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CONTROLLER

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DEFINITION OF TERMS

Abandoned Housing – A residential structure 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 – The extent to which gross housing costs (rents and utilities) do not exceed thirty percent (30%) of the household's gross monthly income

Affordability Period – The amount of time that a property assisted with NSP funds must remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income. The Housing and Economic Recovery Act (HERA) requires a period not less than the minimum affordability in the HOME regulations at 24 CFR 92.252(a), (c), (e), and (f) and 92.254. Housing and Community Development will ensure and enforce the affordability periods through Land Use Restrictions and legally binding agreements.

Amendment to the Consolidated Plan – A change in the budget, scope, location or beneficiaries of a community development-funded project that requires revision of the Plan.

Blighted Structure – A residential or commercial building that exhibits an extensive level of physical decline or decay.

Consolidated Plan – Annual submission to HUD that combines the Comprehensive Housing Affordability Strategy (CHAS) and a community development plan which encompasses the use of five (5) federal grants: CDBG, ESG, HOME, ADDI and HOPWA.

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 of 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.

Housing Rehabilitation Standards – The general inspection standards currently utilized by Housing and Community Development will be used to assess properties assisted with Neighborhood Stabilization Program (NSP) funds.

LMMA – Designation for low–moderate–middle income area

LMMC – Designation for low-moderate-middle- income limited clientele

LMMH – Designation for low-moderate–middle-income households.

LMMJ – Designation for low-moderate-middle income jobs

Middle Income – Category of individuals and households whose incomes exceed (80%) but are below (120%) of area median income. This category is eligible for assistance under the NSP grant.

Neighborhood Stabilization Program – Established to assist in the redevelopment of abandoned and foreclosed homes under the Housing and Economic Recovery Act of 2008.

INTRODUCTION

The **Neighborhood Stabilization Program (NSP)** was established under Title III of the Housing and Economic Recovery Act of 2008, to assist cities and states in redevelopment of abandoned and foreclosed homes in economically distressed areas. The City of Houston Housing and Community Development Department (HCDD) has identified at-risk areas for foreclosures, established demonstration NSP Target Zones, developed a plan-of-action to address foreclosure issues and substantially amended the **2008 Consolidated Action Plan** to include stabilization strategies. HCDD stabilization strategies are based on achievement of two (2) goals. First, secure removal of abandoned residential foreclosed structures that are a physical blight on low and moderate-income areas. Second, enhance opportunities for redevelopment of target neighborhoods through provision of incentives for construction/preservation of affordable housing units.

HCDD consulted a number of resources in researching the extent of residential foreclosures in Houston, among them, the Federal Reserve Bank of Dallas, Mortgage Bankers Association, U.S. Census, and U.S. Department of Housing and Urban Development (HUD). Through the NSP, the City of Houston is scheduled to receive \$13,542,193 to finance improvement strategies in areas impacted by residential foreclosures. Houston's NSP Plan identifies areas of greatest need, households to be targeted, proposed distribution of federal funds, and strategies to combat the adverse effect of foreclosures.

A summary of the NSP Plan was published in the Houston Chronicle on November 3, 2008. The public was invited to comment on the application during the 15-day review period (11/4-11/18). See appendices for public comments received.

AREAS OF NEED

Based on number of foreclosures, housing characteristics and census data, HCDD rated Houston census tracts as to the possible risk for increased foreclosures and abandonments. The level of risk ranged from ten (10) the highest, to one (1) the lowest. Results of HCDD's assessment are outlined on the following map. The Housing and Community Development Department (HCDD) decided to concentrate initial NSP strategies in the highest risk areas, those scoring nine (9) or ten (10), to first contain and then reduce foreclosure and abandonment issues in communities bearing the brunt of this problem. HCDD established Target Zones as project areas for the NSP. (See maps of NSP Target Zones.) Within each of these zones, NSP funds will be leveraged with private sector and local dollars to reduce foreclosures, increase homeownership,

expand the stock of affordable housing while removing the presence of vacant and abandoned buildings.

TARGETED HOUSEHOLDS

The primary beneficiaries of the **Neighborhood Stabilization Program** are those households that have an income at or below 120 percent of the area median income. Houston's median family income is \$61,100. To be eligible for participation in NSP, the household income can not exceed \$73,320. In addition, twenty-five percent (25%) of NSP dollars (\$3,385,549) will be restricted to those households at or below fifty percent (50%) of Houston's area median income (\$30,550).

DISTRIBUTION OF FUNDS

The City of Houston will comply with Section 2301(c)(2) of Housing and Economic Development Recovery Act (HERA) by allocating the \$13,542,193 NSP funds among the following:

- \$1,354,219 for administrative use
- \$3,385,549 to benefit individuals at or below 50% of Area Median Income
- \$8,802,425 to benefit individuals at or below 120% of Area Median Income

PROPOSED USE OF FUNDS

The majority of Neighborhood Stabilization Program (NSP) dollars will be targeted to inner-city neighborhoods where residential foreclosures have occurred, where the risk for additional foreclosures is high, and where there are a significant number of abandoned residential properties. Housing and Community Development Department (HCDD) will use NSP dollars to finance two (2) community improvement projects, one for Acquisition/Blight Removal and the other for Acquisition/Rehabilitation of Residential Properties. HCDD will engage in these activities through a Request for Proposals process to ensure compliance with federal regulations.

