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CONTROLLER

Annise D. Parker

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INTRODUCTION

The City of Houston has prepared this Amendment to the 2008 Consolidated Action Plan, which was submitted to the U. S. Department of Housing and Urban Development (HUD) on May 2, 2008, to include the additional allocation of \$13,542,193 under Title III of the Housing and Economic Recovery Act of 2008 – Neighborhood Stabilization Program.

The Neighborhood Stabilization program (NSP) provided a total of \$3.92 billion to state and local governments to help address the effects of abandoned and foreclosed properties in the nation's communities. The City of Houston Housing and Community Development Department (HCDD) proposes to use NSP dollars to fund projects that will stabilize three targeted neighborhoods as detailed in this Amendment. The Target Zones represent those areas with the greatest need for action to address foreclosure issues and the effects of significant numbers of foreclosures on remaining homeowners in these neighborhoods. The City of Houston will fund projects that acquire and rehabilitate both lender- and tax-foreclosed properties, properties in the process of foreclosure, and abandoned properties, with the intent to place these properties back into use by low-moderate-middle income families as quickly as possible.

HCDD will accomplish this by undertaking the activities described in this Amendment. The City of Houston remains committed to its core strategy of conserving owner-occupied housing; subsidizing qualified candidates to become homebuyers; providing zero percent performance-based loans to encourage improvement of multi-family units; and leveraging federal funds with private dollars to revitalize income-eligible areas through the construction and preservation of safe, sanitary, and affordable housing units.

A summary of the NSP was published in the Houston Chronicle on November 3, 2008 and on the HCDD website. Full copies of the NSP were made available at the HCDD office at 601 Sawyer, Houston, Texas and at a public hearing held on November 12, 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.

A. AREAS OF GREATEST NEED

Houston is the fourth-largest city in the nation, yet was able to offer affordably priced, attractive housing in a balanced market for many years. The City of Houston Planning and Development Department estimates that as of January 2008, Houston had a population of 2,229,199 residents. The majority of Houstonians (53.3 percent) are low and moderate-income (LMI) and most of the LMI residents are minorities. Affordability has become a housing issue in recent years. Rental rates and purchase prices have increased rapidly, therefore limiting LMI resident's ability to afford housing. This affordability squeeze, coupled with

sub-prime lending practices and increased tax delinquency among home owners, has destabilized a number of neighborhoods. Specifically, the median value of owner-occupied housing increased from \$79,300 in 2000 to \$119,400 in 2006. This increased value raises taxes by approximately 50% for the resident family. A similar level of increase in housing costs has also affected median rent, which was \$575 per month in 2000, increasing to \$729 in 2006. (Source: U.S. Census Bureau, 2006 American Community Survey).

The recent hurricanes (Katrina, Rita, and Ike) have further affected the Houston Area affordable housing supply. Numerous dwelling units were affected by the storms, and the number of households seeking alternative housing while their original homes are under repair has increased demand for housing. Houston has taken in temporary and permanent residents from neighboring counties and states impacted by the storms. Simultaneously, drastic reduction of credit availability to the home building industry has cut available supply of housing. The need or demand for affordable housing is out of balance with the supply.

To identify areas with the greatest need for the NSP, HCDD rated census tracts and zip codes based upon the number of credit and tax foreclosures, numbers of REO (real estate owned) properties by lenders, and data provided by HUD regarding risk of foreclosure and relative levels of subprime lending. HCDD used risk ratings to determine census tracts most impacted by increased foreclosure activity. The level of risk ranged from ten (10) the highest, to one (1) the lowest.

The results of HCDD's risk assessments were mapped. From this data, contiguous high risk areas were designated as Target Zones, containing the most properties scoring nine (9) or ten (10). The attached maps (1 thru 6) present the Target Zones. Within these zones, using data on foreclosure activity by zip code, HCDD calculates that during March 2008, a total of 7,584 properties were foreclosed by lenders and municipalities and 758 properties were REO. To address these areas of greatest need, NSP funds will be leveraged with private sector partners to address foreclosures, increase homeownership, and expand the stock of affordable housing while removing the blight of vacant and abandoned buildings.

