

**SUBSTANTIAL AMENDMENT #2 TO
2008 ESCAMBIA CONSORTIUM ANNUAL ACTION PLAN
REGARDING THE
NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**

Escambia County is amending its *2008 Escambia Consortium Annual Action Plan* to make the following changes to the approved Neighborhood Stabilization Program (NSP): (1) reallocate NSP funds between approved NSP project activities (see table below); (2) specifically incorporate lease purchase and long term rental occupancy as eligible housing options under NSP Activity 02; (3) clarify the NSP Activity 05 narrative regarding beneficiary income eligibility levels allowed in addition to the 50% benefit set-aside and clarify that long term rental occupancy, in addition to development of facilities for homeless/special needs, is an integral element of NSP Activity 05; and (4) revise the purchase discount requirements to reflect current NSP policy.

Proposed Reallocation of NSP Funds:

NSP Activity Description	Original NSP Budget	Budget Revisions	Revised NSP Budget
01 /Home Purchase Financing	\$1,550,000	(\$800,000)	\$750,000
02 /Purchase, Rehabilitate and/or Redevelop Homes (Non-Profit)	\$1,000,000	\$0	\$1,000,000
03 /Demolition of Blighted Structures	\$142,847	\$407,153	\$550,000
04 /Redevelop Demolished or Vacant Properties	\$550,000	\$50,000	\$600,000
05 /Purchase, Rehabilitate and/or Redevelop Homes & Residential Properties	\$866,480	\$342,847	\$1,209,327
Activity Subtotals	\$4,109,327	\$0	\$4,109,327

A complete copy of the revisions to the 2008 Annual Action Plan NSP Amendment #2 can be viewed on the Escambia County website at: <http://www.myescambia.com/departments/nescd/NEFI.php>
Copies are also available for review at the following locations between the hours of 8:00 A.M. - 4:00 P.M., Monday through Friday: Neighborhood Enterprise Foundation, Inc., 3420 Barrancas Ave., Pensacola, FL and Pensacola Regional Library, Reference Desk/Second Floor, 200 West Gregory St., Pensacola, FL

Comments or questions concerning this amendment are invited through **4:00 p.m. (CST), February 18, 2010**. Interested parties may submit written comments to: Escambia Consortium, C/O Neighborhood Enterprise Foundation, Inc., P.O. Box 18178, Pensacola, Florida 32523. Questions should be directed to Randy Wilkerson at (850) 458-0466; TDD (850) 458-0464; or E-mail: Randy_Wilkerson@co.escambia.fl.us Escambia County adheres to the Americans with Disabilities Act and will make reasonable accommodations for access to services, programs, and activities. Please call 458-0466 (TDD# 458-0464) at least 48 hours in advance of the event in order to allow time to provide requested services.

ESCAMBIA COUNTY, FLORIDA

NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

SUBSTANTIAL AMENDMENT #02

(REVISED: FEBRUARY 18, 2010)

Jurisdiction(s): Escambia County	NSP Contact Person: Randy Wilkerson Address: P.O. Box 18178 Pensacola, Florida 32523
Jurisdiction Web Address: www.myescambia.com	Telephone: (850) 458-0466 Fax: (850) 458-0464 Email: randy_wilkerson@co.escambia.fl.us

A. AREAS OF GREATEST NEED

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

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data in developing this section of the Substantial Amendment.

Response:

Neighborhood Stabilization Program (NSP) funding will be targeted to areas of greatest need in keeping with the priorities established in the National Housing and Economic Recovery Act of 2008, summarized as follows:

- (a) Areas with the greatest percentage of home foreclosures (*score of 9 or 10*),
- (b) Areas with the highest percentage of homes financed by a subprime mortgage related loan (*score greater than 41.5%*), and
- (c) Areas identified as having a high probability of facing a significant increase in the rate of home foreclosures (*score greater than 8.5%*)

Utilizing these baseline NSP targeting criteria, Escambia County will primarily focus the NSP activities within the following areas of greatest need:

Priority 1:

Census Tracts: 3, 4, 6, 13, 15, 16, 17, 18, 19, 20, 21, 22, 24, 28.03, 29, 30, 31 & 40

Targeted Neighborhoods:

- (1) Community Redevelopment Areas (Warrington, Englewood, Brownsville, Palafox Corridor and Barrancas)
- (2) Pensacola Community Redevelopment Area
- (3) Century Enterprise Zone
- (4) Escambia County Enterprise Zone
- (5) Pensacola Enterprise Zone

Priority 2:

Census Tracts: 34, 35.02, 37

Targeted Neighborhoods:

- (6) Ensley CDBG target Area
- (7) Cantonment CDBG Target Area

During the initial twelve months after NSP grant award, Escambia County will target NSP activities to addressing foreclosed, vacant, abandoned and/or blighted homes or properties located with those areas encompassing **Priority 1** above, as depicted on target area **maps** included in this section. Of the total NSP funds expended by Escambia County during this period, a minimum of 80% shall be within **Priority 1** areas. Thereafter, the County will consider expending NSP funds within **Priority 2** areas.

Basis for Priority 1 Neighborhoods (see Priority 1 list above):

Greatest Percentage of Home Foreclosures (score of 9 or 10):

Neighborhoods with highest foreclosure rates locally include the following Census Tracts: 3, 4, 6, 13, 15, 16, 17, 18, 19, 20, 21, 22, 24, 28.03, 29, 30, 31 & 40. These tracts are generally inclusive of areas with greatest need in Escambia County, including the Community Redevelopment Areas and Enterprise Zones.

Areas with the Highest Percentage of Subprime Loans (score > than 41.5%):

Neighborhoods with highest foreclosure rates locally include the following Census Tracts: 4, 15, 16, 17, 19, 20, 21, 24, 30 & 31. Likewise, these tracts generally fall within the confines of the Community Redevelopment Areas and Enterprise Zones within Escambia County.

Areas with High Probability for Increased Rate of Foreclosure (score > than 8.5%)

Neighborhoods with highest foreclosure rates locally include the following Census Tracts: 3, 4, 15, 16, 17, 19, 20, 24, 30, 31 & 40. These tracts generally fall within the confines of the Community Redevelopment Areas and Enterprise Zones within Escambia County.

Targeted Areas for Neighborhood Stabilization and Reinvestment

Community Redevelopment Areas (CRA) and/or Enterprise Zones (EZ) have been designated within Escambia County, which closely correlate to the areas of greatest need exhibited by application of the NSP criteria cited above. The CRA and EZ designations evidence significant deterioration, disinvestment, and slum/blighting conditions that are markedly compounded by foreclosed and abandoned homes and properties. The lower income nature of the CRA or EZ neighborhoods has made them quite susceptible to subprime loans often with outlandish rates or terms (especially home refinance or equity take-out loans). Typically, for low income families their home is the most significant asset from which to obtain cash and subprime lenders have increasingly focused their marketing on these families/areas. Therefore, it is prudent to afford priority for the use of NSP funds to CRA and EZ areas in Escambia County.

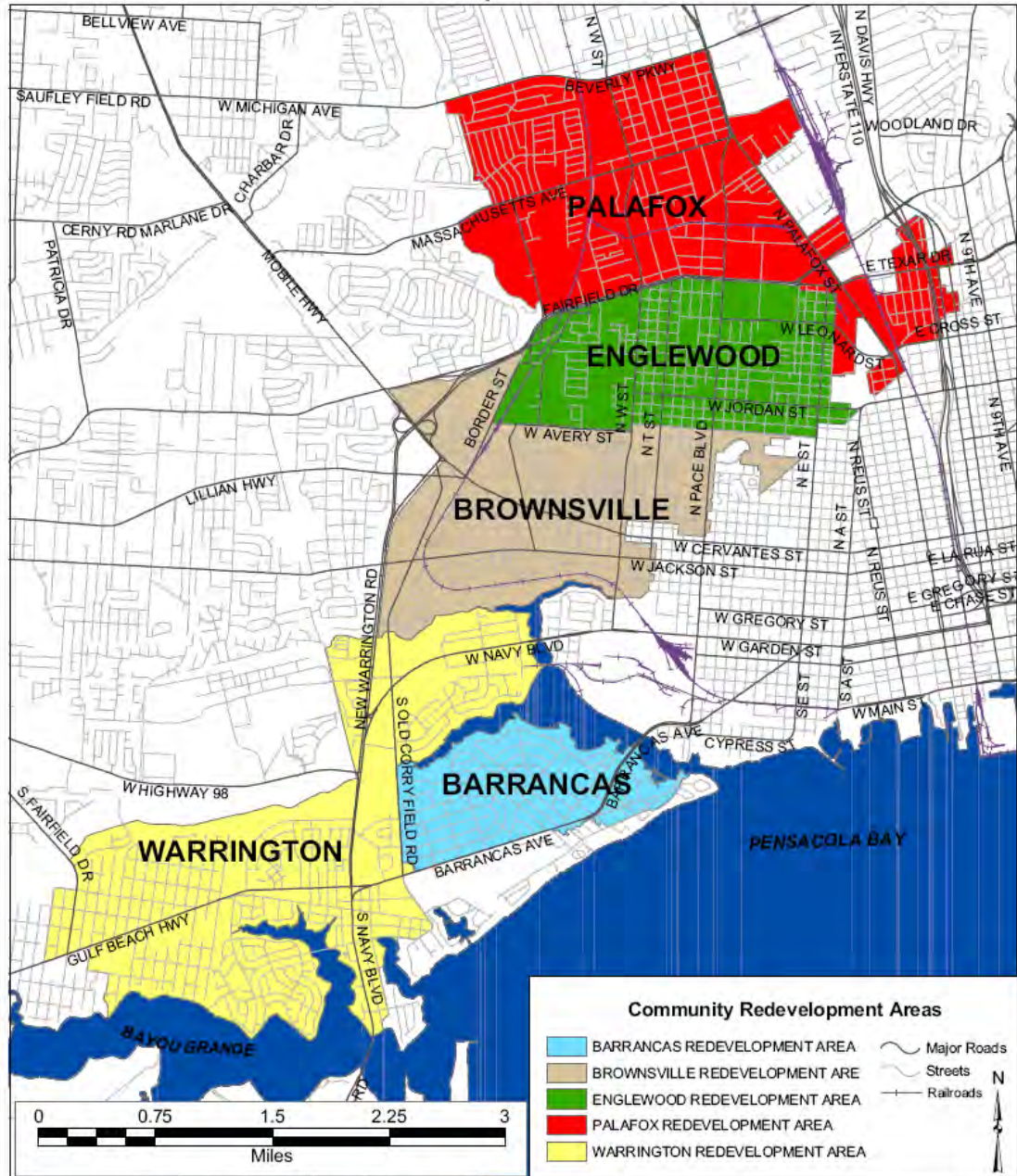
Escambia County based this prioritization on data secured from the following sources:

HUD NSP Data (as provided on HUD Website)
REO Foreclosure Listings (Escambia County)
Escambia County Community Redevelopment Area Plans
U. S. Census Bureau, American Factfinder
Escambia Consortium Consolidated Plan (2005-2009)
Realtytrac.com
Community Redevelopment Area and Enterprise Zone enabling Ordinances, Resolutions and Plans

INDIVIDUAL MAPS DEPICTED ON THE FOLLOWING PAGES PROVIDE A VISUAL INDICATION OF THE PRIORITY 1 LOCATIONS BASED UPON NEIGHBORHOOD CONSIDERATIONS.

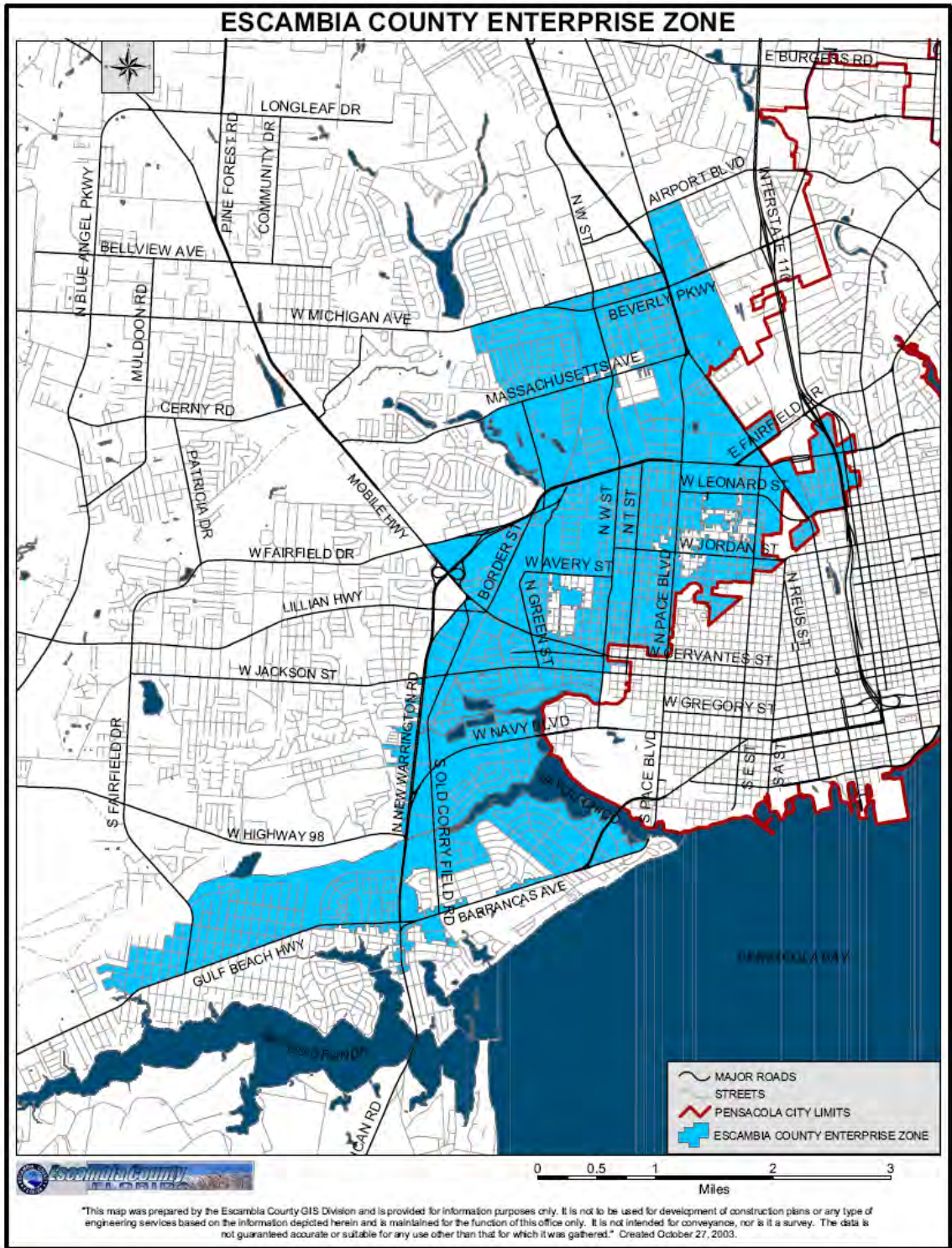
IN DETERMINING OVERALL TARGETING WITH RESPECT TO INDIVIDUAL FORECLOSED HOMES OR PROPERTIES, THE COUNTY RESERVES THE RIGHT TO UTILIZE LOCAL GIS-BASED “MAP SEARCH” SYSTEMS THAT WILL IDENTIFY AND CONFIRM THE LOCATION OF A SPECIFIC FORECLOSED HOME OR PROPERTY WITHIN EITHER ONE OF THE SPECIFIED “NEIGHBORHOOD TARGET AREAS” OR WITHIN ONE OF THE CORRESPONDING “TARGETED CENSUS TRACTS” AS IDENTIFIED ABOVE.

Escambia County Redevelopment Areas



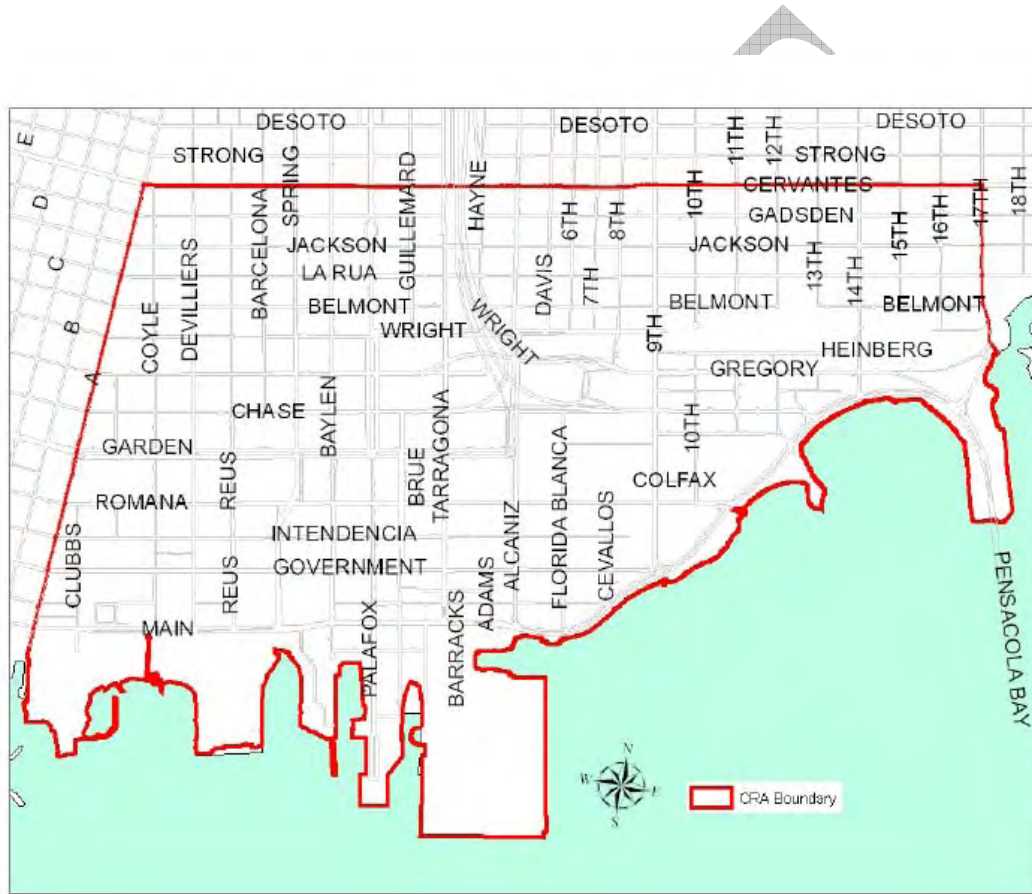
Source: Escambia County Redevelopment Agency "This map is provided for information purposes only and is not to be used for the development of construction plans or any type of engineering services based on the information depicted herein. It is maintained for the function of this office only. These data are not guaranteed accurate." Created December 17, 2003.



