

# ***CITY OF PHOENIX***

## ***Neighborhood Stabilization Program Substantial Amendment***



**City of Phoenix**

# **NSP GRANT SUBMISSION TEMPLATE** **& CHECKLIST**

NSP grant allocations can be requested by submitting a paper NSP Substantial Amendment or a form under the Disaster Recovery Grant Reporting (DRGR) system. This template sets forth the suggested format for grantees under the NSP Program. A complete submission contains the information requested below, including:

- (1) The NSP Substantial Amendment (attached below)
- (2) Signed and Dated Certifications (attached below)
- (3) Signed and Dated [SF-424](#).

Grantees should also attach a completed NSP Substantial Amendment Checklist to ensure completeness and efficiency of review (attached below).

## THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction: City of Phoenix, Arizona	NSP Contact Person: Jerome E. Miller, Neighborhood Services Director
Jurisdiction Web Address: www.phoenix.gov/NSD/nspa.html	Address: 200 W. Washington, 4 <sup>th</sup> floor Phoenix, Arizona 85003
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### **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 [LINK – to HUD USER data], in developing this section of the Substantial Amendment.

### **Response:**

The City of Phoenix has established areas with the greatest need, pursuant to Section 2301 (b)(4)(2) of the Housing and Economic Recovery Act (HERA) of 2008, as follows :

- 1) Areas in Phoenix having the greatest percentage of home foreclosures;
- 2) Areas in Phoenix with the highest percentage of homes financed by a subprime mortgage -related loan; and,
- 3) Areas in Phoenix likely to face a significant rise in the rate of home foreclosures.

In addition to the factors listed above, additional data related to the City of Phoenix Consolidated Plan, 2005-2010 has been reviewed to assist in targeting the funding.

The City of Phoenix contains a sizeable volume of foreclosed properties that approach the highest in the nation. While Phoenix is the fifth-largest city in the country in terms of population, the incidence of foreclosure activity is more than the other top four U.S. cities of New York, Los Angeles, Chicago and Houston. Among cities, only Chicago and Detroit secured a larger NSP allocation than Phoenix.

Locality	Bank-Owned Foreclosures	Properties Slated for Auction
<b>City of Phoenix</b>	<b>11,379</b>	<b>15,994</b>
Maricopa County	30,591	33,757
Houston	10,351	3,368
Chicago	9,331	4,591
Los Angeles	6,686	1,669
San Diego	7,084	1,770
San Antonio	2,708	1,905
Philadelphia	2,041	14,663
Las Vegas	16,674	5,263
Miami	5,198	2,478

Data as of October, 2008 Source: Crystal +Company

### **Areas With The Greatest Percentage of Home Foreclosure**

Reasons for high foreclosure activity in the City of Phoenix are varied but are related to the types of loan products originated within the past several years, among other factors. Highest foreclosure rates in the city appear in the following general locations:

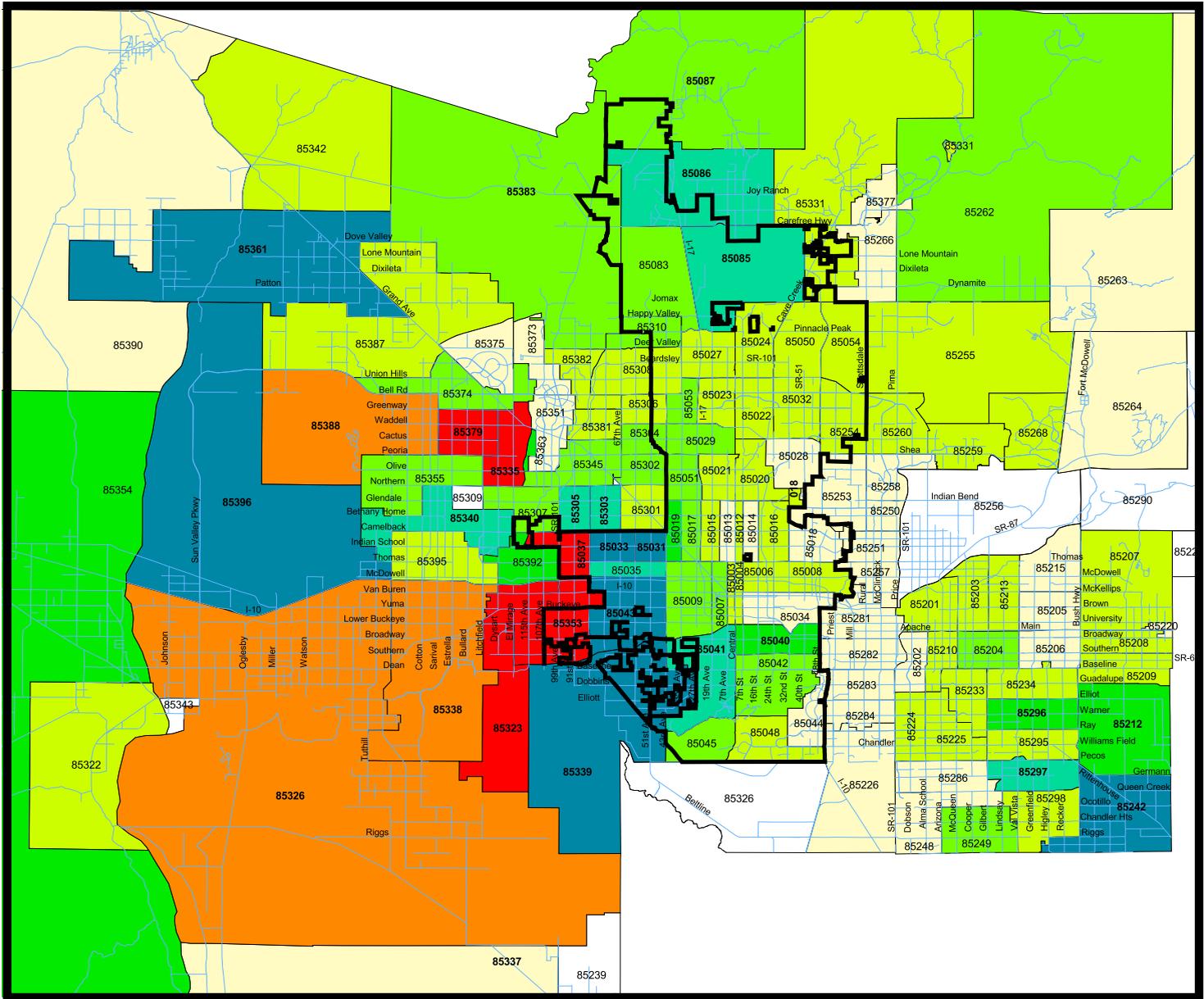
- Maryvale Village (Grand Avenue west to 99<sup>th</sup> Avenue, Camelback Road to McDowell Road; and 99<sup>th</sup> Avenue to El Mirage Road, Bethany Home Road to Indian School Road)
- Laveen/Estrella and South Mountain Areas of Phoenix;
- 23<sup>rd</sup> Avenue west to the city limits, Van Buren Street north to Cactus Road; and,
- Bell Road to Pinnacle Peak Road, from 7<sup>th</sup> Street to 23<sup>rd</sup> Avenue.

Map 1-1 shows foreclosure rates by Zip Code in Phoenix and Maricopa County in August, 2008.

Map 1-2 reveals the same general distribution with regard to pending foreclosures, highlighting concentrations of foreclosures in progress in July, 2008.

These areas with high concentrations of foreclosures have been factored into the specific determination of ‘areas of greatest need’ discussed later in this section.

