

DRAFT
NEIGHBORHOOD STABILIZATION PROGRAM
SUBSTANTIAL AMENDMENT
STATE OF KENTUCKY

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This document is a Substantial Amendment to the Action Plan for Fiscal Year 2008 submitted by the Commonwealth of Kentucky. The Action Plan is the annual update to the Consolidated Plan for FY 2004 through 2008. The Commonwealth of Kentucky will receive \$37,408,788 from the United States Department of Housing and Urban Development (HUD) for the Neighborhood Stabilization Program (NSP). The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 (HERA) in July 2008. Unless HERA states otherwise, the grants are to be considered Community Development Block Grant funds (CDBG).

NSP funds will be distributed according to the requirements of Section 2301(c) (2) of HERA which requires that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures.

The NSP allows the use of only the low-and-moderate income national objective. All funds must be used to assist individuals or families with incomes at or below 120 percent of area median income (AMI). In addition, at least 25 percent of funds must be used to purchase or redevelop abandoned or foreclosed residential properties that will be used to house individuals or families at or below 50 percent of AMI.

The funds will be administered by the Department for Local Government (DLG) in conjunction with the Kentucky Housing Corporation (KHC) according to the proposed timeline:

PROPOSED NSP TIMELINE

November 12, 2008 Public Notice published and posted to DLG and KHC websites
November 28, 2008 Public Comment Period ends

December 1, 2008 DLG submits substantial amendment to HUD
Mid-December, 2008 DLG issues RFP and conducts training session
Mid-January, 2009 Deadline for submittal of response to the RFP

Tentative Dates:

February 13, 2009	HUD approval of substantial amendment and release of funds
March 15, 2009	DLG award of NSP funds
December 1, 2009	DLG to withdraw funds from non-performing entities for redistribution
August 2010	18 month commitment period ends. All NSP funds must be obligated to a project-specific activity at the local level

A. Areas of Greatest Need

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

The Commonwealth of Kentucky has seen a rise in the number of foreclosures since 2006, increasing in 2007, and on pace to have an increase for 2008. The Louisville MSA has been identified as the area with greatest need for assistance to reduce the number of foreclosures (according to the Kentucky Office of the Courts). HUD has allocated \$6,973,721 in NSP funds directly to Metro Louisville; please view the Louisville NSP Substantial Amendment to the Consolidated Plan at <http://www.louisvilleky.gov/Housing/>. The Commonwealth of Kentucky has a wide range of diverse areas with different needs throughout the state; therefore all communities have not been equally impacted by the foreclosure crisis.

The Commonwealth of Kentucky has a judicial foreclosure process. Through this foreclosure process a lender forecloses on a mortgage in default. Once the lender has foreclosed on a mortgage the lender files the foreclosure with the Kentucky Office of the Courts. Once the foreclosure process is turned over to the courts, the court decrees the amount the borrower still owes towards the foreclosed property and offers the borrower a short amount of time to pay. If the borrower is unable to pay within the set amount of time determined by the court, the clerk of the court will advertise the foreclosed property for sale. Before a property is foreclosed an appraisal of the property must be completed to determine the value of the property. If the sale price of the foreclosed property is less than two-thirds of the appraised value, the borrower will have one year (12 months) from the date of the sale to redeem the property by paying the amount for which the property sold, including any interest. It is possible for the court to issue a deficiency judgment against a borrower for the difference between the amount the borrower owes on the original loan and the foreclosed sale price. This only applies if the borrower was personally served with the lawsuit initiating the foreclosure process if the borrower failed to respond to a lawsuit. The time frame for the foreclosure process can vary depending upon the specific property involved in the foreclosure process.

There has been a total of 37,448 properties filed with the Kentucky Office of Courts that have thus entered the foreclosure process since January 2006 through June 2008, with the highest number of foreclosures in Jefferson County at 9,346. According to 2005 Household Estimates, there are 1,667,894 households in the Commonwealth of Kentucky, and 2.25% of all homes have entered the foreclosure process since 2006. The percentages of foreclosures filed and properties in the hands of lenders range from 6.19% in Gallatin County to 0.36% in Elliott County.