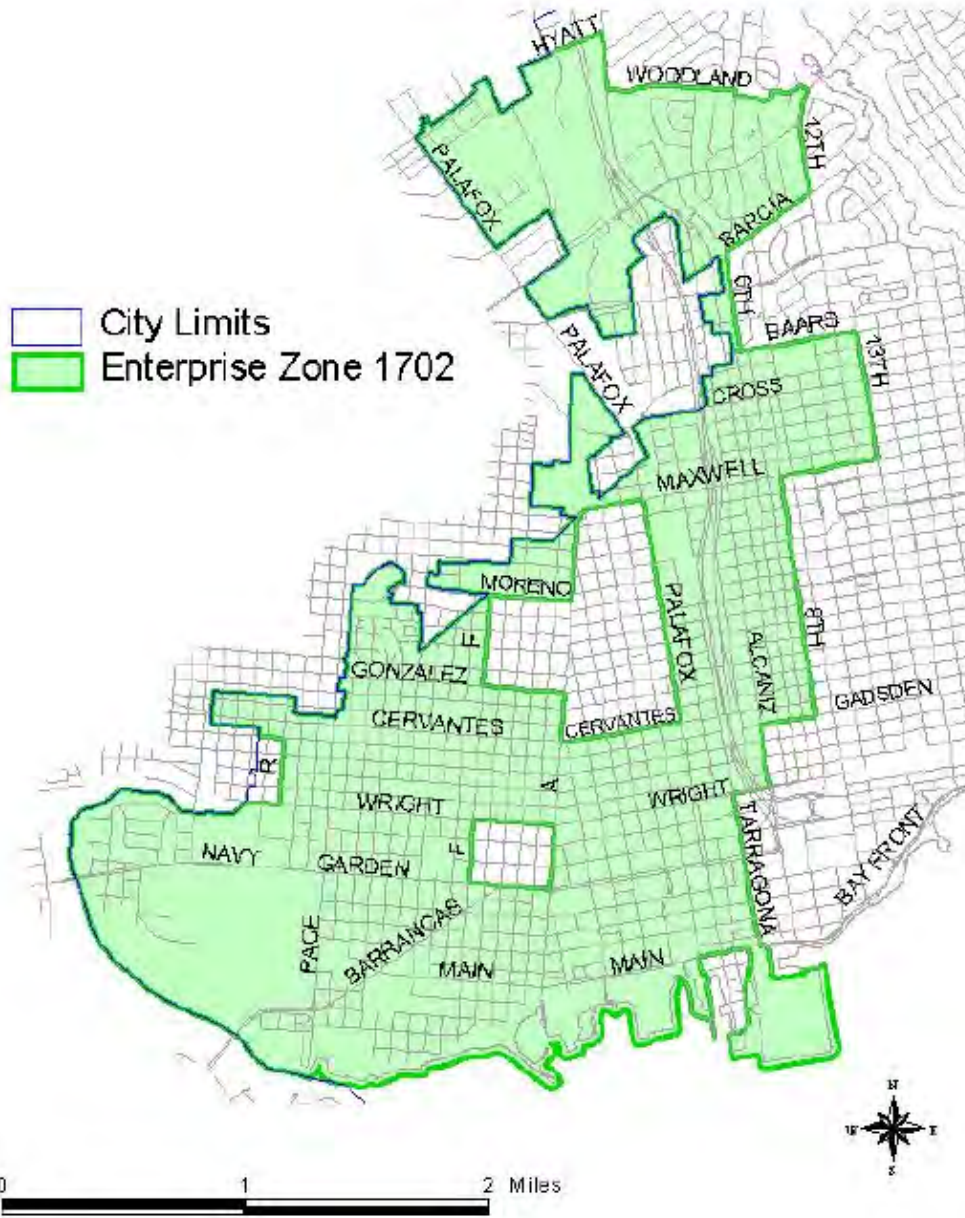


Escambia County, Florida

Pensacola Community Redevelopment Area

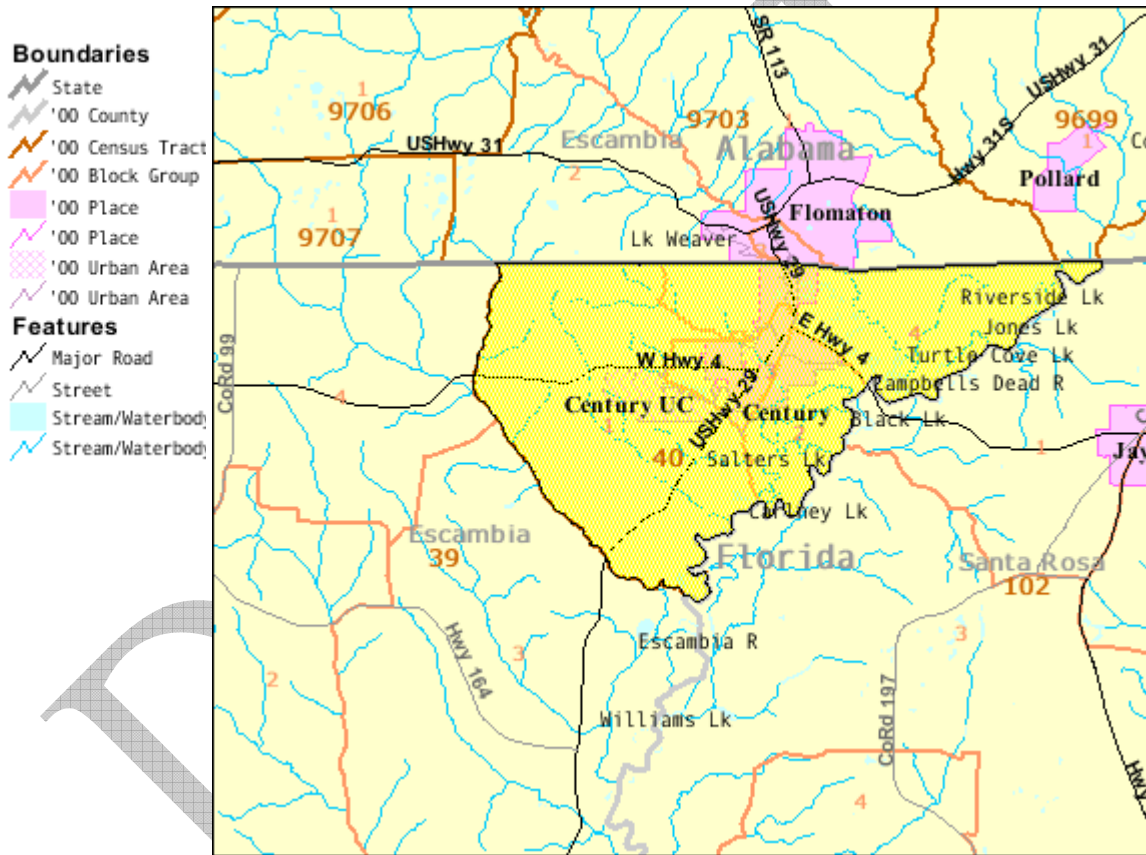


City of Pensacola Enterprise Zone



Escambia County, Florida

Century Enterprise Zone



20 miles across

CENTURY ENTERPRISE ZONE AND CENSUS TRACT 40

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee’s NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee’s narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

Analysis of available Escambia County foreclosure and foreclosure risk factors, indicates that the following areas should be immediately targeted for NSP activities based on the relative percentage of foreclosures; a higher proclivity for subprime mortgages/loans; the likelihood for increasing foreclosures over time, and the concentration of families with LMMI incomes:

- > Escambia County Community Redevelopment Areas: Englewood, Brownsville, Warrington, Barrancas & Palafox
- > Escambia County Enterprise Zone
- > Pensacola Community Redevelopment Areas
- > Pensacola Enterprise Zone
- > Century Enterprise Zone

NSP activities delineated in Section G shall be focused within these areas for at least the initial twelve months of implementation. Thereafter, the County reserves the right to extend NSP funding to the following additional targeted areas:

- > Ensley CDBG Target Area
- > Cantonment CDBG Target Area

C. DEFINITIONS AND DESCRIPTIONS

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

Response:

In Escambia County, a “blighted structure” shall be defined as a structure (or property) that violates Escambia County’s “**Unsafe Building Abatement (Code Enforcement) Ordinance**” or the City of Pensacola’s “**Code of Ordinances/ Title XIII Code Enforcement.**” Blighted structures or properties generally include unsafe or dilapidated buildings which are abandoned; and/or properties that create a nuisance as defined and enforced under the applicable Code(s). In addition to structures, this also includes nuisance conditions generally described as follows:

The following conditions existing on real property in the unincorporated areas of the County shall constitute prima facie evidence of maintaining a nuisance within the meaning of this article injurious to the health, safety and welfare and shall include, but shall not be limited to:

- (a) The creation or maintenance of any condition conducive to the breeding of rats, vermin, flies, mosquitoes, or other arthropods that are capable of transmitting diseases directly or indirectly to humans;
- (b) The accumulation of garbage, or other solid waste materials which violates any state law, regulation, or ordinance of the county or which poses a danger to the health, safety, and welfare to residents of the county;
- (c) The accumulation of one or more inoperable vehicle on any lot of less than three acres not abated pursuant to section 30-205; provided, however, that duly licensed car sales lots, junk yards, salvage yards, or automotive repair shops for vehicles under repair are exempted from this subsection; and further provided, that north of Ten Mile Road, this nuisance condition shall apply only to lots of three acres or less in size;
- (d) The existence of overgrowth on any residentially or commercially classified lands, except on lands classified agricultural, or on undeveloped and uncleared land in its natural vegetative state, or on land in which the property owner is in the process of restoring to its natural vegetative state and for which there are no plans to build upon and upon which no building structures or signs of such structures exist above ground. Such property shall be subject to the following:
 - (1) The minimum parcel size shall be one acre or more; and
 - (2) The parcel may not be located in a platted or unplatted residential subdivision; and
 - (3) The property owner must execute a good faith affidavit attesting to his intent to restore the subject property to its natural vegetative state. This affidavit shall be recorded with the clerk of the circuit court and subsequent development of the parcel shall not be commenced until any overgrowth on the property has been cleared pursuant to this article.

(2) Definition of “affordable rents.” *Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

The Maximum Affordable Rental shall conform to the Fair Market Rent (FMR) published annually by the U. S. Department of Housing and Urban Development. The current (FY 2009) rents for the **Pensacola MSA** are:

Final FY 2009 FMRs By Unit Bedrooms

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
Final FY 2009 FMR	\$625	\$680	\$755	\$1,094	\$1,324

Escambia County will work with the City of Pensacola’s Housing Department to review and approve affordable rents on an annual basis for any NSP assisted activities that result in rental occupancy.

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

Response:

The process for addressing continued affordability varies by Activity type. Subordinate mortgages and/or long term Deed Restrictions will be recorded against individual NSP assisted properties for duration(s) minimally meeting HOME affordability requirements for ownership or rental housing (as applicable). Following initial sale to an NSP eligible homebuyer, provisions for resale restrictions or recapture of funds shall apply to any subsequent sale or title transfer within the applicable affordability period. Detailed methodologies for ensuring long-term affordability, are described for each activity in the subsection entitled “*Mechanism for Maintaining Continued Affordability*” with respect to each individual NSP Activity in Section G of this submittal.

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

Response:

Escambia County and its partner agencies will rehabilitate homes to comply with applicable provisions of the most current edition of the Florida Building Code. Construction compliance will be verified by Code Inspections performed by the responsible permitting agency in conjunction with an independent certification of completion by a Florida licensed home inspector.

(5) NSP Household Income Definitions:

Middle Income Household – A household with an income equal to or less than 120% of area median income determined by multiplying the current Section 8 income limit for households below 50% of median income, adjusted for family size by a factor of 2.4.

Moderate Income Household - A household with an income equal to or less than 80% of area median income, but greater than 50% of area median income.

Low Income Household - A household with an income equal to or less than 50% of area median income.

Low Moderate Middle Income (LMMI), Low Moderate Middle Area (LMMA), Low Moderate Middle Housing (LMMH), Low Moderate Middle Limited Clientele (LMMC) and Low Moderate Middle Jobs (LMMJ) – These NSP terms reflect the type of individual or area/neighborhood that will benefit from expenditure of NSP funds. These terms are as defined in Title III of Division B of the Housing and Economic Recovery Act of 2008, specifically in Subsection II(E) Income Eligibility Requirement Changes.

(6) NSP Definition of “Current Market Appraised Value”:

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 Uniform Relocation Act (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.

(7) Homeownership Counseling Required:

Each NSP assisted homebuyer shall complete a minimum of 8 hours of homebuyer counseling from a HUD approved housing counseling agency prior to obtaining (closing) a mortgage loan. Completion of this requirement will be documented by a certificate of completion provided by the Agency. Housing counseling will be provided by one of the local HUD approved agencies, including: Community Enterprise Investments, Inc. or Consumer Credit Counseling of West Florida, Inc.

(8) Lender(s) to comply with FDIC Statement on Subprime Mortgage Lending:

Lenders participating in the NSP initiative shall execute a certification of compliance with the bank regulators’ Statement on Subprime Mortgage Lending which can be reviewed at: <http://www.fdic.gov/regulations/laws/rules/5000-5160.html> and shall document such compliance with regard to each mortgage loan involving NSP funds.

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: **\$1,141,479.50**.

Response:

A minimum of 25%, or \$1,141,479.50, of the NSP allocation shall be utilized to assist families whose incomes do not exceed 50 percent of area median income. This will be difficult to accomplish with homeownership strategies, however, we do anticipate working with local non-profit organizations that specifically target families at 50% of median to provide limited ownership opportunities. Meeting the Low Income set-aside will focus upon: (1) incentivizing local non-profits with financial capacity and demonstrated experience in purchasing/rehabilitating or redeveloping foreclosed homes or properties to produce long term rental housing for families below 50% of median; and/or (2) purchase/rehabilitation or redevelopment of foreclosed homes or properties to provide transitional, permanent, SRO or group home housing targeted to homeless or special needs populations as sponsored by local Continuum of Care

agencies that have the financial capacity and demonstrated experience to fund, operate and manage such units on a long term basis.

E. ACQUISITIONS & RELOCATION

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

If so, include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

Escambia County will focus upon preservation of existing homes through rehabilitation, however, given the conditions of foreclosed or abandoned properties instances will assuredly arise where demolition and redevelopment (reconstruction) is the most prudent economic choice. As a general guideline, if the cost of rehabilitation exceeds 75% of the cost of acquisition or if the cost of acquisition and rehabilitation will exceed 100% of the appraised value, then demolition will be evaluated as an alternative solution. In such instances, NSP funds will be used for demolition and construction of a new housing unit on the property. In the remote instance that an NSP assisted home or property has been occupied within the previous 90 days, requirements of the Uniform Relocation Act will be followed in providing benefits to the household. Demolition of existing, habitable homes under this scenario will be rare as summarized below:

Foreclosed or abandoned housing units that are acquired but will require demolition (projected):

- Below 50% Units: 2
- 51-80% Units: 1
- 81-120% Units: 1

It is fully anticipated that the production of units through the various NSP activities will substantially offset any loss through demolition (as summarized above). NSP activities are targeted to begin in mid-January 2009, initially focused on homebuyer assistance and foreclosed home/property acquisition. Rehabilitation or redevelopment of homes/properties will follow as may be required. With the exception of demolition of blighted properties, individual activities will be complete when the home or property has been

transferred (sold) to an NSP eligible LMMI person/family as their principal residence or rented to an NSP eligible LMMI person/family. Within 18 months of the effective date of the NSP grant award to Escambia County, an amount equal to 100% of the total NSP award shall be expended or obligated to specific NSP eligible activities.

NSP housing production goals estimated by Activity are:

NSP Activity	Low income (< 50% units)	Moderate Income (51-80% units)	Middle Income (81-120% units)
Homebuyer Assistance	6	12	12
Purchase/Rehab/Redevelopment: Homeownership	2	8	10
Demolition of Blighted Structures	2	1	1
Redevelop Demolished or Vacant Properties	11	3	8
Targeted Purchase/Rehab/ Redevelopment: Special Needs & Rental	8		

F. PUBLIC COMMENT

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

Response:

Public Notification Regarding NSP Substantial Amendment:

A summary of the Consolidated Plan Amendment creating the NSP Program in Escambia County was publicly advertised in the *Pensacola News Journal* on **Tuesday, October 28, 2008**, with provision for a minimum 15-day comment period extending through **Wednesday, November 13, 2008**.

NSP Substantial Amendment Website Availability:

The entire *draft* NSP Plan was made available to the public on the Escambia County Website at: <http://www.myescambia.com/departments/nescd/NEFI.php>

and remains available to the public.

Public Comments Regarding NSP Substantial Amendment:

Comments received from the public in relation to the NSP Plan will be incorporated into this application in **Exhibit I**.

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

(1) **Activity Name/Reference:** Home Purchase Financing for Foreclosed Homes and Residential Properties **(NSP Activity 01)**

(2) **Activity Type:**

<u>NSP-eligible uses:</u>	<u>CDBG Eligibility Citation:</u>
(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	(n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).

(3) **National Objective:** LMMH Direct Housing Benefit - NSP Activity 01 will provide direct homeownership assistance for the benefit of low, moderate and middle income persons with incomes less than or equal to 120% of the Pensacola area median income.