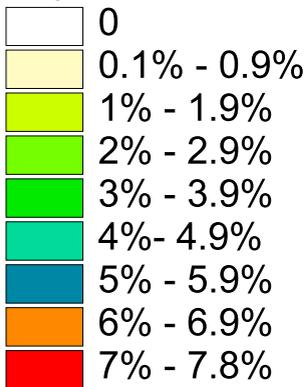
# Map 1-1 August, 2008 Foreclosure Rate Map



## Legend:

Phoenix Boundary

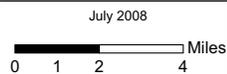
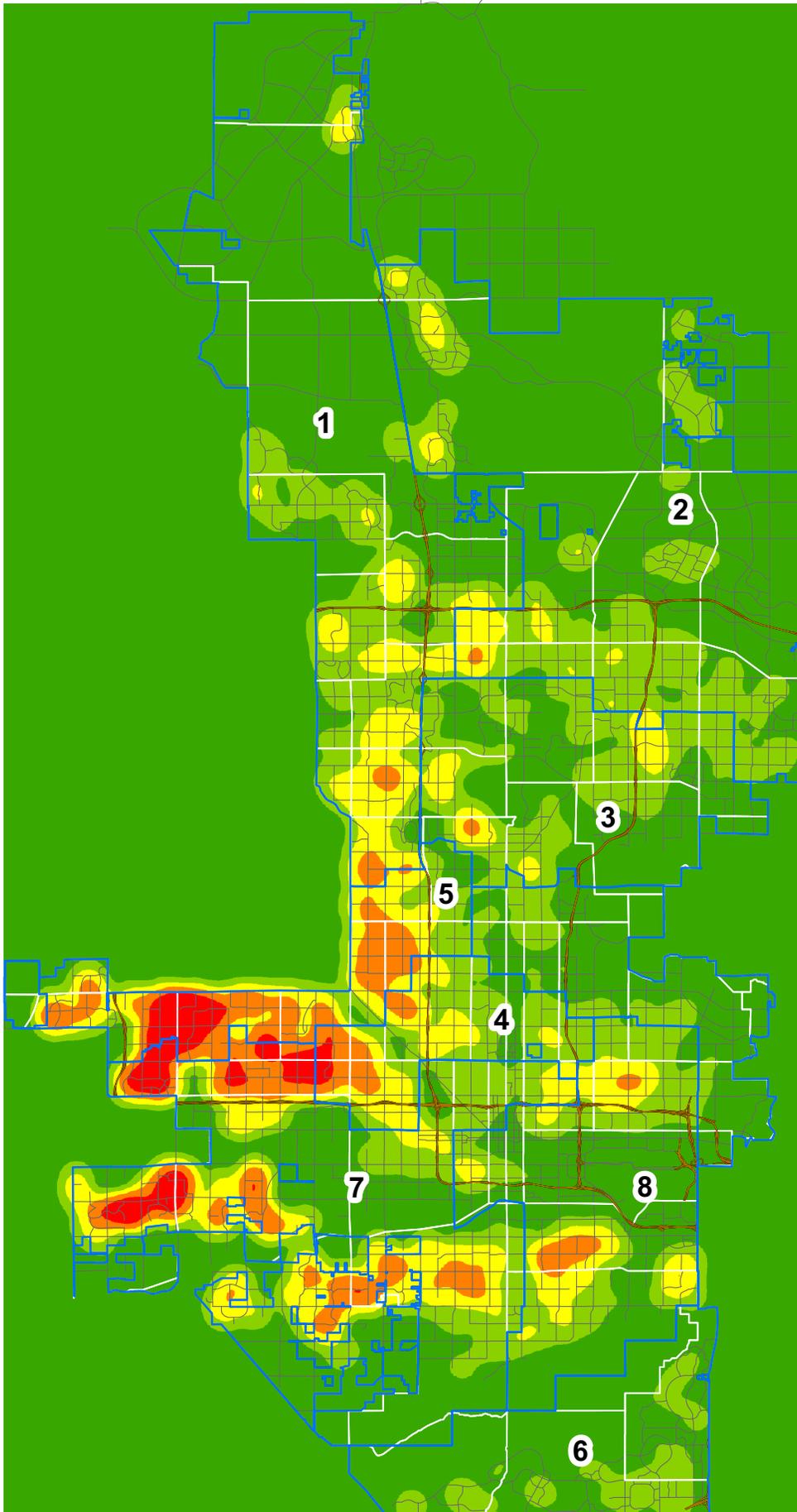
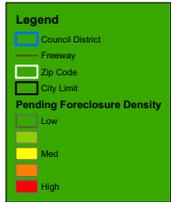
Aug 8, 2008 Foreclosure Rates (Jan 2006 thru August 8 2008)



August 8, 2008 Foreclosure Rates  
by the Zip Code Map  
Maricopa County



Map 1-2  
Pending Foreclosures - Single Family Residences  
01/01/2008 - 7/12/2008



Neighborhood Services Department



## **Areas Having The Highest Percentage Of Homes Financed By A Subprime Mortgage Related Loan**

Wider access to the real estate market earlier this decade was encouraged by the popularity of subprime loans, offered to riskier borrowers at higher rates, and Adjustable Rate Mortgages, or “ARMS”, became more popular. Subprime loans are almost always associated with prepayment penalties, high fees and high rates to compensate lenders for the risk associated with borrowers with poor credit history. In an ARM, the interest rate can adjust according to a pre-set schedule, which means that the monthly payment can go up or down. An ARM may have an initial period within which the interest rate stays fixed, then adjusts or “re-sets” periodically over the life of the loan.

Risky subprime loans have played a crucial role in increased foreclosures: The geographic concentrations of subprime loans in the city generally follow the foreclosure patterns shown in Maps 1-1 and 1-2.

Fifteen Zip Codes in Phoenix that have the highest occurrence of subprime loans are also among the areas with the highest foreclosure rates and highest concentrations of pending foreclosures. These 15 Zip Codes account for more than 20,000 subprime loans among them.

Of these 20,000 loans:

- more than 50% were originated in 2006
- the average FICO score was 625
- 48% were made with less than full documentation
- 90% have pre-payment penalties
- 56% were cash-out refinancings
- 24% of the loans had a second lien at origination
- 31% of the loans were not current on their payments by the end of 2007; in the case of subprime ARMS, in many instances they were delinquent before the first rate reset

According to an April, 2008 article published by the ASU Carey School:

"The perception that subprime loans are spread across the Phoenix metropolitan is just not correct. We find subprime heavily concentrated in just two sectors. The first can be found along the Interstate, particularly going west and north from downtown. That's the low-income and older housing approximate to the freeways. Many of these loans are re-financings. The second area are [*sic*] in the new developments on the periphery of the urban area, such as in the western metropolitan communities of Buckeye and Goodyear, and the towns of Queen Creek and Gilbert to the south. That's the more lower- to middle-income, newly-constructed-home effect”.

## **Areas In Phoenix At Risk To Face A Significant Rise In The Rate Of Home Foreclosures**

The U.S. Department of Housing and Urban Development (HUD) provided NSP grantees with data that identifies geographic areas at risk for future foreclosure and abandonment, taking into account a number of factors, including occurrences of subprime loans. HUD risk factors have been combined into a single risk coefficient for each area of the city. Map 1-3 illustrates the spectrum of risky loans and other risk factors distributed throughout the city, with 0 being the lowest risk and 10 being the highest risk.

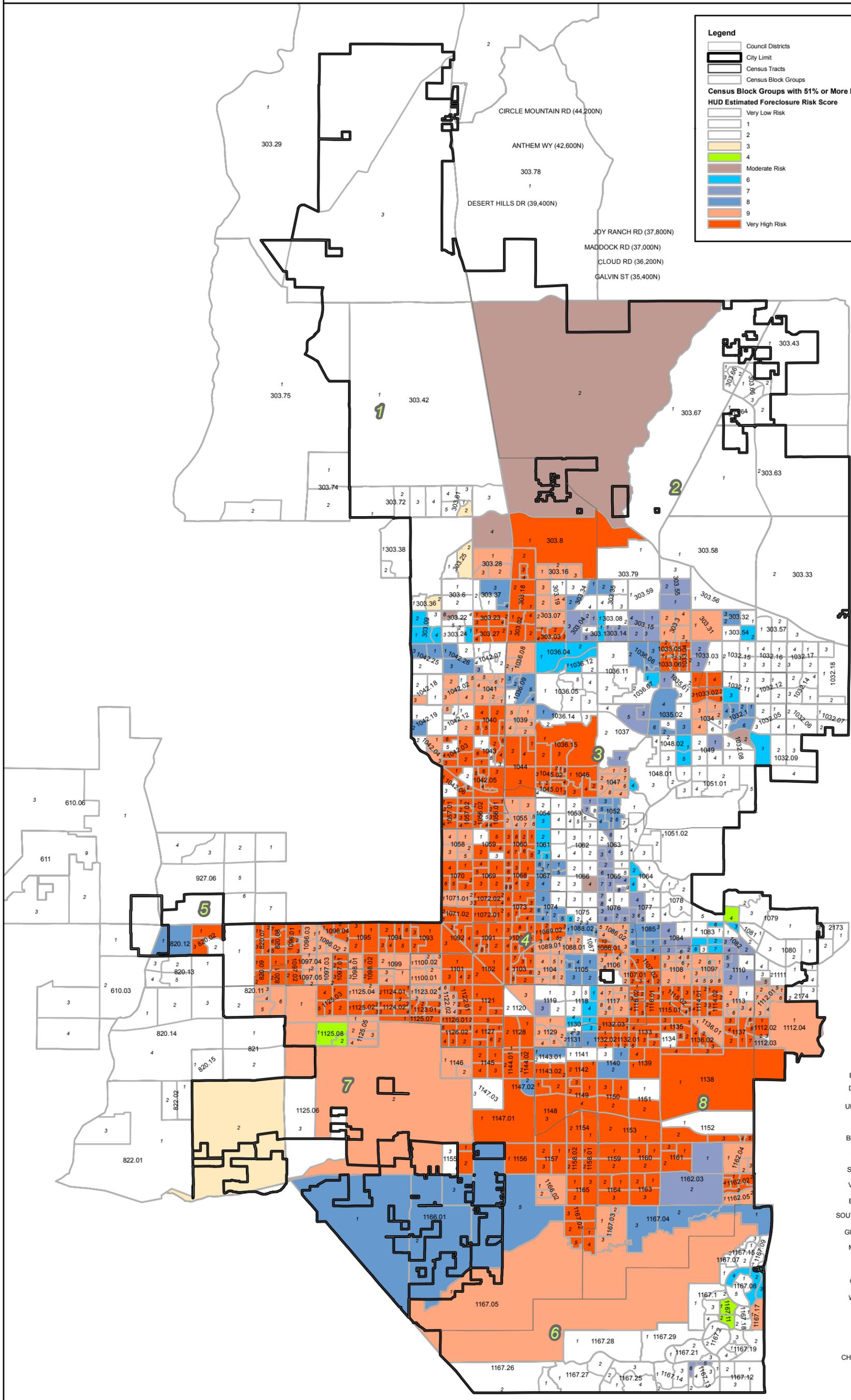
# Map 1-3 Risk Map All levels 0 - 10 2000 Census Tracts and Block Groups - Phoenix, Arizona