HUD has compiled data to provide to the Commonwealth of Kentucky that includes:

- Unemployment rate
- The average housing sales price decline
- High cost loan rate
- Predicted 18 month underlying foreclosure rate; and
- Vacant Housing units for 90 days.

This data has been compiled at the Census Tract Block Group level for every county in Kentucky. HUD has utilized this data to produce a risk score for future foreclosure and/or abandonment for each of the Census Tract Block Groups. Each county has then been provided a risk score for future foreclosures and/or abandonment based upon an average of the total risk scores for that county.

In order to effectively measure the areas of greatest need for the entire state of Kentucky and make an immediate impact in the those areas, Kentucky utilized the 2008 number of foreclosures in a county, the 2008 county foreclosure rate, and a county average risk score as determined by HUD to determine the areas of greatest need. The following formula was constructed to determine a community needs score for each county:

$$\frac{\underline{A} \times 35 + \underline{C} \times 35 + \underline{E} \times 30}{\underline{B} \quad \underline{D} \quad \underline{F}}$$

N

- A = number of foreclosed properties in a county
- B = highest number of foreclosures in any county (Jefferson County)
- C = foreclosure rate for a county
- D = highest foreclosure rate for any county (Gallatin County)
- E = risk score for a county
- F = highest risk score for any county (several counties tied)
- N = sum of the highest number of foreclosures, highest foreclosure rate, and highest risk score

These three factors were averaged using a weighted average with a 35 percent weight towards factors one and two, and a 30 percent weight towards factor three.

Attached in Appendix A is a list of the community needs scores as determined for each county in the state. Although there are no community needs scores provided for individual cities, cities are encouraged to seek assistance in areas that have been

identified as those of greatest need. Appendix B is a map of the counties according to the areas identified as greatest need according to the formula from above.

This formula was utilized to identify the areas of greatest need based on the three areas of focus as determined by HUD. They are those:

- With the greatest percentage of home foreclosures
- With the highest percentage of homes financed by a subprime mortgage related loan (high cost loans, ARM's, etc.)
- Identified as likely to face a significant rise in the rate of home foreclosures

Applicants proposing to address multiple counties will have the community needs score determined by averaging the community needs scores from each county that is included in the proposal. The Department for Local Government reserves the right to adjust the size or scope of the proposal depending upon need and capacity to utilize NSP funds.

B. Distribution and Uses of Funds

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c) (2) of Housing and Economic Recovery Act (HERA) that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures.

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

The State will issue a Request for Proposals (RFP) in mid-December 2008. As mandated by HUD, the Commonwealth of Kentucky will target the use of the NSP funds to the areas of greatest need. The Community Needs Scores from Appendix A will comprise fifty percent of the applicant's total score.

The Commonwealth will set aside approximately 25 percent of the NSP funds to address the needs of persons at or below 50 percent of area median income. Applicants submitting a proposal for the Low Income Targeting Set-Aside will be scored separately from those seeking funds to address the population that is \leq 120 percent of area median income. If applicants wish to request funds from both pools of funds, separate proposals will be required.

There are six eligible activities identified in the Housing and Economic Recovery Act Section 2301(c) (3). Applicants are encouraged to target their proposed activities to address the community's greatest needs.

1. Financing Mechanisms – According to HERA Section 2301(c)(3)(A) 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-and-moderate income homebuyers.

2. Acquisition and Relocation – According to HERA Section 2301(c)(3)(B) to 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.
 - a. Acquisition, rehabilitation, and resale to first time homebuyers
 - b. Acquisition, rehabilitation, and rental properties:
 - i. Lease-Purchase Agreements
 - ii. Rent to income eligible families as affordable rental units

3. Land Banks – According to HERA Section 2301(c) (3)(C) establish land banks for homes that have been foreclosed upon.
 - a. May not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment in accordance with NSP requirements.
 - b. The actual service area benefiting from a land bank must be determined by the grantee.
 - c. Must be pursuant to Kentucky Revised Statutes (KRS) 65.350 to 65.375.

