, Downtown, New Town Center or Village;
7. High, residential utilization of otherwise underutilized properties;
8. Redevelopment of demolished or vacant properties and
9. Maintenance of a property's historic character, if any.

Project specific grants may be awarded for projects in those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem to meet the greatest need as illustrated in Section A – Areas of Greatest Need. Supplemental map and listing included.
~~in any community except for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.~~

All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Selection Process for: Municipal and Project-Specific Program

Staff will review all Municipal and Project-Specific applications within fifteen calendar days. Applicants will be given seven calendar days to provide additional documentation staff determines is required, make corrections or supplement their application in response to the staff review.

Approximately thirty calendar days from the receipt of a <u>complete</u> proposal, the Vermont Community Development Board will review all applications, receive presentations from applicants and consider any other information they deem appropriate and necessary to make a recommendation to the Secretary of the Agency of Commerce and Community Development. The Secretary will make the final grant award decisions. The review and decision making process will be complete in forty-five days or less from the receipt of a <u>complete</u> proposal. Grant agreements will be available within thirty-five calendar days from date of the Agency's award, giving all applicants at least one-year to encumber by contract grant awards.

Unsuccessful applications that appear feasible but do not address the goals of the program as effectively as those applications resulting in awards, will be ranked and maintained for future consideration should a successful application(s) fail to proceed toward fruition.

Monitoring Process

Grant agreements will contain time line and benchmark provisions, developed by the applicant in its application. Grants will be periodically monitored by program staff to ensure that the time lines and benchmarks are being achieved as projected. If and when it is apparent that an applicant's program will not be implemented consistent with the agreement, the grant may be uncommitted and the funds made available to another applicant whose program was not funded and whose program may still be able to be fully implemented in the time remaining.

For those projects that result in homeownership or rental properties, there will be ongoing monitoring to ensure the terms of affordability are being met and maintained through annual rent and income certifications.

Should the Vermont NSP be unable to draw the entire grant from HUD because an individual program or project could not fully encumber the funds awarded to a grantee in the time available despite diligent and conscientious efforts to do so, that grantee will be held harmless for the amount not encumbered and not drawn from HUD.

Reporting Requirements

The Agency will require monthly progress reports in order to meet HUD programmatic agreements in a format prescribed by the Agency.

Program Income

All program income generated as a result of any NSP activity will be expended prior to the draw down of additional NSP funds through the DRGR. Any Program Income generated above and beyond the initial project funds shall be returned on an ongoing basis to the state for use in the VCDP program consistent with the NSP program described here. At the juncture when all the initial NSP Funds have been drawn down and Program Income is available prior to February 2013, the Agency may entertain accepting applications for projects that will use less than $1 million of NSP Program Income funds.

C. DEFINITIONS AND DESCRIPTIONS

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

<u>**Response:**</u>
The Vermont Urban Renewal statute [24 VSA Chapter 85] provides definitions the Vermont Community Development Program (the state CDBG program) uses to comply with the requirements of the federal regulations that a determination be made as to whether a proposed activity meets the criteria of the National Objective for preventing or eliminating slums/blight:

<u>Blighted Area</u> - shall mean an area which by reason of the presence of a substantial number of slum, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability; and is a menace to the public health, safety, morals, or welfare in its present condition and use.

<u>Slum Area</u> - shall mean an area in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime; and is detrimental to the public health, safety, morals or welfare.

Although this Vermont statute and the definitions directly relate to determining when the National Objective for preventing or eliminating slums/blight is used it is relevant to consider in forming the definition for "blighted structure" under Vermont's NSP program.

A **"blighted structure"** will be defined for the purposes of the Vermont NSP program as; a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare and/or an aggregation of deferred maintenance items that constitute incipient code violations and which pose an impending threat of harm to the occupants of the dwelling. Any structure unfit for use, habitation or dangerous to persons or other property meets this definition. This would include structures showing evidence of physical decay and damage, dilapidation, neglect, unsanitary conditions, environmental or biological contamination, functional obsolescence and lack of maintenance.

In cases where it is unclear or uncertain if a structure meets the definition of a "blighted structure" for the Vermont NSP; the Vermont Department of Labor & Industry, Vermont Department of Health , Vermont Agency of Natural Resources and the local Health Officer will be consulted to document conditions of the structure for threats to life, health and safety.

(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 for the Vermont NSP will be defined as those rents affordable to households at or below 30% AMI, 50% AMI, 80% and 120% AMI. The HOME rents for Vermont, see attached charts below for actual rent thresholds, could be used to ensure affordable rents. Other established affordable rent definitions commonly used in Vermont such as: fair market rents, LIHTC rents, other rent limits imposed by other funding sources will be allowed. In all cases affordable rents under the Vermont NSP will be defined as monthly housing costs not exceeding 30% of gross monthly income for rent & utilities.

U.S. DEPARTMENT OF HUD 04/2008
STATE:VERMONT

		------------------ 2008 HOME PROGRAM RENTS ------------------						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Burlington-South Burlington, VT MSA								
	LOW HOME RENT LIMIT	617	661	793	917	1023	1129	1235
	HIGH HOME RENT LIMIT	729	807	1011	1159	1274	1387	1501
	For Information Only:							
	FAIR MARKET RENT	729	807	1013	1297	1454	1672	1890
	50% RENT LIMIT	617	661	793	917	1023	1129	1235
	65% RENT LIMIT	784	841	1011	1159	1274	1387	1501
Addison County, VT								
	LOW HOME RENT LIMIT	527	591	710	820	915	1009	1104
	HIGH HOME RENT LIMIT	527	659	793	1032	1131	1230	1329
	For Information Only:							
	FAIR MARKET RENT	527	659	793	1043	1391	1600	1808
	50% RENT LIMIT	552	591	710	820	915	1009	1104
	65% RENT LIMIT	698	749	901	1032	1131	1230	1329
Bennington County, VT								
	LOW HOME RENT LIMIT	521	558	670	773	862	951	1041
	HIGH HOME RENT LIMIT	525	658	766	972	1065	1157	1249
	For Information Only:							
	FAIR MARKET RENT	525	658	766	998	1173	1349	1525
	50% RENT LIMIT	521	558	670	773	862	951	1041
	65% RENT LIMIT	658	706	849	972	1065	1157	1249
Caledonia County, VT								
	LOW HOME RENT LIMIT	496	516	647	765	848	941	1030
	HIGH HOME RENT LIMIT	496	516	647	819	848	975	1102
	For Information Only:							
	FAIR MARKET RENT	496	516	647	819	848	975	1102
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Essex County, VT								
	LOW HOME RENT LIMIT	512	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	512	575	699	891	1045	1144	1235
	For Information Only:							
	FAIR MARKET RENT	512	575	699	891	1045	1202	1359
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Lamoille County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	518	623	725	962	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	518	623	725	1010	1273	1464	1655
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235

U.S. DEPARTMENT OF HUD 04/2008
STATE:VERMONT

	PROGRAM	2008 HOME PROGRAM RENTS EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Orange County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	553	624	727	962	1043	1144	1235
	For Information Only:							
	FAIR MARKET RENT	553	624	727	1012	1043	1199	1356
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Orleans County, VT								
	LOW HOME RENT LIMIT	373	516	576	727	853	941	1030
	HIGH HOME RENT LIMIT	373	516	576	727	915	1052	1190
	For Information Only:							
	FAIR MARKET RENT	373	516	576	727	915	1052	1190
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Rutland County, VT								
	LOW HOME RENT LIMIT	474	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	474	620	721	953	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	474	620	721	953	1220	1403	1586
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Washington County, VT								
	LOW HOME RENT LIMIT	521	610	737	851	950	1048	1146
	HIGH HOME RENT LIMIT	521	610	763	1031	1154	1281	1385
	For Information Only:							
	FAIR MARKET RENT	521	610	763	1031	1154	1327	1500
	50% RENT LIMIT	573	614	737	851	950	1048	1146
	65% RENT LIMIT	725	779	937	1074	1178	1281	1385
Windham County, VT								
	LOW HOME RENT LIMIT	526	564	677	782	872	963	1053
	HIGH HOME RENT LIMIT	617	643	845	984	1053	1171	1264
	For Information Only:							
	FAIR MARKET RENT	617	643	845	1021	1053	1211	1369
	50% RENT LIMIT	526	564	677	782	872	963	1053
	65% RENT LIMIT	665	714	859	984	1078	1171	1264
Windsor County, VT								
	LOW HOME RENT LIMIT	547	586	703	813	907	1001	1095
	HIGH HOME RENT LIMIT	581	651	766	1024	1123	1220	1319
	For Information Only:							
	FAIR MARKET RENT	581	651	766	1043	1240	1426	1612
	50% RENT LIMIT	547	586	703	813	907	1001	1095
	65% RENT LIMIT	693	743	894	1024	1123	1220	1319

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

<u>Response:</u>
Continued affordability for the Vermont NSP for rental and homeownership housing will be assured by using the federal HOME program minimum requirements for continued affordability. However, permanent affordability will be the goal and will be an important factor in reviewing proposals that can meet this goal.

To ensure the fullest flexibility allowable under NSP and to ensure that the full Vermont NSP allocation is utilized, we must not require that all project applications have permanent affordability to be eligible. Establishing permanent affordability as a threshold may exclude a number of potential and important projects from applying and this exclusion could have the un-intended consequence of not fully obligating Vermont's allocation.

Therefore, to the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all NSP properties with a required minimum 15 year term for homeownership and rehabilitated rental properties and a required minimum 20 year term for all newly constructed properties.

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

Response:

Achieving high housing quality and energy efficiency standards is a priority for the Vermont's NSP. All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet ~~at a minimum~~ the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, ~~HUD Section 8 Housing Quality Standards (HQS) and meet or exceed Vermont building code requirements and promote~~ built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

All housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP. In addition to the complete policy below; single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.

Vermont Housing & Conservation Board
Vermont Housing Finance Agency
Vermont Community Development Program

POLICY ON THE
CONSERVATION OF ENERGY AND WATER IN RESIDENTIAL PROPERTIES
3/19/04

The Vermont Housing and Conservation Board, Vermont Housing Finance Agency and Vermont Community Development Program are concerned about the conservation of natural resources as well as the creation of housing that is perpetually affordable to lower income households. In order to assure such affordability, it is important to keep operating expenses, including utility expenses, as low as possible. Energy improvements and devices that conserve water have been shown to be cost effective in that capital costs can be paid for over time in savings to the operating budget. Therefore, we have adopted the following policy related to the conservation of energy and water in residential properties:

Energy and Water Conservation Goals for Building Projects Receiving VHCB, VHFA and VCDP Funding:

I. General Goals

Building projects receiving funding from VHCB, VHFA, or VCDP should:

A. Achieve a level of energy and water efficiency that will result in maximum long-term housing affordability.

B. Select designs and systems with consideration of:

1. Economy

2. Future flexibility
3. Operation and maintenance costs
4. Impact on the environment, including potential use of renewable resources

C. Plan and implement mechanisms to encourage energy and water conservation practices by residents and owners.

D. Keep records of energy consumption by fuel type and on an individual building basis and on a residential unit basis where metering permits.

E. Periodically re-evaluate the energy and water using systems of each building under their ownership for cost-effective improvements.

II. Specific Energy Conservation Goals

A. New Construction

1. New Construction projects shall be designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the ENERGY STAR label from the US Environmental Protection Agency (EPA).

2. For low-rise (3 stories or less) new construction, the requirements for achieving the ENERGY STAR label under the EPA ENERGY STAR Homes program are well established and result in buildings which typically require over 20% less energy than if built to the minimum requirements of Vermont's Residential Building Energy Standards (available from Efficiency Vermont at 888-921-5900).

3. For high-rise (4 stories or more) new construction, the level of efficiency to be achieved is over 20% less energy than if built to the minimum requirements of Vermont's Guidelines for Energy Efficient Commercial Construction (available from Efficiency Vermont at 888-921-5900) or ASHRAE 90.1 (1999 or later version). While requirements for achieving the ENERGY STAR label for high-rise buildings are still under development, it is expected to be consistent with this level of energy efficiency.

4. In addition, new construction projects should be designed and built to minimize the life cycle cost of any lighting, appliances or other equipment not addressed by the ENERGY STAR standard.

B. Existing Construction

1. Rehabilitation of existing buildings should endeavor to meet the ENERGY STAR levels of efficiency specified above for new construction. However, if life cycle cost-benefit analysis indicates a lower level of efficiency would be optimal for the particular circumstances of a rehab project, or a lower level of rehab is associated with the project, the design and construction should include levels of efficiency in all components that will result in maximum long-tem housing affordability. Where energy-related building materials, equipment, lighting and appliances are available that bear the ENERGY STAR label, they should be specified and used.

III. Specific Water Efficiency Goals

A. Projects should seek to include all cost effective water saving measures including but not limited to: bathroom faucets rated at $\leq$ 0.7 gpm ($\leq$ 2.0 gpm for faucets on a DHW system without circulating loop), bathroom faucets at $\leq$ 1.5 gpm ($\leq$ 2.0 gpm for faucets on DHW without circulating loop), showerheads at $\leq$ 2.0 gpm, and toilets rated at $\leq$ 1.6 gallons per flush.

IV. Specific Indoor Air Quality Goals

A. Applicants should strive to achieve the highest indoor air quality in both new and rehabilitation projects. A key to this is controlling moisture infiltration and air leakage. By adding effective ventilation, units should be designed to reduce moisture resulting in fewer mold and mildew problems. Efficient heating systems should force exhaust outside and in turn keep indoor air clean.

V. Energy Specifications

A. In order to achieve the goals stated above, grantees should incorporate all measures included in Efficiency Vermont's Multifamily Housing Checklist (available at 888-921-5990). If such measures can not be implemented, applicants must explain to VHCB and VHFA staff why not.

B. Provide a description of the status of utility sponsored efficiency programs, such as Efficiency Vermont, Burlington Electric Department, or Vermont Gas Systems, as they may apply to the project and the extent of likely participation in the project.

C. The completed checklist will be part of the application materials submitted to the Board.

D. Specifications for construction or rehabilitation shall include the energy and water use aspects of the work and shall specifically address: the building envelope, the heating, ventilating, and air conditioning system, domestic hot water system, lighting system, appliances, and any water saving devices to be installed.

E. Grantees may be required to employ an energy professional in the development of specifications and to supervise the energy related portion of construction work.

VI. Compliance and Commissioning

A. Commissioning is the process of ensuring that building systems are designed, installed, functionally tested, and capable of being operated and maintained according to the owner's operational needs. It is expected that, when a project is placed in service, mechanical systems will operate as specified. Grantees are encouraged to plan for and include appropriate funds in the project development budget to cover costs associated with an appropriate level of commissioning. The cost of commissioning is dependent on the size and complexity of the project, but it accounts for only a small portion of the construction budget. When commissioning is done properly, the savings usually far outweigh the costs. It is expected that commissioning or another approved method of operational testing will be completed within the construction warranty period on the following systems at a minimum:

1. Boiler and heating systems and controls (for systems over 250,000 BTUs total heating capacity)
2. Air conditioning system and controls (for systems over 10 tons total cooling capacity)
3. Ventilation systems and controls including bathroom fans (all projects)

VII. Energy Concerns in Ongoing Project Management

Project management plans should include ongoing energy management including: bulk purchasing of fuel, cooperative purchasing of fuel, competitive bidding for fuel purchase, seasonal maintenance schedule, routine maintenance of heating plant, tenant education, and in cases where the owner pays utilities, discussion of whether or not any restrictions will be placed on what type of appliances residents will be allowed to install or utilize (e.g. air conditioners).

VIII. Funding

Grantees are encouraged to use multiple resources or programs to pay for implementation, including but not limited to utility efficiency programs, such as, Efficiency Vermont, Burlington Electric Department, and Vermont Gas Systems, and the State Economic Opportunity Office/Community Action Agency weatherization programs.

IX. Education

A. VHCB and VHFA will continue to work with other housing agencies, Efficiency Vermont, and the Public Service Department to continue to educate housing developers and property managers about energy and water consumption issues.

B. Grantees are encouraged to make residents aware of energy and water consumption and to educate them about ways to reduce such consumption, and to provide incentives, if feasible.

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: $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.**

Response:
It is anticipated that the majority of the 25% set aside to assist households at or below 50% of AMI will be used for rental and special needs housing through the Municipal and Project Specific Programs; however, homeownership opportunities will not be excluded. In the event that a for-sale single family housing unit, which is targeted to households at or below 50% AMI, does not sell within a specified period, identified in any sub-recipient agreements, the sub-recipient will be required to rent or to sell the unit to an organization with the capacity to convert the unit to a rental for households at or below 50% AMI. It will be required that any partner selected to do rental or special needs housing have a proven track record for completing and managing affordable housing. All potential multifamily development projects must have approved underwriting for financial feasibility.

Serving low income households (50% AMI or below) through rental or special needs housing is a priority in the Vermont NSP plan. This is articulated in the overall goals of the Vermont NSP plan (see excerpt below) as well as the current, Vermont Consolidated Plan.

The goals of the Vermont Neighborhood Stabilization Program are:

- Preserve assisted housing for low and moderate income (LMI) households where those assisted projects are foreclosed upon;

- Acquire, renovate and sell or rent residential housing that has been foreclosed upon or abandoned to households with incomes at or below 120% of area median income (AMI) with priority for households with incomes below 50% (AMI);

- Allow those municipalities that meet all program requirements to locally address the foreclosed single and multi-family housing problems of their communities;

- Provide an opportunity to for profit and not for profit entities to acquire, redevelop and make available to low, moderate and middle income (LMMI) households, affordable housing, through creative projects that reutilize foreclosed properties;

- Ensure long-term affordability by encouraging projects that seek perpetual affordability; however, the minimum standard will be the Home Investment Partnerships Program (HOME) affordability terms and income limits;

- Alleviate the negative effects on neighborhoods and communities from blighted and abandoned buildings, by supporting the demolition of blighted structures and the redevelopment of demolished or vacant properties; and

- Support and enhance designated downtowns, villages, new neighborhoods and growth centers.

Under the Vermont NSP projects will be selected on a competitive basis in response to a RFP process and projects serving households at or below 50% AMI will be given priority to ensure that we meet the requirement that at least 25% of funds must is used for housing individuals and families whose incomes do not exceed 50% of area median income.

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 Agency will not demolish or convert any subsidized low and moderate income housing to non-affordable housing units, but it may allow the demolition or conversion of non-subsidized low and moderate income dwelling units as part of the re-development plan assisted with NSP funds. However it is not our intention to reduce the number of any low and moderate income dwelling units, therefore we have not estimated the number to be demolished or converted.

F. PUBLIC COMMENT

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

Response:

To seek public comment on the proposed draft Vermont Neighborhood Stabilization Program (NSP) the Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs (DHCA) published a notice of a public hearing and comment period, published in the eight major newspapers across the State, and posted the draft proposal to the DHCA website. Further, in an effort to meet the Limited English Proficiency requirements there was outreach to the Vermont Refugee Resettlement Program.

The Agency received 14 written comments from the public on its draft NSP proposal. Additionally, Agency staff responded directly to questions and comments about the draft proposal and the federal program at various stakeholder meetings and the public hearing. To summarize the comments and the Agency's response we have grouped each into categories of: Homeownership Assistance, Municipal, and Project-Specific Components; Eligible Activities; Definitions; and Miscellaneous.

Homeownership Assistance, Municipal, and Project-Specific Components

The draft Vermont Neighborhood Stabilization Program (NSP) does not provide for adequate flexibility within the categories of uses allowed.

The draft Vermont NSP proposal was not intended to be inflexible or to exclude any eligible activities, therefore in an effort to be clear we have amended our draft proposal to clearly include all eligible uses under the Housing and Economic Recovery Act (HERA), to include: financing mechanisms, purchase and rehabilitation, lands banks, demolition, redevelopment, and administrative and planning costs.

The draft plan prohibits the expenditure of Homeownership Assistance and Project-Specific funds in communities that participate in the Municipal Program, thereby limiting potential NSP projects and beneficiaries. Allow the Homeownership Assistance and Project Specific Programs to expend funds anywhere in the state regardless of whether a property is located in a community that is participating in the Municipal Program.

The Municipal Component was designed to help a municipality comprehensively address its foreclosure problem whether it is foreclosure mitigation of single-family homeownership preservation or through redevelopment of a blighted parcel. Project-specific projects are afforded access to NSP funds through the municipal component. The Department is proposing access in this manner to ensure the geographic disbursement of NSP dollars throughout the state; mirroring the disbursed geographic need for foreclosure mitigation throughout the state and concentrated in limited locations. This approach encourages partnerships and a locally driven response the foreclosure crisis.

The priority of securing foreclosed properties that are occupied by low and moderate income households AND that have project based mortgage, rent or other subsidies, which are in danger of being lost is too narrow. Do we know that any of these exist? The 'and' could be changed to 'or'. If this priority were expanded to include blighted properties that are not foreclosed upon it would somewhat expand the universe of potential projects.

The Department has heard of such a project within the State and wishes to retain as much housing that is occupied by low and moderate income households with project-based mortgages, rent, or other subsidies. If just one property with rental subsidies is lost the long term cost to the state would be substantial and the DHCA feels this priority should remain as it does not preclude properties that do not meet this definition.

The $1 million project minimum is too high. Given the level of interest that this program has generated we are concerned that funding only a few projects with large grants will not spread the program benefit throughout the state, limiting the geographic impact of much needed economic stimulus and also limiting leveraging opportunities.

The $1 million minimum grant amount will remain as the Department proposes such a minimum to encourage aggregating of projects. Additionally, leveraging of funds in the Vermont NSP is desired and encouraged; however given the short amount of time to put a project together the Agency does not wish to suppress a project with leverage requirements. The Agency welcomes eligible projects with or without other sources of funding.

We urge more flexible language (regarding allocating no less than $8 million to the Homeownership Assistance Program) that would allow for re-allocation at some time if need be. The $8 million set aside for the Homeownership Assistance Program is too large and restrictive and should be reduced and re-cast as a target. Funds for the Project-Specific Program should be increased by this amount and by any un-obligated (as of July 1, 2009) funds in the Municipal Program.

Due to several comments received about the proposed allocation to the Homeownership Assistance Program the Agency has agreed to reduce the allocation to the Homeownership Assistance Program. The newly revised budget is as follows:

Housing Assistance Program - $7 million
Municipal Program - $5.5 million
Project-Specific Program - $6.5 million
Program Administration - $600,000

The agency will review activity within each component and re-allocate accordingly if need be. Note: The Agency has revised its budget for Program Administration to be a budget of $600,000 for the state's allocation to administer the NSP. Previously Program Administration was budgeted at $1.96 million, the $1,360,000 difference was evenly distributed between the Municipal and Project-Specific Programs.

The process for funding applications under the Municipal and Project-Specific components should allow reasonable time for the submission of applications. It is not clear whether the draft plan allows for applications to be funded on a rolling basis or whether it calls for all applications to be submitted in 90 days when they will all be considered as a group.

The Agency agrees that reasonable time for the submission of applications is sensible, and has therefore expedited its Request for Proposal Process and will entertain and review proposals on a rolling basis from mid December 2008 through May 2009. Application materials and details will be made available in the release of the Request for Proposals (estimated mid December 2008).

VHCB should be allocated $7.2 Million to administer the Project-Specific Program.

With regard to the allocation of funds, the suggestion to sub grant NSP funds to Vermont Housing and Conservation Board was considered. However, for the following reasons we did not include such a sub grant in the program design:

1. On October 31, 2008 the VHCB Board of Directors voted unanimously to support a program design *without* a sub grant to VHCB and which situated the administration of the Vermont NSP fully within the Agency. Since VHCB is neither desirous of such a role in the program nor intends to supplant the role of DHCA, we find this suggestion difficult to understand.
2. The Vermont Community Development Program within the Department of Housing and Community Affairs has administered the CDBG program without an audit finding since the program's inception in 1983 and has the demonstrated capacity and skill to administer the Vermont NSP. With over twenty years of successful administration of the CDBG program any suggestion to HUD that this Division of DHCA may not administer the NSP funds may be regarded by HUD as suspect, questionable and ultimately could pose a risk to funding. HUD expects and depends on DHCA for quality program administration and risk free compliance.
3. Although the suggestion to allocate a sub grant to VHCB has now come from three sources, none of these suggestions have included a well described strategic advantage to such an allocation. DHCA is well positioned and seasoned to perform the administration function. Indeed, DHCA has been making and overseeing housing grants of between $5 and $6 million annually, totaling more than $49M in the last ten years alone to a network of housing grantees that is at least as large as that of VHCB.

