

THE NEIGHBORHOOD STABILIZATION PROGRAM

SUBSTANTIAL AMENDMENT

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INTRODUCTION

On April 15, 2008, the Contra Costa County Board of Supervisors approved the County's FY 2008/09 Annual Action Plan of the Five Year (2006 – 2010) Consolidated Plan for Community Development Block Grant (CDBG) funds. On July 30, 2008, President Bush signed into law the 2008 Housing and Economic Recovery Act (HERA). HERA included a special allocation of CDBG funds, known as Neighborhood Stabilization Program (NSP) funds. NSP provides targeted emergency assistance to state and local governments to acquire and redevelop abandoned and foreclosed residential properties that might otherwise become sources of abandonment and blight within our communities. Contra Costa County, as the Urban County¹ lead agency, has been allocated \$6,019,051 in NSP funds.

HERA requires that these funds are targeted to the areas with the greatest need as determined by the percentage of subprime or high cost mortgages, rate of foreclosures, and risk of further decline through foreclosures and abandonment. The County has 18 months to fully obligate these funds, and four years to expend all funds. Any program revenue can be reallocated to NSP eligible uses through 2014.

The purpose of this substantial amendment to the annual action plan is to set forth the target areas and programs for the Contra Costa NSP activities.

HERA required the U.S. Department of Housing and Urban Development (HUD) to allocate funds and implement NSP very quickly. Consistent with HERA, HUD is requiring local jurisdictions receiving NSP funds to also respond quickly. Due to the highly constrained time frame in which HUD and local jurisdictions are working, elements of NSP are still being evaluated and clarified while plans and programs are being drafted. Therefore, this amendment contains some flexibility to allow the County to make modifications in program design during the next 18 months without requiring additional substantial amendments. However, several activities do not have funds

¹ The Urban County includes the unincorporated County and all cities with the exception of Antioch, Concord, Pittsburg, Richmond, and Walnut Creek. Antioch and Richmond received direct allocations of NSP funds. If the State finds Concord, Pittsburg, and Walnut Creek to be high impact communities, they may apply to the State for NSP funds.

allocated at this time. Revising the overall budget to fund these activities is considered a substantial amendment and will require a public notice and comment period.

A. DEFINITIONS AND DESCRIPTIONS

- (1) “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.
- (2) “Affordable Housing Cost for Owner-Occupied Housing”
 - a. For low income households, affordable housing cost shall not exceed the product of 40 percent times 50 percent of the area median income adjusted for household size appropriate for the unit.
 - b. For moderate income households, whose gross incomes exceed the maximum income for low income households and do not exceed middle income households, the product of 40 percent times 70 percent of the area median income adjusted for household size appropriate for the unit.
 - c. For middle income households, affordable housing cost shall not exceed the product of 40 percent times 110 percent of the area median income adjusted for household size appropriate for the unit.
- (3) “Affordable Rents”
 - a. For low income households, the product of one-twelfth of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.
 - b. For moderate income households whose gross incomes exceed the maximum income for low income households, the product of one-twelfth of 30 percent times 65 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.
 - c. For middle income households, the product of one-twelfth of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit, less an allowance for tenant paid utilities.
- (4) “Area Median Income” shall be determined by the U.S. Department of Housing and Urban Development for the Oakland-Fremont , CA HUD Metro FMR area. This area includes all of Alameda and Contra Costa counties.
- (5) “Blighted Structure” shall mean buildings or conditions causing blight as defined in California Health and Safety Code Section 33031(a)(1) and (2)
- (6) “Continued Affordability” for Owner Occupied Housing shall meet or exceed the HOME Investment Partnerships Act (HOME) minimum requirements [24 CFR 92.254 (a)(4) and (5)] and shall mean one or more of the following:

- a. Deed Restricted Programs: Buyers of homes assisted with NSP funds in a deed restricted program shall enter into a resale restriction agreement that shall restrict the future sales price to keep the home affordable to future buyers. The resale restriction will also require future purchasers to be low, moderate, or middle income, occupy the home as their primary residence, and enter into a new resale restriction.
 - b. Shared Appreciation Loans: Buyers of homes assisted with NSP funds in a shared appreciation program shall execute a promissory note and deed of trust which will secure the loan principal plus a share of the appreciation. Any loan repayments made during the first five years of the NSP program will be used to subsidize additional purchasers of foreclosed homes.
 - c. Lease to Purchase Program: The County will consider lease to purchase programs if it determines there is a lack of qualified purchasers. It may be beneficial for a potential homeowner to live in the home and make lease payments while working to improve their credit. A portion of the lease payments will be set aside in an account to accrue into a downpayment.
- (7) “Current market appraised value” shall mean 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.
- (8) “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.
- (9) “High Priority Areas” are the cities and communities that have a high score in at least two of the three areas discussed in Section C below.
- (10) “Household size appropriate for the unit” shall mean the following”
- | | |
|------------------|----------|
| Studio Apartment | 1 person |
| One Bedroom | 2 people |
| Two Bedroom | 3 people |
| Three Bedroom | 4 people |
| Four Bedroom | 5 people |
- (11) “Housing Costs for Owner-Occupied Housing” shall mean all of the following costs associated with a particular housing unit:
- a. principal and interest on mortgage loans, and any loan insurance fees associated with the loan;
 - b. property taxes and assessments;
 - c. fire and casualty insurance;
 - d. property maintenance and repairs;
 - e. reasonable allowance for utilities not including telephone or cable; and homeowners association fees, if any.
- (12) “Low Income” shall mean households whose income does not exceed 50 percent of the area median income.

- (13) “Low Priority Areas” are the cities and communities that do not have any high scores in the three areas discussed in Section C below.
- (14) “Medium Priority Areas” are the cities and communities that have at least one high score in the three areas discussed in Section C below.
- (15) “Middle Income” shall mean households whose income does not exceed 120 percent of the area median income.
- (16) “Moderate Income” shall mean households whose income does not exceed 80 percent of the area median income.
- (17) “Rehabilitation Standards” shall mean the applicable residential standards in the California Building Code as amended by the California Building Standards Commission.

B. AREAS OF GREATEST NEED

HUD has provided an estimated foreclosure risk factor² to assist jurisdictions in determining the areas of greatest need. HUD provided scores from one to ten with one being the lowest risk and ten being the highest risk. Contra Costa cities and communities with a risk of eight and above include the following: North Richmond, San Pablo, Montalvin Manor, Tara Hills, Rollingwood, Rodeo, Crockett, and Bay Point. (A map of the County with the HUD risk score overlay is included as Attachment A.) However, there are additional communities that have already been greatly impacted by foreclosures and NSP funds will be targeted to those communities as well. (See Section C below.)

The redevelopment areas in the County are by definition in great need of public investment. All of the Urban County cities have redevelopment areas with the exception of Martinez, Moraga, and Orinda. The unincorporated community of North Richmond is also a Neighborhood Revitalization Strategy Area for the purposes of the CDBG program.

C. DISTRIBUTION AND USES OF FUNDS

The County has analyzed the three HERA required criteria for the distribution of NSP funds. These include those areas 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. (See attachments A through D.).

Each factor was applied to all cities and communities in the Urban County and divided into low impact, medium impact, or high impact.

² HUD developed its risk score using factors that include decline in home values, unemployment rates, rate of high cost loans (i.e. interest rates 3 percentage points above the Treasury rate), foreclosure start rates, and vacant property rates (using U.S. Postal Service reports of homes that are vacant for over 90 days).

1. HUD's estimated risk factor – this data was compiled by the U.S. Department of Housing and Development at the CDBG block group level.
 - Low: 1-4
 - Medium: 5-7
 - High: 8-10

2. Subprime Lending – According to HUD and the Federal Reserve Bank of San Francisco, 2005 had the highest number of subprime loans issued. Data from the Home Mortgage Disclosure Act (HMDA) was used to determine the percentage of loans issued by subprime lenders by census tracts. Data from both purchase loans and refinanced mortgages were analyzed.
 - Low: less than 20 percent
 - Medium: between 20 – 35 percent
 - High: More than 35 percent

3. Foreclosures – The 2008 data was provided by DataQuick for quarters one through three at the zip code level. The levels for high, medium, and low were determined by using standard deviation.
 - Low: less than 35 foreclosures per 1,000 homes (less than 0.5 standard deviations)
 - Medium: Between 35 and 50 foreclosures per 1,000 homes (0.5 to 1 standard deviations)
 - High: More than 50 foreclosures per 1,000 homes (more than 1 standard deviation)