4. Demolish Blighted Structures – According to HERA Section 2301(c) (3)(D) and may be eligible under 24 CFR 570.201(d) regarding clearance of blighted structures only.

5. Redevelop Demolished or Vacant Properties – According to HERA Section 2301(c) (3)(E) the redevelopment of demolished or vacant properties. Cost may include: (a) acquisition, (b) disposition, (c) public facilities and improvements, (e) public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties,(i) relocation, and (n) direct homeownership assistance.
 - a. New construction of housing and building infrastructure for housing is an eligible use.
 - b. May include the redevelopment of property to be used as affordable rental housing.
 - c. Grantees are strongly encouraged to acquire and redevelop FHA foreclosed properties.

6. Administration and Planning Costs – According to HERA Section 2301(c) (3) uses of administration and planning costs may include:
 - a. An amount up to 10% of NSP funds may be used for general administration and planning activities (total of state and local administration) as defined at 24 CFR 570.205 and 206.
 - i. The Department for Local Government reserves the right to negotiate administrative costs with an entity that receives NSP funds.
 - ii. Entities are eligible for NSP funds towards administration OR a developer’s fee associated with a project.

- b. Activity delivery costs, as defined in 24 CFR 570.206 may be charged to the particular activity performed above and will not count as general administration and planning costs.
- c. The state may incur pre-award costs necessary to develop the NSP Application and undertake other administrative and planning actions necessary to receive the NSP grant, in compliance with 24 CFR 570.200(h).

HUD has established these and other regulations and restrictions regarding the listed activities via the Notice on the allocation and application process for NSP funds. In addition, HUD has waived one-for-one replacement, but requires documentation on the number of units that will be produced. The Commonwealth of Kentucky Department for Local Government will provide technical assistance to all grantees regarding NSP requirements.

All eligible activities are subject to change and interpretation based upon HUD's approval of the Action Plan, and/or changes that have been issued by HUD regarding the NSP Notice as found on HUD's website for NSP guidance: <http://www.hud.gov/nsp>.

Eligible Applicants and Amount of Grant Funds

All local governments in the Commonwealth of Kentucky are eligible to apply for NSP funding. This includes communities that are eligible for the HUD CDBG small cities competitive grant application process and all entitlement communities. In addition, non-profits, housing authorities, and redevelopment organizations are eligible to seek NSP funds. All grant recipients will be required to adopt the following HUD CDBG plans and certification requirements:

1. Fair Housing Plan
2. Section 3 Plan
3. Minority Business and Women-Owned Business Enterprises Plan
4. Adopted all Fair Housing and Nondiscrimination; Accessibility; and Equal Opportunity regulations and requirements.

The amount of funding requested should reflect upon the size (population, households, etc.) and need (Community Needs Score: Appendix A) of the defined area requesting funds. Communities requesting NSP funds should consider all factors as outlined in the in Proposed Scoring Criteria identified in Appendix C.

The Department for Local Government will evaluate the project design and scope and may adjust the project scope or funding request based upon the viability and capacity of the applicant to obligate NSP funds in the 18-month time frame. If funds remain after the initial award of NSP funds, DLG reserves the right to initiate a second round of funding using the RFP process.

Selection Criteria and Priorities

The Commonwealth of Kentucky is developing a priority and scoring system that will be used to determine the need for NSP funds in a community. Each criterion will be considered in determining the need of a community and the ability of the Commonwealth of Kentucky to; meet the requirements of the HUD Notice issued regarding NSP, follow the applicable CDBG guidelines, and spend the NSP funds in a effective and efficient manner.