Applicants with experience in CDBG and HOME programs should receive priority for funds in the Municipal and Project-Specific components.

The Agency wishes to keep the NSP funds opportunity open to a wide variety of non-profit and for-profit developers and therefore does not wish to limit opportunities based on experience in the HOME or CDBG programs. However, the Agency is requiring applicants of the Municipal and Project-Specific components to have or acquire the capacity to effectively administer a program/project and have the demonstrated record of completing successful and like projects.

That capacity and record of project development will be assessed and weighed accordingly during application reviews.

The draft Plan does not allow for the creation of financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low and moderate income homebuyers. While such activities may not be implemented the Homeownership Assistance and Municipal component should be written broadly enough to allow for such activities.

The draft Vermont NSP proposal was not intended to be inflexible or to exclude any eligible activities, therefore in an effort to be clear we have amended our draft proposal to clearly include all eligible uses under the (Housing and Economic Recovery Act, to include: financing mechanisms, purchase and rehabilitation, lands banks, demolition, redevelopment, and administrative and planning costs.

The draft Plan acknowledges that the Homeownership Assistance Program will likely not serve any households at or below 50% of area median income. This means that the entire low income targeting obligation will have to be met by the 50% of NSP funds allocated to the Project-Specific and Municipal components. This will be difficult to achieve, and could even lead to potential conflicts with the Vermont Consolidated Plan's priority of accomplishing mixed income developments. It also might effectively limit municipal programs from engaging in any homeownership activities. A recommendation is to explicitly allow the funding of permanent, service-enriched housing for homeless and previously homeless individuals and families.

The Agency would prefer not to limit funding for specific project types, though it expects to see applications for service-enriched permanent housing for homeless and/or previously homeless individuals and families'. HERA requires that at least 25% of the NSP grant to Vermont be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will house individuals or families with incomes at or below 50% of area median income. The requirement applies to the Vermont NSP grant ($19.6 million) not to each project, activity, or sub recipient of the Vermont NSP grant. We will monitor this requirement on an overall portfolio perspective and fully expect and encourage mixed income developments as part of the overall NSP strategy.

Please rename the Homeownership Assistance Program (HAP) to Homeownership Acquisition and Rehabilitation Program (HARP) to avoid confusion with the widely used HAP (Housing Assistance Payments) acronym.

The Agency accepts this request and has made the change throughout its proposed plan.

The 50% of total cost floor seems to be a State imposed limit. VHFA recommends changing or elimination of the language and perhaps consider a percentage goal of the total homes served by allowing exceptions in certain specified cases.

The Agency believes the 50% floor to be an effective tool to limit projects to a reasonable final disposition. To ensure the judicious expenditure of NSP funds the State wishes to impose as a required limit.

It is not clear why the preservation of existing subsidized housing ought to be a priority over re-development that creates new affordable housing. VHFA thinks that the priority ought to be for readiness to proceed.

Readiness to proceed is an important factor to be assessed and weighed accordingly during application reviews. Agency staff will certainly weigh a project's merit with how ready it is to go, and place a priority on creditworthy projects "ready to go". However, projects at risk of losing subsidies as a result of foreclosure will rise to a top priority for the Vermont NSP as retention of subsidized housing is the number one goal of the Vermont NSP. The process for application review will be disclosed in greater detail when the Request for Proposals process is released by the Agency in mid December 2008.

In the event that a ready-to-proceed affordable housing development can target most or all its units to households at or below 50% of area median it can and should be given priority over one that does not.

Readiness to proceed, along with serving a high percent of units or households at or below 50% of area median, is an important factor to be assessed and weighed accordingly during application reviews. As stated above, Agency staff will weigh a project's merit (which includes benefit) with how ready it is to go, and place a priority on creditworthy projects "ready to go".

Using the HOME rents for the units that must be targeted to households at or below 50% of area median income makes sense. However, the balance of the units can be targeted to a higher income level, and if the same 50% HOME rent were imposed on those it could negatively impact the financial feasibility of the development. Perhaps a clarification that the HOME applies to the 50% of median rents and the remaining NSP unit rents will be the lowest of: market rent, a rent affordable to a household at 120% of area median income, or whatever rent is imposed by other funding sources (such as Housing Credit rents).

Generally, we proposed using the HOME rents as a guideline but have incorporated these comments and will now consider Affordable rents for the Vermont NSP to be defined as those rents affordable to households at or below 30% AMI, 50% AMI, 80% and 120% AMI. The HOME rents for Vermont, see attached charts below for actual rent thresholds, could be used to ensure affordable rents. Other established affordable rent definitions commonly used in Vermont such as: fair market rents, LIHTC rents, other rent limits imposed by other funding sources will be allowed. In all cases affordable rents under the Vermont NSP will be defined as monthly housing costs not exceeding 30% of gross monthly income for rent & utilities.

The description of the extended use covenant is too specific.

The Agency does not wish to limit the types of affordability covenants and will add more generic language to encourage other reasonable affordability mechanisms when we proceed to specific legal documents and agreements.

The 1-4 family property limits in the Homeownership Assistance Program may be too limiting.

The Agency desires to limit the Homeownership Assistance Program to 1-4 units to specifically operate this component as a response to single-family/owner-occupied foreclosures. If a project larger than 4 units is identified it will be eligible through the Project-Specific component, whether it is homeownership or rental housing.

Eligible Activities

The draft plan does not place emphasis on using NSP funds for the redevelopment of blighted abandoned and vacant properties that are not foreclosed upon. Demolishing blighted structures and redeveloping demolished or vacant properties should be a goal and/or funding priority of the Vermont NSP.

The Vermont NSP was designed to respond to the overarching HUD regulations and to the needs of Vermont. While eligible, with respect to the NSP regulations, demolition was not given priority in the Draft Vermont NSP plan. However, the Agency agrees and has included demolishing blighted structures and redeveloping demolished or vacant properties as a goal of the Vermont NSP.

Demolishing blighted structures and redeveloping blighted structures is not referenced or included under the Homeownership Assistance Program, Project-Specific or Municipal components as an eligible activity.

The Department has added demolishing blighted structures and redeveloping demolished or vacant properties as an eligible use of NSP funds within all proposed components of the Vermont NSP.

Demolition or conversion of low or moderate income dwelling units. We urge you not to preclude these possibilities.

The Agency understood the activity related to demolition or conversion of low or moderate income dwelling units under the Acquisition and Relocation section to be related to reduction of units. The Agency will not demolish or convert any subsidized low and moderate income housing. But it may allow the demolition or conversion of non-subsidized low and moderate income dwelling units. However it is not our intention to reduce the number of any low and moderate income dwelling units.

We urge you to add land banking as a permitted activity.

The Department has added land banking as a permitted activity as an eligible use of NSP funds within all proposed components of the Vermont NSP.

The draft plan is silent on administrative costs. Additionally, the proposal is not clear on the administrative side just what DHCA will require. Does DHCA intend that VHFA, municipalities, and project developers will all assume the role, with NSP funds, that cities and towns have under the small cities CDBG program? We would like clarity that the administrative funds will cover all the costs in establishing and running a program.

The Department inadvertently left out Program Administration as an eligible activity of the draft Vermont NSP proposal. This has been added to the proposed Vermont NSP with a budget of $600,000. Administration will be provided by the Vermont Community Development Program, a division of the Department of Housing and Community Affairs. The Department has successfully administered the Community Development Block Grant program for twenty years and is therefore uniquely suited to administer the Vermont NSP. In addition, the Agency Grants Management team will ensure full compliance with regulations, timely submission of progress reports; grantee monitoring and grant close out. Grantees of the Vermont NSP may employ up to 10% of their grant amount to underwrite project or program delivery costs (i.e. administer the NSP grant from the Agency for the specific project). These program delivery costs though will not be allocated out of the $600,000 budget for Program Administration but through the funds budgeted for the Homeownership Assistance, Municipal, and/or Project-Specific programs.

Consideration to permit homeless shelters and other transitional housing access the NSP funding.

The Agency believes the Vermont NSP is designed to respond to the unique needs of Vermonters and funding homeless shelters and other transitional housing projects with NSP funds is allowed under the State's plan. However the Agency must take caution in committing funds towards such projects as transitional housing beneficiaries unfortunately do not count towards the benefit requirements of using 25% of the NSP funds to assist $\leq$ 50% of AMI as stipulated by HUD and the Housing and Economic Recovery Act. HUD defines homeless shelters as public facilities in the CDBG regulations. Therefore, while they could be done in NSP as redevelopment, they are not considered housing by HUD. If the shelter or transitional housing houses people for at least two years, it would qualify as permanent housing. Therefore, if, and only if, they meet the two year test could they count under the 25% under 50% AMI requirement. However, they are eligible as public facilities if done on vacant property as Redevelopment under Eligible Use E.

Definitions

The NSP plan includes an unnecessarily narrow definition of a blighted structure, in particular that the blighted structure be a residential or mixed-use residential structure. We

ask the Agency to include blighted commercial, industrial, and public facility properties in the definition of eligible activities.

The Agency concurs and has broadened the definition of a blighted structure to include commercial, industrial, and public facility properties in addition to residential or mixed-use residential structures.

It is critical that the plan re-state the goal of perpetual affordability. The resold homes that have been assisted though the HAP program should be subject to permanent affordability covenants. We believe it is important to ask for permanent affordability as opposed to affordability for only as long as the HOME affordability period. The Plan should require, or at least prioritize, proposals that strive to achieve perpetual affordability.

Perpetual affordability is an overarching priority of the Agency and its Consolidated Plan. Any NSP projects that can attain this permanent affordability will be given priority. Continued affordability for the Vermont NSP for rental and homeownership housing will be assured by using the federal HOME program minimum requirements for continued affordability. However, as stated permanent affordability will be the goal and will be an important factor in reviewing proposals that can meet this goal.

To ensure the fullest flexibility allowable under NSP and to ensure that the full Vermont NSP allocation is utilized, we must not require that all project applications have permanent affordability to be eligible. Establishing permanent affordability as a threshold may a number of potential and important projects from applying and this exclusion could have the un-intended consequence of not fully obligating Vermont's allocation.

Therefore, to the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all NSP properties with a required minimum 15 year term for homeownership and rehabilitated rental properties and a required minimum 20 year term for all newly construction properties.

Requested changes to HERA/NSP legislation

It is unfortunate the federal government is not allowing us to invest these resources into foreclosure prevention and instead limiting us to responding after a struggling family has totally failed. With a much smaller sum of money per household we could invest in households before they enter foreclosure and become bankrupt or homeless. We stand ready to work with you to urge the Obama administration and our Congressional delegation to revise the rules to allow us to use this smart strategy. We are all too aware of the economic tsunami which threatens to swamp federal and state budgets. The NSP is an unprecedented opportunity for Vermont to take immediate action that will boost our economy and help tackle the real and growing affordable housing crisis.

We agree with these comments and welcome the opportunity to ask for these changes in partnership with the organizations requesting them through our congressional delegation.

As the economy falters, the need for additional capacity to help families, veterans and others transition out of homeless only increases. We understand that the federal NSP regulations allow NSP funds to be used for transitional housing, but that these units cannot be included in meeting the minimum low-income benefit targets. That is wrong. We will ask our Congressional delegation to change that, but in the meantime urge ACCD to give full consideration to applications which provide transitional housing for the homeless and not discourage this possibility.

We agree with these comments and certainly do not wish to discourage any transitional or homeless housing through the Vermont NSP. We welcome the opportunity to ask for these changes in partnership with the organizations requesting them through our congressional delegation.

Miscellaneous

In terms of the data presented in the map on page 10 is unclear. If eligible areas are identified at the census block group level, then the map does not appear to include all eligible block groups in Burlington.

Agency staff aggregated the percent less than 120% area median income for all the census tracks in the City of Burlington (removing all tracks with 0.% from the calculation). According to our calculations 69.9% of City of Burlington residents have incomes at or below 120% AMI, therefore the City of Burlington is an eligible area-wide community. However, the surrounding communities of Charlotte, Jericho, Shelburne, and South Burlington are ineligible as less than 51% of the residents in each town had incomes at or below 120% the area median income.
To clarify, towns that are not area wide eligible are still eligible for the Vermont NSP funds, however a project serving the community at large (i.e. community facility) would not be eligible for Vermont NSP funds.

Census Tract	County	Townshend town	Percent less than 120 AMI	Middle low mod eligible
000300	Chittenden County	Burlington city	100.0%	YES
000500	Chittenden County	Burlington city	96.2%	YES
000300	Chittenden County	Burlington city	95.4%	YES
001000	Chittenden County	Burlington city	91.9%	YES
000400	Chittenden County	Burlington city	90.9%	YES
000400	Chittenden County	Burlington city	89.6%	YES
000300	Chittenden County	Burlington city	88.4%	YES
000900	Chittenden County	Burlington city	85.3%	YES
000400	Chittenden County	Burlington city	82.3%	YES
000500	Chittenden County	Burlington city	80.2%	YES
000500	Chittenden County	Burlington city	79.2%	YES
000900	Chittenden County	Burlington city	76.9%	YES
000200	Chittenden County	Burlington city	74.7%	YES
000600	Chittenden County	Burlington city	72.3%	YES
000100	Chittenden County	Burlington city	70.1%	YES

Census Tract	County	Townshend town	Percent less than 120 AMI	Middle low mod eligible
000600	Chittenden County	Burlington city	69.0%	YES
000800	Chittenden County	Burlington city	68.8%	YES
000100	Chittenden County	Burlington city	67.9%	YES
001000	Chittenden County	Burlington city	66.4%	YES
000200	Chittenden County	Burlington city	65.2%	YES
001100	Chittenden County	Burlington city	65.0%	YES
000200	Chittenden County	Burlington city	53.3%	YES
000200	Chittenden County	Burlington city	46.9%	NO
000800	Chittenden County	Burlington city	46.0%	NO
000700	Chittenden County	Burlington city	41.9%	NO
000900	Chittenden County	Burlington city	41.1%	NO
001100	Chittenden County	Burlington city	35.6%	NO
000700	Chittenden County	Burlington city	17.3%	NO
		Burlington city total	**69.9%**	**YES**

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

(1) Activity Name:

Homeownership Acquisition and Rehabilitation Program (HARP)

(2) Activity Type:

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

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

The activities carried out under the Homeownership Acquisition and Rehabilitation Program (HARP) will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below120% of area median income.

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford, Director
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501\
(802) 828-5201

The State of Vermont will contract with the Vermont Housing Finance Agency to implement the Homeownership Assistance Program component of the Vermont NSP.

Vermont Housing Finance Agency
P.O. Box 408
164 St. Paul Street
Burlington VT 05402-0408

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

The activities to be carried out by the Homeownership Acquisition and Rehabilitation Program (HARP) will be targeted to Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor counties ~~designed~~ to meet the greatest need across the ~~entire~~ state of Vermont which is illustrated in Section A – Areas of Greatest Need. Specific locations within these counties will be determined once a
Memorandum of Understanding or Grant Agreement is signed and monitored on a regular basis to ensure areas of greatest need are being met, particularly to be cognizant of any significant changes in the data.

VHFA can acquire properties ~~anywhere in the state~~in any of the above mentioned counties but not in municipalities that are awarded funds through the Municipal component of the Vermont NSP.

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

For housing related activities, include:
- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

Response:
The Homeownership Acquisition and Rehabilitation Program (HARP) will provide funding to the Vermont Housing and Finance Agency (VHFA) or its affiliate or subsidiary to acquire 1-4 family properties that are real estate owned (REO), with priority being given to acquire properties from Vermont-based lending institutions, municipalities that have acquired residential property through a tax taking procedure and FHA, and then from out of state lenders as funds allow. The foreclosure process must be complete prior to purchase by VHFA and the deed and clear title must be in the possession of the mortgagee. VHFA will:

1. Acquire properties clear of all liens and encumbrances, rehabilitate the homes to at least HUD Housing Quality Standards and where possible achieve an appropriate Energy Star rating, and

2. sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

3. sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

4. sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

VHFA can acquire properties in any of the greatest need designated counties identified in Section #7 ~~anywhere~~ in the state but not in municipalities that are awarded funds through the Municipal component of the program.

VHFA must acquire the property for no more than ~~95~~90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont expects the duration of benefit of the Homeownership Acquisition and Rehabilitation Program (HARP) to be long-term with the tenure of beneficiaries to majorly as homeowners and renters.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to VHFA will be structured as grants or 0% loans. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household.

(9) <u>Total Budget</u>: (Include public and private components)

Estimated at $7,000,000

It should be noted that the budgeted amount is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that a minimum of 55 units of foreclosed or abandoned homes will be acquired and/or rehabilitated through the Housing Assistance Program. The income level of beneficiaries projected is as follows:

- At or below 120% of median area income – 55 Households

It should be noted that households at or below 50% of the median area income are not excluded from this program should it be affordable to them, however at this time the State of Vermont expects few of the beneficiaries under this activity to fall within that income range.

It should also be noted that the above benefit amount is subject to change once local proposals are approved by the State.

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

(1) Activity Name:

Municipal Program

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

NSP Eligible Use – (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers

CDBG Eligible Activities –

- As an activity delivery cost for an eligible activity (designing & setting it up) - 24 CFR 570.206
- The eligible activities below to the extent financing mechanisms are used to carry them out:
    - Acquisition - 24 CFR 570.201(a)
    - Disposition - 24 CFR 570.201(b)
    - Relocation - 24 CFR 570.201(i)
    - Direct Home Ownership Assistance - 24 CFR 570.201(n)
    - Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
    - Clearance for blighted structures only - 24 CFR 570.201(d)
    - Public Facilities and Improvements - 24 CFR 570.201(c)
    - Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)
    - Direct Homeownership Assistance - 24 CFR 570.201(n)

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
- Public Facilities and Improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

NSP Eligible Use – (D) Demolish blighted structures

CDBG Eligible Activities –

- Clearance for blighted structures only - 24 CFR 570.201(d)

NSP Eligible Use – (E) Redevelop demolished or vacant properties

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- New Housing Construction -
- Public Facilities and improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

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

The activities carried out under the Municipal Program will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below 120% of area median income.

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501

(802) 828-5201

The State of Vermont will solicit through Requests for Proposals from municipalities to participate in the program.

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

The activities to be carried out by the Municipal Program will be <u>targeted to the following Municipalities: City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield</u> ~~designed~~ to meet the greatest need ~~across the entire state of Vermont~~ as illustrated in Section A – Areas of Greatest Need<u>, specifically High Cost Loans and Unemployment.</u>. Specific locations <u>within these municipalities</u> will be determined once a formal proposal is received and monitored on a regular basis to ensure areas of greatest need are being met.

(8) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:
- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

<u>Response:</u>
NSP funds will be made available to municipalities that wish to undertake and complete a foreclosure mitigation program of their own provided it demonstrates it:

1. has or can acquire the capacity to effectively administer such a program;
2. has a well documented need, defined by objective, supporting data; and
3. has a plan that at a minimum will:
   a. address the municipally identified single family and/ or multi-family need quickly and efficiently;
   b. demonstrate a very, high likelihood that the municipality will fully encumber the sub grant within twelve months (estimated August, 2010); and
   c. is compliant with all applicable regulations.

Communities will be encouraged to work with other contiguous communities that have similar foreclosure problems.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Municipalities must acquire the property for no more than ~~95~~90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont anticipates the tenure of beneficiaries to majorly be rental and homeownership, each with a long-term duration of benefit.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to Municipal Program grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

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

Estimated at $5,500,000

It should be noted that the budgeted amount is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Municipal Program. The income level of beneficiaries projected is as follows:

- 81- 120% of median area income – 13 Households
- 51- 80% of median area income– 12 Households
- Less than 50% of median area income – 25 Households

It should be noted that the above benefit numbers are subject to change once local proposals are approved by the State.

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

(1) Activity Name:

Project-Specific Program

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

NSP Eligible Use – (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers

CDBG Eligible Activities –

- As an activity delivery cost for an eligible activity (designing & setting it up) - 24 CFR 570.206
- The eligible activities below to the extent financing mechanisms are used to carry them out:
  - Acquisition - 24 CFR 570.201(a)
  - Disposition - 24 CFR 570.201(b)
  - Relocation - 24 CFR 570.201(i)
  - Direct Home Ownership Assistance - 24 CFR 570.201(n)
  - Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
  - Clearance for blighted structures only - 24 CFR 570.201(d)
  - Public Facilities and Improvements - 24 CFR 570.201(c)
  - Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)
  - Direct Homeownership Assistance - 24 CFR 570.201(n)

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)

- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
- Public Facilities and Improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

<u>NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon</u>

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

<u>NSP Eligible Use – (D) Demolish blighted structures</u>

CDBG Eligible Activities –

- Clearance for blighted structures only - 24 CFR 570.201(d)

<u>NSP Eligible Use – (E) Redevelop demolished or vacant properties</u>

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- New Housing Construction -
- Public Facilities and improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

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

The activities carried out under the Project-Specific program will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below 120% of area median income.

(4) <u>Projected Start Date</u>:

February, 2009

(5) <u>Projected End Date</u>:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501
(802) 828-5201

The State of Vermont will solicit through Requests for Proposals for organizations/developers/partners to participate in the program.

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

The activities to be carried out by the Project Specific Program will be <u>targeted to those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem</u> ~~designed~~ to meet the greatest need ~~across the entire state of Vermont~~ as illustrated in Section A – Areas of Greatest Need. <u>Supplemental map and listing included.</u>

Project Specific grants may be awarded for projects in any community <u>except</u> for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.

(8) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:
- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

<u>Response:</u>
The Project Specific program component is designed to address specific projects that are <u>more</u> than four-units per structure or aggregated properties that are smaller than four units each but together comprise more than four units, and are not addressed through a municipal program. A

Request for Proposals will be offered at the same time the municipal RFP is issued. Project proponents:

- may be for profit or non profit entity;
- must have a demonstrated record of completing successful and like projects; and
- must have the capacity and experience to secure all required financing, permits, and other requirements in a very short window of time.

The highest priority for these funds is to:

- secure foreclosed properties that are occupied by low and moderate income households (LMI), and
- have project based mortgage, rent or other subsidies, which are in danger of losing those subsidies,
- and are ready to proceed.

However, developers will be encouraged to find foreclosed properties which may include mobile home parks, mixed use properties and scattered sites and formulate creative approaches to the reutilization of the properties. Reuse can include demolition and new construction, replacing mobile homes with stick built or modular units, urban homestead projects and other creative and effective ways to make rental and homeownership opportunities available to low, moderate, and middle income (LMMI) households with NSP funds.

Competitive proposals would feature many of the following:

1. Saving occupied and subsidized housing;
2. High likelihood of fully encumbering NSP funds within the required twelve month window (estimated August, 2010);
3. Demonstrated capacity to undertake and complete the project proposed on time and on budget;
4. Although not required, a high leveraging ratio of private to public funding.
5. A high ratio of units made affordable to households at or below 50% AMI;
6. Location in a designated Growth Center, New Neighborhood, Downtown, New Town Center or Village;
7. High, residential utilization of otherwise underutilized properties;
8. Redevelopment of demolished or vacant properties and
9. Maintenance of property historic character, if any.

Project specific grants may be awarded for projects in any community except for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Developer partners must acquire the property for no more than ~~95~~90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont anticipates the tenure of beneficiaries to majorly be rental with a long-term duration of benefit. It is believed that some homeownership opportunities may also be created through the Project Specific component.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to Municipal Program grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

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

Estimated at $6,500,000

It should be noted that the above budget is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Project Specific program. The income level of beneficiaries projected is as follows:

- 81- 120% of median area income - 13 Households
- 51- 80% of median area income - 12 Households
- Less than 50% of median area income - 25 Households

It should be noted that the above benefit numbers are subject to change once local proposals are approved by the State.

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

(1) Activity Name:

State Grant Administration

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

State Grant Administration

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

N/A

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501
(802) 828-5201

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

~~N/A~~ The State level administration will not be based on any specific address, etc.

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

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**

- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

Response:
Administration will be provided by the Vermont Community Development Program, a division of the Department of Housing and Community Affairs. The Department has successfully administered the Community Development Block Grant program for twenty years and is therefore uniquely suited to administer the Vermont NSP. Division Director Josh Hanford will provide day to day oversight of program staff. The Department has requested authority to hire for two limited service positions. These positions which include an Administrative Assistant and a Community Development Specialist will provide additional program support for two years. These positions would add capacity during the initial implementation phase of the program and through the eighteen month grant period. In addition, the Agency of Commerce and Community Development Grants Management team will ensure full compliance with regulations, timely submission of progress reports; grantee monitoring and grant close out.