(4) **Projected Start Date:** January 1, 2009

(5) **Projected End Date:** NSP Activity 01 Funds 100% Obligated - July 30, 2010
NSP Activity 01 Funds 100% Expended – June 30, 2013

(6) **Responsible Organization(s):** NSP Activity 01 will be jointly implemented by the following organizations:

<u>Lead Agency:</u> Escambia County Neighborhood Enterprise Foundation, Inc. Neighborhood/Community Services Bureau P.O. Box 18178 Pensacola, Florida 32523 <u>Administrator:</u> Randy Wilkerson, Executive Director Phone: (850)-458-0466 Fax: (850)-458-0464 E-mail: randy_wilkerson@co.escambia.fl.us	<u>Supporting Agency:</u> City of Pensacola Department of Housing P.O. Box 12910 Pensacola, Florida 32521 <u>Administrator:</u> Pat Hubbard, Director Phone: (850)-858-0350 Fax: (850)-595-0113 E-mail: Phubbard@ci.pensacola.fl.us
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These agencies have successfully implemented a broad range of housing and community development initiatives in the Escambia County area, with joint experience exceeding 20 years. The agencies have individually or jointly managed virtually all types of housing programs, including CDBG, HOME, ADDI, ESG and State Housing Initiatives

Partnership (SHIP) financed home purchase assistance initiatives, housing rehabilitation/preservation activities, interim and volunteer based home repair projects, replacement housing initiatives, development of rental housing, housing for special needs populations, and both have extensive experience in disaster related housing recovery.

(7) **Location Description:** **NSP Activity 01** will be implemented throughout Escambia County by targeting home purchase assistance to the existing inventory of foreclosed and REO homes and properties held in inventory by financial entities such as: local banks, Fannie Mae, Freddie Mac, FHA, HUD, VA, and Rural Development. A comparative review of the current foreclosure listings for Escambia County and the neighborhoods with LMMI population exceeding 51% indicates that the majority of the targeted properties will be located within one of the LMMI areas which are prone to higher than average foreclosure rates and declining property values per HUD Census data and related targeting maps incorporated in **Section B** of this application.

(8) **Activity Description:**

(a) ***Need Addressed by NSP Activity 01:*** Foreclosed, abandoned and vacant homes and properties in Escambia County are most concentrated in neighborhoods having LMMI households representing over 51% of the residents. Provision of home purchase assistance (financing) at levels required to assist families with incomes below 120% of area median in purchasing local REO inventory and other foreclosed or abandoned properties will directly impact the subject neighborhoods. Housing counseling through a HUD approved agency shall be an eligible expenditure in conjunction with this Activity.

(b) ***Overview of NSP Activity 01:*** Flexible, subordinate NSP second or third mortgage financing will assist eligible LMMI buyers in the purchase, rehabilitation, and/or redevelopment of foreclosed upon homes or residential properties. Assistance shall be tailored to the individual affordability and financing needs of LMMI homebuyers in conjunction with underwriting requirements established with participating first mortgage lenders. Underwriting shall minimally meet current FHA or Fannie Mae standards for 15-40 year fixed rate mortgage products with standard amortization. No subprime, interest only, balloon, adjustable rate, or similar unconventional mortgage products shall be allowed with respect to this NSP activity. NSP assistance shall be paid at closing on the purchase of the home or property for the benefit of the LMMI buyer, including funds to fund the rehabilitation escrow if required to bring the home into code compliance.

(c) ***Tenure of Beneficiaries:*** Homeownership

(d) **Terms Applicable to NSP Assistance:**

(i) **Affordability Period (duration):** Minimum affordability periods shall conform to the HOME Program Homeownership Assistance requirements at 24 CFR Part 92.254(A)(4). The period shall be predicated upon the amount of permanent NSP assistance per unit.

(ii) Financing Terms: Homebuyers assisted via **NSP Activity 01** shall receive subordinate mortgage financing in the form of a Deferred Payment Loan at zero percent (0%) interest secured by mortgage, note and deed restriction with repayment due upon default as a result of the sale, transfer, refinancing, encumbrance, or rental of the housing unit or property, unless the home or property is subsequently sold to a qualifying LMMI family (see Mechanism for Maintaining Continued Affordability section below for details). Repayment requirements are: full repayment is required upon default or if the sale, transfer, encumbrance, or rental of the subject housing unit occurs within the applicable affordability period. Assuming occupancy and compliance with program requirements for the full duration of the applicable affordability period, the NSP assistance will be forgiven.

(iii) Discount Rate: Individual foreclosed homes or properties assisted through this activity shall be purchased at a minimum ~~five percent (5%)~~ **one percent (1%) discount** (*Activity Revision Amendment #02 -2/18/2010*) from the current market-appraised value as defined in the NSP Regulations. ~~, and the local NSP portfolio in aggregate shall reflect a minimum fifteen percent (15%) discount from the current market-appraised value as defined in the NSP Regulations. Local purchase negotiations shall target the deepest discount possible given the condition, length of REO status, and carrying time/costs of the seller (lender).~~

(iv) Sales Price: The sales price shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property).

(e) Mechanism for Maintaining Continued Affordability: NSP Funds will be provided as a soft second or third mortgage in conjunction with each foreclosed home or property purchase by a LMMI eligible buyer. Such assistance shall be secured by Escambia County with a subordinate mortgage and deed restriction with an affordability period minimally conforming to that specified for Homeownership Assistance under the HOME Program as detailed in 24 CFR Part 92.254(A)(4), briefly denoted below:

NSP Assistance/Unit	Minimum Affordability Period
< \$15,000	5 years
\$15,000 - \$40,000	10 years
> \$40,000	15 years

The deferred payment loan must be repaid by the buyer in the event of the sale, rental, refinancing, or transfer of ownership of the home or property, unless the initial buyer who is selling the home or property sells the subject home or property to a new buyer with qualifying income in the same range as the initial buyer according to the most current HUD income guidelines. If the initial buyer complies with this requirement, the NSP mortgage and deed restriction shall not become due on sale and or transfer of ownership, but shall be assumed by the subsequent buyer with continuing applicability for any subsequent sales occurring within the affordability period (as denoted above). Compliance with this provision will be verified by NEFI or the County’s staff with responsibility for Housing and Community Development Programs at the time of occurrence.

Income ranges applicable to subsequent sales shall be:

Initial Buyer: Qualifying Income Level	Subsequent Buyer: Qualifying Income Level
0-50% of area median	0-50% of area median
51-80% of area median	51-80% of area median or lower
81-100% of area median	81-100% of area median or lower
101-120% of area median	101-120% of area median or lower

(1) **Activity Name/Reference:** **Purchase, Rehabilitate and/or Redevelop Homes and Residential Properties (NSP Activity 02)**

(2) **Activity Type:**

<u>NSP-eligible uses:</u>	<u>CDBG Eligibility Citation:</u>
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.	24 CFR 570.201 (a) Acquisition (b) Disposition, (i) Relocation , and (n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).

(3) **National Objective:** **LMMH Direct Housing Benefit - NSP Activity 02** will support the costs for purchasing and rehabilitating or redeveloping foreclosed or abandoned homes or properties in order to sell the subject properties at affordable prices to low, moderate and middle income persons with incomes less than or equal to 120% of the Pensacola area median income.

(4) **Projected Start Date:** February 1, 2009

(5) **Projected End Date:** **NSP Activity 02 Funds 100% Obligated - July 30, 2010**
NSP Activity 02 Funds 100% Expended - December 31, 2012

(6) **Responsible Organization(s):** Escambia County/Neighborhood Enterprise Foundation, Inc. shall be responsible for overall administration and coordination of **NSP Activity 02** and shall retain the option to directly implement this activity (**see above for contact information**). In addition to Escambia County, direct implementation of the Activity may be provided via contract with one or more of the following organizations or other capable organizations that may elect to submit proposals for implementation of this Activity:

The Interfaith Housing Coalition of Northwest Florida, Inc. (optional) 11 North "B" Street Pensacola, Florida 32501 Director: William D. Compton Phone: (850)-435-3536 Fax: (850)-436-6424 E-mail: comptonb@ptdiocese.org	Community Enterprise Investments, Inc. (optional) 302 North Barcelona Street Pensacola, Florida 32501 Director: Dan Horvath Phone: (850)-595-6234 Fax: (850)-595-6264 E-mail: dhorvath@ceii-cdc.org
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(7) **Location Description:** **NSP Activity 02** will be implemented throughout Escambia County by specifically targeting home purchase assistance to the existing inventory of foreclosed and REO homes and properties held in inventory by financial entities such as: local banks, Fannie Mae, Freddie Mac, FHA, HUD, VA, and Rural Development. A comparative review of the current foreclosure listings for Escambia County and the neighborhoods with LMMI population exceeding 51% indicates that the majority of the targeted properties will be located within one of the LMMI areas which are prone to higher than average foreclosure rates and declining property values per HUD Census data and related targeting maps incorporated in **Section B** of this application

(8) **Activity Description:**

(a) ***Need Addressed by NSP Activity 02:*** This activity specifically targets the purchase and rehabilitation/redevelopment of substandard foreclosed and abandoned homes and properties, exhibiting significant code deficiencies, via public and/or non-profit organizations to return such properties to the affordable housing inventory to aid in meeting the needs of low, moderate and middle income families in Escambia County. Foreclosed, abandoned, deteriorated/substandard, and vacant homes and properties in Escambia County are most concentrated in neighborhoods having LMMI households representing over 51% of the residents. Targeted purchase and rehabilitation/redevelopment of these properties to comply with minimum code standards will directly impact blighting conditions the subject neighborhoods. Housing counseling through a HUD approved agency shall constitute an eligible expenditure when provided in conjunction with this Activity.

