

# Introduction

On July 30, 2008 the Housing and Economic Recovery Act of 2008 (H.R. 3221 or HERA) was enacted. HERA provides \$3.92 billion in emergency Community Development Block Grant (CDBG) funds for the Neighborhood Stabilization Program (NSP) to assist states and local governments in the redevelopment of abandoned and foreclosed homes in response to the foreclosure aftermath.

On October 6, 2008, the U.S. Department of Housing and Urban Development (HUD) released a Notice in the Federal Register (see Appendix F) indicating the formula allocations and program requirements. HUD's formula determined the amount of funding jurisdictions received, as well as how it is to be targeted based on the number and percentages of foreclosures, subprime mortgages, and defaults or delinquencies. As part of the new NSP, the Los Angeles Urban County (County) will receive \$16,847,672 for targeting assistance to the areas with the greatest need.

Based on this strategy, the Community Development Commission of the County of Los Angeles (CDC) will develop programs that will assist those communities hardest hit, creating economic and housing stability for the area residents. The CDC anticipated a much larger allocation to have a greater impact on foreclosed properties and to create new housing opportunities for low- and moderate-income residents in Los Angeles County. However, additional funds may still become available through the State and through the leveraging of other funds in the near future.

## Urban County Program Description and Lead Agency

The Los Angeles Urban County Program includes the unincorporated areas of the County and small cities under 50,000 in population, which participate in the program. HUD awards CDBG; HOME Investment Partnerships (HOME), which includes the American Dream Downpayment Initiative; and Emergency Shelter Grant (ESG) programs, annually to entitlement jurisdictions such as the Los Angeles Urban County.

The CDC is the lead agency and submits the Annual Action Plan as a requirement for participation in HUD's Urban County Program. The 2008-2009 Action Plan covers the first of the five (5) program years covered by the *2008-2013 Housing and Community Development Consolidated Plan for the Los Angeles Urban County*.

The *Los Angeles Urban County 2008-2009 One-Year Action Plan* contains the County's one-year plan to carry out housing and community development activities funded by CDBG, HOME, and ESG funds received in the 2008-2009 program year from HUD. The CDC administers the County's CDBG, and HOME programs and the Los Angeles Homeless Services Authority administers the ESG program for the CDC.

The CDC will also be the lead agency in administering the NSP funding. The CDC's CDBG and Housing Development and Preservation Divisions will be responsible for planning, reporting, and implementing NSP activities.

## NSP Contact Information:

Jurisdiction(s): Los Angeles County	NSP Contact Person: Linda Jenkins
Jurisdiction Web Address: <a href="http://www.lacdc.org/CDCWebsite/CDBG/PlansReports.aspx?id=2520">http://www.lacdc.org/CDCWebsite/CDBG/PlansReports.aspx?id=2520</a>	Address: 2 Coral Circle Monterey Park, CA 91755
	Telephone: (323) 890-7168
	Fax: (323) 890-8595
	Email: <a href="mailto:Linda.Jenkins@lacdc.org">Linda.Jenkins@lacdc.org</a>

## SUBSTANTIAL AMENDMENT TO THE FY 2008-2009 ACTION PLAN

In order to receive NSP funding, HUD is requiring grantees, such as the Los Angeles Urban County to submit a substantial amendment to their FY 2008-2009 Action Plans. A substantial amendment is required by HUD because additional funding under the CDBG program is being allocated and, as such, the public must have an opportunity to comment on its use. The substantial amendment also serves as the application to HUD for the funding.

The substantial amendment/application must be submitted to HUD by **December 1, 2008**.

### SUMMARY OF CITIZEN PARTICIPATION PROCESS

To encourage citizen participation in the preparation of the substantial amendment to the 2008-2009 Action Plan, the CDC took the following actions in accordance with NSP requirements:

- Made the substantial amendment available at the CDC headquarters and posted it on the CDC website at <http://www.lacdc.org>, giving County residents 15 calendar days to review and comment on it (see Appendix D for public notice).
- A 15-day public notice was published on November 3, 2008, in the legal section of the *Los Angeles Times* advertising that the substantial amendment is available for review. The notice was also published in several local newspapers with daily or weekly circulation (see Appendix D). The notice invited citizens to review the proposed substantial amendment to the Action Plan. Citizens were invited to submit written comments to the offices of the CDC by November 18, 2008. Comments received as well as responses to the comments are included in Appendix D.

In addition to making the substantial amendment available to the public for review, the CDC also held a meeting with the Los Angeles County Board of Supervisors' Deputies on October 17 and 27, 2008 and with participating cities on October 21, 2008 to brief them on the proposed use of the funding as well as how the activities would be targeted to the areas with the greatest need.