Individual grantees of the Vermont NSP program may employ up to 10% of their total grant amount for their program delivery costs.

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

$600,000

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

N/A

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income,

including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (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

James J. Saudade, Deputy Secretary___
Name and Title

ATTACHMENT A

Neighborhood Stabilization Program (NSP)

TIMELINE

Stakeholders Meeting	August 27, 2008
Stakeholders Meeting	September 24, 2008
Stakeholders Meeting	September 25, 2008
Stakeholders Meeting	October 20, 2008
Notice Published for Public Hearing	October 27 & 28, 2008
Stakeholders Meeting and Presentation to CD Board	October 29, 2008
Vermont Housing & Conservation Board (VHCB) presentation	October 31, 2008
Vermont Association of Planning & Development Agencies (VAPDA)	November 6, 2008
Draft NSP Plan and documents posted to DHCA website	November 10, 2008
Public Hearing and Stakeholders Meeting	November 12, 2008
Bi-annual Statewide Housing Conference	November 18, 2008
Final Application and Proposal submitted to HUD	November 26, 2008
Final Application, SF424, and Substantial Amendment to Consolidated Plan posted to DHCA website	December 1, 2008
ACCD issues conditional RFP's for Projects	December 12, 2008
ACCD accepting & commenting on conditional RFP's	December 12, 2008 – May 2009
HUD issues Grant Agreement to State	February 2009*
ACCD potentially begins award decisions	February 2009*
ACCD begins offering Grant Agreements	February 2009*
ACCD Final Deadline for all NSP Proposals	May 2009
ACCD Award Decisions completed	June 2009
ACCD Grant Agreement to Awardee(s) completed	July 2009

NSP Funds Obligated/under contract	August 2010
NSP Funds fully expended & National Objective met	February 2013

*This date is based solely on the receipt of the signed Grant Agreement from HUD.

ATTACHMENT B

EXAMPLES OF VERMONT NSP PROJECTS

1. A developer asks her bank to let her know if they have foreclosed on any multifamily homes. The banker says that there are several in the default stage of foreclosure and if they are not redeemed he will let her know. A month later the banker lets the developer know that there are three properties that have come into the REO portfolio that are multifamily, 21 units, total.

   The developer submits a proposal to the state that looks like this:
   Sources: $1M NSP, $1M Loan Uses: $500K Acquisition, $1.5M rehab.
   Benefit: Developer agrees to maintain the rents at HUD FMRs for 15 years and make units available to households at or below 50% AMI.

2. A not for profit (NFP) locates a downtown, mixed use building that has recently been foreclosed. The building has four storefronts on the first floor and three floors of vacant rooms on the upper stories. The NFP gets a P&S from the bank and files an NSP application as follows:

   Sources: $3M NSP
   Uses: $750K Acquisition, $2M Rehab, $250K Reserves
   Benefit: The NFP agrees to make 4 units available as rentals to 50% AMI, 4 units to 80% income as condos and 4 units as condos to 120% income households for 15 years.

3. A municipality has an old blighted apartment building it has taken by tax title. The property is vacant and has some brownfield issues due to underground storage tank leaks. The property is immediately adjacent to the railroad station. The town wants to demolish the structure and make a multi modal center out of the property. The regional bus service would use the site, a park and ride would be established and a visitor center would be built.

   Sources: $1M NSP, $250K Enhancement Grant, $250K town, $100K USG Fund
   Uses: $1M NSP for acquisition and demolition, $100K for oil spill clean-up, $500K for land improvements and visitor center.
   Benefit: Area wide LMMI.

4. A regional not for profit housing provider finds six properties in four towns that have been foreclosed upon by the same mortgage company. Two are multifamily, 3 units each and four are single family. The NFP in consultation with the host towns and regional service providers determines that there is a need for three units of battered women's shelter, three units of transitional housing and since the single families are in towns with very expensive housing, there is a need for work force housing.

   Sources: $1.5 NSP
   Uses: $600k Acquisition, $900K Rehab

Benefit: 6 units of affordable, transitional housing; four units sold to middle Income (120% AMI) at 50% of appraised value with long term affordability covenants.

5. A for profit acquires a foreclosed mobile home park with 20 old, deteriorated mobile homes. The for profit applies for NSP funds to temporarily relocate the tenants, demolish and clear the 20 mobile homes and install new modular housing units.

   Sources: $2.5M NSP, $400K Conventional Loan, $100K Owner's Equity.
   Uses: $400K Acquisition, $600K Site Improvements, $2M Modular Units
   Benefit: Must be made available to households at or below LMMI at FMR rents for 20years.

ATTACHMENT C

Communities by Census Tract with 3.5% and greater predicted rate of foreclosure

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Essex County	Lunenburg town		950300	8.3%
Essex County	Lunenburg town		950300	8.3%
Essex County	Victory town		950300	8.3%
Essex County	East Haven town		950300	8.3%
Essex County	Guildhall town		950300	8.3%
Essex County	Granby town		950300	8.3%
Orleans County	Barton town	Orleans village	951800	7.6%
Orleans County	Barton town	Barton village	951800	7.6%
Orleans County	Barton town	Orleans village	951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Barton town	Barton village	951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	6.3%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Essex County	Brighton town		950200	5.8%
Essex County	Brighton town		950200	5.8%
Orleans County	Troy town	North Troy village	951600	5.6%
Orleans County	Jay town		951600	5.6%
Orleans County	Troy town		951600	5.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orleans County	Newport town		951600	5.6%
Orleans County	Troy town		951600	5.6%
Orleans County	Newport town		951600	5.6%
Orleans County	Westfield town		951600	5.6%
Orleans County	Newport town		951600	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Essex County	Concord town		950400	5.5%
Rutland County	Rutland city	Rutland city	963300	5.3%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Orleans County	Holland town		951100	5.0%
Orleans County	Charleston town		951100	5.0%
Orleans County	Morgan town		951100	5.0%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Rutland County	Proctor town	_	962500	5.0%
Rutland County	Proctor town	_	962500	5.0%
Windsor County	Springfield town	_	966700	5.0%
Windsor County	Springfield town	_	966700	5.0%
Windsor County	Springfield town	_	966700	5.0%
Windsor County	Springfield town	_	966700	5.0%
Windsor County	Springfield town	_	966700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Caledonia County	Hardwick town	_	957700	4.9%
Caledonia County	Hardwick town	_	957700	4.9%
Rutland County	West Rutland town	_	962600	4.9%
Rutland County	West Rutland town	_	962600	4.9%
Rutland County	West Rutland town	_	962600	4.9%
Rutland County	West Rutland town	_	962600	4.9%
Bennington County	Bennington town	_	971200	4.9%
Bennington County	Bennington town	_	971200	4.9%
Bennington County	Bennington town	Old Bennington village	971200	4.9%
Bennington County	Bennington town	_	971200	4.6%
Bennington County	Bennington town	_	971200	4.6%
Bennington County	Bennington town	_	971200	4.6%
Bennington County	Bennington town	_	971200	4.6%
Bennington County	Bennington town	_	971200	4.6%
Bennington County	Bennington town	_	971200	4.6%
Rutland County	Tinmouth town	_	963500	4.6%
Rutland County	Middletown Springs town	_	963500	4.6%
Rutland County	Ira town	_	963500	4.6%
Caledonia County	Lyndon town	Lyndonville village	957200	4.6%
Caledonia County	Lyndon town	_	957200	4.6%
Caledonia County	Lyndon town	_	957200	4.6%
Caledonia County	Lyndon town	_	957200	4.6%
Essex County	Averill town	_	950100	4.6%
Essex County	Ferdinand town	_	950100	4.6%
Essex County	Norton town	_	950100	4.6%
Essex County	Brunswick town	_	950100	4.6%
Essex County	Canaan town	_	950100	4.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Essex County	Maidstone town		950100	4.6%
Essex County	Bloomfield town		950100	4.6%
Essex County	Lemington town		950100	4.6%
Essex County	Avery's gore		950100	4.6%
Essex County	Lewis town		950100	4.6%
Essex County	Warner's grant		950100	4.6%
Essex County	Warren's gore		950100	4.6%
Windham County	Rockingham town		967000	4.5%
Windham County	Rockingham town		967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Orleans County	Newport city	Newport city	951500	4.4%
Orleans County	Newport city	Newport city	951500	4.4%
Orleans County	Newport city	Newport city	951500	4.4%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orleans County	Newport city	Newport city	951500	4.4%
Lamoille County	Eden town		953000	4.4%
Lamoille County	Waterville town		953000	4.4%
Lamoille County	Belvidere town		953000	4.4%
Rutland County	West Rutland town		962600	4.3%
Rutland County	West Rutland town		962600	4.3%
Rutland County	Poultney town	Poultney village	963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Wells town		963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Poultney town	Poultney village	963800	4.3%
Lamoille County	Johnson town	Johnson village	953200	4.3%
Lamoille County	Johnson town		953200	4.3%
Lamoille County	Johnson town		953200	4.3%
Lamoille County	Johnson town	Johnson village	953200	4.3%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Windham County	Jamaica town		967400	4.2%
Windham County	Jamaica town		967400	4.2%
Orleans County	Lowell town		951700	4.2%
Orleans County	Albany town		951700	4.2%
Orleans County	Albany town	Albany village	951700	4.2%
Orleans County	Irasburg town		951700	4.2%
Orleans County	Craftsbury town		951700	4.2%
Orleans County	Derby town	Derby Line village	951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Derby town	Derby Line village	951200	4.2%
Orleans County	Derby town	Derby Center village	951200	4.2%
Orleans County	Derby town	Derby Center village	951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Greensboro town		952000	4.1%
Orleans County	Glover town		952000	4.1%
Orange County	Chelsea town		959500	4.1%
Orange County	Vershire town		959500	4.1%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orange County	Tunbridge town	_	959500	4.1%
Orange County	Strafford town	_	959500	4.1%
Caledonia County	Ryegate town	_	957800	4.0%
Caledonia County	Groton town	_	957800	4.0%
Caledonia County	Peacham town	_	957800	4.0%
Rutland County	Pawlet town	_	964300	4.0%
Rutland County	Pawlet town	_	964300	4.0%
Rutland County	Pawlet town	_	964300	4.0%
Rutland County	Rutland city	Rutland city	963200	3.9%
Rutland County	Rutland city	Rutland city	963200	3.9%
Windham County	Wardsboro town	_	967500	3.9%
Windham County	Wardsboro town	_	967500	3.9%
Windham County	Stratton town	_	967500	3.9%
Windham County	Somerset town	_	967500	3.9%
Rutland County	Hubbardton town	_	962300	3.9%
Rutland County	Benson town	_	962300	3.9%
Rutland County	Sudbury town	_	962300	3.9%
Rutland County	West Haven town	_	962300	3.9%
Bennington County	Bennington town	_	970900	3.8%
Bennington County	Bennington town	_	970900	3.8%
Bennington County	Bennington town	_	970900	3.8%
Bennington County	Bennington town	_	970900	3.8%
Windham County	Wilmington town	_	968000	3.8%
Windham County	Wilmington town	_	968000	3.8%
Windham County	Wilmington town	_	968000	3.8%
Windham County	Wilmington town	_	968000	3.8%
Rutland County	Mount Tabor town	_	964200	3.8%
Rutland County	Danby town	_	964200	3.8%
Grand Isle County	Alburg town	Alburg village	020100	3.7%
Grand Isle County	Alburg town	_	020100	3.7%
Grand Isle County	Isle La Motte town	_	020100	3.7%
Grand Isle County	North Hero town	_	020100	3.7%
Caledonia County	Sheffield town	_	957000	3.7%
Caledonia County	Sutton town	_	957000	3.7%
Caledonia County	Walden town	_	957000	3.7%
Caledonia County	Wheelock town	_	957000	3.7%
Caledonia County	Stannard town	_	957000	3.7%
Caledonia County	Newark town	_	957000	3.7%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Lamoille County	Wolcott town		953400	3.7%
Lamoille County	Elmore town		953400	3.7%
Windham County	Whitingham town	Jacksonville village	968100	3.7%
Windham County	Whitingham town		968100	3.7%
Windham County	Whitingham town	Jacksonville village	968100	3.7%
Windham County	Whitingham town		968100	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Caledonia County	St. Johnsbury town		957400	3.6%
Caledonia County	St. Johnsbury town		957400	3.6%
Caledonia County	St. Johnsbury town		957400	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Franklin County	Swanton town	_	010500	3.6%
Franklin County	Swanton town	_	010500	3.6%
Franklin County	Swanton town	_	010500	3.6%
Franklin County	Highgate town	_	010100	3.5%
Franklin County	Highgate town	_	010100	3.5%
Franklin County	Sheldon town	_	010100	3.5%
Franklin County	Franklin town	_	010100	3.5%
Franklin County	Franklin town	_	010100	3.5%
Franklin County	Highgate town	_	010100	3.5%
Franklin County	Sheldon town	_	010100	3.5%
Franklin County	Highgate town	_	010100	3.5%
Rutland County	Castleton town	_	963600	3.5%
Rutland County	Castleton town	_	963600	3.5%
Rutland County	Castleton town	_	963600	3.5%
Caledonia County	St. Johnsbury town	_	957500	3.5%
Caledonia County	St. Johnsbury town	_	957500	3.5%
Rutland County	Brandon town	_	962200	3.5%
Rutland County	Brandon town	_	962200	3.5%
Rutland County	Brandon town	_	962200	3.5%
Rutland County	Brandon town	_	962200	3.5%
Orange County	Corinth town	_	959100	3.5%
Orange County	Topsham town	_	959100	3.5%
Orange County	Orange town	_	959100	3.5%
Orange County	Washington town	_	959100	3.5%
Caledonia County	St. Johnsbury town	_	957400	3.5%
Caledonia County	St. Johnsbury town	_	957400	3.5%
Caledonia County	St. Johnsbury town	_	957400	3.5%
Caledonia County	St. Johnsbury town	_	957400	3.5%
Caledonia County	St. Johnsbury town	_	957400	3.5%

2008

Vermont Neighborhood
zation Program

Final unmarked
copy of
Program Plan

January 15, 2009

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VERMONT
NEIGHBORHOOD STABILIZATION PROGRAM
SUBSTANTIAL AMENDMENT

As of March 5, 2009

Jurisdiction(s): Vermont Community Development Program, VT Department of Housing & Community Affairs Jurisdiction Web Address: www.dhca.state.vt.us/VCDP	NSP Contact Person: Josh Hanford Address: VT Dept. of Housing & Community Affairs National Life Building, Montpelier, VT 05620-0501 Telephone: 802 828-5201 Fax: 802 828-2928 Email: josh.hanford@state.vt.us

A. AREAS OF GREATEST NEED

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

Note: **An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; 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.

Response:

Vermont's problem is not concentrated, it is very disparate, and some of those areas of concentration from a high risk standpoint of subprime mortgage and high cost loans have a very low population, such as Orleans and Essex counties. These are extremely rural and/or mountainous regions of the state. Likewise, in the northern tier of Lamoille county, the southern tier of Orange county, the southern tier of Rutland county, and the majority of the towns showing a higher risk in Windham county have low populations from the rural character and the Green Mountains. The demonstrated need will encompass a review of all relative data from the criteria specified in the NSP Legislation of high foreclosure rates, high unemployment, sub-prime mortgages, and potential high risks

occurring over the coming months with the population data to ensure the NSP funds are providing the best solution and the greatest impact to the most people.

Vermont developed its areas of greatest need pursuant to Title III of Division B of the Housing and Economic Recovery Act of 2008 as outlined below:

- Greatest percentage of home foreclosures;
- Highest percentage of homes financed by subprime mortgage related loans; and
- Areas identified as the most likely to face a significant rise in the rate of home foreclosures.

Greatest percentage of home foreclosures

To illustrate the current foreclosure scene the State of Vermont obtained foreclosure filing data from the Vermont Mortgage Bankers Association and the primary foreclosure attorney representing out-of-state banks. Additionally the State consulted with its five home ownership centers for data pertaining to clients receiving foreclosure counseling. This information is as follows:

Active Vermont Residential Property Foreclosures by County

Vermont Based Bank Survey - Residential Properties in Foreclosure*	
Addison county	8
Windsor county	8
Orange County	6
Washington county	6
Caledonia county	3
Orleans county	3
Windham county	3
Bennington county	2
Lamoille county	2
Rutland county	2
Chittenden county	1
Essex county	1
Franklin county	1
Grand Isle county	0
Total	**46**

Notes:
*Survey as of October 31, 2008 to 21 Vermont banks, of which 16 responded
Total value of properties "in foreclosure" equals $4,878,000.

Non Vermont Based Bank Active Residential Foreclosures - Filed 2007-2008 to date	
Chittenden county	220
Rutland county	204
Franklin county	143
Washington county	113
Windsor county	100
Windham county	96
Bennington county	64
Lamoille county	52
Addison county	51
Orleans county	51
Caledonia county	49
Orange County	49
Grand Isle county	28
Essex county	15
Total	**1235**

Notes:

Data as of 10/30/2008 from attorney representing approximately 60% of the Vermont foreclosures and primarily all out-of-state banks.

Active means those which have NOT been closed or resolved.

Current HUD Foreclosures by County

HUD Active Foreclosure Listing as of November 3, 2008*	
Orleans county	4
Caledonia county	3
Windsor county	2
Chittenden county	1
Franklin county	1
Washington county	1
Windham county	1
Addison county	0
Bennington county	0
Essex county	0
Grand Isle county	0
Lamoille county	0
Orange County	0
Rutland county	0
Total	**13**

Notes:
*Listing is as of 11/3/08 obtained from HUD Manchester NH Housing Program Specialist representative.
Total value of HUD properties in foreclosure equals $434,540, which includes only the properties which have reached a status to receive a price value (6 out of 13).

Foreclosure Counseling by County

Foreclosure Prevention Counseling						
Numbers counseled - January - October 2008						
	Central Vermont	**Gilman Housing Trust**	**Champlain Housing Trust**	**NeighborWorks of Rutland West**	**Southeastern Vemont RLF**	**Totals**
Windham county					39	**39**
Caledonia county	1	29				**30**
Addison county	1			23		**24**
Bennington county				23	1	**24**
Rutland county				23		**23**
Washington county	17					**17**
Chittenden county			16			**16**
Franklin county	1		14			**15**
Orleans county		13				**13**
Windsor county					13	**13**
Orange County	7					**7**
Essex county		5				**5**
Lamoille county	2					**2**
Grand Isle county			1			**1**
Total counseled	**29**	**47**	**31**	**69**	**53**	**229**

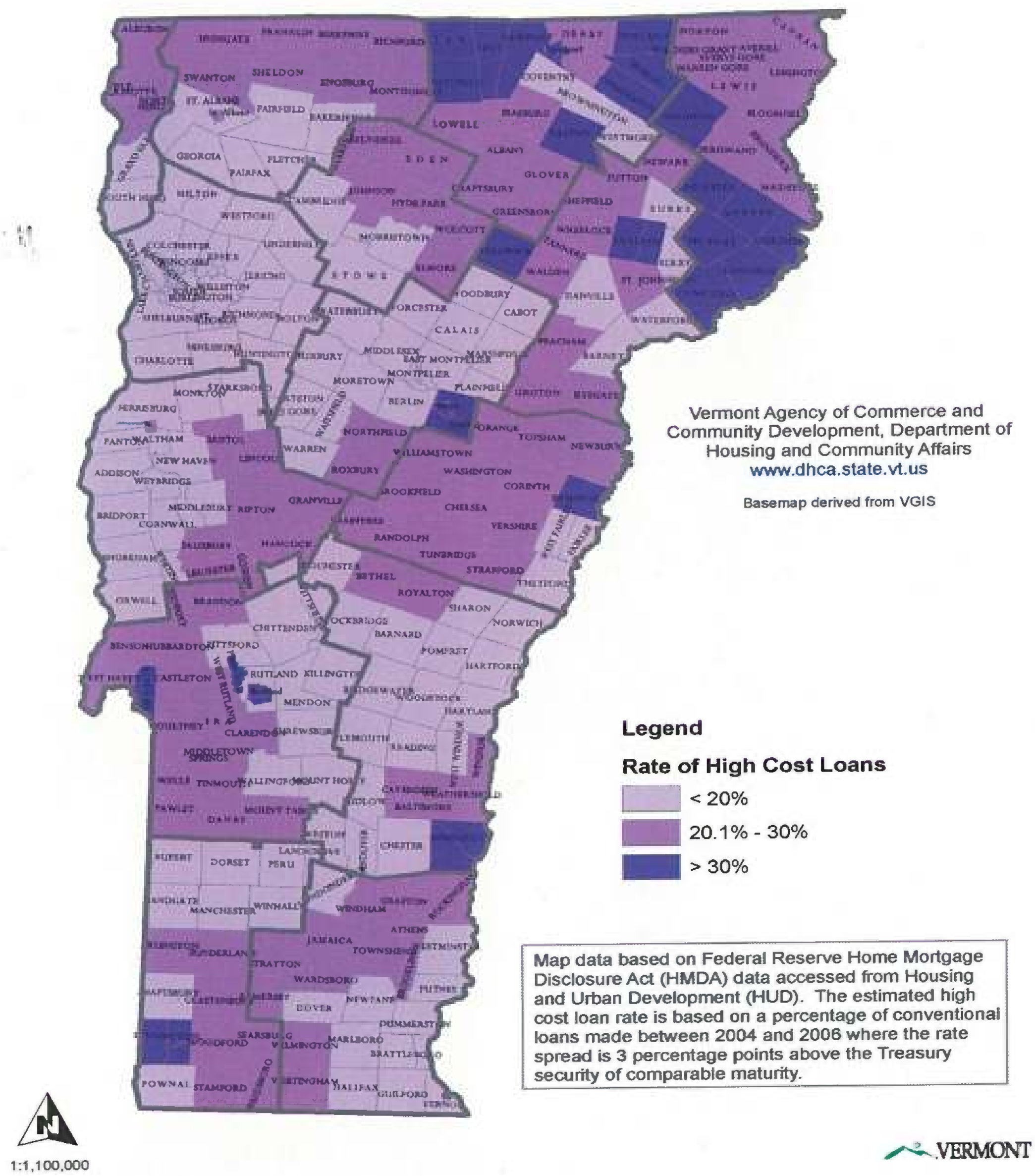
Note: Data from Neighbor Works of Rutland West was provided as a whole for their service area, data was distributed equally to give a county by county view.

In sum, the above data reveals a relatively disbursed foreclosure problem throughout the state of Vermont.

Highest percentage of homes financed by subprime mortgage related loans

To demonstrate areas that contained the highest percentage of homes financed by a subprime mortgage loan Vermont utilized Home Mortgage Disclosure Act (HMDA) data, accessed from the U.S. Department of Housing and Urban Development (HUD).