Each community's calculated needs score from APPENDIX A will be factored to determine the overall capacity and abilities of a community to manage the NSP funds and the need for NSP funds in a community. The following areas will be scored and added together, then totaled along with the community needs score:

1. Project Narrative
2. Community Needs
3. Program Delivery
 - a. Program Design
 - b. Partnerships
 - c. Ready to Proceed
 - d. Administration and Capacity

The Commonwealth of Kentucky reserves the right to reject or adjust any award amount in order to award funds to a subrecipient based upon the quality of the application received and capacity of the applicant to utilize the funds in a timely manner. In addition, the Commonwealth of Kentucky reserves the right to reject or adjust any NSP fund award in accordance with the subgrantee's capacity to fulfill the performance standards necessary to meet program requirements.

High Performing Grantees

HUD regulations require that the State obligate all funds within 18 months of receipt. It is anticipated that HUD will approve the State's substantial amendment and release funds in February 2009 which will require that all funds must be obligated by August 2010. To be considered obligated, the State's subrecipients must have all funds obligated and under contract for a specific NSP activity.

In order to meet this HUD directive, the State will evaluate the performance of all grantees in December 2009. Non-performing entities (those that are substantially behind the benchmarks outlined in the grant agreement) may have funds withdrawn. The State reserves the right to re-allocate these funds to high performing grantees that have demonstrated the ability to perform program activities in an effective and efficient manner.

C. Definitions and Description

Abandoned- A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the

property owner for at least 90 days, **and** the property has been vacant for at least 90 days.

Foreclosed- A property has been foreclosed upon at the point that, under state or local law, the mortgage or tax foreclosure is complete , **and** after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Current market appraised value- The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer

Land Bank- A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

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

Kentucky Revised Statutes (KRS) 99.705 Definitions.

Unless the context otherwise requires:

(1) “Blighted” or “deteriorated” property means any vacant structure or vacant or unimproved lot or parcel of ground in a predominantly built-up neighborhood:

(a) Which because of physical condition or use is regarded as a public nuisance at common law or has been declared a public nuisance in accordance with a city of any class, or in counties containing a city of the first class or consolidated local government, with the housing, building, plumbing, fire, or related codes;

(b) Which because of physical condition, use, or occupancy is considered an attractive nuisance to children, including but not limited to abandoned wells, shafts, basements, excavations, and unsafe fences or structures;

(c) Which because it is dilapidated, unsanitary, unsafe, vermin-infested, or lacking in the facilities and equipment required by the housing code of a city or county containing a city of the first class or consolidated local government, has been designated by the department responsible for enforcement of the code as unfit for human habitation;

- (d) Which is a fire hazard, or is otherwise dangerous to the safety of persons or property;
- (e) From which the utilities, plumbing, heating, sewerage, or other facilities have been disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use;
- (f) Which 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; or
- (g) Which has been tax delinquent for a period of at least three (3) years; or (h) which has not been rehabilitated within the time constraints placed upon the owner by the appropriate code enforcement agency.

(2) Definition of “affordable rents.”

The maximum amount of rent charged may not exceed the HUD Fair Market Rent (FMR) during the term of affordability. HUD Fair Market Rents are defined at 92.252(a)(1), which includes all utilities. Fair market rents by area and bedroom size can be accessed from the HUD User web site at <http://www.huduser.org/datasets/fmr.html>

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

HUD requires that states ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI). For units that were originally assisted in the Low Income Targeting Set-aside to meet the 50 percent AMI, HUD requires that these units must remain affordable to individuals or families whose incomes do not exceed 50 percent of AMI for the duration of the period of affordability.

All homebuyer and rental units assisted must include provisions for long-term affordability restrictions meeting at least the following requirements:

HOMEBUYER

<u>NSP Subsidy Per Unit</u>	<u>Affordability Period</u>
<\$15,000	5 years
\$15,000-\$40,000	10 years
Above \$40,000	15 years
New Construction or Acquisition of New Construction Unit	20 years

While these are minimum requirements, the applicant may choose to implement more stringent affordability requirements than the minimum listed here to ensure that the properties remain affordable for as long as possible.