Lastly, the Los Angeles County Board of Supervisors and Board of Commissioners of the CDC approved the substantial amendment at a board meeting on November 25, 2008.

## A. Distribution and Uses of Funds

### NSP Eligible Uses and Activities

Eligible Use	Eligible Activities
<b>A.</b> Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties	<ul style="list-style-type: none"> <li>• As an activity delivery cost for an eligible activity</li> <li>• Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.</li> </ul>
<b>B.</b> Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes or properties	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition</li> <li>• Relocation</li> <li>• Direct homeownership assistance</li> <li>• Eligible rehabilitation and preservation activities for homes and other residential properties</li> <li>• Housing counseling for those seeking to take part in the activity</li> </ul>
<b>C.</b> Establish land banks for homes that have been foreclosed upon	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition (includes maintenance)</li> </ul>
<b>D.</b> Demolish blighted structures	<ul style="list-style-type: none"> <li>• Clearance, for blighted structures only</li> <li>•</li> </ul>
<b>E.</b> Redevelop demolished or vacant properties	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition</li> <li>• Public facilities and improvements</li> <li>• Housing Counseling (limited to prospective purchasers or tenants of redeveloped properties)</li> <li>• Relocation</li> <li>• New Housing Construction</li> <li>• Direct homeownership assistance</li> <li>• 570.204 activities by Community Based Development Organizations</li> </ul>

### Ineligible Activities

- Generally, if an activity is ineligible under CDBG, it is ineligible under NSP.
- Not eligible under HERA/NSP
  - Foreclosure prevention
  - Demolition of non-blighted structures
  - Purchase of properties not abandoned or foreclosed upon

## Los Angeles Urban County Selected NSP Uses and Activities

The following table shows the selected eligible uses and activities that the County will implement with NSP funding (in **bold**). Each program may carry out any eligible activity under each use. For example, it may be necessary to provide housing counseling to persons under the first-time homebuyer program. This is an eligible activity under A.

Eligible Use	Eligible Activities
<p>A. Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties.</p> <p><b>Los Angeles Urban County’s Housing and Economic Recovery Homeownership (HERO) Program – includes a first-time homebuyer program and housing rehabilitation program for individuals or households at or below 120 % of area median income.</b></p>	<ul style="list-style-type: none"> <li>• As an activity delivery cost for an eligible activity.</li> <li>• Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.</li> </ul>
<p>B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes or properties.</p> <p><b>Los Angeles Urban County’s NSP Scattered Sites Rental Program – includes assistance for acquisition and rehabilitation of foreclosed and abandoned homes for rental to persons or household at or below 50% of area median income.</b></p>	<ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Disposition</li> <li>• Relocation</li> <li>• Direct homeownership assistance</li> <li>• Eligible rehabilitation and preservation activities for homes and other residential properties</li> <li>• Housing counseling for those seeking to take part in the activity</li> </ul>

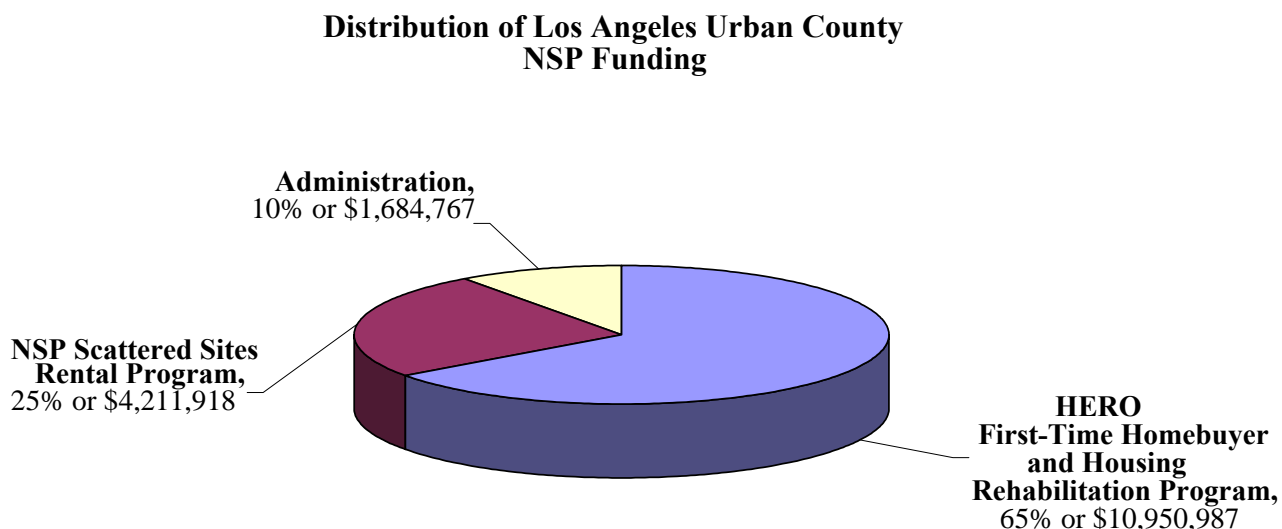
Specific details on these programs are included under G. beginning on Page 15.