Given each of these datasets were provided at different geographic areas, staff needed a method to overlay all the information and determine which parts of the County were most impacted by the housing crisis. Using the ESRI Spatial Analysis tool, a suitability study was conducted to determine which areas were most appropriate for program funds. Each dataset was weighted equally and output layer allowed staff to differentiate between areas. If an area had two or more 'high' values, it was designated as a High Priority area. If an area had one high and two medium values, it was designated a Medium Priority area. Any area with at least one 'low' value was ineligible for program funds.

Based on this analysis, the following communities have the greatest need and are the High Priority Areas: Bay Point, Oakley, Montalvin Manor/Tara Hills/Bayview, Rollingwood, North Richmond, Rodeo and San Pablo. Brentwood, Discovery Bay, and the western area of Pinole (Nob Hill, Pinole Shores, and Pinon) are also suffering from foreclosures and are the Medium Priority Areas. The remaining cities and communities are Low Priority Areas. All programs listed in Section G will be available in the High Priority Areas. Some, but not all of the programs will be available in the Medium Priority Areas. NSP funded programs will not be available in the Low Priority Areas.

D. LOW INCOME TARGETING

\$1,504,763 in NSP funds will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families with low incomes. Programs to accomplish this goal may include self-help homeownership housing and/or rental housing.

E. ACQUISITIONS & RELOCATION

NSP funds will be used primarily to acquire and rehabilitate foreclosed properties. Some funds may be used to provide downpayment assistance or silent second shared appreciation loans to eligible households for the direct purchase of foreclosed homes. The programs will be limited to vacant homes. Demolition and conversion of blighted structures is not a Contra Costa priority for NSP funds. However, during program implementation, the County may become aware of structures that should be immediately demolished. In that case, the County will make every effort to work with a non-profit developer to build a new home to be sold to a low, moderate, or middle income household.

The County will likely contract with one or more agencies or individuals to implement the NSP program. The County will strive to coordinate activities with the Economic Development Board and local job training programs.

Additional information on all programs is included in Section G below.

F. PUBLIC COMMENT

County staff held two meetings with Contra Costa CDBG entitlement jurisdictions and the Urban County participating jurisdictions. The staff provided information at three meetings of the Board of Supervisor's Public Protection subcommittee. A final public hearing was held before the Board of Supervisors on November 18. [*insert public comments from board meeting*]

In addition, the draft NSP Substantial Amendment was posted on the County's website on October 29, 2008. A notice was published in all editions of the Contra Costa Times and on the Internet on October 28, 2008.

Comments made during these meetings included the following:

- Acknowledgement of the challenge to find owners of foreclosed properties willing to sell at the required NSP program 10% to 15% discount from appraised value.
- Concern that purchasing homes below the appraised value will set new, lower market comparisons, which will further depress local market areas.

NSP funds will be used to purchase and rehabilitate vacant and foreclosed homes. Unless private sources of funds can be identified to supplement NSP funds, it is likely that the full cost of the acquisition and rehabilitation will be funded with NSP. This activity will also fund down payment assistance for the homebuyer if needed. This approach is based on a model used in the County's HOME program. The County has funded non-profit entities constructing or rehabilitating homes for first-time homebuyers. The funds are initially loaned to the developer. At the completion of construction, the loan to the developer is forgiven and the funds are transferred to the homebuyers as deferred 'silent-second' loans. In the NSP program, most of the loan to the developer will be repaid to the County with a small portion (e.g. 10 percent) provided to the purchaser as down payment assistance.

The first priority is for the homes to be sold to LMMI households. If purchase ready buyers can not be identified, the homes may be made available for lease to purchase or rental.

The homes will be sold for an amount equal to or less than the total amount of funds used to acquire and rehabilitate the home. Homebuyers will be required to sign a 20 year resale restriction or a shared appreciation promissory note. If redevelopment housing set-aside funds are used to supplement NSP funds, the buyer will be required to enter into a 45 year resale restriction.

In the High Priority Areas, resale restrictions may be a deterrent to buyers who would rather purchase a home without restrictions. Therefore, shared appreciation loans may be a more practical approach. Attachment E has additional information on resale restrictions and shared appreciation loans.