**Legend**

- Council Districts
- City Limit
- Census Tracts
- Census Block Groups

**Census Block Groups with 51% or More Low/Moderate/Middle Income  
HUD Estimated Foreclosure Risk Score**

- Very Low Risk
- 1
- 2
- 3
- 4
- Moderate Risk
- 6
- 7
- 8
- 9
- Very High Risk



- DOVE VALLEY RD (33,000N)
- ASHLER HILLS RD (32,200N)
- LONE MOUNTAIN RD (31,400N)
- MONTGOMERY RD (30,600N)
- DIXIE LN (29,800N)
- PEAK VIEW RD (29,000N)
- DYNAMITE BLVD (28,200N)
- PINNACLE VISTA RD (27,400N)
- JOMAX RD (26,600N)
- YEARLING RD (25,800N)
- HAPPY VALLEY RD (25,000N)
- ALAMEDA RD (24,200N)
- PINNACLE PEAK RD (23,400N)
- WILLIAMS DR (22,600N)
- DEER VALLEY RD (21,800N)
- ROSE GARDEN LN (21,000N)
- BEARDSLEY RD (20,200N)
- UTOPIA RD (20,000N)
- UNION HILLS DR (18,600N)
- GROVERS AV (17,800N)
- BELL RD (17,000N)
- PARADISE LN (15,400N)
- GREENWAY RD (15,400N)
- ACOMA DR (14,600N)
- THUNDERBIRD RD (13,800N)
- SWEETWATER AV (13,000N)
- CACTUS RD (12,200N)
- CHOLLA ST (11,400N)
- SHEA BLVD (10,600N)
- MOUNTAIN VIEW RD (9,800N)
- DUNLAP AV (9,000N)
- BUTLER DR (8,500N)
- NORTHERN AV (8,000N)
- CHERY DR (7,500N)
- GLENDALE AV (7,000N)
- LINCOLN DR (6,500N)
- BETHANY HOME RD (6,000N)
- STANFORD DR (5,500N)
- CAMELBACK RD (5,000N)
- CAMPBELL AV (4,500N)
- INDIAN SCHOOL RD (4,100N)
- OSBORN RD (3,400N)
- THOMAS RD (2,900N)
- OAK ST (2,300N)
- MCDOWELL RD (1,600N)
- ROOSEVELT ST (1,000N)
- VAN BUREN ST (300N)
- HARRISON ST (400S)
- BUCKEYE RD (1,200S)
- DURANGO ST (2,000S)
- UNIVERSITY DR (2,800S)
- ELWOOD ST (3,600S)
- BROADWAY RD (4,400S)
- ROESSER RD (5,200S)
- SOUTHERN AV (6,000S)
- VINEYARD RD (6,800S)
- BASELINE RD (7,600S)
- SOUTH MOUNTAIN AV (8,400S)
- GUADALUPE RD (9,200S)
- MINERAL RD (10,000S)
- ELLIOT RD (10,800S)
- CARVER RD (11,700S)
- WARNER RD (12,400S)
- KNOX RD (11,700S)
- RAY RD (14,000S)
- CHANDLER BLVD (15,600S)
- FRYE RD (16,400S)
- PECOS RD (17,200S)

DYSART RD  
EL MIRAGE RD  
115TH AV  
107TH AV  
106RD AV  
99TH AV  
95TH AV  
91ST AV  
87TH AV  
83RD AV  
79TH AV  
75TH AV  
71ST AV  
67TH AV  
63RD AV  
59TH AV  
55TH AV  
51ST AV  
47TH AV  
43RD AV  
39TH AV  
35TH AV  
31ST AV  
27TH AV  
23RD AV  
19TH AV  
15TH AV  
7TH AV  
CENTRAL AV  
7TH ST  
12TH ST  
16TH ST  
20TH ST  
24TH ST  
28TH ST  
32ND ST  
36TH ST  
40TH ST  
44TH ST  
48TH ST  
52ND ST

October 2008

## Neighborhood Services Department



Areas with a high incidence of subprime lending and at high risk of future foreclosures and abandonment have been factored into the specific determination of ‘areas of greatest need’ discussed later in this section.

**Other Salient Factors In The Determination of Greatest Need**

Referencing information contained within this section and incorporating the level and pricing of home sales, the following table highlights Zip Codes that emerge among the most impacted areas of the city.

Residential 	Residential Sales In			Median Sales Values		
	CY 2007	CY 2008 (October)	Percent Change	To Date In CY 2008	Change From '07	Median '08 Foreclosure Resale
	12,735	8,190	-35.7%	n/a	n/a	n/a
85006	200	117	-41.5%	\$171,000	-20.80%	\$142,500
85008	557	291	-47.8%	\$175,000	-21.50%	\$147,500
85009	328	140	-57.3%	\$108,000	-36.10%	\$59,157
85015	413	217	-47.5%	\$180,000	-18.20%	\$142,000
85017	275	166	-39.6%	\$125,900	-35.40%	\$111,450
85019	242	147	-39.3%	\$136,500	-33.00%	\$109,000
85021	346	205	-40.8%	\$269,000	-0.16%	\$161,000
85023	641	381	-40.6%	\$210,000	-20.00%	\$171,950
85024	429	666	55.2%	\$291,750	-9.60%	\$220,000
85027	597	435	-27.1%	\$180,000	-20.00%	\$162,700
85029	468	316	-32.5%	\$160,000	-25.50%	\$135,000
85031	205	162	-21.0%	\$115,000	-41.30%	\$104,750
85032	914	587	-35.8%	\$234,000	-11.70%	\$17,990
85033	472	287	-39.2%	\$120,000	-39.00%	\$104,000
85034	36	18	-50.0%	n/a	n/a	n/a
85035	312	238	-23.7%	\$147,562	-24.30%	\$90,000
85037	1,045	570	-45.5%	\$155,500	-31.00%	\$145,000
85040	406	198	-51.2%	\$145,000	-22.00%	\$140,000
85041	1,122	719	-35.9%	\$170,000	-22.60%	\$161,500
85042	656	410	-37.5%	\$196,000	-18.20%	\$170,000
85043	660	454	-31.2%	\$150,496	-32.10%	\$146,500
85051	412	279	-32.3%	\$152,000	-26.90%	\$139,450
85053	408	276	-32.4%	\$175,250	-22.20%	\$139,450
85307	96	79	-17.7%	\$158,700	-29.50%	\$168,900
85353	1,495	832	-44.3%	\$181,795	-26.10%	\$162,500

Sources: Maricopa County Assessor, Melissa Data, AZ Central.