High Cost Loans

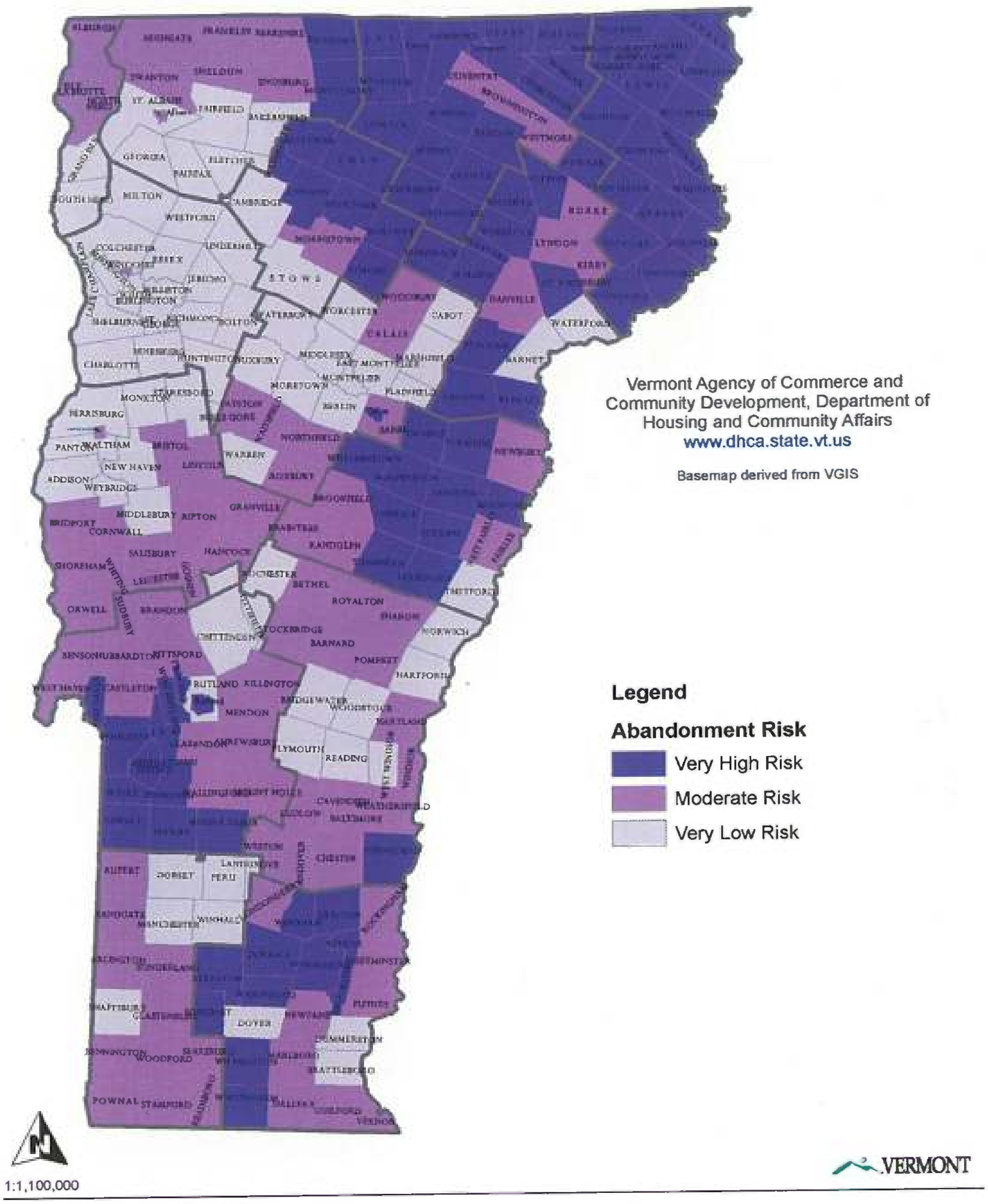


This data reveals pockets and isolated areas in which greater than 30% of the loans made between 2004 and 2006 were financed through sub-prime mortgages. In general, Vermont has been fortunate to realize a relatively broad and dispersed sub-prime loan pattern.

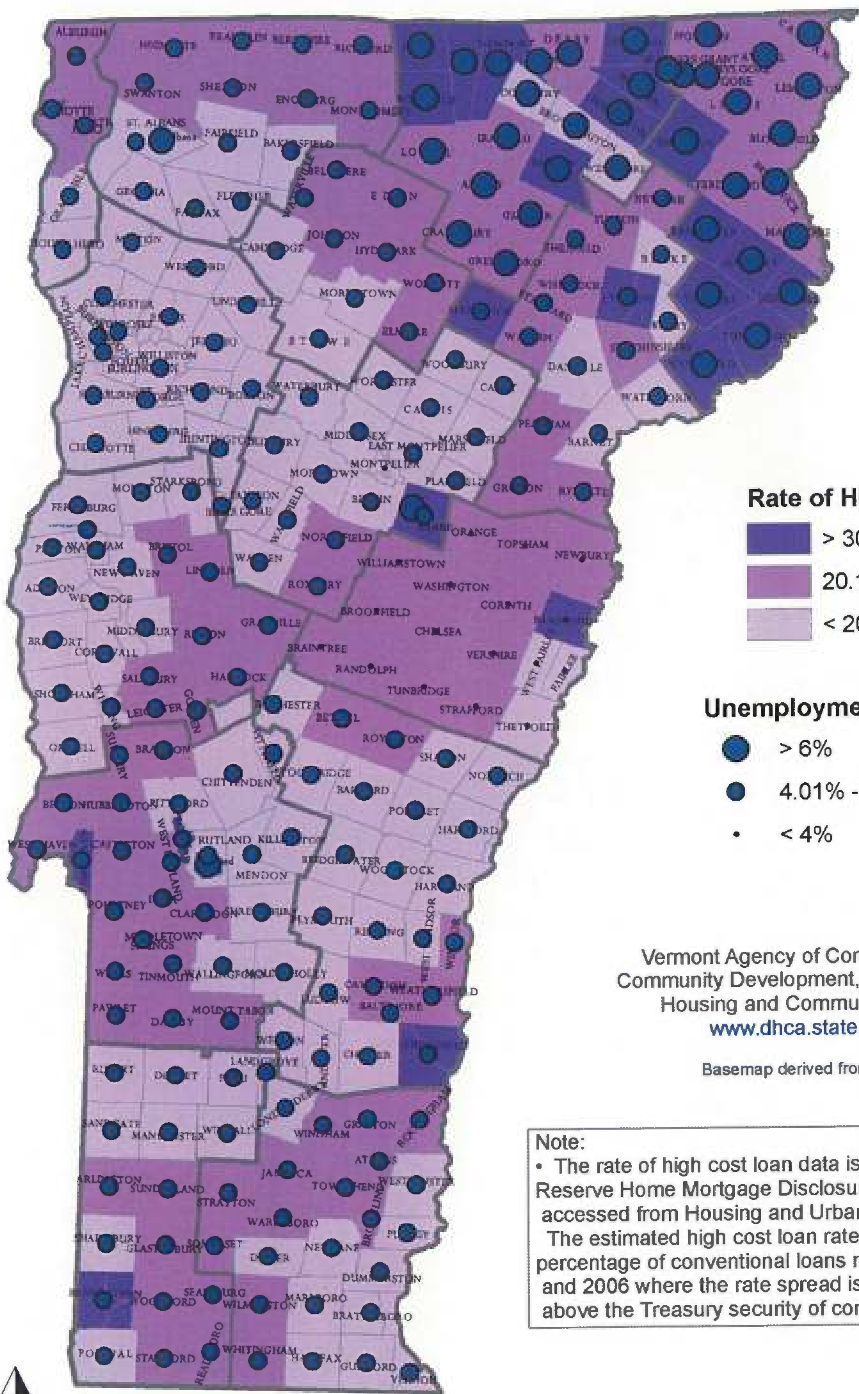
Areas most likely to face a significant rise in the rate of home foreclosures

Using Federal Reserve Home Mortgage Disclosure Act (HMDA), U.S. Postal Service, U.S. census, U.S. Bureau of Labor Statistics, and other data obtained from the U.S. Department of Housing and Urban Development (HUD) Vermont illustrates its areas most likely to face an increase in the rate of home foreclosures and abandonment as:

Estimated Foreclosure Abandonment



High Cost Loans and Unemployment



Rate of High Cost Loans

- > 30%
- 20.1% - 30%
- < 20%

Unemployment Rate

- > 6%
- 4.01% - 6%
- < 4%

Vertmont Agency of Commerce and Community Development, Department of Housing and Community Affairs
www.dhca.state.vt.us

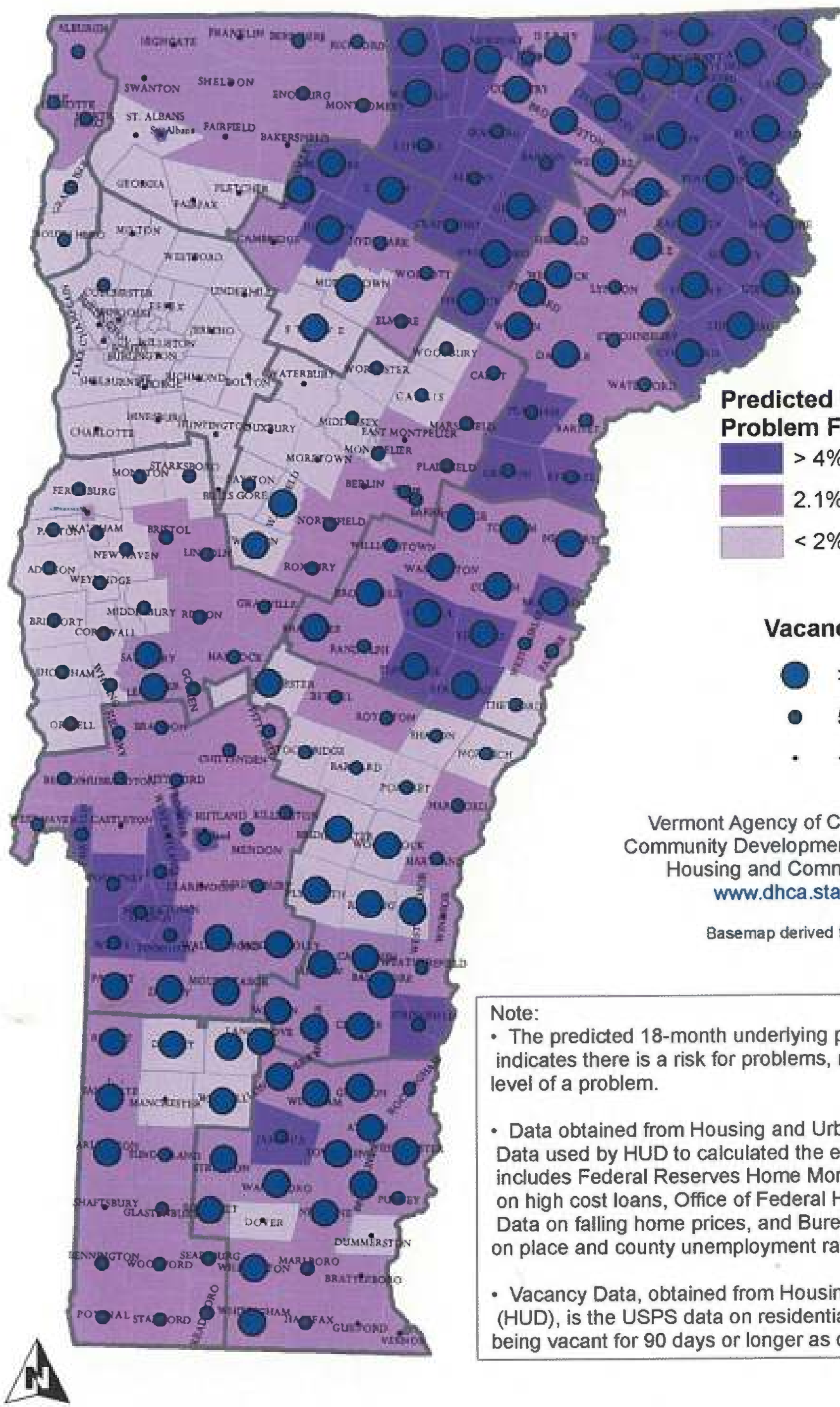
Basemap derived from VGIS

Note:
• The rate of high cost loan data is based on Federal Reserve Home Mortgage Disclosure Act (HMDA) data accessed from Housing and Urban Development (HUD). The estimated high cost loan rate is based on a percentage of conventional loans made between 2004 and 2006 where the rate spread is 3 percentage points above the Treasury security of comparable maturity.

1:1,100,000

VERMONT

Predicted 18-month foreclosures and Vacancy Rates



Predicted 18-month Underlying Problem Foreclosure Rate

- > 4% - Area of Highest Risk
- 2.1% - 4%
- < 2% - Area of Lower Risk

Vacancy Rate

- > 10%
- 5.1% - 10%
- < 5%

Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs
www.dhca.state.vt.us

Basemap derived from VGIS

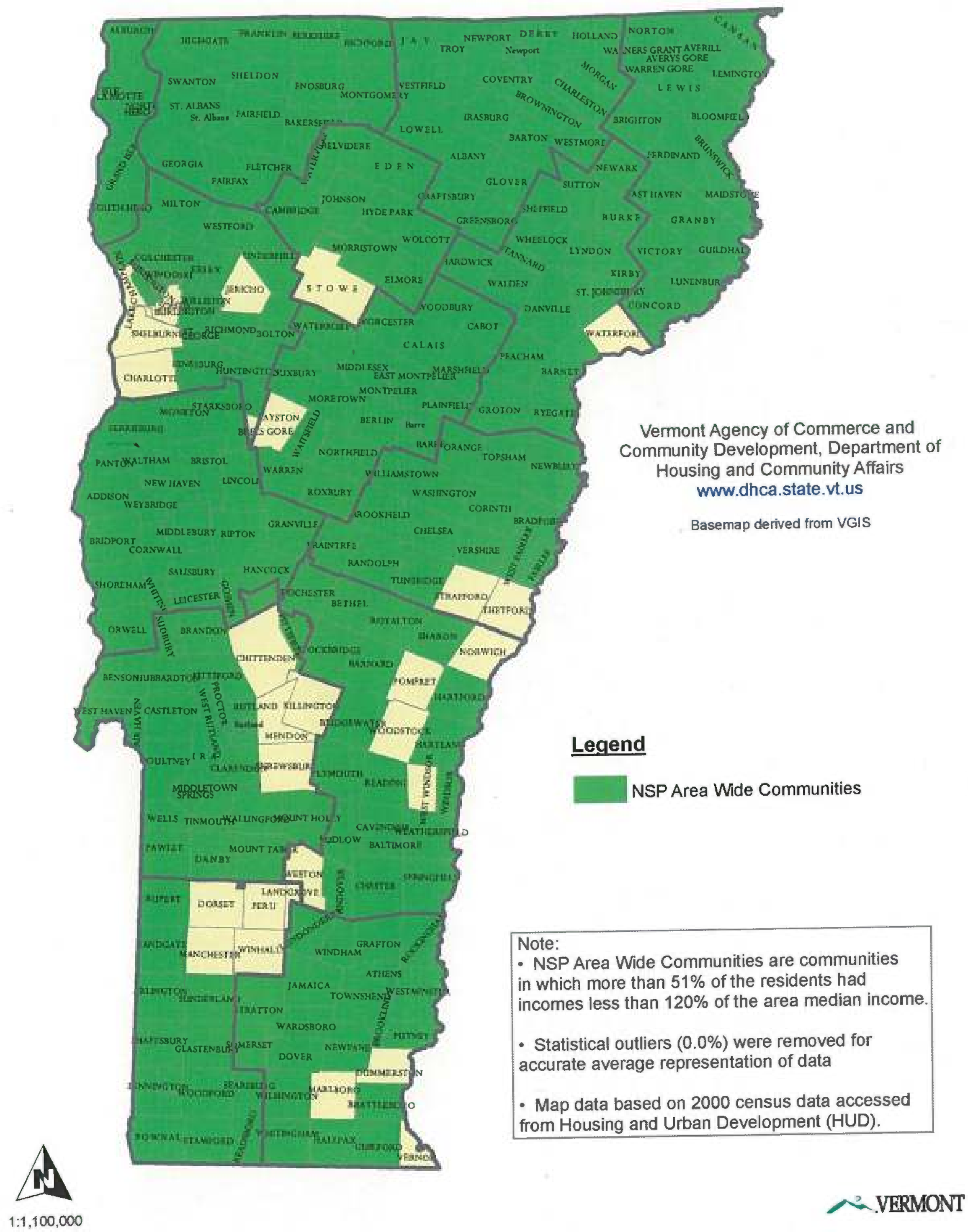
Note:

- The predicted 18-month underlying problem foreclosure rate indicates there is a risk for problems, not necessarily the actual level of a problem.
- Data obtained from Housing and Urban Development (HUD). Data used by HUD to calculated the estimated foreclosure rates includes Federal Reserves Home Mortgage Disclosure Act Data on high cost loans, Office of Federal Housing Enterprise Oversight Data on falling home prices, and Bureau of Labor Statistics data on place and county unemployment rates.
- Vacancy Data, obtained from Housing and Urban Development (HUD), is the USPS data on residential addresses identified as being vacant for 90 days or longer as of June 2008.

1:1,100,000

VERMONT

NSP Area Wide Eligible Communities

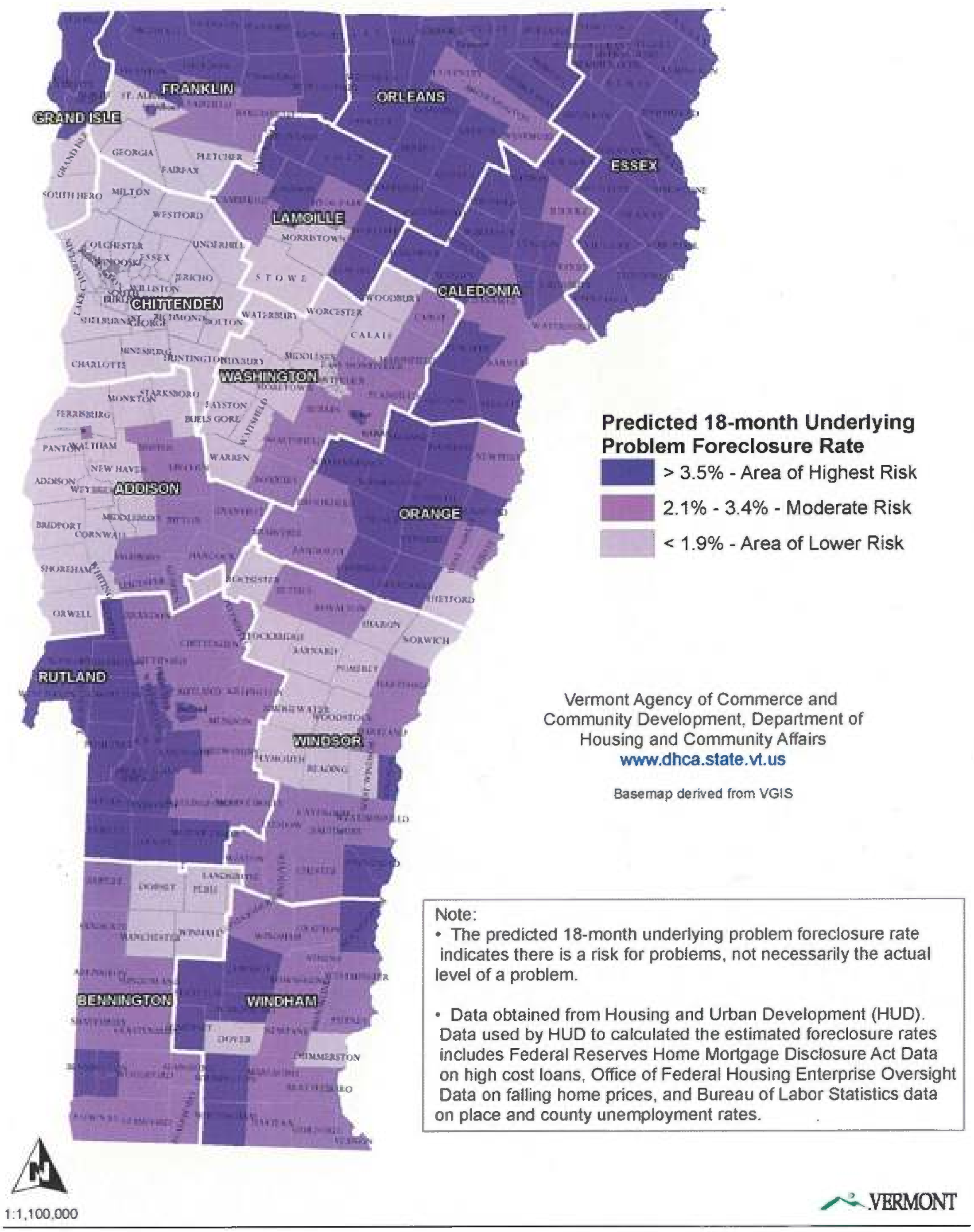


Conclusion

The State of Vermont has solicited, researched and analyzed conventional and unconventional data sources to determine concentrations of foreclosed properties, subprime loans, and areas likely to face a significant increase in the rate of home foreclosures. Reviews of this data as a whole reveal small pockets and geographically isolated problem areas for Vermont. The Vermont NSP has statistically identified those areas of greatest need and will target the NSP funds accordingly as outlined below in Section B.

<u>Municipal and Project Specific Program Targeted Communities</u>

Predicted 18-month foreclosures



To see the list of communities please refer to Attachment C.

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:

The Vermont Neighborhood Stabilization Program (NSP) will feature a three-pronged approach to effectively and quickly deploy the funds, serve the need in Vermont, capture the desired benefit and meet all program requirements. This approach is not meant to preclude eligible activities as specified under the Housing and Economic Recovery Act and the Neighborhood Stabilization Program as designed by HUD.

The three-pronged approach is as follows:

1. Homeownership Acquisition and Rehabilitation Program (HARP)
2. Municipal Program
3. Project-Specific Program

The Vermont NSP will target the funds for each of the three Programs as follows:

HARP - to Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor counties to meet the greatest need across the state of Vermont which is illustrated in Section A – Areas of Greatest Need.

Municipal Program – to the City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield to meet the greatest need as illustrated in Section A – Areas of Greatest Need, specifically High Cost Loans and Unemployment.

Project-Specific Program - to those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem to meet the greatest need as illustrated in Section A – Areas of Greatest Need. Supplemental map and listing included.
The statistical data gathered and analyzed supports targeting the NSP funds as presented and supports the Vermont NSP Priorities as outlined on page 19 and 20.

The Vermont Neighborhood Stabilization Program (NSP) will seek to fully encumber the entire grant from HUD within the eighteen month period allowed by law (estimated

August, 2010). The program will be compliant with all requirements, laws and regulations and will be administered by the Vermont Community Development Program (the state CDBG program), Division of the Department of Housing and Community Affairs, Agency of Commerce and Community Development with assistance from the Agency's Grants Management Division and under the oversight of the Deputy Secretary.

The Vermont Neighborhood Stabilization Program (NSP) will allow all eligible uses under the Housing and Economic Recovery Act §2301(c)(3) which includes:

<u>FINANCING MECHANISMS</u>
§2301(c)(3)(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers;

<u>Relevant Definition:</u>
Foreclosed - A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

<u>PURCHASE AND REHABILITATION</u>
§2301(c)(3)(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;

Relevant Definitions:
Abandoned - A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Current market appraised value - 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 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, sub recipient, developer, or individual homebuyer.

Acquisition:

- Section 2301(d)(1) of HERA requires any purchase of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value of the home or property. Such discount shall ensure that purchasers are paying below-market value for the home or property.

- For mortgagee foreclosed properties, grantees must seek to obtain the "maximum reasonable discount" from the mortgagee, taking into consideration likely "carrying costs" of the mortgagee if it were to not sell the property to the grantee or sub recipient.

- Section 301 of the URA, regarding just compensation, does not apply to voluntary acquisitions.

- All acquisitions of property under NSP require an appraisal for purposes of determining the statutory purchase discount.

- For individual purchase transactions, the purchase discount is to be at least 5% from the current market appraised value of the home or property.

- For purchase transactions in the aggregate, the average purchase discount depends on how the purchase discount for an individual property is determined.

    - The average purchase discount shall be at least 10% if the State, unit of general local government, or sub recipient determines the discount for each purchase transaction through use of a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds (provided the discount is at least 5%).

        - Such methodology shall provide for an analysis of the estimated holding period for the property and the nature and amount of the carrying costs of holding the property for this period.

        - Carrying costs shall include, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest.

    - If this methodology is not used, the minimum average discount shall be at least 15%.

- An NSP recipient may NOT provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay the necessary and reasonable costs related to the appraisal and transfer of title.

<u>Rehabilitation</u>

- Any rehabilitation of a foreclosed upon home or residential property shall Achieve high housing quality and energy efficiency standards . All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

- All multi-family housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP (cited on page 27-30), in addition, all single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.
-

- Funds may be used for preservation, improving energy efficiency or conservation, or providing renewable energy source(s).

    - HUD encourages grantees to strategically incorporate modern green building and energy efficiency improvements to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods.

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.

- NSP funds may be used to redevelop acquired property for nonresidential uses, such as a public parks or mixed residential and commercial use.

- Grantees may rehabilitate property to be operated as rental housing by the grantee, by a sub recipient, by a lessee or by a purchaser. Grantees should note that the costs of purchase, rehabilitation, conversion and sale of such properties are eligible NSP activities, but the expenses of actually operating the rental housing (such as maintenance, insurance, deficits in monthly operating income) and tenant-based rental subsidies are not eligible NSP activities.