(b) ***Overview of NSP Activity 02:*** NSP funds will be used to create:

(i) a revolving, zero interest loan pool from which agencies implementing this Activity can access NSP funds to finance all costs required to culminate the purchase, rehabilitation/redevelopment and resale of foreclosed upon homes or properties to assist eligible LMMI buyers. Such cost shall include all customary expenses, including a reasonable project delivery/development cost payable to the implementing agency. The **Maximum Sales Price** shall be an amount equal to or less than the aggregate (total) cost to acquire and rehabilitate or redevelop the subject home or property up to a decent, safe and habitable condition (*including related project delivery and soft costs*). Project delivery cost shall be calculated as a percentage applied to the aggregate acquisition/rehab cost which is added to such cost to determine the **Maximum Sales Price**. An 8% project delivery/development cost shall be deemed reasonable and shall be allowed without necessity for detailed justification. Any percentage above 8% shall only be allowed upon submission of detailed cost documentation by the implementing agency.

(ii) soft second/third mortgage assistance to enhance affordability of the homes for the ultimate LMMI buyers. The amount of second mortgage assistance shall be for the benefit of the homebuyers and shall reflect the financing needs of individual LMMI buyers with respect to underwriting requirements of participating first mortgage lenders. Underwriting shall minimally meet current

FHA or Fannie Mae standards for 15-40 year fixed rate mortgage products with standard amortization. No subprime, interest only, balloon, adjustable rate, or similar unconventional mortgage products shall be allowed with respect to this NSP activity. NSP assistance for the benefit of the buyer shall be applied at closing on the purchase of the home or property for the benefit of the LMMI buyer. Any residual financing provided to the implementing agency under #1 (above), which is not applied at closing for the direct benefit of the buyer(s), shall be repaid at closing to the Escambia County NSP fund by the implementing agency.

(Activity Revision Amendment #02-2/18/2010): In the event NSP assisted homes cannot be sold within a reasonable period of time the County and /or the participating Agency may elect to convert the home to rental use, either via lease/purchase (with a maximum lease 24 month lease period) or alternatively, to permanent long term rental occupancy under the management of the participating Agency. If a unit is converted to rental use, the affordability period and rental rate and occupancy requirements stipulated in applicable rental occupancy and rental rate provisions of NSP Activity 04 shall apply.

(c) Tenure of Beneficiaries: Homeownership (priority) with option for conversion to rental - (Activity Revision Amendment #02-2/18/2010):.

(d) Terms Applicable to NSP Assistance:

(i) Affordability Period (duration): Minimum affordability periods shall conform to the HOME Program Homeownership Assistance requirements at 24 CFR Part 92.254(A)(4). The period shall be predicated upon the amount of permanent NSP assistance per unit. **(Activity Revision Amendment #02 - 2/18/2010): For rental option, see applicable provisions of NSP Activity 04.**

(ii) Financing Terms: Homebuyers assisted via NSP Activity 02 shall receive subordinate mortgage financing in the form of a Deferred Payment Loan at zero percent (0%) interest secured by mortgage, note and deed restriction with repayment due upon default as a result of the sale, transfer, refinancing, encumbrance, or rental of the housing unit or property, unless the home or property is subsequently sold to a qualifying LMMI family (see Mechanism for Maintaining Continued Affordability section below for details). Repayment requirements are: full repayment is required upon default or if the sale, transfer, encumbrance, or rental of the subject housing unit occurs within the applicable affordability period. Assuming occupancy and compliance with program requirements for the full duration of the applicable affordability period, the NSP assistance will be forgiven.

(iii) Discount Rate: Individual foreclosed homes or properties assisted through this activity shall be purchased at a minimum ~~five percent (5%)~~ **one percent**

~~(1%) discount (Activity Revision Amendment #02 -2/18/2010) from the current market-appraised value as defined in the NSP Regulations. and the local NSP portfolio in aggregate shall reflect a minimum fifteen percent (15%) discount from the current market-appraised value as defined in the NSP Regulations. Local purchase negotiations shall target the deepest discount possible given the condition, length of REO status, and carrying time/costs of the seller (lender)~~

(iv) Sales Price: Shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property).

(e) Mechanism for Maintaining Continued Affordability: NSP Funds will be provided as a soft second or third mortgage in conjunction with each foreclosed home or property purchased by a LMMI eligible buyer. Such assistance shall be secured by Escambia County with a subordinate mortgage and deed restriction with an affordability period minimally conforming to that specified for Homeownership Assistance under the HOME Program as detailed in 24 CFR Part 92.254(A)(4), briefly denoted below:

NSP Assistance/Unit	Minimum Affordability Period
< \$15,000	5 years
\$15,000 - \$40,000	10 years
> \$40,000	15 years

The deferred payment loan must be repaid by the buyer in the event of the sale, rental, refinancing, or transfer of ownership of the home or property, unless the initial buyer who is selling the home or property subsequently sells the subject home or property to a new buyer with qualifying income in the same range as the initial buyer. If the initial buyer complies with this requirement, the NSP mortgage and deed restriction shall not become due on sale and or transfer of ownership, but shall be assumed by the subsequent buyer with continuing applicability for any subsequent sales occurring within the affordability period (as denoted above).

(1) **Activity Name/Reference:** **Demolition of Blighted Structures**
(NSP Activity 03)

(2) **Activity Type:**

<u>NSP-eligible uses:</u>	<u>CDBG Eligibility Citation:</u>
(D) Demolish blighted structures.	24 CFR 570.201(d) Clearance for blighted structures only.

(3) **National Objective:** **LMMA Target Area Benefit - NSP Activity 03** will support the costs of demolishing blighted structures and buildings located within NSP eligible neighborhoods with LMMI populations meeting the 51% LMMA definition.

(4) **Projected Start Date:** January 1, 2009

(5) **Projected End Date:** **NSP Activity 03** Funds 100% Obligated – March 31, 2010
NSP Activity 03 Funds 100% Expended - December 31, 2011

(6) **Responsible Organization(s):** Escambia County’s Neighborhood and Community Services Bureau shall implement **NSP Activity 03** through the following operating Divisions: Neighborhood Enterprise Foundation, Inc. and the Community Redevelopment Agency. This Activity shall be carried out with the continuing cooperation and support of the Escambia County Environmental Enforcement Division.

(7) **Location Description:** **NSP Activity 03** will be implemented within the designated Community Redevelopment Areas (CRA) and Enterprise Zones (EZ) located in incorporated and unincorporated Escambia County. All such targeted areas include neighborhoods having LMMI population exceeding 51% per HUD Census data incorporated in **Section B** of this application. See CRA and EZ maps incorporated on pages 4-8 of this application.

(8) **Activity Description:**

(a) *Need Addressed by NSP Activity 03:* Demolition of structures and buildings with NSP eligible neighborhoods to eliminate the blighting conditions created by the abandoned and dilapidated properties.

(b) *Overview of NSP Activity 03:* NSP funds will be used to support demolition and stabilization of blighted buildings and structures and associated costs, within NSP targeted neighborhoods. Funds will be used directly by the County and its partner agencies for this purpose, and shall be provided in the form of grants. The overall purpose is to eliminate blighting conditions and aid in stabilizing the targeted neighborhoods.

(c) ***Tenure of Beneficiaries:*** NSP Activity 03 will benefit all residents of LMMI neighborhoods through the elimination of blighting conditions.

(d) **Terms Applicable to NSP Assistance:**

(i) **Affordability Period (duration):** N/A

(ii) **Financing Terms:** NSP funds expended for demolition shall be a deferred grant secured by a lien on the subject property.

(iii) **Discount Rate:** N/A

(iv) **Sales Price:** N/A

(e) ***Mechanism for Maintaining Continued Affordability:*** N/A

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(1) **Activity Name/Reference:** **Redevelop Demolished or Vacant Properties**
(NSP Activity 04)

(2) **Activity Type:**

<u>NSP-eligible uses:</u>	<u>CDBG Eligibility Citation:</u>
(E) Redevelop demolished or vacant properties	24 CFR 570.201(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 NSP: New Construction/Housing

(3) **National Objective:** **LMMA Target Area, LMMH and/or LMMI Benefit - NSP Activity 04** will support all costs associated with the acquisition, evaluation, reuse design, and redevelopment of demolished or vacant properties located within NSP eligible neighborhoods with LMMI populations meeting the 51% LMMA definition. This will include housing counseling to the extent applicable to the applicable property reuse. The priority for such actions shall be within one or more of the designated Community Redevelopment Areas, Enterprise Zones, or within the bounds of designated Brownfield sites within Escambia County, including the City of Pensacola and Town of Century.

(4) **Projected Start Date:** May 1, 2009

(5) **Projected End Date:** **NSP Activity 04** Funds 100% Obligated – June 1, 2010
NSP Activity 04 Funds 100% Expended - December 31, 2013

(6) **Responsible Organization(s):** Escambia County’s Neighborhood and Community Services Bureau shall implement **NSP Activity 04** through the following operating Divisions: Neighborhood Enterprise Foundation, Inc. and the Community Redevelopment Agency. Additional support will be provided by the City of Pensacola’s Department of Housing and local community based non-profit organizations. Contact information for the key agencies has been provided earlier in this document.

(7) **Location Description:** **NSP Activity 04** will be implemented within the designated Community Redevelopment Areas (CRA) and Enterprise Zones (EZ) or within the bounds of designated Brownfield sites within unincorporated and incorporated Escambia County. All such targeted areas include neighborhoods having LMMI population exceeding 51% per HUD Census data incorporated in **Section B** of this application. See CRA and EZ incorporated on pages 4-8 of this application.