### Funding Breakdown

The County will receive **\$16,847,672** in NSP funding. The County plans to use 65% of this funding for the Housing Economic Recovery Homeownership (HERO) Program to assist persons at or below 120% of area median income and 25% of the funding for the NSP Scattered Sites Rental Program to assist person at or below 50% of area median income. The remaining 10% will also be used for administration.

Note that it may be necessary to shift funding from one eligible use to another in order to meet the expenditure deadlines. However, the percentage of Administration funding will not exceed 10% of the allocation and at least 25% will be used for eligible activities to benefit persons or households at or below 50% of areas median income as required by the NSP.

The following pie chart shows the breakdown of how the funds will be used:



### **Pre-Award Costs**

The County may incur pre-award costs in compliance with 24 CFR 570.200(h). Permissible costs incurred as of September 29, 2008 for items such as development of the Action Plan amendment and other administrative actions necessary to receive the NSP grant from HUD.

### **Additional NSP Funding from the State**

The County will also apply to the State of California for additional NSP funding as necessary for the same uses and activities identified in this application.

### **Use Requirement**

NSP funds must be used no later than 18 months after execution of the grant agreement. It is expected that the grant agreement between HUD and the County will be signed in January.

### **Program Income**

Any program income received before July 30, 2013 may be retained by the County and used to carryout eligible NSP activities.

## SUMMARIES OF LOS ANGELES URBAN COUNTY NSP ACTIVITIES

The following are summaries of the programs that are planned to be implemented with NSP funding. Specific details of each program are included in Section G, beginning on Page 15.

### **HOUSING AND ECONOMIC RECOVERY HOMEOWNERSHIP (HERO) PROGRAM** **Assistance for first time homebuyers to purchase and** **rehabilitate foreclosed and abandoned homes**

The HERO Program has been designed to meet the needs of first time homebuyers with low-, moderate- and middle-incomes who are unable to qualify for a mortgage and/or obtain the necessary down payment without financial assistance. The home must be vacant and foreclosed upon or abandoned pursuant to program guidelines, and must be used as the principal residence of the homebuyer. Eligible homes must be located in one of the targeted areas identified on Page 10.

This program will provide secured loans as follows:

- Homebuyers with household incomes that do not exceed 120% of area median income may borrow up to \$75,000 or 25% of the purchase price, whichever is less.
- Homebuyers with household incomes that do not exceed 80% of area median income may borrow up to \$100,000 or 25% of the purchase price, whichever is less.

Down payment assistance is also offered for down payment and/or closing cost assistance up to \$21,000 or 6% of the purchase price, whichever is less.

The following tables show Los Angeles County's income limits for persons and households whose incomes do not exceed 120 percent and 80 percent of area median income.

<b>Los Angeles –Long Beach, CA HUD Metro FMR Area</b> <b>FY 2008 Income Limits for 120% of HUD Area Median Income (\$59,800)</b>								
<b>Household Size</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
<b>Income Limit</b>	\$63,650	\$72,750	\$81,850	\$90,950	\$98,250	\$105,500	\$112,800	\$120,050

<b>Los Angeles –Long Beach, CA HUD Metro FMR Area</b> <b>FY 2008 Income Limits for 80% of HUD Area Median Income (\$59,800)</b>								
<b>Household Size</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
<b>Income Limit</b>	\$42,450	\$48,500	\$54,600	\$60,650	\$65,500	\$70,350	\$75,200	\$80,050

This program also offers “as needed” assistance for the rehabilitation of foreclosed and abandoned homes:

- The HERO rehabilitation grant component has been designed to provide rehabilitation assistance through grants for homebuyers with low-, moderate- and middle-incomes in conjunction with their purchase of a home through the CDC’s HERO Program. After completion of the purchase, the program assistance must be used to rehabilitate the home to a decent, safe, and habitable condition in accordance with program standards. The value of the home after completion of rehabilitation may not exceed the County’s HOME maximum purchase price (currently \$493,000 for single family homes, \$394,250 for condominiums).
- Homebuyers with household incomes that do not exceed 120% of area median income may receive up to \$25,000 or 25% of the purchase price, whichever is less. Income limits are included above.