Sale

- If an abandoned or foreclosed upon home or residential property is to be sold to an individual as a primary residence, no profit may be earned on such sale.

- Section 2301(d)(2) directs that the sale of such property shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

- The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally include, among other things, costs related to the sale of property).

- In determining the sales price, HUD will NOT consider the costs of boarding up, lawn mowing, maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs.

- Each NSP-assisted homebuyer is required to receive and complete at least eight hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

- Grantees must ensure that homebuyers obtain a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages.

- Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate.

LAND BANKS

§2301(c)(3)(C) establish land banks for homes that have been foreclosed upon;

Relevant definitions:

Land bank - A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of the NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

<u>Lank Bank Uses:</u>

- A land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements. HUD does not believe that holding property alone is sufficient to stabilize most neighborhoods.
- The grantee must determine the actual service area benefiting from a land bank's activities.
- Grantees may pursue other Land Bank activities, however, NSP funds may only be used for acquisition

<u>DEMOLITION</u>
§2301(c)(3)(D) demolish blighted structures;

<u>Relevant definition:</u>
Blighted structure - A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. See section C. Definitions and Descriptions more detail.

<u>REDEVELOPMENT</u>
§2301(c)(3)(E) redevelop demolished or vacant properties;

- Grantees may fund costs, such as sales costs, closing costs, and reasonable developer's fees, related to NSP-assisted housing, rehabilitation, or construction activities.
- New construction of housing and building infrastructure for housing is an eligible use.
- Grantees may redevelop property to be used as rental housing.

<u>ADMINISTRATION AND PLANNING COSTS</u>
§2301(c)(3))

- An amount of up to 10% of an NSP grant provided to a jurisdiction and up to 10% of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.

- For all grantees, including states, the 10% limitation applies to the grant as a whole.

- There is no state match requirement for administrative costs as exists in the CDBG program.

- Activity delivery costs, as defined in 24 CFR 570.206, may be charged to the particular activity performed above and will not count as general administration and planning costs.

- Pre-award Costs: A grantee may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h). States may allow sub recipients to incur pre-award costs pursuant to 24 CFR 570.489(h).

In addition to the goals articulated elsewhere in the current, Vermont Consolidated Plan, the goals of the Vermont Neighborhood Stabilization Program are:

- Preserve assisted housing for low and moderate income (LMI) households where those assisted projects are foreclosed upon;

- Acquire, renovate and sell or rent residential housing that has been foreclosed upon or abandoned to households with incomes at or below 120% of area median income (AMI) with priority for households with incomes below 50% (AMI);

- Allow those municipalities that meet all program requirements to locally address the foreclosed single and multi-family housing problems of their communities;

- Provide an opportunity to for profit and not for profit entities to acquire, redevelop and make available to low, moderate and middle income (LMMI) households, affordable housing, through creative projects that reutilize foreclosed properties;

- Ensure long-term affordability by encouraging projects that seek perpetual affordability; however, the minimum standard will be the Home Investment Partnerships Program (HOME) affordability terms and income limits;

- Alleviate the negative effects on neighborhoods and communities from blighted and abandoned buildings, by supporting the demolition of blighted structures and the redevelopment of demolished or vacant properties; and

- Support and enhance designated downtowns, villages, new neighborhoods and growth centers.

The program will feature a three-pronged approach to effectively and quickly deploy the funds, serve the need in Vermont, capture the desired benefit and meet all program requirements. This approach is not meant to preclude eligible activities as specified under the Housing and Economic Recovery Act and the Neighborhood Stabilization Program as designed by HUD.

The three-pronged approach is as follows:

1. Homeownership Acquisition and Rehabilitation Program (HARP)
2. Municipal Program
3. Project-Specific Program

The State will <u>not</u> completely allocate program funds across these three program components until proposals are received for the Municipal and Project-Specific programs. Setting amounts available before this stage of the program may unnecessarily prohibit important projects or well designed municipal programs. However, Municipal and Project-Specific program requests must be in amounts that reflect the outstanding needs identified in well documented, supporting data as well as reasonable operating and other soft costs.

The minimum <u>grant</u> application amount will be $1M and can be for multiple projects and the maximum will be $4M.

1. Homeownership Acquisition and Rehabilitation Program (HARP)

The Homeownership Acquisition and Rehabilitation Program (HARP) will provide funding to the Vermont Housing and Finance Agency (VHFA) or its affiliate or subsidiary to acquire 1-4 family properties that are real estate owned (REO), with priority being given to acquire properties from Vermont-based lending institutions, municipalities that have acquired residential property through a tax taking procedure and FHA, and then from out of state lenders as funds allow. The foreclosure process <u>must</u> be complete prior to purchase by VHFA and the deed and clear title <u>must</u> be in the possession of the mortgagee. VHFA will:

1. Acquire properties clear of all liens and encumbrances. Rehabilitation of the homes shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. and where possible achieve an appropriate Energy Star rating, and

2. sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is

not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

3. transfer or sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

4. sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

VHFA can acquire properties in any of the greatest need designated counties of Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor, but <u>not</u> in municipalities that are awarded funds through the Municipal component of the program.

VHFA must acquire the property for <u>no more</u> than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but <u>no more</u> than the total of those costs, less 10%.

The Vermont Housing and Finance Agency (VHFA) will be allocated all the program funds not awarded through Municipal or Project-Specific program grants, but not less than $7M.

2. Municipal Program

NSP funds will be made available to targeted municipalities City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield designated having the greatest need identified in Section A: that wish to undertake and complete a foreclosure mitigation program of their own provided it demonstrates it:

1. has or can acquire the capacity to effectively administer such a program;
2. has a well documented need, defined by objective, supporting data; and
3. has a plan that at a minimum will:
    a. address the municipally identified single family and/ or multi-family need quickly and efficiently;

b. demonstrate a very, high likelihood that the municipality will fully encumber the sub grant within twelve months (estimated August, 2010); and
c. is compliant with all applicable regulations.

Communities will be encouraged to work with other contiguous communities (ifthose communities have been designated having the greatest need identified in Section A, as stated above) that have similar foreclosure problems.

All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

3. Project Specific Program

The Project Specific program component is designed to address specific projects that are <u>more</u> than four-units per structure or aggregated properties that are smaller than four units each but together comprise more than four units, and are not addressed through a municipal program. A Request for Proposals will be offered at the same time the municipal RFP is issued. Project proponents:

- may be for profit or non profit entity;
- must have a demonstrated record of <u>completing</u> successful and like projects; and
- must have the capacity and experience to secure all required financing, permits, and other requirements in a very short window of time.

The highest priority for these funds is to:

- secure foreclosed properties that are occupied by low and moderate income households (LMI), and

- have project based mortgage, rent or other subsidies, which are in danger of losing those subsidies,
- and are ready to proceed.

However, developers will be encouraged to find foreclosed properties which may include mobile home parks, mixed use properties and scattered sites and formulate creative approaches to the reutilization of the properties. Reuse can include demolition and new construction, replacing mobile homes with stick built or modular units, urban homestead projects and other creative and effective ways to make rental and homeownership opportunities available to low, moderate, and middle income (LMMI) households with NSP funds.

Competitive proposals would feature many of the following:

1. Saving occupied and subsidized housing;
2. High likelihood of fully encumbering NSP funds within the required twelve month window (estimated August, 2010);
3. Demonstrated capacity to undertake and <u>complete</u> the project proposed on time and on budget;
4. Although not required, a high leveraging ratio of private to public funding.
5. A high ratio of units made affordable to households at or below 50% AMI;
6. Location in a designated Growth Center, New Neighborhood, Downtown, New Town Center or Village;
7. High, residential utilization of otherwise underutilized properties;
8. Redevelopment of demolished or vacant properties and
9. Maintenance of a property's historic character, if any.

Project specific grants may be awarded for projects in those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem to meet the greatest need as illustrated in Section A – Areas of Greatest Need. Supplemental map and listing included.

All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial

Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Selection Process for: Municipal and Project-Specific Program

Staff will review all Municipal and Project-Specific applications within fifteen calendar days. Applicants will be given seven calendar days to provide additional documentation staff determines is required, make corrections or supplement their application in response to the staff review.

Approximately thirty calendar days from the receipt of a complete proposal, the Vermont Community Development Board will review all applications, receive presentations from applicants and consider any other information they deem appropriate and necessary to make a recommendation to the Secretary of the Agency of Commerce and Community Development. The Secretary will make the final grant award decisions. The review and decision making process will be complete in forty-five days or less from the receipt of a complete proposal. Grant agreements will be available within thirty-five calendar days from date of the Agency's award, giving all applicants at least one-year to encumber by contract grant awards.

Unsuccessful applications that appear feasible but do not address the goals of the program as effectively as those applications resulting in awards, will be ranked and maintained for future consideration should a successful application(s) fail to proceed toward fruition.

Monitoring Process

Grant agreements will contain time line and benchmark provisions, developed by the applicant in its application. Grants will be periodically monitored by program staff to ensure that the time lines and benchmarks are being achieved as projected. If and when it is apparent that an applicant's program will not be implemented consistent with the agreement, the grant may be uncommitted and the funds made available to another applicant whose program was not funded and whose program may still be able to be fully implemented in the time remaining.

For those projects that result in homeownership or rental properties, there will be ongoing monitoring to ensure the terms of affordability are being met and maintained through annual rent and income certifications.

Should the Vermont NSP be unable to draw the entire grant from HUD because an individual program or project could not fully encumber the funds awarded to a grantee in the time available despite diligent and conscientious efforts to do so, that grantee will be held harmless for the amount not encumbered and not drawn from HUD.

Reporting Requirements

The Agency will require monthly progress reports in order to meet HUD programmatic agreements in a format prescribed by the Agency.

Program Income

All program income generated as a result of any NSP activity will be expended prior to the draw down of additional NSP funds through the DRGR. Any Program Income generated above and beyond the initial project funds shall be returned on an ongoing basis to the state for use in the VCDP program consistent with the NSP program described here. At the juncture when all the initial NSP Funds have been drawn down and Program Income is available prior to February 2013, the Agency may entertain accepting applications for projects that will use less than $1 million of NSP Program Income funds.

C. DEFINITIONS AND DESCRIPTIONS

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

Response:
The Vermont Urban Renewal statute [24 VSA Chapter 85] provides definitions the Vermont Community Development Program (the state CDBG program) uses to comply with the requirements of the federal regulations that a determination be made as to whether a proposed activity meets the criteria of the National Objective for preventing or eliminating slums/blight:

Blighted Area - shall mean an area which by reason of the presence of a substantial number of slum, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability; and is a menace to the public health, safety, morals, or welfare in its present condition and use.

Slum Area - shall mean an area in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime; and is detrimental to the public health, safety, morals or welfare.

Although this Vermont statute and the definitions directly relate to determining when the National Objective for preventing or eliminating slums/blight is used it is relevant to consider in forming the definition for "blighted structure" under Vermont's NSP program.

A **"blighted structure"** will be defined for the purposes of the Vermont NSP program as; a structure that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare and/or an aggregation of deferred maintenance items that constitute incipient code violations and which pose an impending threat of harm to the occupants of the dwelling. Any structure unfit for use, habitation or dangerous to persons or other property meets this definition. This would include structures showing evidence of physical decay and damage, dilapidation, neglect, unsanitary conditions, environmental or biological contamination, functional obsolescence and lack of maintenance.

In cases where it is unclear or uncertain if a structure meets the definition of a "blighted structure" for the Vermont NSP; the Vermont Department of Labor & Industry, Vermont Department of Health , Vermont Agency of Natural Resources and the local Health Officer will be consulted to document conditions of the structure for threats to life, health and safety.

(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 for the Vermont NSP will be defined as those rents affordable to households at or below 30% AMI, 50% AMI, 80% and 120% AMI. The HOME rents for Vermont, see attached charts below for actual rent thresholds, could be used to ensure affordable rents. Other established affordable rent definitions commonly used in Vermont such as: fair market rents, LIHTC rents, other rent limits imposed by other funding sources will be allowed. In all cases affordable rents under the Vermont NSP will be defined as monthly housing costs not exceeding 30% of gross monthly income for rent & utilities.

U.S. DEPARTMENT OF HUD 04/2008
STATE:VERMONT

		2008 HOME PROGRAM RENTS						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Burlington-South Burlington, VT MSA								
	LOW HOME RENT LIMIT	617	661	793	917	1023	1129	1235
	HIGH HOME RENT LIMIT	729	807	1011	1159	1274	1387	1501
	For Information Only:							
	FAIR MARKET RENT	729	807	1013	1297	1454	1672	1890
	50% RENT LIMIT	617	661	793	917	1023	1129	1235
	65% RENT LIMIT	784	841	1011	1159	1274	1387	1501
Addison County, VT								
	LOW HOME RENT LIMIT	527	591	710	820	915	1009	1104
	HIGH HOME RENT LIMIT	527	659	793	1032	1131	1230	1329
	For Information Only:							
	FAIR MARKET RENT	527	659	793	1043	1391	1600	1808
	50% RENT LIMIT	552	591	710	820	915	1009	1104
	65% RENT LIMIT	698	749	901	1032	1131	1230	1329
Bennington County, VT								
	LOW HOME RENT LIMIT	521	558	670	773	862	951	1041
	HIGH HOME RENT LIMIT	525	658	766	972	1065	1157	1249
	For Information Only:							
	FAIR MARKET RENT	525	658	766	998	1173	1349	1525
	50% RENT LIMIT	521	558	670	773	862	951	1041
	65% RENT LIMIT	658	706	849	972	1065	1157	1249
Caledonia County, VT								
	LOW HOME RENT LIMIT	496	516	647	765	848	941	1030
	HIGH HOME RENT LIMIT	496	516	647	819	848	975	1102
	For Information Only:							
	FAIR MARKET RENT	496	516	647	819	848	975	1102
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Essex County, VT								
	LOW HOME RENT LIMIT	512	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	512	575	699	891	1045	1144	1235
	For Information Only:							
	FAIR MARKET RENT	512	575	699	891	1045	1202	1359
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Lamoille County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	518	623	725	962	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	518	623	725	1010	1273	1464	1655
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235

U.S. DEPARTMENT OF HUD 04/2008
STATE:VERMONT

------------------ 2008 HOME PROGRAM RENTS ------------------

	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Orange County, VT								
	LOW HOME RENT LIMIT	515	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	553	624	727	962	1043	1144	1235
	For Information Only:							
	FAIR MARKET RENT	553	624	727	1012	1043	1199	1356
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Orleans County, VT								
	LOW HOME RENT LIMIT	373	516	576	727	853	941	1030
	HIGH HOME RENT LIMIT	373	516	576	727	915	1052	1190
	For Information Only:							
	FAIR MARKET RENT	373	516	576	727	915	1052	1190
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Rutland County, VT								
	LOW HOME RENT LIMIT	474	551	662	765	853	941	1030
	HIGH HOME RENT LIMIT	474	620	721	953	1054	1144	1235
	For Information Only:							
	FAIR MARKET RENT	474	620	721	953	1220	1403	1586
	50% RENT LIMIT	515	551	662	765	853	941	1030
	65% RENT LIMIT	650	698	839	962	1054	1144	1235
Washington County, VT								
	LOW HOME RENT LIMIT	521	610	737	851	950	1048	1146
	HIGH HOME RENT LIMIT	521	610	763	1031	1154	1281	1385
	For Information Only:							
	FAIR MARKET RENT	521	610	763	1031	1154	1327	1500
	50% RENT LIMIT	573	614	737	851	950	1048	1146
	65% RENT LIMIT	725	779	937	1074	1178	1281	1385
Windham County, VT								
	LOW HOME RENT LIMIT	526	564	677	782	872	963	1053
	HIGH HOME RENT LIMIT	617	643	845	984	1053	1171	1264
	For Information Only:							
	FAIR MARKET RENT	617	643	845	1021	1053	1211	1369
	50% RENT LIMIT	526	564	677	782	872	963	1053
	65% RENT LIMIT	665	714	859	984	1078	1171	1264
Windsor County, VT								
	LOW HOME RENT LIMIT	547	586	703	813	907	1001	1095
	HIGH HOME RENT LIMIT	581	651	766	1024	1123	1220	1319
	For Information Only:							
	FAIR MARKET RENT	581	651	766	1043	1240	1426	1612
	50% RENT LIMIT	547	586	703	813	907	1001	1095
	65% RENT LIMIT	693	743	894	1024	1123	1220	1319

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

Response:

Continued affordability for the Vermont NSP for rental and homeownership housing will be assured by using the federal HOME program minimum requirements for continued affordability. However, permanent affordability will be the goal and will be an important factor in reviewing proposals that can meet this goal.

To ensure the fullest flexibility allowable under NSP and to ensure that the full Vermont NSP allocation is utilized, we must not require that all project applications have permanent affordability to be eligible. Establishing permanent affordability as a threshold may exclude a number of potential and important projects from applying and this exclusion could have the un-intended consequence of not fully obligating Vermont's allocation.

Therefore, to the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all NSP properties with a required minimum 15 year term for homeownership and rehabilitated rental properties and a required minimum 20 year term for all newly constructed properties.

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

Response:

Achieving high housing quality and energy efficiency standards is a priority for the Vermont's NSP. All multi-family housing consisting of 2 or more units assisted with NSP funds will be required to meet the State of Vermont Department of Public Safety Public Building Codes which incorporate both the National and International Building Codes, any additional Municipal building codes and zoning permit requirements, in addition, built environments which are green, energy efficient and healthy. All single-family, owner-occupied or rented units shall comply with the State of Vermont Department Public Safety Fire and Safety codes, in addition to any municipal building codes and zoning permit requirements, and incorporate built environments which are green and energy efficient. It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

All housing units assisted with NSP funds will be required to meet the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP. In addition to the complete policy below; single family homes assisted with NSP funds should achieve an Energy Star HER rating of 80 or less if appropriate.

Vermont Housing & Conservation Board
Vermont Housing Finance Agency
Vermont Community Development Program

POLICY ON THE
CONSERVATION OF ENERGY AND WATER IN RESIDENTIAL PROPERTIES
3/19/04

The Vermont Housing and Conservation Board, Vermont Housing Finance Agency and Vermont Community Development Program are concerned about the conservation of natural resources as well as the creation of housing that is perpetually affordable to lower income households. In order to assure such affordability, it is important to keep operating expenses, including utility expenses, as low as possible. Energy improvements and devices that conserve water have been shown to be cost effective in that capital costs can be paid for over time in savings to the operating budget. Therefore, we have adopted the following policy related to the conservation of energy and water in residential properties:

Energy and Water Conservation Goals for Building Projects Receiving VHCB, VHFA and VCDP Funding:

I. General Goals

Building projects receiving funding from VHCB, VHFA, or VCDP should:

A. Achieve a level of energy and water efficiency that will result in maximum long-term housing affordability.

B. Select designs and systems with consideration of:
   1. Economy
   2. Future flexibility

3. Operation and maintenance costs
4. Impact on the environment, including potential use of renewable resources

C. Plan and implement mechanisms to encourage energy and water conservation practices by residents and owners.

D. Keep records of energy consumption by fuel type and on an individual building basis and on a residential unit basis where metering permits.

E. Periodically re-evaluate the energy and water using systems of each building under their ownership for cost-effective improvements.

II. Specific Energy Conservation Goals

A. New Construction

1. New Construction projects shall be designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the ENERGY STAR label from the US Environmental Protection Agency (EPA).

2. For low-rise (3 stories or less) new construction, the requirements for achieving the ENERGY STAR label under the EPA ENERGY STAR Homes program are well established and result in buildings which typically require over 20% less energy than if built to the minimum requirements of Vermont's Residential Building Energy Standards (available from Efficiency Vermont at 888-921-5900).

3. For high-rise (4 stories or more) new construction, the level of efficiency to be achieved is over 20% less energy than if built to the minimum requirements of Vermont's Guidelines for Energy Efficient Commercial Construction (available from Efficiency Vermont at 888-921-5900) or ASHRAE 90.1 (1999 or later version). While requirements for achieving the ENERGY STAR label for high-rise buildings are still under development, it is expected to be consistent with this level of energy efficiency.

4. In addition, new construction projects should be designed and built to minimize the life cycle cost of any lighting, appliances or other equipment not addressed by the ENERGY STAR standard.

B. Existing Construction

1. Rehabilitation of existing buildings should endeavor to meet the ENERGY STAR levels of efficiency specified above for new construction. However, if life cycle cost-benefit analysis indicates a lower level of efficiency would be optimal for the particular circumstances of a rehab project, or a lower level of rehab is associated with the project, the design and construction should include levels of efficiency in all components that will result in maximum long-tem housing affordability. Where energy-related building materials, equipment, lighting and appliances are available that bear the ENERGY STAR label, they should be specified and used.

III. Specific Water Efficiency Goals

A. Projects should seek to include all cost effective water saving measures including but not limited to: bathroom faucets rated at $\leq$ 0.7 gpm ($\leq$ 2.0 gpm for faucets on a DHW system without circulating loop), bathroom faucets at $\leq$ 1.5 gpm ($\leq$ 2.0 gpm for faucets on DHW without circulating loop), showerheads at $\leq$ 2.0 gpm, and toilets rated at $\leq$ 1.6 gallons per flush.

IV. Specific Indoor Air Quality Goals

A. Applicants should strive to achieve the highest indoor air quality in both new and rehabilitation projects. A key to this is controlling moisture infiltration and air leakage. By adding effective ventilation, units should be designed to reduce moisture resulting in fewer mold and mildew problems. Efficient heating systems should force exhaust outside and in turn keep indoor air clean.

V. Energy Specifications

A. In order to achieve the goals stated above, grantees should incorporate all measures included in Efficiency Vermont's Multifamily Housing Checklist (available at 888-921-5990). If such measures can not be implemented, applicants must explain to VHCB and VHFA staff why not.

B. Provide a description of the status of utility sponsored efficiency programs, such as Efficiency Vermont, Burlington Electric Department, or Vermont Gas Systems, as they may apply to the project and the extent of likely participation in the project.

C. The completed checklist will be part of the application materials submitted to the Board.

D. Specifications for construction or rehabilitation shall include the energy and water use aspects of the work and shall specifically address: the building envelope, the heating, ventilating, and air conditioning system, domestic hot water system, lighting system, appliances, and any water saving devices to be installed.

E. Grantees may be required to employ an energy professional in the development of specifications and to supervise the energy related portion of construction work.

VI. Compliance and Commissioning

A. Commissioning is the process of ensuring that building systems are designed, installed, functionally tested, and capable of being operated and maintained according to the owner's operational needs. It is expected that, when a project is placed in service, mechanical systems will operate as specified. Grantees are encouraged to plan for and include appropriate funds in the project development budget to cover costs associated with an appropriate level of commissioning. The cost of commissioning is dependent on the size and complexity of the project, but it accounts for only a small portion of the construction budget. When commissioning is done properly, the savings usually far outweigh the costs. It is expected that commissioning or another approved method of operational testing will be completed within the construction warranty period on the following systems at a minimum:

1. Boiler and heating systems and controls (for systems over 250,000 BTUs total heating capacity)
2. Air conditioning system and controls (for systems over 10 tons total cooling capacity)
3. Ventilation systems and controls including bathroom fans (all projects)

VII. Energy Concerns in Ongoing Project Management

Project management plans should include ongoing energy management including: bulk purchasing of fuel, cooperative purchasing of fuel, competitive bidding for fuel purchase, seasonal maintenance schedule, routine maintenance of heating plant, tenant education, and in cases where the owner pays utilities, discussion of whether or not any restrictions will be placed on what type of appliances residents will be allowed to install or utilize (e.g. air conditioners).

VIII. Funding

Grantees are encouraged to use multiple resources or programs to pay for implementation, including but not limited to utility efficiency programs, such as, Efficiency Vermont, Burlington Electric Department, and Vermont Gas Systems, and the State Economic Opportunity Office/Community Action Agency weatherization programs.

IX. Education

A. VHCB and VHFA will continue to work with other housing agencies, Efficiency Vermont, and the Public Service Department to continue to educate housing developers and property managers about energy and water consumption issues.
B. Grantees are encouraged to make residents aware of energy and water consumption and to educate them about ways to reduce such consumption, and to provide incentives, if feasible.