(8) **Activity Description:**

(a) ***Need Addressed by NSP Activity 04:*** This activity specifically targets the acquisition and redevelopment of blighted properties within LMMI neighborhoods to foster reinvestment of blighted neighborhoods and to return such properties to productive use. Properties will be evaluated to determine the most beneficial reuse for each of the properties, including, but not limited to: new or rehabilitated rental or ownership housing for LMMI populations (LMMH); commercial development, reuse or rehabilitation to create or maintain jobs for LMMI populations (LMMJ); public facilities and improvement benefitting LMMI neighborhoods (LMMA); and public services, such as housing counseling. Blighted properties in Escambia County are most concentrated in neighborhoods having LMMI households representing over 51% of the residents. Removal of the blighted conditions and effective redevelopment of these properties will produce positive improvements in the subject neighborhoods.

(b) ***Overview of NSP Activity 04:*** NSP funds will be used to create:

(i) a revolving, zero interest loan pool from which agencies implementing this Activity can access NSP funds to finance all costs required to culminate the purchase, rehabilitation/redevelopment and ultimate reuse of targeted properties for the benefit of LMMI populations and/or LMMA neighborhoods. Such costs shall include all customary expenses, including a reasonable project delivery/development cost payable to the implementing agency. . The **Maximum Sales Price** shall be an amount equal to or less than the aggregate (total) cost to acquire and rehabilitate or redevelop the subject home or property up to a decent, safe and habitable condition (*including related project delivery and soft costs*). Project delivery cost shall be calculated as a percentage applied to the aggregate acquisition/rehab cost which is added to such cost to determine the **Maximum Sales Price**. For property reuses involving rental or ownership housing development an eight percent (8%) project delivery/development cost shall be deemed reasonable and shall be allowed without necessity for detailed justification. Any percentage above 8% shall only be allowed upon submission of detailed cost documentation by the implementing agency.

(ii) The form of assistance provided in conjunction with **NSP Activity 04** will depend on the specific reuse of each property, generally summarized as follows:

(a) Reuse for Ownership Housing: NSP funds will be provided as soft second/third mortgage assistance to enhance affordability of the resulting homes for the ultimate LMMI buyers. The amount of second mortgage assistance shall be for the benefit of the homebuyers and shall reflect the financing needs of individual LMMI buyers with respect to underwriting requirements of participating first mortgage lenders. Underwriting shall minimally meet current FHA or Fannie Mae standards for 15-40 year fixed rate mortgage products with standard amortization. No subprime, interest only, balloon, adjustable rate, or similar unconventional mortgage products shall be allowed with respect to this NSP activity. NSP assistance for the benefit of the buyer shall be applied at closing on the purchase of the home

or property for the benefit of the LMMI buyer. Any residual financing provided to the implementing agency under #1 (above), which is not applied at closing for the direct benefit of the buyer(s), shall be repaid at closing to the Escambia County NSP fund by the implementing agency.

(b) Reuse for Rental Housing: NSP funds will be loaned to experienced and capable public or non-profit agencies acting as developers of affordable rental housing in the form of soft second/third mortgages, typically at zero percent (0%) interest, for a minimum affordability period of 20 years. Escambia County reserves the right to charge a reasonable rate of interest on such loans based upon individual underwriting analysis. Properties will be mortgaged and deed restricted for the full term of the affordability period.

(c) **Tenure of Beneficiaries**: Funds from this Activity may be expended in support Homeownership and/or Rental housing, as well as developments that support neighborhood redevelopment.

(d) **Terms Applicable to NSP Assistance**:

(i) **Affordability Period (duration)**: Properties redeveloped for rental or ownership housing shall minimally conform to the HOME Program Homeownership Assistance requirements at 24 CFR Part 92.254(A)(4), or the Rental Assistance requirements at 24 CFR Part 92.252(a)(e), as applicable to the individual housing development project. This is not applicable to the use of NSP funds for non-housing production under this Activity.

(ii) **Financing Terms**: Homebuyers assisted via **NSP Activity 04** shall receive subordinate mortgage financing in the form of a Deferred Payment Loan at zero percent (0%) interest secured by mortgage, note and deed restriction with repayment due upon default as a result of the sale, transfer, refinancing, encumbrance, or rental of the housing unit or property, unless the home or property is subsequently sold to a qualifying LMMI family (see Mechanism for Maintaining Continued Affordability section below for details). Repayment requirements are: full repayment is required upon default or if the sale, transfer, encumbrance, or rental of the subject housing unit occurs within the applicable affordability period. Assuming occupancy and compliance with program requirements for the full duration of the applicable affordability period, the NSP assistance will be forgiven.

For non-housing activities, NSP funds shall be typically provided as soft or deferred loans with or without interest (example: commercial redevelopment) or grants for public facilities and improvements (example: public park).

(iii) **Discount Rate**: If foreclosed or abandoned properties are acquired under this Activity they shall be purchased at a minimum ~~five percent (5%)~~ one percent (1%) discount (*Activity Revision Amendment #02 -2/18/2010*) from the current

market-appraised value as defined in the NSP Regulations. ~~and shall be reflected in calculating the local NSP portfolio in aggregate discount. Such purchases shall target the deepest discount possible given the condition, length of REO status, and carrying time/costs of the seller (lender).~~ Blighted properties that do not fall within the foreclosed or abandoned definitions shall be acquired at a price no greater than the market value established by a current market appraisal as defined in the NSP Regulations.

(iv) Sales Price (Applicable only to property redeveloped for ownership housing): Shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate the property in accordance with governing building codes and standards. (Sales and closing costs are eligible NSP acquisition and redevelopment or rehabilitation costs.) The maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property).

Rental Rates (Applicable only to property redeveloped for rental housing):

- (1) *Low income Units:* For units targeted to families with incomes below 50% of median income, monthly rents and related charges shall be calculated and charged to eligible tenants according to the requirements of the Section 8 Housing Choice Voucher Program as administered by the City of Pensacola Housing Department.
- (2) *Low, Moderate and Middle Income Units:* For remaining rental units, affordability is defined as housing that costs no more than 30 percent of a household's income on rent, with adjustment for tenant paid utilities.

(e) Mechanism for Maintaining Continued Affordability: Housing produced through implementation of this Activity will be provided as a soft second or third mortgage in conjunction with each redeveloped property purchased by a LMMI eligible buyer or a private or non-profit developer for rental purposes. Such assistance shall be secured by Escambia County with a subordinate mortgage and/or deed restriction with an affordability period minimally conforming to that specified for Homeownership Assistance requirements at 24 CFR Part 92.254(A)(4), or the Rental Assistance requirements at 24 CFR Part 92.252(a)(e), as applicable to the individual housing development project.

(1) **Activity Name/Reference:** **Purchase, Rehabilitate and/or Redevelop Homes and Residential Properties for Permanent Housing for Homeless or Special Needs Populations; or for long term Rental Occupancy (NSP Activity 05)**

(2) **Activity Type:**

NSP-eligible uses:	CDBG Eligibility Citation:
(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	(n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.	24 CFR 570.201 (a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity).

(3) **National Objective:** **LMMH Direct Housing Benefit or LMMC Limited Clientele Benefit - NSP Activity 05 will support homeless/special needs and/or affordable rental housing for the benefit of NSP income eligible persons. For Homeless Special Needs Housing (Activity Revision Amendment #02 -2/18/2010)** up to 100% of the total cost for purchasing and rehabilitating or redeveloping foreclosed or abandoned homes (single or multifamily) or properties that will be deeded to local non-profit agencies for long-term use in supplementing the supply of permanent or special needs housing units/beds in the local community. Such housing units/beds will be targeted to non-profit agencies generally serving one or more of the limited clientele populations described in the CDBG Regulations at 24, CR Part 570.208(a)(2), including, but not limited to the following populations: homeless/formerly homeless, chronically homeless, victims of domestic violence, disabled persons/children, elderly/disabled persons. This Activity will directly support the Escambia Consortium Continuum of Care (CoC) Plan. The EscaRosa Coalition on the Homeless and its participating agencies will serve an integral part in determining the priority use(s) for NSP funds reserved for this Activity, but said uses shall, in all instances, be supportive of the goals and objectives of the CoC Plan. **For Rental Housing, NSP funds will be loaned to capable public or non-profit agencies acting as developers of affordable rental housing in the form of soft second/third mortgages, typically at zero percent (0%) interest, for a minimum**

affordability period of 20 years. Escambia County reserves the right to charge a reasonable rate of interest on such loans based upon individual underwriting analysis. Properties will be mortgaged and deed restricted for the full term of the affordability period (Activity Revision Amendment #02 -2/18/2010).