**NSP SCATTERED SITES RENTAL PROGRAM**  
**Assistance for acquisition and rehabilitation of foreclosed and abandoned homes**  
**for rental to low-income persons**

The NSP Scattered Sites Rental Program has been designed to provide financial assistance for creation of affordable rental housing for low-income persons. Housing developers will receive secured zero interest deferred loans, to acquire and rehabilitate properties, and agree to operate the housing at affordable rents for a minimum of 15 years. The properties must have between 1 and 4 units that were foreclosed upon or abandoned pursuant to program guidelines. Eligible properties must be located in one of the target areas identified on Page 10.

The following table shows the Los Angeles County’s income limits for low-income person persons or households whose incomes do not exceed 50 percent of area median income.

<b>Los Angeles –Long Beach, CA HUD Metro FMR Area</b>								
<b>FY 2008 Income Limits for 50% of HUD Area Median Income (\$59,800)</b>								
<b>Household Size</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
<b>Income Limit</b>	<b>\$26,550</b>	<b>\$30,300</b>	<b>\$34,100</b>	<b>\$37,900</b>	<b>\$40,950</b>	<b>\$43,950</b>	<b>\$47,000</b>	<b>\$50,050</b>

## B. Areas of Greatest Need

The HERA statute indicates that grantees should give priority emphasis in targeting the funds that they receive to "those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those--

- (A) with the greatest percentage of home foreclosures;
- (B) with the highest percentage of homes financed by a subprime Mortgage related loan; and
- (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures."

### LOS ANGELES URBAN COUNTY – AREAS OF GREATEST NEED

HUD has provided a table with data to assist grantees in determining target areas. This table provides data from four sources that are used to predict whether or not a neighborhood has a high or low risk for foreclosed and abandoned homes. The data used to calculate the risk scores included home price declines, high cost loan rates, unemployment rates, and vacancy rates.

HUD used the data to determine an “**Estimated foreclosure abandonment risk score**” which provides a score for each neighborhood from 0 to 10, where 0 indicates that the data suggest a very low risk and 10 suggest a very high risk.

HUD also used the data to arrive at a “**Predicted 18 month underlying problem foreclosure rate**” which does not provide the actual level of problem in each neighborhood, but rather indicate there is a risk for problems.

HUD Indicated that if a state or local government was looking for a place to start in considering how to target their funds, they may want to look at the neighborhoods with high risk scores. However, they also encouraged States and local governments to use other data, such as county records on foreclosure filings or tax foreclosures that may also point to areas with the greatest problems.

**The County chose to use HUD’s data as well as look at foreclosures and foreclosure rates in developing the target areas to carry out NSP activities.**

The County chose to use HUD’s estimated foreclosure abandonment risk scores and private data relative to foreclosures and foreclosure rates as a starting point and then compared relatively high risk scores with high cost loan data and the predicted 18 month underlying problem foreclosures rates provided by HUD. Together, these factors address the HERA requirements for targeting NSP funding.

Data for HUD’s estimated abandonment risk scores, high cost loan data, predicted 18 month underlying problem foreclosure rates were provided at the census tract block group level and were rolled up to the community level.

The foreclosure data was also collected for each census tract block group and was obtained from Data Quick for 2007 and the 1<sup>st</sup> half of 2008. Data Quick also provided the number of properties

in each census tract block group as of October 2008. Foreclosures and properties were rolled up to the community level for both incorporated (cities) and unincorporated areas. Once data was rolled up to the community level, the number of properties divided by the number of foreclosures was calculated to arrive at a foreclosure rate for each community.

Once the data was collected and tabulated, the County decided that each targeted area would need to include one or more of the following:

- (A) A risk score of 7 or more based on HUD's estimated foreclosure abandonment risk score
- (B) At least 100 foreclosures reported in 2007 and 1<sup>st</sup> half of 2008
- (C) At least a 2% foreclosure rate in 2007 and 1<sup>st</sup> half of 2008

The County chose to use a risk score of 7 or more because those scores also corresponded to above average high cost loan rates and above average predicated 18 month underlying problem foreclosure rates.

For example, the average high cost loan rate throughout the Los Angeles Urban County was 19% and areas with risk scores of 7 or more had high cost loan rates of at least 25%. Also, the average predicated 18 month underlying problem foreclosure rate for the Los Angeles Urban County was 6% and all areas with risk scores of 7 or more had a predicted 18 month underlying problem foreclosure rate of at least 7%. Thirty-two (32) areas out of the 113 communities in the Los Angeles Urban County were included based on this approach.

Then, the County wanted to make sure that HUD's risk scores were accurate and corresponded to actual foreclosure data. For the most part they were consistent; however, some areas that did not have risks score above 7 had relatively high foreclosures and foreclosures rates.