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: $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.**

Response:

It is anticipated that the majority of the 25% set aside to assist households at or below 50% of AMI will be used for rental and special needs housing through the Municipal and Project Specific Programs; however, homeownership opportunities will not be excluded. In the event that a for-sale single family housing unit, which is targeted to households at or below 50% AMI, does not sell within a specified period, identified in any sub-recipient agreements, the sub-recipient will be required to rent or to sell the unit to an organization with the capacity to convert the unit to a rental for households at or below 50% AMI. It will be required that any partner selected to do rental or special needs housing have a proven track record for completing and managing affordable housing. All potential multifamily development projects must have approved underwriting for financial feasibility.

Serving low income households (50% AMI or below) through rental or special needs housing is a priority in the Vermont NSP plan. This is articulated in the overall goals of the Vermont NSP plan (see excerpt below) as well as the current, Vermont Consolidated Plan.

The goals of the Vermont Neighborhood Stabilization Program are:

- Preserve assisted housing for low and moderate income (LMI) households where those assisted projects are foreclosed upon;

- Acquire, renovate and sell or rent residential housing that has been foreclosed upon or abandoned to households with incomes at or below 120% of area median income (AMI) with priority for households with incomes below 50% (AMI);

- Allow those municipalities that meet all program requirements to locally address the foreclosed single and multi-family housing problems of their communities;

- Provide an opportunity to for profit and not for profit entities to acquire, redevelop and make available to low, moderate and middle income (LMMI) households, affordable housing, through creative projects that reutilize foreclosed properties;

- Ensure long-term affordability by encouraging projects that seek perpetual affordability; however, the minimum standard will be the Home Investment Partnerships Program (HOME) affordability terms and income limits;

- Alleviate the negative effects on neighborhoods and communities from blighted and abandoned buildings, by supporting the demolition of blighted structures and the redevelopment of demolished or vacant properties; and

- Support and enhance designated downtowns, villages, new neighborhoods and growth centers.

Under the Vermont NSP projects will be selected on a competitive basis in response to a RFP process and projects serving households at or below 50% AMI will be given priority to ensure that we meet the requirement that at least 25% of funds must is used for housing individuals and families whose incomes do not exceed 50% of area median income.

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 Agency will not demolish or convert any subsidized low and moderate income housing to non-affordable housing units, but it may allow the demolition or conversion of non-subsidized low and moderate income dwelling units as part of the re-development plan assisted with NSP funds. However it is not our intention to reduce the number of any low and moderate income dwelling units, therefore we have not estimated the number to be demolished or converted.

F. PUBLIC COMMENT

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

Response:

To seek public comment on the proposed draft Vermont Neighborhood Stabilization Program (NSP) the Vermont Agency of Commerce and Community Development, Department of Housing and Community Affairs (DHCA) published a notice of a public hearing and comment period, published in the eight major newspapers across the State, and posted the draft proposal to the DHCA website. Further, in an effort to meet the Limited English Proficiency requirements there was outreach to the Vermont Refugee Resettlement Program.

The Agency received 14 written comments from the public on its draft NSP proposal. Additionally, Agency staff responded directly to questions and comments about the draft proposal and the federal program at various stakeholder meetings and the public hearing. To summarize the comments and the Agency's response we have grouped each into categories of: Homeownership Assistance, Municipal, and Project-Specific Components; Eligible Activities; Definitions; and Miscellaneous.

Homeownership Assistance, Municipal, and Project-Specific Components

The draft Vermont Neighborhood Stabilization Program (NSP) does not provide for adequate flexibility within the categories of uses allowed.

The draft Vermont NSP proposal was not intended to be inflexible or to exclude any eligible activities, therefore in an effort to be clear we have amended our draft proposal to clearly include all eligible uses under the Housing and Economic Recovery Act (HERA), to include: financing mechanisms, purchase and rehabilitation, lands banks, demolition, redevelopment, and administrative and planning costs.

The draft plan prohibits the expenditure of Homeownership Assistance and Project-Specific funds in communities that participate in the Municipal Program, thereby limiting potential NSP projects and beneficiaries. Allow the Homeownership Assistance and Project Specific Programs to expend funds anywhere in the state regardless of whether a property is located in a community that is participating in the Municipal Program.

The Municipal Component was designed to help a municipality comprehensively address its foreclosure problem whether it is foreclosure mitigation of single-family homeownership preservation or through redevelopment of a blighted parcel. Project-specific projects are afforded access to NSP funds through the municipal component. The Department is proposing access in this manner to ensure the geographic disbursement of NSP dollars throughout the state; mirroring the disbursed geographic need for foreclosure mitigation throughout the state and concentrated in limited locations. This approach encourages partnerships and a locally driven response the foreclosure crisis.

The priority of securing foreclosed properties that are occupied by low and moderate income households AND that have project based mortgage, rent or other subsidies, which are in danger of being lost is too narrow. Do we know that any of these exist? The 'and' could be changed to 'or'. If this priority were expanded to include blighted properties that are not foreclosed upon it would somewhat expand the universe of potential projects.

The Department has heard of such a project within the State and wishes to retain as much housing that is occupied by low and moderate income households with project-based mortgages, rent, or other subsidies. If just one property with rental subsidies is lost the long term cost to the state would be substantial and the DHCA feels this priority should remain as it does not preclude properties that do not meet this definition.

The $1 million project minimum is too high. Given the level of interest that this program has generated we are concerned that funding only a few projects with large grants will not spread the program benefit throughout the state, limiting the geographic impact of much needed economic stimulus and also limiting leveraging opportunities.

The $1 million minimum grant amount will remain as the Department proposes such a minimum to encourage aggregating of projects. Additionally, leveraging of funds in the Vermont NSP is desired and encouraged; however given the short amount of time to put a project together the Agency does not wish to suppress a project with leverage requirements. The Agency welcomes eligible projects with or without other sources of funding.

We urge more flexible language (regarding allocating no less than $8 million to the Homeownership Assistance Program) that would allow for re-allocation at some time if need be. The $8 million set aside for the Homeownership Assistance Program is too large and restrictive and should be reduced and re-cast as a target. Funds for the Project-Specific Program should be increased by this amount and by any un-obligated (as of July 1, 2009) funds in the Municipal Program.

Due to several comments received about the proposed allocation to the Homeownership Assistance Program the Agency has agreed to reduce the allocation to the Homeownership Assistance Program. The newly revised budget is as follows:

Housing Assistance Program - $7 million
Municipal Program - $5.5 million
Project-Specific Program - $6.5 million
Program Administration - $600,000

The agency will review activity within each component and re-allocate accordingly if need be. Note: The Agency has revised its budget for Program Administration to be a budget of $600,000 for the state's allocation to administer the NSP. Previously Program Administration was budgeted at $1.96 million, the $1,360,000 difference was evenly distributed between the Municipal and Project-Specific Programs.

The process for funding applications under the Municipal and Project-Specific components should allow reasonable time for the submission of applications. It is not clear whether the draft plan allows for applications to be funded on a rolling basis or whether it calls for all applications to be submitted in 90 days when they will all be considered as a group.

The Agency agrees that reasonable time for the submission of applications is sensible, and has therefore expedited its Request for Proposal Process and will entertain and review proposals on a rolling basis from mid December 2008 through May 2009. Application materials and details will be made available in the release of the Request for Proposals (estimated mid December 2008).

VHCB should be allocated $7.2 Million to administer the Project-Specific Program.

With regard to the allocation of funds, the suggestion to sub grant NSP funds to Vermont Housing and Conservation Board was considered. However, for the following reasons we did not include such a sub grant in the program design:

1. On October 31, 2008 the VHCB Board of Directors voted unanimously to support a program design *without* a sub grant to VHCB and which situated the administration of the Vermont NSP fully within the Agency. Since VHCB is neither desirous of such a role in the program nor intends to supplant the role of DHCA, we find this suggestion difficult to understand.
2. The Vermont Community Development Program within the Department of Housing and Community Affairs has administered the CDBG program without an audit finding since the program's inception in 1983 and has the demonstrated capacity and skill to administer the Vermont NSP. With over twenty years of successful administration of the CDBG program any suggestion to HUD that this Division of DHCA may not administer the NSP funds may be regarded by HUD as suspect, questionable and ultimately could pose a risk to funding. HUD expects and depends on DHCA for quality program administration and risk free compliance.
3. Although the suggestion to allocate a sub grant to VHCB has now come from three sources, none of these suggestions have included a well described strategic advantage to such an allocation. DHCA is well positioned and seasoned to perform the administration function. Indeed, DHCA has been making and overseeing housing grants of between $5 and $6 million annually, totaling more than $49M in the last ten years alone to a network of housing grantees that is at least as large as that of VHCB.

Applicants with experience in CDBG and HOME programs should receive priority for funds in the Municipal and Project-Specific components.

The Agency wishes to keep the NSP funds opportunity open to a wide variety of non-profit and for-profit developers and therefore does not wish to limit opportunities based on experience in the HOME or CDBG programs. However, the Agency is requiring applicants of the Municipal and Project-Specific components to have or acquire the capacity to effectively administer a program/project and have the demonstrated record of completing successful and like projects.

That capacity and record of project development will be assessed and weighed accordingly during application reviews.

The draft Plan does not allow for the creation of financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low and moderate income homebuyers. While such activities may not be implemented the Homeownership Assistance and Municipal component should be written broadly enough to allow for such activities.

The draft Vermont NSP proposal was not intended to be inflexible or to exclude any eligible activities, therefore in an effort to be clear we have amended our draft proposal to clearly include all eligible uses under the (Housing and Economic Recovery Act, to include: financing mechanisms, purchase and rehabilitation, lands banks, demolition, redevelopment, and administrative and planning costs.

The draft Plan acknowledges that the Homeownership Assistance Program will likely not serve any households at or below 50% of area median income. This means that the entire low income targeting obligation will have to be met by the 50% of NSP funds allocated to the Project-Specific and Municipal components. This will be difficult to achieve, and could even lead to potential conflicts with the Vermont Consolidated Plan's priority of accomplishing mixed income developments. It also might effectively limit municipal programs from engaging in any homeownership activities. A recommendation is to explicitly allow the funding of permanent, service-enriched housing for homeless and previously homeless individuals and families.

The Agency would prefer not to limit funding for specific project types, though it expects to see applications for service-enriched permanent housing for homeless and/or previously homeless individuals and families'. HERA requires that at least 25% of the NSP grant to Vermont be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will house individuals or families with incomes at or below 50% of area median income. The requirement applies to the Vermont NSP grant ($19.6 million) not to each project, activity, or sub recipient of the Vermont NSP grant. We will monitor this requirement on an overall portfolio perspective and fully expect and encourage mixed income developments as part of the overall NSP strategy.

Please rename the Homeownership Assistance Program (HAP) to Homeownership Acquisition and Rehabilitation Program (HARP) to avoid confusion with the widely used HAP (Housing Assistance Payments) acronym.

The Agency accepts this request and has made the change throughout its proposed plan.

The 50% of total cost floor seems to be a State imposed limit. VHFA recommends changing or elimination of the language and perhaps consider a percentage goal of the total homes served by allowing exceptions in certain specified cases.

The Agency believes the 50% floor to be an effective tool to limit projects to a reasonable final disposition. To ensure the judicious expenditure of NSP funds the State wishes to impose as a required limit.

It is not clear why the preservation of existing subsidized housing ought to be a priority over re-development that creates new affordable housing. VHFA thinks that the priority ought to be for readiness to proceed.

Readiness to proceed is an important factor to be assessed and weighed accordingly during application reviews. Agency staff will certainly weigh a project's merit with how ready it is to go, and place a priority on creditworthy projects "ready to go". However, projects at risk of losing subsidies as a result of foreclosure will rise to a top priority for the Vermont NSP as retention of subsidized housing is the number one goal of the Vermont NSP. The process for application review will be disclosed in greater detail when the Request for Proposals process is released by the Agency in mid December 2008.

In the event that a ready-to-proceed affordable housing development can target most or all its units to households at or below 50% of area median it can and should be given priority over one that does not.

Readiness to proceed, along with serving a high percent of units or households at or below 50% of area median, is an important factor to be assessed and weighed accordingly during application reviews. As stated above, Agency staff will weigh a project's merit (which includes benefit) with how ready it is to go, and place a priority on creditworthy projects "ready to go".

Using the HOME rents for the units that must be targeted to households at or below 50% of area median income makes sense. However, the balance of the units can be targeted to a higher income level, and if the same 50% HOME rent were imposed on those it could negatively impact the financial feasibility of the development. Perhaps a clarification that the HOME applies to the 50% of median rents and the remaining NSP unit rents will be the lowest of: market rent, a rent affordable to a household at 120% of area median income, or whatever rent is imposed by other funding sources (such as Housing Credit rents).

Generally, we proposed using the HOME rents as a guideline but have incorporated these comments and will now consider Affordable rents for the Vermont NSP to be defined as those rents affordable to households at or below 30% AMI, 50% AMI, 80% and 120% AMI. The HOME rents for Vermont, see attached charts below for actual rent thresholds, could be used to ensure affordable rents. Other established affordable rent definitions commonly used in Vermont such as: fair market rents, LIHTC rents, other rent limits imposed by other funding sources will be allowed. In all cases affordable rents under the Vermont NSP will be defined as monthly housing costs not exceeding 30% of gross monthly income for rent & utilities.

The description of the extended use covenant is too specific.

The Agency does not wish to limit the types of affordability covenants and will add more generic language to encourage other reasonable affordability mechanisms when we proceed to specific legal documents and agreements.

The 1-4 family property limits in the Homeownership Assistance Program may be too limiting.

The Agency desires to limit the Homeownership Assistance Program to 1-4 units to specifically operate this component as a response to single-family/owner-occupied foreclosures. If a project larger than 4 units is identified it will be eligible through the Project-Specific component, whether it is homeownership or rental housing.

Eligible Activities

The draft plan does not place emphasis on using NSP funds for the redevelopment of blighted abandoned and vacant properties that are not foreclosed upon. Demolishing blighted structures and redeveloping demolished or vacant properties should be a goal and/or funding priority of the Vermont NSP.

The Vermont NSP was designed to respond to the overarching HUD regulations and to the needs of Vermont. While eligible, with respect to the NSP regulations, demolition was not given priority in the Draft Vermont NSP plan. However, the Agency agrees and has included demolishing blighted structures and redeveloping demolished or vacant properties as a goal of the Vermont NSP.

Demolishing blighted structures and redeveloping blighted structures is not referenced or included under the Homeownership Assistance Program, Project-Specific or Municipal components as an eligible activity.

The Department has added demolishing blighted structures and redeveloping demolished or vacant properties as an eligible use of NSP funds within all proposed components of the Vermont NSP.

Demolition or conversion of low or moderate income dwelling units. We urge you not to preclude these possibilities.

The Agency understood the activity related to demolition or conversion of low or moderate income dwelling units under the Acquisition and Relocation section to be related to reduction of units. The Agency will not demolish or convert any subsidized low and moderate income housing. But it may allow the demolition or conversion of non-subsidized low and moderate income dwelling units. However it is not our intention to reduce the number of any low and moderate income dwelling units.

We urge you to add land banking as a permitted activity.

The Department has added land banking as a permitted activity as an eligible use of NSP funds within all proposed components of the Vermont NSP.

The draft plan is silent on administrative costs. Additionally, the proposal is not clear on the administrative side just what DHCA will require. Does DHCA intend that VHFA, municipalities, and project developers will all assume the role, with NSP funds, that cities and towns have under the small cities CDBG program? We would like clarity that the administrative funds will cover all the costs in establishing and running a program.

The Department inadvertently left out Program Administration as an eligible activity of the draft Vermont NSP proposal. This has been added to the proposed Vermont NSP with a budget of $600,000. Administration will be provided by the Vermont Community Development Program, a division of the Department of Housing and Community Affairs. The Department has successfully administered the Community Development Block Grant program for twenty years and is therefore uniquely suited to administer the Vermont NSP. In addition, the Agency Grants Management team will ensure full compliance with regulations, timely submission of progress reports; grantee monitoring and grant close out. Grantees of the Vermont NSP may employ up to 10% of their grant amount to underwrite project or program delivery costs (i.e. administer the NSP grant from the Agency for the specific project). These program delivery costs though will not be allocated out of the $600,000 budget for Program Administration but through the funds budgeted for the Homeownership Assistance, Municipal, and/or Project-Specific programs.

Consideration to permit homeless shelters and other transitional housing access the NSP funding.

The Agency believes the Vermont NSP is designed to respond to the unique needs of Vermonters and funding homeless shelters and other transitional housing projects with NSP funds is allowed under the State's plan. However the Agency must take caution in committing funds towards such projects as transitional housing beneficiaries unfortunately do not count towards the benefit requirements of using 25% of the NSP funds to assist ≤ 50% of AMI as stipulated by HUD and the Housing and Economic Recovery Act. HUD defines homeless shelters as public facilities in the CDBG regulations. Therefore, while they could be done in NSP as redevelopment, they are not considered housing by HUD. If the shelter or transitional housing houses people for at least two years, it would qualify as permanent housing. Therefore, if, and only if, they meet the two year test could they count under the 25% under 50% AMI requirement. However, they are eligible as public facilities if done on vacant property as Redevelopment under Eligible Use E.

Definitions

The NSP plan includes an unnecessarily narrow definition of a blighted structure, in particular that the blighted structure be a residential or mixed-use residential structure. We

ask the Agency to include blighted commercial, industrial, and public facility properties in the definition of eligible activities.

The Agency concurs and has broadened the definition of a blighted structure to include commercial, industrial, and public facility properties in addition to residential or mixed-use residential structures.

It is critical that the plan re-state the goal of perpetual affordability. The resold homes that have been assisted though the HAP program should be subject to permanent affordability covenants. We believe it is important to ask for permanent affordability as opposed to affordability for only as long as the HOME affordability period. The Plan should require, or at least prioritize, proposals that strive to achieve perpetual affordability.

Perpetual affordability is an overarching priority of the Agency and its Consolidated Plan. Any NSP projects that can attain this permanent affordability will be given priority. Continued affordability for the Vermont NSP for rental and homeownership housing will be assured by using the federal HOME program minimum requirements for continued affordability. However, as stated permanent affordability will be the goal and will be an important factor in reviewing proposals that can meet this goal.

To ensure the fullest flexibility allowable under NSP and to ensure that the full Vermont NSP allocation is utilized, we must not require that all project applications have permanent affordability to be eligible. Establishing permanent affordability as a threshold may a number of potential and important projects from applying and this exclusion could have the un-intended consequence of not fully obligating Vermont's allocation.

Therefore, to the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all NSP properties with a required minimum 15 year term for homeownership and rehabilitated rental properties and a required minimum 20 year term for all newly construction properties.

Requested changes to HERA/NSP legislation

It is unfortunate the federal government is not allowing us to invest these resources into foreclosure prevention and instead limiting us to responding after a struggling family has totally failed. With a much smaller sum of money per household we could invest in households before they enter foreclosure and become bankrupt or homeless. We stand ready to work with you to urge the Obama administration and our Congressional delegation to revise the rules to allow us to use this smart strategy. We are all too aware of the economic tsunami which threatens to swamp federal and state budgets. The NSP is an unprecedented opportunity for Vermont to take immediate action that will boost our economy and help tackle the real and growing affordable housing crisis.

We agree with these comments and welcome the opportunity to ask for these changes in partnership with the organizations requesting them through our congressional delegation.

As the economy falters, the need for additional capacity to help families, veterans and others transition out of homeless only increases. We understand that the federal NSP regulations allow NSP funds to be used for transitional housing, but that these units cannot be included in meeting the minimum low-income benefit targets. That is wrong. We will ask our Congressional delegation to change that, but in the meantime urge ACCD to give full consideration to applications which provide transitional housing for the homeless and not discourage this possibility.

We agree with these comments and certainly do not wish to discourage any transitional or homeless housing through the Vermont NSP. We welcome the opportunity to ask for these changes in partnership with the organizations requesting them through our congressional delegation.

Miscellaneous

In terms of the data presented in the map on page 10 is unclear. If eligible areas are identified at the census block group level, then the map does not appear to include all eligible block groups in Burlington.

Agency staff aggregated the percent less than 120% area median income for all the census tracks in the City of Burlington (removing all tracks with 0.% from the calculation). According to our calculations 69.9% of City of Burlington residents have incomes at or below 120% AMI, therefore the City of Burlington is an eligible area-wide community. However, the surrounding communities of Charlotte, Jericho, Shelburne, and South Burlington are ineligible as less than 51% of the residents in each town had incomes at or below 120% the area median income.
To clarify, towns that are not area wide eligible are still eligible for the Vermont NSP funds, however a project serving the community at large (i.e. community facility) would not be eligible for Vermont NSP funds.

Census Tract	County	Townshend town	Percent less than 120 AMI	Middle low mod eligible
000300	Chittenden County	Burlington city	100.0%	YES
000500	Chittenden County	Burlington city	96.2%	YES
000300	Chittenden County	Burlington city	95.4%	YES
001000	Chittenden County	Burlington city	91.9%	YES
000400	Chittenden County	Burlington city	90.9%	YES
000400	Chittenden County	Burlington city	89.6%	YES
000300	Chittenden County	Burlington city	88.4%	YES
000900	Chittenden County	Burlington city	85.3%	YES
000400	Chittenden County	Burlington city	82.3%	YES
000500	Chittenden County	Burlington city	80.2%	YES
000500	Chittenden County	Burlington city	79.2%	YES
000900	Chittenden County	Burlington city	76.9%	YES
000200	Chittenden County	Burlington city	74.7%	YES
000600	Chittenden County	Burlington city	72.3%	YES
000100	Chittenden County	Burlington city	70.1%	YES

Census Tract	County	Townshend town	Percent less than 120 AMI	Middle low mod eligible
000600	Chittenden County	Burlington city	69.0%	YES
000800	Chittenden County	Burlington city	68.8%	YES
000100	Chittenden County	Burlington city	67.9%	YES
001000	Chittenden County	Burlington city	66.4%	YES
000200	Chittenden County	Burlington city	65.2%	YES
001100	Chittenden County	Burlington city	65.0%	YES
000200	Chittenden County	Burlington city	53.3%	YES
000200	Chittenden County	Burlington city	46.9%	NO
000800	Chittenden County	Burlington city	46.0%	NO
000700	Chittenden County	Burlington city	41.9%	NO
000900	Chittenden County	Burlington city	41.1%	NO
001100	Chittenden County	Burlington city	35.6%	NO
000700	Chittenden County	Burlington city	17.3%	NO
		Burlington city total	**69.9%**	**YES**

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

(1) Activity Name:

Homeownership Acquisition and Rehabilitation Program (HARP)

(2) Activity Type:

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

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

The activities carried out under the Homeownership Acquisition and Rehabilitation Program (HARP) will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below120% of area median income.

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford, Director
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501\
(802) 828-5201

The State of Vermont will contract with the Vermont Housing Finance Agency to implement the Homeownership Assistance Program component of the Vermont NSP.

Vermont Housing Finance Agency
P.O. Box 408
164 St. Paul Street
Burlington VT 05402-0408

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

The activities to be carried out by the Homeownership Acquisition and Rehabilitation Program (HARP) will be targeted to Essex, Orleans, Calendonia, Orange, Rutland, Windham and Southern Windsor counties to meet the greatest need across the state of Vermont which is illustrated in Section A – Areas of Greatest Need. Specific locations within these counties will be determined once a Memorandum of Understanding or Grant Agreement is signed and monitored on a regular basis to ensure areas of greatest need are being met, particularly to be cognizant of any significant changes in the data.

VHFA can acquire properties in any of the above mentioned counties but not in municipalities that are awarded funds through the Municipal component of the Vermont NSP.

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

For housing related activities, include:
- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

Response:
The Homeownership Acquisition and Rehabilitation Program (HARP) will provide funding to the Vermont Housing and Finance Agency (VHFA) or its affiliate or subsidiary to acquire 1-4 family properties that are real estate owned (REO), with priority being given to acquire properties from Vermont-based lending institutions, municipalities that have acquired residential property through a tax taking procedure and FHA, and then from out of state lenders as funds allow. The foreclosure process <u>must</u> be complete prior to purchase by VHFA and the deed and clear title <u>must</u> be in the possession of the mortgagee. VHFA will:

1. Acquire properties clear of all liens and encumbrances, rehabilitate the homes to at least HUD Housing Quality Standards and where possible achieve an appropriate Energy Star rating, and

2. sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

3. sell the properties to housing organizations who will then sell the properties to income eligible (at or below 120% AMI) homeowners who will occupy the property as their principal place of residency, who receive at least eight hours of HUD certified, homeownership counseling, secure financing that is not subprime, and who agree to a continued affordability agreement that makes available, to subsequent owners, equity that was realized in the transaction underwritten with NSP funds or;

4. sell the properties to housing organizations who will then rent the properties to income eligible (at or below 120% AMI) households who will occupy the property as a primary residence.