Acquisition/Blight Removal

Through a Request for Proposals (RFP), HCDD will coordinate the identification, acquisition and re-use of abandoned, foreclosed residential properties in areas targeted for the Neighborhood Stabilization Program (NSP). Program dollars will be used for acquisition of sites, which includes appraisals and environmental assessments, demolition of existing blighted structures, and maintenance of sites. These lots will ultimately be conveyed to qualified builders for construction of affordable residential

units. Builders will then sell the home to income-eligible homebuyers. Each unit brought on line through NSP will have an affordability period of five (5) years.

NSP requires that purchase of foreclosed property be at a discount from current “market appraised value”. Consequently, sale of the revitalized/redeveloped site, to income-eligible homebuyers, must be **equal to or less** than the cost to acquire and convert into safe, sanitary housing.

Acquisition/Rehabilitation Residential Properties

A Request for Proposals (RFP) will be issued to solicit a non-profit corporation(s), active in affordable housing, to coordinate the acquisition and rehabilitation of foreclosed residential properties in NSP target areas. Acquisition includes appraisals and environmental assessments of sites. As with Acquisition/Blight Removal, NSP will finance purchase, maintenance, and rehabilitation of residential structures for sale to home buyers at or below fifty percent (50%) of the area median income. Each unit will have a minimum affordability period based on HOME regulations.

Purchase of foreclosed property will be at a discount from the current “market appraised value”. Also, sale of rehabilitated residential units to income-eligible homebuyers must be **equal to or less** than the cost to acquire and convert into safe and sanitary housing.

**NEIGHBORHOOD STABILIZATION PROGRAM
PROPOSED PROJECT ACTIVITIES**

Activity Name – Acquisition/Blight Removal

Activity Type – Acquire foreclosed abandoned residential sites. Demolish existing structures and maintain sites until conveyed to qualified builders for construction of residential units. These housing units will then be sold to income-eligible homebuyers.

National Objective – 24CFR 570.201 (a) (b)

Projected Start Date – January 2009

Projected End Date – June 2019

Location Description – Acquisition/Blight Removal Program will occur in NSP target areas.

Total Budget – \$8,802,425

Performance Measures – Reduced number of foreclosed blighted properties in target areas.

**NEIGHBORHOOD STABILIZATION PROGRAM
PROPOSED PROJECT ACTIVITIES**

Activity Name - Acquisition/Rehabilitation Residential Properties

Activity Type – Acquire foreclosed and abandoned residential properties. Renovate residential structures and sell to qualified individuals at or below 50% of area median income.

National Objective – 24 CFR 570.201(a)(b)

Projected Start Date – January 2009

Projected End Date – June 2019

Location Description – The acquisition will occur in target areas.

Total Budget – \$3,385,549

Performance Measures –Number of lots acquired in the target areas. Cost of total portfolio acquired is less than appraised market value. Lots acquired are sold to qualifying individuals.

**NEIGHBORHOOD STABILIZATION PROGRAM
PROPOSED PROJECT ACTIVITIES**

Activity Name - Program Administration

Activity Type – Covers staff costs associated with deliverables in managing NSP.

National Objective – 24 CFR 570.202

Projected Start Date – January 2009

Projected End Date – June 2010

Location Description – Not Applicable

Total Budget – \$1,354,219

Performance Measures – The number of foreclosed blighted properties reduced in target areas. The number of lots acquired in target areas and then sold to qualifying individuals.

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

Title

APPENDICES

PUBLIC COMMENTS

The City of Houston's Housing and Community Development Department (HCDD) pursued several strategies in publicizing the Neighborhood Stabilization Program (NSP) and application. First, in a public notice appearing in Houston's daily (10/24/08) and several community newspapers, HCDD announced the creation and goal of NSP and the forthcoming "substantial" amendment of the **2008 Consolidated Action Plan**. A summary of the Neighborhood Stabilization Plan/Amendment was published in the daily newspaper (11/3/08) and residents were encouraged to submit comments during the fifteen (15) day review period which extended from November 4th through November 18th. In addition, the NSP summary was also placed on HCDD's website. Draft copies of the NSP Amendment/Application were distributed at the November 12th public hearing on the 2009 Consolidated Action Plan.

HCDD did not receive any comments/questions about NSP at the public hearing. However, following the hearing, comments/questions were received from Boat People SOS (BPSOS) and from the Local Support Initiative Corporation (LISC). BPSOS wanted to have an opportunity to assist the Vietnamese community with information about the Neighborhood Stabilization Program, particularly translating the information and outlining the process for accessing services. BPSOS's comments were related to the Housing Department's goal of contracting with appropriate non-profits for delivery of services through NSP. As detailed in the plan/application, the services of such non-profits would be secured through issuance of a Request for Proposals. Housing and Community Development Department stressed that the process would be open and competitive.

LISC submitted the agency's comments in a letter dated November 18th. The letter follows on the next page.