**Areas of Greatest Need**

The City of Phoenix has established areas of greatest need pursuant to Section 2301 (b)(4)(2) of the Housing and Economic Recovery Act (HERA) of 2008, with priority emphasis given to the factors described in this report:

- 1) Areas in Phoenix having the greatest percentage of home foreclosures;
- 2) Areas in Phoenix with the highest percentage of homes financed by a subprime mortgage -related loan; and,
- 3) Areas in Phoenix likely to face a significant rise in the rate of home foreclosures.

As will be discussed further in the following section, the City of Phoenix NSP strategy to use and distribute funds to areas of greatest need will respond to large areas of the city with significant foreclosure rates and widespread foreclosure risk factors by developing a three-tiered approach that is consistent with the Community Development goals of the Consolidated Plan.

Drawing from the information contained within this section, Map 1-4 highlights those Zip Codes that have been determined to constitute 'areas of greatest need, distinguished by the three tiers of targeting that the City will adopt to address such a widespread problem.

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## ***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 City of Phoenix has been allocated \$39.4 million in Neighborhood Stabilization Funds (NSP) by the U. S. Department of Housing and Urban Development (HUD). The funds will be used to address the areas of greatest need, as discussed in the previous section, through activities to include financing mechanisms (homebuyer assistance), acquisition, rehabilitation, demolition and redevelopment.

It is estimated that 800 – 900 households can be assisted through a combination of financial resources that include NSP and Community Development Block Grant (CDBG) funds as well as existing programs administered through the Neighborhood Services Department, Housing Department, the Phoenix Industrial Development Authority and other community partners. These resources will be utilized to achieve the following programmatic objectives:

- ✓ Eliminating blighting conditions in neighborhoods;
- ✓ Connecting qualified buyers and sellers;
- ✓ Preserving affordable rental opportunities;
- ✓ Partnering effectively with qualified community resources; and,
- ✓ Protecting taxpayer funds and efficiently implementing the program.

Led by the Phoenix Neighborhood Services Department and supported by the Housing Department, City Council-adopted program initiatives and funding targets are itemized below for the NSP program. Note that initial funding targets will be refined by the city over time as needs arise.

- ✓ The elimination of blighting conditions in neighborhoods through acquisition, rehabilitation and re-sale of foreclosed homes, or demolition of blighted, vacant and foreclosed properties for buyers who will occupy the home as their primary residence. The City Council has approved a funding target of 36 percent, or \$14.1 million, of the NSP allocation for these activities;
- ✓ Connecting qualified buyers and sellers by providing assistance and incentives for homebuyers who will own and occupy foreclosed homes as their primary residence. The City Council has approved a funding target of 27 percent, or \$10.6 million, of the allocation for these activities;
- ✓ Preserving affordable rental opportunities through acquisition or rehabilitation of foreclosed multi-family homes for affordable rentals. This strategy will assist in meeting the HERA-mandated set-aside of a minimum of 25 percent of the funds to preserve affordable rental opportunities for households below 50 percent of median income. The City Council has approved a funding target of 27 percent, or \$10.6 million, of the allocation for this activity;
- ✓ Protecting taxpayer funds and efficiently implementing the program by administering programs and certifying compliance with HUD rules The City Council has approved 10 percent, or \$3.9 million, of the allocation to be used for this activity.

Implementation Timeline – NSP funds will be available upon execution by HUD of a written agreement with the City of Phoenix, expected to be in January, 2009, and the funds must be obligated by June 30, 2010. Funds will be spent within 48 months, or by December 31, 2012.

**NSP Priority Emphasis and Targeting Strategy**

A targeted approach will be used for maximum impact, giving priority emphasis to areas of greatest need. This approach is consistent with the goals of the Community Development Strategic Plan element of the Phoenix Consolidated Plan, 2005-2010. The strategy will respond to large areas of the city with significant foreclosure rates and widespread foreclosure risk factors through a three-tiered approach.

The Community Development goals established by City Council and the three NSP Tiers are:

Goal 1	Preserve good neighborhoods so they stay healthy	Tier 1
Goal 2	Turn around changing neighborhoods so that they become desirable	Tier 2
Goal 3	Redevelop and rebuild blighted areas so that they become workable neighborhoods	Tier 3

Priority emphasis will be given to Tier 2 and Tier 3 neighborhoods. These areas include a higher concentration of foreclosed or abandoned houses and more challenging physical or market circumstances.

**Goal 1: Preserve good neighborhoods so they stay healthy.**

Tier 1 neighborhoods are currently experiencing low-to-moderate risk (HUD Risk Factor 0 – 6), and have incipient problems with foreclosures or are threatened by the spreading risk from nearby areas of greater distress.

Tier 1 NSP activities would be limited primarily to:

- Properties that meet physical standards where homebuyer assistance alone re-creates a homeownership opportunity.

**Goal 2 “Turn around” neighborhoods**

Tier 2 neighborhoods are experiencing moderate-to-high risk (HUD Risk Factor 7-8). Phoenix will pursue quick successes in Tier 2 areas where impacting 2-3 houses on a block will make a difference, or where saving a few blocks will have a high impact. NSP funds will be used to support neighborhoods that still have relatively strong market potential; where confidence can be built back into a neighborhood that, but for a few key properties, would otherwise be attractive to homebuyers.

Tier 2 NSP activities will be tailored to physical and market conditions, aimed at:

- Properties that meet physical standards where homebuyer assistance alone recreates a homeownership opportunity.
- Properties in need of modest rehab but sufficiently desirable in their sub-market that a homebuyer will buy it and rehab it with NSP assistance.
- Properties that need to be acquired by the city or designee and rehabbed in order to make them desirable for homeownership.
- Properties that need to be acquired to remove blight; where taking control and securing them for later rehab and re-occupancy will benefit the surrounding area.

- Rental properties to be acquired and rehabbed.
- Scattered acquisitions that may include demolition to eliminate blight, for future reuse pursuant to the alternative requirements for land banking and with a re-use that will be consistent with community development strategies and plans.
- Demolition and redevelopment activities in support of neighborhood stabilization efforts, with re-use in keeping with community development strategies and plans.

### **Goal 3 “Redevelop and Rebuild” neighborhoods**

Tier 3 neighborhoods are experiencing the highest rates and risk of foreclosure and abandonment (HUD Risk Factor 9-10). Phoenix will address highly-impacted Tier 3 neighborhoods where concentrations of foreclosures have eroded market potential that may have been weak to begin with. Such neighborhoods may have larger numbers of foreclosures, may be in overall poorer physical conditions or be more challenged to rebound without intensive intervention.

Tier 3 areas will deploy the same activities as in Tier 2, more intensively, and including higher incentives for homebuyers, increased rehab assistance, a larger number of acquisitions to be rehabbed and placed back into productive use as the market allows, i.e. as multi-family rentals or for single-family homeownership, and a larger number of blighted properties requiring demolition and redevelopment.

### **Refining a Targeting Strategy**

A large area of the city is Tier 2 or Tier 3 with a significant foreclosure rate and high risk of future foreclosure or abandonment. While a large majority of the NSP funding, and the most intensive NSP-eligible activities will be targeted to these highest risk/foreclosure rate areas, individual NSP strategies will be developed, deployed and continually refined to address the unique neighborhood sub-markets within this large number of Zip Codes.

Initial strategies that further target the NSP activities will include a focus on:

1. Saturation efforts in older neighborhoods with large concentrations of vacant, foreclosed houses, such as are found in the West Phoenix Revitalization Area, will be developed to more comprehensively address localized problems. This will include integrating intensive NSP activities with non-NSP activities, such as code enforcement, cleanups, enhanced outreach for foreclosure prevention, and promotion of homeownership opportunities. Prominent street fronts with significant foreclosures may be identified for a focused effort on turning around each individual foreclosure, aimed at achieving a dramatic impact.
2. Special targeted strategies for new subdivisions, as are found in southwest Phoenix, to address their foreclosure challenges by promoting cleanups of common areas and promoting neighborhood safety. This could also involve working with impacted Homeowners Associations (HOA), and property managers.
3. Protecting the investment in Neighborhood Initiative Areas (NIAs), active Redevelopment Areas (RDAs) and other Council-selected target areas and neighborhoods that have seen revitalization efforts undermined by foreclosures will involve leveraging existing partnering relationships and collaborating with long-standing community networks.

## Neighborhood Stabilization Program Activity Summary

The following table summarizes the targeted distribution of NSP funds by Program Tier and neighborhood zip code, and identifies the program activity associated with each.