B. DISTRIBUTION AND USES OF FUNDS

The City of Houston proposal meets the requirements of Section 2301 (c) (2) of the Housing and Economic Development Recovery Act (HERA). The funds must be distributed to the areas of greatest need, including those with the greatest percentage of foreclosures, the highest percentage of homes financed by sub-prime loans, and areas likely to face a significant rise in the rate of single family and multi-family foreclosures. Since the City of Houston is so large, and a majority of households are low and moderate income, the Target Zones were

developed, as described above, to focus efforts on the neighborhoods with the greatest need.

Based upon the data found in the Target Zones, HCDD has determined that the fastest response to addressing these needs will be implemented via three activities or programs to which the \$13,542,193 of NSP funds will be expended as follows:

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

HCDD anticipates the following deliverable utilizing the above dollar allocations:

- 40 units of for-sale housing for low-income (<50% of AMI) households
- 220 units acquired to be conveyed to qualified third parties to construct affordable housing

Details are provided in Section G of this Application.

C. Definitions and Descriptions

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. HCDD uses the current HOME rent schedule to ensure that rents are affordable. Rent schedules include the cost of utilities in the rent amount.

Income Limits	Efficiency Unit	1-bedroom	2-bedroom	3-bedroom	4-bedroom	5-bedroom
<50% AMI	\$535	\$573	\$687	\$794	\$886	\$978
<80%AMI	\$631	\$705	\$852	\$999	\$1094	\$1189
<120%AMI	\$631	\$702	\$852	\$1042	\$1297	\$1642

Affordability Period – The amount of time that a property assisted with NSP funds must remain affordable to individuals or families who are income-qualified for NSP programs. 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 that will be monitored via existing monitoring protocols.

Current HCDD affordability standards are based upon the dollar amount of benefit to households. In the case of multiple sources of assistance to a project (for example, both NSP and HOME) a subsidy layering analysis will be conducted by beneficiary and the appropriate affordability period will be structured as follows:

Total Benefit less than \$15,000	5 year affordability
Total benefit \$15,000-40,000	10 year affordability
Total benefit greater than \$40,000	15 year affordability

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 such that it constitutes a hazard to safety, health, or public welfare, or is a fire hazard.

Consolidated Action 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 are the Housing

Quality Standards (HQS) promulgated by HUD. HQS will be used to assess properties assisted with Neighborhood Stabilization Program (NSP) funds. Additionally, the City of Houston has adopted a set of minimum building standards in Chapter 10, Section 9, of the Code of Ordinances. These standards are included by reference into this definition.

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.

D. LOW INCOME TARGETING

The NSP requires that 25% of funds must be used to purchase and redevelop abandoned or foreclosed properties for housing individuals and families whose incomes do not exceed 50% of AMI. As indicated in Section B, above, a total of \$3,385,549 will be allocated to assist these households.

E. ACQUISITIONS AND RELOCATION

HCDD plans to acquire, or to assist non-profit groups to acquire, properties in the Target Zones. Project activities will focus on acquiring abandoned or vacant properties and therefore minimizing the need for relocation. It is anticipated that any funds needed to relocate families under the URA will be funded under the NSP as a cost of program activity.

The acquisition of multi-family properties will be limited to those that are vacant. It is anticipated that any multi-family properties acquired will be so blighted as to

require demolition. HCDD plans to redevelop these multi-family properties for ultimate use as single family for-sale housing.

F. PUBLIC COMMENT

HCDD used several mediums in publicizing the NSP and application. On 10/24/2008, HCDD announced the intent to substantially amend the 2008 Consolidated Action Plan in Houston's daily and community newspapers. A summary of the Amendment was published in the Houston Chronicle newspaper on 11/3/08 and residents were encouraged to submit comments during the fifteen day review period. In addition, the NSP summary was 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. Copies were also available at HCDD offices at 601 Sawyer.

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 and HCDD response follow at the end of the revised application.