This activity will target properties that can be purchased and rehabilitated for under \$200,000. All properties will be purchased at a minimum of 5 percent less than the appraised value with a portfolio average discount of 15 percent. However, staff will evaluate whether the NSP exception discount of 10 percent can be justified. Appraisals shall be consistent with the appraisal requirements of the Uniform Relocation Act.

(h) Total Budget: \$3,412,383

The project budgets will be modified as additional funds are identified. This budget includes only NSP funds.

(i) Performance Measures: Initially 20 homes will be purchased and rehabilitated. Four of these homes are anticipated to be sold to middle income households and 16 sold to moderate income households. Additional homes will be purchased and rehabilitated if additional funding can be identified and if the first 20 units are sold quickly so that the sales revenue can be used to purchase and rehabilitate additional homes.

will structure the loan to be affordable to the specific household. The typical structure provides a 30 year, zero interest, amortizing loan with a forgivable appreciation share provision. NSP funds will leverage volunteer labor, foundation grants, and donations of materials.

Unless private sources of funds can be identified to supplement NSP funds, the full cost of the acquisition and rehabilitation will be funded with NSP. In this case, the loans will transfer to the homeowner as amortizing loans with interest rates set so that the mortgage payments are affordable to the buyer. (i.e. to keep housing costs equal to or less than 30% of the owner's income.) This approach is based on a model used in the Habitat for Humanity program and modified to comply with the NSP program income requirements.

The homes will be sold for an amount equal to or less than the total amount of funds used to acquire and rehabilitate the home. Homebuyers will be required to sign a 20 to 30 year resale restriction with the non profit entity operating the self-help program. The County will have a right of first refusal to purchase the home should the non-profit entity not be in a position to exercise its right in a future transaction. If redevelopment housing set-aside funds are used to supplement NSP funds, the buyer will be required to enter into a 45 year resale restriction.

All properties will be purchased at a minimum of 5 percent less than the appraised value with a portfolio average discount of 15 percent. However, staff will evaluate whether the NSP exception discount of 10 percent can be justified. Appraisals shall be consistent with the appraisal requirements of the Uniform Relocation Act.

(h) Total Budget: \$1,504,763

The project budgets will be modified as additional funds are identified. This budget includes only NSP funds.

(i) Performance Measures: Initially 8 homes will be purchased and rehabilitated by low income homebuyers. Additional homes will be purchased and rehabilitated if additional funding can be identified.

(3) Downpayment Assistance/Shared Appreciation Loans

(a) Activity Type: *NSP eligible use*: Establish funding mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.

CDBG eligible activity: Acquisition, Relocation, Direct Homeownership Assistance, and housing counseling for those seeking to take part in the activity.

(b) National Objective: Low-Moderate-Middle-Income (LMMI) housing.

(4) Low Income Rental

(b) Activity Type: *NSP eligible use*: Establish funding mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties. 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 activity: Acquisition, Disposition, Relocation, Eligible rehabilitation and preservation activities for homes and other residential properties.

(b) National Objective: Low-Moderate-Middle-Income (LMMI) housing.

(c) Projected Start Date: July, 2009

(d) Projected End Date: On-going

(e) Responsible Organization: Programs initially will be implemented by the Contra Costa County Department of Conservation and Development. The County anticipates it will identify development partners through a request for qualifications or request for proposals process in early 2009.

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(f) Location Description: High Priority Areas

(g) Activity Description:

This activity is for the purchase and rehabilitation of residential properties suitable for long term rentals. This activity will meet the low income housing requirement if the self help homeownership rehabilitation program is not feasible.

Residential units in this program may include single-family homes from Activity 1 that did not sell and were not included in a lease purchase program. This activity may also include small multi-family rental developments such as 4-plexes. It is expected that these units would be acquired and managed by local non profit housing agencies. NSP funds used to support rental projects will be provided as deferred loans with 0 to 3 percent interest rates.

Rental units will be required to remain affordable to low income households for a minimum of 20 years. If redevelopment housing set-aside funds are used to supplement NSP funds, the owner will be required to enter into a 55 year rent restriction agreement.