<b>NSP PROGRAMS, BY TIER:</b>			
TIER 1	TIER 2	TIER 3	
“Preserve stable neighborhoods so they stay healthy”	“Turn around changing neighborhoods so they become desirable”	“Redevelop and rebuild blighted areas so they become workable”	
HUD Risk Factor 0-6	HUD Risk Factor 7-8	HUD Risk Factor 9-10	
Homebuyer Assistance (all Tiers): Subordinate loan for part of the purchase price, to encourage new homebuyers to purchase foreclosed properties.			
Promote use of HUD 203(k) to assist homebuyers with needed repairs.	Homebuyer Assistance w/ Rehab Assistance Moderate rehab assistance to incent homebuyers to purchase foreclosed houses needing minor rehab.	Homebuyer Assistance w/ Rehab Assistance: Higher maximum amounts to incent homebuyers to purchase and rehab in the most distressed areas.	
Acquisition only on an exception basis, with: <ul style="list-style-type: none"> <li>- rehab and resale for ownership</li> <li>- rehab for operation as multi-family rental</li> </ul>	Limited acquisition (some bulk purchases) with: <ul style="list-style-type: none"> <li>- rehab and resale for ownership</li> <li>- rehab for operation as multi-family rental</li> <li>- holding, rehabbing, maintaining and remarketing</li> <li>- demolition and redevelopment</li> </ul>	Acquisition (including large bulk purchases) with: <ul style="list-style-type: none"> <li>- rehab and resale for ownership</li> <li>- rehab for operation as multi-family rental</li> <li>- holding, rehabbing, maintaining and remarketing</li> <li>- demolition and redevelopment</li> </ul>	
Spot Demolition, on an exception basis only, to address most serious health and safety issues.	Scattered Demolition	Demolition	
<b>ZIP CODE TARGETING:</b>			
TIER 1	TIER 2	TIER 3	
All Phoenix Zip Codes	85015	86006	85034
	85023	85008	85035
	85024	85009	85037
	85053	85017	85040
	85339	85019	85041
		85021	85042
		85027	85043
		85029	85051
		85031	85307
		85032	85353
		85033	
<p>Notes:</p> <p><sup>1</sup> Zip Code boundaries do not conform with city limits. All the zip codes listed are all or partly in Phoenix; certain zip codes include portions of neighboring cities. City of Phoenix NSP funds will be used to benefit only City of Phoenix residents.</p> <p><sup>2</sup> Zip Codes were included in entirety for purpose of establishing ‘areas of greatest need.’ At least a portion of the census tracts and/or neighborhood boundaries within each zip code met the HERA requirements for targeting.</p>			

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

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

#### **Response:**

As defined by the September 29, 2008 regulations on the Neighborhood Stabilization Program, a structure is blighted ‘when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.’ This is consistent with state and local laws regarding slum and blight. For example, Arizona Revised Statutes 36-1401, considers blight to be an area where buildings predominate that are “detrimental to safety, health or morals because they are dilapidated or overcrowded or lack ventilation, light or sanitary facilities.”

The City of Phoenix Neighborhood Preservation Ordinance, City Code, Part II, Chapter 39, Article III, Section 39.3 defines blight as follows: “Unightly conditions including accumulation of debris; fences characterized by holes, breaks, rot, crumbling, cracking, peeling or rusting; landscaping that is dead, characterized by uncontrolled growth or lack of maintenance, or is damaged; any other similar materials as flexible or inflexible screening, fencing, or wall covering upon a residential lot; regardless of the condition of other properties in the neighborhood.”

The Neighborhood Preservation Ordinance (City Code, Part II, Chapter 39, Article IV, Section 39.25) also allows for demolition in extreme cases of vacant, blighted properties. Following is the criteria in determining when a building is eligible:

1. Vacant for over a year, or,
2. Significant Code Violations resulting in substandard conditions, or
3. Detrimental to the health and safety of the neighborhood as determined by applicable City Codes and approved by the Administrator (of the Preservation Division) or designee. The applicable City Codes are listed under the City of Phoenix Code, Part II, Chapter 39, Article II, Section 39-8 and Part II, Chapter 39, Article IV, Sections 22 – 25.

The City of Phoenix Neighborhood Stabilization Program will use the above City Code definition as well as this criteria in determining when a structure is blighted and will follow the allowed abatement action.

(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:**

The City of Phoenix Neighborhood Stabilization Program will comply with the HOME Investment Partnership Program Final Rule at 24 CFR 92.252 for the purpose of establishing the rents for 50% and 60% of area median income households.

HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. The City of Phoenix has established HOME rents for the Phoenix jurisdiction which are

lower than the HUD limits. The City of Phoenix Neighborhood Stabilization Program will include both rent schedules and has the administrative authority to make a decision as to which rent schedule it will utilize on a project-by-project basis.

Bedroom Size	1 BR	2 BR	3 BR	4 BR
HUD Low HOME Rents	\$601	\$722	\$834	\$931
HUD High HOME Rents	\$715	\$862	\$1052	\$1154
Phoenix Low HOME Rents	\$552	\$646	\$687	\$751
Phoenix High HOME Rents	\$588	\$696	\$762	\$855

**Income Limits:**

Household Size	1	2	3	4	5	6	7	8
50% AMI	\$22,450	\$25,700	\$28,900	\$32,100	\$34,650	\$37,250	\$39,800	\$42,350
60% AMI	\$26,940	\$30,840	\$34,680	\$38,520	\$41,580	\$44,700	\$47,760	\$50,820

The City of Phoenix Neighborhood Stabilization Program will also establish a tier of rents based upon 100% of area median income households. This will provide for greater flexibility in meeting the rental housing needs of Phoenix households.

Maximum allowable rents (including utilities) will be established at the most current market rents for the Phoenix area but will not exceed 30% of the annual income of a family whose income equals 100% of the area median income, based upon 2 persons per bedroom.

Bedroom Size	1 BR	2 BR	3 BR	4 BR
Maximum Rents	\$1,290	\$1,610	\$1,860	\$2,120

**Income Limits:**

Household Size	1	2	3	4	5	6	7	8
100% AMI	\$44,900	\$51,400	\$57,800	\$64,200	\$69,300	\$74,500	\$79,600	\$84,700

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

**Response:**

The City of Phoenix Neighborhood Stabilization Program will ensure continued affordability for NSP-assisted housing by adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f) {for rental units} and 92.254 {for homeownership units}.

The affordability period for NSP-assisted acquisition or acquisition/rehab of rental and homeownership units will, at a minimum, meet the HOME standard:

Per-unit NSP Assistance	Minimum Affordability Period
up to \$15,000	5 years
\$15,000 - \$40,000	10 years
above \$40,000	15 years

Rent and occupancy agreements for rental properties will be enforced through deeds of trust, covenants running with the property, deed restrictions or other mechanisms approved by HUD. Homeownership units will be subject to the recapture option for NSP assistance, secured by deeds of trust on the assisted units. NSP homebuyer assistance programs may provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department's Underwriting Guidelines.

4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

**Response:**

All rehabilitation under the NSP will meet the City of Phoenix's written housing rehabilitation standards that are based on HUD's Nationally Applicable Recommended Rehabilitation Provisions (NARRP). The provisions in the NARRP are written to ensure that public health, safety and welfare are maintained or enhanced as work is performed. All work must be completed in a professional workmanlike manner in compliance with the workmanship standards and licensing requirements of the Arizona Registrar of contractors as established by Arizona Statute. All units assisted through the NSP will meet at a minimum Housing Quality Standards plus an assessment of the anticipated life expectancy of equipment, systems and structural elements (life expectancy of 5+ years). Units that pass this inspection would not need (or qualify for) rehabilitation assistance.

These standards will include Residential Energy Standards that incorporate housing energy assessments and improvements to increase the energy efficiency or conservation of homes. Any NSP funded acquisition or acquisition/rehabilitation will meet minimum modern, green building and energy-efficiency standards as established by the City. The standards will be further supplemented with a curb appeal component.

The standards also reflect the 2006 International Residential Building Code, as amended by the City of Phoenix, which have been updated to comply with the Americans with Disabilities Act, federal and local lead based paint protocols, State Codes, and other applicable laws and regulations. The NSP multi-unit rental acquisition and rehabilitation program will follow these standards.

***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: \$9,869,524 equals 25% of the NSP award and serves as the minimum.

**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:**

At least 25% - 27% of the NSP funds will be used for housing individuals and families whose incomes do not exceed 50% of area median income (AMI).