G. NSP PROGRAM BY ACTIVITY

Activity Name	Foreclosed Housing Acquisition, Repair and Resale
NSP Eligible Use	B, D, and E
Project Budget	\$3,385,549
Location	Target Zones 1,2,3
Objective	Housing
National Objective	LMMH
Consolidated Plan Objective	Expanding the stock of safe, sanitary, affordable housing
Citation	24CFR Part 570
Affordability Period	5,10, or 15 years depending on subsidy analysis
Performance Measures	40 properties acquired; 40 units produced; all at or below 50% of AMI
Start Date	Upon HUD approval
End Date	18 months from approval for acquisition; 36 months for repair and resale

Activity Description:

HCDD will acquire foreclosed properties at a maximum of 85% of appraised value with an overall NSP portfolio average no greater than 85% of appraised value. Properties will be secured/demolished as needed for safety and blight removal. HCDD will, through an RFQ/RFP process, either repair and resell these properties to qualified low-income buyers, or convey these properties to qualified non-profit developers to perform all needed repairs to bring properties into Housing Rehabilitation Standards compliance.

These properties will be sold to income-qualified households earning less than 50% of AMI. Households earning less than 50% AMI will be affirmatively sought for participation in this program. Any profit from sale must be retained by a non-profit developer to engage in further low-moderate income housing programs, or returned to HCDD, in accordance with established resale/recapture provisions.

Homebuyers will be required to take an 8 hour training course to qualify for purchasing one of these homes.

Use of sub-prime loans will be disallowed. In lieu of such loans, additional subsidies will be considered to assure buyers are committed to mortgages they can sustain. Home buyers may qualify for down payment assistance under HCDD's existing HAP program. Affordability periods will reflect total subsidy in place per homeowner to be determined through a subsidy layering analysis. Long term affordability will be ensured via the affordability covenants and/or second mortgage normally placed by HCDD on homes serviced via the HAP downpayment assistance program.

This program will be available to all households earning less than 50% of AMI within the City of Houston.

It is anticipated that properties will be acquired and repaired at an average cost of \$85,000 per property. A total of 40 beneficiary households are anticipated. Of these, the program will exclusively serve families below 50% .

G. NSP PROGRAM BY ACTIVITY (continued)

Activity Name	Acquisition/Blight Removal/Redevelopment
NSP Eligible Use	B, D, and E
Project Budget	\$8,802,425
Location	Target Zones 1,2,3
Objective	Housing
National Objective	LMMH
Consolidated Plan Objective	Expanding the stock of safe, sanitary, affordable housing
Citation	24CFR Part 570
Affordability Period	5 , 10, or 15 years depending on subsidy analysis
Performance Measures	220 units acquired to be conveyed to qualified third parties to construct affordable housing
Start Date	Upon HUD approval
End Date	18 months from approval for acquisition with complete liquidation of all land no greater than 120 months from HUD approval

Activity Description:

HCDD will acquire foreclosed properties at a maximum of 85% of appraised value with an overall NSP portfolio average no greater than 85% of appraised value. Properties will be secured/demolished as needed for safety and blight removal.

These properties will be conveyed to qualified third parties to construct new for-sale housing units affordable to LMMH.

Use of sub-prime loans will be disallowed. In lieu of such loans, additional subsidies will be considered to assure buyers are committed to mortgages they can sustain. Home buyers may qualify for down payment assistance under HCDD's existing HAP program. Affordability periods will reflect total subsidy in place per homeowner to be determined through a subsidy layering analysis. Long term affordability will be ensured via the affordability covenants and/or

second mortgage normally placed by HCDD on homes serviced via the HAP downpayment assistance program.

This program will be available to all households earning less than 120% of AMI within the City of Houston. Homebuyers will be required to take an 8 hour training course to qualify for purchasing one of these homes.

HCDD anticipates acquiring properties at an average of \$20,000 per property and investing no more than an additional \$20,000 per unit on average into the properties (\$40,000 per unit total) for such items as securing property, environmental studies, surveys, and similar. Properties will be conveyed quickly to third parties to develop. HCDD's intent is not to land bank but to place these unused properties into the housing pool as rapidly as possible.