- (h) Total Budget: None at this time
This activity will be implemented only if Activities 1 and 2 are not feasible and/or it is determined there is a prevalence of blighted structures that are jeopardizing neighborhood stability.
- (i) Performance Measures: Performance measures will be determined when funds are budgeted to this activity.

(6) Homebuyer Pre-purchase Counseling

- (a) Activity Type: *NSP eligible use*: Housing counseling for prospective purchasers/tenants.
CDBG eligible activity: Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties.
- (b) National Objective: Serving a limited clientele whose incomes are at or below 120 % of area median income (LMMC).
- (c) Projected Start Date: July, 2009
- (d) Projected End Date: On-going
- (e) Responsible Organization: The County will work with HUD approved housing counseling agencies. Until an agency or agencies are identified, contact will be through the County.
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- (f) Location Description: Medium and High Priority Areas
- (g) Activity Description:
This activity is intended to provide comprehensive pre-purchase counseling to prospective NSP participants. The counseling curriculum will include information on mortgage loans and the County's silent second shared appreciation loans.
- (h) Total Budget: None at this time.
It is anticipated that homebuyer counseling classes will be funded through other sources including foundation grants. The County may consider funding this activity at a later time.

- (i) Performance Measures: Performance measures will be determined if this activity is funded.

(7) NSP Program Planning and Administration

(a) Activity Type: *NSP eligible use and CDBG eligible activity*: An amount of up to 10 percent of an NSP grant provided to a jurisdiction and up to 10 percent of program income earned may be used for general administration and planning activities as defined at 24 CFR 570.205 and 206.

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).

(b) National Objective: N/A

(c) Projected Start Date: October 2008

(d) Projected End Date: On-going

(e) Responsible Organization: General NSP planning and administration will be carried out by the Contra Costa County Department of Conservation and Development.

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(f) Location Description: Medium and High Priority Areas

(g) Activity Description:

Planning and administrative work will include all tasks associated with the development and publication of the NSP Substantial Amendment. Activity development and related legal documents will also be covered by the planning and administration budget. Staff will make every effort to limit planning and administrative costs so that additional funds can be used for program implementation.

(h) Total Budget: \$601,905

(i) Performance Measures: N/A

Insert Maps – Attachments A – D

A – Estimated Foreclosure Risk

B.1 – Percent of Home Mortgage by Subprime Lender in 2005

B.2 – Percent of Home Mortgage by Subprime Lender 1997 – 2005

C.1 – 2007 Home Foreclosure Rate by Zip Code

C.2 – 2008 Home Foreclosure Rate by Zip Code

c.3 – Increase in Home Foreclosure Rate Between 2006 and 2008

D – Areas of Low, Moderate, and Middle Income

ATTACHMENT E—NSP HOMEBUYER PROGRAM

The Contra Costa Consolidated Plan has established a priority to increase homeownership opportunities for very-low and low-income households in the Consortium area. Projects designed to increase neighborhood stability and improve the quality of housing through an increased incidence of homeownership in an identified target area is an identified priority in the Consolidated Plan

For the purposes of NSP assisted housing, households must have an income no greater than 120 percent of the area median income. All assisted households must agree to occupy the acquired unit as their principle place of residence throughout the loan period; no temporary subleases will be permitted. Consistent with HOME program limits, the purchase price will be limited to \$400,000 for a single-family home.

NSP funds may be provided as a deferred second mortgage designed to fill the gap between the purchase price of the home and the amount the buyer can afford based on household income. Specifically, the amount of the second loan will equal the purchase price of the unit minus the sum of the first mortgage, the homeowner's downpayment³, and any other sources of available subsidy. Loans will be limited to fifteen percent of the purchase price. In this way, the County will provide just enough subsidy to make the home affordable to the low-income buyer. All NSP loans will be secured by a promissory note and deed of trust specifying affordability and resale requirements.

The County will consider applications for homebuyer programs and projects, which are consistent with the above requirements and employ one of the following approaches:

1. A shared equity loan program designed to recapture the NSP subsidy upon sale or transfer of the property; or
2. A silent second loan program with resale restrictions to maintain affordability and ensure acquisition of the unit by another qualified homebuyer.

Both programs must fully comply with the previously described Consortium requirements and all applicable HOME Program regulations (24 CFR Part 92.254) concerning resale requirements.