The City of Phoenix will utilize approximately \$8 million to purchase and rehabilitate foreclosed apartment complexes for inclusion in its affordable rental units portfolio. Additionally, the City will use

approximately \$2-3 million to assist non-profit and for-profit developers who submit a successful application to acquire/rehabilitate a foreclosed multi-family rental consistent with the Housing Department's City Council-approved underwriting guidelines, and who agree that at least 51% of the units ("LMMI Units") will be occupied by families at or below 120% AMI at affordable rents. As a subset of the LMMI Units, the number of units set aside for and affordable to families at or below 50% AMI will be in proportion to the amount of NSP funds used to acquire and rehabilitate the multi-family project. The City will promote a mixed-income approach in all multi-family complexes using NSP dollars, so as to be consistent with the Housing Department's Dispersion Policy which discourages development that may concentrate poverty in any one area of the City. Finally, the City will seek opportunities to work with Continuum of Care Partners who identify foreclosed properties that can help them meet their mission.

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

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  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.,  $\leq 120\%$  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 City of Phoenix goal is to avoid the displacement of persons from their dwellings whenever feasible. Consistent with the goal, the department will take the following steps to minimize displacement of persons as a result of activities assisted with the Neighborhood Stabilization Program:

1. Coordinate all NSP funded activities potentially involving displacement with rehabilitation and housing assistance programs.
2. Schedule rehabilitation of vacant apartment units first to provide opportunity for tenants to remain in comparable units in the complex during or after rehabilitation.
3. Provide counseling and informational services designed to assist homeowners and renters impacted by neighborhood stabilization.

In conformance with the September 29, 2008 HUD regulations for the NSP program, all occupied and vacant occupiable low and moderate income dwelling units demolished or converted through NSP funds to a use other than low, moderate or middle income housing will be replaced by other low and moderate income units in the area or citywide. The following are the City's estimated one-for-one replacement numbers plans for the NSP program:

1. Low and moderate income dwelling units reasonably expected to be demolished or converted as a direct result of NSP assisted activities: not more than 20 low/moderate/middle income rental units are anticipated to be converted. These conversions would primarily occur for needed expansion or creation of common areas under the acquisition/rehabilitation of affordable rental complexes.
2. Number of NSD affordable housing units (made available to low moderate and middle income households) reasonably expected to be produced by program and income level depends on the focus of each program, lender criteria/housing costs and other factors:

Program 1: Homeownership Assistance – 0 units for families at or below 50% AMI, 10 units for families 51 - 80% AMI and 178 units for families 81 - 120% AMI.

Program 2: Homeownership Assistance with Rehabilitation – 0 units for families at or below 50% AMI, 20 units for families 51 - 80% AMI and 119 units for families 81 - 120% AMI.

Program 3: Acquisition and Rehabilitation of Foreclosed Single Family Homes – 0 units for families at or below 50% AMI, 35 units for families 51 - 80% AMI and 50 units for families 81 - 120% AMI.

Program 4: Acquisition and Rehabilitation of Foreclosed or Abandoned Rental Housing - 120 units for families at or below 50% AMI, 125 units for families 51 - 80 AMI, and 234 units for families 81 - 120% AMI.

Program 5: Acquisition/Disposition/Demolition – 0 units for families at or below 50% AMI, 15 units for families 51 - 80% AMI, 15 units for families 81 - 120% AMI.

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

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

### **Response:**

Notice of availability of The NSP Substantial Draft Amendment was advertised in the Arizona Republic on November 7 and November 14, 2008. The draft was available for public review and comment for fifteen days starting November 12 to November 26, 2008 and could be accessed from the City of Phoenix web-site at [www.phoenix.gov/NSD/nspa.html](http://www.phoenix.gov/NSD/nspa.html). A copy was also available for review at Phoenix City Hall. Residents were requested to call in comments to our hotline or via e-mail at [nsd@phoenix.gov](mailto:nsd@phoenix.gov).

An Open House on the draft amendment was held on November 19, 2008 at Phoenix City Hall. Approximately 170 residents were in attendance with over 2000 flyers mailed and e-mailed. Public comments received emphasized local partnership support from non-profits, the real estate industry, small businesses, and neighborhood leaders through identified leveraging opportunities to achieve the goals of the NSP program. Additional comments stressed using the NSP funds as follows:

- To provide homeownership opportunities
- To include residents in the prioritization of actions in their neighborhoods
- To enhance housing counseling support

Further comments recommended ways to implement and operate the proposed NSP strategies and stressed the need for additional funding for foreclosure prevention.

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

1. Activity Name: **Program 1: Homeownership Assistance**
2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: §2301(c)(3)(A) 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: 24 CFR 570.201(n) Direct homeownership Assistance.

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).

LMMH: Low-, moderate-, and middle-income households; 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.

4. Projected Start Date: December 2008/January 2009 (from receipt of grant)
5. Projected End Date: December 2012/January 2013 (4 years)

6. Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location and administrator contact information).

City of Phoenix Neighborhood Services Department, Jerome E. Miller, Director (602) 534-6176. The City may also use non-profit homeownership assistance partners to help administer this program.

7. Location Description: Description may include specific addresses, blocks or neighborhoods to the extent known.)

Homeownership Assistance will be primarily targeted in Tier 1, Tier 2 and Tier 3 areas of greatest need defined elsewhere in the NSP Action Plan.

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.

The City will provide homeownership assistance (an NSP “Financing Mechanism”) in the form of subordinate mortgages to assist first-time homebuyers purchase and occupy foreclosed or abandoned single-family homes in Tier 1, Tier 2 and Tier 3 areas that require no rehabilitation to meet lender requirements and/or City’s housing standards. The target population would be FHA creditworthy, first-time borrowers with incomes at or below 120% AMI. Given current area home prices, it is expected that some buyers below 80% of median income could also be served. The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard:

Per-unit NSP Assistance	Minimum Affordability Period
up to \$15,000	5 years
\$15,000 - \$40,000	10 years
above \$40,000	15 years

NSP-funded homebuyer assistance may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department's Underwriting Guidelines.

Buyers will be required to complete at least 8 hours of pre-purchase counseling from a HUD-approved counseling agency, and obtain a long-term, fixed rate, fully amortizing mortgage in keeping with the requirements of the HUD NSP Notice. The City may combine this assistance with mortgage revenue bond-supported first mortgages.

For housing related activities, include:

- tenure of beneficiaries: homeownership
- duration or term of assistance; made for acquisition: long term second mortgage.
- a description of how the design of the activity will ensure continued affordability: The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard, and may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department's Underwriting Guidelines

For acquisition activities, include:

- discount rate: The City views the discount requirement at 2301(d)(1) applicable if our NSP activity is 2301(c)(3)(B), purchase and rehab when carried out by the Grantee, 2301(c)(3)(C), land banks, or other acquisition activities by the Grantee. A determination has been requested and is pending at HUD HQ at the time of this submittal. If discounting is required for this activity, it will be consistent with the requirement to achieve an aggregate 15% discount overall, unless an acceptable methodology is developed to justify an average discount as low as 10%.

For financing activities, include:

- range of interest rates: No interest will be charged on Direct Homeownership Assistance loans; instead a proportionate equity-share mechanism may be used, consistent with the Housing Department's Underwriting Guidelines.

I. Total Budget: (Include public and private components)

NSP funds: \$4,160,695

First mortgage funds leveraged: \$18.8 million (estimated)

J. 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):

Anticipated beneficiaries per AMI:

At or below 50% of median:	0
51 – 80% of median:	50
81 – 120% of median:	138

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

1. Activity Name: **Program 2: Homeownership Assistance With Rehabilitation**

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: §2301(c)(3)(A) 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. Also, §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.

CDBG: 24 CFR 570.201: (n) Homeownership Assistance. Also 570.202 Eligible rehabilitation and preservation activities.

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).

LMMH: Low-, moderate-, and middle-income households; 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.

4. Projected Start Date: December 2008/January 2009 (from receipt of grant)

5. Projected End Date: December 2012/January 2013 (4 years)

6. Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location and administrator contact information).

City of Phoenix Neighborhood Services Department, Jerome E. Miller, Director (602) 534-6176. The City may also use non-profit homeownership assistance partners to help administer this program.

7. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Homeownership Assistance with Rehabilitation will be primarily targeted in Tier 2 and Tier 3 areas of greatest need defined elsewhere in the NSP Action Plan.

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.

