

DRAFT

CITY OF GARY
NEIGHBORHOOD STABILIZATION PROGRAM
SUBSTANTIAL AMENDMENT

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A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in grantees jurisdiction.

Response:

The entire City of Gary has been severely impacted by subprime lending resulting in mortgage foreclosures throughout our neighborhoods. There is no section of neighborhoods within the city which have not felt the sting of foreclosure, vacant and abandoned properties, as well as blighted structures. Foreclosure rates range from a high of 23.7% in a single census tract to a low of 8.6%. This is an astronomical percentage, when viewing a city with a total estimated population of 99,670 (Source: ESRI Business Analyst and US Census 2000). Further NSP Data as provided by HUD shows the City of Gary with 1,900 estimated foreclosures; 10,472 estimated number of mortgages, with 18.1% foreclosure rate. Data also revealed 7,686 vacant residential addresses for a period of 90 days with a percentage rate of 18.6%; the total high cost between 2004 and 2006 HMDA loans was 2,857, with total loan in the same period of time at 4,247, for an estimated hi-cost loan rate of 67.3%. The unemployment rate shows 7.9%. (***NSP Data Sheet Exhibit A***)

The City of Gary is comprised of thirteen distinct neighborhoods which are divided into six districts. The boundary areas which comprise the greatest risk factor as well as greatest risk for future deterioration have been identified and ranked from the high of 23.7 % low to a low of 17.4% (***NSP Data Sheet Exhibit B***) We have chosen the top ten as follows:

<u>Risk Factor</u>	<u>Census Tract</u>	<u>Percentage</u>	<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
9	109.00	22.0%	Ambridge Area
8	107.00	21.6%	Downtown West
7	114.00	21.3%	Far-East Midtown & Parts East
	115.00		Emerson & Aetna
6	126.00	21.35%	South Glen Park East
	127.00		South Glen park east
5	123.00	20.9%	North Glen Park East
4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

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© (2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentages 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 rate of home foreclosures. **Note:** The grantee's narrative must address these three stipulated categories in the NSP statute, but the grantee may also consider other need categories.

Response:

The City of Gary will target the acquisition of foreclosed units in the neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as evidenced through the HUD provided data as well as the data gathered and supported through the Office of Community Development survey through October 2008. The targeted areas will consist of those neighborhood that meet the criteria of Section 2301 (c)(2) of HERA, and are near the primary corridors of the city.

Funds will be used in four (4) primary activities, plus administration:

1. Acquisition/rehabilitation and resale to first time homebuyers;
2. Acquisition/Rehabilitation and Partnership, which will include the following:
 - a. As required, 25% of the funds will be used to serve residents earning at or below 50% of the area median income (*See Exhibit C Income Level*). The city intends to utilize

these funds for acquisition/rehabilitation in partnership with non-profit housing redevelopers and will be used to augment the special needs housing categories;

3. Acquisition/demolition/redevelopment of property that would cost more to rehabilitate than the purchase price;
4. Financing mechanism to ensure affordability (down payment assistance and/or buy down of the interest rate), for families purchasing units which have been rehabilitated through this program;
5. Administration of the program which will not exceed 10% of the NSP grant and 10% of any program income, if any.

Acquisition/Rehabilitation and Resale (NSP-1)

The City of Gary will acquire and rehabilitate foreclosed, abandoned single family units and sell them to income-eligible first time homebuyers. (Individuals and families who have not owned property in the past three (3) years). This will be accomplished through leveraged and partnered purchases and direct purchases. The **final sales price will be no greater than the initial acquisition and rehabilitation cost**. All acquisition will be at least 15% below an appraised value which has been determined no more than 60 days prior to the date on the offer to purchase.

Income eligible first time homebuyers shall not earn greater than 120% AMI as defined by HUD. The Table, *Exhibit C*, shows the income level limits as adjusted for family size. The prospective buyers will be required to attend both pre-acquisition HUD certified homebuyers counseling, and post-acquisition counseling. The principal, interest, taxes and insurance, as well as any homeowner's fees, shall not exceed 35% of the families adjusted gross income.

We will require 3% down payment for individuals and families. If there is a gap between the mortgage based on the sales price and 35% of the family's income, the gap may be filled with NSP funds on a pro-rated equity share basis. The City's loan would be a junior/subordinate lien; the pro-rated equity share would be based on the percentage of subsidy of the after rehab sales price.

Acquisition and rehabilitation will be leveraged and 100% financed, depending on specific circumstances. Acquisition will be done in small batches, grouped by the lender or geographically, depending on the negotiations for purchase.

Acquisition/Rehabilitation/Rental (Lease to Own) – (NSP-2)

In an effort to meet the requirements of NSP that 25% of funds will be used to serve residents earning at or below 50% of the area median income, some funds have been allocated for utilization of acquisition/rehabilitation/rental through partnership with local nonprofit housing developers and will be used to augment special housing needs. Applicants at the 50% AMI may have adequate income, but lack a credit score to purchase. A local nonprofit would take title to the unit and lease the unit in a rent-to-own scenario. Mandatory enrollment in a recognized credit counseling agency will be required. A part of the rent would then be set aside to establish

an escrow account as down payment for the applicant; the lease to own contract could not exceed 24 months. This may occur for all income levels up to 120% AMI.

Acquisition/Demolition/Redevelopment (NSP-3)

In certain areas and instances, the condition of a specific property may warrant demolition instead of rehabilitation. A primary basis would be the proposed cost of rehabilitation. In such cases where the rehabilitation cost exceeds the acquisition costs, staff would consult with the **City of Gary Department of Redevelopment/Demolition Department**, regarding the official city process for demolition of the unit. If deemed appropriate, demolition would occur. Plans to develop the property as an in-fill unit would commence immediately. The options to be considered would be inclusive of:

- a. Make the property available to a non-profit for special needs housing;
- b. included with other vacant or foreclosed properties that would allow for the expansion or improvement of a public facility;
- c. Clearing for sale and redevelopment for low to moderate income housing

Financing Mechanism (NSP-4)

As defined in the NSP regulations, down payment assistance and/or other financing mechanisms are permissible uses of the NSP funds. It is anticipated that most, if not all of the units acquired/rehabilitated and sold to first time homebuyers will require some form of subsidy to ensure affordability. We will firstly acquire the unit, have it rehabilitated and then sold to the homebuyer for the amount of the total investment in the property. Should there be a gap, a portion of the original investment will remain in the unit as a “silent lien”, with an equity share in lieu of interest. Also NSP funds will be used to buy down interest rates on the first mortgage for acquisition of properties to income eligible homebuyers.

Administration (NSP-5)

C. DEFINITIONS AND DESCRIPTIONS

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

Response:

Definition of “Blighted Structure” according to the State of Indiana Code, the Interim Study Committee and Legislative Findings:

- Any premises that, because of physical condition, use, or occupancy, constitutes a public nuisance or attractive nuisance.
- Any dwelling that, because it is dilapidated, unsanitary, unsafe, or vermin infested or lacks the facilities or equipment required by housing codes, is unfit for human habitation.
- Any structure that is a fire hazard or is otherwise dangerous to the safety of persons or property.

- Any structure from which the utilities, plumbing, heating, sewerage, or similar services or facilities have been disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.
- Any vacant or unimproved land in a predominantly built-up neighborhood that, by reason of neglect or lack of maintenance, has become a place for accumulation of trash and debris or a haven for rodents or other vermin.
- Any property that has tax delinquencies that exceed the value of the property.
- Any property with code violations that affect health or safety that is not substantially rehabilitated within one year after receiving a notice to rehabilitate from the appropriate code enforcement agency.
- Any property that, by reason of environmental contamination, poses a threat to public health or safety.
- Any abandoned property.

IC 36-7-9-4

Unsafe buildings and unsafe premises as described by Indiana Code (IC 36-7-9-4)

Sec. 4. (a) For purposes of this chapter, a building or structure, or any part of a building or structure, that is:

- (1) in an impaired structural condition that makes it unsafe to a person or property;
 - (2) a fire hazard;
 - (3) a hazard to the public health;
 - (4) a public nuisance;
 - (5) dangerous to a person or property because of a violation of a statute or ordinance building condition or maintenance; or
 - (6) vacant and not maintained in a manner that would allow human habitation, occupancy, or use under the requirements of a statute or an ordinance;
- is considered an unsafe building.

(b) For purposes of this chapter:

- (1) an unsafe building; and
- (2) the tract of real property on which the unsafe building is located;

are considered unsafe premises.

(c) For purposes of this chapter, a tract of real property that does not contain a building or structure, not including land used for production agriculture, is considered an unsafe premises if the tract of real property is:

- (1) a fire hazard;
- (2) a hazard to public health;
- (3) a public nuisance; or
- (4) dangerous to a person or property because of a violation of a statute or an ordinance.

As added by Acts 1981, P.L.309, SEC.28. Amended by P.L.14-1991, SEC.9; P.L.66-2005, SEC.1.

IC 36-7-9-4.5

Legislative findings; vacant or deteriorated structures

Sec. 4.5. (a) In Indiana, especially in urban areas, there exist a large number of unoccupied structures that are not maintained and that constitute a hazard to public health, safety, and welfare.

(b) Vacant structures often become dilapidated because the structures are not maintained and repaired by the owners or persons in control of the structures.

(c) Vacant structures attract children, become harborage for vermin, serve as temporary abodes for vagrants and criminals, and are likely to be damaged by vandals or set ablaze by arsonists.

(d) Unkept grounds surrounding vacant structures invite dumping of garbage, trash, and other debris.

(e) Many vacant structures are situated on narrow city lots and in close proximity to neighboring structures, thereby increasing the risk of conflagration and spread of insect and rodent infestation.

(f) Vacant, deteriorated structures contribute to blight, cause a decrease in property values, and discourage neighbors from making improvements to properties.

(g) Structures that remain boarded up for an extended period of time also exert a blighting influence and contribute to the decline of the neighborhood by decreasing property values, discouraging persons from moving into the neighborhood, and encouraging persons to move out of the neighborhood.

(h) Vacant structures often continue to deteriorate to the point that demolition of the structure is required, thereby decreasing available housing in a community and further contributing to the decline of the neighborhood.

(i) The blighting influence of vacant, deteriorated structures adversely affects the tax revenues of local government.

(j) The general assembly finds that vacant, deteriorated structures create a serious and substantial problem in urban areas and are public nuisances.

(k) In recognition of the problems created in a community by vacant structures, the general assembly finds that vigorous and disciplined action should be taken to ensure the proper maintenance and repair of vacant structures and encourages local governmental bodies to adopt maintenance and repair standards appropriate for the community in accordance with this chapter and other statutes.

As added by P.L.14-1991, SEC.10. Amended by P.L.1-1992, SEC.186.

Attached as ***Exhibit D***.

(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:

For any NSP-funded rental activity, “affordable rents” shall be defined as 30% of the household’s adjusted income, less utility allowances as adopted by the City of Gary – Gary

Housing Authority for the Section 8 Program, as appropriate. HUD's Fair Market Rent schedule for the Gary MSA will be used.

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

Response:

Continued affordability will be ensured for the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.

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

The City of Gary Housing standards for Rehabilitation Program as funded from HOME and CDBG will apply to NSP funds:

- **Code/Health & Safety Repairs**- Our first priority is to eliminate and remove any and all pre-existing City of Gary code violations, Health and Safety hazards and bring the property to code. All projects will correct any pre-existing code deficiencies and/or health and safety repair needs. This is inclusive of construction deficiencies which were completed without city permits. (room additions, garage conversions, patio additions etc.) All units will be brought up to code and rehabilitation must obtain the permits necessary through the city of Gary Building Department, or the property must be demolished as part of the rehab project.
- **Lead Based Paint Hazards** - As part of the Housing Rehabilitation under this NSP a lead based paint test and a risk assessment are required on all rehabilitation projects. This is done to identify the existence and scope of any lead based paint hazards in the property. The "Lead-Based Paint Poisoning Prevention in Federally Owned and Federally Assisted Housing" found at 24 CFR Part 35 will apply.
- **Termite Repairs** - The program requires a termite Inspection Report be prepared for every home by a licensed inspector. The report must identify any termite or dry rot damaged wood members in the property, as well as whether there are any active termite infestations in the property. The program requires that any termite or dry rot damaged wood be replaced or repaired due to health and safety risks posed to the structure of the property. Fumigation or other treatments recommended must eliminate any active termite infestations and are required under this program.
- **General Property Improvements Upon** - The completion of the cost for rehabilitation of all code deficiencies has been completed, health and safety items, lead based paint hazard and termite repairs are totaled, then any additional program funding may be used to address general property improvements. General property improvements may include a wide range of items such as painting, replacements of fixtures, replacement of cabinets, flooring etc. The General property improvements MAY NOT include items that are a type or quality which exceeds the standards for similar properties in the area or that

exceed the basic standard of “decent, safe and sanitary housing”. The acceptable standards are found in 24 CFR 983.101

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% 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.

Response:

The City of Gary will make at least \$959,189.50 (25% of the City of Gary NSP allocation as required), available for acquisition/rehabilitation/partnership as described above.

E. ACQUISITION/ AND RELOCATION

Indicate whether grantee intends to demolish or convert any low and moderate income dwellings properties (i.e. <80% of area median income).

If so, include:

- The number of low-and moderate income dwelling units i.e. < 80% of area median income reasonably expected to be demolished or converted as a direct result of NSP assisted activities.
- 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.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50% of area median income.

Response:

All activities will be initiated upon the release of NSP funds, before the end of the 2008 calendar year. All funds will be committed within 18 months.

The Number of units anticipated to be made available to households at or below 50% AMI is dependent on our leveraging with non-profit affordable housing partners and their ability to produce, however a **minimum of 16 units** single family with a potential of 20 units is anticipated in this category.

Further, a small number of units may be acquired and demolished. These units will have been determined to not have had an affordability covenant; however some of these may have been occupied and/or owned by low-moderate income households. A reasonable number will be

based upon the completion of acquisition and the necessity to demolish those properties in that target area for maximum impact.

The number of NSP affordable housing units made available to low-to moderate, and middle income households reasonably expected to be produced by the various activities are as follows:

- Acquisition/rehabilitation/sale to first time homebuyers: the funds used in this category (Less 10% for administration), and the average purchase price is \$50,000.00 with a rehabilitation cost of \$50,000.00 for a total sales price of \$100,000.00, with a **silent lien** of \$15,000.00 remaining in the unit, then a total of 20 units could be produced.
- This number could drastically change depending on the actual acquisition and rehabilitation cost per unit. However based on the MLS in our census tracts the change would be an increase as opposed to decrease in the number of units produced. This would allow the purchaser a minimum of 15% equity in the property. **(\$1,850,000.00 AMI 120%) (See Exhibit E for MLS units pricing).**
- To meet the needs of the 25% NSP for 50% of the AMI in this activity, the average purchase price is \$25,000.00 with the rehabilitation cost of \$35,000.00 and a total sale price of \$60,000.00, with a **silent lien** of \$9,000.00 remaining in the unit, a total of 16 units could be produced. This number could drastically change depending on the actual acquisition and rehabilitation cost per unit. Again based on the MLS and the pricing of available foreclosed units, the number of units would possibly increase as opposed to decrease. This would allow the purchaser a minimum of 15% equity in the property. **(\$960,000.00 in this activity to AMI 50%)** Note: this activity would meet the 25% NSP for 50% AMI as required.
- Acquisition/demolition: the number of units to be demolished in this category would most certainly vary, based on the ability to rehabilitate the units in the target area. There is most certainly “slum and blight” throughout the area and therefore demolition NSP funds would be set-aside to accomplish this activity **(\$293,084.20.)**
- Counseling and Understanding Homeownership is required for all first time homebuyers under this program. A minimum of 4 classes must be attended by each homebuyer. Those classes will be inclusive of but not limited to, Understanding Home Ownership, Budget and Finances, Understanding Taxes and Insurance, Protecting Credit, Maintenance/Upkeep and increasing the value of your property. Persons eligible under the NSP Home Ownership will be required to attend all 4 classes. An administrative cost of **\$54,000.00 has been set-aside** for this activity, allowing for \$3,000.00 per month. This cost is inclusive of materials, printing, counselors, etc. and also included in the total 10% Administrative funds allowed through NSP.

F. PUBLIC COMMENT

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

Note: proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.

Response:

The draft NSP Plan for the City of Gary was initially made available November 10, 2008 on the City of Gary website. The Publication in the Post Tribune News was advertised November 12, 2008.

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

(1) Activity Name: Acquisition/Rehabilitation and Resale (NSP-1)

(2) Activity Type: (include NSP eligible use & CDBG eligible activity) NSP – Acquisition/rehabilitation/resale, which will most likely include a financing mechanism; CDBG – 24 CFR 570.201 (a), acquisition, and (b) disposition, and 570.202, rehabilitation, and 570.201 (n) direct homeowner assistance (for silent second loan).

(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). Beneficiaries will be restricted to low-moderate- and middle-income clientele, as defined by the NSP notice. All participants will be restricted to the income levels below 120% as promulgated by HUD for this purpose.

(4) Activity Description: Include a narrative describing the area of greatest need that the activities will address; the expected benefit to income qualified persons; and whether funds used for this activity will be used to meet the low to moderate housing requirement for those below 50% of the area median income.

Counseling for First Time Home Buyers: Counseling for First Time Homebuyers will be completed and inclusive of a minimum of 4 workshop sessions per homebuyer and will be inclusive of preparation for homeownership, budget/finances, Protecting my credit, understanding taxes and insurance, maintenance/upkeep/and increasing the value of your property;

Under this activity First Time Homebuyers will receive Homeownership Counseling to assure new homeowners understand the responsibilities of ownership. Each eligible applicant for homeownership must complete this course and receive certification through this program prior to the closing of sale. Applicants will be counseled through partnership with local certified housing counseling centers. Cost of **\$54,000.00** has been set aside for this activity.

This activity is for acquisition/rehabilitation/resale to first time homebuyers. The tenure of the beneficiaries is home ownership; the duration is dependent on the household debt capacity. Should there be an affordability gap, some portion of the City’s original investment of acquisition and rehabilitation funds will remain in the property as a “subordinate second” (no monthly payments due, and a proportionate equity share mechanism in lieu of interest) to be repaid upon change in title or status as owner-occupied housing, and as so defined in the “**silent lien**” agreement.

An affordability covenant will be recorded against the property for a period of 30 years. This will be monitored through annual monitoring process allowing for continued affordability of the property.

The initial acquisition of the City of Gary will average at least 15% below a current *appraised value*.

The sales price will be no greater than the total investment by the City, including acquisition, rehabilitation and associated program delivery cost.

Example: Completed Unit sold for \$100,000.00 and \$15,000.00 remains as subordinate second; this amount represents 15% of the original purchase price. When the unit is sold in future years, the \$15,000.00 principal and 15% of any equity (increase in value, less capital improvements and costs of sale), would be **recaptured**. Therefore if the unit is sold for \$200,000.00, and capital improvements to the unit and the cost of sale total \$50,000.00, then the amount due the City of Gary would be \$26,250.00. Formula: original principal \$15,000.00, plus 15% of the equity, which is calculated on the sale price of \$200,000.00; less household's acquisition price of \$100,000.00, less capital improvements of \$25,000.00 (capital improvements and cost of capital improvements)= **\$200,000.00 - \$100,000.00 = \$100,000.00; \$100,000.00 - \$25,000.00 = \$75,000.00; \$75,000.00 X 15% = \$11,250.00; \$11,250.00 + \$15,000.00 = \$26,250.00.**

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known). Citywide, with priority given the following neighborhoods:

<u>Risk Factor</u>	<u>Census Tract Percentage</u>		<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
9	109.00	22.0%	Ambridge Area
8	107.00	21.6%	Downtown West
7	114.00	21.3%	Far-East Midtown & Parts East
	115.00		Emerson & Aetna
6	126.00	21.35%	South Glen Park East
	127.00		South Glen park east
	123.00	20.9%	North Glen Park East
4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

(6) Performance Measures: (units of housing to be acquired, rehabilitated or demolished for the income levels of household that are 50 percent AMI and below, 51-80 percent and 81-120%). This activity of acquisition/rehabilitation/resale to first time homebuyers. The performance outcome will be measured by the number of affordable housing units made available. This activity is inclusive of households below 50% AMI. The initial number to be served is estimated at 38 new homeowners of whom it is anticipated that 16 will be at or below the 50% AMI and 10 at 51-80% AMI and 20 at 81-120% AMI.

(7) Total Budget: (Include public and private components) This initial budget from NSP funds is \$3,103,082.20. Private and/or public components are not included, presuming worst

case scenario. Best case would be inclusive of some matching dollars to at least 50% of the total NSP funds for this activity.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location and administrator contact information). The City of Gary Community Development will be the lead entity, 839 Broadway, Suite 302N, Gary, Indiana 46402. Administrator: Jacquelyn Hunter, (219) 881-5075, jdragohunter@ci.gary.in.us.

Additional partners will be utilized for a variety of functions (rehabilitation, resale, loan processing and underwriting, title searches, closings and escrowing etc).

(9) Projected Start Date: Before the end of December 2008.

(10) Projected End Date: 18 months from the date of beginning

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities include:

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

- (1) Activity Name: Acquisition/Rehabilitation/Rental (Lease to Own) (NSP-2)
- (2) Activity Type: (include NSP eligible use & CDBG eligible activity) acquisition/rehabilitation/rental, CDBG 24 CFR 570.201(a), acquisition, 570.202 rehabilitation, and 570.201 (n) direct homeowners' assistance (for the lease to own).
- (3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice - i.e., \leq 120% of area median income). Beneficiaries will be restricted to low to moderate and middle income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% as promulgated by HUD for this purpose.
- (4) Activity Description: Include a narrative describing the area of greatest need that the activity address; 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 acquisition/rehabilitation/rental for lease to own. In the cases where the applicants have sufficient income but lack credit score, this will provide a mechanism that allows time to repair credit while residing in the property, which will become their home. The lease to own terms will not exceed 24 months; the household will pay 35% of their monthly income for housing cost, of which 30% will include the affordable rent, and 5% will go into a fund which will be utilized for down payment. At the time the household becomes credit worthy (this will vary from applicant to applicant), the applicant can seek a lender for purposes of securing a mortgage. The amount the applicant has saved towards the down payment must at this time meet or exceed the 3% down payment necessary (3% of the purchase price). The unit will be sold for the total amount of investment by the City. Should there be an affordability gap, some portion to the City's original investment of acquisition and rehabilitation funds will remain in the property as a "silent second" (no monthly payments due, and a proportionate equity share mechanism in lieu of interest) to be repaid upon change in title or status as owner occupied housing. The property will have an affordability covenant recorded against it for a period of 30 years. As with other programs through Gary's rehabilitation programs and down payment assistance programs, continued affordability is ensured through annual monitoring. Initial acquisition will average at least 15% below a current appraised value. No interest will be charged, instead a proportionate equity-share mechanism will be used. The sales price will be no greater than the total investment by the City, (including acquisition, rehabilitation and associated program delivery costs.)

For example:

Completed unit sold for \$100,000 and \$15,000 remains as silent second; this amount represents 5% of the original purchase price. When the unit is sold in future years, the \$15,000 principal and 15% of any equity (increase in value, less capital improvements and costs of sale), would be recaptured. Therefore if the unit is sold for \$200,000 and capital improvements to the unit and the cost of sale total \$50,000, then the amount due the City of Gary would be \$26,250. Formula: original principal \$15,000 plus 15% of the equity, which is calculated on the sale price of \$200,000; less household's acquisition price of \$100,000, less capital improvements of \$25,000

(capital improvements and cost of capital improvements) = \$200,000 - \$100,000 = \$100,000;
 \$100,000 - \$25,000 = \$75,000; \$75,000 X 15% = \$11,250; \$11,250 + \$15,000 = \$26,250.

(5) Location Description: Description may include specific addresses, blocks or neighborhoods to the extent known.) Citywide, with priority given to the following neighborhoods (See Exhibit B)

<u>Risk Factor</u>	<u>Census Tract</u>	<u>Percentage</u>	<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
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4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

(6) Performance Measures (i.e. number of units to be acquired, rehabilitated or demolished for the income levels of households that are 50% of area median income and below, 51-80 percent and 81-120%). It is anticipated that 2-3 affordable housing units may ultimately be made available to families earning up to 120% AMI. After redevelopment of the site. No projection has been made with regard to the income level to be served.

(7) Total Budget: (Include public and private components) The initial budget is set for **\$150,000.00, and may expand**. However, we would note that this is not the primary NSP activity, and the budget may also decrease to allow other activities should circumstances warrant.

(8) Responsible Organization: Described the responsible Organization that will implement the NSP activity, including its name, location and administrator contact information). The City of Gary Community Development will be the lead entity, 839 Broadway, Suite 302N, Gary, Indiana 46402. Administrator: Jacquelyn Hunter, (219) 881-5075, jdragohunter@ci.gary.in.us. Additional partners will be utilized for a variety of functions (rehabilitation, resale, loan processing, and underwriting, property management, escrow/title, etc.)

Title of the property will be deeded to the non-profit with revisionary clause or the City of Gary Housing Authority with a Memorandum of Understanding between the City and the City's Housing Authority.

(9) Projected Start Date: Before the end of December, 2008

(10) Projected End Date: Continued acquisition/rehabilitation/rental for lease to own purposes through program income through July, 2012.

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities include:

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

(1) Activity Name: Acquisition/Demolition/Redevelopment (NSP-3)

(2) Activity Type: (include NSP eligible use & CDBG eligible activity) acquisition/demolition/redevelopment, which will most likely include a financing mechanism; CDBG 24 CFR 570.201 (a), acquisition, (b), disposition and 570.202, Housing.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice - i.e., \leq 120% of area median income). Ultimate beneficiaries (after redevelopment of the site) will be restricted to low-moderate and middle income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% as promulgated by HUD for this purpose.

(4) Activity Description: Include a narrative describing the area of greatest need that the activity address; 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 acquisition/demolition/redevelopment of foreclosed, abandoned single family properties that would require more funds to rehabilitate than to demolish and rebuild. Currently the City of Gary Redevelopment Department has a “**master listing**” of properties located within the targeted areas as specified through HUD NSP. (See **Exhibit D**) These properties are slum and blighted and demolition of same allows forward movement in redevelopment of the areas. Once demolished the property would be made available to non-profit housing providers to plan redevelopment of the property as soon as possible. Redevelopment may include sale of the property at current fair market value or below current market value, or partnership with the non-profit agency. Other activities include/allow for use of vacant, foreclosed properties for the expansion or improvement of a public facility in the area.

(5) Location Description: Description may include specific addresses, blocks or neighborhoods to the extent known.) Citywide, with priority given to the following neighborhoods (See Exhibit B)

<u>Risk Factor</u>	<u>Census Tract</u>	<u>Percentage</u>	<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
9	109.00	22.0%	Ambridge Area
8	107.00	21.6%	Downtown West
7	114.00	21.3%	Far-East Midtown & Parts East
	115.00		Emerson & Aetna
6	126.00	21.35%	South Glen Park East
	127.00		South Glen park east
5	123.00	20.9%	North Glen Park East
4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

(6) Performance Measures: (i.e. number of units to be acquired, rehabilitated or demolished for the income levels of households that are 50% of area median income and below, 51-80 percent and 81-120%). It is anticipated that 2-3 affordable housing units may ultimately be made available to families earning up to 120% AMI. After redevelopment of the site. No projection has been made with regard to the income level to be served.

(7) Total Budget: (Include public and private components) We would note that demolition is not the primary NSP activity and allow **\$150,000.00** for this activity, assuming additional financing from other sources. We would also note that this budget may decrease to allow increases of other activities budgeted should circumstances warrant same. Plan includes Budgetary amendments should same be warranted to meet short time commitment requirements.

(8) Responsible Organization: Described the responsible Organization that will implement the NSP activity, including its name, location and administrator contact information). The City of Gary Community Development will be the lead entity, 839 Broadway, Suite 302N, Gary, Indiana 46402. Administrator: Jacquelyn Hunter, (219) 881-5075, jdragohunter@ci.gary.in.us. Additional partners will be utilized for a variety of functions (redevelopment, property management/land bank/title work, demolition etc.)

Title of the Property to be deeded to the City of Gary Department of Community Development, with a Memorandum of Understanding between the City of Gary Community Development Department and City of Gary Redevelopment Department or may be sold to eligible non-profit housing providers such as Habitat for Humanity, etc.

(9) Projected Start Date: Before the end of December, 2008

(10) Projected End Date: 18 months from start date (date agreement is executed)

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities include:

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

- (1) Activity Name: Financing Mechanism (NSP -4)
- (2) Activity Type: (Include NSP eligible use & CDBG eligible activity) CDBG – 24 CFR 570.202, direct homeowner assistance.
- (3) National Objective: (Must be a national objective benefiting low moderate and middle income persons, as defined in the NSP Notice - i.e., \leq 120% of area median income). Beneficiaries after redevelopment of the sites will be restricted to low to moderate income households, middle income households, as defined by NSP Notice. All clientele will be restricted to the income levels below 120% as promulgated by HUD for this purpose.
- (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 moderate housing requirement for those below 50% of area median income.

This activity is for financial assistance for an income eligible household to acquire a foreclosed, abandoned home. The form of assistance may include a mortgage rate buy-down, down payment assistance, or both.

- (5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known). Citywide with priority given to the following neighborhoods (See Exhibit B):

<u>Risk Factor</u>	<u>Census Tract Percentage</u>		<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
9	109.00	22.0%	Ambridge Area
8	107.00	21.6%	Downtown West
7	114.00	21.3%	Far-East Midtown & Parts East
	115.00		Emerson & Aetna
6	126.00	21.35%	South Glen Park East
	127.00		South Glen park east
5	123.00	20.9%	North Glen Park East
4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

- (6) Performance Measures: (i.e. units of housing for acquisition, rehabilitation or demolition for the income levels of households that are 50 percent of area median income and below 51-80 percent and 81-120 percents): it is anticipated that this activity will make housing units available to families earning up to 120% AMI, however, no projection has been made of the income level components to be served.

(7) Total Budget: (Include public and private components) The initial budget is set for **\$50,000.00**. **Note that this activity is not the primary NSP activity**, and the budget may be decreased to allow increases of other activity budgets should circumstances warrant. Plans include budgetary amendments to meet short time commitment requirement.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location and administrator contact information). The City of Gary Department of Community Development will be the lead entity, 839 Broadway, Suite 302N, Gary, Indiana 46402. Administrator: Jacquelyn Hunter, (219) 881-5075 e-mail jdragohunter@ci.gary.in.us. Additional partners will be utilized for a variety of functions (application/loan processing/underwriting/escrowing/title etc.).

(9) Projected Start Date: Before end of December 2008

(10) Projected End Date: 18 months from the date of the commencement of the signed Agreement for NSP Funding.

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities include:

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

(1) Activity Name: Administration (NSP-5)

(2) Activity Type: (Include NSP eligible use & CDBG eligible activity) CDBG 24 CFR 570.206.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income families/persons, as defined in the NSP Notice - i.e., \leq 120% of area median income). Administration is exempt from meeting a national objective.

(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 required for those below 50% of area median income.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known). Citywide with priority given to the following neighborhoods (See Exhibit B):

<u>Risk Factor</u>	<u>Census Tract</u>	<u>Percentage</u>	<u>Neighborhood Affected</u>
10	102.02	23.7%	Northern Horace Mann Area
	102.3	23.1%	Ambridge Area
9	109.00	22.0%	Ambridge Area
8	107.00	21.6%	Downtown West
7	114.00	21.3%	Far-East Midtown & Parts East
	115.00		Emerson & Aetna
6	126.00	21.35%	South Glen Park East
	127.00		South Glen park east
5	123.00	20.9%	North Glen Park East
4	121.00	20.8%	Midtown East
3	106.00	20.6%	Emerson
2	122.00	20.3%	Midtown East
1	118	20.2%	Midtown

(6) Performance Measures: (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 for Administration.

(7) Total Budget: (Include public and private components) Public components only \$383,676.80, which is 10% of the grant.

(8) Responsible Organization: (describe the responsible organization that will implement the NSP activity, including its name, location, and administration contact information. The City of Gary Community Development will be the lead entity, 839 Broadway, Suite 302N, Gary, Indiana 46402. Administrator: Jacquelyn Hunter, (219)881-5075, jdragohunter@ci.gary.in.us. Additional partnership will be utilized for a variety of functions (application/loan processing, escrow, title, counseling etc.).

(9) Projected Start Date: Before the end of December 2008

(10) Projected End Date: 18 months from the date of the signed agreement for NSP funds.

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities include:

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

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income,

including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

Date

Title

City of Gary
Neighborhood Stabilization Program (NSP)
Initial Budget

Activity 1	Acquisition/Rehabilitation/Resale	\$3,103,082.20
Activity 2	Acquisition/Rehabilitation/Rental	\$150,000.00
Activity 3	Acquisition/Demolition/Redevelopment	\$150,000.00
Activity 4	Financing Mechanisms (stand alone, on part of other activities)	\$50,000.00
Activity 5	Administration	<u>\$383,675.80</u>
		\$3,836,758.00