VHFA can acquire properties in any of the greatest need designated counties identified in Section #7 in the state but <u>not</u> in municipalities that are awarded funds through the Municipal component of the program.

VHFA must acquire the property for <u>no more</u> than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but <u>no more</u> than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont expects the duration of benefit of the Homeownership Acquisition and Rehabilitation Program (HARP) to be long-term with the tenure of beneficiaries to majorly as homeowners and renters.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to VHFA will be structured as grants or 0% loans. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household.

(9) <u>Total Budget</u>: (Include public and private components)

Estimated at $7,000,000

It should be noted that the budgeted amount is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that a minimum of 55 units of foreclosed or abandoned homes will be acquired and/or rehabilitated through the Housing Assistance Program. The income level of beneficiaries projected is as follows:

- At or below 120% of median area income – 55 Households

It should be noted that households at or below 50% of the median area income are not excluded from this program should it be affordable to them, however at this time the State of Vermont expects few of the beneficiaries under this activity to fall within that income range.

It should also be noted that the above benefit amount is subject to change once local proposals are approved by the State.

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

(1) Activity Name:

Municipal Program

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

NSP Eligible Use – (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers

CDBG Eligible Activities –

- As an activity delivery cost for an eligible activity (designing & setting it up) - 24 CFR 570.206
- The eligible activities below to the extent financing mechanisms are used to carry them out:
  - Acquisition - 24 CFR 570.201(a)
  - Disposition - 24 CFR 570.201(b)
  - Relocation - 24 CFR 570.201(i)
  - Direct Home Ownership Assistance - 24 CFR 570.201(n)
  - Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
  - Clearance for blighted structures only - 24 CFR 570.201(d)
  - Public Facilities and Improvements - 24 CFR 570.201(c)
  - Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)
  - Direct Homeownership Assistance - 24 CFR 570.201(n)

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
- Public Facilities and Improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

NSP Eligible Use – (D) Demolish blighted structures

CDBG Eligible Activities –

- Clearance for blighted structures only - 24 CFR 570.201(d)

NSP Eligible Use – (E) Redevelop demolished or vacant properties

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- New Housing Construction -
- Public Facilities and improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

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

The activities carried out under the Municipal Program will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below 120% of area median income.

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501

(802) 828-5201

The State of Vermont will solicit through Requests for Proposals from municipalities to participate in the program.

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

The activities to be carried out by the Municipal Program will be targeted to the following Municipalities: City and Town of Barre; Town of Bennington; City of Burlington; Town of Hardwick; City and Town of Newport; City and Town of Rutland; Town of St. Johnsbury; and Town of Springfield to meet the greatest need as illustrated in Section A – Areas of Greatest Need, specifically High Cost Loans and Unemployment.. Specific locations within these municipalities will be determined once a formal proposal is received and monitored on a regular basis to ensure areas of greatest need are being met.

(8) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

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

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

<u>Response:</u>
NSP funds will be made available to municipalities that wish to undertake and complete a foreclosure mitigation program of their own provided it demonstrates it:

1. has or can acquire the capacity to effectively administer such a program;
2. has a well documented need, defined by objective, supporting data; and
3. has a plan that at a minimum will:
   a. address the municipally identified single family and/ or multi-family need quickly and efficiently;
   b. demonstrate a very, high likelihood that the municipality will fully encumber the sub grant within twelve months (estimated August, 2010); and
   c. is compliant with all applicable regulations.

Communities will be encouraged to work with other contiguous communities that have similar foreclosure problems.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Municipalities must acquire the property for no more than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont anticipates the tenure of beneficiaries to majorly be rental and homeownership, each with a long-term duration of benefit.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to Municipal Program grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

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

Estimated at $5,500,000

It should be noted that the budgeted amount is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Municipal Program. The income level of beneficiaries projected is as follows:

- 81- 120% of median area income – 13 Households

- 51- 80% of median area income– 12 Households
- Less than 50% of median area income – 25 Households

It should be noted that the above benefit numbers are subject to change once local proposals are approved by the State.

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

(1) Activity Name:

Project-Specific Program

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

NSP Eligible Use – (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers

CDBG Eligible Activities –

- As an activity delivery cost for an eligible activity (designing & setting it up) - 24 CFR 570.206
- The eligible activities below to the extent financing mechanisms are used to carry them out:
  - Acquisition - 24 CFR 570.201(a)
  - Disposition - 24 CFR 570.201(b)
  - Relocation - 24 CFR 570.201(i)
  - Direct Home Ownership Assistance - 24 CFR 570.201(n)
  - Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202
  - Clearance for blighted structures only - 24 CFR 570.201(d)
  - Public Facilities and Improvements - 24 CFR 570.201(c)
  - Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)
  - Direct Homeownership Assistance - 24 CFR 570.201(n)

NSP Eligible Use – (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.

CDBG Eligible Activities –

- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- Eligible Rehabilitation and Preservation Activities for Homes and Other Residential Properties - 24 CFR 570.202

- Public Facilities and Improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

NSP Eligible Use – (C) Establish land banks for homes that have been foreclosed upon

CDBG Eligible Activities –
- Acquisition - 24 CFR 570.201(a)
- Disposition, includes maintenance - 24 CFR 570.201(b)

NSP Eligible Use – (D) Demolish blighted structures

CDBG Eligible Activities –
- Clearance for blighted structures only - 24 CFR 570.201(d)

NSP Eligible Use – (E) Redevelop demolished or vacant properties

CDBG Eligible Activities –
- Acquisition - 24 CFR 570.201(a)
- Disposition - 24 CFR 570.201(b)
- Relocation - 24 CFR 570.201(i)
- Direct Home Ownership Assistance - 24 CFR 570.201(n)
- New Housing Construction -
- Public Facilities and improvements - 24 CFR 570.201(c)
- Public Services for Housing Counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties - 24 CFR 570.201(e)

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

The activities carried out under the Project-Specific program will meet National Objective by serving persons of low, moderate, and middle income, as defined in the NSP notice as persons with incomes at or below 120% of area median income.

(4) Projected Start Date:

February, 2009

(5) Projected End Date:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501
(802) 828-5201

The State of Vermont will solicit through Requests for Proposals for organizations/developers/partners to participate in the program.

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

The activities to be carried out by the Project Specific Program will be targeted to those communities with a Census Track rating of 3.5% and greater for predicted 18-month underlying foreclosure problem to meet the greatest need as illustrated in Section A – Areas of Greatest Need. Supplemental map and listing included.

Project Specific grants may be awarded for projects in any community <u>except</u> for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.

(8) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

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

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

<u>Response:</u>
The Project Specific program component is designed to address specific projects that are <u>more</u> than four-units per structure or aggregated properties that are smaller than four units each but together comprise more than four units, and are not addressed through a municipal program. A

Request for Proposals will be offered at the same time the municipal RFP is issued. Project proponents:

- may be for profit or non profit entity;
- must have a demonstrated record of completing successful and like projects; and
- must have the capacity and experience to secure all required financing, permits, and other requirements in a very short window of time.

The highest priority for these funds is to:

- secure foreclosed properties that are occupied by low and moderate income households (LMI), and
- have project based mortgage, rent or other subsidies, which are in danger of losing those subsidies,
- and are ready to proceed.

However, developers will be encouraged to find foreclosed properties which may include mobile home parks, mixed use properties and scattered sites and formulate creative approaches to the reutilization of the properties. Reuse can include demolition and new construction, replacing mobile homes with stick built or modular units, urban homestead projects and other creative and effective ways to make rental and homeownership opportunities available to low, moderate, and middle income (LMMI) households with NSP funds.

Competitive proposals would feature many of the following:

1. Saving occupied and subsidized housing;
2. High likelihood of fully encumbering NSP funds within the required twelve month window (estimated August, 2010);
3. Demonstrated capacity to undertake and complete the project proposed on time and on budget;
4. Although not required, a high leveraging ratio of private to public funding.
5. A high ratio of units made affordable to households at or below 50% AMI;
6. Location in a designated Growth Center, New Neighborhood, Downtown, New Town Center or Village;
7. High, residential utilization of otherwise underutilized properties;
8. Redevelopment of demolished or vacant properties and
9. Maintenance of property historic character, if any.

Project specific grants may be awarded for projects in any community except for those municipalities conducting their own program with NSP funds awarded through the Municipal component of the program.

There will be one round of Request for Proposals for the funding made available for this component of the Vermont NSP. This round of funding will be publically announced to be made available shortly after the Consolidated Plan, Action Plan Substantial Amendment and NSP application have been submitted to HUD for approval. The Agency will begin accepting and reviewing RFP's immediately to provide preliminary approvals pending the final approval for funding from HUD (estimated February 2009). Proposals for this activity will be accepted for up to ninety-days thereafter.

Developer partners must acquire the property for no more than 90% of the appraised value but may sell the property for as little as 50% of the total cost of acquisition, discharge of liens, rehabilitation costs and transaction costs but no more than the total of those costs, less 10%. In the event that an abandoned or foreclosed-upon home or residential property is sold to an individual as a primary residence, no profit may be earned.

The State of Vermont anticipates the tenure of beneficiaries to majorly be rental with a long-term duration of benefit. It is believed that some homeownership opportunities may also be created through the Project Specific component.

To the maximum extent practicable and for the longest feasible term, an appropriate and enforceable affordability mechanism will be used for all properties acquired with NSP funds. At a minimum a 15-year term for Homeownership and rehabilitated rental properties and a 20-year minimum term for all newly constructed properties will be required.

Funds from the State of Vermont to Municipal Program grantees will be structured as grants or 0% loans. If a sub recipient establishes a financing mechanism all loans made will carry below market interest rates. A lien shall provide recovery for the State in the event the property is sold or no longer made available to a qualified household/beneficiary.

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

Estimated at $6,500,000

It should be noted that the above budget is subject to change once local proposals are approved by the State.

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

The State of Vermont estimates that approximately 50 units of housing will benefit through activities performed under the Project Specific program. The income level of beneficiaries projected is as follows:

- 81- 120% of median area income - 13 Households
- 51- 80% of median area income - 12 Households
- Less than 50% of median area income - 25 Households

It should be noted that the above benefit numbers are subject to change once local proposals are approved by the State.

G. ***NSP Information by Activity (Complete for <u>each</u> activity)***

(1) <u>Activity Name</u>:

State Grant Administration

(2) <u>Activity Type</u>: (include NSP eligible use & CDBG eligible activity)

State Grant Administration

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

N/A

(4) <u>Projected Start Date</u>:

February, 2009

(5) <u>Projected End Date</u>:

August, 2013

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

Josh Hanford
Vermont Community Development Program
VT Dept. of Housing & Community Affairs
National Life Building, Montpelier, VT 05620-0501
(802) 828-5201

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

The State level administration will not be based on any specific address, etc.

(8) <u>Activity Description</u>:
Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**

- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:
- **discount rate**

For financing activities, include:
- **range of interest rates**

<u>Response:</u>
Administration will be provided by the Vermont Community Development Program, a division of the Department of Housing and Community Affairs. The Department has successfully administered the Community Development Block Grant program for twenty years and is therefore uniquely suited to administer the Vermont NSP. Division Director Josh Hanford will provide day to day oversight of program staff. The Department has requested authority to hire for two limited service positions. These positions which include an Administrative Assistant and a Community Development Specialist will provide additional program support for two years. These positions would add capacity during the initial implementation phase of the program and through the eighteen month grant period. In addition, the Agency of Commerce and Community Development Grants Management team will ensure full compliance with regulations, timely submission of progress reports; grantee monitoring and grant close out.

Individual grantees of the Vermont NSP program may employ up to 10% of their total grant amount for their program delivery costs.

(9) <u>Total Budget</u>: (Include public and private components)

$600,000

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

N/A

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income,

including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force**. The jurisdiction certifies that it has adopted and is enforcing: (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

James J. Saudade, Deputy Secretary___
Name and Title

ATTACHMENT A

Neighborhood Stabilization Program (NSP)

TIMELINE

Stakeholders Meeting	August 27, 2008
Stakeholders Meeting	September 24, 2008
Stakeholders Meeting	September 25, 2008
Stakeholders Meeting	October 20, 2008
Notice Published for Public Hearing	October 27 & 28, 2008
Stakeholders Meeting and Presentation to CD Board	October 29, 2008
Vermont Housing & Conservation Board (VHCB) presentation	October 31, 2008
Vermont Association of Planning & Development Agencies (VAPDA)	November 6, 2008
Draft NSP Plan and documents posted to DHCA website	November 10, 2008
Public Hearing and Stakeholders Meeting	November 12, 2008
Bi-annual Statewide Housing Conference	November 18, 2008
Final Application and Proposal submitted to HUD	November 26, 2008
Final Application, SF424, and Substantial Amendment to Consolidated Plan posted to DHCA website	December 1, 2008
ACCD issues conditional RFP's for Projects	December 12, 2008
ACCD accepting & commenting on conditional RFP's	December 12, 2008 – May 2009
HUD issues Grant Agreement to State	February 2009*
ACCD potentially begins award decisions	February 2009*
ACCD begins offering Grant Agreements	February 2009*
ACCD Final Deadline for all NSP Proposals	May 2009
ACCD Award Decisions completed	June 2009
ACCD Grant Agreement to Awardee(s) completed	July 2009

NSP Funds Obligated/under contract	August 2010
NSP Funds fully expended & National Objective met	February 2013

*This date is based solely on the receipt of the signed Grant Agreement from HUD.

ATTACHMENT B

EXAMPLES OF VERMONT NSP PROJECTS

1. A developer asks her bank to let her know if they have foreclosed on any multifamily homes. The banker says that there are several in the default stage of foreclosure and if they are not redeemed he will let her know. A month later the banker lets the developer know that there are three properties that have come into the REO portfolio that are multifamily, 21 units, total.

   The developer submits a proposal to the state that looks like this:
   Sources: $1M NSP, $1M Loan Uses: $500K Acquisition, $1.5M rehab.
   Benefit: Developer agrees to maintain the rents at HUD FMRs for 15 years and make units available to households at or below 50% AMI.

2. A not for profit (NFP) locates a downtown, mixed use building that has recently been foreclosed. The building has four storefronts on the first floor and three floors of vacant rooms on the upper stories. The NFP gets a P&S from the bank and files an NSP application as follows:

   Sources: $3M NSP
   Uses: $750K Acquisition, $2M Rehab, $250K Reserves
   Benefit: The NFP agrees to make 4 units available as rentals to 50% AMI, 4 units to 80% income as condos and 4 units as condos to 120% income households for 15 years.

3. A municipality has an old blighted apartment building it has taken by tax title. The property is vacant and has some brownfield issues due to underground storage tank leaks. The property is immediately adjacent to the railroad station. The town wants to demolish the structure and make a multi modal center out of the property. The regional bus service would use the site, a park and ride would be established and a visitor center would be built.

   Sources: $1M NSP, $250K Enhancement Grant, $250K town, $100K USG Fund
   Uses: $1M NSP for acquisition and demolition, $100K for oil spill clean-up, $500K for land improvements and visitor center.
   Benefit: Area wide LMMI.

4. A regional not for profit housing provider finds six properties in four towns that have been foreclosed upon by the same mortgage company. Two are multifamily, 3 units each and four are single family. The NFP in consultation with the host towns and regional service providers determines that there is a need for three units of battered women's shelter, three units of transitional housing and since the single families are in towns with very expensive housing, there is a need for work force housing.

   Sources: $1.5 NSP
   Uses: $600k Acquisition, $900K Rehab

Benefit: 6 units of affordable, transitional housing; four units sold to middle Income (120% AMI) at 50% of appraised value with long term affordability covenants.

5. A for profit acquires a foreclosed mobile home park with 20 old, deteriorated mobile homes. The for profit applies for NSP funds to temporarily relocate the tenants, demolish and clear the 20 mobile homes and install new modular housing units.

   Sources: $2.5M NSP, $400K Conventional Loan, $100K Owner's Equity.
   Uses: $400K Acquisition, $600K Site Improvements, $2M Modular Units
   Benefit: Must be made available to households at or below LMMI at FMR rents for 20years.

ATTACHMENT C

Communities by Census Tract with 3.5% and greater predicted rate of foreclosure

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Essex County	Lunenburg town		950300	8.3%
Essex County	Lunenburg town		950300	8.3%
Essex County	Victory town		950300	8.3%
Essex County	East Haven town		950300	8.3%
Essex County	Guildhall town		950300	8.3%
Essex County	Granby town		950300	8.3%
Orleans County	Barton town	Orleans village	951800	7.6%
Orleans County	Barton town	Barton village	951800	7.6%
Orleans County	Barton town	Orleans village	951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Barton town	Barton village	951800	7.6%
Orleans County	Barton town		951800	7.6%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	7.2%
Orleans County	Newport city	Newport city	951400	6.3%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Windsor County	Springfield town		966600	6.1%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Fair Haven town		963700	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Rutland County	Rutland city	Rutland city	963100	5.9%
Essex County	Brighton town		950200	5.8%
Essex County	Brighton town		950200	5.8%
Orleans County	Troy town	North Troy village	951600	5.6%
Orleans County	Jay town		951600	5.6%
Orleans County	Troy town		951600	5.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orleans County	Newport town		951600	5.6%
Orleans County	Troy town		951600	5.6%
Orleans County	Newport town		951600	5.6%
Orleans County	Westfield town		951600	5.6%
Orleans County	Newport town		951600	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Rutland city	Rutland city	963300	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Rutland County	Fair Haven town		963700	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Windsor County	Springfield town		966600	5.6%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Washington County	Barre city	Barre city	955100	5.5%
Essex County	Concord town		950400	5.5%
Rutland County	Rutland city	Rutland city	963300	5.3%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Washington County	Barre city	Barre city	955200	5.2%
Orleans County	Holland town		951100	5.0%
Orleans County	Charleston town		951100	5.0%
Orleans County	Morgan town		951100	5.0%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Rutland County	Proctor town		962500	5.0%
Rutland County	Proctor town		962500	5.0%
Windsor County	Springfield town		966700	5.0%
Windsor County	Springfield town		966700	5.0%
Windsor County	Springfield town		966700	5.0%
Windsor County	Springfield town		966700	5.0%
Windsor County	Springfield town		966700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Franklin County	St. Albans city	St. Albans city	010700	5.0%
Caledonia County	Hardwick town		957700	4.9%
Caledonia County	Hardwick town		957700	4.9%
Rutland County	West Rutland town		962600	4.9%
Rutland County	West Rutland town		962600	4.9%
Rutland County	West Rutland town		962600	4.9%
Rutland County	West Rutland town		962600	4.9%
Bennington County	Bennington town		971200	4.9%
Bennington County	Bennington town		971200	4.9%
Bennington County	Bennington town	Old Bennington village	971200	4.9%
Bennington County	Bennington town		971200	4.6%
Bennington County	Bennington town		971200	4.6%
Bennington County	Bennington town		971200	4.6%
Bennington County	Bennington town		971200	4.6%
Bennington County	Bennington town		971200	4.6%
Bennington County	Bennington town		971200	4.6%
Rutland County	Tinmouth town		963500	4.6%
Rutland County	Middletown Springs town		963500	4.6%
Rutland County	Ira town		963500	4.6%
Caledonia County	Lyndon town	Lyndonville village	957200	4.6%
Caledonia County	Lyndon town		957200	4.6%
Caledonia County	Lyndon town		957200	4.6%
Caledonia County	Lyndon town		957200	4.6%
Essex County	Averill town		950100	4.6%
Essex County	Ferdinand town		950100	4.6%
Essex County	Norton town		950100	4.6%
Essex County	Brunswick town		950100	4.6%
Essex County	Canaan town		950100	4.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Essex County	Maidstone town		950100	4.6%
Essex County	Bloomfield town		950100	4.6%
Essex County	Lemington town		950100	4.6%
Essex County	Avery's gore		950100	4.6%
Essex County	Lewis town		950100	4.6%
Essex County	Warner's grant		950100	4.6%
Essex County	Warren's gore		950100	4.6%
Windham County	Rockingham town		967000	4.5%
Windham County	Rockingham town		967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Windham County	Rockingham town	Bellows Falls village	967000	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Washington County	Barre town		955400	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Orange County	Bradford town		959800	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Windsor County	Springfield town		966700	4.5%
Orleans County	Newport city	Newport city	951500	4.4%
Orleans County	Newport city	Newport city	951500	4.4%
Orleans County	Newport city	Newport city	951500	4.4%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orleans County	Newport city	Newport city	951500	4.4%
Lamoille County	Eden town		953000	4.4%
Lamoille County	Waterville town		953000	4.4%
Lamoille County	Belvidere town		953000	4.4%
Rutland County	West Rutland town		962600	4.3%
Rutland County	West Rutland town		962600	4.3%
Rutland County	Poultney town	Poultney village	963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Wells town		963800	4.3%
Rutland County	Poultney town		963800	4.3%
Rutland County	Poultney town	Poultney village	963800	4.3%
Lamoille County	Johnson town	Johnson village	953200	4.3%
Lamoille County	Johnson town		953200	4.3%
Lamoille County	Johnson town		953200	4.3%
Lamoille County	Johnson town	Johnson village	953200	4.3%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Rutland County	Rutland city	Rutland city	963200	4.2%
Windham County	Jamaica town		967400	4.2%
Windham County	Jamaica town		967400	4.2%
Orleans County	Lowell town		951700	4.2%
Orleans County	Albany town		951700	4.2%
Orleans County	Albany town	Albany village	951700	4.2%
Orleans County	Irasburg town		951700	4.2%
Orleans County	Craftsbury town		951700	4.2%
Orleans County	Derby town	Derby Line village	951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Derby town	Derby Line village	951200	4.2%
Orleans County	Derby town	Derby Center village	951200	4.2%
Orleans County	Derby town	Derby Center village	951200	4.2%
Orleans County	Derby town		951200	4.2%
Orleans County	Greensboro town		952000	4.1%
Orleans County	Glover town		952000	4.1%
Orange County	Chelsea town		959500	4.1%
Orange County	Vershire town		959500	4.1%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orange County	Tunbridge town		959500	4.1%
Orange County	Strafford town		959500	4.1%
Caledonia County	Ryegate town		957800	4.0%
Caledonia County	Groton town		957800	4.0%
Caledonia County	Peacham town		957800	4.0%
Rutland County	Pawlet town		964300	4.0%
Rutland County	Pawlet town		964300	4.0%
Rutland County	Pawlet town		964300	4.0%
Rutland County	Rutland city	Rutland city	963200	3.9%
Rutland County	Rutland city	Rutland city	963200	3.9%
Windham County	Wardsboro town		967500	3.9%
Windham County	Wardsboro town		967500	3.9%
Windham County	Stratton town		967500	3.9%
Windham County	Somerset town		967500	3.9%
Rutland County	Hubbardton town		962300	3.9%
Rutland County	Benson town		962300	3.9%
Rutland County	Sudbury town		962300	3.9%
Rutland County	West Haven town		962300	3.9%
Bennington County	Bennington town		970900	3.8%
Bennington County	Bennington town		970900	3.8%
Bennington County	Bennington town		970900	3.8%
Bennington County	Bennington town		970900	3.8%
Windham County	Wilmington town		968000	3.8%
Windham County	Wilmington town		968000	3.8%
Windham County	Wilmington town		968000	3.8%
Windham County	Wilmington town		968000	3.8%
Rutland County	Mount Tabor town		964200	3.8%
Rutland County	Danby town		964200	3.8%
Grand Isle County	Alburg town	Alburg village	020100	3.7%
Grand Isle County	Alburg town		020100	3.7%
Grand Isle County	Isle La Motte town		020100	3.7%
Grand Isle County	North Hero town		020100	3.7%
Caledonia County	Sheffield town		957000	3.7%
Caledonia County	Sutton town		957000	3.7%
Caledonia County	Walden town		957000	3.7%
Caledonia County	Wheelock town		957000	3.7%
Caledonia County	Stannard town		957000	3.7%
Caledonia County	Newark town		957000	3.7%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Orange County	Williamstown town		959200	3.7%
Lamoille County	Wolcott town		953400	3.7%
Lamoille County	Elmore town		953400	3.7%
Windham County	Whitingham town	Jacksonville village	968100	3.7%
Windham County	Whitingham town		968100	3.7%
Windham County	Whitingham town	Jacksonville village	968100	3.7%
Windham County	Whitingham town		968100	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Rutland County	Clarendon town		963400	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Windsor County	Windsor town		966000	3.7%
Caledonia County	St. Johnsbury town		957400	3.6%
Caledonia County	St. Johnsbury town		957400	3.6%
Caledonia County	St. Johnsbury town		957400	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%
Franklin County	Swanton town	Swanton village	010500	3.6%

County	Townshend town	Place Name	Census Tract	Predicted 18 month underlying problem foreclosure rate
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Swanton town		010500	3.6%
Franklin County	Highgate town		010100	3.5%
Franklin County	Highgate town		010100	3.5%
Franklin County	Sheldon town		010100	3.5%
Franklin County	Franklin town		010100	3.5%
Franklin County	Franklin town		010100	3.5%
Franklin County	Highgate town		010100	3.5%
Franklin County	Sheldon town		010100	3.5%
Franklin County	Highgate town		010100	3.5%
Rutland County	Castleton town		963600	3.5%
Rutland County	Castleton town		963600	3.5%
Rutland County	Castleton town		963600	3.5%
Caledonia County	St. Johnsbury town		957500	3.5%
Caledonia County	St. Johnsbury town		957500	3.5%
Rutland County	Brandon town		962200	3.5%
Rutland County	Brandon town		962200	3.5%
Rutland County	Brandon town		962200	3.5%
Rutland County	Brandon town		962200	3.5%
Orange County	Corinth town		959100	3.5%
Orange County	Topsham town		959100	3.5%
Orange County	Orange town		959100	3.5%
Orange County	Washington town		959100	3.5%
Caledonia County	St. Johnsbury town		957400	3.5%
Caledonia County	St. Johnsbury town		957400	3.5%
Caledonia County	St. Johnsbury town		957400	3.5%
Caledonia County	St. Johnsbury town		957400	3.5%
Caledonia County	St. Johnsbury town		957400	3.5%

Vermont Economic Progress Council
Department of Economic Development
National Life Building – North, Drawer 20 [phone] 802-828-5765
Montpelier, VT 05620-0501 [fax] 802-828-3383
www.thinkvermont.com/vepc

Agency of Commerce and Community Development

March 5, 2009

Mr. Stephen Twombly
City Assessor
City of Montpelier
Montpelier, VT 05602

Re: Property Tax Stabilization – Cabot Creamery Cooperatives, Inc. - Headquarters and Warehouse

Dear Bill,

Enclosed are forms for you to complete and return to the Vermont Economic Progress Council. As per the requirements of Vermont statute, we need information on the amount of any incentives used and details on compliance with all performance expectations upon which the award was conditioned.