Therefore, the County decided to include areas that had at least 100 foreclosures and at least a 2% foreclosure rate. Note that the average number of foreclosures was 54 and the average foreclosure rate was 1.28% overall for the Los Angeles Urban County. This approach allowed some communities that didn't necessarily have high risk scores but had a relatively high number of foreclosures or foreclosures rates to be included as target areas. Twelve (12) additional target areas were included based on this approach.

Altogether, 44 target areas were identified. The target areas are listed on the next page and are group geographically by color.

***Appendix B has a list of communities in the Los Angeles Urban County as well as the data used to determine the target areas such as HUD's risk scores and Data Quick's foreclosure data.***

## TARGET AREAS FOR THE HERO PROGRAM

Based on the criteria above, first-time homebuyers assisted through the HERO program must purchase homes in the following target areas:

CENTRAL AND SOUTH LOS ANGELES	NORTH COUNTY	SOUTHEAST & EAST COUNTY
Athens-West Athens-Westmont -U	East Antelope Valley-Lake Los Angeles/Roosevelt-U	Avocado Heights-Bassett-U
Bell city	Little Rock-Pearblossom-Sun Village-Longview/Llano-U	Hacienda Heights-U
Commerce city	Quartz Hill-Del Sur/Green Valley/Leona Valley-U	La Puente city
East Compton-U	South Antelope Valley-U	Rowland Heights-U
Florence-U	West Antelope Valley – Elizabeth Lake/Green Valley-U	South San Jose Hills-U
Graham-Firestone-U		Valinda-U
Hawaiian Gardens city	Castaic-Val Verde-U	West Puente Valley-U
Lawndale city	East Canyon Country – Lang/Sulphur Springs-U	
Maywood city	Oat Mountain-U	Azusa city
Walnut Park-U	West Canyon Country – Bouquet Canyon/Forrest park-U	Covina city
West Compton-U	West Santa Clarita Valley-Stevenson Ranch-U	Covina Islands – Citrus-U
Willowbrook-U		East Azusa Islands-U
	Altadena-U	Irwindale city
East Los Angeles-U		
	San Fernando city	La Mirada city
Lennox-U		Norwalk-Cerritos Islands-U
View Park-Windsor Hills-U		North Whittier-U
		South Whittier-U
		Diamond Bar city

## TARGET AREAS FOR THE NSP SCATTERED SITES RENTAL PROGRAM

As with the HERO program, the NSP Rental Program will target areas with the greatest need. Based on HERA's requirement that properties that are purchased or redeveloped be foreclosed, the County has defined its target areas for this program to be those that have had a high share of foreclosed multi-family rental properties in 2007 and in the 1<sup>st</sup> half of 2008.

The County chose this factor because HUD's risk scores are not broken out into single-family and multi-family scores. Therefore, the best available data on the extent of multi-family foreclosure problems would be the actual foreclosures that have recently occurred and are likely to continue in the near future. As such, areas that had at least 2% of the total multi-family foreclosures in the Los Angeles Urban County during 2007 and in the 1<sup>st</sup> half of 2008 will be targeted relative to activities under the NSP Rental Program. These areas are as follows:

East Los Angeles-U	Bell city	East Compton-U
Athens-West Athens-Westmont-U	Monrovia city	Signal Hill city
Florence-U	Maywood city	Alondra Park-U
Graham (firestone)-U	Altadena-U	South Antelope Valley-U
Lawndale city	Bell Gardens city	
Willowbrook-U	Azusa city	

*Appendix C includes a list of community areas that had multi-family foreclosures in 2007 and the 1<sup>st</sup> half of 2008.*

**NOTE:** The data used to calculate HUD's risk scores are below. The data used here are from different levels of geography, as noted below. That is, the data on home price change is for the whole metropolitan area, not just for the neighborhood and unemployment is for the place or county, not just the neighborhood. The high-risk loan rate and address vacancy data are at the neighborhood (Census Tract) level:

- Office of Federal Housing Enterprise Oversight (OFHEO) data on decline in home values as of June 2008 compared to peak home value since 2000 at the Metropolitan/Micropolitan/Non-Metropolitan level.
- Federal Reserve Home Mortgage Disclosure Act (HMDA) data on percent of all loans made between 2004 and 2006 that are high cost at the Census Tract Level.
- Labor Department data on unemployment rates in places and counties as of June 2008.
- USPS data on residential addresses identified as being vacant for 90 days or longer as of June 2008 at the Census Tract level.

## **C. Definitions and Descriptions**

### **(1) Definition of “blighted structure”**

In the October 6, 2008 Notice, HUD has defined a blighted structure when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. The Notice also indicates that grantees must define blighted structure in the context of state or local law. As such, the following provides the definition of blighted structure under the Amended State of California Health and Safety Code (Effective January 1, 2007):

#### **Section 33030**

(a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of health, safety, and general welfare of the people of these communities and of the state.

(b) A blighted area is one that contains BOTH of the following:

(1) An area that is predominately urbanized, as the term is defined in section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

(2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.

(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer facilities

#### **Section 33031**

(a) This subdivision describes physical conditions that cause blight:

(1) Buildings which are unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.,

(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. This condition may be caused by buildings of a substandard, defective or obsolete design or construction given the present general plan, zoning or other development standards.

(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given the present general plan, and zoning standards and present market conditions

(b) This subdivision describes economic conditions that cause blight:

- (1) Depreciated or stagnant property values.
- (2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).
- (3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
- (4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
- (5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, “overcrowding” means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of regulations.
- (6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.
- (7) A high crime rate that constitutes a serious threat to the public safety and welfare.

**(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.

The CDC will use the HOME Program Rent definition for person below 50% of area median income, which is 30% of 50% of area median income.

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

For homebuyers, the CDC will use the standards of its HOME Home Buyer program where the homebuyer repays the loan upon transfer, sale or refinancing of the home. Such covenants are recorded against the property. For rental, the CDC will use the terms of its HOME Infill Sites RFP for acquisition and rehabilitation program and record affordability covenants requiring affordable rents for the low-income occupants for at least 15 years.

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

The CDC will use the Federal Housing Administration (FHA) property Standards as well as compliance with all applicable state and local laws, codes, and other requirements.

## **D. Low-Income Targeting**

HUD requires grantees to 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. *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.

The Los Angeles Urban County will receive \$16,847,672 in NSP funding and will use 25% of this funding, **or \$4,211,918**, for housing individuals and families whose incomes do not exceed 50 percent of area median income. The specific activity includes the NSP Scattered Sites Rental Program described on pages 4, 7 and 19.

## **E. Acquisition and Relocation**

HUD requires that grantees indicate if they intend to demolish or convert any low- and moderate-income dwelling units. **The CDC does not intend to conduct these activities.**

## **F. Public Comment**

HUD requires that a summary of public comments received to the proposed NSP Substantial Amendment be included in the final document submitted. Comments received and responses to those comments are included in Appendix D.

## **G. NSP Information by Activity**

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

### **ACTIVITY 1:**

### ***HOUSING ECONOMIC RECOVERY HOMEOWNERSHIP (HERO) PROGRAM***

(1) **Activity Name:** *Housing Economic Recovery Homeownership (HERO) Program*

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

*This NSP activity provides financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties.*

*The CDBG eligible activities planned to be undertaken for this program include:*

- *Direct homeownership Assistance, 24 CFR 570.201(n) (1)(2)(3)(4)(5)*
- *Eligible rehabilitation and preservation activities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii)*
- *Housing counseling for those seeking to take part in the program, 24 CFR 570.201(e)*

(3) **National Objective:** **(Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).**

*This activity provides financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties to assist persons or households at or below 120% of area median income.*

(4) **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 HERO program provides assistance to eligible homebuyers through first-time homebuyer and housing rehabilitation assistance to stabilize communities within the Los Angeles Urban County that have the greatest need as discussed and identified on pages 8-10.*

*Specifically, the HERO PROGRAM has been designed to meet the needs first time homebuyers with low-, moderate- and middle-incomes who are unable to qualify for a mortgage and/or obtain the necessary down payment without financial assistance. The home can be a single family residence, condominium, townhouse dwelling, or manufactured home attached to a permanent foundation and classified as real property. The home must be vacant and foreclosed upon or abandoned pursuant to program guidelines, and must be used as the principal residence of the homebuyer. Eligible homes must be located in specific target areas in the unincorporated areas of Los Angeles County or a city participating in the Community Development Block Grant (CDBG) Urban County Program.*

*This program will provide secured loans as follows:*

- a. Homebuyers with household incomes that do not exceed 80% of area median income - up to \$100,000 or 25% of the purchase price, whichever is less.*
- b. Homebuyers with household incomes between 80% and 120% of area median income - up to \$75,000 or 25% of the purchase price, whichever is less.*

*The CDC will share the equity accumulated on the property at the time of resale, depending upon the circumstances that exist at the time of sale and federal requirements. The share will be based on the percentage of the original purchase price that was funded with NSP funds.*

*The Down Payment Assistance (DPA) is a component under the HERO PROGRAM for down payment and/or closing cost assistance to homebuyers who are unable to obtain the necessary down payment without financial assistance. This program will provide a secured loan in the amount of up to \$21,000 or 6% of the purchase price, whichever is less. There is no shared equity appreciation percentage for this loan.*

*The homebuyer's purchase price must be at least 5% or more (pursuant to HUD's NDP program guidelines) below the current market appraised value of the property pursuant to an appraisal dated within 60 days of the offer to purchase. The appraisal must conform to the requirements of 49 CFR 24.103. All eligible homebuyers must attend and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a program loan. Eligible homebuyers must be first time homebuyers with household incomes that do not exceed middle-income (120% of area median income). The value of the home may not exceed the County's HOME maximum purchase price (currently \$493,000 for single family homes, \$394,250 for condominiums).*

*All loans will have no interest and will be secured by a Second Deed of Trust that is second in priority after the first Deed of Trust. All repayments to the Commission are deferred until sale, transfer, refinancing or full repayment of the first mortgage. Program applicants may apply for both types of assistance.*

*In order to meet the NSP statutory deadlines to expedite commitment and expenditure of program funds, the CDC's HERO Program Homebuyer Assistance will adopt the design and procedures of the CDC's HOME Ownership Program. This will include all relevant aspects that comply with 24 CFR 92.254, including continued affordability through the recapture option ensured by recorded covenants, a 20-year affordability term, zero interest deferred payment loans, HOME maximum sales price, affirmative marketing, environmental clearance, relocation, CDC's housing standards, and lead-based paint.*

*The HERO Program has also been designed to provide the first-time buyers with housing rehabilitation assistance "as needed" through grants. Eligible homebuyers may receive up to \$25,000 or 25% of the purchase price, whichever is less. Additional amounts may be provided in the discretion of the Executive Director, for repairs necessary to bring the property in compliance with all applicable codes.*

*After completion of the purchase, the program assistance must be used to rehabilitate the home to a decent, safe, and habitable condition in accordance with program standards. The value of the*

home after completion of rehabilitation may not exceed the County's HOME maximum purchase price (currently \$493,000 for single family homes, \$394,250 for condominiums).

In order to meet the NSP statutory deadlines to expedite commitment and expenditure of program funds, the CDC's Rehabilitation Program will adopt the design and procedures of the CDC's CDBG Emergency Grant Program. This will include all relevant aspects that comply with 24 CFR 570, including, HOME maximum sales price, affirmative marketing, environmental clearance, FHA housing standards, and lead-based paint.

Marketing efforts for the NSP Homebuyer program will include outreach to prospective homebuyers through the lending institutions in the CDC's current homebuyer programs, posting information on the CDC and the County Housing Resources Center webpages, home buyer education seminars, and housing fairs. The Rental program will seek input on program implementation and design at stakeholders meetings, and then the finalized program will be advertised through newspapers, the City of Industry Program mailing list of developers and the CDC and County Housing Resources Center webpages.

The Program's Target Areas are listed on page 10. These target areas were chosen because they have the highest HUD foreclosure and abandonment risk scores as well as high cost loan rates and HUD's predicted 18 month underlying problem foreclosure rates or have a high number of foreclosures or foreclosure rates based on data provided by Data Quick. This program will help stabilize these high foreclosure areas by removing these properties from the foreclosure stock and repairing them as needed through the HERO rehabilitation grant component bringing them up to housing quality standards.

**(5) Location Description: (Description may include specific addresses)**

The Program's Target Areas are listed on page 10.

**(6) 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).**

HERO Program - estimated 70 homes for households at or below 120% of area medium income to be provided with financing to acquire and rehabilitate homes.

**(7) Total Budget: (Include public and private components)**

\$10, 950,987 for eligible activities under the HERO Program (refer to 2. above)

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

Community Development Commission of the County of Los Angeles, 2 Coral Circle, Monterey Park, CA 91755; contact: Larry Matthews, Manager, Housing Development and Preservation Division, (323) 890-7236

**(9) Projected Start Date:**

*January 2009*

**(10) Projected End Date:**

*January 2013*

**(11) Specific Activity Requirements:**

**For acquisition activities, include:**

- **discount rate**

*Five percent (5%) or more.*

**For financing activities, include:**

- **range of interest rates**

*Zero percent interest deferred payment loan.*

**For housing related activities, include:**

- **duration or term of assistance;**

*20-year affordability term*

- **tenure of beneficiaries--rental or homeownership;**

*Homeownership*

- **a description of how the design of the activity will ensure continued affordability**

*Continued affordability of the recapture option ensured by recorded covenants.*

**ACTIVITY 2:  
NSP SCATTERED SITES RENTAL PROGRAM**

(1) **Activity Name:** *NSP Scattered Sites Rental Program*

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

*This NSP activity provides for the purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to rent such homes and properties.*

*The CDBG eligible activities planned to be undertaken for this program include:*

- *Acquisition, 24 CFR 570.201 (a)*
- *Disposition, 24 CFR 570.201 (b)*
- *Relocation, 24 CFR 570.201 (i)*
- *Eligible rehabilitation and preservation activities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii)*

(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).

*This activity provides for the purchase and rehabilitation of homes and residential properties in order to rent to persons or households that are at or below 50% of area median income.*

(4) **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 NSP Scattered Sites Program has been designed to provide financial assistance for affordable rental housing for low-income persons. The residence must be a vacant property with between 1 and 4 units. The residence must have been foreclosed upon or abandoned pursuant to program guidelines. Eligible properties must be located in the rental program target areas in unincorporated areas of Los Angeles County or the cities participating in the Urban County Program.*

*This program will provide financial assistance through secured loans. All loans will have no interest and will be secured by a Second Deed of Trust that is second in priority after the first Deed of Trust. All repayments to the CDC are deferred until sale, transfer, refinancing or full repayment of the first mortgage.*

*The Program's Target Areas are listed on page 10 of this application. These target areas have the greatest need based on the extent of multi-foreclosures in each community. This program will allow for the acquisition and rehabilitation of these properties to stabilize the targeted communities as well as provide housing opportunities for individuals and households at or below 50 of area median income.*

*The purchase price must be at least 15% below the current market appraised value of the property pursuant to an appraisal dated within 60 days of the offer to purchase. The appraisal must conform to the requirements of 49 CFR 24.103.*

*Tenants must be persons with household incomes that do not exceed low-income (50% of area median income). Tenants will pay affordable rents, which will not exceed thirty percent of fifty percent of area median income.*

*In order to meet the NSP statutory deadlines to expedite commitment and expenditure of program funds, the CDC's NSP Scattered Sites Rental Program will be administered through the CDC's Infill Sites Open Request For Proposals for the HOME Program and City of Industry Program. This will include all relevant aspects that comply with 24 CFR 92.252, including continued affordability ensured by recorded covenants, a minimum 15-year affordability term, rehabilitation standards, zero interest deferred payment loans, affirmative marketing, environmental clearance, relocation, CDC rehabilitation standards, and lead-based paint.*

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

*The Program's Target Areas are listed on page 10 of this application.*

**(6) 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).**

*An estimated 14 rental housing units will be acquired and rehabilitated for tenants with incomes that do not exceed 50% of area median income.*

**(7) Total Budget: (Include public and private components)**

*\$4,211,918 for eligible activities under the NSP Scattered Sites Rental Program (refer to 2. above)*

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

*Community Development Commission of the County of Los Angeles, 2 Coral Circle, Monterey Park, CA 91755; contact: Blair Babcock, Manager, Housing Development and Preservation Division, (323) 890-7270*

**(9) Projected Start Date:**

*January 2009*

**(10) Projected End Date:**

*January 2013*

**(11) Specific Activity Requirements:  
For acquisition activities, include:**

- **discount rate**

Fifteen percent (15%).

**For financing activities, include:**

- **range of interest rates**

*No interest, Second Deed of Trust*

**For housing related activities, include:**

- **duration or term of assistance;**

*Fifteen (15) year affordability period.*

- **tenure of beneficiaries--rental or homeownership;**

*Rental*

- **a description of how the design of the activity will ensure continued affordability**

*Continued affordability ensured by recorded covenants, a minimum 15-year affordability term.*

**ACTIVITY 3:  
NSP ADMINISTRATION**

(1) **Activity Name:** *NSP Administration*

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

*This activity is for grant administration as allowed by HUD. HUD waived 24 CFR 570.200(g) and 570.489(a)(3) to allow grantees to expend no more than 10 percent of its grant amount, plus 10 percent of program income received by the grantee, for eligible NSP activities.*

- *Eligible CDBG planning and administration activities are included under 24 CFR 570.205(a)(b), 570.206(a)(1)(2)(3)(4)(b)(c)(e)(f)(g), and pre-award costs under 24 CFR 570.200(h) for permissible costs incurred as of September 29, 2008 for items such as development of the Action Plan amendment and other administration actions necessary to receive the NSP grant.*

(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).

*Not Required*

(4) **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.**

*This activity is for grant administration identified under 2. above to administer the NSP.*

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

*Community Development Commission of the County of Los Angeles  
2 Coral Circle, Monterey Park, CA 91755*

(6) **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).

*Not applicable to administration.*

(7) **Total Budget:** (Include public and private components)

*\$1,684,767 for eligible activities under NSP grant administration (refer to 2. above)*

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

*Community Development Commission of the County of Los Angeles, 2 Coral Circle, Monterey Park, CA 91755; contact: Linda Jenkins, Manager, CDBG Division, (323) 890-7168*

**(9) Projected Start Date:**

*January 2009*

**(10) Projected End Date:**

*January 2013*

**(11) Specific Activity Requirements:**

**For acquisition activities, include:**

- discount rate

**For financing activities, include:**

- range of interest rates

**For housing related activities, include:**

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

*Administration of the NSP grant.*