The City will provide homeownership assistance (an NSP “Financing Mechanism”) in the form of subordinate mortgages to assist first-time homebuyers purchase and occupy foreclosed or abandoned single-family homes in Tier 2 and Tier 3 areas of greatest need which require rehabilitation to meet lender requirements and the City’s Rehab Standards, described elsewhere in the Action Plan. Assistance will be provided as a loan that includes homebuyer assistance and pays the cost of rehabilitation, much like the FHA 203(k) loan program. Target population will be FHA creditworthy, first-time borrowers with incomes at or below 120% AMI. Given current area home prices, it is expected that some buyers below 80% of median income could also be served. The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard:

Per-unit NSP Assistance	Minimum Affordability Period
up to \$15,000	5 years
\$15,000 - \$40,000	10 years
above \$40,000	15 years

NSP-funded homebuyer assistance may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department’s Underwriting Guidelines.

Buyers will be required to complete at least 8 hours of pre-purchase counseling from a HUD-approved counseling agency, and obtain a long-term, fixed rate, fully amortizing mortgage in keeping with the requirements of the HUD NSP.

In recognition of the higher HUD Risk Factors that distinguish Tier 3 areas of greatest need from Tier 2 areas, the City may develop higher maximum purchase/rehab loan amounts or more favorable terms aimed at increasing the incentives for successful homeownership in the more distressed areas.

For housing related activities, include:

- tenure of beneficiaries: homeownership
- duration or term of assistance; made for acquisition: long term second mortgage.
- a description of how the design of the activity will ensure continued affordability: The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard, and may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department’s Underwriting Guidelines

For acquisition activities, include:

- discount rate: The City views the discount requirement at 2301(d)(1) applicable if our NSP activity is 2301(c)(3)(B), purchase and rehab when carried out by the Grantee, 2301(c)(3)(C), land banks, or other acquisition activities by the Grantee. A determination has been requested and is pending at HUD HQ at the time of this submittal. If discounting is required for this activity, it will be consistent with the requirement to achieve an aggregate 15% discount overall, unless an acceptable methodology is developed to justify an average discount as low as 10%.

For financing activities, include:

- range of interest rates: : No interest will be charged on Direct Homeownership Assistance/Rehab assistance loans; instead a proportionate equity-share mechanism may be used, consistent with the Housing Department’s Underwriting Guidelines.

I. Total Budget: (Include public and private components)

NSP funds: \$333,249

First mortgage funds leveraged: \$100,000

J. 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):

Anticipated beneficiaries per AMI:

- At or below 50% of median: 0
- 51 – 80% of median: 0
- 81 – 120% of median: 2

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

1. Activity Name: **Program 3: Acquisition and Rehabilitation of Foreclosed Single Family Homes**

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: §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.

CDBG: 24 CFR 570.201: (a) Acquisition; (b) Disposition; and (n) Direct homeownership Assistance. Also 570.202 Eligible rehabilitation and preservation activities

K. 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).

LMMH: Low-, moderate-, and middle-income households; 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.

4. Projected Start Date: After intermediary partners selected (Spring 2009)

5. Projected End Date: Spring 2013 (4 years)

6. Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information) City of Phoenix Neighborhood Services Department, Jerome E. Miller, Director (602) 534-6176.

7. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Acquisition and Rehabilitation of Foreclosed Single Family Homes will be primarily targeted in Tier 2 and Tier 3 areas of greatest need, defined elsewhere in the NSP Action Plan, with limited targeting in Tier 1 areas of greatest need on an exception basis.

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.

The City or contracted intermediaries (for-profits and/or non-profits procured as contractors or performing under subrecipient agreements) will purchase foreclosed or abandoned homes and rehabilitate them in keeping with City standards described elsewhere in the NSP Action Plan. Homes may be purchased individually or at bulk sale. Purchase prices will average at least 15% below current appraised value, unless an acceptable methodology is developed to justify an average discount as low as 10%. NSP funds will also pay for allowable rehab costs. This activity will be focused on Tier 2 and Tier 3 areas of greatest need so as to produce tangible evidence of neighborhood improvement and to entice homebuyers to purchase newly-rehabbed homes. Upon the completion of rehabilitation, homes will be sold to FHA creditworthy, first-time borrowers with incomes at or below 120% AMI. Given current area home prices, it is expected that some buyers below 80% of median income could also be served. Sales to homebuyer will be at a price equal to or less than the cost to acquire and rehabilitate or redevelop the property, including related activity delivery costs and a reasonable developer fee unless the intermediary is a subrecipient, in which case they may recover their direct costs. LMMI purchasers who agree to occupy the property as their primary residence may qualify for Direct Homeownership Assistance. The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard:

Per-unit NSP Assistance	Minimum Affordability Period
up to \$15,000	5 years
\$15,000 - \$40,000	10 years
above \$40,000	15 years

NSP-funded homebuyer assistance may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department’s Underwriting Guidelines. Buyers will be required to complete at least 8 hours of pre-purchase counseling from a HUD-approved counseling agency, and obtain a long-term, fixed rate, fully amortizing mortgage in keeping with the requirements of the HUD NSP.

Per the HUD NSP Resource Exchange, homeownership assistance in this program is considered a “principal buy down” and does not increase the total investment beyond the acquisition and rehab costs.

The homeownership assistance will function much like a seller’s credit to a homebuyer to assist the homebuyer with down payment, closing costs and to reduce the principal amount of the homebuyer’s primary purchase money mortgage.

For housing related activities, include:

- tenure of beneficiaries: homeownership
- duration or term of assistance; made for acquisition: long term second mortgage.
- a description of how the design of the activity will ensure continued affordability: The City will ensure continued affordability of assisted units by adopting, at a minimum, the HOME program standard, and may also provide for recapture of NSP assistance beyond the minimum HOME affordability period by means of a proportionate shared equity mechanism that is consistent with the Housing Department’s Underwriting Guidelines

For acquisition activities, include

- discount rate: Will be consistent with the requirement to achieve an aggregate 15% discount overall, unless an acceptable methodology is developed to justify an average discount as low as 10%.

For financing activities, include:

- range of interest rates: No interest will be charged on Direct Homeownership Assistance; instead a proportionate equity-share mechanism may be used, consistent with the Housing Department’s Underwriting Guidelines.

I. Total Budget: (Include public and private components):

NSP funds: \$16,277,256

First mortgage funds leveraged: \$9.35 million

J. Performance Measures: (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of are median income and below, 51-80 percent and 81-120 percent):

Anticipated beneficiaries per AMI:

At or below 50% of median: 0

51 – 80% of median: 48

81 – 120% of median: 58

An additional 20 to 30 units are anticipated to be accomplished using program income.

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

1. Activity Name: **Program 4: Acquisition and Rehabilitation of Foreclosed or Abandoned Rental Housing**

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: §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.

CDBG: 24 CFR 570.201: (a) Acquisition; (b) Disposition. Also 570.202 Eligible rehabilitation and preservation activities.

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).

LMMH: Low-, moderate-, and middle-income households; 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.

4. Projected Start Date: December 2008/January 2009 (receipt of grant)

5. Projected End Date: December 2012/January 2013 (4 years)

6. Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information).

City of Phoenix Housing Department, Kim Dorney, Director (602) 262-6794.

7. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Identification of prospect properties will involve strategic targeting to Tier 2 and Tier 3 areas of greatest need defined elsewhere in the Action Plan, with secondary emphasis on identifying distressed properties that offer opportunities for affordable housing for households at or below 50% AMI in Tier 1.

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.

The City will use NSP funds to assist with the purchase and rehabilitation of foreclosed or abandoned rental properties, primarily multi-family. Foreclosed or abandoned multi-family rentals introduce significant distress in any area. Identification of prospect properties will involve strategic targeting to Tier 2 and Tier 3 areas of greatest need, with secondary emphasis on identifying distressed properties that offer opportunities for affordable housing for households at or below 50% AMI in Tier 1. This will be the City's primary NSP program for benefiting households at or below 50% of median income. Properties could be purchased for the City's own portfolio or the City could assist non-profit or for-profit partners in acquisition and rehabilitation. The form of the City's assistance will be subordinated mortgages. The City

will make every effort to leverage these loans with FHA or other first mortgages, tax credit proceeds (where possible) and other subordinate financing such as AHP, state funds and its own subordinate mortgage financing. Rental and occupancy agreements will be enforce through deeds of trust, covenants running with the property, deed restrictions or other mechanisms approved by HUD, in order to ensure continued affordability that will, at a minimum, meet the HOME standard:

Per-unit NSP Assistance	Minimum Affordability Period
up to \$15,000	5 years
\$15,000 - \$40,000	10 years
above \$40,000	15 years

For housing related activities, include:

- tenure of beneficiaries: rental
- duration or term of assistance; made for acquisition and/or rehabilitation: minimum HOME affordability periods
- a description of how the design of the activity will ensure continued affordability: City will record rent regulatory agreement, covenants or other mechanisms approved by HUD that meet, at a minimum, HOME affordability requirements.