RENTAL

<u>NSP Assistance Per Unit</u>	<u>Affordability Period</u>
<\$15,000	5 years
\$15,000-\$40,000	10 years
Above \$40,000	15 years
New Construction or Acquisition of New Construction Unit	20 years

Current HUD regulations state that all rental income above that needed for operations, maintenance and reserves is considered program income and must be returned to HUD. This provision does not provide for a sliding scale or shared return of those funds. Applicants should be aware of this provision when proposing rental housing activities.

Rent, occupancy, and affordability requirements for homebuyer and rental units will be enforced with covenants, mortgages, or deed restrictions attached to the property. The definition of “Continued Affordability” in the amendment for NSP funds is subject to change based on upon HUD’s approval of this amendment, and/or changes issued to the NSP Notice as clarified on the HUD website for this program: <http://www.hud.gov/nsp>. The Commonwealth urges potential grantees to be on alert for such changes, which will be posted on the Department for Local Government’s website with other NSP publications and materials.

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

Grantees must meet all local housing codes and occupancy standards for their new or reconstructed units. At a minimum, the grantee must adopt the 2006 International Code Council (ICC) Property Maintenance Code. All units must meet 2007 Kentucky Residential Code. To comply with HUD’s Lead Safe Housing Rule (LSHR), rehabilitation to all units built prior to 1978 must follow prescribed rehabilitation practices and pass final clearance before re-occupancy of the unit. Applicants are strongly encouraged to incorporate universal design, green building, energy-efficiency improvements, and handicapped accessibility features in units where feasible.

D. Low Income Targeting

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income.

The Commonwealth of Kentucky will make available \$9,500,000 (25.40 % of the NSP allocation) for the Low Income Targeting Set-Aside 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. HUD strongly urges communities to acquire and redevelop FHA foreclosed properties where feasible. The State is particularly encouraging applications that target special needs populations or veterans.

All potential applicants are encouraged to seek NSP funding for households that do not exceed the 50 percent area median income. The county AMI limits may be viewed at (http://www.huduser.org/publications/commdev1/Section8Limits_50_120.xls)

The Commonwealth of Kentucky reserves the right to solicit applicants or additional partners if necessary to address the 25 percent of NSP funds that are set aside for this target population and identify certain projects that may be eligible to benefit individuals or households that meet the 50 percent of area median income criteria.

E. Acquisitions & Relocation

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

If so, include:

- **The number of low-and-moderate-income dwelling units – i.e., $\leq 80\%$ of area median income – reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.**
The Commonwealth of Kentucky may demolish or convert properties that will result in the loss of approximately 300 housing units for low-and-moderate-income households, not to exceed 80 percent of area median income.
- **The number of NSP affordable housing units made available to low-and-moderate, and middle-income households – i.e. $\leq 120\%$ of area median income – reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).**
The Commonwealth of Kentucky expects to make approximately 220 affordable housing units for low-and-moderate, and middle income households, not to exceed 120 percent of area median income.
- **The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.**
The Commonwealth of Kentucky expects to make approximately 70 households available for low-income households, not to exceed 50 percent of area median income.

All estimates from the Commonwealth of Kentucky are subject to adjustment dependent upon the requested need from the applicants seeking NSP funds to accomplish any of the above mentioned activities from above.

F. Public Comment

The Kentucky Department for Local Government (DLG) will publish a public notice regarding the substantial amendment to the Consolidated Plan on November 12, 2008, in the Louisville Courier Journal and the Lexington Herald-Leader. The notice will also be placed on the DLG website. The Kentucky Housing Corporation (KHC) will also place the notice on their website and send an e-gram to persons registered for that service. The public comment period will end on November 28, 2008.