These two approaches are described in more detail in the following.

Shared Equity Loan Program. Under this approach, NSP funds may be used to provide deferred second loans to qualified low-income first-time homebuyers. Shared equity loans are due at the end of the loan term on sale or transfer of the property. Upon resale, the homebuyer must repay the County the amount of the second plus a share in the

³ In general, homebuyers will be required to provide a minimum downpayment of 3 to 5 percent. Higher downpayments will be encouraged. Downpayment may be in the form of sweat equity or grants or gifts from other sources.

appreciation of the unit. Unit appreciation is defined as the difference between the original acquisition price and the resale price. The County's share of the appreciation or "equity share" will equal the amount of the NSP second loan divided by the original acquisition price. All remaining appreciation accrues to the seller.

For example, assume a homebuyer acquires a home priced at \$300,000 with the following financing:

- a. Homeowner downpayment of \$10,000;
- b. First mortgage of \$272,000; and
- c. NSP silent second in the amount of \$18,000.

The County's equity share upon resale is equal to six percent of the appreciation in the unit (\$18,000 divided by \$300,000). Assume the owner sells the unit in five years for \$340,000, resulting in a total appreciation in value of \$40,000. Upon resale, the owner must repay the NSP loan (\$18,000) plus the County's share of the appreciation realized on the unit (6 percent of \$40,000 or \$2,400). After paying off the first mortgage, the owner receives the value of his original investment (downpayment plus principal paydown) and all remaining appreciation (\$37,600 in the example).⁴ In the event that the unit does not appreciate, the County will receive only the amount of the silent second (\$18,000) upon resale. If the unit depreciates in value and the homeowner has adequately maintained the unit, the County will reduce the silent second loan repayment proportionately.

Funds recaptured as a result of the repayment of shared-equity loans will be deposited in a revolving fund for use in funding future NSP-eligible projects.

Silent Second Loan Program with Resale Restrictions. Under this approach, NSP funds may be used to provide silent second loans to low, moderate, or middle income homebuyers who meet all the requirements previously specified. Depending on financial need and the specific objectives of the program or project, loans may be zero or low-interest. In addition, units purchased with assistance through this program component must be maintained as a part of the affordable housing stock for the following minimum time periods: 20 years for newly constructed units; 15 years for existing units. Affordability will be maintained through the following resale restrictions, which must be incorporated into the loan documents securing the NSP funds:

1. County as Urban County representative retains right of first refusal to acquire unit in resale situation.
2. Sales price to equal the lesser of the current appraised value or the original acquisition price (plus the value of any capital improvements) times the change in area median income which has occurred during the period of ownership. This approach

⁴ If a homeowner undertakes significant capital improvements on a unit acquired with NSP funds, appreciation upon resale will equal the resale price minus the original acquisition price minus the value of the improvements.

maintains the integrity of the household's original investment in the unit and represents a fair return.

3. Upon sale to a qualified household, the first buyer must repay the amount of the silent second plus accrued interest, if any. The County will consider homebuyer programs, which forgive the interest after expiration of the minimum required period of affordability (e.g., 20 years for new construction).

In a resale situation, the County will work with homeowners to identify NSP-eligible purchasers to acquire the assisted units. While the County will not require the second purchaser to be a first-time homebuyer, priority will be assigned to low-income households in this category.

During the period of required affordability, the unit will be maintained as affordable to households earning 110 percent of area median income⁵. In order to ensure continued affordability, the County will provide a new silent second to the new purchaser in the same amount and with the same terms and conditions as provided to the first buyer.

⁵ Payment of housing costs will not exceed 40 percent of the gross monthly income.

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 \leq 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 on hard copy original
Signature/Authorized Official

November 19, 2008
Date

Deputy Director - Redevelopment
Title

NSP Substantial Amendment Checklist

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): Contra Costa County Lead Agency Jurisdiction Web Address: <i>www.ccreach.org</i>	NSP Contact Person: Kara Douglas Address: 2530 Arnold Drive, Suite 190 Martinez, CA 94553 Telephone: (925) 335-7223 Fax: (925) 335-7201 Email: <i>kdoug@cd.cccounty.us</i>
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. Areas of Greatest Need

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes No . Verification found on page 4, Section B

B. Distribution and Uses of Funds

Does the submission contain 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?