HCDD anticipates acquiring properties with a total of 220 units. HCDD also anticipates creating 220 units of housing. All units will be available to households earning less than 120% of AMI.

G. NSP PROGRAM BY ACTIVITY (continued)

Activity Name	Program Administration
NSP Eligible Use	N/A
Project Budget	\$1,354,219
Location	N/A
Objective	Housing
National Objective	LMMH
Consolidated Plan Objective	Expanding the stock of safe, sanitary, affordable housing
Citation	24CFR Part 570
Compliance Period	N/A
Performance Measures	Staff costs of administering NSP grant funds.
Start Date	Upon HUD approval
End Date	18 months from approval for acquisition; 36 months for repair and resale

Activity Description:

Ten percent of the award amount is allowed for program administration. This activity will allow for the planning, performance, and monitoring of activities undertaken under the NSP.

CERTIFICATIONS

Original Documents and Signatures were submitted to HUD

On November 25, 2008

- (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



November 18, 2008

Mr. Richard Celli
Director
Housing & Community Development Department
City of Houston
P.O. Box 1562
Houston, Texas 77251

Delivered Electronically

Dear Mr. Celli:

Houston LISC appreciates the opportunity to contribute the following recommendations for consideration regarding the City's Neighborhood Stabilization Program Draft Plan, currently open for public comment.

One of our most pressing concerns is that the NSP Plan would include only the minimum Affordability Period required by HUD, i.e., 5 years. The legislation creating this one-time funding opportunity, HERA, clearly anticipated "continued affordability" and encourages Grantees to "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...".

We encourage you to consider various ways to increase the affordability period for the properties purchased with NSP funds. For the past fifteen years, HUD has recognized the value of Community Land Trusts, as evidenced by the Notice issued on December 20, 1993, CPD-93-42, stating that

"Community Land Trusts are, perhaps, one of the most effective means of ensuring permanent affordability of resident ownership simply because the trust maintains ownership of the land. The objective of a CLT is to acquire land and make it available to individual families, cooperatives and others through long term leases up to 99 years. While the leaseholders do not hold title to the land, they may own the buildings or housing units/structures on the land."

We encourage the City of Houston to specifically include Community Land Trusts in the Program design, and to work with local non-profits to create one or more Community Land Trusts in Houston. LISC is available as a resource for this effort. The City of Austin has created a successful model that is consistent with Texas law and market conditions.

Secondly, acknowledging that we are experiencing an historic tightening of credit, particularly home mortgage lending for buyers with incomes below 50% of AMI, we recommend that Acquisition/Rehabilitation activity include and encourage non-profit ownership of rental properties for individuals and families below 50% AMI, as an alternative to homeownership. This will also ensure the timely use of the NSP funding, regardless of market conditions.

The Local Initiatives Support Corporation (LISC) is a national nonprofit community development support organization with a local presence. LISC is dedicated to helping community organizations transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity — good places to work, do business and raise children.

Thank you for your efforts to create a plan to assist Houston neighborhoods during this challenging time. We appreciate your consideration of our comments. We look forward to working with you in the implementation of the Neighborhood Stabilization Program.

Sincerely,

A handwritten signature in black ink, appearing to read "Amanda Timm", with a long horizontal flourish extending to the right.

Amanda Timm
Executive Director



CITY OF HOUSTON
Housing & Community Development Department

Bill White

Mayor

Richard S. Celli
Director
601 Sawyer Street
Houston, Texas 77007

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December 22, 2008

Amanda Timm
Executive Director
Local Initiatives Support Corporation
2640 Fountainview Drive, Suite 220
Houston, Texas 77057

Dear Ms. Timm:

Thank you for your letter regarding the Neighborhood Stabilization Program (NSP) for the City of Houston. The Housing and Community Development Department (HCDD) is diligently working to implement plans that will assist Houston neighborhoods with the greatest needs. The NSP funds will allow HCDD to address foreclosure issues and remain committed to providing affordable housing for low to moderate income residents.

I appreciate your comments and look forward to working with you in the future.

Regards,

Richard Celli