- (4) **Projected Start Date:** September 30, 2009
- (5) **Projected End Date:** **NSP Activity 05 Funds 100% Obligated - July 30, 2010**
NSP Activity 05 Funds 100% Expended - December 31, 2012
- (6) **Responsible Organization(s):** Escambia County's Neighborhood and Community Services Bureau shall implement **NSP Activity 05** through the following operating Divisions: Neighborhood Enterprise Foundation, Inc. Additional support will be provided by the City of Pensacola's Department of Housing and local community based non-profit organizations. Contact information for the key agencies has been provided earlier in this document.
- (7) **Location Description:** **NSP Activity 05** will be implemented in Escambia County by specifically purchasing and rehabilitating or redeveloping foreclosed or abandoned homes (single or multifamily) or properties held in inventory by financial entities such as: local banks, Fannie Mae, Freddie Mac, FHA, HUD, VA, and Rural Development. A comparative review of the current foreclosure listings for Escambia County and the neighborhoods with LMMI population exceeding 51% indicates that the majority of the targeted properties will be located within one of the LMMI areas which are prone to higher than average foreclosure rates and declining property values per HUD Census data incorporated in **Section B** of this application.
- (8) **Activity Description:**
(a) Need Addressed by NSP Activity 05: Though all activities will be available for a broad range of incomes, **NSP Activity 05** is the primary avenue through which Escambia County will contractually ensure compliance with the requirement that at least 25% of the total NSP allocation will directly benefit persons or families with incomes below 50% of area median. Especially with today's economic situation, this goal will be difficult to attain, but it can be accomplished through effective collaboration with one or more local community or faith-based non-profit organizations with demonstrated expertise in providing short and long term housing options for special needs populations **and/or long term affordable rental housing (Activity Revision Amendment #02 -2/18/2010)**, as previously discussed in this section. Development of special needs housing is, at best, very difficult to finance and even more difficult to operate long-term with conventional or even bond financing. NSP funds provide a flexible source of very soft financing (up to and including grants) as required to ensure long term economic viability of the units in meeting the needs of persons and families with very limited incomes. **Likewise, the potential for deep NSP subsidies aids in financing the acquisition and often major rehabilitation costs associated with foreclosed rental housing in**

partnership with public, non-profit and/or private developers (Activity Revision Amendment #02 -2/18/2010).

Foreclosed, abandoned, deteriorated/substandard, and vacant homes and properties in Escambia County are most concentrated in neighborhoods having LMMI households representing over 51% of the residents. The properties upon completion will comply with minimum code.

(b) Overview of NSP Activity 05: NSP funds ~~will~~ **under this Activity may (Activity Revision Amendment #02 -2/18/2010)** be used provide soft financing (including grants) to local non-profit agencies experienced in providing housing and supportive services to special needs populations in the community. ~~This Activity is~~ **purpose will (Activity Revision Amendment #02 -2/18/2010) be** focused on families or individuals with incomes below 50% of area median. As noted above, NSP funds provide the financing mechanism to secure foreclosed or abandoned homes or properties and to properly rehabilitate/redevelop them into usable housing facilities that will meet the needs of such agencies and their clients. **NSP funds under this Activity may also be used to provide soft financing for purchase and preservation, rehabilitation, or redevelopment of existing foreclosed or abandoned rental housing in partnership with public, non-profit and/or private developers (Activity Revision Amendment #02 -2/18/2010).**

Most typically, direct grants or very soft mortgages are required to finance the housing component of such projects. This enables the non-profit agency **or developer** to use its limited resources to meet the long term supportive service **and/or affordable rental** needs of he clients. **(Activity Revision Amendment #02 -2/18/2010).**

(c) Tenure of Beneficiaries: Primarily Rental (but there may be *limited opportunities* for creating permanent homeownership housing options for homeless or special needs persons or families)

(d) Terms Applicable to NSP Assistance:

(i) Affordability Period (duration): NSP assisted homes or properties made available through this Activity shall be deed restricted for use in meeting the needs of targeted special needs populations for a minimum of 20 years from the date of the deed restriction. The only exception to this rule will be that ~~after five years (Activity Revision Amendment #02 -2/18/2010)~~ the participating agencies **or developers** will have the option to “sell” an individual NSP assisted home to a **low income client** upon the clients’ demonstrated capacity for homeownership. A **low income client** shall be defined as a person or family meeting the HUD published 80% of median income limits for the Pensacola area, adjusted for family size. In such an instance, the sales price shall not exceed the original total cost of acquiring and rehabilitating/redeveloping the NSP assisted unit (including a reasonable developer’s fee as defined elsewhere in this document).

(ii) **Financing Terms:** Direct Grants or flexible subordinate loans (typically at 0% interest) (Activity Revision Amendment #02 -2/18/2010) are anticipated to be the primary form of assistance under this Activity. Long term affordability will be secured by deed restriction on the property.

(iii) **Discount Rate:** Individual foreclosed homes or properties assisted through this activity shall be purchased at a minimum ~~five percent (5%)~~ **one percent (1%) discount** (Activity Revision Amendment #02 -2/18/2010) from the current market-appraised value as defined in the NSP Regulations, and shall be reflected in calculating the local NSP portfolio in aggregate discount. ~~Such purchases shall target the deepest discount possible given the condition, length of REO status, and carrying time/costs of the seller (lender). Local purchase negotiations shall target the deepest discount possible given the condition, length of REO status, and carrying time/costs of the seller (lender)~~

(iv) **Sales Price:** Not applicable, except in the event of down stream sale to a client as described in subsection (d)(i) .

(e) **Mechanism for Maintaining Continued Affordability:** Minimum twenty (20) year deed restricted use of the property for delivery of housing services to special needs populations. Affordability periods shall minimally conforming to that specified for Homeownership Assistance under the HOME Program as detailed in 24 CFR Part 92.254(A)(4), briefly denoted at the top of the following page:

NSP Assistance/Unit	Minimum Affordability Period
< \$15,000	5 years
\$15,000 - \$40,000	10 years
> \$40,000	15 years

NSP Budget

NSP BUDGET

AMENDMENT #02 (2/18/2010)

ESCAMBIA COUNTY NEIGHBORHOOD STABILIZATION PROGRAM

Amendment #2
Revisions

Funding: \$4,565,918.00	75% @ 120% = \$3,424,438.50	25% @ 50% = \$1,141,479.50	ORIGINAL BUDGET	BUDGET REVISIONS	AMD'T. #02 REVISED BUDGET
1. Link NSP Soft Second/Third Mortgage with existing SHIP FTHB or HFA Program for 120% allocation (part):			\$1,550,000.00	(800,000.00)	\$750,000.00
<ul style="list-style-type: none"> > Focus on foreclosed properties that can be acquired for at least 1% below appraised value (FNMA, HUD, VA, Bank, etc.) > Provide soft second/third mortgage to eligible borrowers > Homeownership only (principal residence) > Terms: Zero interest deferred payment loan, with due on sale, rental, refinance, or transfer of ownership (forgivable at end of Affordability Period - Per HOME Regulations) > Minimum \$500 or 1% participation by borrower (whichever is greater) > Option: Leave investment in the unit for subsequent sales for long term affordability (Re-sale must be to a buyer within the same income category); 					
<div style="display: flex; justify-content: space-between;"> Estimated units: 15 Average NSP/Unit: \$50,000.00 </div>					
2. Purchase/rehabilitation of foreclosed or abandoned housing & market for re-sale for 120% allocation (part):			\$1,000,000.00	0.00	\$1,000,000.00
<ul style="list-style-type: none"> > Focus on foreclosed properties that can be acquired for at least 1% below appraised value > Funds will establish a revolving purchase/rehab pool that will revolve for up to the four year period > Implement via City and NEFI with potential for partnering with non-profit agencies > Sell properties at cost basis to families < 120% of median (link with SHIP DD/CC for eligible families) > Provide soft second/third mortgage to eligible borrowers @ maximum of \$50,000 > Recoup residual NSP funds at closing and revolve for additional unit completions > Option: Leave investment in the unit for subsequent sales for long term affordability (Re-sale must be to a buyer within the same income category); 					
<div style="display: flex; justify-content: space-between;"> Estimated units: 20 Average NSP/Unit: \$50,000.00 </div>					
3. Demolition of blighted structures (in County-City CRA or EZ areas only) 120% allocation (part):			\$142,847.00	407,153.00	\$550,000.00
<div style="display: flex; justify-content: space-between;"> Estimated units: 48 Average NSP/Unit: \$11,458.33 </div>					
4. Redevelop demolished or vacant properties for with <u>one-half each</u> for 120% cases and for 50% cases:			\$550,000.00	50,000.00	\$600,000.00
<div style="display: flex; justify-content: space-between;"> Estimated units: 20 Average NSP/Unit: \$30,000.00 </div>					
5. Purchase/rehabilitation of homes for permanent housing for homeless or rental			\$866,480.00	342,847.00	\$1,209,327.00
<ul style="list-style-type: none"> > Purchase and rehab foreclosed properties suitable for permanent or special needs housing and/or affordable rental housing for NSP Eligible Families (Second Priority = Transitional Housing) > Provide properties at deeply discounted (or possibly no cost) to agencies serving the homeless with linkage to services or to developers of affordable rental housing > Deed restrict property use for minimum of 20 years, unless sold for permanent housing for NSP eligible families 					
<div style="display: flex; justify-content: space-between;"> Estimated units: 45 Average NSP/Unit: \$26,873.93 </div>					
6. Administration			\$456,591.00	0.00	\$456,591.00
Subtotal			\$4,565,918.00	\$0.00	\$4,565,918.00

NOTE: Transitional housing does not qualify as Permanent Housing under the NSP Program. Therefore, the Second Priority use of funds for Transitional Housing will ONLY be entertained if no permanent homeless housing or affordable rental housing initiatives can be identified for the use of these funds.

Denotes: Activity Revision Amendment #02 -2/18/2010)