G. NSP Information By Activity

- (1) Activity Name: **Financing Mechanisms**
- (2) Activity Type: NSP Activity A, CDBG Eligible Activity 24 CFR 570.206.
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, ($\leq 120\%$ of area median income).
- (4) Activity Description:
Financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties, including soft-second, loan loss reserves, and shared-equity loans for low-and moderate-income homebuyers.
- (5) Location Description: Areas of greatest need to be addressed throughout the state, exact locations to be determined after RFPs are received and NSP funds are awarded.
- (6) Performance Measures: To be determined after RFPs are received and NSP funds are awarded.
- (7) Total Budget: To be determined after RFPs are received.
- (8) Responsible Organization: Lead State Agency: Department for Local Government
1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements: none

G. NSP Information By Activity

- (1) Activity Name: **Purchase and Rehabilitation**
- (2) Activity Type: NSP Activity B, CDBG Eligible Activity 24 CFR 570.201 (a) acquisition, (b) disposition, (i) relocation, and (n) direct homeownership assistance. 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. (HUD notes that rehabilitation may include counseling for those taking part in this activity.)
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, (\leq 120% of area median income).
- (4) Activity Description:
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.
- (5) Location Description: Areas of greatest need to be addressed throughout the state, exact locations to be determined after RFPs are received and NSP funds are awarded.
- (6) Performance Measures: To be determined after RFPs are received and NSP funds are awarded.
- (7) Total Budget: To be determined after RFPs are received.
- (8) Responsible Organization: Lead State Agency: Department for Local Government 1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements: All purchases of foreclosed properties must be below current market appraised value. Applicants are strongly encouraged to consider the acquisition and redevelopment of FHA properties. Allowable rehab costs are those that address housing safety, quality and habitability codes, laws, and regulations in order to sell, rent or redevelop the property. Costs may include energy efficiency and conservation improvements or provide a renewable energy source.

G. NSP Information By Activity

- (1) Activity Name: **Land Banks**
- (2) Activity Type: NSP Activity C, CDBG Eligible Activity 24 CFR 570.201 (a) acquisition and (b) disposition.
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, (\leq 120% of area median income).
- (4) Activity Description:
Land banks must operate in a specific, defined geographic area for the purchase of properties that have been abandoned or foreclosed upon, and maintain, assemble, facilitate redevelopment, market, and dispose of the properties.
- (5) Location Description: Areas of greatest need to be addressed throughout the state, exact locations to be determined after RFPs are received and NSP funds are awarded.
- (6) Performance Measures: To be determined after RFPs are received and NSP funds are awarded.
- (7) Total Budget: To be determined after RFPs are reviewed.
- (8) Responsible Organization: Lead State Agency: Department for Local Government
1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: Land banked properties may not be held more than 10 years.
- (11) Specific Activity Requirements: none

G. NSP Information By Activity

- (1) Activity Name: **Demolition**
- (2) Activity Type: NSP Activity D, CDBG Eligible Activity 24 CFR 570.201(d) clearance for blighted structures only.
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, (\leq 120% of area median income).
- (4) Activity Description:
Demolition of blighted structures, some of which may be foreclosed homes.
- (5) Location Description: Areas of greatest need to be addressed throughout the state, exact locations to be determined after RFPs are received and NSP funds are awarded.
- (6) Performance Measures: To be determined after RFPs are received and NSP funds are awarded.
- (7) Total Budget: to be determined after RFPs are reviewed.
- (8) Responsible Organization: Lead State Agency: Department for Local Government
1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed and NSP funds are awarded.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements: none

G. NSP Information By Activity

- (1) Activity Name: **Redevelopment**
- (2) Activity Type: NSP Activity E, CDBG Eligible Activity 24 CFR 570.201(a) acquisition, (b) disposition, (c) public facilities and improvements, (e) public services for (i) relocation and (n) direct homeownership assistance.
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, (\leq 120% of area median income).
- (4) Activity Description:
New construction of housing
- (5) Location Description: Areas of greatest need to be addressed throughout the state, exact locations to be determined after RFPs are received and NSP funds are awarded.
- (6) Performance Measures: To be determined after RFPs are received and NSP funds are awarded.
- (7) Total Budget: To be determined after RFPs are reviewed.
- (8) Responsible Organization: Lead State Agency: Department for Local Government 1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed and NSP funds are awarded.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements: none

