



THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP3) FINAL SUBSTANTIAL AMENDMENT

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Introduction

The Housing and Urban Development's (HUD's) Neighborhood Stabilization Program (NSP3) is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Financial Reform Act of 2010), Notice 75 FR 64322 of October 19, 2010, and represents a third round of funding to provide targeted emergency assistance to stabilize neighborhoods whose viability has been, and continues to be, damaged by the economic effects of properties that have been foreclosed upon and abandoned. \$1 billion was announced to stabilize neighborhoods hard hit by foreclosure across the nation.

Idaho Housing and Finance Association (IHFA) is the grantee for the State of Idaho's NSP funds in the amount of \$5 million under this authority. The focus of this program is the purchase, rehabilitation, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless provided differently by the Act, grants must comply with Community Development Block Grant (CDBG) requirements. The plan describes IHFA's NSP3 goals for the program, high need targeting criteria, distribution plan, competitive application process, application requirements, eligible uses and activities, and performance evaluation for NSP funds.

To date, there have been two other rounds of NSP funding. Under the first round (NSP1 authorized under the Housing and Economic Recovery Act of 2008 (HERA), IHFA was named a grantee and awarded \$19.6 million.

IHFA will subgrant NSP funds to eligible local units of government with experience administering CDBG funds who have demonstrated capacity and success in the management of IHFA's NSP1 funds granted in their jurisdictions in March of 2009. Subrecipients are expected to be knowledgeable about and adhere to the laws and regulations governing the CDBG program as well as the Neighborhood Stabilization Program. Subrecipients must commit and expend funding in accordance with NSP3 funding guidelines and the targeting requirements described in the Action Plan.

Timelines and Competitive Application Process

The \$5 million in NSP funds administered by IHFA will be awarded following receipt, review and approval of competitive applications from eligible entities in May 2011.

Idaho's NSP 3 program will focus the available funding in the census tracts of greatest need, restricting available allocation to those mapped "target areas" presented in this Action Plan. IHFA will subgrant NSP funds to eligible CDBG entitlement cities with demonstrated success and capacity in the management of IHFA's NSP 1 funds granted in their jurisdiction in March of 2009. Each subrecipient's/developer program description application will include information on final target areas proposed and corresponding strategies, leverage and/or area assets, capacity/degree of readiness, and plan for stabilization. Subrecipients and developers must commit and expend funding in accordance with NSP 3 funding guidelines and the targeting requirements described in the Action Plan.

Target area determinations and methodology recommendations were approved by the Governor's Neighborhood Stabilization Program Steering Committee at a meeting held in Boise, Idaho on February 2, 2011. This Substantial Amendment and Action Plan will be delivered to HUD by March 1, 2011, and posted to IHFA's web site at www.ihfa.org.

Awarded funds may be recaptured if a subrecipient/developer is not making sufficient progress. Reallocations of funding may occur during the award period to the best performing subrecipients/developers if awarded funds are recaptured. Fifty percent of grant funds must be expended 24 months into the program and 100% must be expended at 36 months.

To stabilize a neighborhood, subrecipients/developers will be required to identify multiple properties within a three block area, so that at least 20 percent of the foreclosures in the overall target area will receive NSP3 assistance (see target area data). Subrecipients/developers with access to non-NSP3 sources for interim funding will be required to project the number of properties to be assisted and provide information about leverage funding expected to be used in each property.

Subrecipients/developers relying solely on NSP3 funds will need to base their projections on an average total development cost, not to exceed \$120,000/unit. Due to limited funding, subrecipients/developers will be required to narrow their targeting to a few blocks. Target areas are characterized by moderate to low demand, a market insufficient to correct itself yet not collapsed

Additional activity will be encouraged through other funding sources. Subrecipients/developers will submit program description applications by May 15th, 2011.

A. AREAS OF GREATEST NEED

Overview

Under NSP3 HUD has provided IHFA \$5,000,000 for allocation across the state. Outlined below is the methodology that IHFA used to identify areas of greatest need and to determine anticipated funding distribution target areas.

To stabilize a neighborhood, HUD recommends that grantees select target areas small enough so that at least 20 percent of the foreclosures in the target area receive NSP 3 assistance. HUD has estimated, by block group, the number of REO properties and foreclosure starts between July 2009 through June 2010, and the number of properties that need assistance to have a stabilizing impact. Given that Idaho only received \$5 million of funding, the ability of subrecipients/developers to create an impact according to HUD's 20% requirement necessitated expanding the eligible census tract needs score from the national target of 17 to a local target serve of 15. Additionally, due to the data on concentration of REO, grantees will be able to propose multiple property acquisitions within a three block area to create the necessary impact.

Target Area Selection Criteria

IHFA used five criteria to select areas for potential funding. To be targeted for funding, census tracts had to meet each of the following criteria:

Primary Requirements

- Previous eligible area for NSP-1 funds (City or County).
- Significant foreclosure impact – rating of 15
 - HUD provides a foreclosure need score for each census tract in the state and considers a score of 17 and above to be a high need area. Each census tract is ranked on a scale of 1 to 20, with 20 being the highest. Idaho's indicated minimum target score is 12. The property types available within areas that received a score of 17 in Idaho were limited to the oldest housing stock in the counties involved and complicated with LBP issues

and historical district rehab restrictions that severely impact the cost per unit calculation. For these reasons as well as the limited availability of certified Lead Based Paint assessors, contractors and inspectors, IHFA determined that it was important to expand the target areas to allow a broader variety of housing options to the potential awardees. Therefore, all target areas have a foreclosure score of 15 or higher.

- In addition to considering the HUD score, IHFA cross-referenced the foreclosure impact areas against data provided by NCST including marketing time and unit density information, in order that reasonable marketing expectations will exist in targeted areas.

- IHFA eliminated from consideration communities which had NSP1 funds deobligated or where the identified target areas had less than 10 REO properties currently listed for sale.

Conclusion

IHFA analyzed three criteria for selecting target areas: previous eligibility for NSP1 funds, significant foreclosure impact, and marketability. In the target selection areas meeting these criteria, an estimated 118 total properties would require assistance to have a stabilizing impact. To reduce the properties needing assistance to more closely match the available funding, IHFA further narrowed the target areas by considering grantee capacity and the level of need (the number of foreclosures in the potential target area).

Targeted Area Determination Methodology

IHFA staff complied and analyzed following data:

- HUD Mapping Tool generating a recommended minimum Needs Score of 17 for census tract eligibility.
- NCST filtered mapping tools illustrating in-depth census-tract-level data including
 - the volume of total listed homes inventory
 - inventory of Real Estate Owned (REO) for sale
 - volume and inventory of Notices of Default(NOD)filed
 - age of affected REO and NOD housing stock
 - marketing time per category of housing stock
- Area realtor (Bullock & Company) local marketing information
- Local market issues

The HUD NSP3 Program Design Guidebook states, “...the grantee is instructed to assess whether or not its existing housing and community development goals are still appropriate, given changes in the local housing market.” The REO housing stock available for purchase within the HUD prioritized areas is limited in volume, scattered throughout marketable neighborhoods, and very old, effectively ensuring a higher per unit total development cost (LBP mitigation and historical district rehabilitation limitations), with a limited number of neighborhoods to be impacted through the investment of NSP 3 funds.

The comparison of NODs and Trustee Deeds to actual REO inventory available for purchase shows a surprisingly limited number of REO properties on the market for sale vs NODs and filed Trustee’s Deeds, implying that many properties don’t complete the foreclosure process, and of the properties that ultimately become REO, the owners are not currently marketing the properties. This is summarized in the following email received from The National Community Stabilization Trust. *“By national averages, we are seeing about 2/3 of properties with NODs filed moving through to foreclosure, so this list does not represent inventory that will absolutely be available, just an idea of what may be coming.”*

This environment of scattered locations of REO available for sale complicated by lack of extreme volume created a challenge in determining potential census tracts for creating the desired 20% impact with NSP 3 funds. For that reason, IHFA eliminated those census tracts that scored 15 or above, but did not reflect current REO for sale in excess of 10 units.

Accordingly, IHFA reports that the targeted census tracts of greatest need for the State of Idaho are within Canyon County, in areas generally contiguous to the city limits of Nampa and Caldwell. Exhibits 1 (Map of Idaho with Census Tract Eligibility (provided by HUD) & 2 (Enlarged Map of Idaho with Census Tract Eligibility) illustrate the HUD eligible boundaries by minimum Needs Rating of 12. Exhibits 3, 4, & 5 provide subsequent detail from NCST informing the recommendation to expand the eligible census tracts to those scoring 15 and higher in order to offer subrecipient/developer applicants a larger area within which to identify, purchase, rehabilitate and sell eligible properties according the 20% impact criteria.

B. DISTRIBUTION AND USES OF FUNDS – STATE NSP GOALS AND IMPACT

IHFA has three goals for the NSP funding:

- To maximize the revitalization and stabilization impact on neighborhoods;
- To preserve affordable housing opportunities in the targeted neighborhoods;
- To leverage with other federal, state and local investments where possible in the targeted neighborhoods.

Subrecipient/developer goals at the neighborhood/block-group level will be required to be consistent with IHFA's goals for the program.

In order to respond to rising foreclosures and falling home values, IHFA's goals have a primary focus on neighborhood stabilization within tight target areas. Subrecipients/developers are expected to create measurable impact, mitigating housing decline and market collapse, according to HUD's 20% guideline.

Eligible Recipients of NSP3 Funding

Only previous NSP1 recipients that demonstrated capacity and success in the management of their NSP1 grant, operating in the high need target areas, subjected to the targeting criteria developed by IHFA, which includes areas identified under HUD's mapping tool as high need demonstrating a Need Index Score of 15-20, are identified as eligible for application for NSP3 funds.

IHFA has the discretion to review, and approve or reject requests from entities other than those identified above, seeking to be considered to be "eligible recipients", based upon presentation of credentials demonstrating sufficient expertise in applicable housing development and regulatory compliance activities, using NSP, CDBG or comparable federal resources.

Subrecipients/developers are encouraged to work with experienced housing developers and property management companies and other local units of government in meeting the stabilization needs of their identified target areas.

Eligible Uses and Activities

Eligible NSP3 Activities are for housing purposes -homeownership and/or rental. Transitional housing is not eligible. Except for certain limitations, all eligible uses identified in the Dodd-Frank Act will be available to the subrecipients/developers:

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.
- NSP funds used by Subrecipients and/or developers will have no interest rate accrual or repayment schedule other than to be repaid to IHFA at the time of closing of property sale to eligible homebuyer, less any amount approved to become "Homeownership Assistance" evidenced by a 2nd Deed of Trust to the homebuyer.
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop.
- Demolish blighted structures and redevelop (demolished or vacant properties as housing) within program timeline (limited to 10 percent of total grant funds).

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- Administration costs (limited to 10 percent of total grant funds).

Restrictions on Demolition

NSP3 funding through IHFA may only be used for demolition of blighted residential structures if the structures will be replaced with housing. Redevelopment activities using NSP3 funds must be for housing. Demolition must be part of a plan for redevelopment of the targeted neighborhoods. No more than 10% of funds may be used for demolition with a maximum of 11 properties. Subrecipients/developers should re-use cleared sites in accordance with a comprehensive or neighborhood plan within the NSP3 program timelines. All demolition sites should be planned for re-use within the term of a subrecipient's/developer's NSP grant as replacement housing.

Competitive Application Project Design

According to the NSP Policy Alert: Guidance on Mapping and Needs Data for State NSP3 Action Plans, published on January 3, 2011, "States may submit a description of the criteria they will use to select subrecipients or developers."

Subrecipients and/or developers submitting applications for NSP3 funding must demonstrate knowledge of their target areas with sufficient detail to IHFA to evaluate the extent in which the funds will stabilize and revitalize neighborhoods and generate a healthy living environment. Subrecipients/developers must demonstrate awareness of the problems experienced in the area or community as a result of the prolonged foreclosure crisis and abandonment of properties.

Applicants for NSP 3 funding must describe existing or anticipated targeted improvements' efforts to:

- Stabilize the residential structures
- Provide housing opportunities for eligible households
- Prevent additional foreclosures
- Engage residents in neighborhood stabilization
- Improve energy efficiency and/or green construction standards in neighborhood

Subrecipients/developers must describe the activities for which NSP3 funds will be used and how those activities will address the identified problems through NSP3 eligible uses, contribute to the stabilization of the targeted neighborhoods or blocks, and develop new housing opportunities in the targeted neighborhoods or blocks. Effectiveness of the activities to be undertaken can be demonstrated by describing past experience with the activity (either by the subrecipient/developer or others) and the proposed measurable outcomes.

Subrecipients/developers will be required to describe milestones expected at each six month interval, beginning at month nine, in terms of numbers of commitments entered into for acquiring, rehabilitating or demolishing properties. Subrecipients/developer's progress in meeting the projected number of properties assisted with awarded funds will be evaluated at regular intervals during the 20 months following the original start date of the grant. Overall program outcomes should describe the final disposition of property or funds, the use to which the redeveloped property will be put, and whether the property will be owner-occupied or rental.

Subrecipients/developers must describe any additional funding that can be leveraged and are expected to consider all funding resources and programs available to them, including those available through utility companies for energy efficiency improvements. Subrecipients/developers should specify whether they can access interim financing and thereby request minimal per property commitment of NSP funds or whether they will need to use NSP to finance total development costs. This will influence the number of properties to be assisted prior to recycling program income and will thereby impact the allowable size of the target area. Subrecipients/developers relying solely on NSP funding are asked to specify the area(s) into which they will expand their activities once they

have impacted 20 percent of the projected REOs and potentially have program income to use for additional activity.

Activities or projects proposed must include a line-item budget detailing the cost of the activity(s) and the anticipated outcomes in terms of units assisted, type of housing rehabilitated or redeveloped, the affordability range, units serving households up to 120% AMI or below 50% AMI, and the proposed end use, for homeownership or for rental. If a subrecipient/developer intends to contract with another entity to administer NSP3 awarded funds, the entity should be reflected in the program description.

NSP 3 requires that grantees establish procedures to create preferences for the development of rental housing. None of the State's current stock of Section 42, Section 8, USDA Rural Development, or HOME-funded affordable apartment properties located in the targeted census tracts have been foreclosed upon. The preponderance of foreclosed property is single-family detached in character, and located in neighborhoods comprised of similar single-family detached homes. While there may be some available bare land parcels that could potentially be developed into additional multi-family rental apartment units, the average total acquisition and development cost per unit for a 2-bedroom apartment in Idaho is currently ranging from an average of approximately \$120/square foot to \$145/square foot, with a total project cost to NSP that might approach \$2,000,000, due to the lack of other available leveraging resources. Single family foreclosed properties are selling for average values ranging from \$75/sq foot to \$115/sq foot, offering a greater resource investment leverage opportunity. With a minimum allocation of \$5,000,000 for Idaho, investing 35% or more of non-recyclable NSP resources to such a development seems a poor utilization of precious resources. Otherwise the NSP 3 resources can be expected to make a minimum of 40 homes available to homebuyers, with the potential of an additional 20 units being purchased and re-sold through recycling of the program income generated by the homes' sales to homebuyers. IHFA will allow subrecipients and developers to designate 15% of the total funds in the program to be invested in long-term low income single-family rental properties owned and managed by local affordable housing organizations or subrecipient entities.

In the project applications due by May 31, subrecipients/developers must demonstrate knowledge of their target areas with sufficient detail for IHFA to evaluate the extent in which the funds will stabilize and revitalize neighborhoods and generate a healthy living environment.

Program Requirements

- Activities must benefit middle and low-to moderate-income homebuyers and renters with household incomes not exceeding 120 percent of area median income. All rental households must have income levels that do not exceed 50% AMI.
- 25 percent of total grant funds must benefit low income households with incomes at 50 percent of area medium income or below.
- Homeownership Assistance is available which can include, closing costs, principal and/or interest write downs and is based on borrowers need with a maximum of 20% or \$40,000 whichever is less. Federal Funding imposes requirements on the properties to insure continued affordability. NSP funds will be structured as a 30-year, 2nd mortgage, no monthly payment, at 0% interest, all due and payable at the time of the sale of the property. Period of Affordability will not be terminated as a result of early pay off of the loan, unless it is in conjunction with the sale of subject property.

Assistance Amounts:	Period of Affordability in years:
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

- Income, Rent and Occupancy Restrictions for Rental Activities:

(1) The NSP Assisted Units shall bear maximum rents as follows:

Low HOME rents established by HUD HOME regulations for persons at or below 50% area Median income.

It is important that the rent charged is adequate to cover the operating costs of maintaining the rental property. Also, in determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, Subrecipient/developer must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

(2) The NSP Assisted Units shall be occupied only by households that qualify as Low-Income Families, defined as households with incomes no greater than 50% of Area Median Income, as published from time to time by HUD. Owners must verify and receive IHFA approval of income, assets, and all eligibility requirements prior to move-in and retain those records for the duration of the tenant. Tenant incomes must be certified as meeting the applicable income limits at initial occupancy and at any time a new tenant occupies a unit. Existing tenants are not required to recertify their incomes annually but new tenants must meet the prevailing income limits when taking occupancy of an NSP1-assisted unit throughout the Period of Affordability.

Rental Housing Activity:	Period of Affordability in years:
Rehabilitation or acquisition of existing housing per unit amount of funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

- Subrecipients/developers shall acquire properties at a minimum discount of 1 percent of the appraised value.

- Subrecipients/developers shall, to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. Vicinity is defined as each NSP3 target area. The following are suggested procedures:

- Outreach to workforce services, commercial associations, local churches, civic clubs, and other agencies/organizations
- Identify business phone numbers, search zip code lists
- Develop email distributions or mailers
- Utilize employment agencies
- Develop documents such as flyers, program sheets, and other general materials that provide additional information to community members
- Citizen participation process.

- If subrecipients/developers are unable to develop hiring or business opportunities for residents in the vicinity of the project, they must encourage employment of Section 3 residents and Section 3 businesses.

- All persons purchasing NSP3-assisted homeowner housing must receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency. In addition, subrecipients/developers intending to use NSP funds for homeownership opportunities for low-income households (below 50% of area median) must describe steps that will be taken to promote successful homeownership,

- e.g. pre and post-purchase counseling and the costs of such services, and identify the providers of such services and the source of funding for the support services.

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- Subrecipients/developers using NSP funds for demolition must describe short-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped, and the timeframe for likely redevelopment of the property.
 - Subrecipients must describe any continuing affordability restrictions that they may impose beyond the minimum required by IHFA.

Funding Decisions

Final funding decisions will be based on the extent to which a subrecipient/developer's project application description demonstrates that:

- The funding requested is part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values;
- It is feasible to use the requested funding within the required timeframe;
- The subrecipient/developer is maximizing opportunities to leverage other resources, both private and public; and
- The identified outcomes are achievable.

Time is of the essence, 50% and 100% of grant funds must be expended 24 months and 36 months respectively after HUD signs IHFA's Grant Agreement. Interim evaluations of awardees' performance in the obligation of funds will be conducted. Should insufficient progress be noted in the expenditure of funds, IHFA may re-allocate resources to best performing subrecipients/developers or offer direct assistance in order to meet the expenditure timeline. Should IHFA offer direct assistance, it may undertake any activity included in this Action Plan.

Reporting Requirements/ Evaluation

Subrecipients/developers will be required to submit actual outcome numbers as compared to projected numbers as stated in their agreement with IHFA. IHFA will undertake an evaluation of the uses and outcomes achieved with NSP3 funding.

Success in the use of NSP3 funds is viewed not merely in the numbers of houses bought, demolished or rehabilitated, but in the extent to which neighborhoods have been restored or stabilized, meeting the criteria of a functioning market. Subrecipients/developers will be required to submit information necessary to evaluate the success of the program.

C. DEFINITIONS AND DESCRIPTIONS

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

The State of Idaho does not define "blighted structure" in its statutes. For purposes of NSP 3, IHFA will use the national standard. "Blighted Structure" will be defined as follows:

Structures that have objectively determined signs of deteriorated conditions that are considered to be a threat to health, safety, and public welfare. Recent guidance has confirmed that "blighted" properties do not need to meet the definition of foreclosed or abandoned properties under NSP. All "blighted" properties will be inspected by a qualified inspector to confirm that the property does indeed meet the program definition.

(2) Definition of "affordable rents." IHFA will adopt the definition of affordable rents that is equivalent with Low HOME rents consistent with IHFA NSP1 Memorandum of Restrictive Covenants and Regulatory Agreement Article 1, Section 1.

(3) Continued affordability for NSP assisted housing. Affordability requirements for rental properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record. Affordability of owner-occupied housing will be enforced by recapture restrictions approved in advance by IHFA and consistent with IHFA's HOME program recapture or resale restrictions. Forms implementing continued affordability must be reviewed by IHFA before being implemented.

(4) Housing rehabilitation standards that will apply to NSP assisted activities:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: (Results of all assessment activities shall be disclosed to the purchaser prior to sale.)

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
- Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the ICBO and State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the ICBO, and/or minimum housing quality standards (HQS) of 24 CFR 982.401, whichever is the more restrictive.

Where local housing standards exist, subrecipients/developers must identify the standards that will apply to their projects and provide a copy to IHFA. As projects are rehabilitated, the subrecipients/developers must document how each project meets the local standard, or HQS if there is no local standard, for IHFA's monitoring review.

Required Rehabilitation Activities: In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

- Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the assessment. Any moldy materials that cannot be properly cleaned must be removed.
- Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- Installation of GFCI receptacle protection in locations as required for new construction.
- Application of relevant Green Communities Criteria to any building component that is modified or altered during a financed activity; including selecting Energy Star qualified products.
- Water efficient toilets, showers, and faucets, such as those with the Water Sense label, must be installed.
- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances. The subrecipient/developer must submit to IHFA prior to purchase of any eligible property, a biography of any inspector, contractor, or assessor proposed to provide services during the rehabilitation process when any

hazardous material is present in the property, or the property must be assessed for the presence hazardous materials due to any property's being constructed prior to 1978. This information must include copies of individuals' pertinent credentials and summary of applicable experience, for review and approval by IHFA. In the event that IHFA does not approve the proposed individual's credentials, IHFA will have the right to propose an alternate acceptable individual to provide services deemed to be "project delivery" costs and eligible for NSP reimbursement. If the subrecipient chooses not to accept the recommendation of IHFA, in order to purchase and rehab a pre-1978 housing unit, the subrecipient will be required to provide a comprehensive Hold Harmless and Indemnification Agreement that removes IHFA from any and all liability for the assessment, inspections, contracting, abatement and clearance determinations associated with pre-1978 property.

Gut Rehabilitation and New Construction: All gut rehabilitation (i.e. general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls) or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.

Demolition: Any site proposed for demolition must have a redevelopment plan that initiates construction within three months after demolition.

D. LOW INCOME TARGETING – INCOME RESTRICTIONS

At least \$1,250,000 of the grant funds administered by IHFA will be used to house individuals and families with incomes not exceeding 50% of AMI.

Activities funded with NSP funds must benefit households with incomes at or below 120% of area median income (low, moderate and middle income households). Each subrecipient/developer must use at least 26.4% of its funding award to house individuals and families with incomes at or below 50% of area median income. This percentage may be revised upon receipt of subrecipient/developer's final project description application.

E. ACQUISITIONS AND RELOCATIONS

IHFA will award its NSP3 funds to subrecipients and qualified developers. \$500,000 (10%) of the NSP3 funds granted to IHFA will be allocated to administration and planning.

At least \$4.5 million of the funds granted to IHFA will be used for projects. Based on the expected average total development per unit cost to NSP3 of \$120,000, IHFA anticipates that more than 37 units will be assisted. Of those units, it is estimated that 10-15 units will be available for households at or below 50% of AMI.

Demolition or conversion of low-, moderate-and middle-income dwelling units may be deemed an important part of neighborhood stabilization by subrecipients/developers, if a blighted structure is beyond repair.

When acquiring property, the subrecipient/developer must ensure that the owner is informed in writing of what the subrecipient/developer believes to be the market value of the property; and that the subrecipient/developer will not acquire the property if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)). Requirements for compliance with Relocation assistance under the NSP Program are found at 42 U.S.C. 5304(d). As only properties that have been vacant for 90+ days, or properties with proof of original homeowner's vacancy due to foreclosure within 90 days, are eligible for IHFA's NSP3 program, the need for availability of relocation assistance is not anticipated.

F. PUBLIC COMMENT

Response to Public Comments State of Idaho Substantial Amendment to its 2011 Action Plan Neighborhood Stabilization Program (NSP3)

On February 8, 2011, IHFA posted the draft substantial amendment and a notice of the draft's availability on its website.

On February 8, 2011, IHFA emailed a notice of availability of the substantial amendment and public comment period and public hearing to organizations and individuals who had signed up for email publication of items of interest to IHFA's stakeholders. Official legal notices were published in all major newspapers across Idaho by requesting comments. A legal notice was also placed in Idaho's Spanish newspaper, Idaho Unido, in both Spanish and English. Additionally, the Plan was emailed to stakeholders across the State for public comment and made available for review in local libraries and IHFA's branch offices located in Coeur d'Alene, Lewiston, Twin Falls and Idaho Falls.

The following summarizes the comments received and responses to each.

NSP Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second loans for low-and moderate-income homebuyers	As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(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); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties.
(C) Demolish blighted structures	24 CFR 570.201(d) Clearance for blighted structures only.
(D) Redevelop demolished or vacant properties as housing	24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (i) Relocation, and (n) Direct homeownership assistance (as modified below). 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. 24 CFR 570.204 Community based development organizations. New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.
(E) Administration	24 CFR 570.206

G. NSP3 ELIGIBLE USES

National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP3 Notice—i.e., $\leq 120\%$ of area median income).

These activities meet the Dodd-Frank Act low-, moderate-and middle-income national objective by providing housing that will be occupied by households with incomes at or below 120% of area median income, and households with incomes at or below 50% AMI.

Limited Conditions: Administration and Demolition costs are each limited to 10% of grant funds.

Projected Start Date: HUD signing IHFA's agreement

Projected End Date: 2014

Responsible Organization: The responsible organizations that will implement IHFA's State Grant will be determined by the competitive application process and additional information regarding their programs will be posted on IHFA's website on or before May 31, 2011.

IHFA is the state's responsible organization. 535 W. Myrtle Street, Boise, ID 83702 (P O Box 7899, Boise, ID 83707-1899) Agency Contact: Julie Williams; (208) 331-4889; juliew@ihfa.org

H. NSP INFORMATION BY ACTIVITY

All subrecipients/developers may need to modify their activities based upon the dynamics of the target area throughout the duration of their program. Should the subrecipient/developer need to modify the activities in their plan midstream to improve impact, the subrecipient/developer must provide adequate information to IHFA prior to such planned modification such that IHFA may conduct an internal evaluation and determine/approve additional Eligible Uses A, B, C, D, or E accordingly, and prior to submission of cost reimbursement for said modified activities.

As noted in Section B, subrecipients/developers have been asked to specify whether they can access interim financing and thereby request minimal per property commitment of NSP funds, or whether they will need to use NSP to finance total development costs. Access to interim financing will influence the number of properties to be assisted prior to recycling program income and will thereby impact the allowable size of the target area. Subrecipients/developers relying solely on NSP funding will be asked to specify the area(s) into which they will expand their activities once they have impacted 20 percent of the projected REOs and have program income they can use for additional activity.

Program Income will not be automatically reallocated to subrecipients/developers according to initial activity grants. As program income is received, IHFA will review and assess areas of need, stabilization results, and subrecipient/developer performance, and allocate program income accordingly.

IHFA is eligible for 10% of the total grant funds to be used towards administration costs.

The individual subrecipient/developer budgets submitted through the competitive application process will be required to indicate any portion of the total administration funds requested in their project application, with appropriate justification information. In no case will IHFA receive less than 2% of the amount of each grant awarded, to be used by IHFA for associated grant administration and reporting responsibilities.

SUMMARY OF ACTIVITIES

Total Funds Allocated:	\$5,000,000	
Administration (10%):	\$ 500,000	
Net available for Program Activities:		\$ 4,500,000

Acquisition/Rehabilitation and Resale – Homebuyer		\$ 4,000,000 (89%)
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The acquisition and rehabilitation(as needed) of foreclosed properties and resale to eligible homebuyers at 120% or below Area Median Income(AMI). 25% of activity must serve households at or below 50% AMI.

Acquisition/Rehabilitation – Rental		\$ 500,000
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The acquisition of foreclosed properties to be used as long term community rentals specifically to serve households at or below 50% AMI. This activity may emphasize the expansion of permanent special needs housing.

Administration		\$ 500,000
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Ten percent of the NSP funds allocation is available for administrative use. If applicants can demonstrate that they have administrative cost expectations beyond delivery costs, budgets may indicate administration activities. In no case will IHFA receive less than 2% of the total grant awarded to any subrecipient/developer for the purpose of covering IHFA's ongoing administrative activities such as accounting and reporting activities.

CERTIFICATIONS

- (1) **Affirmatively further 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.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.
- (10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to
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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.

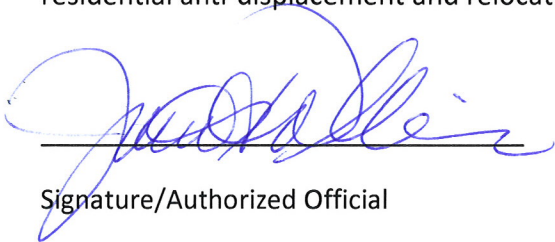
(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing 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.

(16) **Anti-displacement and relocation plan.** The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.


Signature/Authorized Official

3-15-2011
Date

Appendix: NSP3 Action Plan Contents Checklist

The checklist below is an optional tool for NSP3 grantees to help to ensure that all required elements of the NSP3 Substantial Amendment or the Abbreviated Plan are submitted to HUD. This checklist only includes the minimum required elements that must be included in the NSP3 Action Plan and grantees may want to add additional details. This document must be protected, as described above, in order to use the checkboxes in this checklist.


1. NSP3 Grantee Information

	Yes
Did you include the Program Administrator's name, address, phone, and email address?	<input checked="" type="checkbox"/>

2. Areas of Greatest Need

	Yes
Does the narrative description describe how funds will give priority emphasis to areas of greatest need?	<input checked="" type="checkbox"/>
Does the narrative description specifically address how the funds will give priority emphasis to those areas:	
• With the highest percentage of home foreclosures?	<input checked="" type="checkbox"/>
• With the highest percentage of homes financed by subprime mortgage related loan?; and	<input checked="" type="checkbox"/>
• Identified by the grantee as likely to face a significant rise in the rate of home foreclosures?	<input checked="" type="checkbox"/>
Did you create the area of greatest needs map at http://www.huduser.org/NSP/NSP3.html ?	<input checked="" type="checkbox"/>
Did you include the map as an attachment to your Action Plan?	<input checked="" type="checkbox"/>
<i>ONLY Applicable for States:</i> Did you include the needs of all entitlement communities in the State?	<input checked="" type="checkbox"/>

3. Definitions and Descriptions

	Yes
Are the following definitions and topics included in your substantial amendment?:	
• Blighted structure in context of state or local law,	<input checked="" type="checkbox"/>
• Affordable rents,	<input checked="" type="checkbox"/>
• Ensuring long term affordability for all NSP funded housing projects,	<input checked="" type="checkbox"/>

<ul style="list-style-type: none"> Applicable housing rehabilitation standards for NSP funded projects 	<input checked="" type="checkbox"/>
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4. Low-Income Targeting

	Yes
Did you identify the estimated amount of funds appropriated to provide housing that meets the low-income set aside target?	<input checked="" type="checkbox"/>
Did you provide a summary describing how your jurisdiction will meet its low-income set aside goals?	<input checked="" type="checkbox"/>

5. Acquisition & Relocation

	Yes
For all acquisitions that will result in displacement did you specify:	
<ul style="list-style-type: none"> The planned activity, 	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> The number of units that will result in displacement, 	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> The manner in which the grantee will comply with URA for those residents? 	<input checked="" type="checkbox"/>

6. Public Comment

	Yes
Did you provide your draft of the NSP3 substantial amendment for a minimum of 15 days for public comment?	<input checked="" type="checkbox"/>
Did you include the public comments you received on the NSP3 substantial amendment in your plan?	<input checked="" type="checkbox"/>

7. NSP Information by Activity

	Check all that apply
Did you include a description of all eligible NSP3 activities you plan to implement with your NSP3 award?	<input checked="" type="checkbox"/>
For each eligible NSP3 activity you plan to implement did you include:	
<ul style="list-style-type: none"> Eligible use or uses? 	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Correlated eligible CDBG activity or activities? 	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Associated national objective? 	<input checked="" type="checkbox"/>

• How the activity will address local market conditions?	<input checked="" type="checkbox"/>
• Range of interest rates (if any)?	<input checked="" type="checkbox"/>
• Duration or term of assistance?	<input checked="" type="checkbox"/>
• Tenure of beneficiaries (e.g. rental or homeowner)?	<input checked="" type="checkbox"/>
• If the activity produces housing, how the design of the activity will ensure continued affordability?	<input checked="" type="checkbox"/>
• How you will, to the maximum extent possible, provide for vicinity hiring?	<input checked="" type="checkbox"/>
• Procedures used to create affordable rental housing preferences?	<input checked="" type="checkbox"/>
• Areas of greatest need addressed by the activity or activities?	<input checked="" type="checkbox"/>
• Amount of funds budgeted for the activity?	<input checked="" type="checkbox"/>
• Appropriate performance measures for the activity (e.g. units of housing to be acquired, rehabilitated, or demolished for the income levels represented in DRGR) ?	<input checked="" type="checkbox"/>
• Expected start and end dates of the activity?	<input checked="" type="checkbox"/>
• Name and location of the entity that will carry out the activity?	<input checked="" type="checkbox"/>

8. Certifications

	Yes
Did you sign and submit the certification form applicable to your jurisdiction?	<input checked="" type="checkbox"/>

9. Additional Documentation

	Yes
Did you include a signed SF-424?	<input checked="" type="checkbox"/>