For acquisition activities, include:

- discount rate: will be consistent with the requirement to achieve an aggregate 15% discount overall, unless an acceptable methodology is developed to justify an average discount as low as 10%.

For financing activities, include:

- range of interest rates: 0-4% on either a cash flow, amortized or forgiven note, compliant to City Council approved underwriting guidelines.

I. Total Budget:

25% setaside for 50% AMI: \$ 9,869,524  
 Other multi-family/rentals: \$ 789,562  
 Total budget - this activity: \$10,659,086

25% of the overall NSP1 grant will be used for housing individuals and families whose incomes do not exceed 50% AMI.

Unit measures will be met or exceeded using NSP1 and leveraged funding from the HOME program and private sources. Leveraging funds is more difficult in the current market than previously anticipated.

J. 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):

At or below 50% of median: 120  
 51-80% of median: 125  
 81-120% of median: 234

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

1. Activity Name: **Program 5: Acquisition/Disposition/Demolition**

2. Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP: §2301(c)(3)(C) Establish land banks for homes that have been foreclosed upon; §2301(c)(3)(D) Demolish blighted structures; and §2301(c)(3)(E) Redevelop demolished or vacant properties.

CDBG: 24 CFR 570.201: (a) Acquisition; (b) Disposition; (d) Clearance. Also 570.201(c) Public facilities and improvements; (e) Public services for housing counseling, to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of redeveloped properties; (n) Direct homeownership assistance.

K. 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).

LMMA: (Acquisition/Demolition) Serves areas in which at least 51% of the residents have incomes at or below 120% of the area median income.

LMMH: (Redeveloping demolished or vacant properties) Low-, moderate-, and middle-income households; 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.

4. Projected Start Date: December 2008/January 2009 (from receipt of grant)

5. Projected End Date: December 2012/January 2013 (4 years)

6. Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location and administrator contact information).

City of Phoenix Neighborhood Services Department, Jerome E. Miller, Director (602) 534-6176.

7. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Acquisition/Disposition/Demolition of Foreclosed Homes will be primarily targeted in Tier 3 areas of greatest need, defined elsewhere in the NSP Action Plan, with limited targeting in Tier 2, and spot usage in Tier 1 areas of greatest need on an exception basis.

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.

The City or designee will purchase foreclosed or abandoned properties to address the most critical properties within specific, defined LMMI areas in Tier 3 areas of greatest need, where rehabilitation of existing structures is not economic and/or the market will not absorb residential units in the near term. The City will implement this activity also on a more limited

basis within specific, defined LMMI areas in Tier 2 areas, in order to reverse decline and inject confidence back into an otherwise stable neighborhood, and may consider implementing this activity in specific, defined LMMI areas in Tier 1 areas of greatest need on an exception basis, considering blighting conditions of the property and associated destabilizing influences such as crime activity.

Disposition goals will be to demolish blighted structures where necessary, but to the extent practicable to return foreclosed residential properties to productive occupancy as soon as possible, while supporting stability in the real estate market. Rental and ownership properties would be rehabilitated and/or redeveloped in keeping with their physical condition, neighborhood strengths and expectations as well as market readiness.

For housing related activities, include:

- tenure of beneficiaries: rental or homeownership; (LMMA benefit if a Public Facility is the result of a redevelopment activity.)
- duration or term of assistance: minimum HOME affordability period; may include shared equity where redevelopment purpose is homeownership.
- a description of how the design of the activity will ensure continued affordability: To ensure long-term affordability, the terms of any Direct Homeownership Assistance will, at a minimum, meet HOME affordability requirements, and may include a shared equity feature. For rental activity, the City will record rent regulatory agreements, covenants or other mechanisms approved by HUD that, at a minimum, meet HOME affordability requirements.

For acquisition activities:

- discount rate: will be consistent with the requirement to achieve an aggregate 15% discount overall, unless an acceptable methodology is developed to justify an average discount as low as 10%.

I. Total Budget: (Include public and private components)

NSP funds: \$4,100,000

First mortgage funds leveraged: \$3 million

J. 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):

Number of units expected to be assisted: Unit mix anticipates 15 single-family properties, plus the 52-unit “Sunset Manor” property. Anticipated Beneficiaries assumes redevelopment of 40 units of owner-occupied housing.

Household incomes:

At or below 50% of median: 0

51 – 80% of median: 20

81 – 120% of median: 20

## **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/Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
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): City of Phoenix, Arizona Lead Agency: Neighborhood Services Department Jurisdiction Web Address: <i>www.phoenix.gov/NSD/nspa.html</i>	NSP Contact Person: Jerome E. Miller, Neighborhood Services Director Address: 200 W. Washington, 4 <sup>th</sup> floor Phoenix, Arizona 85003 Telephone: (602)534-6176 Fax: (602)534-1555 Email: <a href="mailto:jerome.miller@phoenix.gov">jerome.miller@phoenix.gov</a>
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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 pages 3-10.

**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 pages 12-15.

**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 16.
  
- a definition of “affordable rents,”  
 Yes  No  Verification found on page 16.

- a description of how the grantee will ensure continued affordability for NSP assisted housing,  
Yes  No . Verification found on page 17.
- a description of housing rehabilitation standards that will apply to NSP assisted activities?  
Yes  No . Verification found on page 18.

***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  No . Verification found on pages 22,24,26,28,30 .
- correlated eligible activity under CDBG,  
Yes  No . Verification found on pages 22,24,26,28,30.
- the areas of greatest need addressed by the activity or activities,  
Yes  No . Verification found on pages 22,24,26,28,30.
- expected benefit to income-qualified persons or households or areas,  
Yes  No . Verification found on pages 22,24,26,28,30.
- appropriate performance measures for the activity,  
Yes  No . Verification found on pages 23,25,27,29,31.
- amount of funds budgeted for the activity,  
Yes  No . Verification found on pages 23,25,27,29,31.
- the name, location and contact information for the entity that will carry out the activity,  
Yes  No . Verification found on pages 22,24,26,28,30.
- expected start and end dates of the activity?  
Yes  No . Verification found on pages 22,24,26,28,30.

***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  No . Verification found on pages 23,25,27,29,31.

If the activity provides financing,

- the range of interest rates (if any),  
Yes  No . Verification found on page 23,25,27,29,31.

If the activity provides housing,

- duration or term of assistance,  
Yes  No . Verification found on pages 23,25,27,29,31.
- tenure of beneficiaries (e.g., rental or homeownership),  
Yes  No . Verification found on pages 23,25,27,29,31.
- does it ensure continued affordability?  
Yes  No . Verification found on pages 23,25,27,29,31.
- 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  No . Verification found on page 18 and 28.

***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  No . Verification found on page 18.
- 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  No . Verification found on pages 18 and 28.  
Amount budgeted = \$9,869,524 at minimum.

***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 . (If no, continue to next heading)  
Verification found on page 19.

Does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  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 20.

- 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 20, as to # of units  
Time schedules found with Activity Descriptions, pages 22, 24, 26, 28 and 30.
- 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 20.

**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  No . Verification found on page 21.

See also attached copies of:

- City of Phoenix webpage
- Paid ad in “Arizona Republic”
- Invitation to public Open House to solicit comments.

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

Yes  No  Verification found on page 21.

**I. WEBSITE PUBLICATION**

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

- SF 424 Yes  No .
- Proposed NSP Substantial Amendment Yes  No , has been replaced by Final...
- Final NSP Substantial Amendment Yes  No .
- Subsequent NSP Amendments Yes  No .

Website URL: [www.phoenix.gov/NSD/nspa.html](http://www.phoenix.gov/NSD/nspa.html)

**K. CERTIFICATIONS**

The following certifications are complete and accurate:

- |   |   |                             |
|---|---|-----------------------------|
| (1) Affirmatively furthering fair housing | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan                 | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation            | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3                             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation                 | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan                        | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

- |  |   |                             |
|--|---|-----------------------------|
| (9) Use of funds in 18 months                              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds $\leq$ 120 of AMI                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force                                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures           | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |