

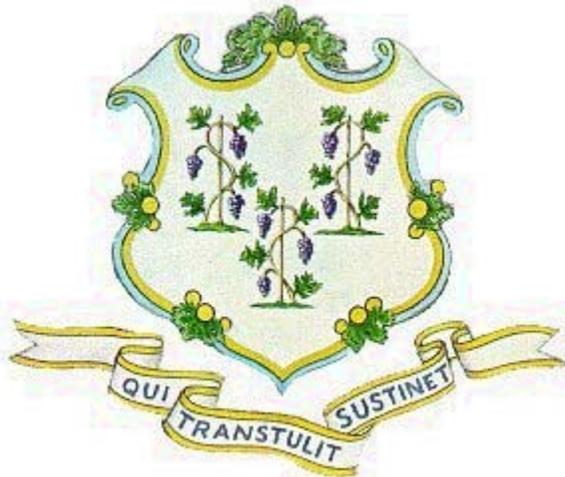


State of Connecticut

Revised

2008 Action Plan Substantial Amendment

Neighborhood Stabilization Program (NSP)



Submitted to the
U.S. Department of Housing and Urban Development

By
State of Connecticut
Department of Economic and Community Development

September 1, 2010



This page Intentionally Blank

DRAFT

**State of Connecticut
Revised
2008 Action Plan Substantial Amendment
Neighborhood Stabilization Program (NSP)**

Table of Contents

A.1.	JUSTIFICATION FOR AMENDMENT	1
B.	DISTRIBUTION AND USES OF FUNDS	1
G.	NSP INFORMATION BY ACTIVITY	5
H.	TOTAL BUDGET	12
I.	PERFORMANCE MEASURES	12

Jurisdiction(s): <u>State of Connecticut, Department of Economic and Community Development</u>	NSP Contact Person: Michael C. Santoro Address: 505 Hudson Street, Hartford, CT 06106
Jurisdiction Web Address: www.decd.org	Telephone: (860) 270-8171 Fax: (860) 270-8200 Email: michael.santoro@ct.gov

A.1. JUSTIFICATION FOR AMENDMENT

As indicated in section C. DEFINITIONS of the original NSP Action Plan, “Substantial Amendment: Any change to the method of distribution, allocation, recapture or reallocation of resources among eligible activities or the subrecipients of NSP funds, other than in accordance with the procedures set forth in the NSP Action Plan, as approved by HUD, shall be deemed a "Substantial Amendment" to the NSP Action Plan which shall require the State to amend its approved NSP Action Plan.”

This is consistent with direction from the U.S. Department of Housing and Urban Development, updated 06/17/09 which states “If the NSP1 activities identified in our action plan amendment change what should we do? If the NSP1 activities identified in an approved action plan amendment happen to change, contact HUD to determine whether or not an amendment is needed. If the amendment is needed, NSP1 grantee must allow for a 15-day public comment period before submitting a new action plan amendment to HUD.”

As a result of significant changes in the local markets, heavy competition for higher quality units, as well as program guidance provided by the U.S. Department of Housing and Urban Development, a substantial increase in the per property cost was experienced by all of the subrecipients, across all eligible activities. As a result, adjustments in budgeted line items by eligible activity, as well as performance goals, are necessary in order to quantify the effectiveness of the Neighborhood Stabilization Program in Connecticut.

As such, this revision to the original 2008 Action Plan Substantial Amendment is offered.

The following sections or subsections of the original 2008 Action Plan Substantial Amendment are deleted and replaced. Please note that only those sections or subsections that are provided below are replaced, and the original contents of the remainder of each section are maintained.

B.1. DISTRIBUTION AND USES OF FUNDS

From page 9 of the original NSP Action Plan, under B. DISTRIBUTION AND USES OF FUNDS, the following subsection is deleted and replaced, as follows:

Breakdown of State Allocation

The following is the breakdown of the percentages of funds by eligible activity, barring minor adjustments during the final closeout stages. The percentages, with the exception of Administration which is capped at 7.5% of the total grant award, may be adjusted upward or

downward not more than 25% of the grant award in that eligible activity, subject to the approval of DECD.

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-, moderate- and middle-income (LMMI) homebuyers – 0.22%;
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties – 78.27%;
- Establish land banks for homes that have been foreclosed upon – 0.00%;
- Demolish blighted structures – 2.46%; and
- Redevelop demolished or vacant properties – 11.86%.

G.1. NSP INFORMATION BY ACTIVITY

From page 32 of the original NSP Action Plan, all of section G. NSP INFORMATION BY ACTIVITY, is deleted and replaced, as follows:

G. NSP INFORMATION BY ACTIVITY (*Complete for Each Activity*)

(1) Activity Name: **Acquisition and Rehabilitation**

(2) Activity Type: The purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties.

Acquisition: NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 3(a)(B) and HERA Section 2301(c)(3)(B)

CDBG reference: 24 CFR Part 570.201 Acquisition

Rehabilitation: NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 3(a)(B) and HERA Section 2301(c)(3)(B)

CDBG reference: 24 CFR Part 570.202

(3) National Objective: Direct Benefit to LMMI persons.

(4) Activity Description: Subrecipient communities to acquire abandoned and foreclosed properties, including those which may be occupied, for rehabilitation, demolition of blighted buildings, for possible re-sale to eligible low- and moderate-income families or other activities meeting LMMI benefit. The subrecipient communities have been designated as having the greatest need within the state based on available federal and state data. Each subrecipient will be required to target 30% of their award under the NSP program for activities serving the 50% of median income population. Any rehabilitation of foreclosed upon homes and residential properties will be carried out to bring such properties up to

minimum housing standards in order to sell, rent, or redevelop said properties. All properties will be occupied by households meeting the LMMI standard.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined when Local Action Plans are submitted.

(6) Performance Measures: The objective of this activity is to provide decent, safe, and affordable housing to LMMI families through addressing the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the creation of affordable units. **See Section I. Performance Measurements for overall program measurements, indicators, and standards.**

Subrecipients will be required to submit quarterly reports that detail activities completed, activities to be undertaken, including the following information by numbers, costs, and racial ethnic data:

- # of properties acquired
- # of units rehabilitated
- # of households displaced
- # of units meeting energy star standards
- # of units meeting Section 504 standards
- # of units meeting lead safe standards
- # of rental and homeowner units occupied
- Household Characteristics of displaced households
- Household Characteristics by unit of new occupants

It is estimated that 175-200 properties will be acquired through the NSP program. Funding for these acquisitions will be carried out with NSP and local resources. Of the 175-200 properties acquired through this program, 160-185 units will be rehabilitated prior to resale.

(7) Total Budget: Estimated at \$19,600,314. **See Section H. for overall program budget.**

(8) Responsible Organization: Ten (10) subrecipient communities are Bridgeport, Danbury, Hartford, Meriden, New Britain, New Haven, New London, Norwich, Stamford, and Waterbury. **See the Administration activity for contact information.**

(9) Projected Start Date: February 13, 2009

(10) Projected End Date: February 13, 2013

(11) Specific Activity Requirements:

Acquisition - The State of Connecticut will require that all Local Action Plans fulfill the requirement that acquisitions meet the aggregate discount rate of 1% of appraised value or subrecipient communities may choose to use the concept of "net realizable value" to determine an appropriate purchase price for homes and residential properties that have been abandoned or foreclosed. This method takes into account both the current value of the property and the costs of holding the property while it is held by the subrecipient or its designee. "Net realizable value" is the appraised value, less the cost of security,

maintenance, capital costs, tax costs, and insurance for the anticipated time the property would be in the portfolio if it were not for purchase by the recipient (grantee, subrecipient, non-profit organization, individual homebuyer, etc.) of NSP funds. The number of properties to be acquired should result in the acquisition of between 175-200 units.

Rehabilitation - All rehabilitated properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. Affordability periods will be consistent with the HOME Program Standards at 24 CFR 92.252(a), (c), (e) and (f) and 24 CFR 92.254. The duration of any affordability will meet the requirements of Section C. Definitions and Descriptions and will range from 5 to 15 years dependent on the amount of funds invested per unit.

The rehabilitation of acquired properties must bring units up to minimum property standards for rental or resale to income eligible households. Each subrecipient must have its own rehabilitation standards which have been approved by HUD or DECD, as applicable. "Rehabilitation Standards" shall mean the more stringent of state or local codes or federal housing quality standards, as promulgated by HUD and the housing cost effective energy conservation and effectiveness standards in 24 CFR Part 248.147.

(1) Activity Name: **Administration**

(2) Activity Type: Administration

NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 4

CDBG reference: 24 CFR Part 570.206

(3) National Objective: N/A

(4) Activity Description: Administrative funds related to carrying out the NSP program will be available to both the State and subrecipients as detailed in Section H. – Total Budget. Funds will be available for both general administrative and technical assistance costs.

(5) Location Description: Administrative costs to be used by the State of Connecticut and the ten (10) subrecipient communities identified below.

(6) Performance Measures: N/A

(7) Total Budget: \$1,878,253

(8) Responsible Organization: State of Connecticut Department of Economic and Community Development and Ten (10) subrecipient communities are Bridgeport, Danbury, Hartford, Meriden, New Britain, New Haven, New London, Norwich, Stamford, and Waterbury. The ten (10) subrecipients are:

Grantee:

Department of Economic and Community Development
Commissioner

Joan McDonald
505 Hudson Street
Hartford, CT 06106

Subrecipients:

City of Bridgeport
Office of the Mayor
City Hall Annex
999 Broad Street
Bridgeport, CT 06604

City of Danbury
Office of the Mayor
155 Deer Hill Avenue
Danbury, CT 06810

City of Waterbury
Office of the Mayor
Chase Municipal Building
236 Grand St.
Waterbury, CT 06702

City of New Haven
Office of the Mayor
City Hall
165 Church Street
New Haven CT 06510

City of New London
Office of the Mayor
New London City Hall
181 State Street
New London, CT 06320

City of Norwich
Office of the Mayor
116 Broad Street
Norwich, CT 06360

City of Hartford
Office of the Mayor
550 Main Street
2nd Floor, Room 200
Hartford, CT 06103

City of Meriden
Office of the Mayor
City Hall
142 East Main Street

Meriden, CT 06450

City of New Britain
Office of the Mayor
City Hall
27 West Main Street
New Britain, CT 06051

City of Stamford
Office of the Mayor
Government Center
888 Washington Blvd
Stamford, CT 06901

(9) Projected Start Date: February 13, 2009

(10) Projected End Date: February 13, 2013

(11) Specific Activity Requirements: Administrative costs are reasonable costs of state or local governments to meet the requirements of the NSP, including but not limited to general management and oversight, providing public information, technical support services, and assuring fair housing activities. All subrecipient administrative funds must be drawn down on a pro-rata basis equal to the percentage of funds obligated by the sub-grantees. Any property specific activity obligation for which administrative funds have been drawn must be completed within nine (9) months or the administrative funds will be subject to recapture.

(1) Activity Name: **Demolition of Blighted Structures**

(2) Activity Type: Demolition of Blighted Buildings and related clearance activities for the purpose of providing sites for homeownership or rental development, land banking, or other eligible activity.

NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 3(a) (D) and HERA Section 2301(c)(3)(D)

CDBG reference: 24 CFR 570.201(d)

(3) National Objective: Demolition of blighted structures to be replaced by housing units for LMMI households through either immediate redevelopment or land banking. If demolished properties are not used for redevelopment as housing, then the activity must meet the LMMI area benefit or limited clientele test.

(4) Activity Description: To acquire blighted buildings and demolish same for either land bank activities or to provide sites for home ownership, rental housing development, or other CDBG eligible activity benefitting LMMI persons. The subrecipient communities have been designated as having the greatest need within the state based on available federal and state data. Each subrecipient will be required to target 30% of their award under the NSP program for activities serving the 50% of median income population.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined when Local Action Plans are submitted.

(6) Performance Measures: The objective of this activity is to provide decent, safe, and affordable housing to LMMI families through addressing the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the creation of affordable units. **See Section I. Performance Measurements for overall program measurements, indicators, and standards.**

Subrecipients will be required to submit quarterly reports that detail activities completed, activities to be undertaken, including the following information by numbers, costs, and racial ethnic data:

- # of properties demolished
- # of units demolished
- # of households displaced
- Household Characteristics of displaced households

It is anticipated that between 12-20 units will be demolished. For demolished properties, 8-14 will be redeveloped.

(7) Total Budget: \$616,680. **See Section H for overall program budget.**

(8) Responsible Organization: Ten (10) subrecipient communities are Bridgeport, Danbury, Hartford, Meriden, New Britain, New Haven, New London, Norwich, Stamford, and Waterbury. **See the Administration activity for contact information.**

(9) Projected Start Date: February 13, 2009

(10) Projected End Date: February 13, 2013

(11) Specific Activity Requirements: Documentation by subrecipients that all demolitions being carried out under the NSP program is required due to the condition of the property and that a specific eligible reuse has been identified.

(1) Activity Name: **Establishment of Land Banks**

(2) Activity Type: The acquisition of property to establish Land Banks for future development of LMMI housing.

NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 3(a)(C) and HERA Section 2301(c)(3)(C)

CDBG reference: 24 CFR 570.201(a) and (b)

(3) National Objective: Direct benefit to LMMI households upon disposition.

(4) Activity Description: To acquire blighted buildings, demolish and land bank for future homeownership and/or rental housing development. All properties will be occupied by households meeting the LMMI standard. All assisted properties will assure affordability

consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. Affordability periods will be consistent with the HOME Program Standards at 24 CFR 92.252(a), (c), (e) and (f) and 24 CFR 92.254.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined when Local Action Plans are submitted.

(6) Performance Measures: The objective of this activity is to provide decent, safe, and affordable housing to LMMI families through addressing the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the creation of affordable units. **See Section I. Performance Measurements for overall program measurements, indicators, and standards.**

Subrecipients will be required to submit quarterly reports that detail activities completed, activities to be undertaken, including the following information by numbers, costs, and racial ethnic data:

- # of properties land banked

It is anticipated that this activity will not be used.

(7) Total Budget: \$0. **See Section H for overall program budget.**

(8) Responsible Organization: None.

(9) Projected Start Date: N/A

(10) Projected End Date: N/A

(11) Specific Activity Requirements: Property may be “banked” for a period not to exceed 2 years from the date of acquisition, at which time development must occur or title to the property will automatically revert to the municipality. Acquired property operating costs are not NSP eligible program activity costs so subrecipients considering this approach must provide a commitment for property operating costs from other sources.

(1) Activity Name: **Financing Mechanisms**

(2) Activity Type: The establishment of Financing Mechanisms to assist in the purchase and redevelopment of foreclosed housing.

NSP reference: NSP Federal Register Notice dated Monday October 6, 2008 Section II Part H 3(a)(A) and HERA Section 2301(c)(3)(A)
CDBG reference: 24 CFR Part 570.201(n) Homeownership Assistance.

(3) National Objective: Direct benefit to LMMI households.

(4) Activity Description: Funds will be made available to assist eligible homebuyers to acquire foreclosed residential properties. Activities may be in the form of loans, grants, soft seconds, loan loss reserves, shared-equity loans or other mechanisms to foster homeownership and rental housing opportunities for LMMI households. Interest rates may range from 0% to 5% and will be determined based on standard underwriting practices. It is anticipated that most loans will be at 0% per annum. However, interest rates may not exceed 5% and it is anticipated that rates above 0% will only be used to projects with rental properties where the operating proforma indicates that the project operating budget can support the proposed debt coverage ratios are from 1.15 to 1.25.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined when Local Action Plans are submitted.

(7) Performance Measures: The objective of this activity is to provide decent, safe, and affordable housing to LMMI families through addressing the purchase of foreclosed properties. The outcome measurements for this activity will be the acquisition of affordable units. **See Section I. Performance Measurements for overall program measurements, indicators, and standards.**

Subrecipients will be required to submit quarterly reports that detail activities completed, activities to be undertaken, including the following information by numbers, costs, and racial ethnic data:

- # of properties assisted
- # of units meeting energy star standards
- # of units meeting Section 504 standards
- # of units meeting lead safe standards
- # of rental and homeowner units occupied
- Household Characteristics by unit

It is estimated that 3-5 households will receive secondary financing through this activity based on an estimated of \$10,000 - \$20,000 per unit.

(7) Total Budget: \$55,000. **See Section H for overall program budget.**

(8) Responsible Organization: Ten (10) subrecipient communities are Bridgeport, Danbury, Hartford, Meriden, New Britain, New Haven, New London, Norwich, Stamford, and Waterbury. **See the Administration activity for contact information.**

(9) Projected Start Date: February 13, 2009

(10) Projected End Date: February 13, 2013

(11) Specific Activity Requirements: Any first time homebuyer activities must include a copy of a written agreement with a HUD-approved housing counseling agency to provide pre- and post-housing counseling services and a copy of the proposed curriculum. Any homebuyer activities must ensure that a buyer's payment of principal, interest, taxes, insurance (PITI) and association fees (if applicable) cannot exceed 30% of the household's anticipated gross annual income for eligible persons or families. However, if the purchase is part of an

approved governmental first mortgage program, DECD may accept that governmental agency's higher ratios upon a written request of the subrecipient. Approved governmental programs include, but are not limited to CHFA, USDA, Federal Home Loan Bank, Fannie Mae, Connecticut CDFI Alliance or FHA.

All properties assisted through these mechanisms will be occupied by households meeting the LMMI standard. All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanisms running with the land. Affordability periods will be consistent with the HOME Program Standards at 24 CFR 92.252(a), (c), (e) and (f) and 24 CFR 92.254.

Interest rates may range from 0% to 5% and will be determined based on standard underwriting practices. It is anticipated that most loans will be at 0% per annum. However, interest rates may not exceed 5% and it is anticipated that rates above 0% will only be used for projects with rental properties where the operating proforma indicates that the project operating budget can support the proposed debt coverage ratios are from 1.15 to 1.25.

(1) Activity Name: **Redevelopment of Demolished or Vacant Properties**

(2) Activity Type: The redevelopment of demolished or vacant properties through the new construction of residential dwelling units.

NSP Reference: Federal Register Notice October 6, 2008 Section II – H 3 (a)(E), HERA Section 2301(c)(3)(E)

CDBG Reference: CDBG eligible activity 570.201(n)

(3) National Objective: Benefit to LMMI Persons

(4) Activity Description: New construction of housing units may be carried out as part of a demolition of blighted property activity. Reuse must meet CDBG requirements and service to LMMI persons. New construction (reconstruction) on these properties can be carried out by the grantee or sub-recipient and the properties then sold to low, moderate or middle income families at affordable prices.

(5) Location Description: Specific addresses, blocks or neighborhoods to be determined when Local Action Plans are submitted.

(6) Performance Measures: The objective of this activity is to provide decent, safe, and affordable housing to LMMI families through addressing the purchase and rehabilitation of foreclosed properties. The outcome measurements for this activity will be the creation of affordable units. **See Section I. Performance Measurements for overall program measurements, indicators, and standards.**

Subrecipients will be required to submit quarterly reports that detail activities completed, activities to be undertaken, including the following information by numbers, costs, and racial ethnic data:

- # of properties redeveloped

- # of units redeveloped
- # of units meeting energy star standards
- # of units meeting Section 504 standards
- # of rental and homeowner units occupied
- Household characteristics by unit

It is anticipated that the overall program will achieve the acquisition, rehab, resale, and redevelopment of 200-250 units of affordable housing. Of this figure, it is anticipated that between 15-20 will be redeveloped and 2-4 sites will be converted to open space. Redevelopment activities will be carried out in conjunction with local financial resources.

(7) Total Budget: \$2,970,028. **See Section H for overall program budget.**

(8) Responsible Organization: Ten (10) subrecipient communities are Bridgeport, Danbury, Hartford, Meriden, New Britain, New Haven, New London, Norwich, Stamford, and Waterbury. **See the Administration activity for contact information.**

(9) Projected Start Date: February 13, 2009

(10) Projected End Date: February 13, 2013

(11) Specific Activity Requirements: All assisted properties will assure affordability consistent with the HOME Investment Partnerships Program by requiring the use of deed restrictions, restrictive covenants, or other such mechanism running with the land. Affordability periods will be consistent with the HOME Program Standards at 24 CFR 92.252(a), (c), (e) and (f) and 24 CFR 92.254. The duration of any affordability will meet the requirements of Section C. Definitions and Descriptions and will range from 5 to 15 years dependent on the amount of funds invested per unit, with 20 year affordability periods required for the new construction of rental units.

H.1. TOTAL BUDGET

From page 48 of the original NSP Action Plan, all of section H. TOTAL BUDGET, is deleted and replaced, as follows:

H. TOTAL BUDGET: Including Public and Private Investment

NSP Eligible Activity	NSP Funds		State	Local	%
			\$	\$	
Administration	State	\$ 626,085	\$0	\$0	2.5%
	Local	\$ 1,175,278	\$0	\$0	4.69%
Acquisition and Rehabilitation		\$ 19,600,314	\$0	\$14,017,700	78.27%
Financing Mechanisms		\$ 55,000	\$0	\$50,000	0.22%
Land Bank/Assemblage		\$ 0	\$0	\$0	0.0%
Demolition of Blighted Structures		\$ 616,680	\$0	\$470,000	2.46%
Redevelopment - Vacant or Demo		\$ 2,970,028	\$0	\$1,574,000	11.86%
		\$ 25,043,385	\$0	\$16,111,700	100.0%

I.1. PERFORMANCE MEASURES

From page 48 of the original NSP Action Plan, under I. PERFORMANCE MEASURES, the following subsection is deleted and replaced, as follows:

I. PERFORMANCE MEASURES

Performance Measurements

It is estimated that 175-200 households will be served with the initial funding.

- It is estimated that 70-80 units of housing will be acquired and rehabilitated for the income levels of households that are 50% of AMI and below.
- It is estimated that 50-60 units of housing will be acquired and rehabilitated for the income levels of households that are between 51-80% of AMI.
- It is estimated that 50-60 units of housing will be acquired and rehabilitated for the income levels of households that are between 81-120% of AMI.

- Range of interest rates – 0% to 5%. It is anticipated that most loans will be at 0% per annum. However, interest rate may not exceed 5% and it is anticipated that rates above 0% will only be used for projects with rental properties where the operating proforma indicates that the project can support debt repayment.

It is anticipated that the overall program will achieve the acquisition, rehab, resale, and redevelopment of 200-250 units of affordable housing. It is anticipated that between 12-20 units will be demolished. For demolished properties, it is anticipated that 8-14 will be redeveloped. It will be required that any rental units acquired, rehabilitated, or redeveloped through the NSP program meet the same LMMI income requirements. Sub-grantees under the NSP program will be required to complete the following charts to document program performance achievement and timely completion of activities.

DRAFT