Note that forms are enclosed for both Cabot Creamery properties in stabilization: the Warehouse at 122 Gallison Hill Road and the Headquarters at 1 Home Farm Way.

Last year's report did not address Section III. Please provide a complete reports.

Cabot has been sent separate forms for completion. We ask that you work closely with them to comply with the reporting requirements.

Please complete the forms and return them to the address above by April 3, 2009.

Thank you for taking the time to complete this important information. Please feel free to contact me if you have any questions.

Sincerely,

Fred Kenney
Executive Director

Cc: William Fraser

Application Contents

Applicant(s)* ______________________________

*Designate lead applicant if applying as a consortium

Working Title for Project______________________________

	The Item can be found on Page...
Application	
Executive Summary	
Program Budget	
Narrative	
Project Need	
Project Impact	
Project Feasibility	
Attachments	
Resolution(s) to Apply	
Certification of Program Income/Unrestricted Revenue (municipalities only)	
Evidence of Site Control	
Evidence of Foreclosure	
Purchase and Sales Agreement(s)	
Appraisal(s)	
Proposed Lease(s)	
Market Study(ies)	
Certificate of Good Standing (non-profit and for-profit)	
990 IRS tax forms 1st and last page only (non-profits only)	
Documentation of Other Resources	
Project Review Sheet (Department of Environmental Conservation)	
Other- ______________________	

Submit 1 original and 10 copies of the application to:

Josh Hanford, Director
Vermont Community Development Program
Department of Housing & Community Affairs
One National Life Drive, National Life Building, 6th Floor
Montpelier, VT 05620-0501

Executive Summary

Chief Executive Officer ______________________ Title ____________

Address ____

________________________________ ST: ______ ZIP: ______

Phone: ____________ Fax: ____________ Email: ______________

Contact Person ______________________ Title ____________

Address ____

________________________________ ST: ______ ZIP: ______

Phone: ____________ Fax: ____________ Email: ______________

Person who prepared this application ______________________ Title ____________

Address ____

________________________________ ST: ______ ZIP: ______

Phone: ____________ Fax: ____________ Email: ______________

Estimated Project Funding

VT NSP Request Amount		$
Grant/Equity Funds	$	
Borrowed Funds	$	
Misc. Other Funds	$	
Total Other Funds	$	
Total Project Funding		**$**

Applicant intends to: ☐ keep ☐ loan ☐ sub-grant the Vermont NSP Funds

Certification: I certify, on behalf of the Applicant(s) that the information presented in this Application is correct and the submission thereof has been authorized by resolution(s) adopted by the legislative body(ies)/board of directors.

____ ____________________

Signature of CEO of Applicant Date Signed

National and State Objectives
(Check those that apply)

National Objective: **Low, Moderate, Middle Income (LMMI)**[1]

Total Units/Households: ________ Units/Households at or below 50% AMI ________
Total Beneficiaries[2]: ________ Beneficiaries at or below 50% AMI ________

Basis of LMMI Determination:
- [ ] L/M area benefit
- [ ] L/M limited clientele
- [ ] L/M Housing

LMMI Determined by:
- [ ] Income Survey
- [ ] Other (Please identify method) ____________________________________

State Objective:
- [ ] Housing
- [ ] Public Facility

Which area(s) of the VT NSP eligible activities is your project responding to[2]?

- [ ] Financing Mechanisms
- [ ] Purchase and Rehabilitation
- [ ] Land Banks
- [ ] Demolition
- [ ] Redevelopment

Which area(s) of greatest need is your project responding to[3]?

- [ ] Greatest percentage of home foreclosures
- [ ] Highest percentage of homes financed by subprime mortgage related loans
- [ ] Areas identified as the most likely to face a significant rise in the rate of home foreclosures

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[1] Refer to the U.S. Department of Housing & Urban Development's (HUD) website for specific guidelines and definitions of LMMI at http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/

[2] Refer to the Vermont NSP Substantial Amendment for a description of eligible activities at http://www.dhca.state.vt.us/NSP.html

3 Refer to the Vermont NSP Substantial Amendment for a description of areas of greatest need at http://www.dhca.state.vt.us/NSP.html

Program Management and General Administration

List all the project players, professional and contractual services, and those who will be responsible for program management (i.e., clerk of the works,) and general administration of the VCDP grant. If names are not known, list the function/role.

Note: Construction contacts must not be executed prior to the release of the environmental review[4].

Name	Function/Role	Procured According to VCDP standards[5] (if no please explain)			
	Program Manager	Yes		No	
	General Administrator	Yes		No	
		Yes		No	
		Yes		No	
		Yes		No	
		Yes		No	
		Yes		No	
		Yes		No	
		Yes		No	

[4] Refer to VCDP guidelines on the Environmental Review Process at http://www.dhca.state.vt.us/VCDP/Grants%20Management/GreenSheet.htm

[5] Refer to VCDP guidelines on Procurement at http://www.dhca.state.vt.us/VCDP/GMG/GMGProcurement.htm

Project Description

Briefly respond to and include the following in your application:

a) Activities of the project to be carried out.

b) Specific location of the project, attach a location map.

c) Service area for this project.

d) Site plans.

e) For construction/rehabilitation projects, attach floor plans of the project.

f) Photographs.

g) Does the project involve any structure that is 50 years older and/or an activity that may cause any disturbances to the ground? ☐ yes ☐ no

h) Is the project located in a flood plain?[6] ☐ yes ☐ no

[6] For further information see the Environmental Review Guide – 8 Step Process for Flood Plain Management on our website at www.dhca.state.vt.us/vcdp/Grants Management/Quicklinks.htm .

i) Will the project involve demolishing and/or converting any low and moderate income dwelling units (units housing individuals at or below 80% of area median income)? If yes, indicate the number of low and moderate income units to be demolished and/or converted.

j) Is the project located in a Designated Downtown or Designated Village Center as determined by the Downtown Development Board[7]? ☐ yes ☐ no

If no, is it located in a downtown? ☐ yes ☐ no

k) Is the project located in a designated New Neighborhood, New Town Center, or Growth Center? ☐ yes ☐ no

l) Have you completed a Common Housing Application for VHCB or VHFA funding for this project? If so, please attach your Common Housing Application. ☐ yes ☐ no ☐ N/A

Note: If you feel you have fully addressed any of the VT NSP application questions in your Common Housing Application, please cite where (page & question number) in the Common Application the answer can be found for each question.

m) If you will be using Low Income Housing Tax Credits (both 4% & 9%) for your project, have you already applied to VHFA for your tax credit award? ☐ yes ☐ no ☐ N/A

[7] Refer to the Agency of Commerce and Community Development's Downtown Program website for additional information http://www.historicvermont.org/programs/downtown.html

Budget

Applicant	Project Title

Other Resources	Type	Amount	Status

Program Area	Activity	VT NSP					Total Activity Costs
	Total Costs	$	$	$	$	$	$
	Percentage of Total	%	%	%	%	%	%

Eligible VT NSP Activities	
Program Area	**Eligible Activity**
Housing	Financing Mechanism- Acquisition
	Financing Mechanism- Disposition
	Financing Mechanism- Relocation
	Financing Mechanism- Direct Home Ownership Assistance
	Financing Mechanism- Rehabilitation
	Financing Mechanism- Clearance for blighted structures only
	Financing Mechanism- Housing Counseling
Housing	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Acquisition
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Disposition
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Relocation
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Direct Home Ownership Assistance
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Rehabilitation
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Clearance for blighted structures only
	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Housing Counseling
Housing	Establish land banks for homes that have been foreclosed upon - Acquisition
	Establish land banks for homes that have been foreclosed upon - Disposition
Housing	Demolish Blighted Structures - Clearance for blighted structures only
Housing	Redevelop demolished or vacant properties - Acquisition
	Redevelop demolished or vacant properties - Disposition
	Redevelop demolished or vacant properties - Relocation
	Redevelop demolished or vacant properties - Direct Home Ownership Assistance
	Redevelop demolished or vacant properties - Rehabilitation
	Redevelop demolished or vacant properties - Clearance for blighted structures only
	Redevelop demolished or vacant properties - Housing Counseling
Public Facilities	Financing Mechanism- Public Facilities and Improvements
Public Facilities	Purchase and rehabilitate abandoned or foreclosed upon homes and residential properties - Public Facilities and Improvements
Public Facilities	Demolish Blighted Structures - Clearance for blighted structures only
Public Facilities	Redevelop demolished or vacant properties - Public Facilities and Improvements

Narrative

The following factors form the basis of the staff analysis of your project. The VCDP Board relies, to a large extent, on staff analysis to make funding recommendations. Please bear in mind that an organized, complete narrative with appropriate supporting documentation are critical to a full and fair analysis of your project.

Need

The project must meet a documented need.

1) Describe the need for this project(s).

2) Summarize and provide documentation of the data which identified the need for this project(s) (cite relevant data and attach any studies or information to support this need).

3) Explain why this is the best approach to meet the need described in question #1 above, and how your proposal will meet this need.

4) Explain other approaches that were considered and explain why they were not pursued.

5) Please state how your project(s) meets the goal of the Vermont Neighborhood Stabilization Program.[8]

6) Describe the effort to obtain other funding and, why particular funding sources were considered but not pursued.

7) If this project is being carried out on a county, regional, or statewide level, the application must include documentation of regional support. Please describe the regional support and include documentation of such support.

8) Please describe, if applicable, any particular issues that make funding of this project time sensitive.

[8] Refer to the Vermont NSP Substantial Amendment for goals of the Vermont NSP at http://www.dhca.state.vt.us/index.htm

Impact

These factors relate to how well the project meets the national objective, as well as its impact on the community.

9) Provide the following:

Number of persons less than 50% of medium income benefiting:	
Number of persons between 51% and 80% of medium income benefiting:	
Number of persons between 81% and 120% of medium income benefiting:	
Sub-total of LMMI persons directly benefiting:	
Number of persons over 120% of medium income directly benefiting:	
Total persons directly benefiting:	

10) Explain how the benefit numbers were determined?

11) Describe the indirect impact to the community and other LMMI beneficiaries that may be indirectly served by the project.

12) Longevity of Benefit and Affordability

a) Describe how the project(s) will ensure continued affordability. Include the tenure of affordability and what mechanism(s) will be employed to guarantee the affordability tenure.

b) Please provide the rent structure for the units of housing to be developed/assisted.

13) Sustainability:

a) Please explain how your project has incorporated both operational and capital (building) sustainability practices and how it will be sustainable over time.

b) All project's assisted with VT NSP funds will be required to meet at a minimum: HUD Section 8 Housing Quality Standards (HQS), Vermont building code requirements, the existing Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP, built environments which are green, energy efficient and healthy, and/or achieve an Energy Star HER rating of 80 or less.

Please address your project's efforts and plan to:

a. meet or exceed HUD Section 8 Housing Quality Standards (HQS):

b. meet or exceed the Vermont building code requirements:

c. meet or exceed the Vermont affordable housing funders' policy on the Conservation of Energy and Water in Residential Properties adopted by VHCB, VHFA and VCDP[9]:

d. promote built environments which are green, energy efficient and healthy (i.e. Green Building concepts, alternative energy or other "green" sustainable practices):

e. and/or achieve an Energy Star HER rating of 80 or less:

**It should be noted that CDBG Lead Paint regulations apply to all NSP funded properties.

Feasibility

The project and its proposed benefit must be feasible.

14) Is the foreclosure process complete?

15) Is the mortgagee in possession of clear title?

[9] Refer to the Vermont NSP Substantial Amendment for a copy of the affordable housing funders' policy at http://www.dhca.state.vt.us/index.htm

16) If the project(s) involves a blighted structure indicate if and how your project structure(s):

a) exhibit objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare;

b) has deferred maintenance items that constitute incipient code violations and which pose an impending threat of harm to the occupants of the dwelling;

c) is unfit for use, habitation or dangerous to persons or other property; and/or

d) shows evidence of physical decay and damage, dilapidation, neglect, unsanitary conditions, environmental or biological contamination, functional obsolescence and lack of maintenance.

e) Provide 3rd party documentation (i.e. letter from town health or fire and safety officers, Labor and Industry, or engineer report) to support the determination of blight.

f) Provide at a minimum 4 digital elevation photos to support the determination of blight.

17) If the project depends upon easements or rights-of-ways, please submit documentation that these have been secured or will provide a timeline indicated when they will be secured.

18) Identify the state and local land use permits which will be required for your project and when you expect such permits to be issued. Attach a Project Review Sheet with your application.[10]

19) Identify the status of commitments from each of the other funding sources. Explain when commitments are expected from each funding source if not already in hand. (Documentation for each source must be included in the application.)

[10] Insert a link to obtain a completed Project Review Sheet from Department of Environmental Conservation. Refer to http://www.anr.state.vt.us/dec/ead/pa/index.htm for project review sheet and permitting assistance.

20) If there is need for a marketing plan to advise potential users of the services that would be provided through the grant, provide a summary and attach a copy of this plan.

21) Timetable:

a) What is the proposed time table for the project? Include the estimated dates for each proposed activity (e.g., acquisition, construction, relocation, provision of services, etc.), as well as for the achievement of the Benefit (the National Objective) and grant closeout.

b) How was this time table determined?

22) What experiences have the project developers had that is similar to this project?

23) What organizations and/or individuals will be involved with managing the project once implemented? Include their roles, responsibilities, and track records.

24) Project Costs:

a) Submit supporting documentation and/or assumptions to support the costs shown on the Application Budget.

b) Please explain how project cost overruns will be addressed.

25) Attach the following financial projections and assumptions:

a) Financial Statements (operating income and expenses) for most recent 3 years

b) Operating *pro forma* projected at 15- years beyond the grant completion date or for at least the term project financing, which ever is greater.

c) Submit supporting documentation and assumptions to support the operating *pro forma*.

26) Include, where applicable:

a) Resolution to Apply

b) Certification of Program Income/Unrestricted Revenue (municipalities only)

c) All appraisals (completed within 60 days prior to an offer made for the property)[11]

d) Evidence of foreclosure

e) Purchase and sales agreement(s)

f) Proposed lease(s)

g) Market study(ies)

h) Site control information

i) 3rd party evidence and digital photos of blighted structure(s)

j) Documentation of Other Resources

k) Documentation to support costs shown on the application budget

l) Most recent 3 years financial statements

m) Pro Forma projected for at least 15 years and assumptions to support the pro forma

n) Most recent 990 tax forms – 1st and last page (non-profit applicants only)

o) Certificate of Good Standing (non-profit and for-profit applicants only)

p) Site Plans

q) Common Housing Application

r) Documentation of Regional Support

s) Project Review Sheet

t) Other as appropriate

[11] For NSP appraisal requirements refer to the Refer to the U.S. Department of Housing & Urban Development's (HUD) website at http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/

RESOLUTION FOR VERMONT NEIGHBORHOOD STABILIZATION GRANT APPLICATION AUTHORITY

Municipal Applicant

WHEREAS, the __________ of ______________________(hereinafter "Applicant") is applying for a Grant under the Vermont Community Development Program; and

WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Applicant possesses the legal authority as defined in the State Act [10 VSA §683(8)] to apply for the grant and to administer the program; and

2. that Applicant apply for a grant under the terms and conditions of said program and agree hereby to enter into Certifications and Assurances there of; and

3. that ____________________________________ is hereby authorized to be Contact Person and as such to provide, on behalf of Applicant, all documents and information necessary for the completion of said application and to provide such coordination as may be necessary for said application; and

4. that (Name)________________________________Title_______________________________who is either the Chief Executive Officer (CEO), as defined by 10 VSA §683(8), or is the Town Manager, the City Manager, or the Town Administrator, is hereby designated to serve as the signatory of said grant application; and

5. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this _________________ day of _____________________, _____.

LEGISLATIVE BODY

____ ____

____ ____

____ ____

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of _______________, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _________, _____.

____ ____

Clerk Signature

RESOLUTION FOR VERMONT NEIGHBORHOOD STABILIZATION GRANT APPLICATION AUTHORITY

Lead Municipal Applicant of Consortium

WHEREAS, the __________ of ____________________________ (hereinafter "Lead Applicant") does join with the [list all other consortium members]____________________ to apply for an Implementation Grant under the Vermont Community Development Program; and

WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Lead Applicant possesses legal authority as defined in the State Act [10 VSA Ch. 29] to apply for the grant and to administer the program; and

2. that Lead Applicant joins with the above named municipalities to apply for a grant under the terms and conditions of said program and agrees hereby to enter into Certifications and Assurances there of; and

3. that ____________________________________ is hereby authorized to be Contact Person and as such to provide, on behalf of all Applicants, all documents and information necessary for the completion of said application and to provide such coordination as may be necessary for said application; and

4. that Lead Applicant, in so applying, consents to act in the capacity of Lead Applicant; and

5. that (Name)________________________________Title________________________________who is either the Chief Executive Officer (CEO), as defined by 10 VSA §683(8), or is the Town Manager, the City Manager, or the Town Administrator, is hereby designated to serve as the signatory of said grant application as the lead applicant; and

6. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this __________________ day of ______________________, _____.

LEGISLATIVE BODY

___________________________________ ___________________________________

___________________________________ ___________________________________

___________________________________ ___________________________________

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of _______________, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _________, _____.

___________________________________ ___________________________________

Clerk Signature

RESOLUTION FOR VERMONT NEIGHBORHOOD STABILIZATION GRANT APPLICATION AUTHORITY

Participating Applicant of a Consortium

WHEREAS, the __________ of ____________________________ (hereinafter "Joint Applicant") does join with the [list all other consortium members including the lead applicant] to apply for an Implementation Grant under the Vermont Community Development Program; and

WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Joint Applicant possesses legal authority as defined in the State Act [10 VSA Ch. 29] to apply for the grant and to administer the program; and

2. that Joint Applicant joins with the above named municipalities to apply for a grant under the terms and conditions of said program and agrees hereby to enter into Certifications and Assurances there of; and

3. that Joint Applicant, in so applying, consents to the ________ of __________________acting in the capacity of Lead Applicant; and

4. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Lead Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost

Passed this __________________ day of _______________________, _____.

LEGISLATIVE BODY

_______________________________ _______________________________

_______________________________ _______________________________

_______________________________ _______________________________

_______________________________ _______________________________

_______________________________ _______________________________

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of ________________, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _________, _____.

_______________________________ _______________________________

Clerk Signature

RESOLUTION FOR VERMONT NEIGHBORHOOD STABILIZATION GRANT APPLICATION AUTHORITY

Non Municipal Applicant(s)

WHEREAS, ______________________________(hereinafter "Applicant") is applying for a Vermont Neighborhood Stabilization Grant under the Vermont Community Development Program; and

WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Applicant possesses the authority to apply for said grant and to administer said program; and
2. that Applicant apply for a grant under the terms and conditions of said program and agree hereby to enter into Certifications and Assurances there of; and
3. that ____ Title__________________________________is hereby authorized to be Contact Person and as such to provide, on behalf of Applicant, all documents and information necessary for the completion of said application and to provide such coordination as may be necessary for said application; and
4. that ___________________________________Title__________________________________who is either the Chief Executive Officer (CEO) is hereby designated to serve as the signatory of said grant application; and
5. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this ____________________ day of ________________________, _____.

BOARD OF DIRECTORS

____ ____

____ ____

____ ____

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the ____________________________________held on the ____day of ________________, ____.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _________, _____.

____ ____

Title Signature

CERTIFICATION OF PROGRAM INCOME/UNRESTRICTED REVENUE AVAILABLE

Municipality ______________________________ Reporting Date ________________

Project Title ____

Check appropriate box [ ] Applicant | consortium [ ] Lead Applicant [ ] Participating Applicant

Income/Revenue Generated From VCDP or HUD Funded Grants

Schedule 1 Establishment of the Current Cash Balance (Please be sure to add the Fiscal Year dates)

	Third Previous Fiscal Year FY______	Second Previous Fiscal Year FY______	First Previous Fiscal Year FY______	Current Fiscal Year FY______
Opening balance	$	$	$	$
Plus total receipts during fiscal year				
Less total outlay during fiscal year				
Ending balance (becomes the opening balance in next FY)	$	$	$	
Current balance as of ______________ (date)				$

Schedule 2 Establishment of the amount of Current Cash Balance that is Obligated

Explanation of Obligation (attach additional sheets if necessary)	Amount Obligated
	$
Total of all Obligations	$

Determination of what should be considered for use in this application:

Current balance from Schedule 1 .... $____________
Less total of all Obligations from Schedule 2 .... $____________
Equals the amount potentially available .... $____________
Amount of this that is committed to the proposed project............................. $____________

Narrative (Explain the information displayed on this form)

Describe how the funds were used during the past three years. Give the purpose and amounts for each loan or grant.

Describe the process used to "Obligate" in Schedule 1 from the amounts listed in Schedule 2. Include a copy of loan policies that govern the expenditure of revolving loan funds.

Explain what loan payments are expected during the term of the proposed project(s), whether there will be balloon payments or other receipts of funds.

Indicate whether or not there has been any consideration given to selling the loan portfolio on the secondary market. If so, when would that happen?

Provide an explanation of any portion of the amount potentially available that is <u>not</u> being committed to the proposed project(s).

Vermont NSP Proposal Review Scoring Criteria

Project appropriately responds to documented need	25
Project Readiness, proceed and obligate funds in 12 months	20
Demonstrated capacity and experience of project developer	15
Project benefits ≤ 50% of area median income individuals	10
Project preserves existing public subsidy/investment	7
Project demonstrated longevity of benefit and affordability	7
Project design incorporates energy efficiency and conservation	5
Project located in designated downtown, village, new neighborhood or growth center	4
Project eliminates health or safety issues	3
Demonstrated project sustainability - cash flows	2
Cost effectiveness and match/leverage of NSP funds	1
Project meets other Consolidated Plan Priorities	1