G. NSP Information By Activity

- (1) Activity Name: **Administration**
- (2) Activity Type: CDBG Eligible Activity 24 CFR 570.206(a) Administration-General Management and Oversight.
- (3) National Objective: This activity will meet a national objective by benefiting low, moderate and middle income persons, as defined in the NSP Notice, (\leq 120% of area median income).
- (4) Activity Description:
Administrative expenses as allowable under NSP for state-level administrative costs and local project administration
- (5) Location Description: To be determined after RFPs are received.
- (6) Performance Measures: N/A
- (7) Total Budget: \$3,740,878
- (8) Responsible Organization: Lead State Agency: Department for Local Government
1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Subrecipients will be determined after RFPs are reviewed.
- (9) Projected Start Date: March 1, 2009
- (10) Projected End Date: February 28, 2013
- (11) Specific Activity Requirements: none

CERTIFICATIONS

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

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

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

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

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

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

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

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

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

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

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

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

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

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

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

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

Tony Wilder

Date

Commissioner, Department for Local Government
Title

NSP Substantial Amendment Checklist

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

Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): State of Kentucky Lead Agency Jurisdiction Web Address: <i>www.dlg.ky.gov</i>	NSP Contact Person: Myralee Smith-Cowley Address Department for Local Government 1024 Capital Center Drive Suite 340 Frankfort, KY 40601 Telephone: 502/573-2382 Fax: 502/573-1519 Email: DLG-NSP@ky.gov
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. AREAS OF GREATEST NEED

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

Yes X No . Verification found on page ____.

B. DISTRIBUTION AND USES OF FUNDS

Does the submission contain a narrative describing how the distribution and uses of the grantee’s NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes X No . Verification found on page ____.

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

C. DEFINITIONS AND DESCRIPTIONS

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

- a definition of “blighted structure” in the context of state or local law,
 Yes X No . Verification found on page ____.
- a definition of “affordable rents,”
 Yes X No . Verification found on page ____.

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

D. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes X No . Verification found on page _____.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?
Yes X No . Verification found on page _____.
Amount budgeted = \$_9,500,000.

E. ACQUISITIONS & RELOCATION

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?
Yes X No . (If no, continue to next heading)
Verification found on page _____.

If so, does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?
Yes X No . Verification found on page _____.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?
Yes X No . Verification found on page _____.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?
Yes X No . Verification found on page _____.

F. PUBLIC COMMENT PERIOD

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

Yes No . Verification found on page ____.

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

Yes No . Verification found on page ____.

G. INFORMATION BY ACTIVITY

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

- eligible use of funds under NSP,
Yes No . Verification found on page ____.
- correlated eligible activity under CDBG,
Yes No . Verification found on page ____.
- the areas of greatest need addressed by the activity or activities,
Yes No . Verification found on page ____.
- expected benefit to income-qualified persons or households or areas,
Yes No . Verification found on page ____.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page ____.
- appropriate performance measures for the activity,
Yes No . Verification found on page ____.
- amount of funds budgeted for the activity,
Yes No . Verification found on page ____.
- the name, location and contact information for the entity that will carry out the activity,
Yes No . Verification found on page ____.
- expected start and end dates of the activity?
Yes No . Verification found on page ____.
- If the activity includes acquisition of real property, the discount required for acquisition of foreclosed upon properties,
Yes No . Verification found on page ____.

- If the activity provides financing, the range of interest rates (if any),
Yes No . Verification found on page ____.
- If the activity provides housing, duration or term of assistance,
Yes No . Verification found on page ____.
- tenure of beneficiaries (e.g., rental or homeownership),
Yes No . Verification found on page ____.
- does it ensure continued affordability?
Yes No . Verification found on page ____.

H. CERTIFICATIONS

The following certifications are complete and accurate:

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