Yes No . Verification found on page 4, Section C

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

C. Definitions and Descriptions

For the purposes of the NSP, do the narratives include:

a definition of "blighted structure" in the context of state or local law,

Yes No . Verification found on page 2, Section A

a definition of "affordable rents,"

Yes No . Verification found on page 2, Section A

a description of how the grantee will ensure continued affordability for NSP assisted housing,

Yes No . Verification found on page 2, Section A

a description of housing rehabilitation standards that will apply to NSP assisted activities?

Yes X No . Verification found on page 4, Section A

D. Information By Activity

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

eligible use of funds under NSP,

Yes X No . Verification found on page 6-13

correlated eligible activity under CDBG,

Yes X No . Verification found on page 6-13

the areas of greatest need addressed by the activity or activities,

Yes X No . Verification found on page 6-13

expected benefit to income-qualified persons or households or areas,

Yes X No . Verification found on page 6-13

appropriate performance measures for the activity,

Yes X No . Verification found on page 6-14

amount of funds budgeted for the activity,

Yes X No . Verification found on page 6-14

the name, location and contact information for the entity that will carry out the activity,

Yes X No . Verification found on page 6-13

expected start and end dates of the activity?

Yes X No . Verification found on page 6-13

E. Specific Activity Requirements

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

the discount required for acquisition of foreclosed upon properties,

Yes X No . Verification found on page 7, 8, 9, 11.

If the activity provides financing,

the range of interest rates or shared appreciation (if any),

Yes X No . Verification found on page 6, 8, 9, 10

If the activity provides housing,

duration or term of assistance,

Yes X No . Verification found on page 6, 8, 9,10.

tenure of beneficiaries (e.g., rental or homeownership),

Yes X No . Verification found on page 6 – 10.

does it ensure continued affordability?

Yes X No . Verification found on page 6 – 10.

does the applicant indicate which activities will count toward 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% of area median income?

Yes X No . Verification found on page 7 & 10.

F. Low Income targeting

Has the grantee described how it will meet 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% of area median income?

Yes X No . Verification found on page 7 & 10.

Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will 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% of area median income?

Yes X No . Verification found on page 8.

Amount budgeted = \$1,504,763.

G. Demolishment or Conversion of Low- And Moderate-Income Units

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes No X (If no, continue to next heading)

Verification found on page _____.

Does the substantial amendment 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?

Yes No . Verification found on page _____.

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)?

Yes No . Verification found on page _____.

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

Yes No Verification found on page ____.

H. Public Comment Period

Was the proposed action plan amendment published via the grantee jurisdiction’s usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes X No Verification found on page 5.

Is there a summary of citizen comments included in the final amendment?

Yes X No Verification found on page 5.

I. Website Publication

The following Documents are available on the grantee’s website:

SF 424	Yes X	No <input type="checkbox"/>
Proposed NSP Substantial Amendment	Yes X	No <input type="checkbox"/>
Final NSP Substantial Amendment	Yes X	No <input type="checkbox"/>
Subsequent NSP Amendments – N/A	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Website URL: www.ccreach.org

K. Certifications

The following certifications are complete and accurate:

- | | | |
|--|-------|-----------------------------|
| (1) Affirmatively furthering fair housing | Yes X | No <input type="checkbox"/> |
| (2) Anti-lobbying | Yes X | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction | Yes X | No <input type="checkbox"/> |
| (4) Consistency with Plan | Yes X | No <input type="checkbox"/> |
| (5) Acquisition and relocation | Yes X | No <input type="checkbox"/> |
| (6) Section 3 | Yes X | No <input type="checkbox"/> |
| (7) Citizen Participation | Yes X | No <input type="checkbox"/> |
| (8) Following Plan | Yes X | No <input type="checkbox"/> |
| (9) Use of funds in 18 months | Yes X | No <input type="checkbox"/> |
| (10) Use NSP funds ≤ 120 of AMI | Yes X | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes X | No <input type="checkbox"/> |
| (12) Excessive Force | Yes X | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws | Yes X | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures | Yes X | No <input type="checkbox"/> |
| (15) Compliance with laws | Yes X | No <input type="checkbox"/> |